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Uncertainty Abounds

If the past year has revealed anything about the private equity market, it's that the slower levels of deal activity post-financial crisis remain, and there is scant evidence of a catalyst that would return us to an environment akin to the 2004-2007 boom that witnessed \$10+ billion LBOs and an explosion in the number of transactions. Since our report last year at this time, titled *Another New Normal*, PE firms have continued to raise modest amounts of new funds, have held onto portfolio companies slightly longer, extended out fund lives and selectively scooped up small/mid-sized bolt-on acquisitions and non-performing assets. Within the financial services sector, there is a growing trend of PE firms and hedge funds becoming interested in financial assets in addition to standard investments in operating companies.

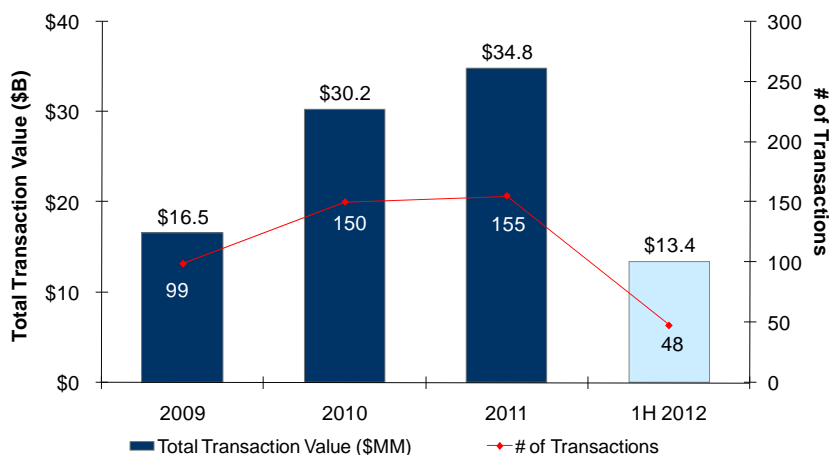
This report will cover several trends we have seen in the private equity market in general, with a particular focus on the financial services sector:

1. Modest fundraising dominated by the largest PE firms, with continued capital overhangs ("dry powder") and longer holding periods
2. Unique environment for financial services companies with both headwinds and rare opportunities in many sub-sectors - this has brought an increase of credit/distressed funds due to global turmoil, especially regarding European assets
3. Significantly lower deal activity than 2004-2007, but similar levels to the preceding five-year period

Indices at August 31, 2012

DJIA	13,091
NASDAQ	3,067
S&P 500	1,407
FTSE 100	5,711
10-yr US T-Bond	1.57%
USD per GBP	1.59
USD per Euro	1.26

Financial Institutions Private Equity Transactions^(1,2)



1) All deal statistics in this report include closed transactions only (entry and exit transactions)
 2) All data in the report includes global deal activity for 202 private equity firms consistently tracked by Freeman & Co. Freeman & Co. believes the sample data is representative of total activity in financial institutions private equity

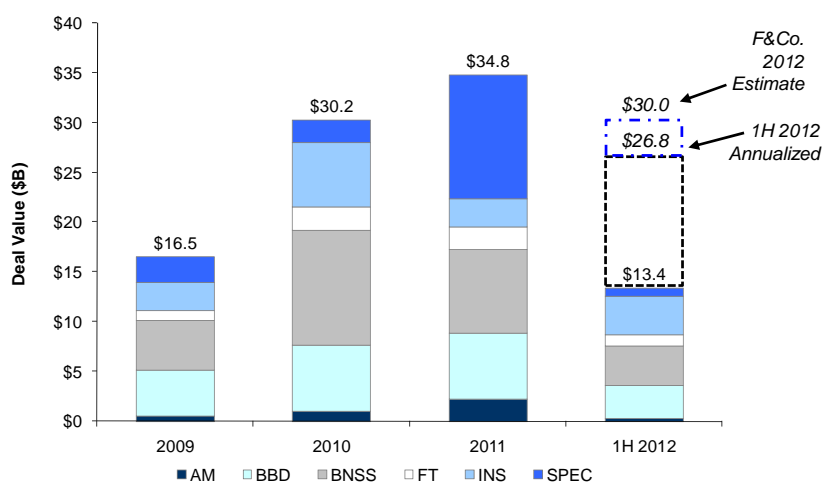
As in the past, this report is divided into three main sections:

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

FIG PE Overview

There were 48 private equity transactions involving financial services companies (“FIG PE”) in 1H 2012 compared to 84 in 1H 2011 and 155 in full year 2011. Deal activity had been methodically increasing since sharply decreasing during the financial crisis, but the poor economic environment beginning in the fall of 2011 has somewhat stalled the comeback. Total FIG PE transaction value was just over \$13.4 billion in 1H 2012, and taking into account slight seasonality, we expect approximately \$30 billion in transactions for full year 2012 compared to \$34.8 billion in 2011.

Deal Value by Sub-Sector



The volatile macroeconomic and regulatory environment continues to cause considerable upheaval in the financial services sector, especially among asset managers, banks, brokers, insurers and specialty finance companies – however, there are many opportunities for PE firms in these areas, as we will discuss in the sub-sector focus sections on the following pages.

It is significant that eight of the top ten deals in FIG PE over the past 12 months are entry transactions for PE firms (including a few sponsor-to-sponsor deals), as the largest portfolio companies acquired during the boom years remain on the books of PE firms.

Top Ten FIG PE Transactions LTM (all transactions are PE entries unless otherwise noted)

Rank	Private Equity Firm	Portfolio Company	Date	Value \$MM
1	Buyers: Blackstone Sellers: General Atlantic, H&F (partial)	Emdeon	11/2/2011	\$3,429
2	Buyers: Advent Int'l, Goldman Sachs Sellers: Madison Dearborn, Pritzker	TransUnion LLC	4/30/2012	\$3,310
3	Centerbridge ⁽¹⁾	Green Tree Servicing	7/1/2011	\$2,244
4	JC. Flowers & Co. ⁽²⁾	BTG Pactual S.A.	4/24/2012	\$1,723
5	Advent International	Oberthur Technologies	12/1/2011	\$1,692
6	WL Ross & Co., others	Bank of Ireland Group	7/29/2011	\$1,500
7	Bridgepoint Capital, others	FONCIA Groupe SA	7/15/2011	\$1,419
8	Buyer: New Mountain Capital Seller: Parthenon Capital	AmWINS Group, Inc.	6/7/2012	\$1,300
9	Centerbridge, KKR, Warburg Pincus	Santander Consumer USA, Inc.	10/20/2011	\$1,150
10	Buyer: CVC Capital Partners Seller: H&F	AlixPartners, LLC	6/29/2012	\$1,000

(1) Exit (sale)

(2) Exit (IPO)

