Issue 4
Mid Year 2009 Edition

September 24, 2009

New York • London

Private Equity Focus
Freeman & Co. LLC

Inside this Issue:

Indices at August 31, 2009

DJIA	9,496
NASDAQ	2,009
S&P 500	1,021
FTSE 100	4,909
10-yr US T-Bond	3.409%
USD per GBP	$1.62
USD per Euro	$1.43

Waiting For the Turn

Private equity transactions are down significantly in all industries as the credit crisis continues. In financial services there were 24 deals worth $4.9 billion in 1H 2009 compared to 134 deals worth $24.9 billion in full-year 2008 and 213 deals worth $78.5 billion in full-year 2007. From this market cycle nadir, there are four drivers for an increase in deal activity that make us optimistic about the next 2-3 years:

1. **Economic Situation:** while not out of the woods, the economy is stabilizing and showing signs of growth so buyers will be more confident to complete deals and catch the beginning stages of economic recovery
2. **Valuations:** public company valuations in financial services are off their lows to more realistic or normal levels, and lower the bid-ask spreads are allowing sellers to feel more comfortable with the value they receive
3. **Divestitures:** balance sheet-driven financial companies will begin to divest non-core businesses once they can get "fair value," as supported by points #1 and #2 above; this should accelerate in 2010
4. **Recapitalization:** too many banks still need to be recapitalized and PE firms will get more active as the FDIC comes under pressure to allow PE firms to do more; bank-related deals have been the majority of FIG transactions in the past 12 months

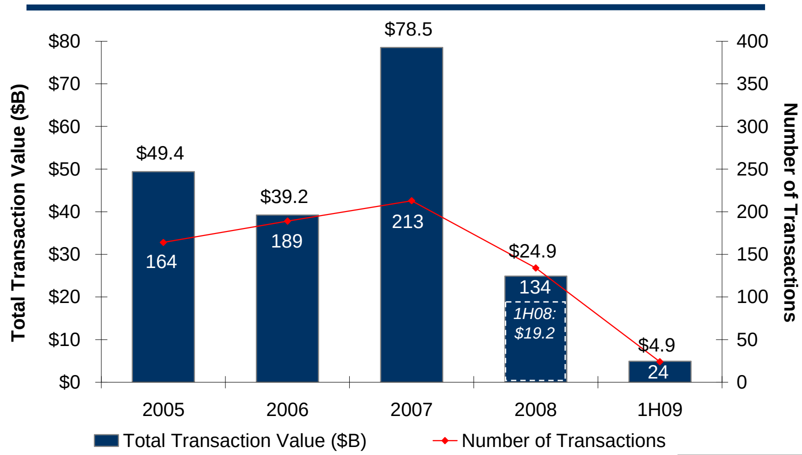
As in the past, this report is divided into three main sections:

FIG PE Overview, including deal activity and entry/exit trends;

Sub-Sector Focus, including trends in Asset Management, Banks & Brokerage, Trading Technology, Insurance, Specialty Finance and Business Services; and

Current Topics, including topics important to PE investors in FIG such as fundraising, European trends, the current state of the credit markets, focus on portfolio company maintenance, and macro outlook.

Financial Institutions Private Equity Transactions



Source: Freeman & Co.

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FIG PE Overview

Deal activity in FIG PE increased significantly from 2004 to 2007, which represents the height of the private equity boom. Total deal value in 2007 was $78.5 billion compared to $23.7 billion in 2004. FIG PE activity, like all PE activity, experienced a massive decline in 2008 which continued into 2009. After dropping 68% from 2007 to 2008, FIG PE total deal value was only $4.9 billion in 1H 2009. Credit remains tight, thus any deals of significant size that have been completed have tended to be equity-only investments into distressed or near-distressed firms. In addition, differences in valuation expectations between buyers and sellers have left many attempted transactions in limbo over the past 18 months.

Bull market deal activity in FIG came in multiple forms, with not only several large LBOs (most notably KKR's $29 billion acquisition of First Data in 2007), but also with numerous smaller venture capital and growth equity investments in areas such as Trading Technology ("TT") and Business Services ("BNSS"). However, the credit crisis and subsequent recession has led to a dearth of not only mega-LBOs, but also to a lack of these smaller middle market investments. In 1H 2009, the two largest FIG PE deals completed were equity-only investments into distressed banks: JC Flowers, Stone Point Capital, Dune Capital, Paulson & Co and MSD Capital's $1.3 billion investment into IndyMac; and the consortium of Blackstone Group, Carlyle Group, Centerbridge and WL Ross' $900 million investment into BankUnited FSB.

Then…
Top Ten FIG PE Transactions (2004-2007)

Rank	Private Equity Firm	Portfolio Company	Date	Value $MM
1	KKR	First Data Corp.	9/24/2007	$28,678
2	Bain, Blackstone, KKR, Silver Lake, TPG, THLee	SunGard Data Systems	8/11/2005	$11,536
3	Cerberus, Old Lane	GMAC LLC	11/30/2006	$7,353
4	CVC Capital Partners(1)	The Automobile Association	9/10/2007	$6,687
5	Madison Dearborn	Nuveen Investments	11/13/2007	$6,424
6	Cerberus	LNR Property Corporation	2/4/2005	$3,710
7	CVC Capital Partners	The Automobile Association	9/30/2004	$3,178
8	Corsair, Carlyle(1)	Citibank Korea Inc.	4/30/2004	$2,744
9	JC Flowers	NIBC Holding	12/14/2005	$2,594
10	Charterhouse Capital	Saga Group Ltd	10/4/2004	$2,407

(1) Exit transaction

Source: Freeman & Co.

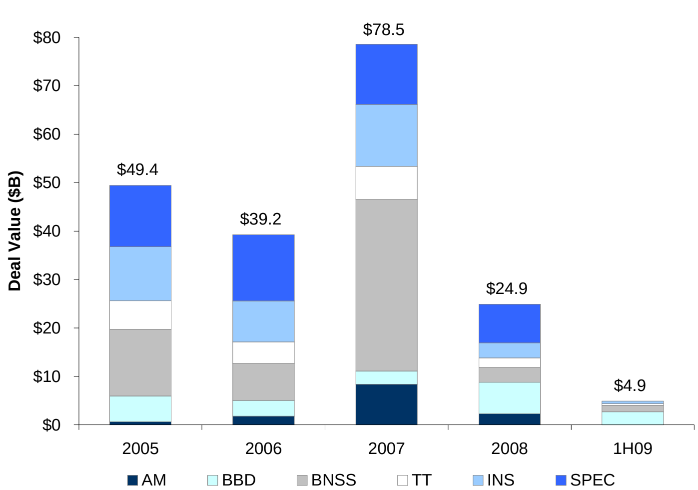
Now…
Top Ten FIG PE Transactions (LTM)

Rank	Private Equity Firm	Portfolio Company	Date	Value $MM
1	JC Flowers, Stone Point	IndyMac Federal Bank	3/19/2009	$1,300
2	TowerBrook Capital	Ladder Capital Finance	11/12/2008	$1,000
3	Blackstone, Carlyle, Centerbridge	BankUnited, FSB	5/21/2009	$900
4	Bain Capital	Centrale dei Bilanci	12/23/2008	$652
5	General Atlantic(1)	NYMEX Holdings	8/22/2008	$599
6	Stone Point Capital(1)	ZC Sterling Corp	12/23/2008	$575
7	Stone Point Capital	Fiserv Insurance Solutions	7/2/2008	$571
8	Advent International	Fifth Third Bank Processing	6/30/2009	$561
9	Pine Brook Road	Essent US Holdings	5/27/2009	$500
10	Corsair Capital(1)	National City	12/31/2008	$445

(1) Exit transaction

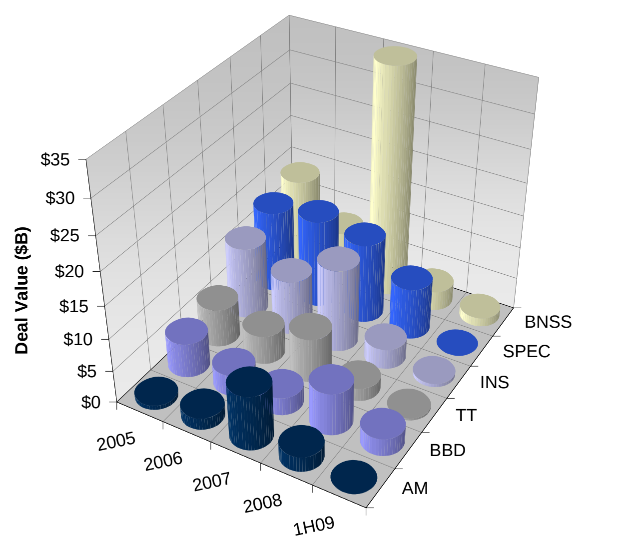
Source: Freeman & Co.

Deal Value by Sub-Sector



Source: Freeman & Co.

Sub-Sector Mix



Source: Freeman & Co.

PE: Private Equity **AM:** Asset Management **BBD:** Banks & Broker-Dealers **SPEC:** Specialty Finance
FIG: Financial Institutions Group **TT:** Trading Technology **INS:** Insurance **BNSS:** Business Services

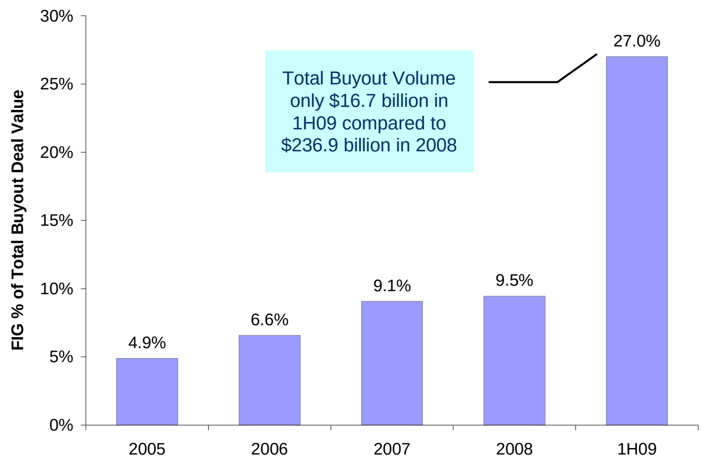
Entry Strategy

FIG PE has been growing in terms of its importance to the overall PE landscape. Between 2005 and 2008, FIG PE entry investments as a percentage of total PE investments steadily grew from 4.9% to 9.5%. In 1H 2009, however, there is a spike in this percentage as the general private equity market suffered from a severe lack of activity and some large bank deals were among the few completed.

