Issue 1

January 2009

New York • London

Insurance Industry Focus
Freeman & Co. LLC

Inside this Issue:

Indices at January 2, 2009

Index / Metric	Value	LTM Chg
DJIA	9,035	-32%
NASDAQ	1,632	-39%
S&P 500	932	-37%
FTSE 100	4,562	-28%
Nikkei	8,860	-40%
DJ US Select Insurance Index	2,660	-52%
USD per GBP	1.46	26%
USD per Euro	1.39	5%

Inaugural Issue

Welcome to the inaugural issue of the Freeman & Co. Insurance Industry Focus report. For almost ten years, Freeman & Co. has published research on the financial services industry to complement our strategic consulting and M&A advisory services. With this addition, we will focus on those firms that provide life, property & casualty, reinsurance and insurance brokerage services globally, with a particular emphasis on those areas of the industry that are primed for growth, capital raising initiatives, or consolidation plays. We set out to address several issues in this report:

1) The lasting impact of the credit crisis on the insurance industry
2) Credit insurance – where have all the good times gone?
3) Global consolidation potential among insurance brokers
4) Private equity and M&A activity in the insurance sector
5) Public company data and comps

2008 Year in Review: In the Land of the Blind, the One-eyed Man is King!

Finally 2008 has ended and most financial services executives left on the playing field are just happy to be alive. We have witnessed a credit crisis of epic proportions which is often compared to the Great Depression due to its incredible scope and breadth. The current conditions have left many of us hoping that the winds will be at our backs in 2009 long enough for the financial services industry to collectively kick a field goal and simply move on.

The fact remains that the U.S. government has now effectively recapitalized the banking industry, forever transformed the securities industry, refinanced and back-stopped the entire mortgage industry, thrown a life preserver to the auto industry and over the long weekend during which it launched the all-encompassing TARP plan, it doubled down on everything from AIG to the FDIC to the PBGC.

While we are not clear on where the U.S. government will turn its printing press next, we aim to provide some insights on key trends in the insurance sector.

Intervention by the U.S. Treasury in 2008: AIG vs. Banking Sector

	AIG	208 Commercial Banks
Government ownership	79.9% of Common Stock	Preferred Stock w/ Warrants
Cash committed by Treasury Dept.	$112 billion	$172 billion
Curbs on executive compensation?	Yes	No
Elimination of dividends?	Yes	No
Likely outcome of intervention	Divestitures	Sector Consolidation

James G. Hatchley, ACA	Managing Director	+44 (0) 207 743 6535	jhatchley@freeman-co.com
Eric Solash	Director	+1 (212) 830-6167	esolash@freeman-co.com
Gavin Parks	Associate	+1 (212) 830-6163	gparks@freeman-co.com
Joe Metzger	Analyst	+1 (212) 830-6186	jmetzger@freeman-co.com
Scott Tate	Analyst	+44 (0) 207 743 6529	state@freeman-co.com

Credit Crunch Review: Effects on the Insurance Industry

The Credit Crisis Unfolds: A Bailout for the Insurance Industry

Oh, how the mighty have fallen in 2008! In the fourth quarter of 2008, we have seen the world's most profitable financial services company, AIG, effectively nationalized while also witnessing a 40% decline in the S&P Life and Health Index in. This 11 member index has never performed as poorly before – its next worst period was a 19% slide in February 2000.

A Brief History Lesson

There are several interesting parallels between what happened to life insurers during the Great Depression and today's environment. However, the great irony is that during the Depression, America's largest insurers were able to go it alone.

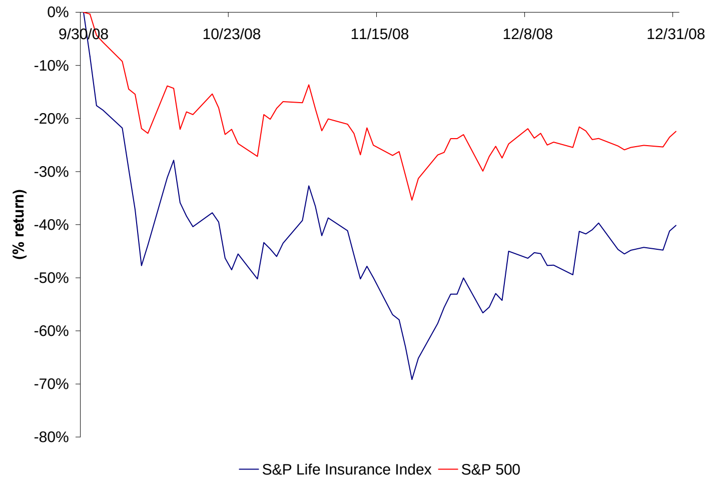
Today, as we "bend the arc of hope" and look forward to a new era of change, we should examine certain important lessons from the past. Nearly 80 years ago, a new administration took office while Americans were enjoying tremendous prosperity along with bulging stock market returns. Many business leaders had actually prognosticated that the economy had now entered a new Depression-less period of unfettered prosperity.

In 1929, the first $100 billion of face value of in force life insurance sales had been sold, and industry veterans predicted that the amount would double during the next decade – then the Great Depression began.

The market cratered, asset values declined and the public was in a general state of panic. Stock prices of major insurers fell so much, that some insurance executives recommended share buy backs as a way to take advantage of the impending rebound in the equity markets. Fortunately, for policy holders at the time, state laws prohibited these types of investments within insurance company portfolio guidelines.

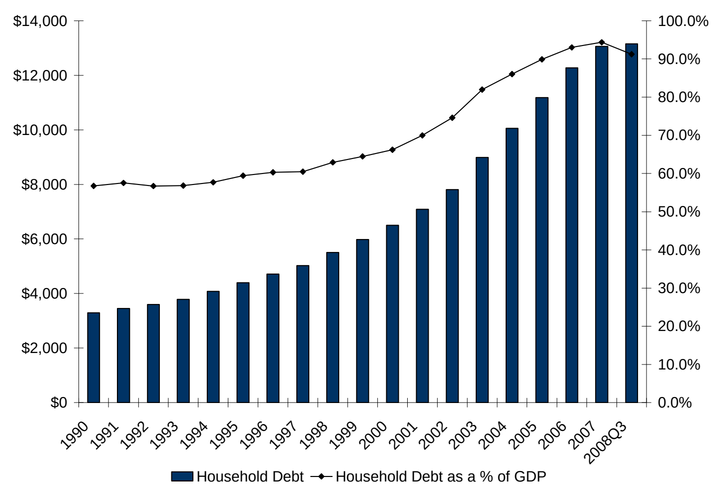
Frederick H. Ecker, the president of Metropolitan in 1929, warned the entire industry that the characteristic of life insurance portfolios should remain inherently conservative. The insurance industry took this advice to heart as equities continued to plummet. Individuals who had been wiped out in the stock market turned out to be thrilled that the assets backing their insurance policies were still intact. It turned out that even during the throes of the Great Depression, in both industrial and ordinary insurance, the total amount of in force policies actually increased through 1931.[1]

S&P Life Insurance Index since 9/30/08

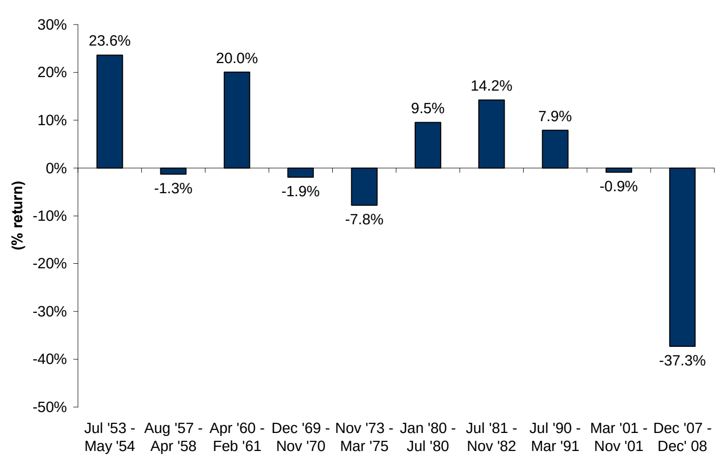


S&P Life Index: AFL, DFG, LNC, MET, PFG, PL, PLFE, PRU, SFG, TMK, UNM

Growth of Household Debt as a % of GDP ($ billions)[2]



Historical S&P 500 Returns in Recessionary Periods[3]



Sources: (1) "The First Stock Market Crash" by Sarah Martin, (2) Federal Reserve Board, (3) Vanguard

Credit Crunch Review: Effects on the Insurance Industry

Back to the Future: The TARP Plan is Launched

On October 3, 2008 President Bush signed the Emergency Economic Stabilization Act, or more simply, "The Bailout Plan." Section 101 authorizes the establishment of a program called the Troubled Assets Relief Program ("TARP"). This program authorized the Treasury Secretary to purchase residential or commercial mortgages and securities, obligations or other instruments based on or related to mortgages issued on or before March 14, 2008.

