Issue 2
Mid Year 2007 Edition

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Private Equity Focus
Freeman & Co. LLC

Inside this Issue:

Indices and Rates at 9/27/07:

DJIA	13,913
Nasdaq	2,710
S&P 500	1,531
FTSE 100	6,486
10-yr U.S. T-Bond	4.57%
USD per GBP	$2.02
USD per Euro	$1.41

The Stampede Rumbles On

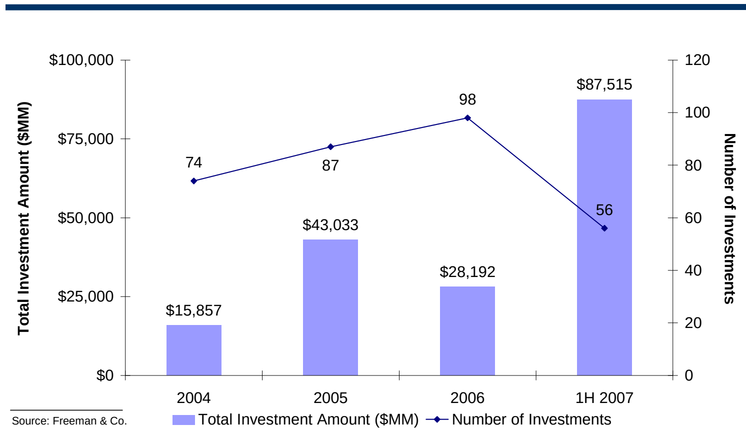
This has been quite an era for private equity. With leveraged buyouts leading the way, activity in the industry has continually transcended levels previously thought unreachable. Macro trends such as a friendly credit market and lofty returns have driven private equity ("PE") through record year after record year. While a recent assessment and re-pricing of risk has put the brakes temporarily on many large, leveraged transactions, we believe a core PE market remains and is already showing signs of reemergence. Within the Financial Institutions Group ("FIG"), PE investments are soaring to new highs as financial services undergoes a renaissance of its own as previous thoughts around the attractiveness of the FIG space for PE is updated. This report aims to deliver insight and highlight key areas of this overlapping region called FIG PE.

Below are several of the FIG PE trends over the last year and looking forward:

1. **Asset Management Appetite** – PE (and others) are hungry for these sticky-client, fee-driven enterprises
2. **Rise in Financial Technology** – investing in the firms that make financial services faster and more efficient
3. **Hedge Fund Services** – the rise of hedge funds creates rapid growth in its ancillary businesses
4. **Portfolio Exits** – the new art of cashing out in PE
5. **Risk Adjusted Returns** – recent FIG PE returns viewed as superior when examined on a risk adjusted basis

FIG PE activity posted gaudy numbers during the first six months of 2007 ("1H 2007"), more than tripling the total investment amount from all of 2006, largely due to two buyouts each worth over $25 billion: SLM Corp. and First Data Corp. Although August's credit dislocation will no doubt put the brakes on the FIG PE sector in the short term we continue to believe the sector will offer an increasing number of opportunities in the years to come.

PE Investments in FIG (2004-1H 2007)



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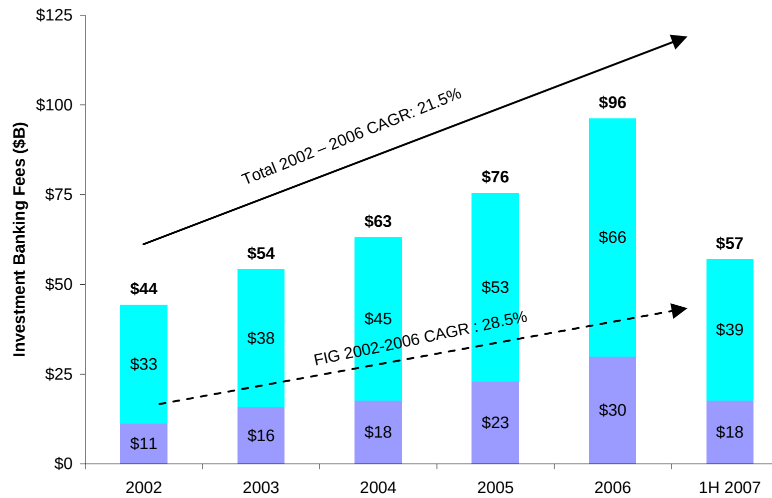
Financial Services Boom

Investment banks had a record year in 2006, collecting $96 billion dollars in fees. Banking revenues from fees have grown at a CAGR of 21.5% from 2002 to 2006. Much of the success can be attributed to flexible credit markets, low interest rates and an increased presence in cross-border transactions. With $57 billion in fee revenues already in 1H 2007, the industry is on pace for another record year. This pace may not carry into the second half of 2007 as uncertain market conditions, widening credit spreads and higher interest rates will take their toll on deal activity looking forward.

Much of the global investment banking fees are driven by the success of the financial institutions group. FIG revenues have achieved a 30.1% CAGR for the last five and a half years, a rate faster than any industry over that time period. Of the record $96 billion in fees for 2006, FIG revenue contributed over 30%. General Industrials Group ("GIG") contributed 20% while Technology, Media, and Telecom ("TMT") amassed only 14%.

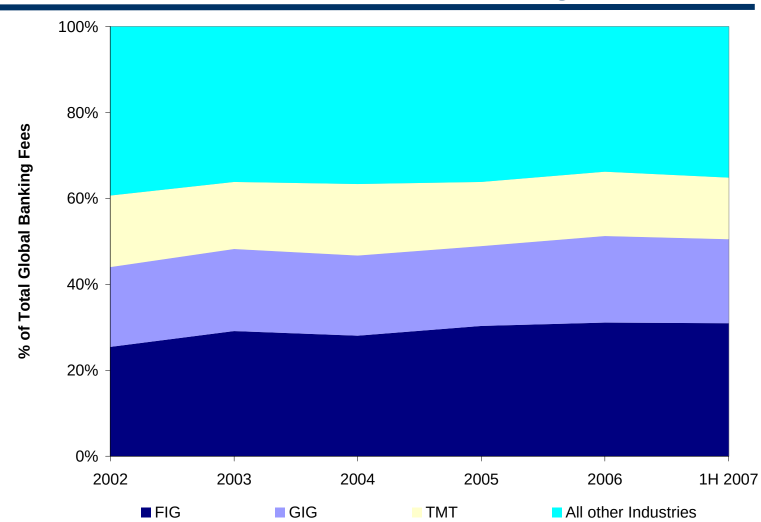
While robust FIG activity accounted for much of the investment bank profitability, institutional clients fees played a big role as well. Hedge funds, private equity firms and the overall alternative asset management sector are booming. Capital market returns are increasing profits in the form of fee revenues to broker dealers of all sizes. Specialty finance and financial technology firms are experiencing greater activity acting as supplementary businesses to the capital markets boom. Headlining this massive industry-wide trend are the global investment banks. Firms like Goldman Sachs and Morgan Stanley have benefited from these FIG trends, with revenue growth coming from many business lines. Rapid growth in Proprietary Trading, Sales, Banking and Asset management is a sign that FIG continues to expand in all segments.

Global Investment Banking Fees: FIG vs. non-FIG



Sources: Freeman & Co., Thomson Financial

Breakdown of Global Investment Banking Fees



Sources: Freeman & Co., Thomson Financial

Global Banking Year-on-Year Revenue Growth

Universal Banks	2003	2004	2005	2006
Banc of America	9.8%	29.1%	14.7%	30.2%
Citigroup	8.6%	11.3%	-3.0%	7.1%
JPMorganChase	25.4%	35.9%	26.5%	12.7%
Global I-Banks	**2003**	**2004**	**2005**	**2006**
Bear Stearns	16.9%	13.7%	8.8%	24.5%
Goldman Sachs	14.5%	30.8%	20.5%	49.2%
Lehman Brothers	40.9%	33.5%	26.4%	20.2%
Merrill Lynch	8.3%	9.3%	18.1%	33.3%
Morgan Stanley	9.1%	13.9%	12.7%	26.4%
Average	**16.7%**	**22.2%**	**15.6%**	**25.5%**

Source: SEC Filings

InvDate: Closing date of investment (if investment is pending, then announcement date is shown) **Inv$MM:** Total amount invested in U.S. dollars
1H 2007: 7/1/2006 – 6/30/2007 **GIG** – Global Industrials Group **TMT** – Technology Media and Telecommunication

FIG PE Trends: Macro Outlook

Financial institutions have historically been viewed as potentially less attractive by the private equity community. Despite the robust volume in the M&A market and rapidly growing valuation multiples in the public markets, financial services firms have been typically a tougher sell to the private equity community because of the lack of ability to add high leverage to many of the transactions. Regulatory issues, leverage questions and questionable prospects for restructuring all stunted FIG PE growth in the first half of the decade.

This is no longer the case. After two-and-a-half years of robust volume, FIG has finally made its mark on the private equity industry. Insurance accounted for 21% of the total FIG deal value from 2002 to 1H 2007, with financial technology and processing ("FTP"), and specialty finance ("SPEC") comprising 62% of the total market. However, during LTM 1H 2007, the deal flow shifted heavily from insurance to SPEC and FTP. Just in the last year, SPEC and FTP have increased their combined market share to 72% of total FIG deal value for that period. SPEC has been the leader in increasing market share, as specialty finance providers are in high demand. The stellar performance in both the SPEC and FTP sectors is largely due to the two mega-buyouts within the year. SPEC and FTP investments have quickly gained on insurance investments in both number and size. The four largest investments in LTM 1H 2007, headed by KKR's announced $28.7 billion LBO of First Data Corp., are firms from the SPEC and FTP space.

Top Ten FIG PE Transactions (2002-1H 2007)

Rank	Private Equity Firm	Portfolio Company	InvDate	Inv$MM
1	**KKR**	**First Data Corp.**	**4/1/2007**	**$28,678**
2	**JC Flowers, FFL**	**SLM Corp**	**4/15/2007**	**$25,570**
3	Silver Lake, THLee, TPG, KKR, Blackstone	SunGard Data	8/11/2005	$11,536
4	**Blackstone Group**	**Alliance Data Systems**	**5/17/2007**	**$8,088**
5	**Cerberus**	**GMAC**	**11/30/2006**	**$7,353**
6*	**CVC - Charterhouse**	**Auto. Assoc. - Saga**	**6/25/2007**	**$6,687**
7	**Madison Dearborn**	**Nuveen Investments**	**6/19/2007**	**$6,424**
8	Cerberus	LNR Property	2/4/2005	$3,710
9	CVC	Automobile Assoc.	9/30/2004	$3,178
10	JC Flowers	NIBC N.V.	12/14/2005	$2,594

**merger between Autombile Association and Saga valued at $12+ billion*

LTM 1H 2007 Transactions bold

Source: Freeman & Co.