As with overall FIG PE deal activity, the number of entry investments has also radically declined over the past 18 months. There were only 20 buyouts or other forms of PE investment into FIG companies in 1H 2009 after a full-year peak of 143 in 2007 (data includes deals with undisclosed deal values). There was only one transaction in 1H 2009 over $1 billion in deal value – the aforementioned acquisition of IndyMac Bank by a consortium valued at $1.3 billion.

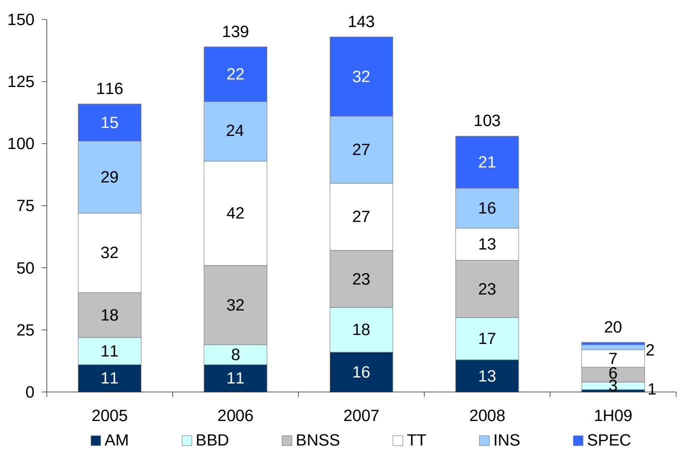
The only other entry above $1 billion in the last 12 months is TowerBrook Capital's investment into Ladder Capital Finance, a New York-based Specialty Finance company.

FIG PE Buyouts as % of All PE Buyouts



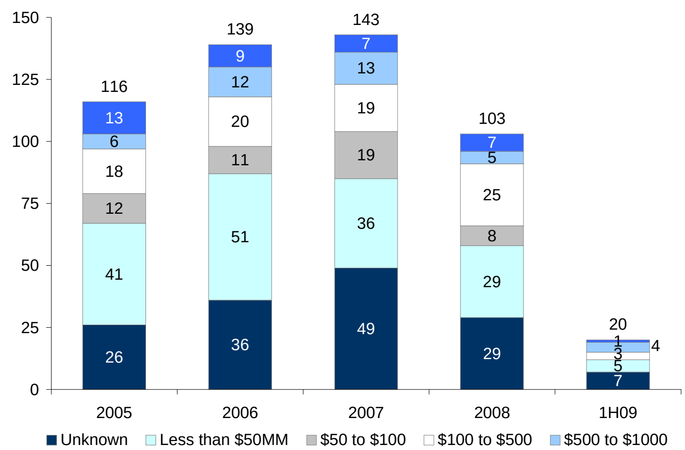
Source: Freeman & Co. / Thomson Financial

of Entry Investments by Sector



Source: Freeman & Co.

of Entry Investments by Size



Source: Freeman & Co.

Top Ten Investments in Financial Institutions (LTM)

Rank	Private Equity Firm	Portfolio Company	Inv. Date	Value $mm
1	JC Flowers, Stone Point	IndyMac Federal Bank	3/19/2009	$1,300
2	TowerBrook Capital	Ladder Capital Finance LLC	11/12/2008	$1,000
3	Blackstone, Carlyle, Centerbridge	BankUnited, FSB	5/21/2009	$900
4	Bain Capital	Centrale dei Bilanci Srl	12/23/2008	$652
5	Stone Point Capital	Fiserv Insurance Solutions	7/2/2008	$571
6	Advent International	Fifth Third Bank Processing	6/30/2009	$561
7	Pine Brook Road	Essent US Holdings	5/27/2009	$500
8	JC Flowers	HSH Nordbank AG	1/18/2009	$392
9	Matlin Patterson	Flagstar Bancorp Inc	12/17/2008	$350
10	Hellman & Friedman	SSP Holdings PLC	7/23/2008	$292

Source: Freeman & Co.

Date: Closing date of transaction **LTM:** 12 Months Ending June 30, 2009

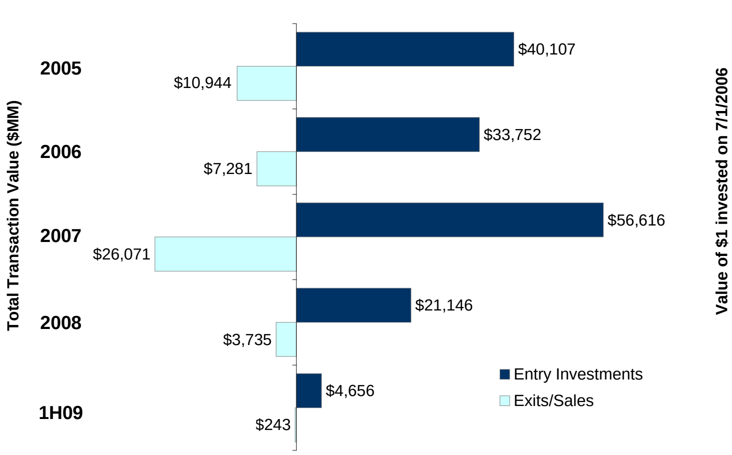
Entry Strategy (continued)

Private equity firms are increasingly using newer and more creative methods to acquire companies in the sector. A common practice during the period has been to buy distressed companies at a discounted valuation in an all-equity transaction. The goal is that unlevered returns on these investments are similar to the levered returns of healthier companies that PE firms were able to capitalize on during the most recent bull market. These transactions can either take the form of full acquisitions, or “equity buyouts” (“EBOs”), as in the bank acquisitions that have taken place; or in the form of partial stake acquisitions through PIPEs (see table of largest PIPE deals at the bottom of the page).

Another innovative deal structure that has garnered much attention is Advent’s $561 million purchase of Fifth Third Bank’s payment processing unit, in which Advent bought 51% of the business, with Fifth Third retaining a 49% stake. Fifth Third also provided $1.25 billion in financing to Advent to complete the transaction. A similar structure was attempted in Barclays’ potential sale of iShares to CVC, which was eventually trumped by the sale of the entire Barclays Global Investors unit to BlackRock.

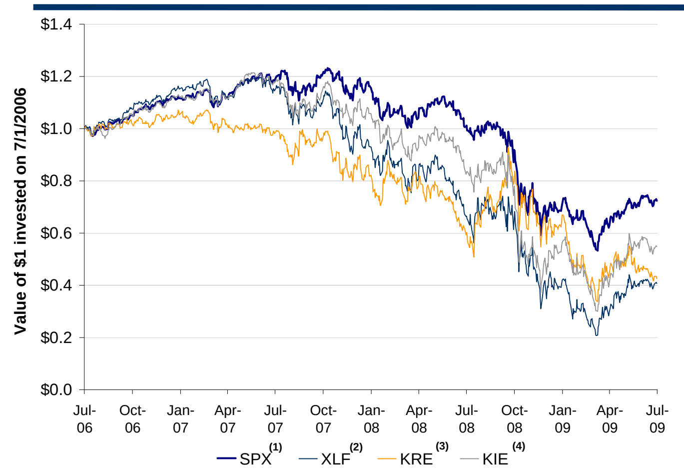
Within the FIG sector, both PE firm entry and exit activity will likely decrease for the second straight year after peaking in 2007. The two largest entry investments of 1H 2009 are both bank deals – the aforementioned acquisitions of IndyMac and BankUnited – which accounted for 49% of the total entry deal value for the period. Just $243 million of exit transactions in FIG PE occurred in 1H 2009 – the largest of these being General Atlantic’s sale of its approximate 2% stake in NYSE Euronext remaining from an earlier acquisition, and RiskMetrics’ acquisition of Innovest Strategic Value Advisors from State Street Global Alliance and other investors.

FIG PE: Entry versus Exit



Source: Freeman & Co.

Financial Stock Index Performance



(1) Financial Select Sector SPDR Fund
(2) S&P 500 Index Fund
(3) KBW Regional Bank ETF
(4) KBW Insurance ETF

Source: Bloomberg

Top Ten PIPEs into Financial Institutions (Since January 1, 2008)

Rank	Private Equity Firm	Portfolio Company	Inv. Date	Inv$MM
1	TPG Capital	Washington Mutual	4/21/2008	$2,000
2	Matlin Patterson	Thornburg Mortgage	3/31/2008	$1,350
3	KKR	Legg Mason, Inc.	1/14/2008	$1,250
4	Corsair Capital	National City	5/2/2008	$785
5	Thomas H. Lee Partners	MoneyGram International Inc	3/25/2008	$760
6	Warburg Pincus	MBIA Inc	2/13/2008	$644
7	Warburg Pincus	MBIA Inc	1/30/2008	$499
8	JC Flowers	Shinsei Bank, Limited	2/4/2008	$468
9	Matlin Patterson	Flagstar Bancorp Inc	12/17/2008	$350
10	JC Flowers	MF Global	5/20/2008	$300

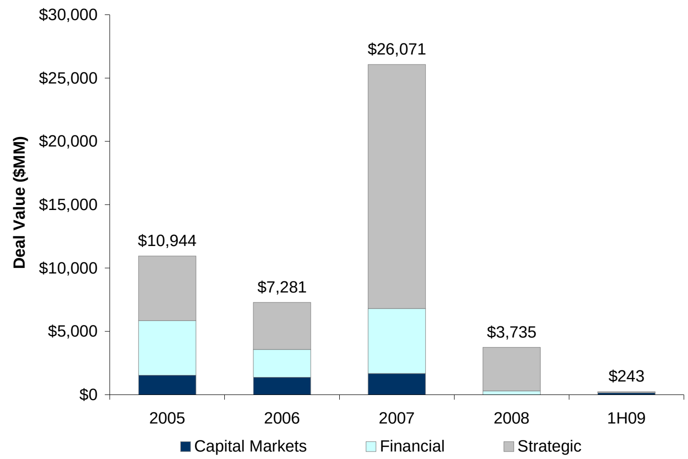
Source: Freeman & Co.