As early as October 28, 2008, several life insurers began talks with the U.S. government for potential investments of the remaining $90 billion out of the $250 billion originally set aside for distressed financial services companies. Initially, the American Council of Life Insurers ("ACLI") approached the Treasury seeking an industry-wide investment in life insurance companies such as MetLife, Prudential, Hartford, Principal Financial and New York Life.[2]

The ratings agencies have also recently taken a negative outlook on the industry. Fitch Ratings cut its outlook on the U.S. life industry to "negative" on September 29, 2008 on concerns that the declining value of certain fixed income instruments would materially erode the industry's capital base. S&P lowered its outlook in similar fashion on October 10, 2008.

2008 Q4 Ratings Actions on Major U.S. Life Insurers[1]

Insurer	Fitch	Moody's	S&P
AEGON	AA	A2	A+
Conseco	BB	B1	B+
Genworth	W/D	Baa1	A-
Hartford	A	A3	A
Lincoln National	A+	A3	A+
MetLife	A+	A2	A
New York Life	AA+	Aa1	AAA
Phoenix Companies	N/A	Baa3	BB+
Principal Financial	A+	A3	A
Protective Life	A-	Baa1	A
Prudential Financial	A+	A3	A+
StanCorp Financial	A-	Baa1	A-

Ratings reflect long-term issuer risk of default on senior debt
W/D: Withdrawn
Blue: Downgraded
Gray: Negative credit watch
Not shaded: Stable

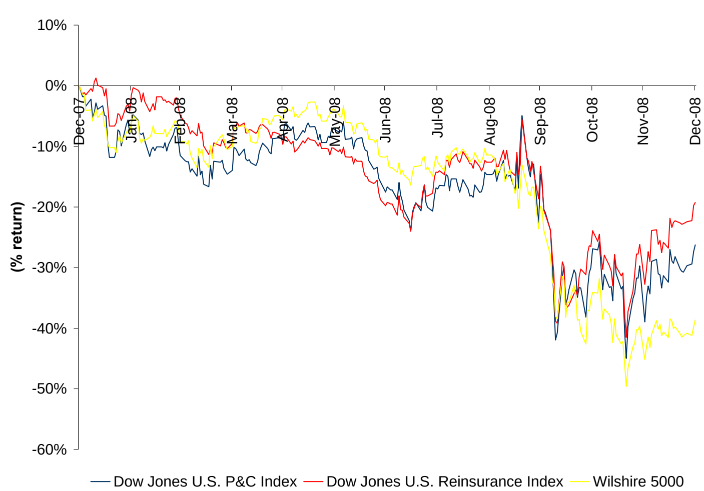
Life Insurers' Target Thrift Purchases[3]

Date	Insurer	12/31/08 Market Cap	Target Thrift	Target Assets
11/17/08	Lincoln National	$5.1 bn	Newton County Loan & Savings	$7 mm
11/17/08	Genworth Financial	$1.2 bn	Inter Savings Bank, FSB	$858 mm
11/14/08	Transamerica / AEGON	$10.6 bn	Suburban Federal Savings Bank	$354 mm
11/14/08	Hartford Financial	$5.1 bn	Federal Trust Corp.	$602 mm

On November 14, 2008, Hartford (NYSE: HIG) announced it was buying a small savings and loan making it eligible to receive $3.4 billion via the TARP. Since then three other life insurers have announced their own plans to buy savings and loans and apply for federal funding.

While the life insurance industry struggles to absorb the takeover of AIG and the need to completely recapitalize, the U.S. property and casualty industry remains on relatively strong footing and is not currently seeking TARP funding. Additionally, while 2008 will go down as the second worst year for insurance losses in history (behind hurricane-plagued 2005), reinsurers also have outperformed the broader markets this year.

2008 P&C and Reinsurer Stock Performance



Sources: (1) Fitch, Moody's, Standard & Poor's, (2) Willkie Farr & Gallagher, (3) Wall Street Journal

Credit Crunch Review: Effects on the Insurance Industry

Opportunities for 2009

At the end of 2008, the ACLI approached state insurance regulators with a plan to loosen capital requirements across the industry. Essentially, statutory accounting rules have made it possible for insurers to hold unrealized losses on their books without taking mark to market write downs. These balance sheet concerns have been the direct driver for the need to recapitalize the industry. However, the National Association of Insurance Commissioners ("NAIC") is working closely with the ACLI to figure out a way to protect policy holders while not inflicting deeper damage upon struggling insurance carriers. The ACLI's wish list changes certain aspects of life insurance accounting and also focuses on capital requirements and quantifying market-related exposure regarding variable annuities.

Continued market turmoil will likely pressure the financial performance of U.S. insurance carriers which should create strategic opportunities in the following areas: mortality and longevity, reinsurance, and asset management. Both banks and insurance companies need capital, which will drive middle market M&A transactions into 2009.

Potential Divestitures: U.S. Insurance Firms' Asset Management Affiliates(1)

Asset Manager	Parent Insurer	12/31/07 AUM ($ bn)	9/30/08 AUM ($ bn)	% Change	Investment Product Focus
Advantus Capital Management	Minnesota Life	19.1	18.8	-1.6%	Fixed Income, Alternatives
AIG Global Investment Group	AIG	743.9	676.0	-10.0%	Equities, Fixed Income, Alternatives
Babson Capital Management	MassMutual	95.7	99.3	3.6%	Fixed Income, Alternatives
Conning	Swiss Re	72.7	72.1	-0.8%	Fixed Income
Delaware Investments	Lincoln Financial	150.6	126.6	-19.0%	Equities, Fixed Income
Dwight Asset Management	Old Mutual	69.5	73.5	5.8%	Fixed Income
Fort Washington Inv. Advisors	Western & Southern	26.9	26.8	-0.1%	Fixed Income
Genworth Wealth / AssetMark	Genworth Financial	21.6	18.7	-15.6%	Equities, Fixed Income, Alternatives
Hartford Inv. Mgmt.	Hartford Financial	426.8	385.0	-10.0%	Equities, Fixed Income, Alternatives
MacKay Shields	New York Life	38.1	36.4	-4.6%	Equities, Fixed Income
MBIA Asset Management	MBIA	63.3	52.1	-21.5%	Fixed Income
MFC Global Inv. Mgmt.	Manulife Financial	401.1	363.6	-10.3%	Equities, Fixed Income
MFS Inv. Mgmt.	Sun Life	197.7	156.3	-26.5%	Equities, Fixed Income, Alternatives
Opus Inv. Mgmt.	Hanover	7.4	7.3	-1.4%	Fixed Income
RS Investments	Guardian Life	18.2	13.8	-31.5%	Equities
Principal Global Investors	Principal Financial	244.9	228.0	-7.4%	Equities, Fixed Income, Alternatives
Prudential Financial	Prudential Insurance	438.5	421.5	-4.0%	Fixed Income, Alternatives
Transamerica Inv. Mgmt.	AEGON	23.2	18.2	-27.5%	Equities, Fixed Income

Note: Alternatives include leveraged loans, real estate, private equity, and CDOs

Sources: (1) Company Websites, Nelson's

Capital Markets Review: Mortality Initiatives, Reverse Mortgages

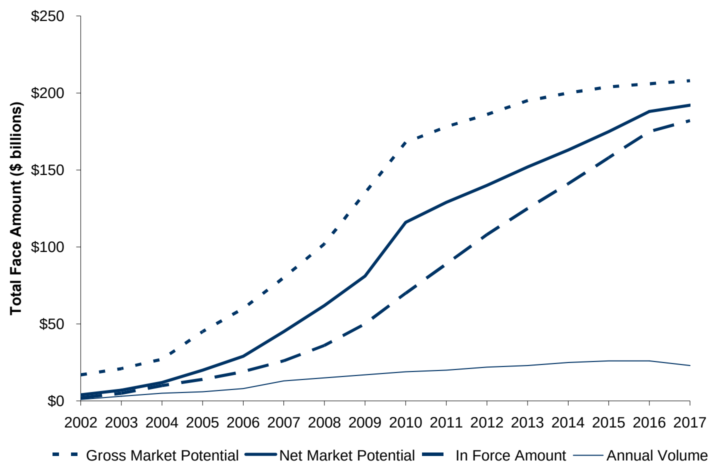
Mortality and Longevity

The credit markets have deeply effected secondary market transactions for life settlements, the ability to finance insurance assets, volume of synthetic mortality transactions, and issuance of insurance linked securities.

In July 2008, we issued a research report on retirement services and commented on the life settlement market. In mid-2008 we predicted that those companies who were trying to "straddle the value" chain and integrate all aspects of the secondary market – from originations to warehousing to structuring, financing and selling end products – would not last. Now that we're in early 2009, we're beginning to see this happen.

Larger investment banks have drastically reduced their demand for insurance assets from producing agents due to various difficulties involved in packaging and selling non correlated assets to natural end buyers like insurers, reinsurers and pension funds. Additionally, the wave of redemptions hitting the hedge fund universe, combined with a lack of leverage in the market place, has caused both investors and, in some cases, producing agents to be left "holding the bag" in terms of future financing obligations for portfolios of life settlements.