Top Ten FIG PE Transactions (LTM 1H 2007)

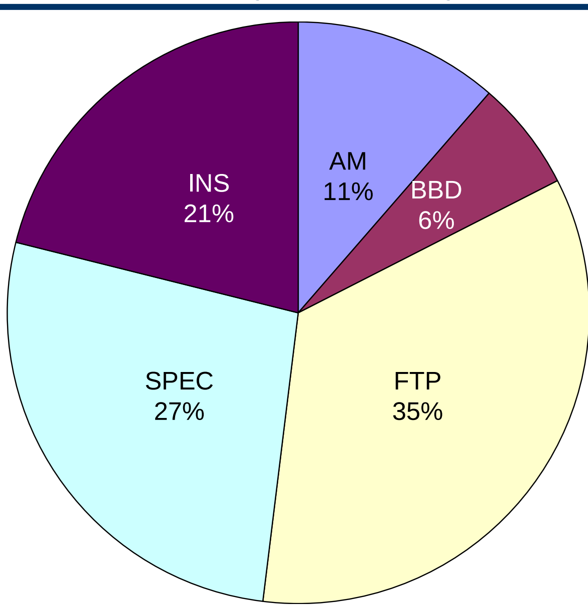
Rank	Private Equity Firm	Portfolio Company	InvDate	Inv$MM
1	KKR	First Data Corp.	4/1/2007	$28,678
2	FFL, JC Flowers	SLM Corp.	4/15/2007	$25,570
3	Blackstone Group	Alliance Data Systems	5/17/2007	$8,088
4	Cerberus	GM Acceptance Corp	11/30/2006	$7,353
5*	CVC - Charterhouse	Auto. Assoc. - Saga	6/25/2007	$6,687
6	Madison Dearborn	Nuveen Investments	6/19/2007	$6,424
7	Apax Partners	Hub International Ltd.	6/13/2007	$1,902
8	ABN AMRO Capital, Hellman & Friedman, Stone Point, Vestar	Paris Re Hldgs Ltd.	12/21/2006	$1,600
9	TA Associates	Jupiter AM	6/19/2007	$1,450
10	Capital Z**	USI Holdings Corp.	5/4/2007	$1,410

**merger between Autombile Association and Saga valued at $12+ billion*

***portolfio exit*

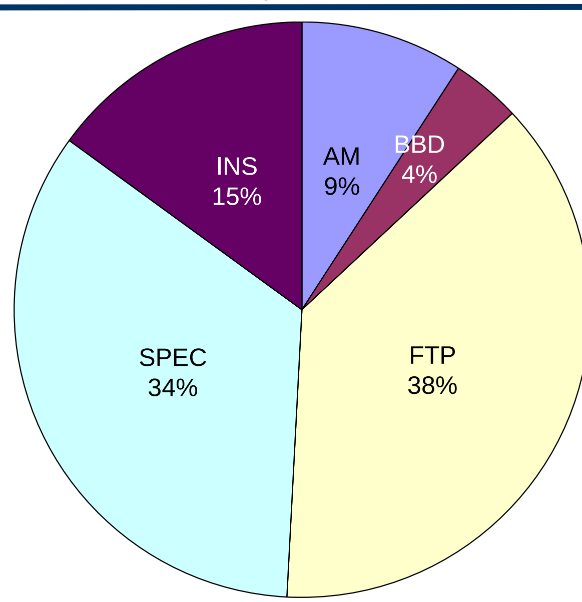
Source: Freeman & Co.

FIG PE Deal Value by Sub-Industry ('02-1H '07)



Source: Freeman & Co.

FIG PE Deal Value by Sub-Ind. (LTM 1H '07)



Source: Freeman & Co.

PE = Private Equity **AM** = Asset Management **BBD** = Banks & Broker Dealers **SPEC** = Specialty Finance

FIG = Financial Institutions Group **FTP** = Financial Technology and Processing **Ins** = Insurance

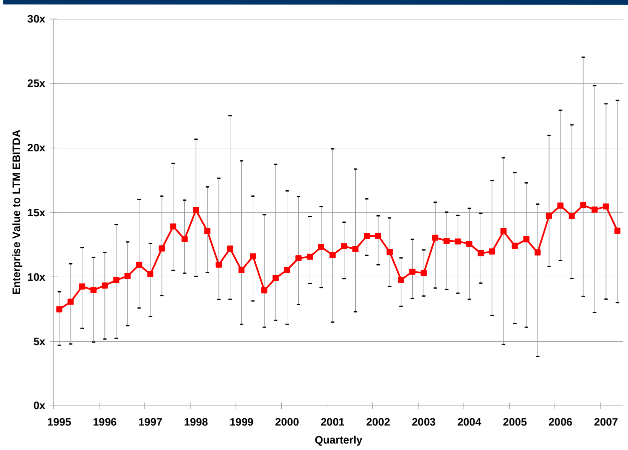
FIG PE Trends: Asset Management

In June of this year, the private equity mega-buyout flurry captured its first asset manager. Nuveen Investments, a Chicago-based publicly traded money manager, was bought out by Madison Dearborn Partners. The $6+ billion buyout was priced at $65 per share of Nuveen, representing a 20% premium on the stock prior to announcement and 26% on the stock's trailing 90-day average closing price. The transaction was valued, based on trailing twelve-month figures, at 15.7x EBITDA and 8.5x revenue.

These valuation multiples represent the growing appetite for the asset management business and the readily available debt at the time the deal was struck. The chart below on the left shows the rapid upward valuation movement. This trend is characteristic of the asset management business, whose "sticky" client fee-based revenues have become attractive to private equity investors. Revenue and EBITDA growth forecasts have proved more achievable than in other sectors. Because of the consistent cash flow, PE firms are able to add leverage to these companies.

Beyond the overall appetite for fee-driven businesses, alternative asset managers have become increasingly attractive. Alternative firms generally operate with higher margins than the traditional firms (e.g. Eaton Vance and Legg Mason), performance fees, less overhead and fewer employees. These incentive fees give alternative businesses a bifurcated revenue stream. The precedent transaction in this sub-space was K2 Advisors' (a Connecticut-based $5.5 billion hedge fund of funds) minority sale to TA Associates. The deal not only gave TA a significant minority interest in a rapidly growing business, but it also allowed TA and K2's founders (who received some liquidity from the transaction) to invest capital in K2's new products.

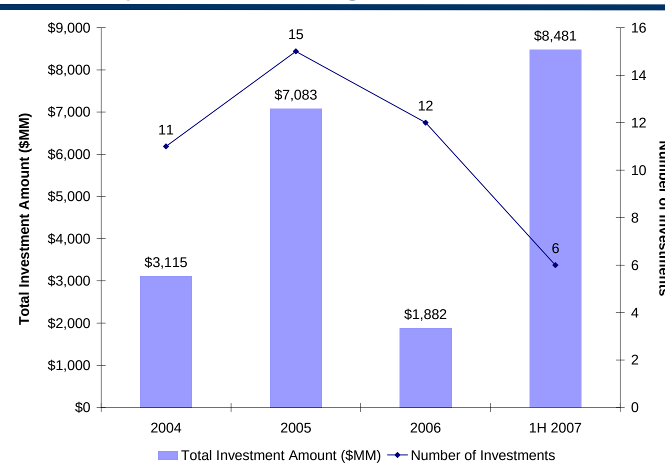
Publicly Traded Asset Management Firms: Enterprise Value / LTM EBITDA



Includes: AB, AMG, BEN, BLK, BPFH, BX, CLMS, CNS, EV, FIG, FII, GBL, JNC, JNS, LM, MEL, SEIC, TROW, WDR, WL

Source: Freeman & Co.

PE Activity in Asset Management (2004-1H 2007)



Source: Freeman & Co.

Top Ten PE Deals in Asset Management Firms (LTM 1H 2007)

Rank	Private Equity Firm	Portfolio Company	InvDate	Inv$MM
1	Madison Dearborn Partners	Nuveen Investments Inc.	6/19/2007	$6,424
2	TA Associates	Jupiter Asset Management	6/19/2007	$1,450
3	Hellman & Friedman	Gartmore Investment Management Plc	9/30/2006	$950
4	Bridgepoint Capital Limited*	Tilney Investment Management	12/15/2006	$658
5	Evercore Capital Partner	Evercore Investment Corp.	8/10/2006	$96
6	**Capital Z***	**Lyra Capital**	**7/14/2007**	**$80**
7	Corsair Capital	HCI Capital AG	2/1/2007	$53
8	Lovell Minnick Partners	PlanMember Financial Corp	12/7/2006	$20
9	XL Capital Investment Partners	Polar Capital Partners	11/28/2006	$13
10	TA Associates	K2 Advisors, LLC	4/30/2007	n/a

**portfolio exit*

Freeman & Co. Transactions bold

Source: Freeman & Co.

InvDate: Closing date of investment (if investment is pending, then announcement date is shown) **Inv$MM:** Total amount invested in U.S. dollars

1H 2007: 7/1/2006 – 6/30/2007 Please see Freeman & Co.'s new Asset Management Focus report published in September 2007

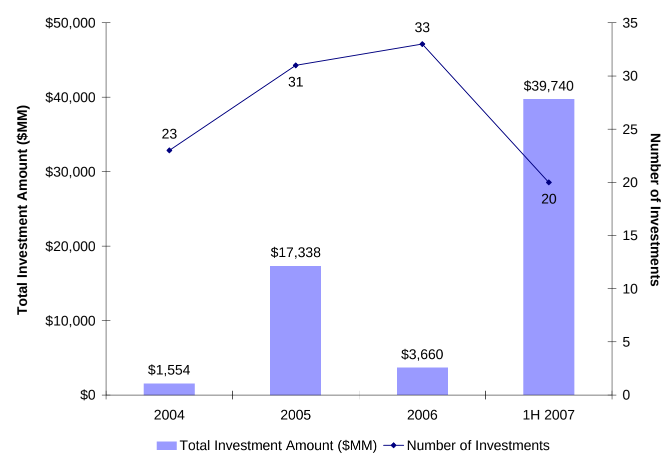
FIG PE Trends: Financial Technology

The rapidly growing reliance of finance firms on technology, combined with the maturity of the financial technology sector, has attracted a growing number of private equity suitors in the last few years. We saw a record number of private equity investments in the financial technology sector in 2006, although 2005 was the biggest year in total investment amount (the reason being that Silver Lake and TPG's $11.5 billion acquisition of SunGard Data Systems drove total deal value for the year to unprecedented heights). If we eliminate the SunGard transaction from the 2005 numbers, we have a more normalized total investment amount of $5.7 billion for the year. Going forward, the deal volume for 2007 will be as robust as in previous years, with 22 investments executed as of 1H 2007 in comparison to 23 deals for the entire year in 2004. Concurrently, deal value has been growing at a CAGR of 75% from 2002 to 1H 2007, with a similar upward trend for the remainder of 2007. Frothy private equity activity in FTP signals increasing confidence in the space as well as the legitimacy of financial technology investments.