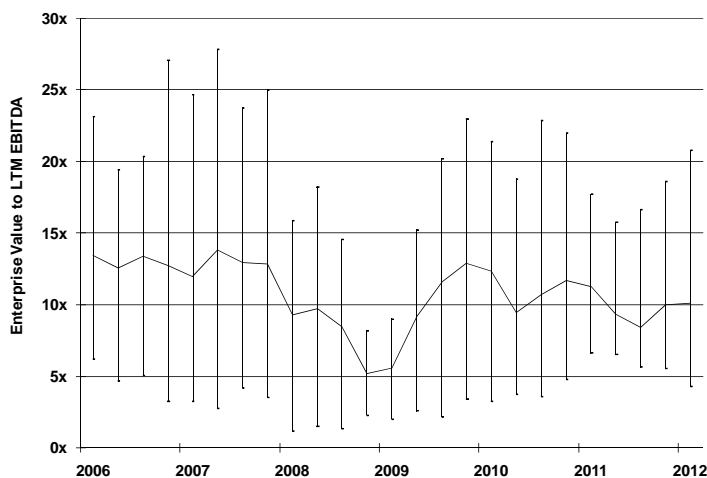
Sector Review: Asset Management

Private equity activity in the Asset Management sector is depressed in terms of total value and number of deals. Deal activity in 2012 is more similar to deal activity in 2010 than relatively strong 2011, when 26 deals were completed. However, despite only \$288 million of deals completed in 1H 2012, 1H 2011 experienced an even smaller amount at \$187 million – yet full year 2011 ended up being the most active year in the past several, in terms of deal value. A critical catalyst for deal activity in 1H 2012 and the near-to-medium term is the need for European banks to raise capital through divestitures of non-core asset management operations.

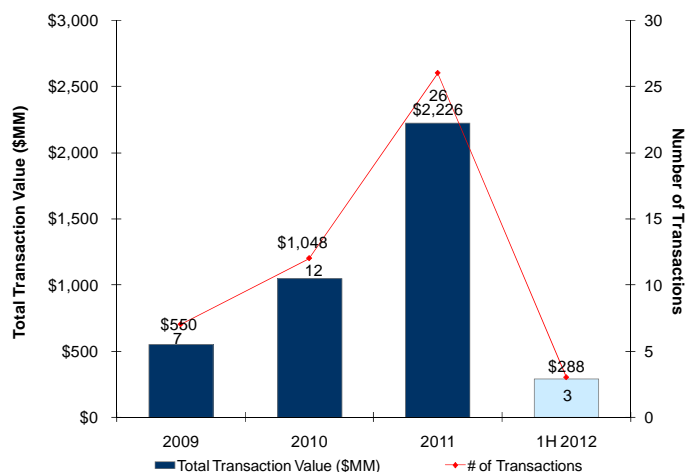
The largest asset management transaction in the past twelve months was Bridgepoint Capital and Eurazeo's acquisition of FONCIA Groupe SA, a French provider of real estate investment trusts, property management, lease management and other real estate-related services, for \$1.4 billion in July 2011. Bridgepoint and Eurazeo acquired the firm from Groupe BPCE, which retained a significant minority stake in the target. The transaction allowed Groupe BPCE to improve its Tier 1 Core Equity ratio and profitability.

Although portfolio acquisitions of asset managers are slow, we expect the trend of private equity firms acquiring asset management firms to diversify their own product offerings to continue. The focus of acquisitions at the firm level, rather than the fund level, should result in higher overall transactions activity in asset management but fewer available targets as traditional portfolio companies.

Publicly Traded Asset Management Firms: Enterprise Value / LTM EBITDA



Deal Activity



Top Deals LTM (all transactions are PE entries unless otherwise noted)

Rank	Private Equity Firm	Portfolio Company	Date	Value \$MM
1	Bridgepoint Capital	FONCIA Groupe SA	7/15/2011	\$1,419
2	TA Associates	DNCA Finance	7/28/2011	\$537
3	Bridgepoint Capital	Quilter & Co. Limited	4/2/2012	\$273
4	IPGL ⁽¹⁾	Origin Asset Management	7/7/2011	\$64
5	Aquiline Capital Partners	Conning & Company	12/28/2011	\$19
6	Carlyle ⁽²⁾	Boston Private Financial Holdings	2/28/2012	\$15
7	Lovell Minnick ⁽¹⁾	Atlantic Asset Management L.L.C.	12/31/2011	
8	Carlyle	Avalon Advisors, LLC	8/30/2011	
9	Buyer: Carlyle Seller: Olympus Partners	Churchill Financial LLC	11/18/2011	
10	Falfurrias Capital Partners	Dorsey Wright & Associates, Inc.	11/15/2011	

(1) Exit (sale)

(2) Partial sale

Does not include Carlyle's acquisition of TCW Group, which was announced in August

Note: private equity deals tracked in the Asset Management sector include portfolio company investments only

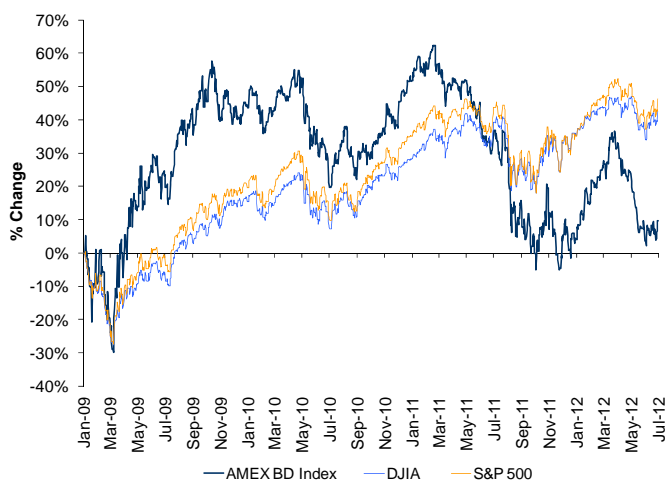
Sector Review: Banks & Brokerage

In the Banks & Brokerage sector, we continue to see participants adjust to the “new normal,” as we described in our Mid Year 2011 Private Equity focus. Deal activity in the banks and brokerage sector is steady with \$3.3 billion of deals completed in 1H 2012 compared to 1H 2011's total of \$3.6 billion. One notable difference from 1H 2011 is that in 1H 2012 the average completed deal size was \$366 million – 54% higher than the 1H 2011 average deal size of \$237 million – fewer but larger completed deals.