Historical / Projected Growth of Life Settlements Market[1]



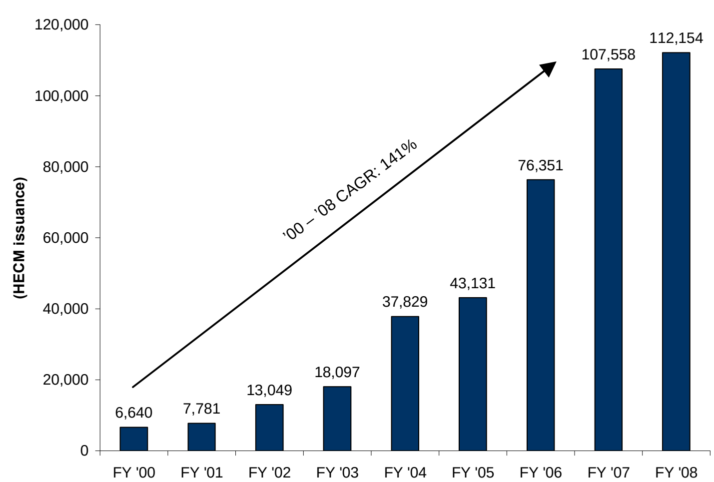
The situation described above has caused an interesting dynamic which we ultimately believe will turn out to be a fantastic opportunity to acquire distressed life settlements assets in 2009. Large institutions like reinsurers and pension funds will continue to demand both hedged products for their own books and non correlated assets for a portion of their alternative asset portfolios. Those with capital to deploy in 2009 will need to prepare for both adjusted life expectancy tables and limited capability for banks to package and distribute mortality-linked instruments. With that said, IRRs on a "buy and hold" basis will compel certain groups with capital to hold insurance assets for the long term until the window to package and sell structured products opens again.

Longevity hedging will also become both more prevalent and more efficient in 2009. Ronald Wuijster, director of strategy at the $338 billion All Pensions Group Investments, an independent administrator in Amsterdam, said that longevity hedging is very expensive, the market is undeveloped, and unbiased benchmarks are lacking.[2]

Reverse Mortgage News

Reverse mortgage issuance continued to rise in 2008, though not at the same rate as it had the previous two years. Last October, in an effort to increase liquidity for retirees and near retirees, whose investment outlook appears much bleaker than one year ago, the U.S. Department of Housing and Urban Development increased the national loan limit for federally-insured reverse mortgages to $417,000, up from between $200,160 and $362,790. HUD also reduced fees for homeowners who would like to refinance their reverse mortgage in line with the higher limits. The market for jumbo (uninsured) reverse mortgages ground to a halt in September, as Lehman Brothers had been the world's largest underwriter of jumbo reverse mortgage funds.

Federally Insured Reverse Mortgage Issuance[3]



Note: The federal government's fiscal year begins Oct. 1st, so data is as of 9/30/08

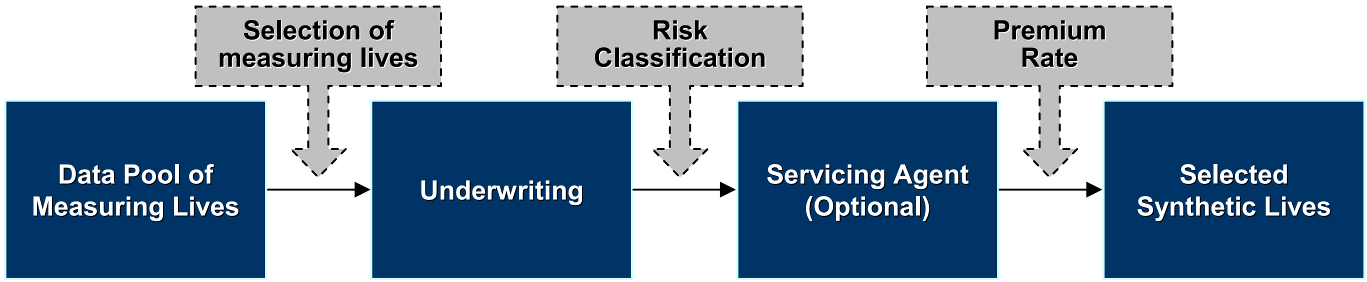
Sources: (1) Conning Research & Consulting, (2) Pensions & Investments, (3) National Reverse Mortgage Lenders Association

Capital Markets Review: Synthetic Products, Life Reinsurance

Synthetic Mortality Initiatives

Goldman Sachs, Deutsche Bank and Credit Suisse have all been working on developing synthetic mortality markets, which we believe will continue to grow in 2009.

Creating a Synthetic Life Policy



While the market for synthetic mortality products is new, the products offer great potential for both investors and companies to one day transact and hedge their exposure in a transparent and more liquid market.

Life Reinsurance: A Historical Perspective

The US life reinsurance market has changed substantially over the last decade as many players have been consolidated by global franchises. As recently as 2000, the life reinsurance market included Employers Re, Lincoln National, ING, United Life, and American United Life. The following wave of consolidation has left a smaller number of reinsurers to service small and middle-market life insurance companies.(1)

Company	Year of Exit	Market Share at Exit	Reason for Exit
Hart Life (The Hartford)	2006	N/A	Acquired by ACE
ING Life Re	2004	9.9%	Acquired by Scottish Re
ERC Life Re	2003	7.2%	Withdrew from market, change in parent strategy
Allianz Life North America	2003	4.4%	Acquired by RGA
Guardian	2003	1.0%	Ceased writing new business
Gerling Global	2003	2.4%	Withdrew from market, parent company financial issues
Annuity & Life Re	2003	2.2%	Withdrew from market, several toxic VA treaties written
American United Life	2002	3.7%	Acquired by ERC Life Re
Canada Life	2002	1.1%	Ceased writing new business
Lincoln Re	2001	11.4%	Acquired by Swiss Re
World-Wide Re	2000	1.0%	Acquired by Scottish Re
CNA Life Re	2000	3.5%	Acquired by Munich Re
CIGNA Corp	2000	0.4%	Acquired by Swiss Re
Partner Re Life US	2000	1.0%	Acquired by SCOR
Phoenix Home Life Re	1999	3.9%	Acquired by ERC Life Re
Life Re	1998	6.8%	Acquired by Swiss Re
M&G Re	1996	3.3%	Acquired by Swiss Re

Source: (1) Conning Research & Consulting

Capital Markets Review: Life Reinsurance

Less Competition Drives Demand for Capacity

Up until the recent credit crisis, the trend in ceded mortality business had been declining. Estimates of ceded mortality reinsurance dropped from approximately 60% in 2004-2005 to around 40% in 2007.

U.S. Ordinary Reinsurance at 12/31/2007 ($ millions)[1]

	Ordinary Reinsurance Assumed - 2007				Ordinary Reinsurance In Force - 2007			
	Recurring	Portfolio	Retroceded	Total	Recurring	Portfolio	Retroceded	Total
Ace Tempest	$5,154	$0	$0	$5,154	$12,093	$0	$0	$12,093
AXA Equitable	-	-	3,821	3,821	-	-	37,280	37,280
Canada Life	26,116	-	-	26,116	189,662	3,103	-	192,765
Employers Re. Corp.	228	-	-	228	316,386	18,464	55	334,905
General Re Life	14,738	-	-	14,738	142,330	8,489	-	150,819
Generali USA Life Re	73,985	-	-	73,985	357,686	799	-	358,485
Guardian	-	-	40	40	-	508	2,569	3,077
Hannover Life Re	5,525	25,375	230	31,130	54,799	74,468	855	130,122
Manufacturers Life	-	-	14,321	14,321	-	-	104,303	104,303
Munich American Re	60,321	1	151	60,473	661,150	30,426	15,761	707,337
Optimum Re (US)	6,546	-	-	6,546	20,126	4,326	89	24,541
Pacific Life	-	-	682	682	-	-	2,856	2,856
RGA Re. Company	161,091	1,670	-	162,761	1,115,162	93,109	-	1,208,271
SCOR Life Re	24,520	-	-	24,520	271,652	3,106	-	274,758
Scottish Re (US)	22,786	-	-	22,786	968,549	1,414	-	969,963
Sun Life	-	-	10,634	10,634	-	-	78,759	78,759
Swiss Re	126,599	222	-	126,821	1,394,814	339,024	-	1,733,838
Transamerica Re	144,104	-	-	144,104	813,781	36,267	-	850,048
Wilton Re	7,142	7,790	-	14,932	23,011	54,532	-	77,543
XL Re Life America	4,081	-	-	4,081	4,098	36,533	29	40,660
Totals	$682,936	$35,058	$29,879	$747,873	$6,345,299	$704,568	$242,556	$7,292,423

With the benefit of hindsight we get a sense of potential changes that may emerge in 2009. In February 2008, A.M. Best discussed the decline in ceded mortality business, stating that it may have been attributable to "direct writers' strong balance sheets and excess capital, reflecting strong operating results, consolidation, and benign credit markets, all of which have enabled the life direct market to fund greater retention levels."[2] Clearly, Toto, we're not in Kansas anymore!

The carnage in the credit markets in 2008 has caused an increased demand for U.S. life insurers to raise capital in order to restore their balance sheets. Prior to the current turmoil, reinsurers began to increase their revenues by branching out into riskier product lines like variable annuities and health related lines. Going forward the life reinsurance market will likely focus on more plain vanilla products, as well as smaller block acquisitions, in order to provide capital or add capacity for struggling primary insurers.