PE: Private Equity **AM:** Asset Management **BBD:** Banks & Broker-Dealers **SPEC:** Specialty Finance
FIG: Financial Institutions Group **TT:** Trading Technology **INS:** Insurance **BNSS:** Business Services

Exit Strategy

After three years of a healthy exit environment for FIG PE investments from 2005 to 2007, the primary exit routes for private equity firms are drastically hindered and have been so for the past 18 months. Only 32 FIG portfolio companies were exited in 2008, and through 1H 2009 the number has dropped to just four. All three methods of monetizing investments – sale to a strategic acquirer, sale to another private equity firm, and sale through the capital markets (i.e. bringing a portfolio company public) – currently have their own set of issues. Discussed later in this report, PE firms must concentrate on other ways to enhance the value of their investments rather than looking to sell, at least in the short-term.

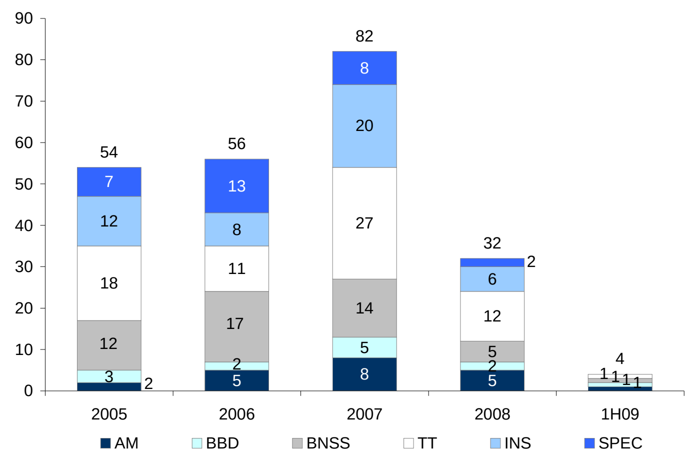
Portfolio Company Exits by Acquirer Type



Source: Freeman & Co.

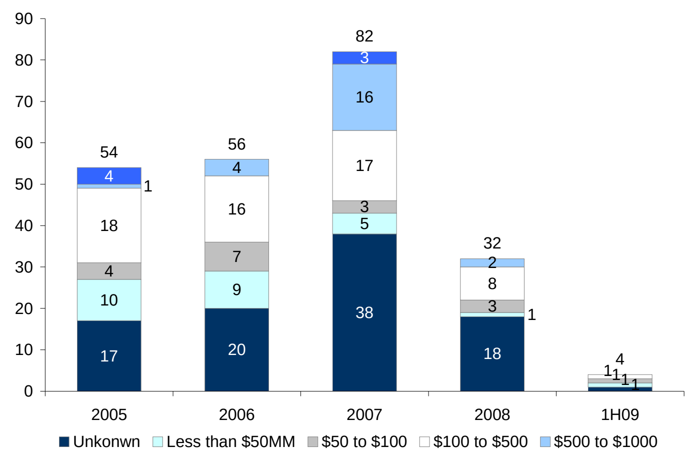
The positive news is that the global IPO market is showing signs of a slight thaw – IPO volume (across all industries; not FIG-exclusive) in the first five months of 2009 was just a combined $5.8 billion, but totaled $17.2 billion in June and July alone.

of Exits by Sector



Source: Freeman & Co.

of Exits by Size



Source: Freeman & Co.

Top Ten Exits/Sales of Financial Institution Portfolio Companies (LTM)

Rank	Private Equity Firm	Portfolio Company	Date	Value $mm	Exit
1	General Atlantic	NYMEX Holdings Inc.	8/22/2008	$599	Strategic
2	Stone Point Capital	ZC Sterling Corp.	12/23/2008	$575	Strategic
3	Corsair Capital	National City	12/31/2008	$445	Strategic
4	Phoenix Equity Partners	Partnership Life Assurance Company	8/5/2008	$300	Private Equity
5	Stone Point Capital	Signal Holdings LLC	10/1/2008	$253	Strategic
6	Metalmark, JC Flowers	Direct Response Corporation	8/29/2008	$202	Strategic
7	General Atlantic	NYSE Euronext	5/1/2009	$143	Capital Markets
8	TA Associates	Clayton Holdings, Inc.	7/2/2008	$133	Strategic
9	Fidelity Ventures, FTV Capital, JMI Equity	Managed Objects	11/13/2008	$93	Strategic
10	TPG Capital	BankThai PCL	1/6/2009	$84	Strategic

Source: Freeman & Co.

Date: Closing date of transaction **LTM:** 12 Months Ending June 30, 2009

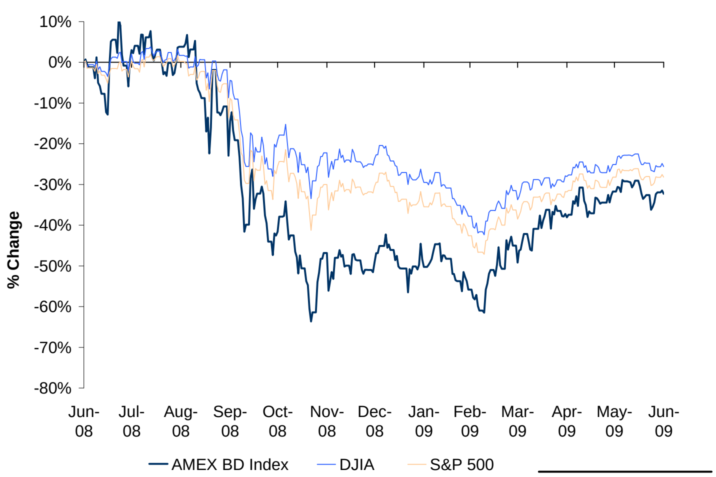
Sector Review: Banks & Brokerage

No sector within FIG has undergone as drastic a makeover over the past 18 months as Banks & Brokerage ("BBD"), and the changes are only beginning. Private equity's relationship with banks in the US is certainly in flux, and questions remain as to how viable investment opportunities in the sector will be and what forms they will take. Most of the questions are regulatory in nature, and it will likely take another year for guidelines to be finalized. In the meantime, the focus of private equity's investment into banks has transformed from PIPEs into struggling national banks as seen in 2008, to takeovers of failed regional banks in 1H 2009.

The broker-dealer industry is arguably in as much flux as the banking industry, especially with those firms at the top of the market. Public scrutiny has shifted from large public universal banks to large investment banks, ironically as these firms are starting to once again turn a profit. The sector has seen every large player either be taken over or modify its ownership structure to ensure its survival, and the result of less competition (along with better performing markets and a more stable economy) has acted as a catalyst in the firms' return to profitability. As of the last 12 months, private equity has yet to make a big splash in the broker-dealer sector, whether it be through the acquisition of a traditional full-service or boutique investment bank, a trading firm, a prime broker, or some combination. Freeman & Co. believes this is an area where private equity's available capital and historic knowledge of the space could provide significant opportunities to build formidable investment banking competitors.

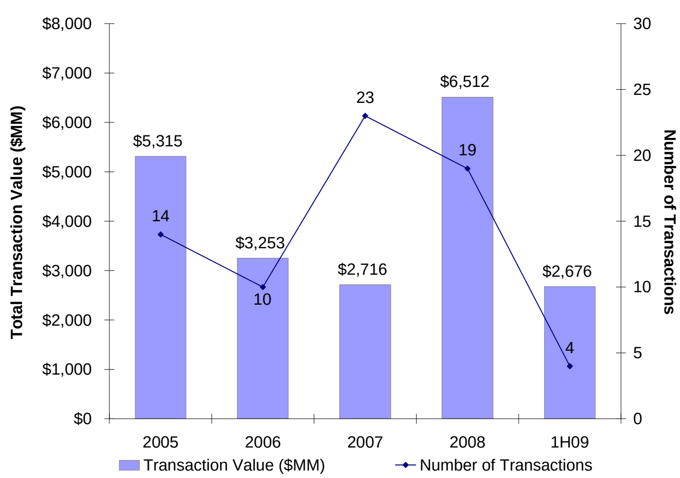
For the time being, deals for failed banks have kept the BBD sector afloat in terms of deal activity. In 1H 2009 there were four BBD transactions in PE for a total of $2.7 billion in deal value, representing 55% of total FIG PE deal value.

Broker-Dealer Financial Performance



Source: Bloomberg

Deal Activity in Banks & Brokerage



Source: Freeman & Co.

