E&B Natural Resources Management

A Growth Oriented California Based E&P Company

January 2012
E&B – Dynamic, Profitable and Growing

- Owns and operates 25+ oil and gas fields in California, Louisiana, Kansas and Wyoming
- Produces approximately 7,500 barrels of oil per day, and 5,250 mcf of gas per day (gross)
- Has over 60 million barrels of oil equivalent in proved reserves
- Has a 33% annualized growth rate in production and a 25% annualized growth rate in reserves over the past three and five year periods
- Owns and operates 10 dedicated field service rigs
- Through its affiliation with Excalibur Well Services, has access to a full suite of drilling, production, workover, and service rigs along with associated cementing and well servicing equipment.
E&B has grown rapidly over the last several years. Since 2008, E&B has added over 100 new employees. Current employee count is over 200 and growing rapidly.

Other admin/personnel highlights include:

- Moved to new Headquarters in March 2008
- In 2009, opened an office in Houston to manage Gulf Coast operations and exploration
- Established and maintain multiple field offices in California, Louisiana, Kansas, and Wyoming.
- In 2008/9, E&B’s benefits were updated and expanded and now include a new and improved 401K plan, a Flex Spending Plan, Supplemental Life Insurance, and the continuation of highly competitive medical and dental benefits.
E&B Natural Resources is committed to conducting its business lawfully, ethically and in a socially and environmentally responsible manner. With operating experience in both urban and environmentally sensitive areas, E&B Natural Resources believes exemplary performance in the areas of health, safety, and the environment (HSE) is a critical component of our business plan, as well as an essential element in fulfilling the expectations of the communities in which we operate. For this reason, we seek to honor the following:

**Health and Safety** – Occupational health and safety values will not be compromised. No job is so important and no task so urgent that the necessary steps cannot be taken to perform it safely and maintain the health of our employees, contractors and the public.

**Environmental Protection** – E&B Natural Resources will respect the environment in which we operate at all times. We will employ appropriate technology to minimize discharges, reduce waste, use materials efficiently and encourage recycling in all of our operations.

**Contractor Operations** – E&B Natural Resources will require high quality, environmentally sound and safe work from our contractors. We expect our contractors to supply and retain quality personnel adequately trained to perform their jobs safely.

**Compliance** – E&B Natural Resources adhere to and implement industry best practices and will comply with all applicable environmental, health and safety laws and regulations.
Current Portfolio Strategy:

“Build for Longevity and Value Creation”
Our Strategy for Success

Core Principles

Maintain Capital Discipline

- Use operational cash flow to develop existing opportunities
- Use financing primarily for proved, producing acquisitions that have significant upside potential
- Judiciously use hedges to ensure adequate development capital in any price environment

Optimize and enhance production of existing assets while selectively acquiring new underdeveloped assets with significant upside

- Use infield drilling, horizontal wells, and select EOR to capture bypassed oil in existing fields
- Improve the longevity and value of existing assets by proving up probable and possible reserves
- Use seismic and other geophysical techniques to expand known field boundaries of existing assets
- Add growth assets by acquiring underdeveloped producing fields and/or land

Create a dynamic and opportunistic work environment

- Maintain a minimal hierarchy in order to encourage open dialog
- Establish a team oriented structure that creates a cross functional atmosphere
- Encourage idea creation and reward those who take risks and create opportunities

Strategies

Vision

“To become a recognized leader within the industry as measured by growth, profitability, value creation and safety”
Key Asset / Portfolio Objectives

- Create a portfolio of assets with substantial upside opportunity and minimal capital intensity thereby ensuring profitability and growth in all price environments.

- Capture not only the booked reserves of our current assets, but increase reserves through enhanced oil production of the remaining oil in place.

- Maintain an oil weighted portfolio in both production and reserves.

- Create a portfolio with an R/P ratio of at least 20 years.

- Establish several diversified core areas of operation.

- Maintain both scheduling and financial flexibility through vertical integration of drilling and production services.

- Selectively, yet aggressively pursue acquisitions that improve the size and scale of current assets or enhance portfolio and regional diversification.

- In general, avoid high cost areas of operation with significant competition or substantial capital costs.
## Desired Asset Characteristics

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<th>E&amp;B’s Target Range</th>
<th>Cost of Entry</th>
<th>Capital Cost</th>
<th>Complexity</th>
<th>Competition</th>
<th>Profitability</th>
<th>Longevity</th>
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In addition to its own fleet of rigs, E&B Natural Resources also has access to a large fleet of drilling rigs, workover rigs, and well services through its affiliation with Excalibur Well Services Corp (another Galesi owned corporation).