1) Block transactions should increase in 2009 as non-core lines are divested
2) New life reinsurers may be formed to add capacity for constrained U.S. life carriers
3) From 2001 to 2005, over 200 M&A and block transactions were completed
4) More than 90 of these transactions had total purchase prices under $600 million
5) The Top 10 reinsurance companies do not focus on these smaller transactions, which will create distinct opportunities for middle-market players

Sources: (1) Munich Re, (2) A.M. Best

Credit Insurance: Monolines

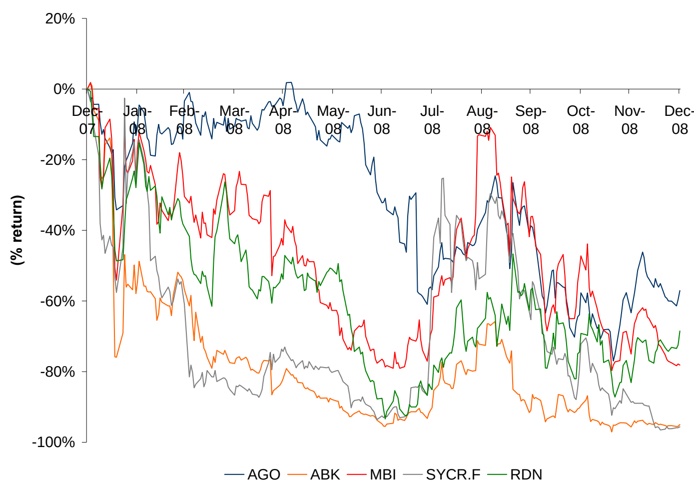
The End of the Line for Monolines?

Until recently, monolines had spent much of their four-decade existence providing insurance to the nearly default-free municipal bond market. A default rate roughly 45x less than that of corporate issuers since 1970 had earned munis their safe-haven reputation and had rendered the muni insurance business rather uneventful. Even Orange County's well-known 1994 default eventually recovered 100 cents on the dollar for bond-holders. However, similar to many other financial institutions over the past year, strong balance sheets and AAA credit ratings, which once characterized monolines, have been wiped out by their foray into structured finance insurance.

At the end of the third quarter of 2008, MBIA reported that over one-third of its insured mortgage portfolio was performing "below (the firm's) expectations," while Ambac reported that nearly one-third of its insured CDO exposure was below investment grade. Moody's downgraded every major monoline in the month of November, on top of numerous previous downgrades, while Fitch has virtually pulled out of the monoline rating business altogether. Some like CIFG even requested that Fitch withdraw its ratings. FAS 133 requires unrealized losses on derivatives transactions to flow through a firm's P&L, making the picture even bleaker for anyone in the business of writing CDS protection. Spreads have soared (see CDX chart on following page), causing unrealized losses on even investment-grade CDS to pile up.

As realized losses have eaten into most firms' reserves, they have sought outside capital either from parent companies or private equity firms. Radian is the only publicly-traded monoline that has not yet tapped the capital markets in 2008, though it did secure a ratings covenant waiver in April 2008 to avoid acceleration of its senior debt. While opportunities to take controlling stakes in the troubled firms remain, it is doubtful that many firms will want to repeat Warburg Pincus' nine-figure writedown of its investment in MBIA. Given its exposure to the consumer debt markets, which has only begun to show signs of softening, monolines may end up as virtual wards of the state. A bankruptcy would have a severe domino effect, as those state and local governments would lack the backstop which allows them to keep their borrowing costs so artificially low. This would be especially challenging as tax revenues for municipal issuers begin to ebb.

2008 Monoline Stock Performance



Monoline Capital Raising / Cost Cutting Activity in 2008[1]

Monoline	Date	Action
FSA	11/14/2008	Sold by Dexia to Assured Guaranty
Syncora	8/5/2008	Suspended its dividend for additional 18 months; no dividends had been declared YTD
Syncora	7/29/2008	Received $2.5 billion infusion from parent XL Capital
FSA	6/23/2008	Received $5 billion line of credit from parent Dexia
FGIC	4/14/2008	Announced it was exploring strategic alternatives with outside investors
Assured Guaranty	4/8/2008	Received $250 million infusion from WL Ross & Co.
Syncora	3/26/2008	Reduced workforce by 35%
Ambac	3/12/2008	Closed equity offering and private placement for aggregate of $1.5 billion
MBIA	2/25/2008	Eliminated dividend
MBIA	2/13/2008	Closed $1.1 billion equity issuance, including $300 million to Warburg Pincus
Ambac	1/16/2008	Announced $1 billion equity issuance; slashed dividend
MBIA	1/16/2008	Closed $1 billion 144A surplus notes offering

Sources: (1) Company Websites, SEC Filings

Credit Insurance: Credit Derivative Product Companies

What lies ahead for a nascent industry already in turmoil?

Mirroring the fall of the monolines, credit derivative product companies (CDPCs) have also come under significant pressure since mid-2007. CDPCs are a relatively new type of special purpose vehicle which earn premium revenues by writing CDS protection on investment-grade corporates and sovereigns.

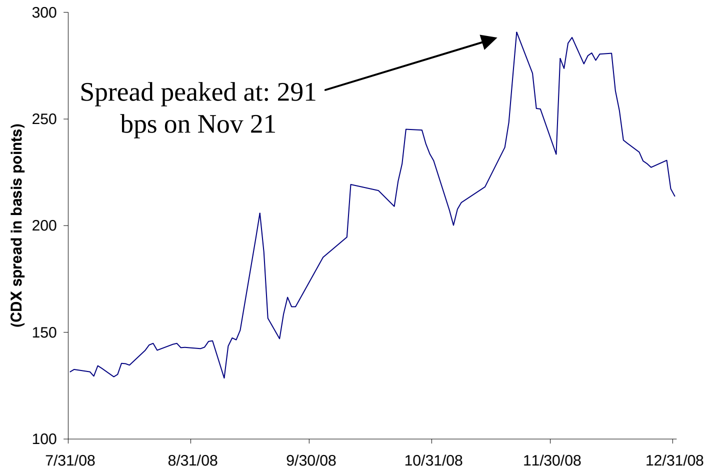
The key to a CDPC's viability is its receipt of a AAA rating, which typically has required an initial capitalization of greater than $100 million. Thus, nearly all CDPCs are subsidiaries of, or sponsored by, banks, hedge funds, or alternative managers with credit expertise. Upon capitalization, CDPCs have historically been able to leverage themselves up to 80x to ensure tranches and 40x to ensure single names.

Operating as unregulated bond insurance companies with limited collateral requirements, CDPCs have multiplied since Primus became the first rated CDPC in 2002. However, the recent turmoil has imperiled the CDPC business model on many fronts. In October, Fitch withdrew its ratings on the five CDPCs it rated due to their "uncertain business prospects." Credit events involving the Icelandic banks, Fannie and Freddie, Lehman Brothers, and Washington Mutual have pushed the investment-grade default rate to its highest level since 2002. And counterparty risk, once an anomaly in the U.S. market, was brought into full relief with the near-bankruptcy of Bear Stearns and the bankruptcy of Lehman, which continues to accrue millions in unpaid swap premiums.

As shown in the chart at top right, the cost of insuring investment-grade debt has risen substantially since the start of the year. Importantly, CDPCs do not buy protection or trade in the underlying cash instruments, and so are unable to hedge their exposure. Above-average default rates would thus pose a serious threat to these firms' limited capital cushions, and could force them to wind down existing swaps and realize heavy losses due to spreads far wider now than when the contracts were originally written.

Given the strain under which many owners of CDPCs have been operating over the past year, we anticipate that those owners may seek to divest their holdings. On the other hand, finding a willing buyer for a vehicle which is by definition long credit – at 20x to 30x leverage – will be a significant challenge in this market.

North American Investment Grade CDX since 7/31/08

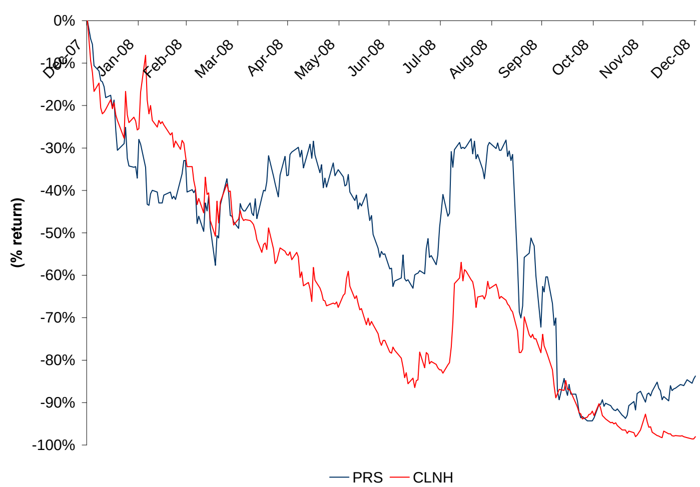


Recent Rating Actions on Select CDPCs[1]

CDPC	Fitch	Moody's	S&P
Aladdin Financial Products	W/D	W/D	-
Athilon Capital Corp	W/D	Aa3	AAA
Channel Capital Plc	-	W/D	AAA
Cournot Financial Products	W/D	Aaa	AAA
Invicta Capital	W/D	-	AAA
Koch Financial Products	-	-	AAA
Morgan Stanley Derivative Products	-	-	AAA
NewLands Financial	-	Aaa	-
Primus Financial	-	Aa1	AA+
Quadrant Structured Credit Products	W/D	Aaa	-
Satago Financial Products	-	W/D	-
Theta Corporation	-	Aa2	-