Top Deals in Banks & Brokerage (LTM)

Rank	Private Equity Firm	Portfolio Company	Date	Value $MM
1	JC Flowers, Stone Point	IndyMac Federal Bank	3/19/2009	$1,300
2	Blackstone, Carlyle, Centerbridge	BankUnited, FSB	5/21/2009	$900
3	Corsair Capital(1)	National City	12/31/2008	$445
4	JC Flowers	HSH Nordbank AG	1/18/2009	$392
5	Matlin Patterson	Flagstar Bancorp Inc	12/17/2008	$350
6	TPG Capital(1)	BankThai PCL	1/6/2009	$84
7	FTV Capital	Welton Street	7/8/2008	$14
8	Corsair Capital(1)	Uniao de Bancos Brasileiros SA	11/28/2008	

(1) Exit transaction

Source: Freeman & Co.

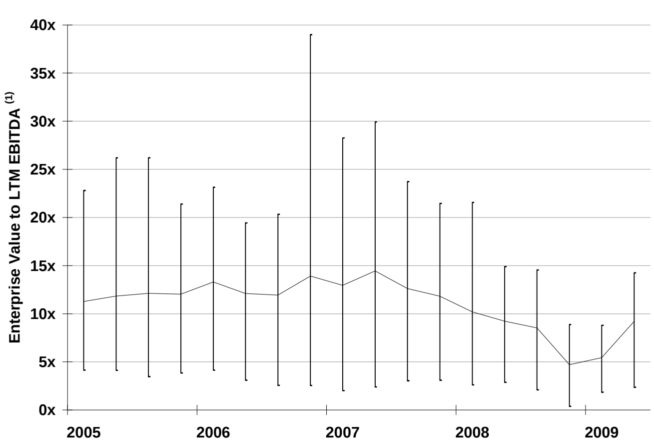
Sector Review: Asset Management

Activity in the Asset Management ("AM") space proceeded at a crawl throughout the past year thanks largely to significant drops in valuations and a generally unfriendly climate for private equity. Managers faced a dual-pronged attack as lower portfolio values and investor redemptions drove assets under management down across most asset classes. Investors fled equity and fixed income-focused mutual funds in favor of cash and treasuries in the wake of the demise of Bear Stearns and Lehman Brothers. A record number of hedge funds shut their doors after poor performance and heavy redemptions, and many others will need several years to retake high-water marks and begin earning performance fees.

The largest reported deal in the sector was The Carlyle Group's relatively small $75 million PIPE into Boston Private Financial in August 2008. The transaction was completed using convertible preferred shares representing a 10% stake in the company. Rosemont Investment Partners was the most active sponsor in the space making four investments in the past 12 months. The company's strategy of making minority investments to recapitalize smaller managers allowed Rosemont to continue doing deals while larger, buyout-focused funds remained on the sidelines.

Despite the lack of deal flow, investors should be optimistic about prospects in the sector. Net inflows to mutual and hedge funds have turned positive with the market's recovery which is in turn stabilizing valuations. CVC Capital's $4.4 billion bid for Barclays' iShares demonstrates PE's interest in the space, and with many large financial institutions still selling off businesses to raise capital, we anticipate that private equity firms will see more divestiture opportunities over the next 12 to 24 months.

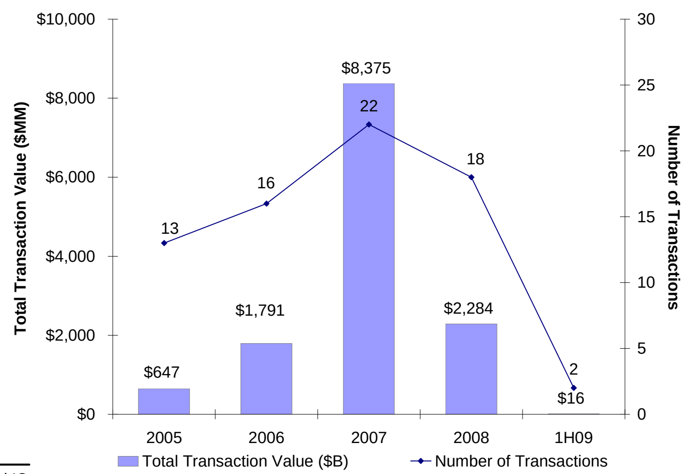
Publicly Traded Asset Management Firms: Enterprise Value / LTM EBITDA



(1) Max 40x; Min 2x

Source: Capital IQ

Deal Activity in Asset Management



Source: Freeman & Co.

Top Deals in Asset Management (LTM)

Rank	Private Equity Firm	Portfolio Company	Date	Value $MM
1	Carlyle Group	Boston Private Financial Holdings	8/12/2008	$75
2	SSgA[1]	Innovest Strategic Value Advisers	3/2/2009	$16
3	Rosemont Investment Partners	Bivium Capital	7/3/2008	
4	Rosemont Investment Partners[1]	Champlain Investment Partners, LLC	10/1/2008	
5	Aquiline Capital Partners	Conning & Company	6/16/2009	
6	TA Associates	Keeley Asset Management	7/23/2008	
7	Rosemont Investment Partners	Lateef Investment Management	12/30/2008	
8	Rosemont Investment Partners	Riverview Alternative Investments	7/2/2008	

(1) Exit transaction

Source: Freeman & Co.

Date: Closing date of transaction **LTM:** 12 Months Ending June 30, 2009

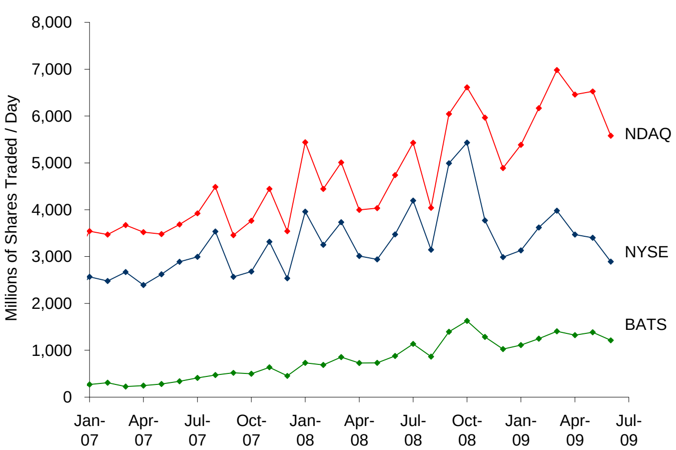
Sector Review: Trading Technology

Activity in the Trading Technology ("TT") sector, which consists of Application Software, E-brokerages, E-processors, Exchanges and Trading Systems, has declined with the rest of FIG PE over the past 18 months. Most of the private equity transactions within the sector have been among smaller firms; there has not been a Trading Technology buyout over $1 billion in deal value since 2007. Although TT firms have not gone unscathed from the recession, their relative stability in revenue and the increasing reliance of financial institutions on technology will continue to attract private equity suitors. There are several private equity firms that exclusively transact in the TT space and many more that have teams dedicated to the sector. As the environment for growth investments improves with the overall economy, TT firms should be of continued interest to private equity firms, especially companies that provide solutions for issues perceived to have caused the latest market collapse – risk management and transparency. Also, as trading volumes have increased (see exchange volume chart below), TT firms that rely on transaction processing stand to gain in conjunction with that trend.

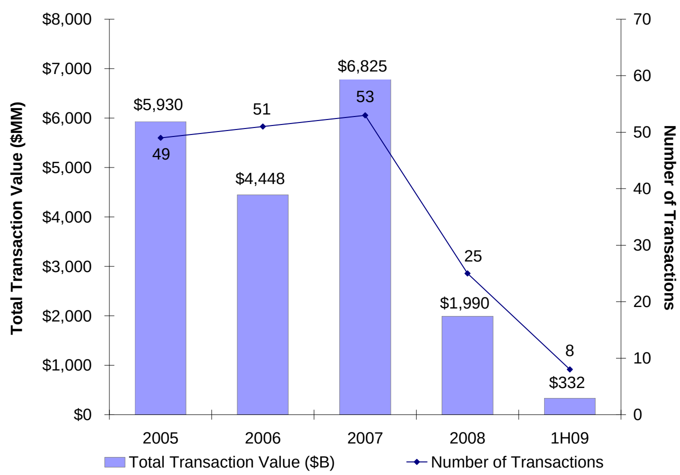
Activity for TT firms in 1H 2009, measured by number of transactions, represented 33% of FIG PE deals (8 out of 24). However, this represents a large drop from years past and the deals were small (only 7% of total deal value).

Now that the economy has stabilized, strategic acquirers are becoming well-capitalized again and this may represent renewed competition for private equity firms who rely on leverage to make acquisitions. One example of this in the Trading Technology sector is Instinet's August 2009 acquisition of TORC Financial, an electronic derivates trading firm (Freeman & Co. served as TORC's advisor on the deal).

US Exchanges Shares Volume



Deal Activity in Trading Technology



Source: Freeman & Co.

Top Deals in Trading Technology (LTM)

Rank	Private Equity Firm	Portfolio Company	Date	Value $MM
1	General Atlantic(1)	NYMEX Holdings Inc.	8/22/2008	$599
2	Great Hill Partners	CAM Commerce Solutions Inc	8/15/2008	$180
3	Advent International	Cetip SA	3/12/2009	$155
4	General Atlantic(1)	NYSE Euronext	5/1/2009	$143
5	TA Associates(1)	Clayton Holdings, Inc.	7/2/2008	$133
6	JMI Equity, FTV, Fidelity Ventures(1)	Managed Objects	11/13/2008	$93
7	Bessemer Venture Partners	Quadriserv	3/11/2009	$34
8	Sequoia Capital	Correlix, Inc.	9/2/2008	$8
9	Edison Ventures	FolioDynamix	8/6/2008	$8
10	Edison Ventures	TraderTools LLC	12/30/2008	$8

(1) Exit transaction

Source: Freeman & Co.