Excalibur Well Services provides a wide array of well servicing, drilling and related services for the oil and gas industry in California. Highlights include:

- An inventory of 31 well servicing/workover rigs (both doubles and singles) and one (double) drilling rig
- Coil Tubing units (3)
- Cementing services
- Wireline services
- Oilfield trucking services (hydrocranes, vacuum trucks, flatbed and lo boy trailers)
- Well abandonment capabilities

When combined with the capabilities of Excalibur Well Services, E&B Natural Resources has the ability to quickly pursue new opportunities related to field development and revitalization.
Targeted and Opportunistic Acquisitions

Acquisition History:

2003 - Acquired Russell Ranch (200 bopd)
2004 - Acquired Cuyama (800 bopd)
        Acquired Belgian Anticline (20 bopd)
2005 - Acquired Salt Creek (20 million barrels of oil in place)
2007 - Entered into a multiple Property JV in the McKittrick and Kern River fields (fully acquired in 2009)
2008 - Acquired Bellaire’s Poso Creek assets (land and leases)
        Tejon Hills Acquisition (25 bopd)
2009 - Wyoming and Johnson's Bayou acquisitions (100 bopd, 500 mcfd)
2010 - Acquired properties Edison, South Belridge (60 bopd)
        Acquired Wilmington (100 bopd) and Long Beach (60 bopd) establishing new operating area in Los Angeles Basin.
        Acquired coal bed methane properties in Wyoming (4 MMcfd)
        Acquired Enas / McVan properties in Poso Creek (leases)
2011 - Acquired Beverly Hills and Cheviot fields (250 boepd)
        Acquired Central Kansas assets (300 bopd)
        Acquired Multiple fields in Louisiana (100 bopd)

E&B is an active acquirer of producing properties, and remains committed to strengthening our asset portfolio through strategic and/or opportunistic acquisitions.
Portfolio Strategy -
Results to Date
Production has grown at a compounded rate of 33% annually for the last five years.
20% Annualized Reserve Growth

2007 Reserves (Millions BOE)
- 6.9 Proved Developed
- 1.1 Proved Developed Behind Pipe
- 12.8 Proved Developed Not Producing
- 10.9 Proved Undeveloped
- Total: 31.7 MMBOE

2009 Reserves (Millions BOE)
- 15.5 Proved Developed
- 0.6 Proved Developed Behind Pipe
- 23.8 Proved Developed Not Producing
- 6.7 Proved Undeveloped
- Total: 46.6 MMBOE

2011 Reserves (Millions BOE)
- 18.3 Proved Developed
- 6.3 Proved Developed Behind Pipe
- 34.3 Proved Developed Not Producing
- 0.7 Proved Undeveloped
- Total: 59.6 MMBOE

20% Annualized Growth since 2007
A Balanced, Diversified Portfolio

**San Joaquin Basin**
This region represents the bulk of E&B’s value and production. Many of the fields have tremendous upside through thermal recovery.

**Fields:** 15  
**Acreage:** >50,000  
**Production:** 5,000 boe pd

**Mid-Continent**
This region represents E&B’s latest expansion and is comprised of fields in Wyoming and Kansas.

**Fields:** 5  
**Acreage:** > 5,000  
**Production:** 500 bop d, 4,000 mcfd

**Gulf Coast**
A growing core operating area with substantial upside through development and acquisition.

**Fields:** 7  
**Acreage:** > 5,000  
**Production:** 500 boe pd

**Los Angeles Basin**
This region represents a new and growing area of operation. Fields have significant redevelopment potential.

**Fields:** 3  
**Production:** 500 boe pd
A Long-Lived Portfolio
E&B’s Portfolio: A Closer Look

- California Assets
- Gulf Coast Assets
- Mid-Continent Assets
California represents the majority of E&B’s production and reserves. Characteristics of these assets include:

- Oil weighted with long RPs
- A blend of heavy oil (Poso Creek), medium gravity oil (Antelope Hills) and light oil (Cuyama, Tejon Hills)
- Significant redevelopment potential through infill drilling, workovers, and EOR (Kern River, McKittrick)
- New and significant thermal opportunities have been added to our portfolio (Poso, Poso McVan, McKittrick, Blackwells Corner)
- Expanded into Los Angeles Basin in 2010 with acquisitions in the Huntington and Wilmington fields
- Exploration potential in Cuyama, Russell Ranch, Belgian Anticline and Antelope Hills
E&B’s core asset is Poso Creek. A legacy asset, E&B continues to expand operations in this field through an aggressive mix of drilling, acquisitions, facility expansions, and EOR. Highlights include:

- **Production** - Production in January 2005 was 685 BOPD (gross); with drilling and acquisitions, the field is now producing 3,500 BOPD (gross)

- **Development** - Since 2007, E&B has drilled more than 200 wells and sidetracks. In 2010, its first horizontal well. Since then, an additional 15 horizontal wells have been drilled adding more than 500 bopd of production.

