Issue 6
Mid-Year 2011 Edition

September 9, 2011

New York • London

Private Equity Focus
Freeman & Co. LLC

Inside this Issue:

Indices at September 8, 2011

DJIA	11,296
NASDAQ	2,529
S&P 500	1,186
FTSE 100	5,340
10-yr US T-Bond	1.99%
USD per GBP	$1.60
USD per Euro	$1.39

Another New Normal

The trend of private equity investing in financial services ("FIG PE") closely correlates to the story of the general PE market over the past few years: while deal activity has not approached that of the boom time years of 2004-2007 (and likely won't in the near future), it has rebounded significantly since the depths of the financial crisis. Much like the economy as a whole (recent market volatility notwithstanding), FIG PE has also seemingly entered its "new normal" period – a period of moderate, sustainable deal activity driven by a relatively orderly marketplace.

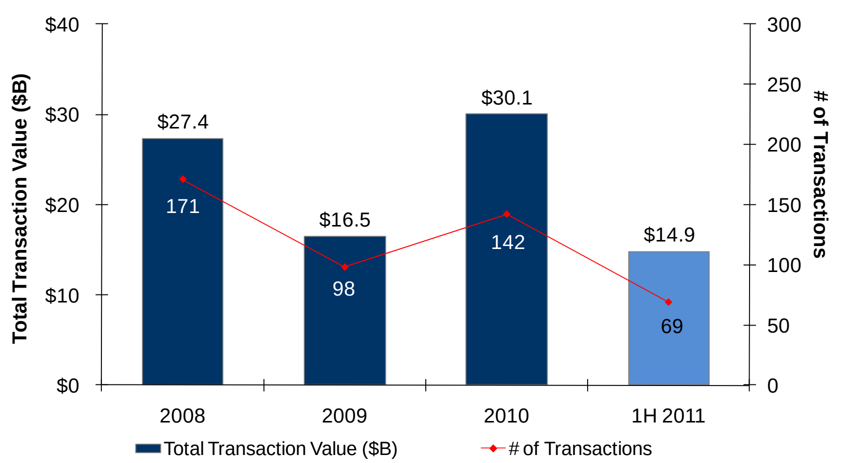
This report will cover several trends we have seen that could govern the activity in FIG PE in the coming years:

1. Capital Overhang: PE firms raised record amounts of capital from 2005-2008, and while a considerable portion has been deployed, uncommitted capital held by PE firms is still estimated to be over $300 billion

2. Normal Valuations: Equity valuations for private deals have been stabilizing, therefore there is a more orderly marketplace in which buyers and sellers of portfolio companies are willing to transact. Traditional growth capital investing had largely vanished during the crisis. Investors were focused on acquiring distressed assets and business owners were not willing to sell at such low valuations, unless forced

3. Continued Divestitures: Banks, insurance companies and other large financial institutions continue to deal with a changing regulatory environment and capital constraints, leading to additional carve out opportunities for FIG investors

Financial Institutions Private Equity Transactions[1,2]



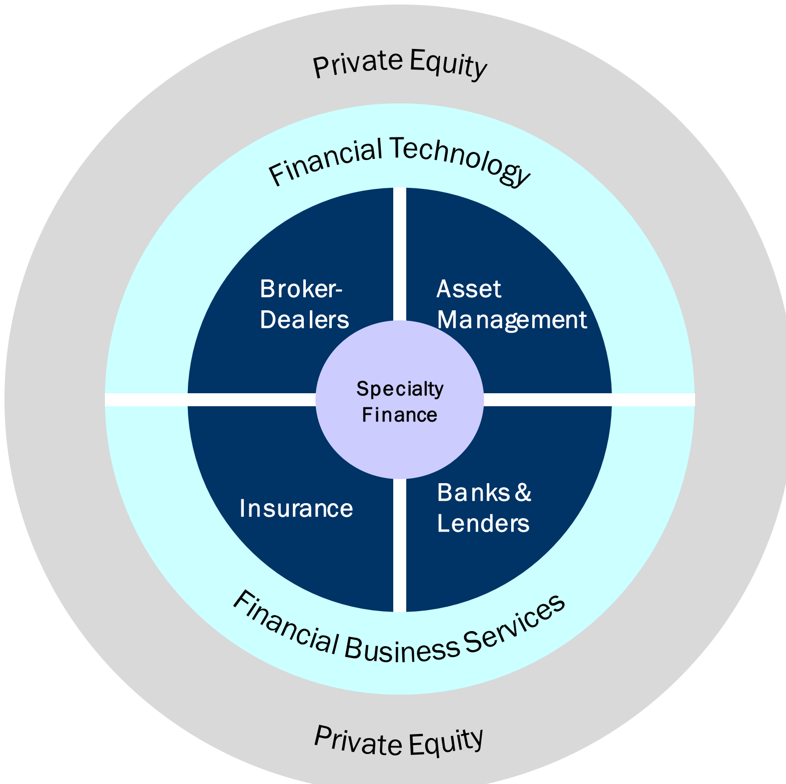
Source: Freeman & Co.

1) All deal statistics in this report include closed transactions only (entry and exit transactions)

2) All data in the report includes global deal activity for 180 private equity firms consistently tracked by Freeman & Co. Freeman & Co. believes the sample data is representative of total activity in financial institutions private equity

Report Team

Sector	Contact	Phone	Email
Private Equity	Patrick Sturgeon	+1 (212) 830-6176	psturgeon@freeman-co.com
	Christopher Pedone, CFA	+1 (212) 830-6166	cpedone@freeman-co.com
	Matthew Capers	+1 (212) 830-6172	mcapers@freeman-co.com



Coverage Teams

Sector	Contact	Phone	Email
Asset Management	Eric Weber, CFA	+1 (212) 830-6162	eweber@freeman-co.com
Insurance	Eric Solash	+1 (212) 830-6167	esolash@freeman-co.com
Broker-Dealers, Exchanges & Capital Market Technology	Peter J. Majar	+1 (212) 830-6196	pmajar@freeman-co.com
	Gagan Sawhney, CFA	+1 (212) 830-6165	gsawhney@freeman-co.com
Financial Technology	Michael Kasper	+1 (212) 830-6164	mkasper@freeman-co.com
Specialty Finance	James Murray	+1 (212) 830-6195	jmurray@freeman-co.com
	Gagan Sawhney	+1 (212) 830-6165	gsawhney@freeman-co.com
International Coverage	James G. Hatchley, ACA	+44 (0) 20-7743-6535	jhatchley@freeman-co.com
	Jimmy Chang	+44 (0) 20-7743-6536	jchang@freeman-co.com

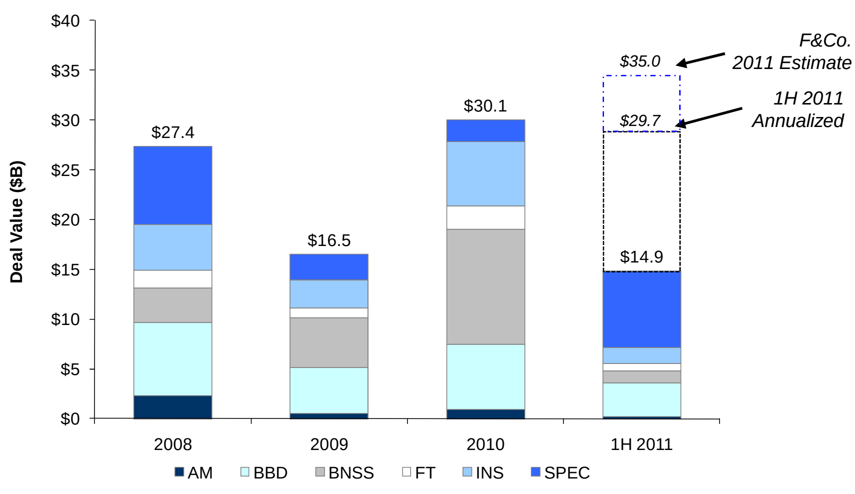
As in the past, this report is divided into three main sections:

- *FIG PE Overview*, including deal activity and entry/exit trends within private equity for financial institutions;
- *Sub-Sector Focus*, including trends in Asset Management, Banks & Brokerage, Business Services, Financial Technology, Insurance and Specialty Finance; and
- *Current Topics*, including topics important to PE investors in FIG such as the macro outlook, the general private equity environment, fundraising, and exit options.

FIG PE Overview

There were 69 FIG PE transactions completed in 1H 2011. The aggregate deal value of these transactions was $14.9 billion. Taking into account seasonality, we consider total deal value to be ahead of last year's pace at this time, as there was only $8 billion of closed transactions. Although the staggering deal volumes that characterized the private equity boom from 2004 to 2007 do not seem to be returning anytime soon, 2011 should be the best year for FIG PE in terms of deal value since the financial crisis.