W/D: Withdrawn
Blue: Recently downgraded
Gray: Negative credit watch

2008 CDPC Stock Performance



Sources: (1) Fitch, Moody's, Standard & Poor's

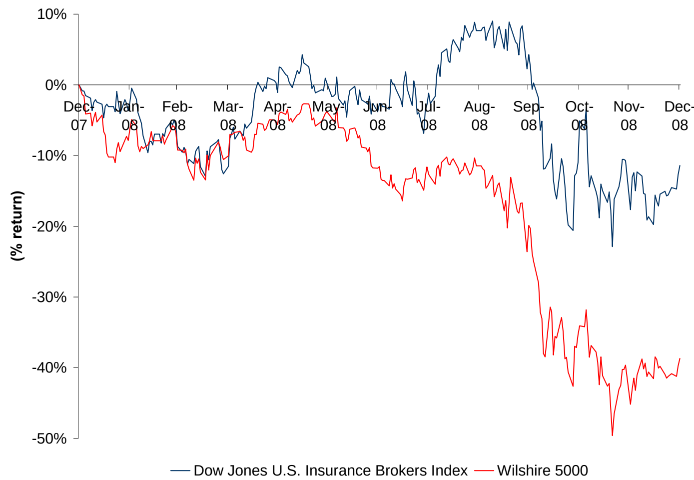
Insurance Brokerage Review

Executive Summary

Insurance brokers should do better than most given current conditions. The basic job of insurance broking is cash generative, low on capital requirements and, if done well, highly value-added in times of crisis as concerned clients need proper advice on where to get their coverage. Investment banking competitors have, at least in the short term, lost some of their interest in creating alternative risk structures and we have returned to a market with a strong focus on traditional broking of risk to traditional primary insurance and reinsurance carriers (the ones left standing, that is!).

This sentiment was holding up reasonably well throughout the first three quarters of 2008 as the share price performance of the sector (at right) demonstrates.

2008 Insurance Brokerage Stock Performance



While all the above sentiment is (we believe) true, the words in the first line of the above paragraph "should do better" are the ones on which to focus. The reality is that the effects of the credit crisis have evaded no one and that the impact is complex and takes time to work through the system. One suspects the stock market began reflecting this at the end of August, resulting in a 20% decline to year end. At a macro level we see a number of trends at work which have implications for the brokerage segment:

1) GDP growth and insurance premium growth move broadly together
2) There is a reduction in available capital across the global financial markets
3) Corporates across all sectors are very focused on cutting budgets and finding ways of saving money
4) Government intervention is not likely focused on just corporate failure, but also incidents of selected market failure
5) There will be an inevitable consolidation across the primary carriers
6) The health of the bank lending and capital markets remains fundamental to all firms

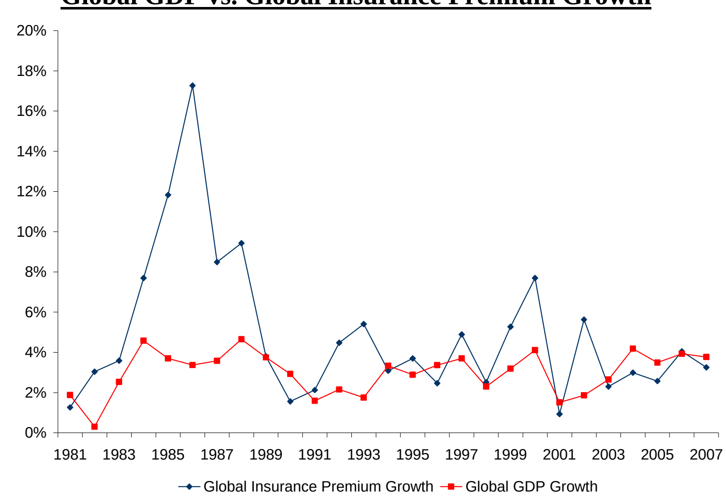
Capital is king

The increasing scarcity of capital is going to have a major impact on the market in terms of primary carrier capacity and rates. Brokers are then thrust into a tricky position. Customers' ability to absorb price increases is questionable, while at the same time economic data suggests a sustained hardening in premium rates is likely. A little like Doctor Doolittle's character, the pushmi-pullyu, it is difficult to predict which end of the "two-headed" market will triumph given the potential severity of the economic back-drop. Those with surplus capital should guard it carefully.

Corporates are focused on saving money everywhere

Creativity on the part of the broker segment will provide opportunities to add significant value to clients. Proper risk assessment and mitigation, the use of captives, revisions to other areas of policy wording and the sensible transfer of risk from insurer to client all offer scope. If the brokerage industry can stay focused there will be opportunity for creative firms to shine and gain market share from those slower off the blocks in terms of proactive discussions with clients and carriers alike.

Global GDP vs. Global Insurance Premium Growth(1)



Sources: (1) Swiss Re, The World Bank Group

Insurance Brokerage Review

Government intervention – an evolving story

As well as "catching" the odd primary insurer that would otherwise go bankrupt it is possible that governments around the world will have to consider, through direct actions or otherwise, intervention in selected risk markets. Not all risk markets potentially qualify, but those defined as necessary for the smooth running of the world's economic markets may be considered on a case-by-case basis (e.g. creditor insurance). While we hope and pray that AIG is the biggest thing anyone of us will see in terms of a rescue, the insurance broking community has a role to highlight market inefficiencies which arise as a result of the credit crisis for which a market solution is simply not available at a viable price. It may not come to this, but what is certain is that the regulatory burden is increasing and governments seem willing to move to make sure that any gaps are filled before they cause lasting damage.

Inevitable consolidation

Consolidation in the primary, capital intensive segments of the financial services world (including insurance) is now highly anticipated as the dust settles following 2008's range of corporate failures. Further consolidation in the corporate broking market is also likely as financial performance comes under equal pressure. Consolidation, in our view, is most likely to be concentrated in three areas: Darwinian deals (the weak being subsumed into the stronger species), equity mergers of mid-ranking participants and reshuffling (selling, buying and even swapping) of international operations with a focus on fewer, larger international operations in core international markets.

Health of bank lending and capital markets

The banking and capital markets have an impact on us all and the insurance brokerage segment is no exception. Until there is a normal market for capital raising, whether by equity or debt, there will be abnormal outcomes for selected players in the markets who either need funds they cannot get or chose not to move strategically on opportunities as the funding situation is so uncertain. This is particularly the case for smaller or middle-market firms with little other options available to them.

Top Ten Insurance Brokerages Globally: Key Facts[(1)]

Brokerage	FY 2007 Brokerage Revenue ($ MM)	1/5/2009 Market Cap ($ MM)	Target Geography
Marsh & McLennan Companies	$11,281	$12,605	Global
Aon	7,096	11,900	Global
Willis Group	2,463	4,140	Global
Arthur Gallagher	1,457	2,434	Australia, Canada, U.K., U.S., offshore
Wells Fargo Insurance Services Inc.	1,282	Subsidiary	U.S.
Jardine Lloyd Thompson Group	947	1,366	Australia, U.A.E., U.K., U.S., offshore
BB&T Insurance Services Inc.	877	Subsidiary	U.S.
Hilb Rogal & Hobbs Co.	780	Acquired by Willis	U.S.
Brown & Brown	758	2,954	U.K., U.S.
Lockton Cos. L.L.C.	728	Private	Asia, South America, U.K., U.S., offshore

Insurance Brokerage Public Comparables

(All figures in millions unless otherwise stated; All figures have been adjusted for extraordinary and non-recurring items)

	Summary Financials									LTM 9/30/08 Valuation Metrics			
	1/5/2009 Stock	52 Week		1/5/2009 Market	Enterprise	Book	LTM 9/30/2008			Price /	Enterprise Value /		
Company Name	Price	High	Low	Cap	Value	Value	Revenue	EBITDA	Pre-Tax	Book	Revenue	EBITDA	Pre-Tax
Insurance Brokerages													
Aon	$44.11	$50.00	$32.83	$11,900	$13,386	$5,947	$6,537	$1,297	$960	2.0 x	2.0 x	10.3 x	13.9 x
Arthur Gallagher	25.62	30.00	21.38	2,434	2,702	775	1,616	293	199	3.1 x	1.7 x	9.2 x	13.6 x
Brown & Brown	20.88	27.41	16.27	2,954	3,208	1,217	963	345	272	2.4 x	3.3 x	9.3 x	11.8 x
Jardine Lloyd Thompson Group	443.0 p	528.5 p	306.0 p	£941	£598	£239	£511	£102	£81	3.9 x	1.2 x	5.9 x	7.3 x
Marsh & McLennan Companies	$24.52	$36.82	$20.96	$12,605	$14,749	$6,916	$11,819	$1,315	$688	1.8 x	1.2 x	11.2 x	21.4 x
National Financial Partners	3.22	44.24	0.81	128	463	797	1,207	187	126	0.2 x	0.4 x	2.5 x	3.7 x
Willis Group	24.89	37.61	19.53	4,140	5,354	1,404	2,674	577	420	2.9 x	2.0 x	9.3 x	12.7 x
									AVERAGE	2.3 x	1.7 x	8.2 x	12.1 x
									MEDIAN	2.4 x	1.7 x	9.3 x	12.7 x