- **Thermal Development** – Thermal operations have been used to augment production since 2008. Going forward, E&B intends to initiate large scale thermal steam floods based on past history and current results.
The Past

- These assets were acquired from Hallador Petroleum (Cuyama) and JP Oil (Russell Ranch) in the 2003/2004 time frame
- Until recently, was held in managed decline
- With minimal CAPEX, these fields have provided significant free cash flow over the past three years

Current Efforts

- Cuyama Asset Team formed in 2009
- Five well program initiated in September 2010 to test multiple objectives and determine extent of bypassed oil
- In 2011, under the guidance of the Geoscience Team, a large 3D seismic shoot was undertaken in an effort to further understand this underexplored California basin
Kern River represents E&B’s premier Steamflood. Twenty plus additional wells have been permitted and field is generating significant free cash flow

- **Production** - Production is currently averaging 600 gross bopd.

- **Cash Flow** - At current prices, field is generating significant free cash flow after capital expenses which helps fund other development projects.

- **Development** – 22 additional wells were drilled in late 2011/early 2012. These wells are expected to add 150-200 bopd in incremental oil, and overall production is projected to plateau around 800 bopd.
In 2010, E&B entered the Los Angeles Basin through the acquisition of fields in Wilmington and Huntington Beach. Our position within the region was bolstered in 2011 with the acquisition of the Beverly Hills and Cheviot Fields. All of these fields have significant redevelopment potential.

- **Production** - Production currently exceeds 500 boepd
- **Reserves** – Reserves currently exceed One million barrels of proved recoverable oil and gas equivalents
- **Future Development** – includes re-initiating a waterflood in Wilmington, redeveloping the Long Beach assets, and optimizing and pursuing new production zones in the Beverly Hills and Cheviot fields. If all programs are successful, upside production could exceed 2,000 boepd by 2014

**Urban Operating Environment** – Fields within the Los Angeles Basin often reside within urban settings. This leads to unique engineering requirements and the need for close cooperation with local residents.
E&B maintains a significant portfolio of smaller assets throughout the San Joaquin Valley. These assets yield significant cash flow and/or possess unrecognized redevelopment potential...

- **Cash Flow** – E&B fields such as Antelope Hills, Livermore, and South Belridge all have very stable and low operating costs and provide significant free cash flow.

- **Upside Potential** – Fields such as Blackwells Corner, McKittrick, and Salt Creek have been targeted for thermal recovery. The Tejon Hills flood is scheduled for a pilot waterflood in 2012.

- **Unrecognized Potential** – McDonald Anticline, Belgian Anticline, and the Tejon flats region all have significant potential due to exploration possibilities, shale development, or other large volumes of oil in place.
In 2004, E&B branched out beyond California through the acquisition of the Jennings field. Since then, E&B has expanded its operations to include Edgerly, Golden Meadow, Johnson’s bayou and several other smaller fields.

- **Production** – Current production is 500+ boepd E&B’s strategy is to acquire overlooked assets and to apply our expertise in mature field revitalization.

- **Development** - Implemented an aggressive redevelopment program targeting bypassed oil in Edgerly and Golden Meadow. 8 new wells were drilled in 2010, and another 28 are scheduled.

- **Upside** – All of E&B’s fields in this region have a large inventory of inactive wells, new locations and exploration potential.

In 2009, E&B opened and staffed an office in Houston to oversee our expanding operations in this area.
Edgerly is a unique asset for E&B. With tremendous infill and behind pipe opportunities, the bulk of this regions’ capital will be used to aggressively redevelop this field.

- **Production** – Field on average produced 80 bopd from acquisition through mid-2011. With new wells, field has surpassed 300 bopd and is growing rapidly.

- **Development Program** – There is an active drilling program underway; 14 wells have been drilled in the past year, all successful. There are 18 additional wells planned for 2012 and another 35 to 45 locations have been recognized as future development wells.

- **Land and Seismic** - E&B also has a large leasehold position of approximately 1,500 Acres in and around the fee property. Additionally, during 2011, E&B purchased approximately 80 square miles of 3D seismic which covers the entirety of the dome.
E&B has acquired multiple fields in the onshore south Louisiana region. These fields are all characterized as mature and sub-optimized. Each has significant upside that can be recognized through field optimization and adjacent exploration…

- **Golden Meadow** – E&B’s Golden Meadow position is substantial. A large redevelopment plan is scheduled to be undertaken in late 2012. Up to 50 wells could be drilled targeting several plays, both shallow and deep.