Deal Value by Sub-Sector



Source: Freeman & Co.

The macroeconomic environment in the US and abroad remains extremely uncertain, but as we will discuss in this report, there are several trends within the private equity and financial institutions sectors that should be able to sustain this moderate level of deal activity for the next few years.

In analyzing the top ten deals for the past 12 months, it is clear that the mega-deals (above $10 billion) are non-existent, but a healthy amount of transactions (including entry and exit deals) above $1 billion still exist.

Top Ten FIG PE Transactions (LTM)

Rank	Private Equity Firm	Portfolio Company	Date	Value $MM
1	Cerberus(1)	TD Auto Finance LLC	4/1/2011	$6,300
2	Warburg, Silver Lake	Interactive Data Corp	7/29/2010	$3,245
3	Bain, Advent	RBS WorldPay, Inc.	12/1/2010	$3,037
4	General Atlantic, TCV, Spectrum(1)	RiskMetrics Group, Inc	6/1/2010	$1,845
5	JC Flowers	BTG Pactual S.A.	12/7/2010	$1,800
6	Apollo, CVC	Brit Insurance Holdings N.V.	10/26/2010	$1,558
7	BAML, Diamond Castle, Stone Point(1)	Alterra	5/12/2010	$1,494
8	Buyers: TPG Sellers: JMI, Hellman & Friedman	Vertafore, Inc.	7/29/2010	$1,400
9	JC Flowers + Co.(1)	Groupe Prevoyance	5/9/2011	$1,241
10	Buyers: H&F, Stone Point Sellers: Evercore, TH Lee	Sedgwick CMS Holdings, Inc.	5/28/2010	$1,100

(1) Exit transaction

Source: Freeman & Co.

Date: Closing date of transaction **LTM:** 12 Months Ending June 30, 2011

Sector Review: Asset Management

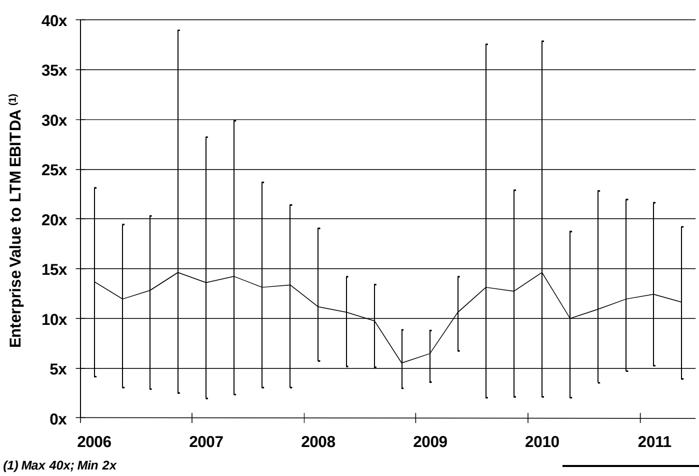
Private equity activity in the Asset Management sector remains low from a transaction value perspective. However, total transactions in 1H 2011 are on par with the entirety of 2010. While deal activity in asset management is low relative to other sub-sectors within FIG, the number of transactions in 2011 will easily exceed that of 2010.

In 1H 2011, the largest reported deal in the sector was Lightyear Capital's acquisition of Clarion Partners (f/k/a ING Clarion Partners) from ING Group for $100 million. Lightyear had partnered with the senior management of ING Clarion Partners to purchase the real estate private equity manager in an MBO, which at the time of the transaction, had over $22 billion in assets under management.

The largest asset management transaction in LTM was Apax Partners' acquisition of a majority stake in Psagot Investment House from shareholders led by York Capital Management for $573 million in October of 2010. Psagot is the largest asset management business in Israel with AUM of approximately $40 billion at the time of the transaction. Psagot has a diversified suite of asset management products provided for private clients, corporations and institutions.

Although asset managers are not typically the most conventional candidates for private equity investors, there are several veteran PE firms that are comfortable playing in the sub-sector, and who all have transactions in the past 12 months – Lightyear Capital, TA Associates, Lovell Minnick Partners, Rosemont Investment Partners and Stone Point Capital.

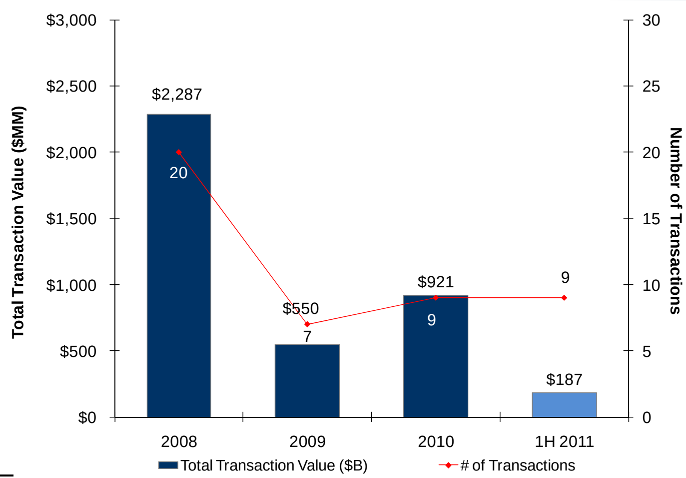
Publicly Traded Asset Management Firms: Enterprise Value / LTM EBITDA



(1) Max 40x; Min 2x

Source: Capital IQ

Deal Activity



Source: Freeman & Co.

Top Deals (LTM)

Rank	Private Equity Firm	Portfolio Company	Date	Value $MM
1	Apax Partners	Psagot Investment House Ltd.	10/31/2010	$573
2	Lightyear Capital	Clarion Partners	6/9/2011	$100
3	Apollo Management	HFA Holdings Limited	12/3/2010	$75
4	Millenium Technology Ventures	ETF Securities Ltd	4/14/2011	$70
5	HgCapital	ATC Group B.V.	3/16/2011	$17
6	GTCR	Aligned Asset Managers	1/11/2011	
7	TA Associates	Evanston Capital Management LLC	1/4/2011	
8	Lovell Minnick Partners	Matthews International Capital Management, LLC	1/5/2011	
9	Rosemont Investment Partners	Piedmont Investment Advisors, LLC	4/28/2011	
10	Stone Point Capital LLC	Prima Capital Advisors LLC	1/1/2011	

(1) Exit transaction

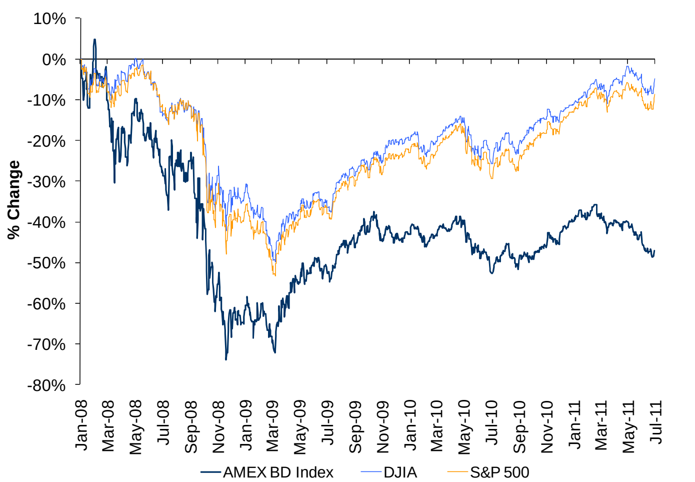
Source: Freeman & Co.

Sector Review: Banks & Brokerage

Private equity activity in the Banks & Brokerage space is evolving at a rapid pace, and in our view, is now already entering "phase two" of the post-financial crisis environment. "Phase one" consisted of the fall of multiple bulge bracket investment banks, the subsequent shuttering of product lines at other investment banks and large dealers, and the exodus of talent from large institutions to established and new boutiques. Private equity played a large part in that process, providing much needed capital to fund the investment thesis that the large banks had seen their day and that smaller broker-dealers, unburdened by capital deficiencies and regulatory constraints, would fill the void in the market (see our 2010 Securities Industry Focus report, "The Rise of the Middle Market").