PE: Private Equity **AM:** Asset Management **BBD:** Banks & Broker-Dealers **SPEC:** Specialty Finance
FIG: Financial Institutions Group **TT:** Trading Technology **INS:** Insurance **BNSS:** Business Services

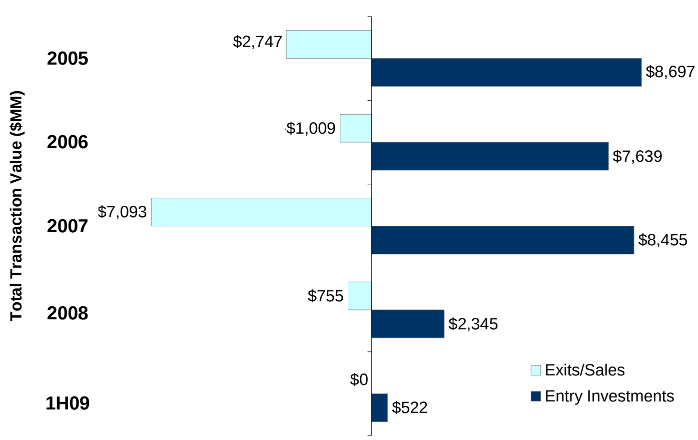
Sector Review: Insurance

Insurance-related PE activity remained weak compared to the boom years of 2005-2007 when the sector averaged more than $10 billion in total transaction value per year. The industry's largest deal in the past year was Essent Holdings' $500 million initial capital raise led by Pine Brook Road Partners. The proceeds of the private placement will be used to launch a new mortgage insurance company with a clean balance sheet in order to capitalize on dislocation in the market.

Few other significant investments were made in the past 12 months, but several PE firms managed to exit large positions despite a tough market. Phoenix Equity Partners led the way with the $300 million sale of Partnership Life Assurance Company to management and Cinven, another private equity firm. Stone Point Capital realized two previous investments by exiting specialty insurer Signal Holdings ($253 million) and BenefitPort (terms not disclosed). JC Flowers and Metalmark, a subsidiary of Citigroup, also exited their joint investment in auto insurance provider Direct Response Corporation for $202 million.

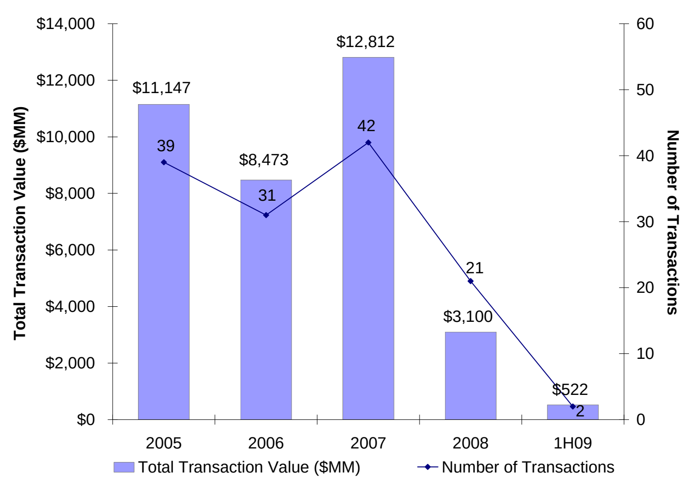
In the coming months, private equity firms should be able to find better opportunities in the dislocated insurance sector as under-capitalized firms are forced to divest healthy insurance businesses in order to shore up their balance sheets. Comprising one of the few remaining sources of fresh capital, private equity firms will be able to take advantage of these situations as they arise.

Insurance Entry vs. Exit Deals



Source: Freeman & Co.

Deal Activity in Insurance



Source: Freeman & Co.

Top Deals in Insurance (LTM)

Rank	Private Equity Firm	Portfolio Company	Date	Value $MM
1	Pine Brook Road	Essent US Holdings	5/27/2009	$500
2	Phoenix Equity Partners(1)	Partnership Life Assurance Company Ltd.	8/5/2008	$300
3	Stone Point Capital(1)	Signal Holdings LLC	10/1/2008	$253
4	JC Flowers, Metalmark(1)	Direct Response Corporation	8/29/2008	$202
5	Aquiline Capital	WRM America Holdings	11/4/2008	$75
6	Stone Point Capital	Lockton Companies International	1/15/2009	$22
7	Stone Point Capital(1)	BenefitPort	7/1/2008	
8	Golden Gate Capital	National Warranty Corporation	7/1/2008	

(1) Exit transaction

Source: Freeman & Co.

Date: Closing date of transaction **LTM:** 12 Months Ending June 30, 2009

Sector Review: Specialty Finance

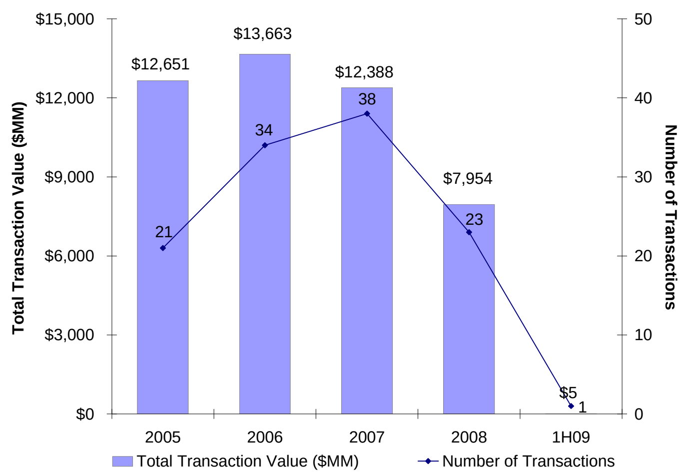
Private equity deal activity in Specialty Finance ("SPEC") was extremely steady from 2005 to 2007, ranging from $12 billion to $14 billion in deal value per year. The sector held up relatively well in 2008 with a respectable $8 billion, which ranked it as the most active sector for the year in FIG and accounted for 32% of deal value. The sector has experienced quite a drop-off in 1H 2009, however, with only one transaction for $5 million.

On significant transaction that has taken place recently in Specialty Finance is the $1 billion formation of Ladder Capital Finance LLC by TowerBrook Capital Partners and Global Infrastructure Partners using equity & debt capital in November 2008. Ladder is a lender to the commercial real estate industry which seeks to take advantage of the long-term, structural changes in the commercial real estate lending market by providing fixed-rate mortgages, interim loans and mezzanine loans. The firm has plans to go public on September 29, 2009.

Despite the challenging environment for SPEC firms, two private equity firms were able to realize investments in the sector in LTM. Proctor NBF sold its stake in Asset Management Finance, which provides capital to asset managers in exchange for revenue interests, to Credit Suisse. Terms were not disclosed for the transaction, but National Bank Financial, parent company of Proctor NBF, recorded a gain from the sale of approximately $62 million in the fourth quarter of 2008. The other exit was TPG's December 2008 sale of its 33% stake in Japanese consumer lender NIS Group to two domestic firms, BB Net Corp and Chusho Kigyo Hosho Kiko. TPG originally invested approximately $180 million in NIS in February 2008; exit terms were not disclosed.

Future opportunities for private equity firms in specialty finance likely lie within products that can be be sold to the government. FHA and VA mortgages that can be distributed to GNMA and FNMA, and asset-backed securities that have potential to be included in the Troubled Asset Relief Program ("TARP") will likely provide low-risk, low-return investments for entities willing to fund such activities. Because of these investment characteristics, however, private equity firms that participate will tend to be those with access to non-traditional PE pools of capital – those affiliated with banks, those with bank portfolio companies, and those that already have an investment in an active, healthy specialty finance company.

Deal Activity in Specialty Finance



Source: Freeman & Co.

Top Deals in Specialty Finance (LTM)

Rank	Private Equity Firm	Portfolio Company	Date	Value $MM
1	TowerBrook Capital Partners	Ladder Capital Finance LLC	11/12/2008	$1,000
2	Stone Point Capital	Amherst Holdings LLC	10/7/2008	$225
3	Menlo Ventures	Golden Gateway Financial, Inc.	2/10/2009	$5
4	Proctor NBF(1)	Asset Management Finance	8/26/2008	
5	Lightyear Capital	Higher One Inc.	8/11/2008	
6	TPG Capital(1)	NIS Group Co Ltd	12/25/2008	
7	Stone Point Capital	Real Estate Disposition Corp (REDC)	11/13/2008	

(1) Exit transaction

Source: Freeman & Co.

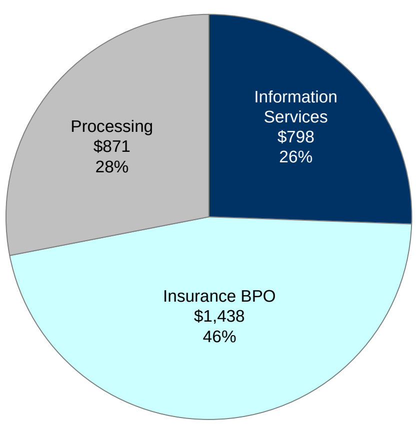
Sector Review: Business Services

In recent years, companies in the Business Services ("BNSS") sector have been among the most popular targets for private equity firms. While the multi-billion dollar buyouts of SunGard and First Data may seem like a distant memory today, private equity firms are still attracted to business service providers' consistent performance and dependable cash flows. With corporations of all types looking to cut costs, the growth prospects of providers offering outsourcing services remains strong.