- **Johnson’s Bayou** – Until recently, this was E&B’s top producing field in the region. Several new locations targeting bypassed oil have been identified and will likely be drilled in 2013.

- **Other Assets** – Jennings and the recently acquired Opelousas field are currently being studied for redevelopment. Water flooding and deeper drilling all have the potential to increase production dramatically.
In 2011, E&B Natural Resources established a significant presence in the state of Kansas through the acquisition of producing properties in the Bemis-Shutts, Marcotte, Waltz, and Chase-Silica fields. This acquisition added 400 bopd of high quality long-lived oil production to E&B’s portfolio.

- **Production** – Current production is approximately 400 bopd
- **Kansas Development** – 12 wells are scheduled to be drilled in Kansas during 2012.
- **Upside Potential** - New geophysical interpretation of these assets indicates substantial oil remains within multiple structural features. These are targeted for drilling in the later half of 2012. In addition, a study is underway to realign and improve the existing waterflood.
- **The Future** - Going forward, E&B plans to aggressively pursue additional opportunities in this new core area through a combination of drilling, leasing, acquisitions and joint ventures.

Winter Drilling in Bemis Shutts Field
In 2010, E&B acquired several fields in Wyoming, thereby establishing a mid-continent operation. This operation was substantially bolstered by additional acquisitions during 2011 that substantially added to our Wyoming position.

- **Production** – Current production is approximately 70 bopd and 4,000 mcfd

- **Wyoming Development** – Plans are underway to drill new wells and re-align the waterflood on the recently acquired Victor Federal unit. Additional opportunities will be aggressively pursued in and around this region.

- **The Future** - E&B plans to aggressively expand its presence in this area through development and acquisition of oil producing properties.
The Future: E&B’s Path to Extraordinary Growth
Major projects underway include:

- **The McVan Thermal Development** – This new addition to E&B’s portfolio is the site of an ongoing thermal development. Adjacent to the very successful Berry Petroleum steamflood, full steam injection is anticipated by late 2012 resulting in a very substantial increase over current production.

- **Poso Steamflood** – This project, which lies within the current production boundaries of our Poso Creek field, is scheduled for development in 2012 with over $20 million in capital budgeted for this effort. Based on previous pilot programs, production increases may exceed several thousand bopd with two years.

- **Other Major Capital Programs** include the large-scale Louisiana field redevelopment projects, Los Angeles Basin field optimization, and an aggressive Kansas/Midcontinent drilling program.
Extraordinary Long Term Growth

Longer-Term projects include:

- **McKittrick** – The McKittrick field is located in western Kern county and is in the heart of the prolific heavy oil fields that dominate regional production. Oil in place is estimated to be 15 million barrels. The project is slated for 2013 and using an adjacent Berry Petroleum analog, risked net production is projected to peak at 3,000 to 5,000 bopd within 3 - 4 years of continuous steam injection.

- **Blackwells Corner** - The Blackwells Corner field is located in the far north west corner of Kern County. It is fairly well defined but has never been developed beyond a few primary producers. Oil in place is estimated to be 23 million barrels and the thermal potential is high. Project is slated for 2013.

- **Other Long-Term Developments** include the large-scale Louisiana field redevelopment projects, Los Angeles Basin field optimization, and an aggressive Kansas/Midcontinent drilling program.
In addition to developing and producing oil and natural gas, E&B Natural Resources has and will invest in environmentally friendly technology companies including:

**Green Earth Technologies** ([www.getg.com](http://www.getg.com))
- In 2010, E&B provided equity funding to Green Earth Technologies, an environmentally friendly tech company that produces environmentally safe and biodegradable motor and marine products including bio-based G-OIL™ SAE 5W-30, and the G-Marine line.
- In addition to its equity investment, E&B Natural Resources initiated an internal program to use GETG ultimate biodegradable products in its operations.

**E&B Green Solutions**
- In 2012, E&B Natural Resources formed E&B Green Solutions, LP with the goal of providing environmentally friendly cleaning solutions to the oil and gas industry.
In Conclusion - A Very Bright Future!