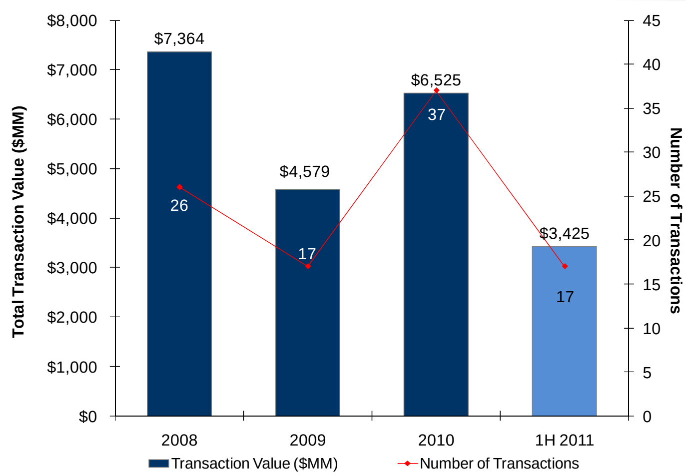
Phase two is now underway – even with a volatile economy and depressed trading volumes putting pressure on large dealers' revenue and profits, these firms have largely attempted to re-enter markets they had temporarily abandoned (particularly capital-intensive businesses like fixed-income trading) and renewed the competition for personnel. In addition, the proliferation of smaller broker-dealers (both start-ups and recapitalizations of existing players) created a host of firms that lacked scale, diversification and/or deep product expertise just as the large players were beginning to stabilize and subsequently start to grow again. We believe that phase two will culminate with consolidation among the middle market, with the ultimate survivors being full-service players with capabilities to effectively service middle market customers. PE will likely continue to play a key role, both as shareholders of existing players involved in consolidation and as providers of capital to fund new ideas.

Broker-Dealer Financial Performance



Source: Bloomberg

Deal Activity



Source: Freeman & Co.

Top Deals (LTM)

Rank	Private Equity Firm	Portfolio Company	Date	Value $MM
1	JC Flowers + Co.	BTG Pactual S.A.	12/7/2010	$1,800
2	JC Flowers + Co.	Shinsei Bank, Limited	2/27/2011	$793
3	Sellers: Blackstone, Carlyle, Centerbridge, WL Ross(1)	BankUnited, FSB	1/27/2011	$744
4	Fortress	Opus Bank	9/30/2010	$460
5	Corsair	United Community Banks, Inc.	3/30/2011	$380
6	Warburg Pincus, TH Lee	Sterling Financial Corp	8/26/2010	$342
7	Carlyle	Central Pacific Financial Corp.	2/18/2011	$325
8	CapGen, Carlyle, Goldman	Hampton Roads Bankshares Inc.	12/29/2010	$255
9	Angelo Gordon	Hamilton State Bancshares, Inc.	2/28/2011	$232
10	Aquiline	CRT Capital Group LLC(2)	9/1/2010	$225

(1) Exit transaction (2) F&Co. Deal Source: Freeman & Co.

Date: Closing date of transaction **LTM:** 12 Months Ending June 30, 2011

Sector Review: Business Services

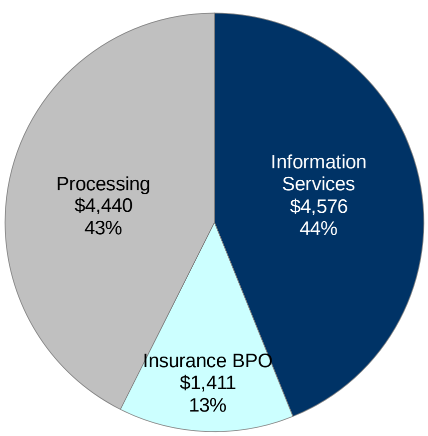
Activity in the Business Services sector has been demonstrably weak in terms of total deal value and number of transactions in 1H 2011. While 2010 saw two deals over $3 billion and total disclosed deal value of over $11.6 billion, the largest deal in 1H 2011 was Apax Partners' $300 million exit of Bankrate via initial public offering. Total disclosed deal value in 1H 2011 was $1.2 billion, which signals a much slower year than 2010.

While there are no particular drivers of this slowdown in 2011, many of the sought after financial services-oriented business services companies have transacted over the past two years: the payment processing units of both RBS & Fifth Third Bank, Interactive Data and Vertafore.

The largest deal in this sector over the last 12 months was the buyout of Interactive Data Corp from Pearson by Warburg Pincus and Silver Lake. The deal was paid for in cash and the total consideration was approximately $3.2 billion. Warburg Pincus and Silver Lake are equal equity partners in the transaction, and the deal was financed with a $700 million senior unsecured bridge loan facility and a $1.46 billion senior secured term loan facility.

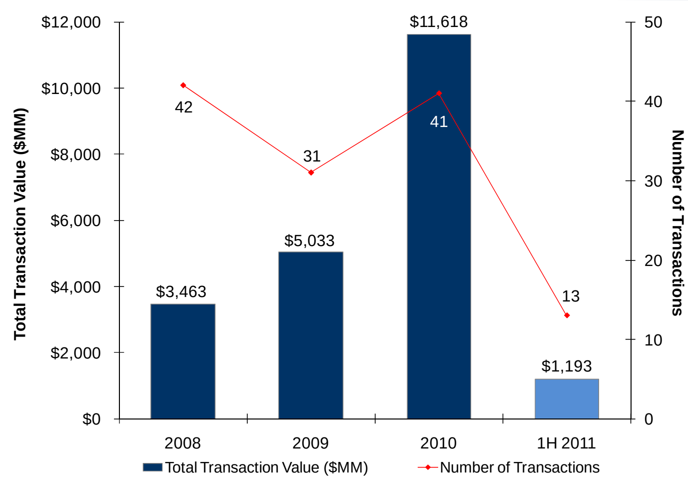
We anticipate a return of deal activity in Business Services as it is an established area of interest for private equity firms. These firms tend to be technology-heavy (and therefore have low "key-man" risk), generate high levels of cash flow to service debt and usually have considerable scale, which has led to the large private equity-related transactions in the past. In addition, the outsourcing trends in financial institutions is anticipated to continue as the cost of employing workers increases.

Deal Activity by Sub-Sector (LTM)



Source: Freeman & Co.

Deal Activity



Source: Freeman & Co.

Top Deals (LTM)

Rank	Private Equity Firm	Portfolio Company	Date	Value $MM
1	Warburg Pincus, Silver Lake	Interactive Data Corp	7/29/2010	$3,245
2	Advent, Bain	RBS WorldPay, Inc.	12/1/2010	$3,037
3	Buyer: TPG Sellers: JMI, Hellman & Friedman(1)	Vertafore, Inc.	7/29/2010	$1,400
4	Bain, Advent, Summit(1)	FleetCor Technologies, Inc.	12/14/2010	$644
5	Apollo	EVERTEC, Inc.	9/30/2010	$640
6	Apax Partners(1)	Bankrate Inc	6/16/2011	$300
7	Spectrum(1)	Mortgagebot LLC	4/12/2011	$232
8	Menlo Ventures(1)	PlaySpan, Inc.	3/1/2011	$220
9	Cerberus	J&B Software, Inc. / Regulus Group, LLC	6/30/2011	$137
10	Spectrum	Trintech Group plc	9/21/2010	$111

(1) Exit transaction

Source: Freeman & Co.

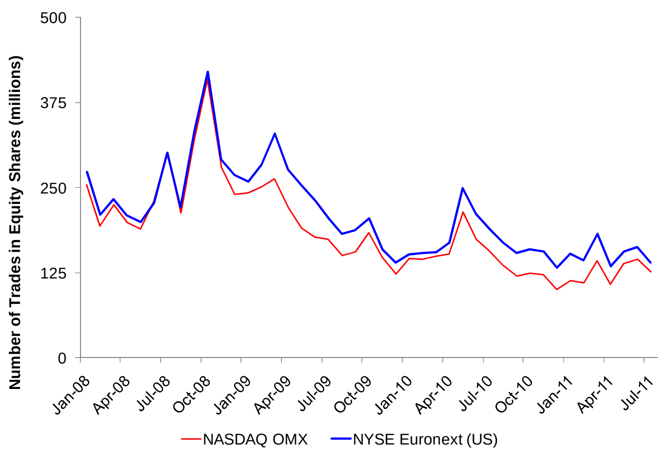
Sector Review: Financial Technology

Financial Technology deal value was off the pace of 2010 with just $744 million in total disclosed deal value in 1H 2011. In contrast, there was $1.9 billion in disclosed deal value in 1H 2010. However, in terms of number of deals, there were nine in 1H 2011, which puts activity ahead of 2010 pace with only seven deals in 1H 2010. Over the last 12 months, there was a total of 16 deals with a total disclosed transaction value of $1.1 billion. There have been several exit transactions of financial technology portfolio companies through strategic sales. Yet, recent downward trends in the trading volumes, that drive the performance of many financial technology firms, leave the sub-sector's future uncertain. The general sentiment is uncertainty as to whether the late summer's uptick in volatility can offset those trends.