Freeman & Co.'s experience in this space has been substantial and continues to grow to meet the increasing demand for middle-market financial technology and processing companies. This May, Freeman & Co. acted as sole advisor to ESP Technologies, an institutional technology brokerage firm, in its growth equity investment and recapitalization from affiliates of Bear Stearns, Credit Suisse and Susquehanna International Group. The transaction will facilitate shareholder liquidity and allow ESP to continue its research and development of innovative broker-neutral technologies as a leading direct market access provider.

The Carlyle Group and Providence Equity Partner's $1.3 billion acquisition of Open Solutions was the largest FTP deal to close in 2007. Open Solutions is a provider of integrated enabling technologies for financial institutions in the United States, Canada and other international markets. The transaction closed on January 23, 2007, with stockholders receiving $38 per share. $851.5 million in total cash was used to finance the deal, while the remaining transaction amount was composed of debt financing provided by affiliates of Wachovia, JPMorgan and Merrill Lynch.

PE Activity in FTP (2004-1H 2007)



Source: Freeman & Co.

Top Ten PE Deals in Financial Technology & Processing Firms (LTM 1H 2007)

Rank	Private Equity Firm	Portfolio Company	InvDate	Inv$MM
1	KKR	First Data Corp.	4/1/2007	$28,678
2	Blackstone Group	Alliance Data Systems	5/17/2007	$8,088
3	Carlyle Group	Open Solutions Inc.	1/23/2007	$1,337
4	Silver Lake Partners	IPC Systems	9/29/2006	$800
5	Warburg Pincus	Metavante Corporation	4/3/2007	$625
6	GTCR Golder Rauner	National Processing Company	10/10/2006	$580
7	Hellman & Friedman*	Mitchell International, Inc.	2/15/2007	$500
8	Charlesbank Capital Partners	Bankruptcy Management Solutions	7/31/2006	$464
9	Welsh, Carson, Anderson & Stowe*	Ruesch International, Inc.	3/27/2007	$440
n/a	Susquehanna Investment Group	ESP Technologies, LLC	5/17/2007	n/a

**portfolio exit*

Freeman & Co. Transactions bold

Source: Freeman & Co.

PE = Private Equity **AM** = Asset Management **BBD** = Banks & Broker Dealers **SPEC** = Specialty Finance
FIG = Financial Institutions Group **FTP** = Financial Technology and Processing **Ins** = Insurance

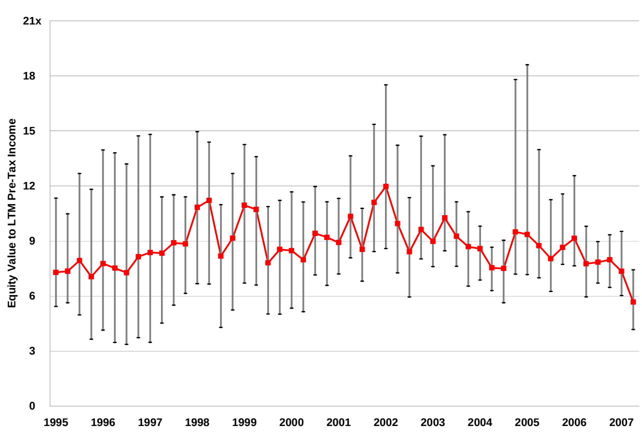
FIG PE Trends: Banks & Broker Dealers

In 2005 and 2006, the Banks and Brokers sector was robust with 18 investments and more than $8 billion invested. Despite the slow pace in 2007, the outlook for activity in this space continues to look good as a result of two main drivers. First, many banks have become takeover targets as the sub-prime mortgage market fall-out has taken its toll. An example would be JC Flower's NIBC, which on August 15, 2007 received a $4 billion announced bid for the Hague-based bank, by Icelandic bank Kaupthing. NIBC has a $528 million exposure to the U.S. sub-prime mortgage market. The Dutch bank lost in excess of $185 million from its American asset-backed securities operation.

Second, broker-dealers are highly leveraged and have recently become more weighted towards profits generated from their trading platforms. Brokers today are becoming increasingly dependent on the volume of their trading operations rather than commission spread. In order to consistently guarantee revenue and growth, the firms take on more risk, which means that a turn in the wrong direction could make even the larger players possible acquisition targets.

From the banks and brokers top ten list, MatlinPatterson's $50 million equity investment in First Albany was one of the most recent to close (see table). MatlinPatterson acquired approximately 33 million new shares of common equity at $1.50 per share. The capital will be used to build on First Albany's investment products and services strengths. In addition, MatlinPatterson is now the majority shareholder of First Albany and has three representatives on a nine-member Board of Directors. Freeman & Co. Securities LLC acted as financial advisor to the Board of Directors of First Albany Companies, Inc.

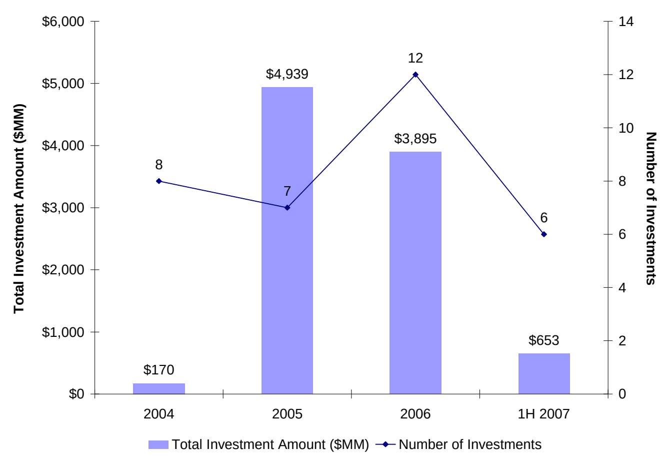
Publicly Traded Global Investment Banks: Equity Value / LTM Pre-Tax Income



Source: Freeman & Co.

Includes: BAC, C, JPM, GS, BSC, LEH, MS, MER

PE Activity in Banks & Brokers (2004-1H 2007)



Source: Freeman & Co.

Top Ten PE Deals in Banks & Broker Dealers (LTM 1H 2007)

Rank	Private Equity Firm	Portfolio Company	InvDate	Inv$MM
1	JC Flowers	HSH Nordbank AG	10/24/2006	$1,766
2	Cerberus Capital Management	BAWAG P.S.K	12/30/2006	$792
3	Technology Crossover Ventures	Thinkorswim, Inc.	2/15/2007	$349
4	JC Flowers	Euromobiliare SIM Spa	6/25/2007	$194
5	Carlyle Group	Chongqing Commercial Bank	12/21/2006	$129
6	Technology Crossover Ventures	FX Alliance	7/24/2006	$78
7	Warburg Pincus	NYFIX	10/12/2006	$75
8	**MatlinPatterson Global Advisers**	**First Albany Companies, Inc.**	**5/14/2007**	**$50**
8	Friedman Fliescher & Lowe	JonesTrading Institutional Services LLC	4/2/2007	$50
10	GTCR Golder Rauner	BNY Convergex	10/2/2006	n/a

Freeman & Co. Transactions bold

Source: Freeman & Co.

InvDate: Closing date of investment (if investment is pending, then announcement date is shown) **Inv$MM:** Total amount invested in U.S. dollars

1H 2007: 7/1/2006 – 6/30/2007

Please see Freeman & Co.'s new Broker Dealer Focus report published in September 2007

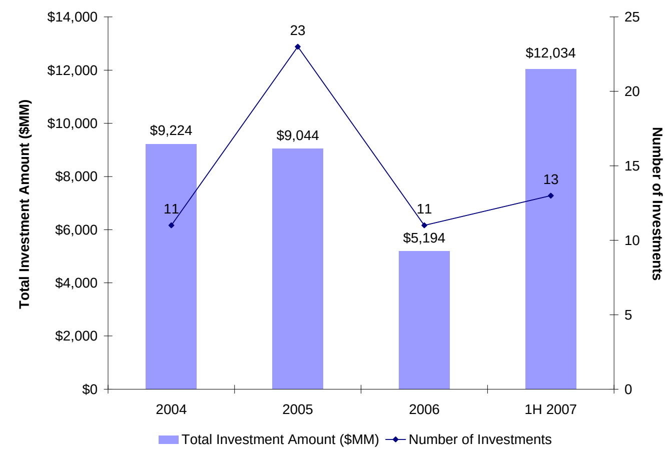
FIG PE Trends: Insurance

Private equity activity in the insurance space has continued to be strong in 1H 2007. Fourteen investments in 1H 2007 have already surpassed the 11 investments for all of 2006. Two signature insurance brokerage buyouts in 2007 of $1.9 billion and $1.4 billion for Hub International and USI Holdings, respectively, were the reasons for the spike in total investment amount.

The third largest insurance brokerage deal for the year was announced in June 2007 when Blackstone Group acquired Alliant, the California-based commercial insurance brokerage, for $1.1 billion in cash and stock. The largest investment in a non-brokerage insurance company in 1H 2007 was Cerberus Capital Management's acquisition of Scottish Re-insurance Group for $600 million.

Signs point to even more robust private equity activity in the insurance sector going forward. As private equity firms begin to feel the impact of widening credit spreads and higher debt risk, targeted firms are exposed to greater risk as well. Insurance may be a way to indirectly protect investors and shareholders from contract violations or events unanticipated by initial due diligence. According to Mitch Schmidt, senior vice president of ACE, ACE USA is the only insurer providing such services. ACE can write limits of up to $15 million with high end premiums of over $500,000. Such services may prove to be very profitable to insurance companies, especially given the state of the credit market this year, thus making them attractive investments to private equity firms.

PE Activity in Insurance (2004-1H 2007)



Source: Freeman & Co.