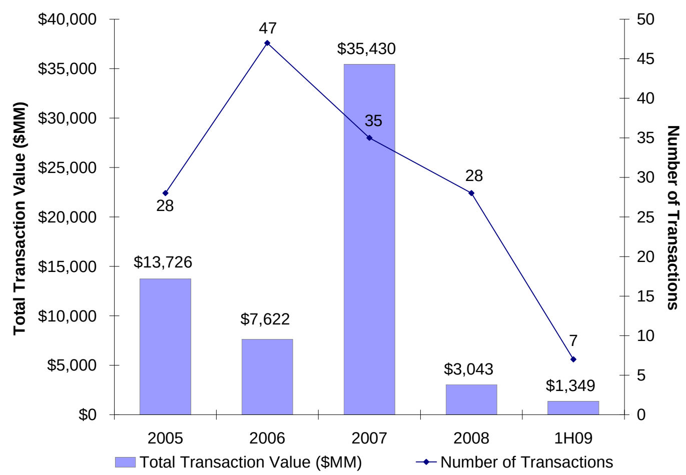
Advent International's $561 million purchase of a 51% stake in Fifth Third's Bank Processing Solutions unit was the largest private equity investment in the sector of the past year. The two parties agreed to form a new company that will be jointly owned and operated, and Fifth Third Bancorp will maintain a 49% interest in the venture. Across the Atlantic, the popularity of BNSS deals is highlighted by Bain Capital's purchase of Centrale dei Bilanci Srl, Hellman & Friedman's investment in SSP Holdings and Advent International's purchase of the card processing unit of Experian (which was renamed Monext). The combined of value of these transactions exceeded $1.1 billion which, while not impressive by historical standards, is significant in these post-boom times.

Another noteworthy transaction was Stone Point's exit from ZC Sterling Corp. The private equity firm agreed to sell the mortgage-service provider to Australian company QBE Insurance Group for $575 million, making the deal one of the largest private equity exits of the year. Stone Point's ability to complete this transaction in such a difficult market illustrates the non-cyclical appeal of the sector.

Business Services Activity by Sub-Sector (LTM)



Deal Activity in Business Services



Source: Freeman & Co.

Top Deals in Business Services (LTM)

Rank	Private Equity Firm	Portfolio Company	Date	Value $MM
1	Bain Capital	Centrale dei Bilanci Srl	12/23/2008	$652
2	Stone Point Capital[(1)]	ZC Sterling Corp.	12/23/2008	$575
3	Stone Point Capital	Fiserv Insurance Solutions	7/2/2008	$571
4	Advent International	Fifth Third Bank Processing Solutions	6/30/2009	$561
5	Hellman & Friedman	SSP Holdings PLC	7/23/2008	$292
6	Advent International	Monext	10/1/2008	$260
7	Advent, Summit	FleetCor Technologies, Inc.	4/8/2009	$100
8	One Equity Partners	NCO Group Inc	12/8/2008	$50
9	Warburg Pincus	Bankrate Inc	3/27/2009	$26
10	FTV Capital	Aveksa, Inc.	2/25/2009	$10

(1) Exit transaction

Source: Freeman & Co.

Date: Closing date of transaction **LTM:** 12 Months Ending June 30, 2009

In the third section of this report, we shift our focus from sector-specific trends to general trends in FIG PE:

(1) Private equity fundraising; (2) European Trends in FIG PE; (3) Credit Markets; (4) Portfolio Company Maintenance; (5) Case Study: Broadpoint Gleacher; and (6) Macro Outlook

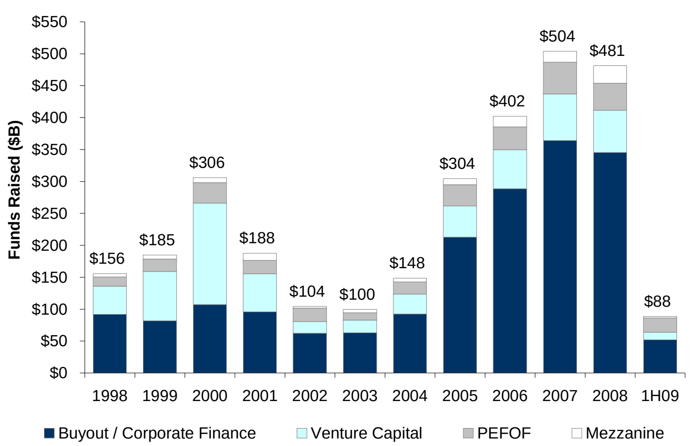
Fundraising

After three blockbuster years of fundraising by private equity firms, the once endless supply of new investor commitments appears to have finally dried up. In 1H 2009, private equity firms raised only $88 billion in new commitments compared with $287 billion in the same period last year - a decline of nearly 70%. Decreased risk appetite and liquidity concerns have certainly driven some investors away from the asset class like many others, but private equity fundraising also suffers from a few afflictions that are unique to the sector. A near total absence of deal activity in the past 18 months has left private equity firms sitting on more than $400 billion in unspent cash. Since most LPs haven't had their last rounds of committed capital called yet, they have little incentive to commit more assets that won't be invested in the near future. The other issue plaguing fundraising is the so-called "denominator effect." This unwittingly led LPs to exceed their private equity allocations and in many cases forced LPs to reduce their commitments even though private equity had often outperformed traditional asset classes.

Two areas of private equity fundraising have managed to benefit from the crisis. First, debt funds seeking to purchase the leveraged loans made to now-distressed companies during the boom years have fared well with a plethora of multi-billion dollar funds closing in the past 12 months (see chart below). Financial services–focused private equity has also enjoyed a surge in fundraising as investors embrace the notion that battered financial companies present excellent return opportunities. Several mega-buyout shops have launched FIG-focused funds including TPG ($4.5 billion) and The Carlyle Group ($1 billion). They are joined by FIG-only players like JC Flowers, who recently closed a $1.9 billion fund, and Corsair Capital, who has raised $600 million so far towards their latest fund (target $2 billion). Pine Brook Road Partners, who focuses exclusively on FIG and energy investments, closed their first fund at $1.4 billion earlier this year.

Private equity remains an important source of private capital for the economy and a desirable asset class for investors. However, fundraising will not pick up until GPs start putting existing capital commitments to work and proving they can take advantage of the poor economic environment by making investments at favorable valuations.

U.S. Private Equity Fundraising



Source: Thomson Financial

Largest Debt Funds Raised (LTM)

Fund	Amount Raised ($MM)	Target ($MM)
Ares Corporate Opportunities Fund III, L.P.	$3,000	$4,000
Silver Point Capital Fund	2,210	5,000
Tower Square Capital Partners III, L.P.	1,580	1,400
Sankaty Credit Opportunities IV, L.P.	1,551	4,000
Gulf Opportunity Fund I	1,100	1,000
Intermediate Capital Asia Pacific Fund 2008	1,000	1,500
TCW/Crescent Mezzanine Partners V, L.P.	912	2,500
Euromezzanine 6	883	1,059
Abry Advanced Securities Fund, L.P.	750	800
Blackstone/GSO Capital Solutions Fund, L.P.	704	-
FIMI Opportunity IV	530	-
Centerbridge Special Credit Partners, L.P.	467	-
Carlyle Mezzanine Partners II, L.P.	344	600
AEA Mezzanine Fund II, L.P.	283	600
Versa Capital Fund II, L.P.	279	600

Source: Thomson Financial

FIG PE Trends: Europe

PE transactions in European financial services have remained low in terms of both scale and volume in 1H 2009 with activity mainly concentrated in selected sectors and in smaller deals requiring very little or no debt to be completed. In terms of targets, PE interest generally remained focused on mid-scale, fee-based rather than capital dependent businesses (e.g. asset management and processing). Capital shortages at large institutions also continued to play a significant role in PE activity as cash-rich private equity buyers were often the best capitalized and least burdened bidders for many of the assets that came to market. Notably, both of the top reported PE transactions over the past 12 months – Bain Capital and Clessidra SGR's joint purchase of 92% of the equity of Centrale dei Bilanci and J.C. Flowers' €300 million injection into HSH Nordbank – were driven by capital shortages, as well as CVC Capital Partners' bid for Barclays' iShares subsidiary.

In addition to the core trends mentioned above, other noteworthy themes in 1H 2009 have included:

- The double-edged impact of distressed situations: on the one hand, heavy debt burdens continue to threaten the equity positions of leveraged PE sponsors while on the other hand significant opportunities continue to arise for many cash-rich funds to buy debt from sellers at meaningful discounts to issuance value

- An increasing pipeline of potential transactions involving secondary PE interests as many LPs are reported to be seeking liquidity

- The emergence of selected GP related transactions as an increasing number of PE sponsors are beginning to seek liquidity and/or strategic relationships

While we believe that most if not all of these themes will continue to be relevant to the sector in the short and medium term, the prospect of the PE industry entering a phase where M&A is of interest to sponsors not only as a route of entry/exit for portfolio companies but as a strategic option for GPs strikes us as particularly interesting. Perhaps the best example of this emerging trend in 2009 to date has been Apax Partners' sale of an 8% stake to the GIC and Australian Pension Plan, which both reinforced Apax's strategic ties to two of its larger fund investors and monetized a fraction of the equity value of the firm for its Partners. Although such deals are still are a rarity, we believe that strategic transactions are likely to increase amongst a select cadre of 'winners' of the credit crisis. Further, we expect to see additional M&A and restructuring activity as an increasing number of PE sponsors with mixed track records reconfigure their operations. Recent examples include the proposed restructuring of French buyout firm PAI Partners, the transfer of Hermes Private Equity's ten-strong team and £550 million direct investment private equity portfolio to Bridgepoint, and 3i Group's announcement of the divestiture of a significant portion of its European venture capital portfolio and team to a consortium of investors including Coller Capital, Harbourvest, and DFJ Espirit.

Top Deals in Europe (LTM)

Rank	Private Equity Firm	Portfolio Company	Date	Value $mm
1	Bain Capital	Centrale dei Bilanci Srl	12/23/2008	$652
2	JC Flowers	HSH Nordbank AG	1/18/2009	$392
3	Phoenix Equity Partners	Partnership Life Assurance Company	8/5/2008	$300
4	Hellman & Friedman	SSP Holdings PLC	7/23/2008	$292
5	Advent International	Monext	10/1/2008	$260
6	Stone Point Capital	Lockton Companies International	1/15/2009	$22
7	Carlyle Group(1)	B-Finance	4/27/2009	
8	Oaktree Capital Management	Countrywide plc	2/17/2009	
9	HIG Ventures	FNZ (UK) Ltd.	6/23/2009	

Source: Freeman & Co.