The largest deal in Financial Technology in 1H 2011 was Advent's partial exit (6.1%) of Cetip SA, an electronic marketplace and clearinghouse in Brazil, in January 2011. Advent sold the stake for approximately $225 million and retained a stake in the company. It subsequently sold that remaining piece in July 2011 for approximately $500 million (not included in the data in this report).

Despite an uncertain future for trading volumes and a lack of significant deal value in the sub-sector, Financial Technology firms will likely remain attractive targets for both private equity firms and strategic financial institutions. Technology solutions such as risk management, valuation, pricing and portfolio management evolve at a rapid pace. This provides abundant opportunities for new entrants to take advantage of the market, creating a host of companies ideal for investment and growth.

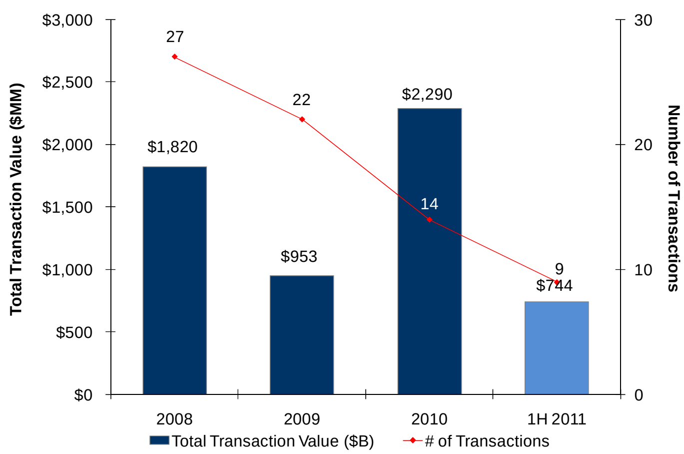
US Exchanges Shares Volume (1)



(1) Electronic order book trades

Source: World Federation of Exchanges

Deal Activity



Source: Freeman & Co.

Top Deals (LTM)

Rank	Private Equity Firm	Portfolio Company	Date	Value $MM
1	Silver Lake(1)	NASDAQ OMX Group	12/31/2010	$268
2	Advent(1)	Cetip SA	1/24/2011	$223
3	Bluff Point(1)	Matrix Financial Solutions, Inc.	1/7/2011	$201
4	Carlyle	SS&C Technologies Inc.	2/3/2011	$186
5	Insight Venture, Lightyear	ARGUS Software Inc	6/1/2011	$130
6	3i Group, Edison Ventures, Tudor	Gain Capital	12/14/2010	$75
7	North Hill Ventures, Ascent Venture Partners(1)	Forefield	12/2/2010	$20
8	ABS Capital	FolioDynamix	12/21/2010	$16
9	North Bridge Growth Equity	Currensee, Inc	4/14/2011	$4
10	TL Ventures	Mismi	11/19/2010	$2

(1) Exit transaction

Source: Freeman & Co.

Date: Closing date of transaction **LTM:** 12 Months Ending June 30, 2011

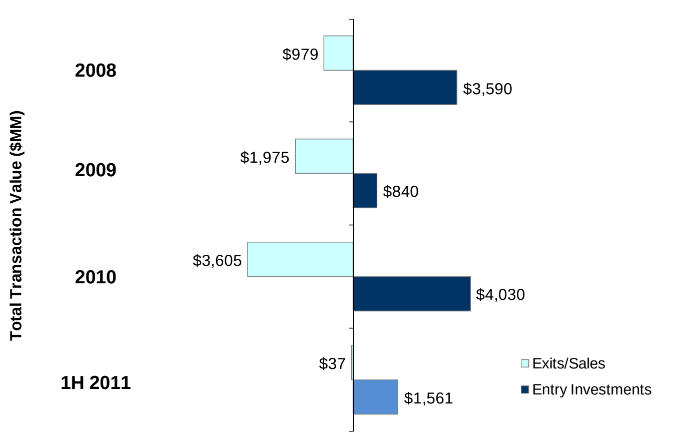
Sector Review: Insurance

Private equity deal volume related to Insurance companies was slow in terms of total transactions as well as deal value in 1H 2011. In 1H 2011, there were just four deals with a total disclosed value of $1.6 billion compared to seven deals worth a total disclosed transaction value of $2.4 billion in 1H 2010. Over the last 12 months, there have been a total of 12 closed deals with a total disclosed transaction value of $5.7 billion.

Insurance companies were uniquely affected by the financial crisis, especially due to increased capital requirements and poor asset quality on the balance sheet. Now, sweeping financial reform is having further profound effects on the sector and private equity firms will certainly be players in the aftermath. Capital requirements are becoming more onerous, which will cause a wave of capital raising and divestitures over the next several years as regulations are determined. Dodd-Frank in the US and Solvency II in Europe and Asia will not only affect companies in their respective home regions, but also any business with cross-border subsidiaries and affiliates. Other areas of regulatory concern will be focused on fiduciary duties and reporting requirements.

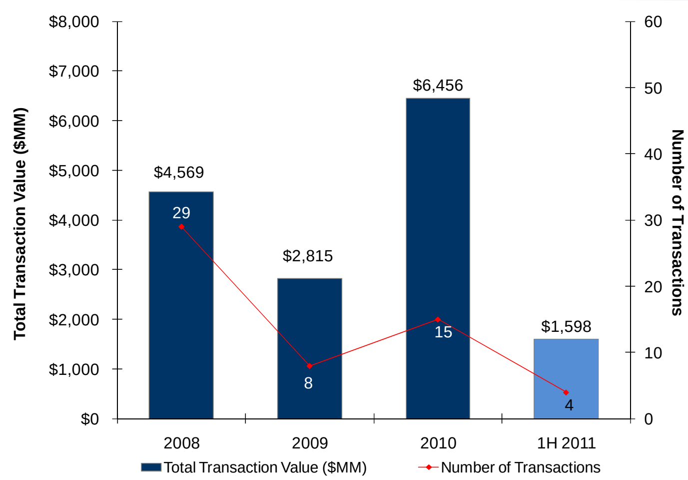
The largest 1H 2011 deal in the sub-sector was the acquisition of Groupe Prévoyance (Compagnie Européenne de Prévoyance) by JC Flowers from PAI Partners for approximately $1.2 billion. The transaction was financed through senior debt of approximately $710 (€500) million. Members of management invested along with JC Flowers and they collectively own slightly over two-thirds of the company's equity. Another recent transaction was Apollo and CVC's $1.6 billion acquisition of Brit Insurance in the UK, a prime example of how private equity firms have partnered with insurance companies (see our July 2011 Insurance Industry Focus report, "The Marriage of the Decade").

Entry vs. Exit Deals



Source: Freeman & Co.

Deal Activity



Source: Freeman & Co.

Top Deals (LTM)

Rank	Private Equity Firm	Portfolio Company	Date	Value $MM
1	Apollo, CVC Capital	Brit Insurance Holdings N.V.	10/26/2010	$1,558
2	JC Flowers	Groupe Prevoyance	5/9/2011	$1,241
3	Buyer: Carlyle; Seller: General Atlantic	Qualicorp	8/31/2010	$850
4	Lightyear Capital(1)	NAU Group	7/1/2010	$666
5	Guggenheim Partners(2)	Security Benefit	8/2/2010	$400
6	Buyers: Goldman Sachs, TPG; Seller: CCP	Nymagic Inc.	11/23/2010	$329
7	Advent	Towergate Partnership Ltd	1/31/2011	$321
8	Spectrum, Stripes Group(1)	NetQuote, Inc.	7/13/2010	
9	Summit Partners(3)	Fortegra Financial Corporation	12/16/2010	
10	Century Capital Management(1)	eReinsure.com	3/11/2011	

(1) Exit transaction (2) Freeman & Co. Advised (3) IPO

Source: Freeman & Co.

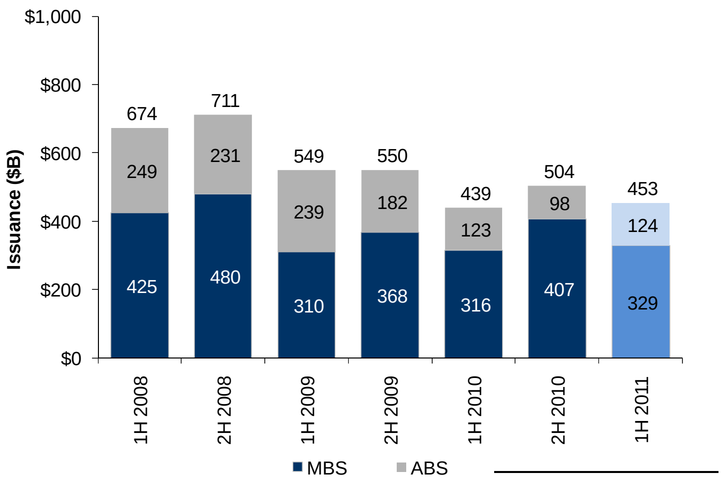
Sector Review: Specialty Finance

Private equity deal activity in Specialty Finance has experienced a solid year in terms of both number of deals and total deal value. With balance sheets and the securitization markets somewhat stabilized, investors are beginning to fund specialty finance assets. Although securitization levels are not as healthy as they were pre-crisis, industry participants and investors have a clear picture of which companies have viable long-term capital structures and what the availability of securitization is in certain markets. If the securitization market for a particular asset or company is not strong, then it is also becoming clearer what that company's ability to get financed is outside of securitization.