Source: (1) Business Insurance Magazine

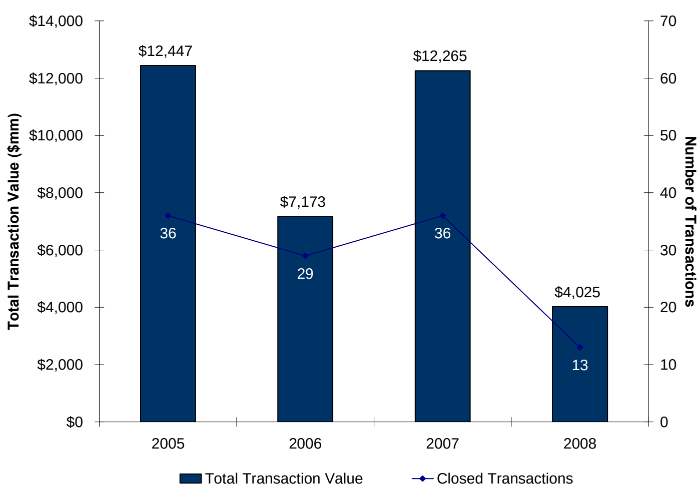
Insurance Private Equity Sector Review

2008 sees sharp decline in PE appetite for insurance

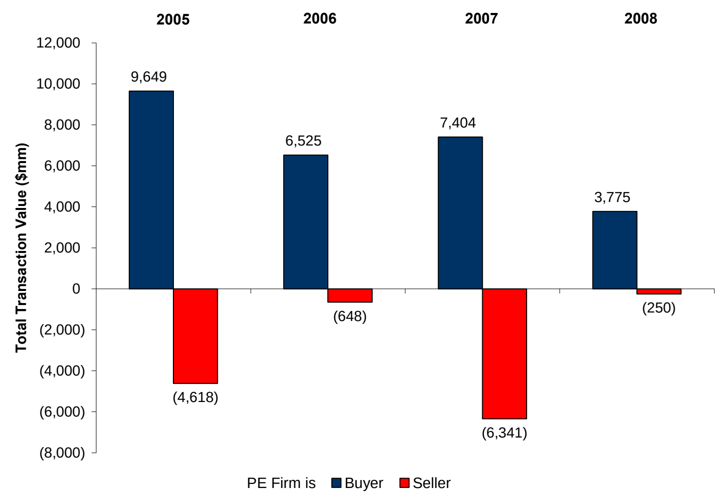
FIG PE Investment in the Insurance sector has slowed considerably after a robust few years. Deal activity was strong from 2004 to 2007, with an increasing trend of exits as opposed to new investments in the sector. New investments into Insurance companies have decreased each year since 2004 in terms of total deal value, but exits and sales reached a peak of $4.4 billion in 2007, led by Capital Z Financial Partners' sale of the Insurance broker USI Holdings in May 2007 for $1.4 billion to an affiliate of Goldman Sachs. The largest PE Insurance deal of 2008 was XL Capital's infusion into subsidiary Syncora Holdings. It subsequently transferred its remaining ownership of Syncora into a trust.

Although FIG PE entry into Insurance companies has slowed significantly this year, attractive opportunities for investors continue to exist in the sector. PE firms have executed transactions in the insurance brokerage space both in the U.S. and in Europe in recent years. We expect this trend to continue on an opportunistic basis, as brokerage entities continue to consolidate in order to reach critical mass. Additionally, deal activity in the life settlement market will continue to pick up, which will ultimately drive growth in mortality and longevity hedging and trading opportunities, growth in mortality indices and secondary market activity involving life settlements. These areas will be relevant to private equity firms as they seek out non-traditional means of providing above-average returns for their investors.

PE Activity in Insurance[1]



Insurance Entry vs. Exit Deals[1]



Notable PE Investments in Insurance 2007 – 2008

Announce Date	Target Company	Target Type	Private Equity Investor	% Acquired	Deal Value	Entity Value
7/29/2008	Syncora Holdings	Financial Guaranty	XL Capital	N/A	$2,500	N/A
12/10/2007	MBIA	Financial Guaranty	Warburg Pincus	26%	1,143	4,396
10/1/2007	CompBenefits Corporation	Life and Health	GTCR, TA Associates*	100%	674	674
9/21/2007	MemberHealth, LLC	Life and Health	WCAS*	100%	763	763
8/1/2007	Bisys Group, Inc. (insurance subsidiaries)	Brokerage	JC Flowers	100%	650	650
7/3/2007	Asurion	Property and Casualty	Madison Dearborn, TA Associates*	31%	980	3,121
7/3/2007	Bristol West Holdings Inc.	Property and Casualty	KKR*	100%	763	763
6/13/2007	Hub International Ltd.	Property and Casualty	Apax	100%	1,902	1,902
5/4/2007	USI Holdings Corp.	Brokerage	Union Square*	100%	1,410	1,410
3/30/2007	Direct General Corp.	Property and Casualty	TPG	100%	630	630
1/4/2007	Aeolus LP	Reinsurance	Warburg Pincus	N/A	800	N/A

Note: Asterisks reflect exits from investments

Source: (1) Thomson Financial / Freeman & Co.

Review of 2008 M&A Activity

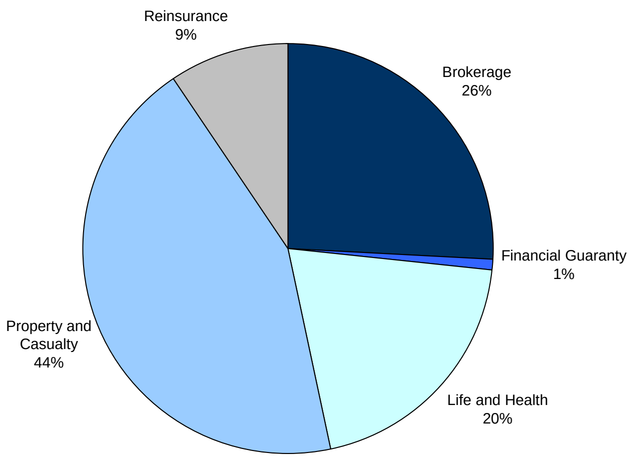
The dismantling of AIG begins

Merger and acquisition activity in the insurance space slowed considerably as 2008 drew to a close, with most of the billion-dollar transactions taking place between the 1st and 3rd quarters of 2008. The credit crisis drove end of year M&A, as Q4 saw the Benelux governments' nationalization of Fortis and subsequent sale of Fortis' Belgian insurance operations to BNP. Additionally, a cloud continues to hang over the assets of quasi-nationalized AIG, which appears certain to be a hotbed of divestiture activity in 2009. The first hint of this came in late November, as the Brazilian bank Unibanco shed its affiliation with AIG by divesting their Brazilian corporate insurance joint venture. In December, AIG sold its Hartford Steam Boiler ("HSB") unit to Munich Re for almost $500 million less than AIG paid for HSB in 2000.

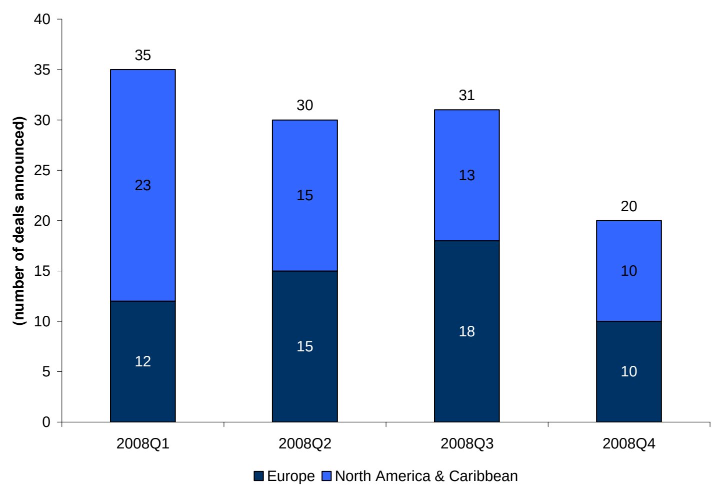
Hilb Rogal and Hobbs, one of the top consolidators in the U.S. brokerage market, was itself consolidated by Willis Group in June, while foreign buyers snapped up three large U.S. P&C firms in billion-dollar transactions. North of the border in Canada, Fairfax Financial acquired the roughly 37% of Northbridge Financial which it did not already own. The transaction valued Northbridge, Canada's largest commercial P&C insurer, at over $1.5 billion.

While Aon's acquisition of Benfield was the notable transaction in the reinsurance brokerage arena in 2008, most reinsurance-related transactions were distressed sales, such as Scottish Re's sale of its international life operations to Pacific Life in June and GMAC's sale of its reinsurance business to Maiden Re in November. And, in spite of all the pain and suffering in the monoline space, Assured Guaranty's acquisition of distressed FSA from parent Dexia and Warburg Pincus' follow-on investment into MBIA were the only transactions to close in 2008.