The largest deal in the last 12 months in the insurance sector was a merger between two private equity held assets. Saga Ltd., a British provider of insurance and vacations to individuals over 50, merged with Automobile Association Ltd, a motoring organization in the UK that offers roadside assistance as well as insurance and loans. Charterhouse will own approximately 38% of the combined business as a result of its investment in Saga, while Permira and CVC will own a shared 43%. The managers of AA will own the remainder of the company. All three private equity firms stand to make a substantial profit from the merger. The value of the newly formed group is reported to be worth over $12 billion. Should this hold true, Permira and CVC will already have doubled its original $3.2 billion investment in AA, and Charterhouse will more than double it's $2.4 billion initial investment in Saga.

Top Ten PE Deals in Insurance (LTM 1H 2007)

Rank	Private Equity Firm	Portfolio Company	InvDate	Inv$MM
1*	CVC - Charterhouse	Auto. Assoc. - Saga	6/25/2007	$6,687
2	ABN AMRO Capital Limited, Hellman & Friedman, Stone Point Capital, Vestar Capital	Paris Re Holdings Limited	12/21/2006	$1,600
3	Capital Z**	USI Holdings Corp.	5/4/2007	$1,410
4	Warburg Pincus	Aeolus LP	1/4/2007	$800
5	Cerberus Capital Management	Scottish Re Group	5/7/2007	$600
6	Warburg Pincus	Aeolus LP	7/26/2006	$500
7	3i Group	Asia Capital Reinsurance Group	12/1/2006	$402
8	TA Associates	CompBenefits Corporation	6/19/2007	$360
9	Barclays Private Equity Limited	Albingia Versicherungs-AG	11/21/2006	$231
10	Century Capital Management	Cathedral Capital, Plc	2/14/2007	$175

**merger between Autombile Association and Saga valued at $12+ billion*
***portfolio exit*

Source: Freeman & Co.

PE = Private Equity AM = Asset Management BBD = Banks & Broker Dealers SPEC = Specialty Finance
FIG = Financial Institutions Group FTP = Financial Technology and Processing Ins = Insurance

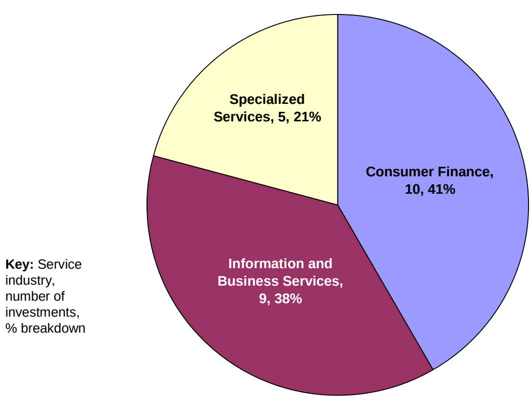
FIG PE Trends: Specialty Finance

A quick glance at PE activity in the Specialty Finance sector would infer that deal volume has been growing exponentially. The total investment amount has indeed been growing at a steady pace, although rates are not as drastic as 2006 and 1H 2007 numbers suggest. Two large transactions account for the inflated total deal value in 2006 and 2007. In 2006, Cerberus and Citigroup made a $7.3 billion acquisition for GM Acceptance Corp. and JC Flowers announced a $25 billion purchase of Sallie Mae in 2007.

On August 15, 2007, shareholders of SLM Corporation approved the merger agreement for the acquisition of the company by JC Flowers & Co., Friedman Fleischer & Lowe, JPMorgan Investment Advisors and Banc of America Equity Partners, making the transaction the largest SPEC deal to date. SLM Corporation, commonly known as Sallie Mae, is the nation's leading provider of saving and paying-for-college programs. Sallie Mae shareholders will received $60 in cash for each outstanding share of common stock. JC Flowers and Friedman Fleischer & Lower will invest $4.4 billion and receive a 50.2% stake while Banc of America and JPMorgan will invest $2.2 billion and own 24.9%. The first two investors have provided an equity-financing commitment of up to $8.8 billion and the two banks have provided a debt-financing commitment of up to $16.5 billion.

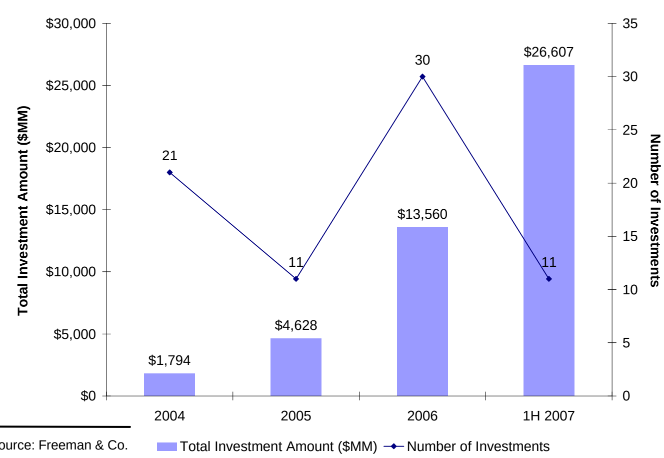
Cerberus and Citigroup Alternative Investment's acquisition of GM Acceptance Corp. in November 2006 is not only the largest SPEC deal to close, but also arguably the most interesting SPEC transaction to date. General Motors has had a long history of suffering from cash shortages, and in selling 51% of its profitable financial services arm, GM positioned itself to receive a cash infusion of approximately $14 billion over the next three years. Furthermore, Citigroup has agreed to supply $25 billion in capital for two syndicated asset-based funding facilities, which will support GMAC's ongoing businesses. Of the total $25 billion, $12.5 billion has already been committed.

SPEC Sub-Industry Breakdown (LTM 1H 2007)



Source: Freeman & Co.

PE Activity in SPEC (2004-1H 2007)



Source: Freeman & Co.

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3	Cerberus Capital Management	EntreCap Financial Corporation	7/14/2006	$1,220
4	CCP Equity Partners*	Clark Inc.	3/13/2007	$571
5	Capital Z	Aames Financial Corp	10/1/2006	$340
6	Hellman & Friedman	AlixPartners	10/12/2006	$296
7	Barclays Private Equity	Jerrold Holdings	9/17/2006	$213
8	KKR	Orient Corp.	3/27/2007	$170
9	Warburg Pincus	IMB Group Ltd.	6/4/2007	$100
10	TA Associates*	CoreLogic Systems, Inc.	2/5/2007	$100

**portfolio exit*

Source: Freeman & Co.

InvDate: Closing date of investment (if investment is pending, then announcement date is shown) **Inv$MM:** Total amount invested in U.S. dollars
1H 2007: 7/1/2006 – 6/30/2007

FIG PE Trends: Europe

Niche financial services assets continue to attract significant interest from the private equity community in Europe. Themes include strong market growth, customer and product segmentation and reading cyclical industries. This is not only producing deal opportunities for local players but for PE specialists, primarily US-based funds.

Asset management is a great example of one area which continues to attract significant interest from a range of sponsors. One of the most significant benchmark deals in the sector in Europe to date was Hellman & Friedman's $936 million acquisition of Gartmore Investment Management in May of 2006. TA Associates added its name to the list of benchmark deals as a result of its MBO of Jupiter Asset Management for which it paid $1.45 billion on June 19, 2007. Features such as strong management track records, sticky client bases, consistent cash flows and relatively low working capital will no doubt continue to promote robust activity. Interestingly, selected deals (mainly smaller niche asset class focused firms) in this segment can be done without much leverage, giving asset management the ability to weather any funding storm better than most.

Generally, specialist PE firms with deep knowledge of their segments featured strongly in the first half. Perhaps this is a theme set to continue, with investment in senior ex-industry resource and increased sector focus being a key factor in winning deals. Average deal sizes are also creeping up although Europe has not seen the same overall scale and consistency of larger deals that has been experienced in the US. This is largely a structural market issue with the US having a significant number of scale groups of mono-line providers, service companies and technology firms exclusively focused on selected parts of the financial services value chain. In Europe, these firms tend to be local market focused (and hence of smaller scale) or remain embedded within conglomerate structures. Hence, while there is always a chance of a 'US scale', PE deal values will tend to remain smaller relative to the deals that have been seen in the US.

Other noteworthy transactions and comments from the LTM 1H 2007 in Europe:

- The merger of the Automobile Association Limited and Saga Group, together creating an entity worth more than $12 billion, is a great example of the PE community showing long term strategic vision in bringing together great businesses into a stronger and more profitable entity
- Bridgepoint's sale of the UK based Tilney Investment Management on December 15, 2006, is another data point which underlines the attractions of private client businesses to strategic buyers, which is a theme Freeman & Co. has been following for years now; and
- Barclays Private Equity, in announcing two deals in the LTM 1H 2007, continues to build an exceptional track record of completed FIG PE deals in Europe

Top Ten European FIG PE Deals (LTM 1H 2007)

Rank	Private Equity Firm	Portfolio Company	InvDate	Inv$MM
1*	CVC - Charterhouse	Auto. Assoc. - Saga	6/25/2007	$6,687
2	JC Flowers	HSH Nordbank AG	10/24/2006	$1,766
3	ABN AMRO Capital, Hellman & Friedman, Stone Point, Vestar	Paris Re Hldgs Ltd.	12/21/2006	$1,600
4	TA Associates	Jupiter Asset Management	6/19/2007	$1,450
5	Hellman & Friedman	Gartmore Investment Management Plc	9/30/2006	$950
6	Cerberus Capital Management	BAWAG P.S.K	12/30/2006	$792
7	Bridgepoint Capital Limited**	Tilney Investment Management	12/15/2006	$658
8	Barclays Private Equity**	Albingia Versicherungs-AG	11/21/2006	$231
9	Barclays Private Equity	Jerrold Holdings	9/17/2006	$213
10	JC Flowers	Euromobiliare SIM Spa	6/25/2007	$194

**merger between Autombile Association and Saga valued at $12+ billion*
***portfolio exit*

Source: Freeman & Co.

FIG PE Trends: Hedge Fund Product & Service Providers

There are three main methods for a financial service firm to capture revenue generated from the hedge fund community:

1. Become a hedge fund or create your own internally (e.g. Goldman Sachs)
2. Invest in or acquire an entire hedge fund (e.g. J.P. Morgan's investment in Highbridge, Lehman Brothers' investment in D.E. Shaw and Morgan Stanley's acquisition of FrontPoint and investment in Avenue Capital)
3. Offer products and services tailored to the hedge fund community…

Spurred by the growth of the hedge fund industry, a new cadre of hedge fund product & service providers has emerged. These firms may resemble traditional asset management service providers; and even to some extent service that industry; but are unique in that they have been able to capture market share in one of the fastest growing areas in financial services. This group not only offers the products and services that address the core business needs of the hedge fund community, but also the specific services unique to particular hedge funds or hedge fund of funds. Achieving revenue growth rates that parallel the hedge fund industry as a whole, these firms offer a very attractive investment opportunity to private equity investors. As in other industry verticals, technology is a driving force which will continue to advance these firms and this sub-sector as an attractive area for investment.