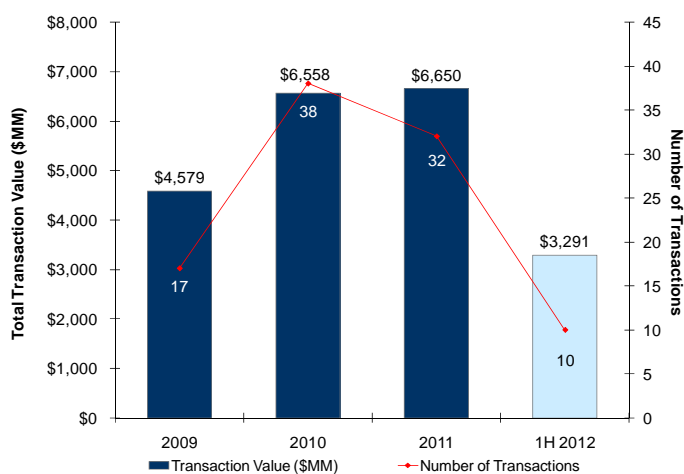
The largest deal in 1H 2012 was BTG Pactual S.A.'s (BOVESPA:BBTG11) \$1.7 billion IPO in April 2012. BTG Pactual, Brazil's largest independent investment bank, was also the largest IPO on the BM&F Bovespa exchange in 1H 2012. JC Flowers & Co. is reported to have exited during the IPO while the firm's management retained a significant minority stake in the company.

In the US, private equity remains active in the brokerage sector. Following the financial crisis, several PE firms funded start-up and re-start broker dealers, especially in the fixed income sector, to fill the void left by ailing large banks. As the banks repaid TARP and stabilized their balance sheets, they re-entered the fixed income market, causing some upheaval in the middle market space. Going forward, however, we see renewed opportunities for small and mid-sized independents as Basel III will start to weigh on big banks – on capital intensive businesses especially.

Broker-Dealer Financial Performance



Deal Activity



Top Deals LTM (all transactions are PE entries unless otherwise noted)

Rank	Private Equity Firm	Portfolio Company	Date	Value \$MM
1	JC Flowers & Co. ⁽²⁾	BTG Pactual S.A.	4/24/2012	\$1,723
2	WL Ross & Co., others	Bank of Ireland Group	7/29/2011	\$1,500
3	Buyer: CVC Capital Seller: H&F	AlixPartners, LLC	6/29/2012	\$1,000
4	Buyer: TPG Capital Seller: General Atlantic	Saxo Bank A/S	12/14/2011	\$561
5	Oaktree, Thomas H. Lee Partners, others	First Bancorp	10/7/2011	\$525
6	Carlyle, Oak Hill, others	FNB United Corp.	10/21/2011	\$310
7	Warburg Pincus ⁽¹⁾	Kotak Mahindra Bank Ltd.	3/26/2012	\$272
8	WL Ross & Co., others	Amalgamated Bank	4/11/2012	\$100
9	Fortress Investment Group, others	Opus Bank	10/28/2011	\$100
10	Aquiline, others	BNC Bancorp	6/8/2012	\$73

(1) Exit (sale)

(2) Exit (IPO)

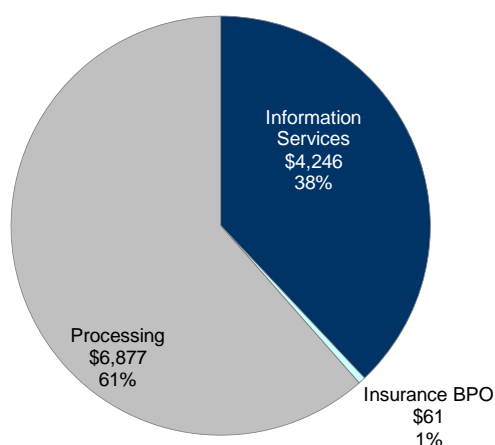
Sector Review: Business Services

Traditionally a stronghold of the private equity community, activity in the Business Services sector has been slightly weaker in terms of total deal value and demonstrably weaker in terms of number of deals compared to 2011. 2011 saw two very large deals completed – Blackstone’s secondary buyout of Emdeon and Advent’s acquisition of Oberthur Technologies, as the two deals totaled approximately \$5 billion. The largest deal in 1H 2012 was Advent and Goldman’s secondary buyout of TransUnion from Madison Dearborn for \$3.3 billion, and the remaining completed deals totaled less than \$1 billion.

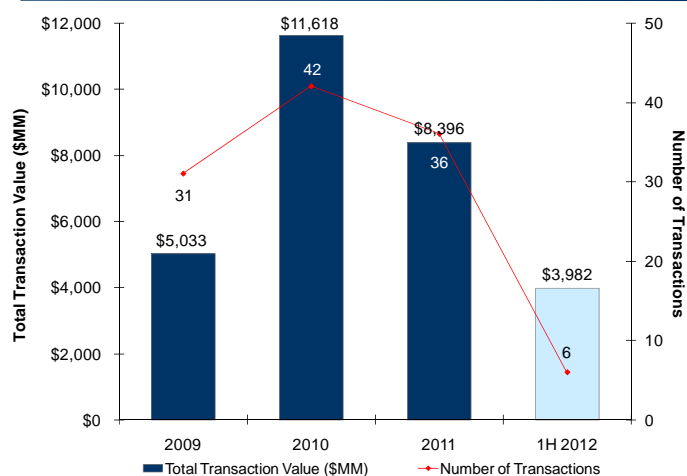
The largest deal in this sector over the last 12 months was the previously mentioned secondary buyout of Emdeon by Blackstone from General Atlantic (Hellman & Friedman retained a minority stake in Emdeon). The deal was financed in part by \$1.3 billion of senior secured credit facilities and a \$750 million unsecured credit facility. Post-acquisition, Emdeon acquired JMI Equity portfolio company TC³ Health for \$61 million, an insurance BPO focusing on claims management technology.

We continue to see private equity appetite for payment and transaction processing firms. Vantiv (formerly known as Fifth Third Processing Solutions) debuted on the public markets with a \$500 million IPO in March 2012. In addition to private and public investor interest in the sector, we continue to see strategic appetite for such targets as technological trends like mobile payments drive consolidation in the processing sub-sector.