2008 Insurance M&A by Target Sub-sector(1)



2008 Insurance M&A by Target Geography(1)



Notable 2008 Transactions ($ millions)

Announce Date	Target	Target Type	Target Country	Acquirer	Acquirer Country	% Acquired	Deal Value	Entity Value
12/1/2008	Northbridge Financial Corporation	Property and Casualty	Canada	Fairfax Financial	Canada	37%	568	1,539
11/14/2008	Financial Security Assurance	Financial Guaranty	US	Assured Guaranty	Bermuda	100%	722	722
10/5/2008	Fortis Insurance Belgium SA	Life and Health	Belgium	BNP Paribas	France	100%	7,587	7,587
9/5/2008	BanSabadell Vida SA de Seguros y Reaseguros	Life and Health	Spain	Zurich Financial Services	Switzerland	100%	1,420	1,420
8/22/2008	Benfield Group	Reinsurance	UK	AON Corp.	US	100%	1,366	1,366
8/5/2008	Barclays Life Assurance	Life and Health	UK	Swiss Re	Switzerland	100%	1,470	1,470
7/22/2008	Philadelphia Consolidated	Property and Casualty	US	Tokio Marine	Japan	100%	4,772	4,772
6/9/2008	Hilb Rogal & Hobbs	Brokerage	US	Willis Group	UK	100%	1,674	1,674
6/4/2008	Commerce Group	Property and Casualty	US	MAPFRE	Spain	100%	2,317	2,317
5/1/2008	Scottish Provident Ltd	Life and Health	UK	Royal London Group	UK	100%	2,587	2,587
4/23/2008	Safeco Corporation	Property and Casualty	US	Liberty Mutual	US	100%	6,144	6,144
4/3/2008	Midland Co	Property and Casualty	US	Munich Re	Germany	100%	1,325	1,325
3/26/2008	Erste Group Bank AG (insurance activities)	Brokerage	Austria	Vienna Insurance Group	Austria	100%	2,290	2,290
2/12/2008	ING Seguros SA de CV	Property and Casualty	Mexico	AXA Equitable	France	100%	1,500	1,500

Note: Transactions include only those in which the acquired company is an insurance firm based in Europe, North America, or the Caribbean and the known deal value exceeds $10 million. IPOs, share repurchases, and going-private/LBO/MBO transactions are not included

Source: (1) Thomson Financial / Freeman & Co.

Insurance Company Public Comps

US Insurance Firms

(All figures in millions unless otherwise stated; All figures have been adjusted for extraordinary and non-recurring items)

	Summary Financials								Valuation Metrics				
	1/5/2009 Stock	52 Week		1/5/2009 Market	LTM 9/30/2008			Operating	NAV		Market Cap. /	Price / Earnings	
Company Name	**Price**	**High**	**Low**	**Cap**	**NEP**	**Pre-Tax**	**Dil. EPS**	**Ratio**	**P / Book**	**ROE**	**NEP**	**LTM**	**2009E**
US-listed Reinsurers													
ACE	$52.42	$68.00	$34.90	$17,486	$13,034	$2,173	$5.24	75.2%	1.1 x	10.7%	1.3 x	10.0 x	6.5 x
Aspen Insurance	24.73	30.32	13.53	2,015	1,647	257	2.67	80.4%	0.8 x	7.7%	1.2 x	9.3 x	6.2 x
Everest Re	75.46	105.34	54.77	4,634	3,782	(23)	0.16	86.5%	0.9 x	0.2%	1.2 x	N/M	6.6 x
PartnerRe	69.43	82.93	47.70	3,822	3,934	153	3.61	80.3%	0.9 x	4.6%	1.0 x	19.2 x	6.8 x
RenaissanceRe	50.18	60.34	31.50	3,081	1,401	172	3.07	71.7%	1.0 x	5.7%	2.2 x	16.3 x	6.9 x
Transatlantic Holdings	39.74	73.76	30.17	2,634	4,096	231	3.17	88.1%	0.9 x	6.4%	0.6 x	12.5 x	6.0 x
White Mountains Insurance	275.64	525.00	195.00	2,878	3,735	(401)	(26.19)	99.2%	0.7 x	-6.1%	0.8 x	N/M	12.5 x
XL Capital	3.75	52.26	2.65	1,240	6,842	519	0.97	80.6%	0.1 x	3.5%	0.2 x	3.9 x	1.1 x
								AVERAGE	0.8 x	4.1%	1.1 x	11.9 x	6.6 x
								MEDIAN	0.9 x	5.1%	1.1 x	11.3 x	6.5 x
US Life Insurers													
Conseco	$4.45	$12.49	$1.31	$822	$3,449	($357)	(1.23)	N/A	0.3 x	-6.4%	0.2 x	N/M	3.4 x
FBL Financial Group	15.33	35.21	6.53	462	272	14	0.41	N/A	0.8 x	1.7%	1.7 x	37.3 x	5.9 x
Genworth Financial	2.83	25.36	0.70	1,226	6,831	(236)	(0.12)	N/A	0.1 x	-0.4%	0.2 x	N/M	1.3 x
Phoenix Companies	3.24	13.98	1.07	371	780	(15)	(2.07)	N/A	0.2 x	-11.5%	0.5 x	N/M	4.4 x
Protective Life	14.84	44.38	5.63	1,037	1,108	45	0.49	N/A	0.7 x	1.7%	0.9 x	30.3 x	4.1 x
StanCorp Financial Group	41.39	55.28	22.85	2,025	2,158	296	4.05	N/A	1.4 x	13.7%	0.9 x	10.2 x	7.9 x
								AVERAGE	0.6 x	-0.2%	0.7 x	25.9 x	4.5 x
								MEDIAN	0.5 x	0.6%	0.7 x	30.3 x	4.3 x
US P&C Insurers													
American Financial Group	$23.72	$32.00	$13.65	$2,740	$3,210	$404	2.20	86.6%	1.0 x	8.8%	0.9 x	10.8 x	6.6 x
Assurant	29.77	71.31	12.52	3,501	7,877	569	3.28	91.5%	0.9 x	9.5%	0.4 x	9.1 x	4.4 x
CNA Financial	16.88	34.48	8.50	4,541	7,253	181	0.90	89.2%	0.6 x	2.6%	0.6 x	18.8 x	4.5 x
Houston Casualty Company	25.86	30.00	14.17	2,966	2,005	478	2.86	83.8%	1.2 x	13.2%	1.5 x	9.0 x	8.6 x
Progressive Corporation	14.95	21.31	10.29	10,101	13,630	(110)	0.01	90.9%	2.4 x	0.1%	0.7 x	N/M	11.1 x
Travelers Group	44.53	58.57	28.91	26,029	21,577	4,230	5.33	82.2%	1.1 x	12.3%	1.2 x	8.4 x	8.2 x
								AVERAGE	1.2 x	7.8%	0.9 x	11.2 x	7.2 x
								MEDIAN	1.0 x	9.1%	0.8 x	9.1 x	7.4 x

European Insurance Firms

(All figures in millions unless otherwise stated; All figures have been adjusted for extraordinary and non-recurring items)