Products & services provided by these firms can include any of the following: trading, clearing & settlement, order and execution management, stock lending, custody, portfolio administration, accounting, legal, risk analytics and management reporting. The universe is not constrained to classification in these specific categories, but can also include firms providing ancillary products & services.

Historically, firms focused on a particular segment or niche product to achieve market share. Products included software modules that reside on the 'real estate' of the portfolio manager/trader, or specific risk management reports generated based on chosen criteria. Services included separate-managed-account administration functions and accounting guidance on a Master - Feeder fund structure. As the market has developed, firms have expanded their depth and breadth of products and services. A familiar pattern has emerged, as many firms mature from an equity centric mentality and expand into accompanying asset classes. Conversely, those firms focused specifically on non-equity asset classes realized that they too need to diversify.

Even with some coolness in the capital markets, the demand from strategic acquirers to 'buy' instead of 'build' should continue for these types of firms. Exit multiples have shown some signs of compression, but remain both attractive and reasonable. Market share, advanced proprietary technology and high caliber staff, which are instantly gained through acquisition, easily justify the price in most cases. There should be continued investment and deal activity in this space well into the coming years.

Top Ten PE Deals in Hedge Fund Service Providers (2002-1H 2007)

Rank	Private Equity Firm	Portfolio Company	InvDate	Inv$MM
1	Silver Lake Partners, Texas Pacific Group, Thomas H. Lee Partners, KKR, Blackstone	SunGard Data Systems Inc.	8/11/2005	$11,536
2	Carlyle Group	SS&C Technologies	11/23/2005	$1,008
3	Silver Lake Partners	IPC Systems	9/29/2006	$800
4	TA Associates	GlobeOp Financial Services	10/6/2003	$82
5	Insight Venture Partners	PerTrac Financial Solutions	7/25/2005	$63
6	Technology Crossover Ventures	Automated Trading Desk, LLC	1/5/2007	$60
7	Friedman Fliescher & Lowe	JonesTrading Institutional Services LLC	4/2/2007	$50
8	TA Associates	Ion Trading Systems Ltd	6/10/2004	$43
9	GTCR Golder Rauner	BNY Convergex	10/2/2006	n/a
10	Susquehanna Investment Group	ESP Technologies, LLC	5/17/2007	n/a

Freeman & Co. Transactions bold

Source: Freeman & Co.

InvDate: Closing date of investment (if investment is pending, then announcement date is shown) **Inv$MM:** Total amount invested in U.S. dollars
1H 2007: 7/1/2006 – 6/30/2007

FIG PE Trends: Portfolio Exits

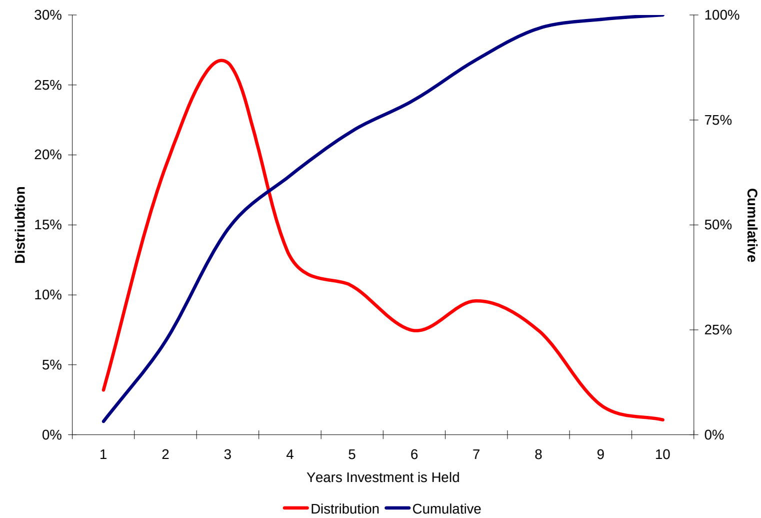
Private equity firms generally liquidate a FIG investment within a five to seven year target. There is, however, a paradigm shift in the underlying trends as PE firms turnover companies at a more rapid rate to generate returns for their investors. Not only are the size of the investments significantly larger now, but the liquidation window is also decidedly smaller. Looking at the distribution chart to the right, roughly half of investments are liquidated within three years, signifying that the profit seeking behavior of buyout shops has been aggrandized.

Private equity firms are able to distribute rapidly to LPs because they are exiting their investments more rapidly than before. While the number of exited investments in 2004 and 2005 were the same, exits in 2006 increased by 42% to 31 exits. In 1H 2007, private equity firms have already exited 18 investments.

In the last 12 months, the most active sellers in FIG PE have been CCP Equity Partners, and TA Associates, each with five portfolio exits. CCP Equity Partners had an average holding period of four years, while TA Associates had a longer average holding period of five-and-a-half years. Most of the exits were predominantly in SPEC.

The top exit in the LTM 1H 2007 was Capital Z's exit of New York-based insurance broker USI Holdings Corp. In a $1.4 billion sale to Goldman Sachs' Merchant Banking Division, nearly $1 billion is was paid in cash, with the remaining value being assumed liabilities. Capital Z invested preferred equity of $125 million into USI back in 1999. In May they sold their 16% interest in the firm for 13.1x EBITDA – a premium price for a segment (insurance brokers) that trades at 9.8x in the public markets. The family office of Michael Dell sold its 8% interest in USI as part of the transaction.

FIG PE Investments: Distribution of PE Holding Periods



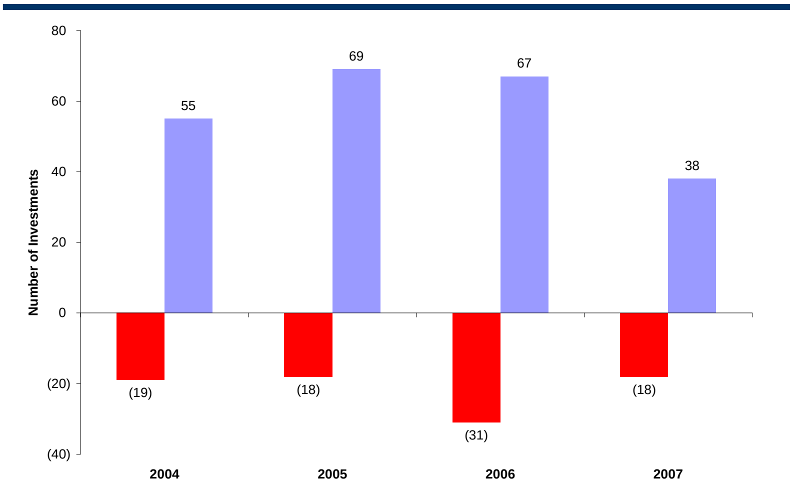
Source: Freeman & Co.

Top Ten FIG PE Portfolio Exits (LTM 1H 2007)

Rank	Private Equity Firm	Portfolio Company	InvDate	Inv$MM
1	Capital Z	USI Holdings Corp	5/4/2007	$1,410
2	Bridgepoint Capital	Tilney Investment Mgt.	12/15/2006	$658
3	CCP Equity Partners	Clark Inc.	3/13/2007	$571
4	Hellman & Friedman	Mitchell International, Inc.	2/15/2007	$500
5	Welsh, Carson, Anderson & Stowe	Ruesch International, Inc.	3/27/2007	$440
6	TA Associates, GTCR	CompBenefits	6/19/2007	$360
7	TCV	Thinkorswim, Inc.	2/15/2007	$349
8	Capital Z	Aames Financial Corp	10/1/2006	$340
9	Barclays PE	Albingia Versicherungs	11/21/2006	$231
10	Century Capital	Cathedral Capital, Plc	2/14/2007	$175

Source: Freeman & Co.

FIG PE Investments and Exits (2004-1H 2007)



Source: Freeman & Co.

Fundraising

The recent credit crunch has not seemed to hinder private equity firms from continuing to raise large amounts of capital. The momentum from the mega-funds raised prior to this tightening (Goldman Sachs raised $20 billion in April, followed by Blackstone's record raise of an approximately $22 billion fund) has not seemed to dissipate: Probitas Partners, a PE placement agent, predicts that Blackstone is targeting $28 billion for three funds and Apollo Management, CVC Capital Partners and PAI Partners are seeking $13-$15 billion for their newest funds. Probitas also forecasts that PE firms are raising funds worth a dizzying $540 billion over the next 12 months (September 2007 to August 2008).

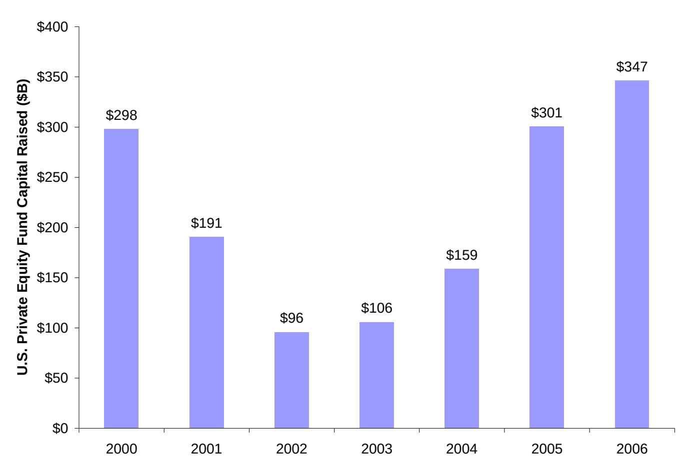
Wall Street Journal sources report that buyout funds have raised approximately $140 billion through 1H 2007, which until August was looking certain to overtake the $212 billion total raised in 2006. However, Probitas' optimistic forecasts suggest strong market optimism from limited partners in that these private equity firms can continue to produce attractive returns. Whether the latter is true or not, one possibility is that general partners may need to finance from their own pockets. Financing costs may continue to increase as the credit bubble has burst.