Deal Activity by Sub-Sector (LTM)



Deal Activity



Top Deals LTM (all transactions are PE entries unless otherwise noted)

Rank	Private Equity Firm	Portfolio Company	Date	Value \$MM
1	Buyers: Blackstone Sellers: General Atlantic, H&F (partial)	Emdeon	11/2/2011	\$3,429
2	Buyers: Advent Int'l, Goldman Sachs Sellers: Madison Dearborn	TransUnion LLC	4/30/2012	\$3,310
3	Advent International	Oberthur Technologies	12/1/2011	\$1,692
4	Advent International ⁽²⁾	Vantiv, Inc.	3/21/2012	\$500
5	Susquehanna Growth Equity, others ⁽¹⁾	CashEdge, Inc.	9/14/2011	\$465
6	KKR	lpreo	8/5/2011	\$425
7	JMI Equity, TA Associates, TCV ⁽¹⁾	Global 360, Inc.	7/13/2011	\$260
8	Apax Partners ⁽¹⁾ (partial)	Bankrate Inc	12/6/2011	\$219
9	GTCR	BServ, Inc.	8/25/2011	\$150
10	Buyer: Great Hill Partners Seller: Susquehanna Growth Equity	Plimus, Inc	8/8/2011	\$115

(1) Exit (sale)

(2) Exit (IPO)

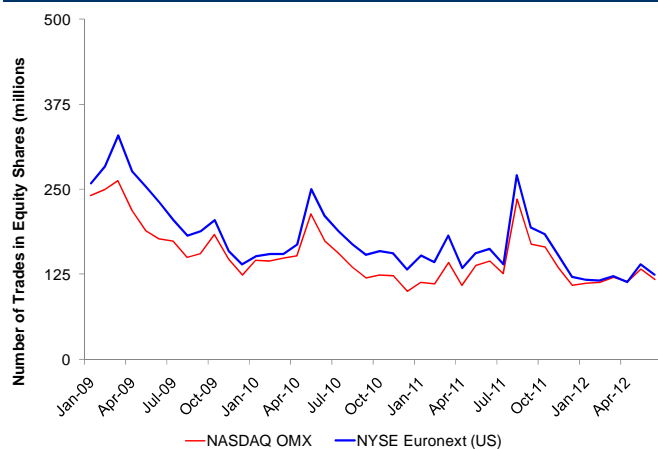
Sector Review: Financial Technology

Financial Technology deal value is slightly lower this year with \$1.1 billion in total disclosed deal value in 1H 2012 compared to \$1.4 billion in disclosed deal value in 1H 2011. Notably, there were only six deals in our coverage universe compared to 13 in 1H 2011. Despite last summer's sharp uptick in volatility and trading activity in August and September, we expect the downward trend of trading activity to continue.

The largest deal in Financial Technology in 1H 2012 was TA Associates and Sageview's exit of GlobeOp Financial Services, a hedge fund administrator in June 2012. GlobeOp was acquired by SS&C (NASDAQ:SSNC), a financial technology firm that is partially owned by Carlyle. SS&C itself completed a public offering in July 2011, raising \$134 million with a market capitalization over \$1.5 billion.

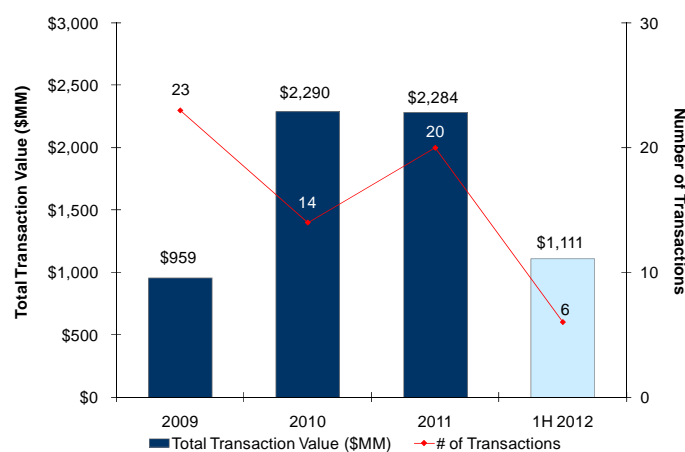
Financial technology companies should remain attractive targets for growth-oriented private equity investors due to the gradual shift of the industry towards cloud-based and SaaS-oriented technologies and business models. Prospects for private equity activity in the space are positive as both strategic acquirers and private equity firms look to make investments in the space. Acquisitions by strategic acquirers should drive exit activity, while the more mature companies in the sector should attract private equity investment due to a combination of stable, recurring revenues and healthy margins afforded by SaaS business models and relatively short upgrade cycles. Although trading speed is becoming more commoditized in many markets, other new technologies will continue to evolve to create demand for financial-related technology, as big data and outsourcing are currently doing.

US Exchanges Shares Volume ⁽¹⁾



(1) Electronic order book trades

Deal Activity



Top Deals LTM *(all transactions are PE entries unless otherwise noted)*

Rank	Private Equity Firm	Portfolio Company	Date	Value \$MM
1	TA Associates, others ⁽¹⁾	GlobeOp Financial Services	6/25/2012	\$824
2	Advent International ⁽¹⁾	Cetip SA	7/15/2011	\$514
3	TA Associates ⁽¹⁾	2nd Story Software, Inc.	1/31/2012	\$288
4	Lovell Minnick ⁽¹⁾	ALPS Fund Services Inc.	10/31/2011	\$250
5	Carlyle Group ⁽²⁾	SS&C Technologies Inc.	7/22/2011	\$134
6	Summit Partners	360 Treasury Systems AG	6/29/2012	
7	Buyer: General Atlantic Seller: HIG	FNZ (UK) Ltd.	2/21/2012	
8	Carlyle Group	ITRS limited	9/26/2011	
9	Buyer: H&F Seller: Carlyle	OpenLink Financial, Inc.	10/31/2011	
10	TCV ⁽¹⁾	SolArc, Inc.	12/1/2011	

(1) Exit (sale)

(2) Exit (follow-on public offering)

Sector Review: Insurance

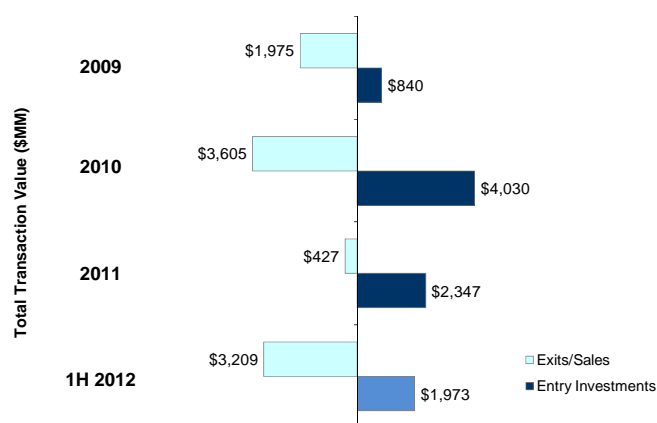
Private equity deal activity related to Insurance companies was extremely healthy in terms of total transactions as well as deal value in 1H 2012. There were 12 deals with a total disclosed value of \$3.9 billion compared to 10 deals worth a total disclosed transaction value of \$2.8 billion for all of 2011. If the pace of deal activity continues into 2H 2012, this will be the most active year in terms of disclosed deal value since 2008. Over the last 12 months, there have been a total of 14 closed deals with a total disclosed transaction value of \$4.6 billion. The uptick of deal activity in 1H 2012 and the last 12 months is a confirmation of our July 2011 Insurance Industry Focus report, *The Marriage of the Decade*, where we note the complementary partnership that can exist between private equity and insurance companies.