Date: Closing date of transaction **LTM:** 12 Months Ending June 30, 2009

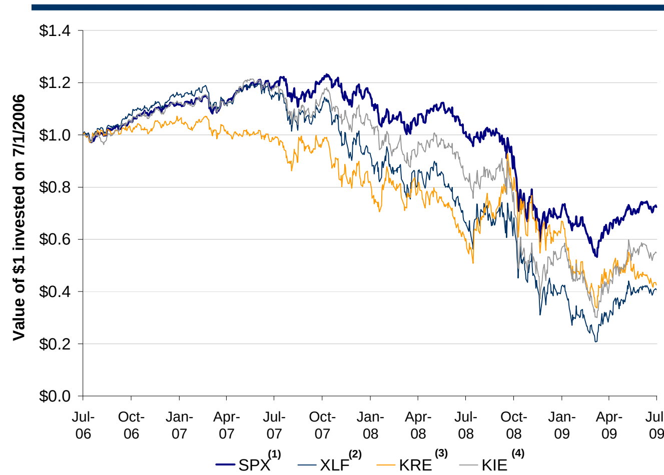
Portfolio Company Maintenance

Since the onset of the financial crisis in mid-2007, financial stocks have performed worse than the broader equity markets. With many portfolio companies now valued below cost and little going on in M&A and IPO markets, sponsors have lengthened their expected holding periods for many of their investments and settled in for a longer haul. Without the prospect of monetizing their investments in the near-term, private equity firms have turned their attention towards portfolio company maintenance.

One of the most pressing challenges facing sponsors at the portfolio company level is servicing the mounting wall of LBO debt coming due in the next few years. PE firms that had counted on either generating enough cash from operations to make debt payments or rolling debt over in a refinancing have found both options unattainable in the current economic environment. Consequently, sponsors are actively pursuing debt-for-equity swaps and other restructuring initiatives in order to de-lever their portfolios. One emerging trend helping to drive portfolio company deleveraging is the increasing willingness of lenders to take control of the companies to which they provided acquisition financing. Traditionally, banks were more likely to take a haircut on the loans rather than take ownership of the company, but many lenders now think that swapping debt for equity will result in a higher recovery in most cases.

While reducing leverage will be vital for many portfolio companies, restructuring often dilutes the sponsor's equity significantly which in turn saps returns. In order to preserve equity value, some firms are focusing on aggressively cutting operating costs. According to a survey by RSM McGladrey, the vast majority of sponsors have taken major steps to cut costs at portfolio companies. This includes head count reductions (88% of firms), salary freezes (75%), business process improvements (71%) and reductions in capital expenditures (68%). Such measures will undoubtedly help portfolio companies survive the downturn, but firms forced to make draconian adjustments will miss growth opportunities as the economy rebounds.

Financial Stocks Performance



(1) Financial Select Sector SPDR Fund
(2) S&P 500 Index Fund
(3) KBW Regional Bank ETF
(4) KBW Insurance ETF

Source: Bloomberg

Some firms have managed to find creative ways to cut costs without impairing the operations of their businesses. At its annual meeting, Blackstone announced that it would save nearly $250 million a year by purchasing group health insurance for all of its portfolio companies.

Of course, not every portfolio company is in such dire straits. Many buyouts have panned out well for sponsors, but without an active market for exits, PE owners must find new ways to continue creating value. One strategy many firms are contemplating is "growth through acquisition," in which smaller firms are bolted-on to healthy portfolio companies. These acquisitions can be financed at the portfolio company level or with new equity injections from the sponsor. The plethora of distraught companies encourages this strategy since it should allow private equity firms to make bolt-on acquisitions at bargain prices. Alternatively, PE firms may be able to make acquisitions by taking positions in the distressed debt of competitors' portfolio companies and pursuing a "loan-to-own" strategy.

Credit

The current recessionary period started with a credit crunch, and global debt issuance (high yield bonds, syndicated loans and CDOs) has declined for four consecutive semi-annual periods. In 1H 2009, issuance in these products was just $1.1 trillion, its lowest level since 1H 2002. That number is down 65% from its peak of $3.1 trillion in 1H 2007. Although a much smaller part of the market than syndicated loans, CDOs experienced the most drastic drop-off, with securitization declining 86% from its peak.

While the downward semi-annual trend continues, a closer look at 1H 2009 reveals some positive news (see chart on bottom right). Except after a slight spike in March, debt issuance has increase every month so far this year.

If this is indeed a sign that banks are becoming increasingly willing to lend again, it bodes well for private equity in two ways: financing new transactions as firms deploy their massive war chests; and refinancing the record amounts of debt that will come due in the next 3-4 years.

Most estimates put the amount of LBO debt coming due for refinancing over $400 billion in just the three year period from 2012-2014. The period from 2004-2007 experienced many “mega-LBO’ deals, some of which, such as KKR’s acquisition of First Data Corp, have over $20 billion of debt. It will take not only more favorable markets but also concessions on the part of debt holders to refinance this mountain of debt with any success in the coming years.

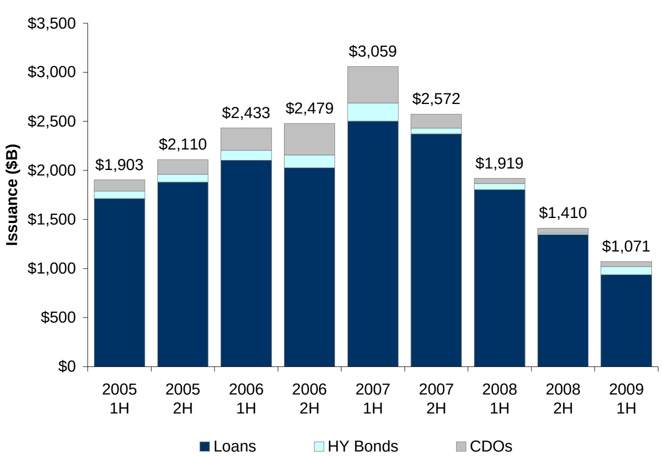
Credit spreads improved significantly in 1H 2009 (down 60% since peaking in October 2008), but are still as high as they were in summer 2008 when the credit crisis was in full swing.

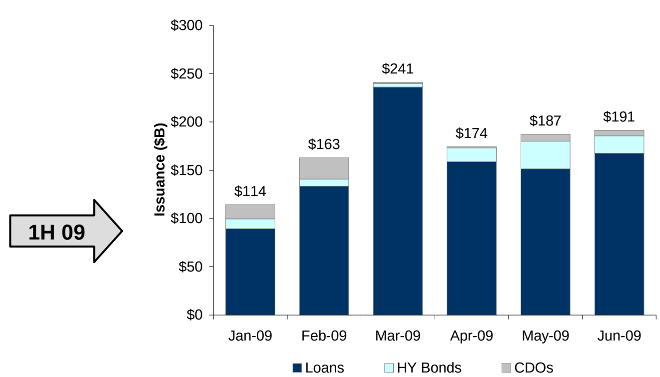
Credit Spreads: US Govt. 10-Yr vs. IG Corp(1)

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

Source: Bloomberg

Global Debt Issuance





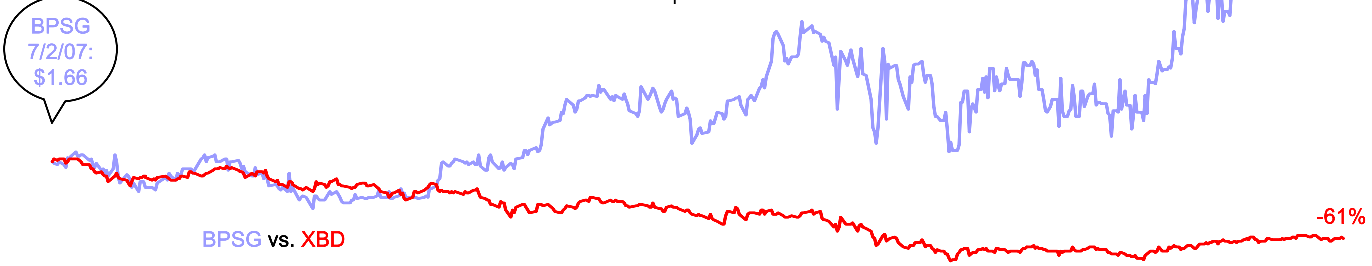
Source: Freeman & Co. / Thomson Financial

LTM: 12 Months Ending June 30, 2009

Case Study: Broadpoint Gleacher

- Private equity firm creates value as a strategic investor in broker dealer
- Distressed asset at time of recapitalization
- Freeman & Co. acts as exclusive advisor to Broadpoint's management and board

2H 2007	1H 2008	2H 2008	1H 2009
• Closes $50 MM equity investment from MatlinPatterson • Grants equity to 24 employee partners • Renames firm to Broadpoint Capital, Inc. • Completes sale of Municipal division, which includes old corporate name, First Albany • Increases capital to Broadpoint DESCAP • Announces administrative restructuring and outsourcing plan	• Acquires Fixed Income group from BNY Capital Markets • Forms Restructuring Group • Announces $20 MM equity investment led by MAST Capital. Also participating were 23 Mgmt/ Employees and MatlinPatterson • Hires new CFO • Adds Investment Grade Fixed Income Group • Hires new head of Equity Capital Markets • Closes $25 MM Private Placement of Mandatory Redeemable Preferred Stock from MAST Capital	• Signs agreement to acquire American Technology Research • Hires head of Debt Origination • Merges two broker-dealer subsidiaries under the Broadpoint Capital name • Launches repo desk and expands structured products group in DESCAP	• Agrees to acquire Gleacher Partners for $20 MM cash plus 23 MM shares • Expands rates and ABS/MBS groups • Expands DCM group with Deutsche Bank team • July 2009 - Raises $139 million in a follow-on equity offering