The oil and gas industry has seen remarkable change over the past five years. New resource plays, new technologies, along with an ever growing demand for oil and gas have created an environment in which companies like E&B Natural Resources can grow. However the issues of cost, competition, and resource scarcity loom large. Thus it is imperative that E&B Natural Resources manage its portfolio and finances in a sound and prudent manner. Through our strategy of building a portfolio based on long-lived, low cost, and easily developed resources, E&B has managed to steer through these exciting times and has managed to post a growth record that is unrivaled. Going forward, we feel our strategy remains relevant and will continue to lead to significant growth in production and reserves on an annualized basis.
Management
Steve Layton, President – Mr. Layton has served as President of E&B since 2000. During his career, Mr. Layton has been actively involved in building and managing several oil and gas companies including two that were acquired by Francesco Galesi in 2000 along with E&B Natural Resources. Mr. Layton is a member of the National Petroleum Council, the Board of Directors of the Louisiana Independent Oil and Gas Association and the California Independent Petroleum Association. Mr. Layton has also served as a Director and as Governor of the Houston Region for the Independent Petroleum Association of America and as President of the National Stripper Well Association. Mr. Layton earned a BS and MBA from the University of Tulsa.

Jeff Blesener, Vice President, Engineering – Jeff Blesener joined E&B Natural Resources as VP of Engineering in 2003. He has over 25 years of experience in the oil and gas industry and is responsible for the day-to-day operations and general engineering supervision of E&B’s technical and field staff. Mr. Blesener has a B.S. degree in Soil Science from California State Polytechnic University at Pomona and a M.S. in Petroleum Engineering from the University of Southern California.

Bill Moody, Vice President, Gulf Coast Operations – Bill Moody joined E&B Natural Resources in 2009. Mr. Moody has 30+ years of experience in Gulf Coast exploration and will lead E&B Natural Resources’ efforts in this region. Mr. Moody has an M.S. in geology and is a member of the AAPG and various other professional organizations.

Frank Ronkese, Treasurer and Chief Financial Officer – Mr. Ronkese is responsible for financial reporting, financing, price-risk management of derivatives, and is in charge of the Accounting, Risk Management and Human Resources departments. In addition Mr. Ronkese is a Vice President of the Galesi Group where he has served for over 23 years with the group. Mr. Ronkese is a graduate of Siena College, Loudonville, New York and is a Certified Public Accountant.
Jim Tague, Vice President, Finance and Planning – Jim Tague joined E&B Natural Resources in 2008. Mr. Tague is responsible for E&B’s annual forecast and budget, business and new venture development, conducting acquisition due diligence, preparing annual reserve reports, and overseeing corporate communications. Mr. Tague has a B.S in Materials Science and Engineering from the University of Florida, a M.S. in Petroleum Engineering from the University of Texas, and an MBA from the University of Phoenix.

Gary Richardson, Vice President, Land – Gary Richardson joined E&B Natural Resources in 2008. He has over 25 years of experience in the oil and gas industry and is responsible for the management of E&B, Elysium and Hexadyne’s Land Department staff and portfolio of properties and other oil and gas interests in California, Texas and Louisiana. Mr. Richardson has a B.S. degree in Petroleum Land Studies (PLM) from California State University at Bakersfield and is a Registered Professional Landman.

Pamela Sun, Controller - Pamela Sun joined E&B Natural Resources in 2007. She has MBA from California State University at Bakersfield. Ms. Sun has over 13 years of experience in accounting and is responsible for monthly financial statements and all aspects of accounting for E&B and its affiliates.

Christy Swatzell, General Manager, Human Resources – Christy Swatzell joined E&B Natural Resources in 2007. She has over 15 years experience in managing Human Resources and is responsible for managing all of E&B’s administrative, staffing, and HR needs. Ms. Swatzell is a member of SHRM (Society of Human Resources Management) and has HR Certification from the California State University Bakersfield.
The Galesi Group has been engaged in the exploration, development and production of oil and natural gas since 2000 when it formed a joint venture with Patina Oil and Gas Corporation (POG – NYSE) to own and operate the company known as Elysium Energy, LLC. In 2003, the Galesi Group dissolved the joint venture and received certain oil and gas interests. These oil and gas interest are owned and controlled by Francesco Galesi through several entities commonly referred to as E&B Natural Resource Management Corporation and Affiliates (E&B).

The Galesi Group was founded in 1969 by Mr. Francesco Galesi. During the 1960s, Mr. Galesi purchased and transformed surplus military depots in upstate New York and converted them into major industrial parks. The conversion of these properties subsequently led Mr. Galesi into the warehousing and distribution business. His visions led to further corporate growth and diversification with the acquisition and development of additional real estate holdings, including residential and commercial sites, the acquisition and restoration of the historic Equinox Resort in Manchester, VT, and ownership in E&B Natural Resource Management Corporation, an oil and gas company. Mr. Galesi's work has impacted states coast to coast, earning him the Presidential "Award of Achievement" for his contribution to the economic development of the United States.

Additional information can be found through the Galesi Group website www.galesi.com