Insurance companies are especially sensitive to the historically low global interest rates experienced over the past four years. Coupled with 2011's record amount of catastrophe losses and a sluggish global economy, insurance carriers are in aggregate short on capital and we expect more investments from private equity firms and asset sales out of carriers.

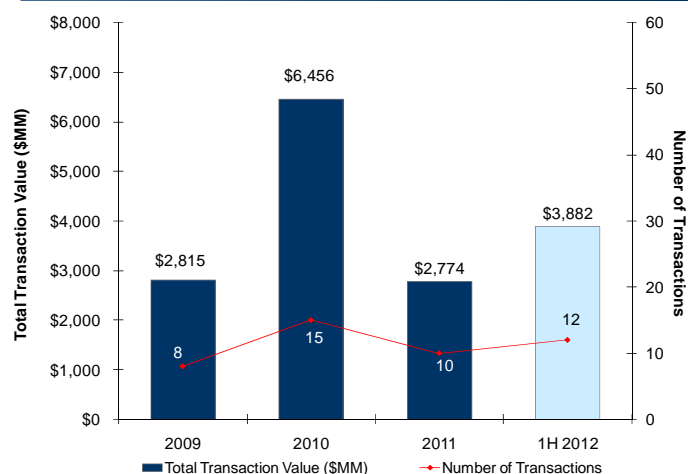
The largest 1H 2012 deal in the sector was the secondary buyout/recapitalization of AmWINS, a specialty insurance broker, by New Mountain Capital (Parthenon Capital exited), for \$1.3 billion. The company's employees retained a significant minority stake in the company through the growth equity transaction.

The last 12 months have also seen a multitude of run off block sales, including Athene's (backed by Apollo) \$415 million purchase of Presidential Life in July 2012, Jackson National's \$621 million purchase of Swiss Re's U.S. life business in May 2012 and Guggenheim's \$440 million purchase of EquiTrust Life from FBL Financial Group.

Entry vs. Exit Deals



Deal Activity



Top Deals LTM (all transactions are PE entries unless otherwise noted)

Rank	Private Equity Firm	Portfolio Company	Date	Value \$MM
1	Buyer: New Mountain Capital Seller: Parthenon Capital	AmWINS Group, Inc.	6/7/2012	\$1,300
2	Aquiline, New Mountain Capital, Vestar ⁽²⁾	Validus Holdings, Ltd.	2/15/2012	\$947
3	Cinven	AEGON UK (Guardian)	11/24/2011	\$452
4	JMI, Spectrum Equity Investors ⁽¹⁾	ARROWHEAD General Insurance Agency	1/9/2012	\$403
5	Carlyle ⁽³⁾	Qualicorp	4/17/2012	\$365
6	JC Flowers & Co.	Fidea NV	3/30/2012	\$335
7	Goldman Sachs	EnStar Group	12/22/2011	\$292
8	Bain Capital	SquareTrade, Inc.	1/25/2012	\$238
9	Warburg Pincus ⁽²⁾	Primerica, Inc.	5/26/2012	\$150
10	Norwest Equity Partners	GoHealth, LLC	6/7/2012	\$50

(1) Exit (sale) (2) Share buyback (3) Exit (follow-on public offering)

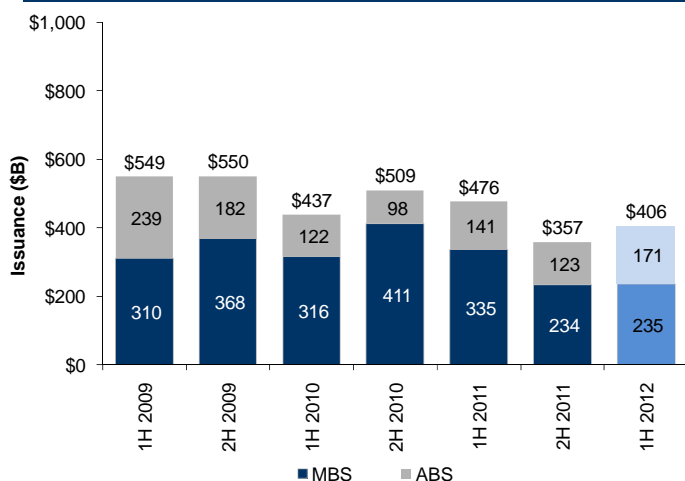
Sector Review: Specialty Finance

Private equity deal activity in Specialty Finance has experienced markedly lower deal activity compared to 2011. 1H 2012 experienced nine deals with \$822 million in total deal value compared to 19 deals with \$8.2 billion in total deal value in 1H 2011 (however, Cerberus's \$6.3 billion exit of TD Auto Finance in 1H 2011 accounted for over half of total deal value in 2011). Securitization issuance in 1H 2012 is lower than the same period in 2011, but non-residential ABS issuance, particularly auto ABS, has picked up considerably to \$171 billion in 1H 2012.

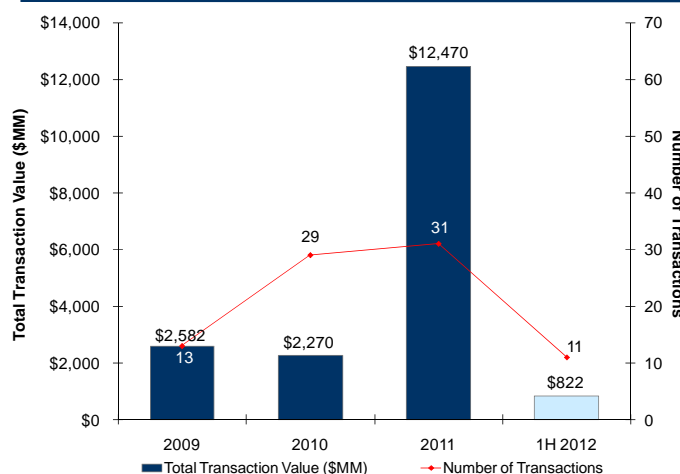
Given the low interest rate environment, ABS is looking more and more attractive. One trend that we have noticed is the move towards more asset acquisitions versus portfolio company investments by private equity firms traditionally involved in the specialty finance sector. As long as specialty finance and alternative fixed income assets provide a relative advantage yield, we expect to see more interest and activity in this part of the market for those firms willing to explore non-traditional assets and transaction structures.

The largest deal in 1H 2012 was the \$1.2 billion minority stake acquisition of Santander Consumer USA, Santander's US consumer finance business. The investment was raised from a consortium led by Warburg Pincus, KKR and Centerbridge Partners. As part of the round, the investors acquired an aggregate 26.5% stake in the company. The deal is a prime example of opportunistic private equity investment in troubled European banks, as Santander was able to bolster its balance sheet by partially divesting a non-core business. In addition, the deal highlights the continued attractiveness of the auto finance sector.