Recently, one market that has had relative success in securitization is sub-prime auto financing. Several transactions have been completed, with some smaller in nature. As a whole, auto finance securitization has rebounded respectably post-crisis, with $72 billion of issuance globally in 2010 and $41 billion in 1H 2011. Examples of markets that have had success getting financed outside of securitization are aircraft leasing / finance, asset-based lending and factoring. Other, more esoteric assets, such as structured settlements, litigation finance, and to a lesser extent life settlements, are also generating interest from private equity firms. Segments that are vulnerable to changing regulations, especially payday loans, are less attractive due to these risks.

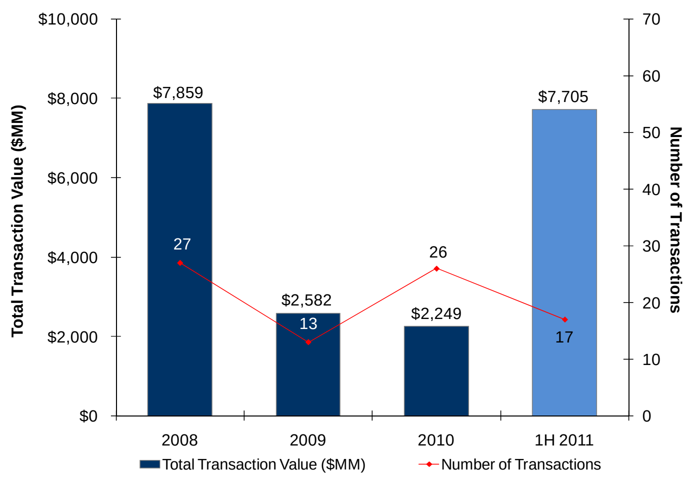
Typical growth-oriented, operating company-focused private equity players are generally not the largest participants in the Specialty Finance sector. However, diversified PE firms, capable of investing in varying structures, such as Fortress and Apollo, tend to be the most active in this space.

Securitization Proceeds



Source: Freeman & Co. / Thomson Financial

Deal Activity



Source: Freeman & Co.

Top Deals (LTM)

Rank	Private Equity Firm	Portfolio Company	Date	Value $MM
1	Cerberus(1)	TD Auto Finance LLC	4/1/2011	$6,300
2	Blackstone, Goldman Sachs, Morgan Stanley	Manappuram General Finance & Leasing Ltd	11/11/2010	$404
3	CVC Capital, Oak Hill	Avolon Aerospace Limited(2)	1/18/2011	$250
4	Caledonia Investments	Deutsche Postbank Home Finance Limited	3/25/2011	$238
5	THL, Goldman Sachs	MoneyGram International Inc	3/8/2011	$218
6	JLL Partners, Oak Investment(1)	NetSpend Corporation	10/18/2010	$191
7	Fortress	BAE Systems Asset Management(2)	6/6/2011	$187
8	Advent	TINSA Tasaciones Inmobiliarias S.A	11/17/2010	$131
9	Fortress	American General Finance Inc.	11/30/2010	$125
10	Oak Investment Partners	Wonga.com Limited	2/16/2011	$117

(1) Exit transaction (2) Aircraft leasing company Source: Freeman & Co.

Date: Closing date of transaction **LTM:** 12 Months Ending June 30, 2011

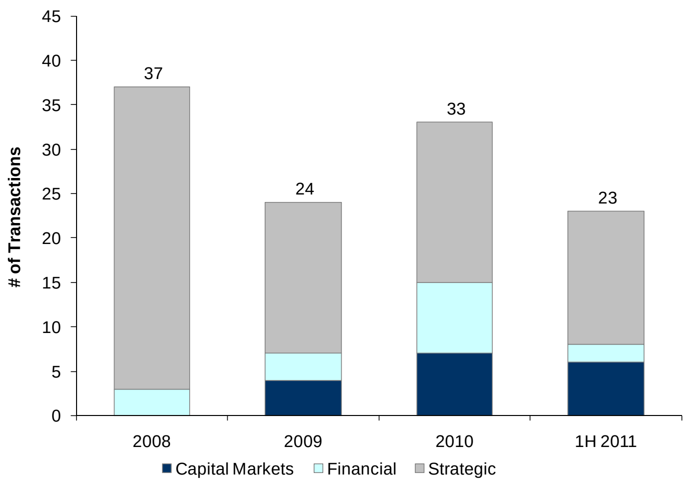
Exit Strategies

2011 has seen a resurgence of sponsor-backed FIG portfolio company exits, as 1H 2011 total disclosed exit value reached $9.0 billion, just shy of 2010's full-year total of $10.0 billion. At this rate, 2011 will have the highest deal value of exits since 2007 and approximately the aggregate value of exits for the past three years combined. PE firms are short on time remaining to invest funds raised in 2005-2008, therefore exits should continue to be widespread as firms make room for a new cycle of investments. However, recent market volatility may significantly change the dynamics among strategic acquirers, private equity firms and the capital markets in 2H 2011.

FIG exits in 1H 2011 continued the trend of strategic acquisitions which has been the case over the past several years, as 83% of total exit deal value occurred in this segment. From the perspective of total number of deals, sales to strategics represented 65% of FIG exits in 1H 2011. Financial exits, defined as a sales to another financial sponsor, were virtually non-existent with just two deals, after a spike in 2010 of 8 deals. Capital markets exits have picked up since the lows of 2008 with $1.5 billion of proceeds across six deals in 1H 2011, or approximately 17% of total exit value.

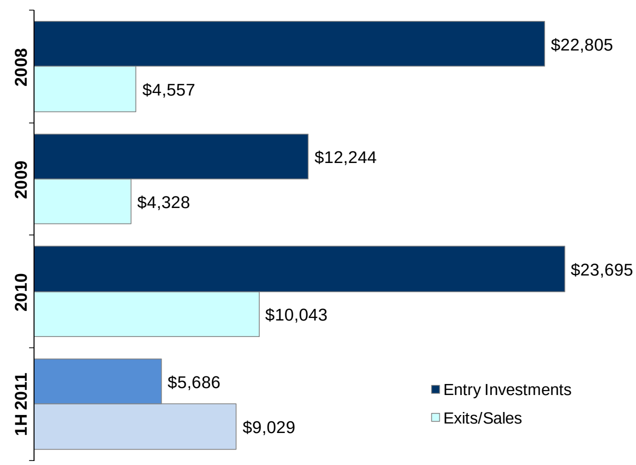
The top exit transactions since 2008 are a diverse group of deals, with five of the six sub-sectors represented in the top 10 deals – Asset Management is the only sub-sector not included in the table.

Exits by Year [1]



Source: Freeman & Co.

Entry vs. Exit Deal Activity



Source: Freeman & Co.

Top Exits (Since 2008)

Rank	Private Equity Firm	Portfolio Company	Buyer	Date	Value $MM	Exit Type[1]
1	Cerberus	TD Auto Finance LLC	TD Bank US Holding Company	4/1/2011	$6,300	Strategic
2	H&F, Greenhill, Vestar, Stone Point, CDPQ	Paris Re Holdings Ltd.	PartnerRe Ltd.	12/7/2009	$1,975	Strategic
3	General Atlantic, TCV, Spectrum	RiskMetrics Group, Inc	MSCI Inc.	6/1/2010	$1,845	Strategic
4	Stone Point, BAML, Diamond Castle	Alterra	Max Capital Group Ltd.	5/12/2010	$1,494	Strategic
5	H&F, JMI, TPG	Vertafore, Inc.	TPG	7/29/2010	$1,400	Strategic
6	Evercore, TH Lee	Sedgwick CMS Holdings, Inc.	H&F, Stone Point	5/28/2010	$1,100	Financial
7	Corsair	National City	PNC	12/31/2008	$1,010	Strategic
8	General Atlantic	Qualicorp	Carlyle	8/31/2010	$850	Financial
9	Blackstone, Carlyle, Centerbridge, WL Ross	BankUnited, FSB	IPO	1/27/2011	$744	Capital Markets
10	Lightyear	NAU Group	QBE Insurance Group Ltd.	7/1/2010	$666	Strategic

Source: Freeman & Co.