	Summary Financials									Valuation Metrics					
	1/5/2009 Stock	52 Week		1/5/2009 Market	LTM 6/30/2008				Operating	IFRS NAV		EEV	Market Cap. /	Price / Earnings	
Company Name	**Price**	**High**	**Low**	**Cap**	**NEP**	**PBT[a]**	**Op. Profit[b]**	**Dil. EPS[c]**	**Ratio[d]**	**P / Book**	**ROE[e]**	**P / EEV**	**NEP**	**LTM**	**2009E**
European-listed Reinsurers															
Swiss Re	CHF 51.65	CHF 93.95	CHF 35.38	CHF 18,235	CHF 28,189	CHF 3,391	n/a	CHF 7.96	83.7%	0.7 x	9.8%	N/A	0.6 x	6.5 x	5.9 x
Munich Re	€ 115.16	€ 132.52	€ 77.87	€ 23,769	€ 35,265	€ 4,039	N/A	€ 15.09	98.7%	1.1 x	13.6%	N/A	0.7 x	7.6 x	8.5 x
Hannover Re	€ 23.14	€ 36.70	€ 13.59	€ 2,791	€ 7,003	€ 795	n/a	€ 5.70	N/A	1.0 x	22.5%	N/A	0.4 x	4.1 x	6.3 x
Paris Re	€ 9.82	€ 13.50	€ 9.68	€ 840	$ 1,132	$ 253	n/a	($ 0.23)	96.2%	0.4 x	10.3%	N/A	0.5 x	N/M	3.3 x
Lancashire Holdings Ltd.	£ 4.35	£ 4.50	£ 2.42	£ 752	$ 637	$ 357	n/a	$ 1.80	36.5%	0.6 x	28.3%	N/A	1.5 x	3.1 x	5.0 x
									AVERAGE	0.8 x	16.9%	N/A	0.7 x	5.3 x	5.8 x
									MEDIAN	0.7 x	13.6%	N/A	0.6 x	5.3 x	5.9 x
European Multi-Line															
AXA[f]	€ 17.15	€ 26.85	€ 11.11	€ 35,828	€ 92,151	€ 5,578	n/a	€ 2.35	86.4%	0.9 x	22.9%	N/A	0.4 x	7.3 x	7.7 x
Zurich Financial Services[f]	CHF 245.00	CHF 337.75	CHF 172.30	CHF 34,820	$ 42,206	$ 6,676	n/a	$ 36.14	87.4%	1.3 x	20.2%	N/A	0.8 x	6.9 x	7.9 x
									AVERAGE	1.1 x	21.6%	N/A	0.6 x	7.1 x	7.8 x
									MEDIAN	1.1 x	21.6%	N/A	0.6 x	7.1 x	7.8 x
European Life Insurers															
Aviva	£ 4.17	£ 6.70	£ 2.11	£ 11,069	£ 31,900	N/A	£ 3,464	£ 0.77	N/A	1.0 x	3.6%	0.6 x	0.3 x	5.4 x	5.4 x
Prudential	4.29	7.36	2.33	10,712	19,211	n/a	2,642	0.77	N/A	1.9 x	3.0%	0.8 x	0.6 x	5.6 x	5.5 x
Standard Life	2.26	3.20	1.74	4,927	N/A	n/a	1,062	0.34	N/A	1.5 x	18.4%	0.8 x	N/A	6.6 x	9.7 x
Legal & General	0.77	1.38	0.56	4,484	5,285	n/a	508	0.10	N/A	1.0 x	7.8%	0.6 x	0.8 x	7.3 x	6.6 x
Old Mutual	0.60	1.59	0.38	3,155	5,084	n/a	1,723	0.14	N/A	0.4 x	13.7%	0.4 x	0.6 x	4.4 x	3.8 x
Friends Provident	0.82	1.69	0.48	1,906	883	n/a	402	0.08	N/A	0.5 x	-2.8%	0.5 x	2.2 x	10.8 x	7.4 x
									AVERAGE	1.1 x	8.0%	0.6 x	1.0 x	6.9 x	6.6 x
									MEDIAN	1.0 x	7.8%	0.6 x	0.7 x	6.6 x	6.6 x
European P&C Insurers															
Royal Sun Alliance	£ 1.45	£ 1.73	£ 1.10	£ 4,838	£ 5,968	£ 727	N/A	£ 0.21	96.9%	1.5 x	23.1%	N/A	0.8 x	7.1 x	9.0 x
Hiscox	3.20	3.61	1.92	1,178	£ 980	£ 241	N/A	0.48	71.3%	1.4 x	25.2%	N/A	1.2 x	6.7 x	8.7 x
Admiral Group[f]	9.25	11.07	6.81	2,445	£ 377	£ 196	N/A	0.53	76.1%	9.6 x	58.5%	N/A	6.5 x	17.5 x	15.2 x
									AVERAGE	4.2 x	35.6%	N/A	2.8 x	10.4 x	11.0 x
									MEDIAN	1.5 x	25.2%	N/A	1.2 x	7.1 x	9.0 x

Notes: (a) Profit before tax shown on an IFRS or IAS basis; (b) Operating Profit (ex. short-term investment fluctuations) before tax shown on an EEV basis; (c) Diluted EPS for European Life companies based on operating profit after tax on a continuing basis (ex. short-term investment fluctuations); (d) Reflects last reported full-year combined operating ratios; (e) Paris Re profit after tax is adjusted to normalize exchange rate impact; (f) Total net revenue less investment/interest income is shown in place of NEP

Sources: SEC Filings, Company Presentations, Bloomberg Estimates

Freeman & Co. Asset Management and Insurance Transactions

US $700 million AUM

KBC Alpha Asset Management

A hedge fund of funds division

KBC

has been acquired by

Pacific Alternative Asset Management Company

The undersigned acted as financial advisor to KBC Financial Products
Announced December 2, 2008

Freeman & Co. Int. LLP

GW&K Investment Management

A wholly owned subsidiary of

THE BANK OF NEW YORK MELLON

has been acquired by

AFFILIATED MANAGERS GROUP

The undersigned acted as financial advisor to The Bank of New York Mellon
October 2, 2008

Freeman & Co. Securities LLC

US $8.0 billion AUM

LIGHTHOUSE PARTNERS

has been acquired for US$625 million by

UFA holdings

The undersigned acted as financial advisor to Lighthouse Investment Partners, LLC
Signed November 1, 2007

Freeman & Co. Securities LLC

VALUE ASSET MANAGEMENT

has sold its minority stake in Grosvenor Capital Management back to the company

GROSVENOR CAPITAL MANAGEMENT, L.P.

The undersigned acted as financial advisor to Value Asset Management
October 26, 2007

Freeman & Co. Securities LLC

Investment Bank

has acquired

Reverse Mortgage Firm

The undersigned acted as financial advisor to the Investment Bank
Unannounced; Closed August 22, 2007

Freeman & Co. Securities LLC

$5.5 billion AUM

K2 ADVISORS

has sold a minority interest to

TA Associates

Acted as financial advisor to K2 Advisors LLC
April 30, 2007

Freeman & Co. Securities LLC

$24 billion AUM

CERES

has completed an equity recapitalization sponsored by an undisclosed

Financial Sponsor

as provider of financing

The undersigned acted as financial advisor to Ceres Capital Partners
January 31, 2007

Freeman & Co. Securities LLC

Investment Bank

has acquired

Mortality Risk Firm

Acted as financial advisor to Investment Bank
Unannounced; Closed November 17, 2006

Freeman & Co. Securities LLC

$1.7 billion AUM

LYRA.

its holding company

URSA *and* STARVIEW.

have been acquired by

CRÉDIT AGRICOLE STRUCTURED ASSET MANAGEMENT

Acted as financial advisor to Ursa Capital
September 14, 2006

Freeman & Co. Securities LLC

$2.8 billion AUM

The BANK of NEW YORK.

has acquired

URDANG

Acted as financial advisor to The Bank of New York
February 28, 2006

Freeman & Co. Securities LLC

The $2.8 billion AUM hedge fund of funds

GUGGENHEIM

has been acquired by

Bank of Ireland Asset Management

Acted as financial advisor to Guggenheim Capital
January 31, 2006

Freeman & Co. Securities LLC

$1.5 billion AUM acquired

HAMILTON LANE

has acquired a controlling interest in

RICHCOURT CAPITAL MANAGEMENT

from

CITCO

Acted as financial advisor to Hamilton Lane
December 3, 2004

Freeman & Co. Securities LLC

Javelin Fund Limited

The $890 million AUM hedge fund of funds of

ZURICH CAPITAL MARKETS

has been acquired by

BNP PARIBAS ASSET MANAGEMENT

Acted as financial advisor to Zurich Capital Markets, Inc.
July 1, 2004

Freeman & Co. Securities LLC

$1.3 billion AUM

LYRA CAPITAL LLC

has completed the management buyout of

Zurich Benchmark Series

from

ZURICH CAPITAL MARKETS

Acted as financial advisor to Zurich Capital Markets, Inc.
October 16, 2003

Freeman & Co. Securities LLC

The structured products business of

ZURICH CAPITAL MARKETS

has been acquired by

BNP PARIBAS

Acted as financial advisor to Zurich Capital Markets, Inc.
July 11, 2003

Freeman & Co. Securities LLC

$800 million AUM

VOLARIS

has been acquired by

CREDIT SUISSE FIRST BOSTON

Acted as financial advisor to Volaris Advisors
June 6, 2003

Freeman & Co. Securities LLC

The BANK of NEW YORK.

has acquired

IVY Asset Management Corp.

Acted as financial advisor to The Bank of New York
October 2000

Freeman & Co. Securities LLC

Select Freeman & Co. Publications

Asset Management Reports

- *Reports of my Death were Greatly Exaggerated* (September 2008)
- *The World is a Different Place* (February 2008)
- *Robust First-Half, Uncertain Future* (September 2007)
- *Déjà vu (All Over Again)* (August *2006)*
- *Size Matters* (March 2006)
- *Changing Tides II* (August 2005)
- *A Slow Year, Focused on Repositioning* (February 2005)
- *Alternatives Go Mainstream, Move Up the Charts* (August 2004)
- *Will Strong Returns Lead to Increases in Industry Activity?* (March 2004)

Insurance Industry Reports

- *Inaugural Issue* (January 2009)
- *Retirement Funding: New Solutions for a growing problem* (July 2008)

Private Equity Focus

- *Where have you gone LBO?* (September 2008)
- *The Stampede Rumbles On* (September 2007)
- *Inaugural Issue: Buyouts Breakout* (August 2006)

Securities Industry Reports

- *Mom, Dad, Are We There Yet?* (September 2008)
- *History Repeats, but with Many Different Flavors* (February 2008)
- *Post Labor Day: Back to School, Hopefully not Schooled!* (September 2007)
- *Back in Black* (August 2006)
- *Landmark Deals Signal Growth of Electronic Trading Flow* (July 2005)
- *Mega Deals Return* (January 2005 Supplement)
- *2004 Provides Foundation for Expanded Deal Volumes* (January 2005)
- *Inaugural Issue: Midyear Update* (August 2004)

Servicing, Processing & Technology

- *Making Wall Street & Main Street Work* (October 2008)

Thematic Industry Focus

- *Are Hedge Fund M&A Deals a Sustainable Trend?* (January 2005)
- *Convergence in Alternatives* (November 2004)

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