Securitization Proceeds



Deal Activity



Top Deals LTM (all transactions are PE entries unless otherwise noted)

Rank	Private Equity Firm	Portfolio Company	Date	Value \$MM
1	Centerbridge Partners ⁽¹⁾	Green Tree Servicing	7/1/2011	\$2,244
2	Centerbridge Partners, KKR, Warburg Pincus	Santander Consumer USA, Inc.	10/20/2011	\$1,150
3	Angelo, Gordon & Co. ⁽¹⁾	Dealer Services Corporation	3/1/2012	\$351
4	Oak Hill Capital Management, others	NXT Capital, LLC	10/25/2011	\$318
5	Buyer: Blackstone Seller: Goldman Sachs Merchant Banking	Exeter Finance Corp.	8/12/2011	\$277
6	Fortress Investment Group ⁽²⁾	Nationstar Mortgage LLC	3/7/2012	\$233
7	TH Lee, Goldman Sachs ⁽³⁾	MoneyGram International Inc	11/17/2011	\$150
8	Angelo, Gordon & Co., others ⁽¹⁾	Gateway One Lending & Finance, LLC	11/30/2011	\$115
9	HIG Capital	A10 Capital, LLC	4/18/2012	\$100
10	Palladium Equity Partners ⁽²⁾	Regional Management Corp.	3/27/2012	\$63

(1) Exit (sale)

(2) Exit (IPO)

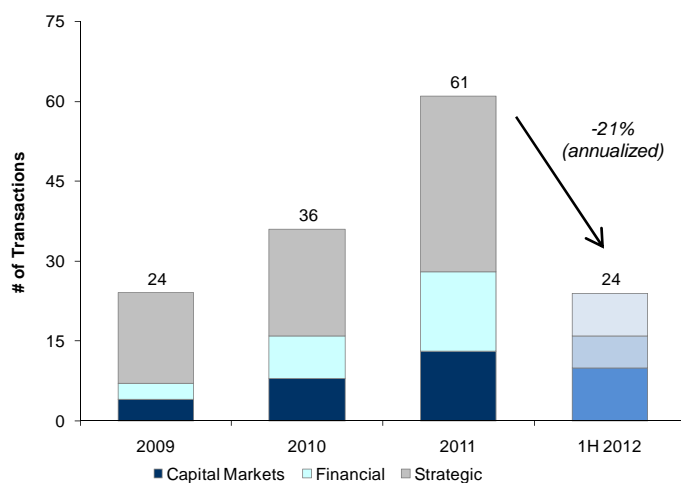
(3) Exit (follow-on public offering)

Exit Strategies

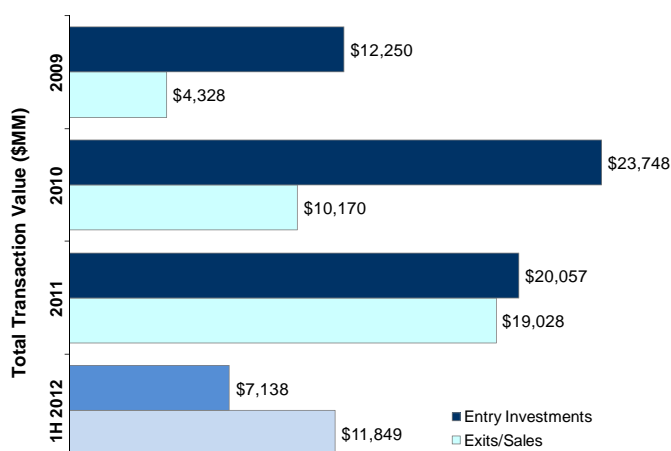
After a very strong 2011 driven by a positive macroeconomic environment in the first nine months of the year, sponsor-backed exits of portfolio companies have declined 21% in 1H 2012 on an annualized basis. This slowdown, however, is not as drastic as the drop in total sponsor-backed exits (across all industries), which are down 60% according to a recent study by the British Private Equity and Venture Capital Association. The slowdown in monetization of portfolio companies relates mainly to the entry prices at which currently held companies were acquired compared to where they could be sold now. On one hand, PE firms must sell portfolio companies for 2x to 3x what they paid in order to generate promised returns of 20%+ to investors. Considering average fund lives, this is a tough proposition as many currently held portfolio companies were acquired during a period of elevated asset prices in 2004-2007. Buyers, on the other hand, know that PE firms must sell eventually, and given most observers don't see a sharp rebound in asset prices in the short term, are willing to hold out for advantageous deals. In the meantime, PE firms are focused on operationally improving their portfolio, making bolt-on acquisitions, and waiting for a potential market upswing.

The result, across all industries, is 7,500+ unsold companies carried at approximately \$1.2 trillion (according to a recent Financial News study). Forty percent of portfolio companies acquired during the boom years are held below cost, and 75% below the hurdle rate eligible for performance fees (recent study by Bain & Co.). In any event, this stalemate can't continue too much longer, with the likely outcome to be increased deal activity in the next few years, and potentially disappointing PE returns.

Exits by Year ⁽¹⁾



Entry vs. Exit Deal Activity



Top Exits Since 2009

Rank	Private Equity Firm	Portfolio Company	Buyer	Date	Value \$MM	Exit Type ⁽¹⁾
1	Cerberus	TD Auto Finance LLC	TD Bank US Holding Company	4/1/2011	\$6,300	Strategic
2	H&F (partial), General Atlantic	Emdeon	Blackstone	11/2/2011	\$3,429	Financial
3	Madison Dearborn	TransUnion LLC	Advent, Goldman Sachs	4/30/2012	\$3,310	Financial
4	Centerbridge Partners	Green Tree Servicing	Walter Investment Management	7/1/2011	\$2,244	Strategic
5	CDP Capital, GCP Capital, H&F, New Mountain, Stone Point, Vestar	Paris Re Holdings Ltd.	PartnerRe	12/7/2009	\$1,975	Strategic
6	General Atlantic, Spectrum Equity, TCV	RiskMetrics Group, Inc	MSCI, Inc.	6/1/2010	\$1,845	Strategic
7	JC Flowers & Co.	BTG Pactual S.A.	IPO	4/24/2012	\$1,723	Capital Markets
8	BAML Capital Partners, Diamond Castle, Stone Point	Alterra	Max Capital Group	5/12/2010	\$1,494	Strategic
9	H&F, JMI	Vertafore, Inc.	TPG	7/29/2010	\$1,400	Financial
10	Parthenon Capital	AmWINS Group, Inc.	New Mountain	6/7/2012	\$1,300	Financial

(1) **Capital Markets:** sale or partial sale of stake via equity capital markets (IPO or follow-on)

Financial: sale or partial sale to another private equity firm

Strategic: sale or partial sale to a strategic buyer

Credit Environment

The credit markets have been volatile since the financial crisis and have had a significant impact on private equity, with \$10+ billion mega LBOs largely disappearing and the prospects of obtaining \$30 billion in leveraged loans and/or high yield bonds for a \$40 billion public-to-private at this point seeming farfetched, whereas in 2006-2007 it was occurring quarterly.