(1) Capital Markets: sale or partial sale of stake via equity capital markets (IPO or follow-on)
Financial: sale or partial sale to another private equity firm
Strategic: sale or partial sale to a strategic buyer

Exit Strategies (continued)

There were almost no PE-backed FIG IPOs in 2008 and 2009, and excluding VISA's approximate $20 billion IPO in 2008, a lack of overall FIG IPOs. However, 2010 saw a significantly higher number of total deals and deal volume recalibrated to pre-boom levels. Until recent volatility in the equity markets, the IPO window was relatively open for a year and half. 2H 2011 IPO activity, will likely prove to be sparse once again.

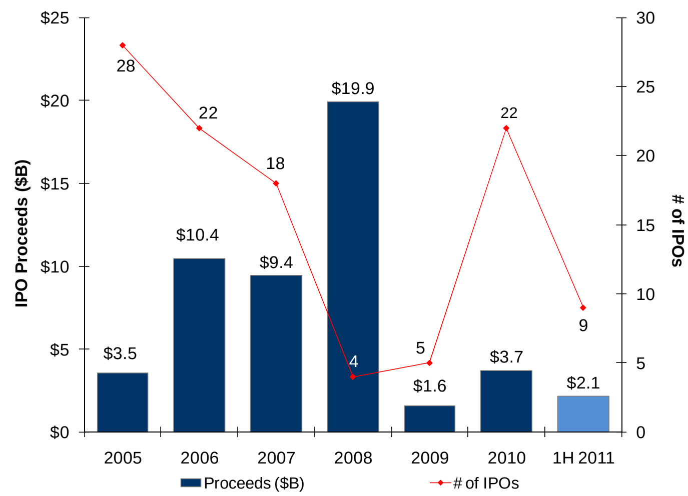
Analyzing private equity's current FIG portfolio, we find that the majority of FIG portfolio companies are "seasoned," which we define as invested in for 3.5 or more years. It is typically at this stage that a PE firm will begin to assess its exit options for an investment.

In addition, approximately 78% of the current portfolio companies tracked in our database have been held for at least 3 years, and over 40% held for 6 years or more.

In addition to there being many seasoned investments, most of these are also large – nearly half of all seasoned investments had an initial deal value of $100 million or more.

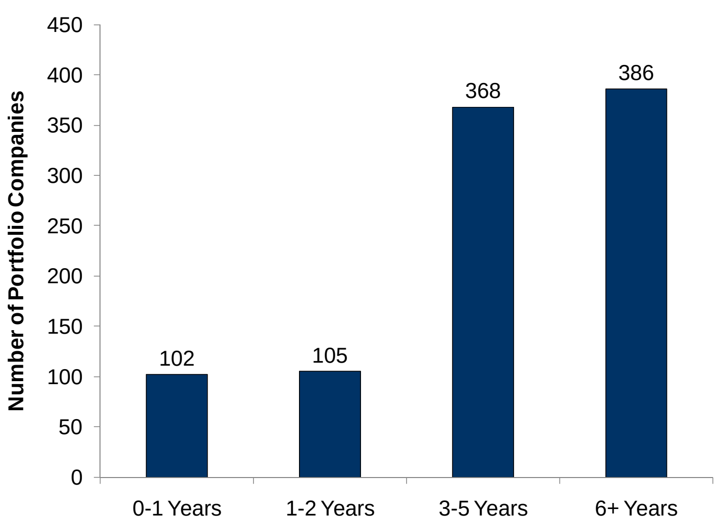
These factors suggest that exits will increase in the near-term, as private equity funds increasingly harvest their investments – they hold significantly sized portfolios full of investments that have been on the books for quite a while.

US FIG IPOs



Source: Freeman & Co.

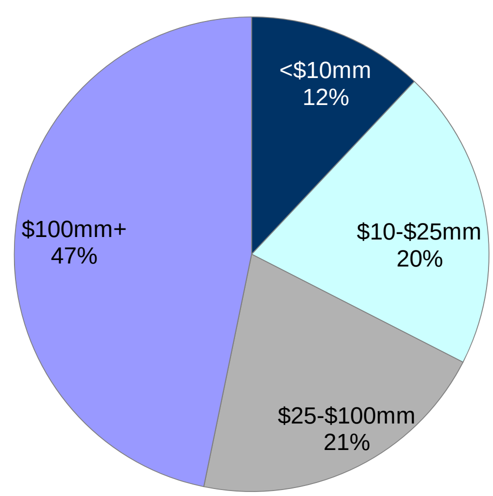
Current Portfolio Companies by Year Held (1)



Source: Freeman & Co.

(1) Represents time since initial investment for all current portfolio companies

Seasoned Portfolio Companies by Size (2)



Source: Freeman & Co.

(2) Represents initial investment size for current portfolio companies that have been held for 3.5+ years by their sponsor

General Private Equity Outlook

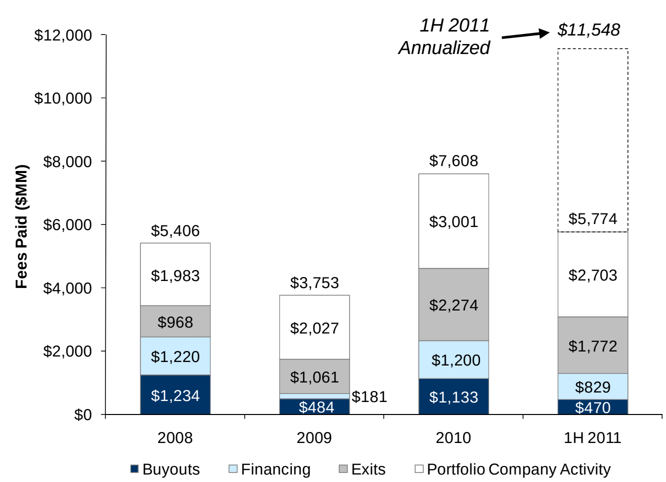
Private equity as a whole, not just in regards to financial institutions investing, withstood both blows to its credibility and severe drops in valuation to its portfolio companies during the 2008-2009 economic crisis. However, due to the long term nature of the asset class, it rebounded quite adequately compared to other asset classes, especially the public equity markets. PE firms had built up tremendous amounts of available capital leading up to the crisis on the back of several years of record-breaking fundraising efforts, but did not deploy as much of that capital during the doldrums of the crisis as expected. Although PE firms were ready and willing as buyers, many companies were not willing to effectively sell at distressed valuations. Since the low point in 2009, overall PE deal activity has rebounded. However, our earlier observation about a dearth of mega-transactions rings true across all sectors, not just financial institutions. As measured by investment banking fees paid by PE firms, a proxy for activity in the market, 2010 was a moderate year with $7.6 billion in fees globally.

2011 is on pace to be a strong year with an annualized total of approximately $11.5 billion in investment banking fees paid, representing a robust recovery from the lows of 2008-2009, which averaged approximately $4.5 billion.

This continued recovery in deal activity should be supported by the large pools of capital that PE firms still have remaining from the aforementioned fundraising boom of 2005-2008. Fundraising even remained strong throughout the middle of the crisis due to long lead times in the fundraising process, but has since fallen off dramatically. Still, fundraising significantly outpaced deal activity in the middle of the decade, so there remains a large supply of uncommitted capital in the market.

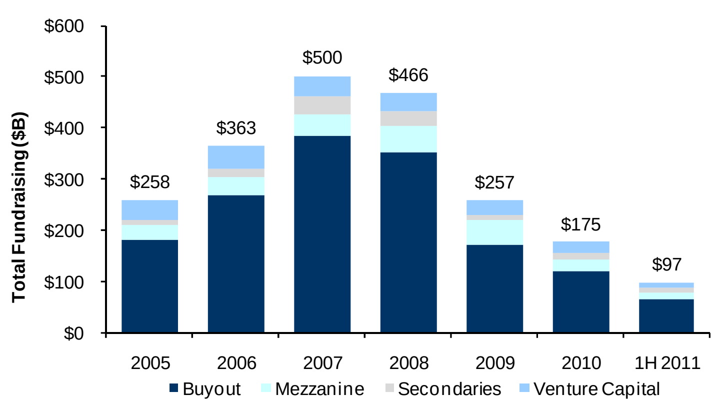
As many large funds are of the 2005-2007 vintages, the time is coming where the lifecycle of these funds is nearing an end. In such a case, there is added pressure on the PE fund to deploy that capital in the form of acquisitions, and to subsequently exit the investments and return the capital. This should be a strong catalyst for overall PE deal activity in the coming 18-24 months. Thus, we expect the next major fundraising cycle to start as early as 2012-2013, but not until the major capital overhang in the industry is somewhat diminished.