As debt becomes more expensive, private equity firms will find themselves with less firepower, which means more equity will need to be put to use when financing buyouts. In the first half (and prior to August's dislocation in the credit markets) leverage came down to six times EBIT versus the 10 or more times leverage we saw in 2005 and 2006. Less leverage has the following impacts:

1) According to experts, new investment opportunities may present themselves as asset prices decline as a result of falling deal sizes
2) Co-investment opportunities will emerge as buyout shops will have to replace with cash the portion of the deals they cannot finance
3) As a direct result of more equity involved in buyouts, LPs can rest assured that the undertaken investments will be much less risky than before.

Debt financing is only half of the problem; there is also the issue of debt syndication. Contentious discussion has revolved around KKR's purchase of First Data Corp. According to sources, First Data's senior debt will be sold to investors at 95 to 96 cents on the dollar while the remaining subordinate debt will most likely be loaded onto the banks' balance sheets. KKR has offered concessions by agreeing to a covenant that may ameliorate senior debt burdens. KKR discussed establishing a criteria based on the level of EBITDA performance in relation to senior debt. The latter solution does not however, neutralize the debt burdens for banks that is created by negative market conditions. Furthermore, hedge fund investors that traditionally borrowed 3 to 1 will no longer have the leverage to buy the loans at the same volume as before. Managers of collateralized debt obligations and other debt-financing funds, who previously relied on borrowings, may slow down their purchases. Regardless of the outcome, the First Data transaction will set the precedent for future buyouts to come.

U.S. Private Equity Fundraising (2000-2006)



Source: Thomson Financial

Transparency for Private Equity Firms

Following the recent IPOs of hybrid private equity giants Fortress and Blackstone, many concerns have been magnified regarding the lack of transparency into alternative asset management firms. Substantial profits collected by private equity firms and the methodology of the investment process have appeared on the radar of the regulators. In response to disclosure discrepancies, several mainstream financial institutions have pressured the SEC to require large private equity firms to register as investment companies.

Operational transparency is hardly the biggest concern for Blackstone, Fortress, and their contemporaries as corporate tax increases in the near horizon may prove to be detrimental for the bottom line. Buyout firms have enjoyed exceptional profitability due to the deduction of interest costs on bulky debt burdens. An anticipated erosion in the corporate tax base propels speculative concerns of a Congressional tax raise. A 25% increase in tax rates would hit bottom line numbers hard, and the worries will ripple across all the players in the buyout market, as these legislations may trickle down to private shops as well.

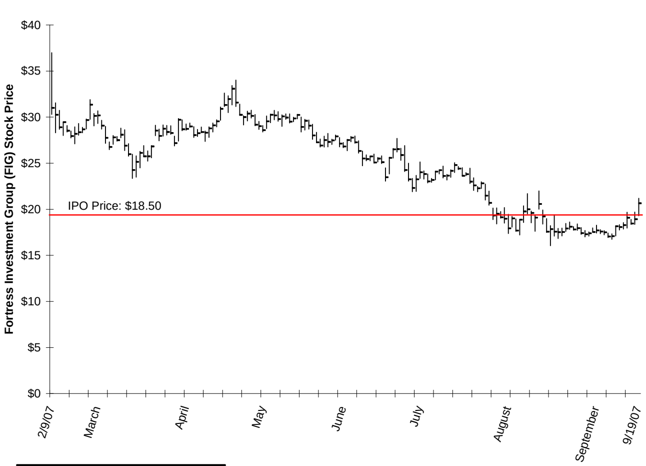
The train does not stop there, however, as further talks hint at a possible increase in the capital gains tax on carried interests. GP's are currently enjoying a 15% capital gain's tax rate, although rumors have suggested a conversion of "capital gains" tax to the 35% individual income tax rate.

For the most part, public and private buyout firms will likely enjoy a five year grace period to adjust to new laws before any real changes on tax rates occur. The conclusion that the private equity era is coming to a halt may be unfounded, as mega-buyouts are still prevalent. On the other hand, the current era of exceptional gains for GPs may be at a close, which means that private equity firm profits will become increasingly reliant on fees.

BX/FIG Comparative Stock Chart since July 1, 07

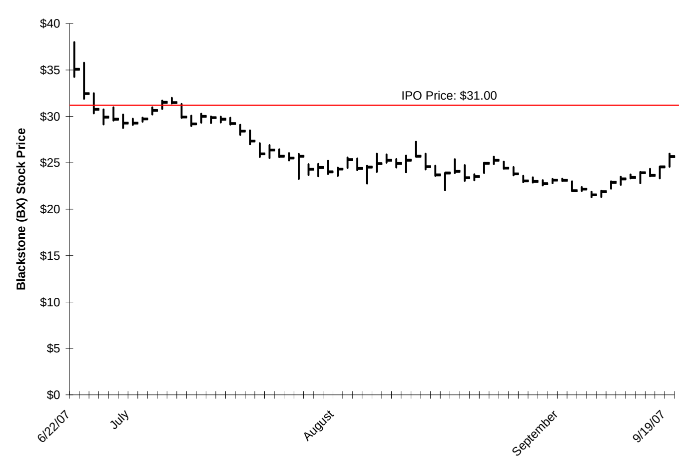
Source: Bloomberg

Fortress Stock Price since IPO



Source: Bloomberg

Blackstone Stock Price since IPO



Source: Bloomberg

PE = Private Equity **AM** = Asset Management **BBD** = Banks & Broker Dealers **SPEC** = Specialty Finance
FIG = Financial Institutions Group **FTP** = Financial Technology and Processing **Ins** = Insurance

Buyouts

The first half of 2007 continued the exceptionally rapid growth of LBO volume, being driven once again by ever more mega-buyouts. Ever since 2005, when the SunGard buyout ended the 17-year mega-LBO drought (KKR-RJR Nabisco, 1988), private equity firms have been making history at alarming rates. Whether the LBO's already completed (see table on bottom of page three: seven of the top eight have occurred in the last 13 months), or the ones still pending (TXU $45 billion, First Data $29B, Clear Channel $29B, Sallie Mae $25B, etc.), buyouts are setting records. Through six months in 2007, $291 billion in LBO's were completed, excluding the aforementioned pending transactions.

To some degree, one could argue that mega-buyouts have cut down on the volume of middle- and small-market LBO's completed. The chart to the right shows no upward trend in the number of LBO transactions, but clearly indicates massive growth in total deal value. This says two things: the appetite for LBO's independent of size or market is not increasing, and the concentration of LBO size is shifting upwards. The latter is partially explained by private equity fundraising, which is also setting new records.

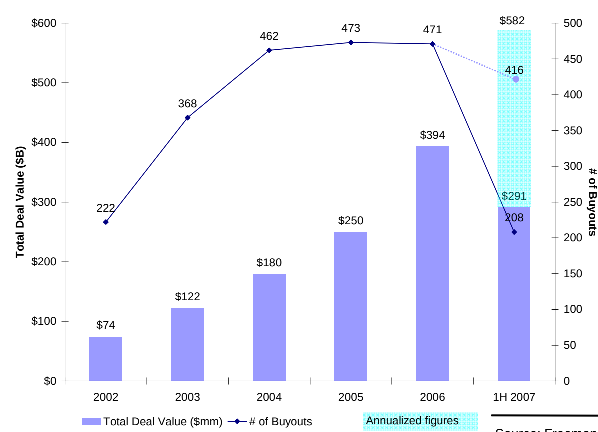
This leads to further questions. With pending LBO's at risk of being terminated and the recent credit market turmoil, will we see a drought similar to the RJR Nabisco aftermath? That may be too harsh, but the future of the debt markets will certainly dictate the feasibility of future mega-buyouts.

Debt Risk

Credit and interest worries have many questioning the longevity of the Golden Age of private equity. The concern going forward may not center around the continuity of business in buyout firms, but rather the financiers of these LBO's. Prominent buyout shops typically dictate the structure of the deal. As a result, banks and other debt providers became victimized by the nature of the LBO boom, which was fueled by rapid growth in cheap leverage.

Now with the downturn of the credit markets, private equity firms find themselves over-leveraged. The corresponding debt providers, mostly banks, have become overexposed to high underwriting risks. This was done in an attempt to maintain client relationships for the purpose of their investment banking businesses, which collect significant fees for their M&A advisory services on such transactions. Also with the collapse of

Global LBO Activity (2002-1H 2007)



Source: Freeman & Co, Thomson Financial

Top Ten Completed LBOs All-Time (does not include assumed debt)

Rank	Buyout Target	Deal Value ($B)	Date	Sponsors
1	Equity Office	40.7	2/9/07	Blackstone
2	HCA Inc	32.9	11/17/06	Bain, KKR, Merrill Lynch Global PE
3	RJR Nabsico	27.0	11/1/89	KKR
4	Kinder Morgan	21.6	5/30/07	AIG GIG, Carlyle, Goldman Sachs PE, Riverstone Holdings
5	Alliance Boots	19.6	6/26/07	KKR
6	Freescale Semiconductor	17.7	12/1/06	Blackstone, Carlyle, Permira, TPG
7	Albertsons	17.1	6/2/06	Cerberus
8	Univision	13.5	3/29/07	Madison Dearborn, Providence Equity, TPG, THLee
9	MCI	13.4	4/20/04	Matlin Patterson
10	SunGard	11.0	8/11/05	Bain, Blackstone, Goldman Sachs PE, KKR, Providence Equity, Silver Lake, TPG

Source: Freeman & Co, Thomson Financial

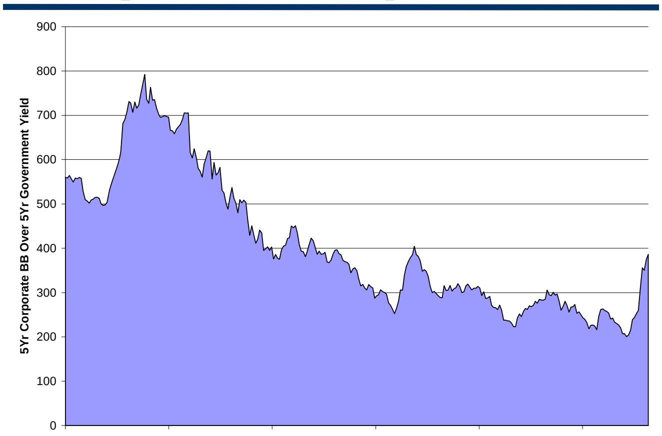
InvDate: Closing date of investment (if investment is pending, then announcement date is shown) Inv$MM: Total amount invested in U.S. dollars

the sub-prime mortgage market and widening credit spreads, buyout firms find themselves in a liquidity constraint with a hefty amount of hung deals.