As uncommitted capital held by PE funds has grown steadily but deal activity has waned, an increasingly larger portion of equity has been deployed to finance acquisitions – not that PE firms have much choice in the matter as the large global banks that fueled the earlier PE boom have considerably pulled back their lending as they continue to repair their balance sheets and conform to Basel III’s guidelines.

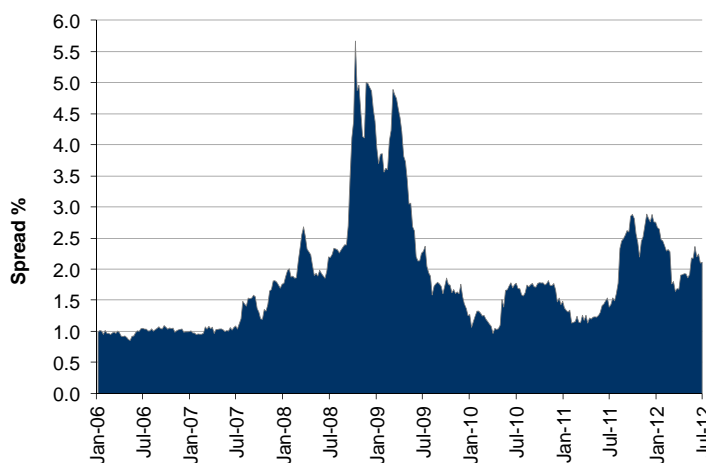
Alternative players have begun to emerge, however – PE firms have begun to raise debt funds in hoards, both to invest on the debt side of the capital structure alongside their equity investments, and also on a stand alone basis.

Hedge funds have also filled some of the lending void left by big banks. Lastly, smaller independent non-bank lenders have increased their presence (existing players that that survived the crisis or start ups), many of which are backed by private equity.

Recent credit and mezzanine funds include:

- Apollo European Credit, L.P., established in 2011, has \$5.3 billion in commitments
- Blackstone/GSO’s second \$4 billion mezzanine fund, which also transitioned to a pure mezzanine structure
- Carlyle’s first energy mezzanine fund, which has raised at least \$500 million as of Q3 2012
- KKR Mezzanine Partners I, which raised over \$1 billion in 3Q 2011

Credit Spreads: US Govt. 10-Yr vs. IG Corp⁽¹⁾

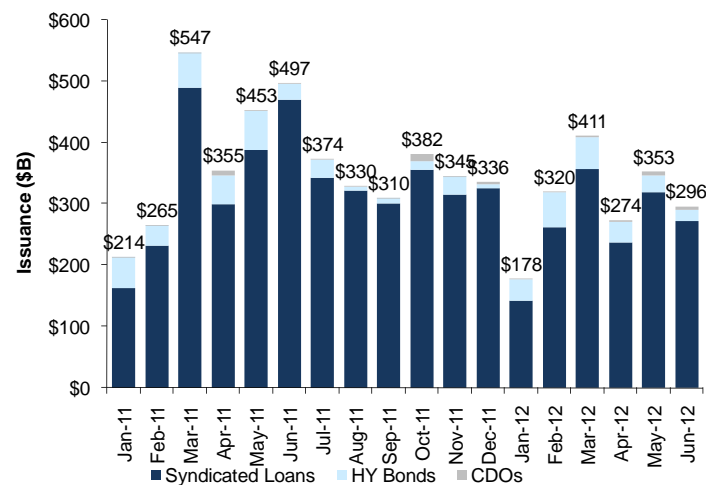


(1) US Generic 10 Year Index yield versus BLP Active Investment Grade US Corporate Bond Index YTM

Global Debt Issuance

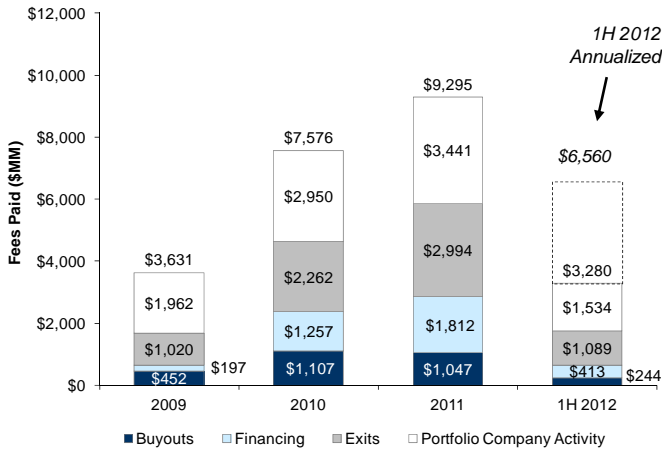


Global Debt Issuance (Monthly Breakdown)

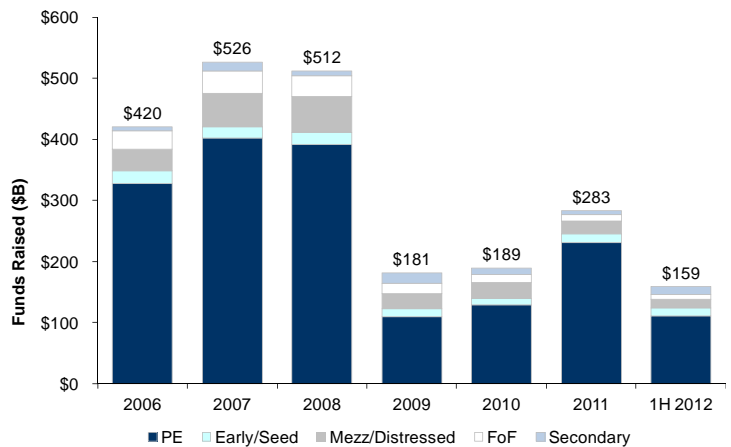


General Private Equity Statistics

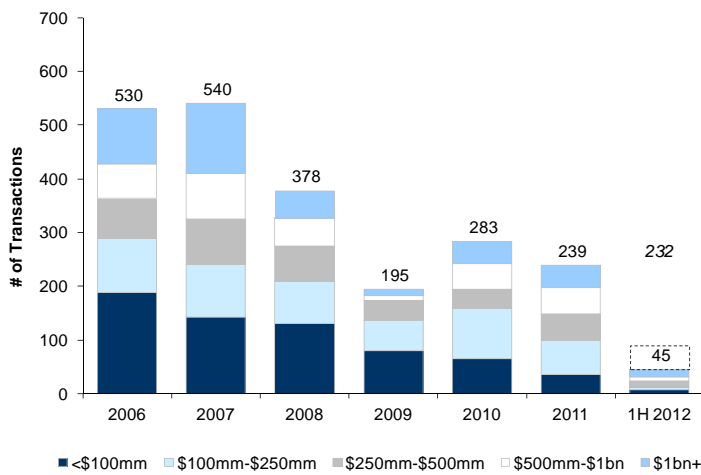
Investment Banking Fees Paid on PE Deals