Investment Banking Fees Paid on PE Deals



Source: Freeman & Co. / Thomson Financial

Fundraising



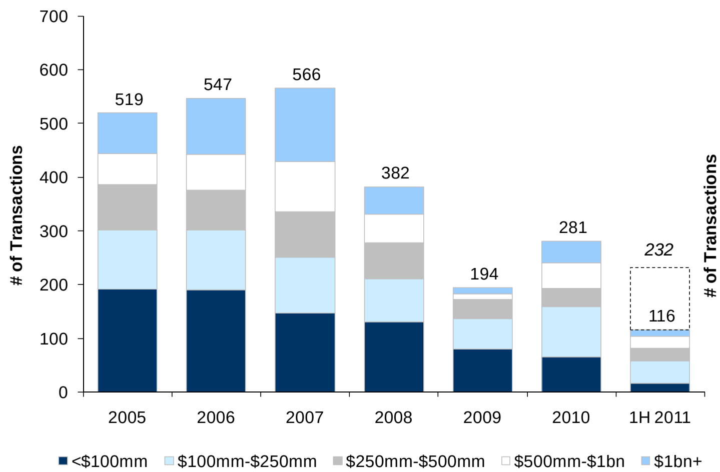
Source: Freeman & Co. / Thomson Financial

General Private Equity Outlook (continued)

In terms of number of buyout deals in all of private equity (entry investments only), deal activity has decreased to around half of what it was during the boom time of 2005-2007 – and deals above $1 billion are much rarer. The middle market (deals between $100 million and $500 million in deal value) now represents the vast majority of deals. Portfolio company activity (top right chart) has declined a bit due to PE firms focusing on making new investments and exiting existing ones, as opposed to bolt-on acquisitions, recaps and divestitures.

Financial institutions have settled back down to their long term average as a percentage of all buyout deals of approximately 10% of total buyout activity after a spike in 2009 when PE firms assisted in the bailouts of troubled banks. FIG's importance to overall investment banking activity, however, has continually waned since the financial crisis, down from 34% of total banking fees each year from 2005-2008 to just 23% in 1H 2011.

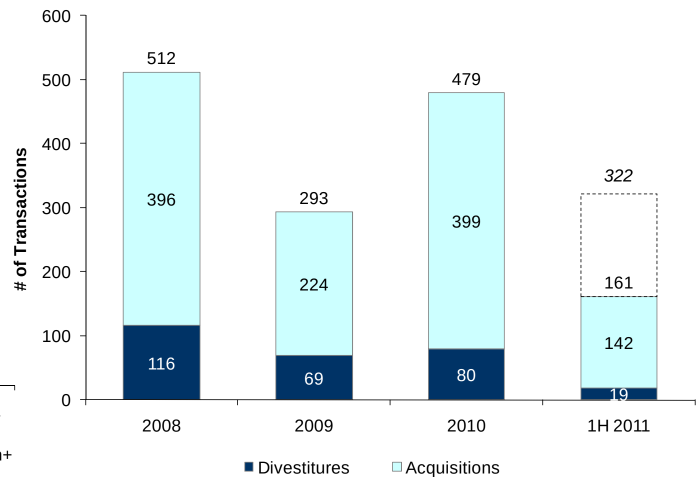
PE Buyouts by Deal Size [1]



(1) Includes deals with disclosed deal value only

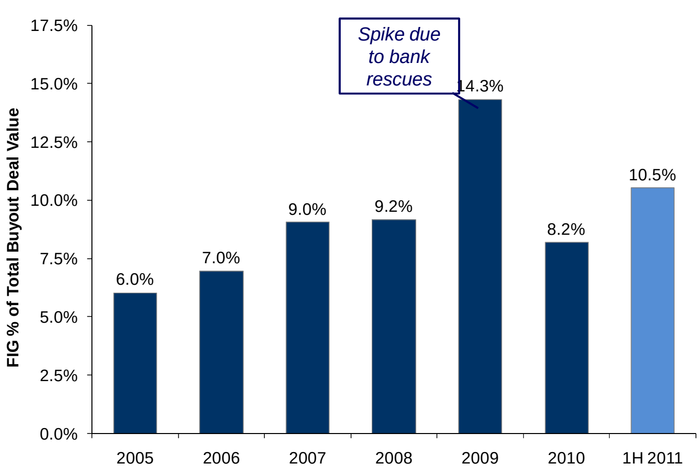
Source: Freeman & Co. / Thomson Financial

Portfolio Company Activity by Deal Type



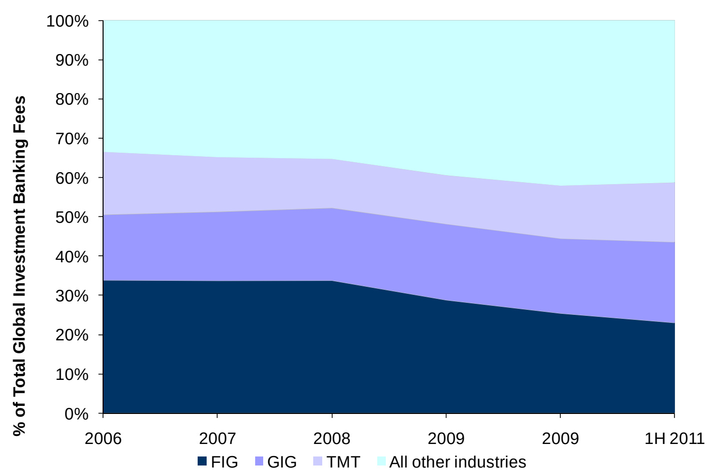
Source: Freeman & Co. / Thomson Financial

FIG Buyouts as % of Total Buyouts



Source: Freeman & Co. / Thomson Financial

FIG Investment Banking Fees as % of Total



Source: Freeman & Co. / Thomson Financial

Date: Closing date of transaction **LTM:** 12 Months Ending June 30, 2011

GIG: General Industrial Group

Freeman & Co. Private Equity Coverage

Private Equity Firm	State/ Nation
3i Group PLC	NY
AAC Capital Partners	Neth.
ABS Capital Partners	MA
Actis Capital	UK
Advent International Corporation	MA
Alpine Investors, Inc.	CA
American Capital	MD
AnaCap Financial Partners	UK
Andlinger & Company, Inc.	NY
Angelo, Gordon & Co.	NY
Apax Partners	UK
Apollo Global Management	NY
Aquiline Capital Partners	NY
Ares Capital Corporation	CA
Arsenal Capital Partners, Inc.	NY
Ascent Venture Partners	MA
Austin Ventures	TX
Bain Capital Partners, LLC	MA
BAML Capital Partners	NC
Barclays Private Equity Limited	UK
BC Partners	UK
Belvedere Capital	CA
Bessemer Venture Partners	NY
Blackstone Group	NY
Bluff Point Associates	CT
Brera Capital Partners	NY
Bridgepoint Capital Limited	UK
Caledonia Investments	UK
Calera Capital	CA
CapGen Capital Advisors	NY
Capital Z Partners	NY
Carlyle Group	DC
Castle Harlan	NY
CCP Equity Partners	CT
CDP Capital	QC
Cedar Hill Capital Partners	NY
Centerbridge Partners	NY
Centre Partners Management	CA
Century Capital Management, Inc.	MA
Cerberus Capital Management, LP	NY
Charles River Ventures	MA
Charlesbank Capital Partners LLC	MA
Charterhouse Capital Partners	UK
Chess Ventures	CA
Chicago Growth Partners	IL
CIBC Capital Partners	MA
Circle Peak Capital LLC	NY
Citadel Investment Group	IL
Citi Financial Partners Fund	NY
Citigroup Capital Partners Japan	Japan
CIVC Partners LLC	IL
Clayton, Dubilier and Rice	NY
Clipper Ship Ventures	NY
Corsair Capital LLC	NY
Court Square Partners	NY
Court Square Ventures	VA
CVC Capital Partners	UK
D.E. Shaw & Co. LP	NY
Diamond Castle Holdings	NY
DLB Capital	CT