In the end, banks will be the ones hit the hardest if the private equity market stumbles. For buyout firms, the new, higher cost of financing will squeeze margins for the deals previously financed with cheaper debt. For banks, however, there is further concern regarding the amount of risky bridge loans and expensive underwritten securities. For example, Morgan Stanley, Citigroup and JP Morgan provided $1 billion in equity bridge loans to finance the pending TXU buyout.

Aside from risky loans, the collapse of financing deals may prove to be more expensive than simply paying the 2% break-up fee. So far, it looks like the best case scenario is that large private equity firms decide to withdraw from some of these large pending deals. This may help to avoid a disaster LBO that will set a negative tone, as RJR Nabisco did. JC Flowers has been rumored to have almost backed out of the deal to acquire Sallie Mae earlier this year. In the end, banks need to find a way to fend for themselves, as their private equity counterparts have already started making up for losses by buying up devalued debt.

Credit Spreads: 5 Year Corporate BB



Source: Bloomberg

Collision in Alternatives

Private equity firms and hedge funds have been playing in the same sandbox for several years now, but the battle has heated up in 2007. In the first quarter, there was a noticeable trend in which private equity firms were actually rejecting credit hedge funds from partaking in the leveraged loan and high yield bond offerings that backed many of their recapitalizations and buyouts. This filtering out of credit hedge funds implies some territorial sentiment.

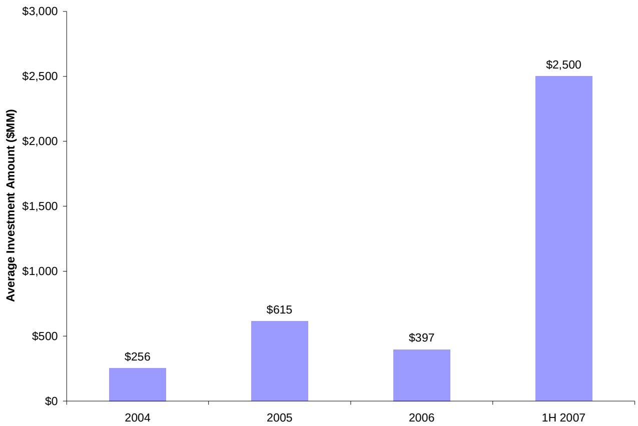
Even the line separating the very nature of private equity and hedge fund investment philosophies is becoming blurred. Hedge funds have been notorious for attempting quick gains in the near-term, while private equity investments have typically been known for their "five to seven year" commitment to their portfolio companies. However, anxiety is growing over private equity investment time horizons being shortened. Hedge funds, conversely, are finding ways to optimize returns through longer holding periods and less liquid investments.

The two sides are engaging in more battles. The buyout boom saw record-breaking private equity borrowing levels, many of which used credit hedge funds as the main provider of aggressive and flexible financing. Distressed companies increasingly used hedge funds in providing corporate restructurings. These situations can be tense if the held company goes bankrupt. The 'credit' roles hedge funds are taking in these investments have eaten away at the share of senior and subordinated debt typically offered by commercial and investment banks.

The battle with investment banks is more complex. Firms like JP Morgan, Goldman Sachs and Bear Stearns have already been active in the hedge fund industry (JP Morgan and Goldman Sachs currently run the two largest hedge funds in the world, according to *Institutional Investor's Alpha Hedge Fund 100 Ranking*). On the other side of the alternatives landscape, Goldman Sachs, Merrill Lynch and Credit Suisse, to name a few, run some of the most prestigious private equity operations in the world. Yet there are firms with the "buy and build" approach: Morgan Stanley and Lehman Brothers have led the way in hedge fund acquisitions, especially in the last two years.

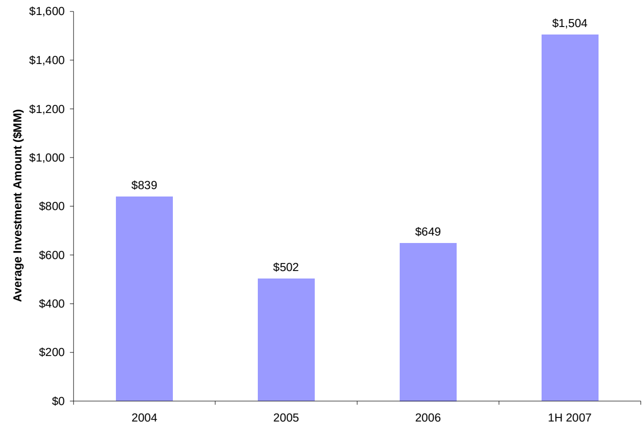
FIG PE Trends Supplemental: Average Investment Breakdown

FIG PE Average Deal Size (2004-1H 2007)



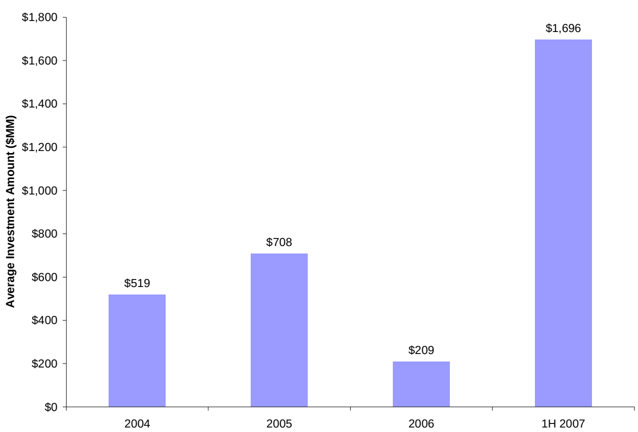
Source: Freeman & Co.

Insurance Average Deal Size (2004-1H 2007)



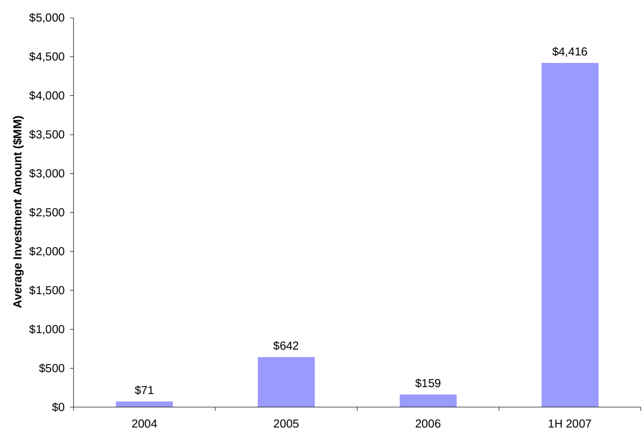
Source: Freeman & Co.

AM Average Deal Size (2004-1H 2007)



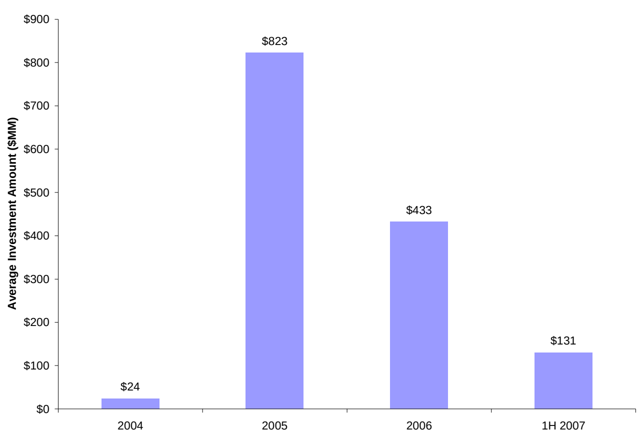
Source: Freeman & Co.

FTP Average Deal Size (2004-1H 2007)



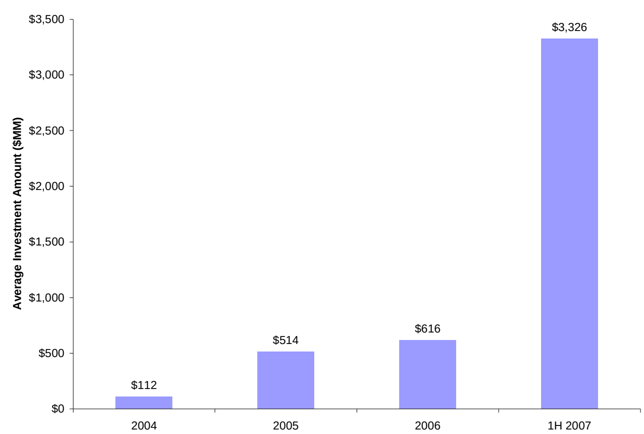
Source: Freeman & Co.

BBD Average Deal Size (2004-1H 2007)



Source: Freeman & Co.

SPEC Average Deal Size (2004-1H 2007)



Source: Freeman & Co.

InvDate: Closing date of investment (if investment is pending, then announcement date is shown) **Inv$MM:** Total amount invested in U.S. dollars
1H 2007: 7/1/2006 – 6/30/2007