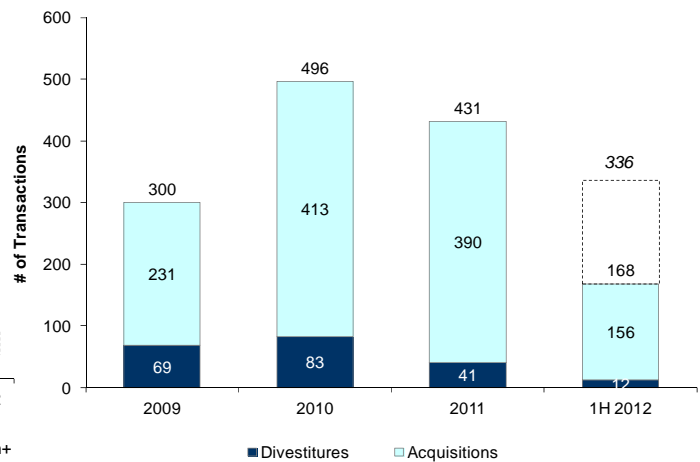
Fundraising



PE Buyouts by Deal Size (1)



Portfolio Company Activity by Deal Type



(1) Includes deals with disclosed deal value only

FIG Buyouts as % of Total Buyouts

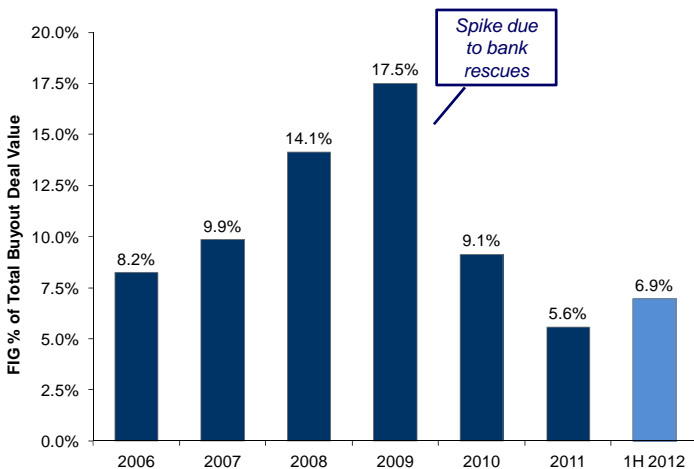
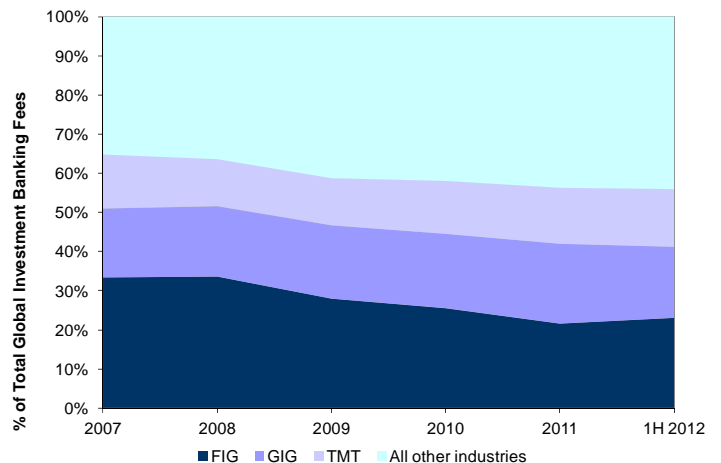


FIG Investment Banking Fees as % of Total



Date: Closing date of transaction
GIG: General Industrial Group

LTM: 12 Months Ending June 30, 2012
TMT: Technology, Media & Telecom

Source: Freeman & Co. / Thomson Reuters

Recent Publications by Freeman & Co.

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- *Another New Normal* (September 2011)
- *Show Me the Money* (September 2010)
- *Waiting for the Turn* (September 2009)
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- *Convergence: Servicing the Trader, PM and Back Office* (April 2011)
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Securities Industry Reports

- *Light Through the Trees* (June 2012)
- *Post-Crisis: A Rapidly Changing Environment* (October 2011)
- *Filling the Void in the Middle Market* (January 2011)
- *Securities Industry at Major Inflection Point* (March 2009)

Select Freeman & Co. Private Equity Activity



CRT
CAPITAL GROUP LLC

has raised \$225,000,000 from



AQUILINE
CAPITAL PARTNERS LLC

Financial advisor to CRT Capital Group, LLC
August 2010

Freeman & Co. Securities LLC

\$400 million investment



led investor group has acquired



SECURITY BENEFIT

Financial advisor to Security Benefit
July 2010

Freeman & Co. Securities LLC

\$32,000,000



HERALD
NATIONAL BANK

NYSE Alternate: HNB

has received a \$32,000,000 investment from an

Investor Group

Co-manager for Herald National Bank
March 2010

Freeman & Co. Securities LLC

\$50 Million investment in



Broadpoint.

by



MatlinPatterson



MatlinPatterson Global Opportunities Partners II, L.P.

Fairness Opinion for Broadpoint's Board of Directors
2008

Freeman & Co. Securities LLC

LEERINK SWANN

has sold a minority interest to

Financial advisor to Leerink Swann & Company
July 2007


Freeman & Co. Securities LLC



esp
Electronic Specialist LLC

has been recapitalized and received a growth equity investment from






Financial advisor to ESP Technologies, LLC
May 2007


Freeman & Co. Securities LLC

\$5.5 billion AUM



K2 ADVISORS

has sold a minority interest to



TA Associates

Financial advisor to K2 Advisors LLC
April 2007

Freeman & Co. Securities LLC

\$24 billion AUM



CERES

has completed an equity recapitalization by

Undisclosed Financial Sponsor

Financial advisor to Ceres Capital Partners
January 2007

Freeman & Co. Securities LLC





have merged




to form



BNY ConvergeX Group

Financial advisor to GTCR
October 2006

Freeman & Co. Securities LLC

\$1.7 billion AUM



LYRA.

its holding company




have been acquired by



Financial advisor to Urso Capital
September 2006

Freeman & Co. Securities LLC



Freeman & Co. LLC

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