Private Equity Firm	State/ Nation
Edison Venture Fund	NJ
Electra Private Partners LLP	UK
Endicott Group, The	NY
Equifin Capital Partners	NY
Evercore Partners Inc.	NY
Falfurrias Capital Partners	NC
Farmington Capital Partners	CT
FdG Associates	NY
Flexpoint Ford	IL
Fortress Investment Group	NY
Friedman, Fleischer & Lowe	CA
Frontenac Company	IL
FTV Capital	CA
General Atlantic LLC	CT
Genstar Capital LLC	CA
Golden Gate Capital	CA
Goldman Sachs Merchant Banking	NY
Great Hill Partners	MA
Greenhill Capital Partners	NY
GTCR	IL
Guggenheim Partners	IL
Hamilton Investment Partners	NY
Harvest Partners, Inc.	NY
Hellman & Friedman	CA
Hermes Private Equity	UK
HgCapital	UK
HIG Capital	FL
Hovde Private Equity	DC
Infinity Point	NY
Insight Venture Partners	NY
Inter-Atlantic Group	NY
Investcorp Technology Partners	NY
Ion Capital Management	Ireland
IPGL	UK
Irving Place Capital	NY
ITOCHU Financial Services, Inc.	NY
JAM Equity Partners	NY
JC Flowers + Co.	NY
JLL Partners	NY
JMI Equity	MD
Kohlberg & Company	NY
Kohlberg Kravis Roberts & CO.	NY
Lee Equity Partners, LLC	NY
Lightyear Capital	NY
Lincolnshire Management, Inc.	NY
Lindsay Goldberg LLC	NY
Lithos Capital Partners LLC	CT
LLR Partners	PA
Long Ridge Equity Partners	NY
Lovell Minnick Partners LLC	CA
Madison Dearborn Partners, Inc.	IL
Marathon Asset Management, LLC	NY
Marlin Equity Partners	CA
Matlin Patterson	NY
Menlo Ventures	CA
Metalmark Capital	NY
Millenium Technology Value Partners	NY
Moore Capital Management, LLC	NY
New Enterprise Associates	CA
NewSmith Capital Partners	UK

Private Equity Firm	State/ Nation
North Bridge Growth Equity	MA
North Hill Ventures	MA
Northaven Management Inc.	NY
Oak Hill Capital Management	CA
Oak Investment Partners	CA
Oaktree Capital Management, LLC	CA
Olympus Partners	CT
One Equity Partners	NY
Parthenon Capital	MA
Pegasus Capital Advisors LP	CT
Phoenix Equity Partners	UK
Pine Brook Road Partners, LLC	NY
Platinum Equity Advisors, LLC	CA
Polaris Venture Partners, Inc.	MA
Post Capital Partners	NY
Proctor NBF Capital Partners	NY
Promethean Investments	UK
Questor Management Company	MI
RBC Venture Partners	ON
Reservoir Capital Group	NY
Ripplewood Investments	NY
Riveria Investment Group	NY
Rosemont Investment Partners	PA
Sageview Capital	CT
Sandton Capital Partners	NY
Scale Venture Partners	CA
Sequoia Capital	CA
Shattan Mendel Enterprises	NY
Silchester International Investors	UK
Silver Lake Partners	NY
Silver Point Capital	CT
Spectrum Equity Investors	MA
State Street Global Alliance, LLC	MA
Sterling Partners	IL
Stone Point Capital LLC	CT
Strategic Investment Group	VA
Stripes Group	NY
Summit Partners	MA
Sun Capital Partners Ltd.	UK
Susquehanna Growth Equity	PA
TA Associates	MA
Technology Crossover Ventures	CA
Thomas H. Lee Partners, L.P.	MA
TL Ventures	PA
TowerBrook Capital Partners	NY
TPG Capital	NY
Transom Capital Group	CA
Tudor Ventures	MA
Updata Partners Venture Capital	NJ
VantagePoint Venture Partners	CA
Venturion Capital	NY
Vestar Capital Partners	NY
Volition Capital	MA
Vulcan Capital	WA
Warburg Pincus	NY
Welsh Carson Anderson & Stowe	NY
WestView Capital Partners	MA
WL Ross & Co. LLC	NY
XL Capital Investment Partners	NY
Zurich Alternative Asset Management	NY

Freeman & Co. PE Activity

Capital Raising

CRT Capital Group LLC
has raised $225,000,000 from
Aquiline Capital Partners LLC
Financial advisor to CRT Capital Group, LLC
August 2010
Freeman & Co. Securities LLC

$32,000,000
Herald National Bank
NYSE Alternext: HNB
has received a $32,000,000 investment from an
Investor Group
Co-manager for Herald National Bank
March 2010
Freeman & Co. Securities LLC

$400 million investment
Guggenheim
led investor group has acquired
Security Benefit
Financial advisor to Security Benefit
July 2010
Freeman & Co. Securities LLC

$50 Million investment in
Broadpoint.
by
MatlinPatterson
MatlinPatterson Global Opportunities Partners II, L.P.
Fairness Opinion for Broadpoint's Board of Directors
2008
Freeman & Co. Securities LLC

Leerink Swann
has sold a minority interest to
Lovell Minnick Partners LLC
March Group
Financial advisor to Leerink Swann & Company
July 2007
Freeman & Co. Securities LLC

ESP Electronic Specialist LLC
has been recapitalized and received a growth equity investment from
Bear Stearns
Credit Suisse
SIG Susquehanna Growth Equity, LLC
Financial advisor to ESP Technologies, LLC
May 2007
Freeman & Co. Securities LLC

$5.5 billion AUM
K2 Advisors
has sold a minority interest to
TA Associates
Financial advisor to K2 Advisors LLC
April 2007
Freeman & Co. Securities LLC

$24 billion AUM
Ceres
has completed an equity recapitalization by
Undisclosed Financial Sponsor
Financial advisor to Ceres Capital Partners
January 2007
Freeman & Co. Securities LLC

The Bank of New York GTCR Eze Castle Software
have merged
The Bank of New York Eze Castle Software
to form
BNY ConvergEx Group
Financial advisor to GTCR
October 2006
Freeman & Co. Securities LLC

$1.3 billion AUM
Lyra Capital LLC
has completed the management buyout of
Zurich Benchmark Series
from
Zurich Capital Markets
Financial advisor to Zurich Capital Markets
October 2003
Freeman & Co. Securities LLC

Guggenheim
has made an investment in
CRT Capital Group LLC
Financial advisor to CRT Capital Group
February 2002
Freeman & Co. Securities LLC

Private Equity Exits

$1.7 billion AUM
Lyra.
its holding company
Ursa *and* Starview.
have been acquired by
Crédit Agricole Structured Asset Management
Financial advisor to Ursa Capital
September 2006
Freeman & Co. Securities LLC

The $2.8 billion AUM
Hedge Fund of Funds of
Guggenheim
has been acquired by
Bank of Ireland Asset Management
Financial advisor to Guggenheim Capital
January 2006
Freeman & Co. Securities LLC

Neovest
has been acquired by
JPMorgan
Financial advisor to Neovest Holdings
September 2005
Freeman & Co. Securities LLC

citigroup
has acquired
Lava
Financial advisor to Citigroup Inc.
August 2004
Freeman & Co. Securities LLC

Constellation
has been acquired by
SG Corporate & Investment Banking
Financial advisor to Constellation Financial Management Company LLC, FEP Holdings LP & its affiliates
July 2003
Freeman & Co. Securities LLC

Recent Publications by Freeman & Co.

Securities Industry Reports

- *Filling the Void in the Middle Market* (January 2011)
- *Securities Industry at Major Inflection Point* (March 2009)

Asset Management Reports

- *Slowly but Surely Coming Back…* (January 2011)
- *Slogging through the Mud* (September 2010)
- *Putting the Pieces Back Together* (April 2010)
- *Humpty Dumpty Had a Big Fall* (September 2009)
- *Can a Third Shoe Drop?* (March 2009)

Insurance

- *The Marriage of the Decade* (July 2011)
- *Damned if You Don't* (January 2011)
- *To Arms, To Arms: The Regulators are Coming!* (July 2010)
- *Back from the Brink* (January 2010)
- *Insurance Servicing, Processing and Technology* (July 2009)

Private Equity Focus

- *Show Me the Money* (September 2010)
- *Waiting for the Turn* (September 2009)
- *Where Have You Gone LBO?* (September 2008)
- *The Stampede Rumbles On* (September 2007)
- *Inaugural Issue: Buyouts Breakout* (August 2006)

Thematic Industry Focus

- *Are Hedge Fund M&A Deals a Sustainable Trend?* (January 2005)
- *Convergence in Alternatives* (November 2004)
- *Credit: The Rite of Passage for Investment Banks?* (June 2003)

Freeman & Co. LLC

"Independent Financial Services Advice"

New York

Freeman & Co. LLC

645 Fifth Avenue

9th Floor

New York, NY 10022

Tel: +1 212 830 6161

Fax: +1 212 265 4998

London

Freeman & Co. International LLP

Nº 1 Cornhill

London , EC3V 3ND

United Kingdom

Tel: +44 (0) 207 743 6535

Fax: +44 (0) 207 743 6528