FIG PE Trends Supplemental: Sub-Industry Split

FIG PE Deal Value by Sub-Industry 2004

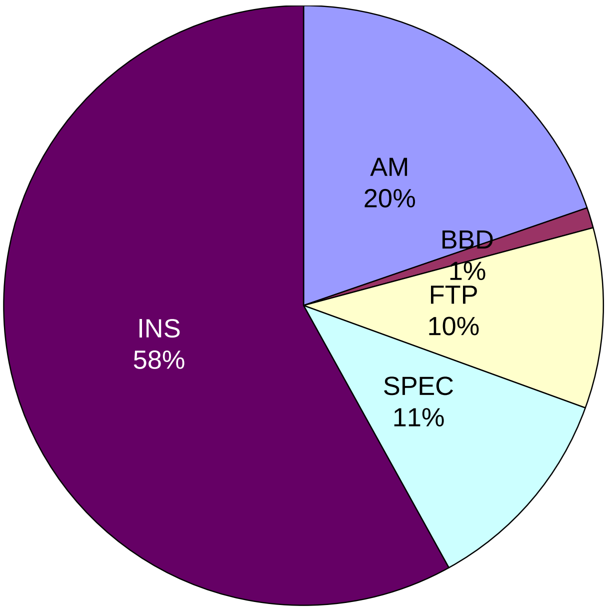


FIG PE Deal Value by Sub-Industry 2005

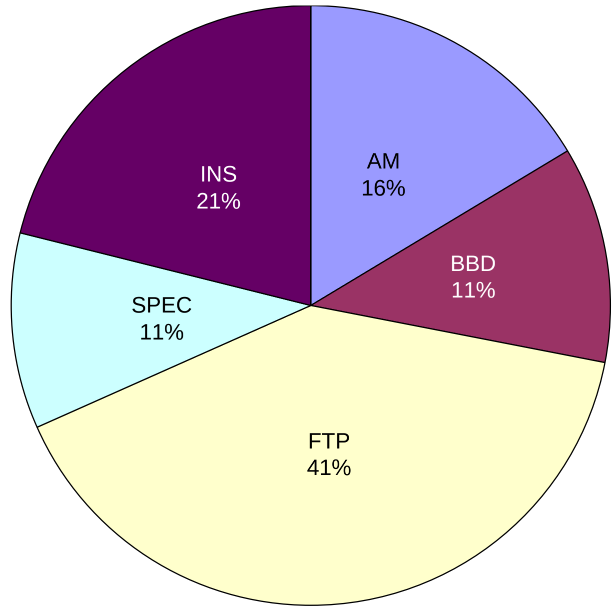


FIG PE Deal Value by Sub-Industry 2006

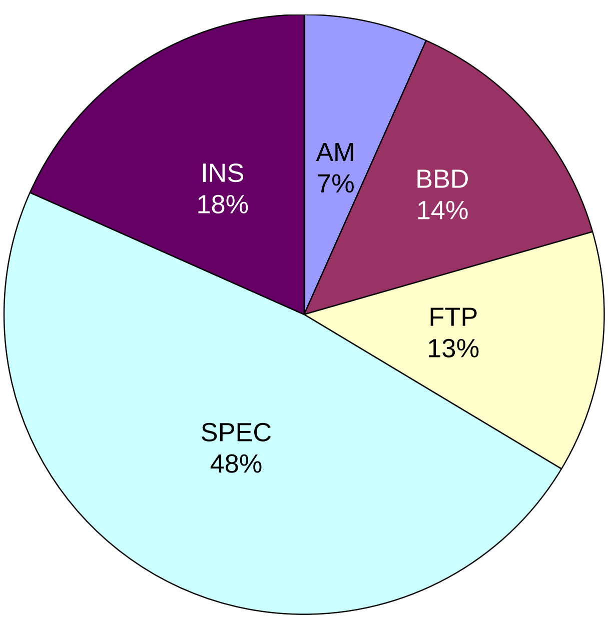
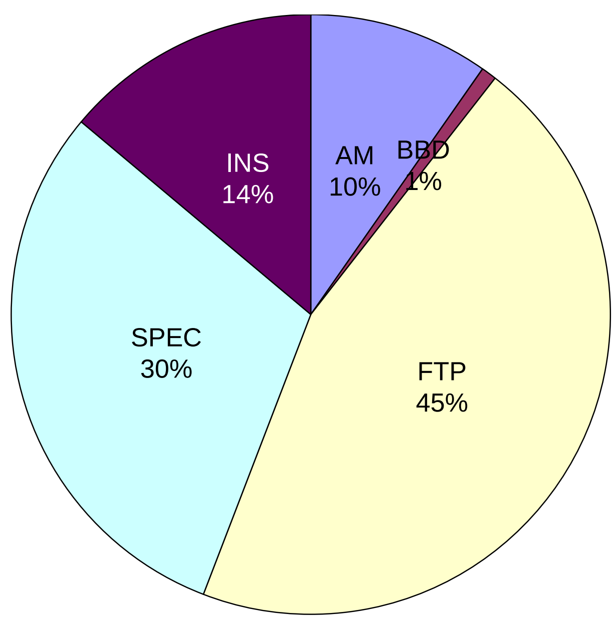


FIG PE Deal Value by Sub-Industry 1H 2007



PE = Private Equity **AM** = Asset Management **BBD** = Banks & Broker Dealers **SPEC** = Specialty Finance
FIG = Financial Institutions Group **FTP** = Financial Technology and Processing **Ins** = Insurance

Freeman & Co. PE Coverage

Private Equity Firm	City	State / Nation
3i Group	London	UK
ABN AMRO Capital Limited	Amsterdam	Netherlands
ABS Capital Partners	Baltimore	MD
Advent International	Boston	MA
Allied Capital	Washington	DC
American Capital Strategies	Bethesda	MD
Apax Partners Worldwide	London	UK
Aquiline Capital Partners	New York	NY
Barclays Private Equity Limited	London	UK
Blackstone Group	New York	NY
Bridgepoint Capital Limited	London	UK
Capital Z Financial Partners	New York	NY
Carlyle Venture Partners	Washington	DC
Castle Harlan, Inc.	New York	NY
CCP Equity Partners	Hartford	CT
Centerbridge Partners	New York	NY
Centre Partners Management	New York	NY
Century Capital Management	Boston	MA
Cerberus Capital Management	New York	NY
Charlesbank Capital Partners	Boston	MA
Charterhouse Capital Partners	London	UK
Chess Ventures	San Francisco	CA
CIBC Capital Partners	Toronto	Canada
Corsair Capital	New York	NY
CVC Capital Partners	London	UK
Diamond Castle Holdings	New York	NY
DLB Capital	Wilton	CT
Edison Venture Fund	Lawrenceville	NJ
Endicott Group	New York	NY
Evercore Capital Partners	New York	NY
Financial Technology Ventures	San Francisco	CA
Friedman Fleischer & Lowe	San Francisco	CA
Frontenac Company	Chicago	IL
General Atlantic	Greenwich	CT
GTCR Golder Rauner	Chicago	IL
Guggenheim Partners	Chicago	IL
Hellman & Friedman	San Francisco	CA
Hermes Private Equity	London	UK
HIG Ventures	Miami	FL
Hovde Capital	Washington D.C.	USA

Private Equity Firm	City	State / Nation
Infinity Point	New York	NY
Insight Venture Partners	New York	NY
JC Flowers & Co.	New York	NY
Kohlberg & Company	Mt. Kisco	NY
Kohlberg Kravis Roberts & Co.	New York	NY
Lee Equity Partners	New York	NY
Lightyear Capital	New York	NY
Lindsay Goldberg & Bessemer	New York	NY
Lithos Capital Partners	Westport	CT
Lovell Minnick Partners	New York	NY
Madison Dearborn Partners	Chicago	IL
Matlin Patterson Global Advisers	New York	NY
Menlo Ventures	Menlo Park	CA
NewSmith Capital Partners	London	UK
Nikko Principal Investments	London	UK
Oak Hill Venture Partners	Menlo Park	CA
One Equity Partners	New York	NY
Parthenon Capital	Boston	MA
Phoenix Equity Partners	London	UK
Promethean Investments	London	UK
Questor Management Company	New York	NY
Resolution PLC	London	UK
Rosemont Investment Partners	West Conshohocken	PA
Silchester International Investors	London	UK
Silver Lake Partners	New York	NY
Stone Point Capital	Greenwich	CT
Strategic Investment Group	Arlington	VA
Summit Partners	Boston	MA
Sun Capital Partners	London	UK
Susquehanna International Group	Bala Cynwyd	PA
TA Associates	Boston	MA
Technology Crossover Ventures	Palo Alto	CA
Texas Pacific Group	Fort Worth	TX
Thomas H. Lee Partners	New York	NY
Venturion Capital	New York	NY
Vestar Capital Partners	New York	NY
Vulcan Capital	Seattle	WA
Warburg Pincus	New York	NY
Welsh, Carson, Anderson & Stowe	New York	NY
XL Capital Investment Partners	Hamilton	Bermuda

Freeman & Co. PE Activity

$50,000,000 investment in

Broadpoint.

by

MatlinPatterson

MatlinPatterson Global Opportunities Partners II, L.P.

The undersigned acted as financial advisor to the Board of Directors of First Albany Companies, Inc.
September 21, 2007

Freeman & Co. Securities LLC

LEERINK SWANN

has sold a minority interest to

Lovell Minnick Partners LLC — March Group

The undersigned acted as financial advisor to Leerink Swann & Company
July 23, 2007

Freeman & Co. Securities LLC

ESP

ESP has been recapitalized and received a growth equity investment from

Bear Stearns — Credit Suisse — SIG Susquehanna Growth Equity, LLC

The undersigned acted as advisor to ESP Technologies, LLC
May 17, 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

The Bank of New York — GTCR — Eze Castle Software

have merged

The Bank of New York — Eze Castle Software

to form

BNY ConvergEx Group

Acted as financial advisor to GTCR
October 2, 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

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

NEOVEST

has been acquired by

JPMorgan

Acted as financial advisor to Neovest Holdings, Inc.
September 1, 2005

Freeman & Co. Securities LLC

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citigroup

has acquired

LAVA

Acted as financial advisor to Citigroup Inc.
August 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

CONSTELLATION

has been acquired by

SG CORPORATE & INVESTMENT BANKING

Acted as financial advisor to Constellation Financial Management Company LLC, FEP Holdings LP &its affiliates
July 17, 2003

Freeman & Co. Securities LLC

GUGGENHEIM

has made an investment in

CRT CAPITAL GROUP LLC

Acted as financial advisor to CRT Capital Group
February 2002

Freeman & Co. Securities LLC

PE Firms	Transaction
Buyout	
Lovell Minnick	Sale of a minority interest in Leerink Swann
TA Associates	Buyout of minority interest in K2 Advisors
Undisclosed Financial Sponsor	Equity recapitalization and management buyout of Ceres Capital Partners
Capital Z	MBO of Zurich Benchmark Series by Lyra Capital
PIPE	
MatlinPatterson	Cash infusion into First Albany Companies (Nasdaq: FACT)
Capital Raise	
GTCR	GTCR joined Bank of New York and Eze Castle Software to form a new company: BNY ConvergEx Group
Guggenheim	Investment in Credit Research & Trading
Bear Stearns PE, Susquehanna	Recapitalization and growth equity into ESP
Portfolio Exit	
TA Associates	Purchase of Lava Trading by Citigroup
CCP Equity	Sale of Neovest to J.P. Morgan Chase & Co.
Oak Hill, JP Morgan Partners, One Equity	Sale of Constellation Financial to Societe Generale:
Guggenheim	Purchase of Guggenheim Alternative Asset Management by Bank of Ireland Asset Management
Capital Z	Sale of Lyra Capital to Credit Agricole Structured Asset Management

Recent Publications by Freeman & Co.

Broker-Dealer Reports

- *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)

Asset Management Reports

- *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)
- *Struck by Scandal, but Buoyed by Bounce in Returns* (October 2003)
- *A Nadir or Not? Lowest Deal Levels in over 6 Years* (May 2003)

Private Equity Focus

- *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

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