Mkt Cap (1)	$64 MM	$139 MM		$237 MM	$454 MM
Capital Raised	$50 MM	$20 MM	$25 MM	-	-
Price/Terms	$1.33/share	$1.70/share	10% div; 4% accrual Warrantt (1mm shares)(2)	-	-
Revenue	2H 2007: $25 MM 4Q 2007 Annualized: $64 MM	1H 2008: $51 MM 2Q 2008 Annualized: $136 MM		2H 2008: $83 MM 4Q 2008 Annualized: $202 MM	1H 2009: $163 MM 2Q 2009 Annualized: $371 MM
Shares Out	57,898,300	75,811,555		80,022,506	81,556,246

(1) As of recapitalization date for Q3 2007, as of last day of quarter for each of Q4 '07, Q1 '08, Q2 '08, Q3 '08, Q4 '08 and Q1 '09

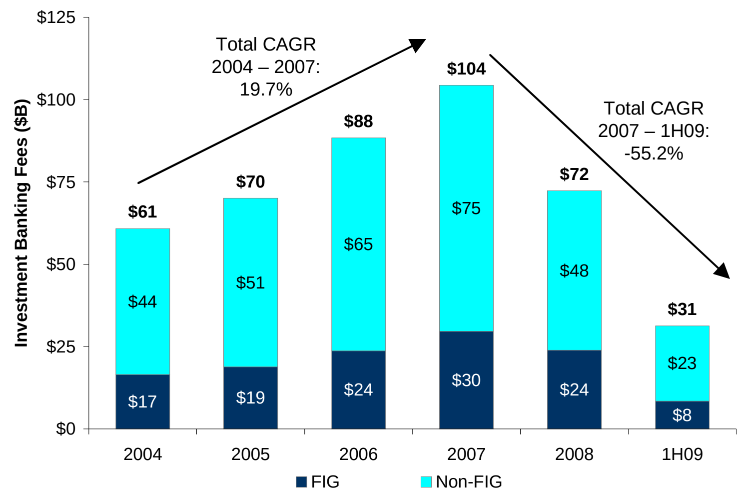
(2) 10% annual dividend paid quarterly; Dividend accrues by 4% annually, compounded quarterly; MAST also received warrants to purchase 1.0 million shares of the Company's common stock at an exercise price of $3.00 per share; Preferred redeemable in part or full at company's option, with mandatory redemption by June 27, 2012

Macro Outlook

In the midst of a deep recessionary period, 1H 2009 has seen investment banking activity drop drastically from the peak of 2007. Investment banks collected just $31 billion dollars in fees from traditional investment banking activities (M&A, Debt Capital Markets, Equity Capital Markets, Syndicated Loans and Securitization) in 1H 2009, after peaking at $104 billion in 2007. Although the second half of this year has started to bring glimmers of hope, firms will struggle to match the $61 billion earned by investment banks back in 2004, especially with securitization, which became an increasingly important source of revenue during the boom period, unlikely to mount a recovery any time soon. Credit, another major revenue driver, is slowly making a comeback, boosting fees and providing the necessary capital to sustain healthy levels of M&A activity, especially in the private equity sector.

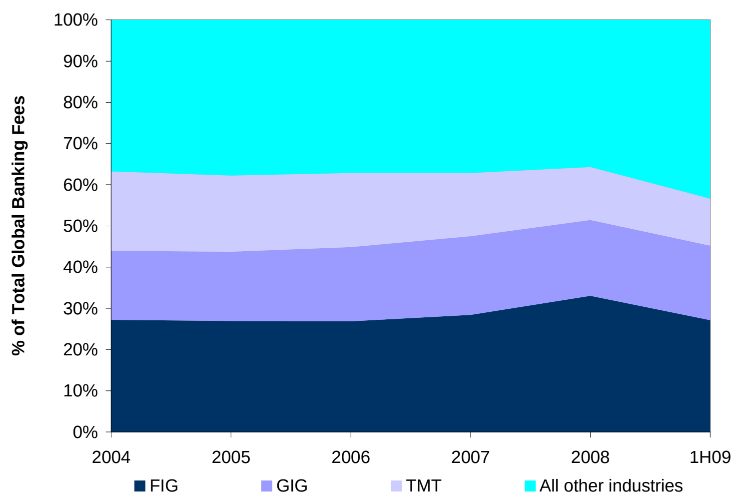
Although the turmoil in the markets has been mainly focused on financial institutions, the deal activity brought on by this turmoil has not been able to sustain the level of FIG's importance to the overall investment banking deal landscape in terms of fees generated. Investment banking fees paid by Financial Institutions have dropped to 25% of overall fees in 1H 2009, down from a peak of 33% in 2008. The peak in 2008 was due to numerous large takeovers in the FIG sector in 2008, many of the non-voluntary variety with some level of government intervention, and large universal and investment banks' capital raising efforts. This activity has slowed down dramatically in 1H 2009, although companies in the sector are not out of the woods. The potential of increased regulation, the softening of the recession, and the subsequent loosening of the credit markets will be some of the same factors that dictate the level of investment banking activity going forward in the next few years.

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

	2005	2006	2007	2008
Universal Banks				
Bank of America	16.8%	26.9%	-8.6%	9.7%
Citigroup	5.0%	7.1%	-8.8%	-35.4%
JPMorganChase	26.9%	14.3%	15.1%	-5.8%
Global Investment Banks				
Goldman Sachs	22.8%	49.2%	22.1%	-51.7%
Morgan Stanley	15.8%	26.8%	-6.1%	-11.7%
Average	**17.5%**	**24.9%**	**2.7%**	**-19.0%**

Source: SEC Filings

FIG: Financial Institutions Group **GIG:** Global Industrials Group **TMT:** Technology Media and Telecommunication

Freeman & Co. PE Coverage

Private Equity Firm	City	State/ Nation
3i Group PLC	New York	NY
AAC Capital Partners	Amsterdam	Neth.
ABS Capital Partners	Waltham	MA
Advent International Corporation	Boston	MA
Allied Capital	Washington	DC
Alpine Investors, Inc.	San Francisco	CA
American Capital	Bethesda	MD
Angelo, Gordon & Co.	New York	NY
Apax Partners	London	UK
Aquiline Capital Partners	New York	NY
Arsenal Capital Partners, Inc.	New York	NY
Ascent Venture Partners	Boston	MA
Bain Capital Partners, LLC	Boston	MA
Barclays Private Equity Limited	London	UK
BC Partners	London	UK
Bessemer Venture Partners	Larchmont	NY
Blackstone Group	New York	NY
Bluff Point Associates	Westport	CT
Brera Capital Partners	New York	NY
Bridgepoint Capital Limited	London	UK
Capital Z Financial Partners	New York	NY
Carlyle Group	Washington	DC
Castle Harlan	New York	NY
CCP Equity Partners	Hartford	CT
CDP Capital	Montreal	Quebec
Cedar Hill Capital Partners	New York	NY
Centerbridge Partners	New York	NY
Centre Partners Management	Los Angeles	CA
Century Capital Management, Inc.	Boston	MA
Cerberus Capital Management, LP	New York	NY
Charles River Ventures	Waltham	MA
Charlesbank Capital Partners LLC	Boston	MA
Charterhouse Capital Partners	London	UK
Chess Ventures	San Francisco	CA
CIBC Capital Partners	Boston	MA
Circle Peak Capital LLC	New York	NY
Clayton, Dubilier and Rice	New York	NY
Clipper Ship Ventures	New York	NY
Corsair Capital LLC	New York	NY
Court Square Partners	New York	NY
CVC Capital Partners	London	UK
D.E. Shaw & Co. LP	New York	NY
Diamond Castle Holdings	New York	NY
DLB Capital	Wilton	CT
Edison Venture Fund	Lawrenceville	NJ
Endicott Group, The	New York	NY
Evercore Capital Partners	New York	NY
Farmington Capital Partners	Hartford	CT
FdG Associates	New York	NY
Fidelity Ventures	Boston	MA
Flexpoint Ford	Chicago	IL
Fortress Investment Group	New York	NY
Friedman, Fleischer & Lowe	San Francisco	CA
Frontenac Company	Chicago	IL
FTV Capital	San Francisco	CA
General Atlantic LLC	Greenwich	CT
Golden Gate Capital	San Francisco	CA
Great Hill Partners	Boston	MA
GTCR Golder Rauner LLC	Chicago	IL
Guggenheim Partners	Chicago	IL
Hellman & Friedman	San Francisco	CA
Hermes Private Equity	London	UK
HIG Ventures	Miami	FL
Hovde Private Equity	Washington	DC
Infinity Point	New York	NY
Insight Venture Partners	New York	NY
Inter-Atlantic Group	New York	NY
ITOCHU Financial Services, Inc.	New York	NY
JC Flowers + Co.	New York	NY
JMI Equity	Baltimore	MD
Kohlberg & Company	Mt. Kisco	NY
Kohlberg Kravis Roberts & CO.	New York	NY
Lee Equity Partners, LLC	New York	NY
Lightyear Capital	New York	NY
Lindsay Goldberg LLC	New York	NY
Lithos Capital Partners LLC	Westport	CT
Long Ridge Equity Partners	New York	NY
Lovell Minnick Partners LLC	Rolling Hills Estates	CA
Madison Dearborn Partners, Inc.	Chicago	IL
Marlin Equity Partners	El Segundo	CA
Matlin Patterson	New York	NY
Menlo Ventures	Menlo Park	CA
Metalmark Capital	New York	NY
Millenium Technology Value Partners	New York	NY
NewSmith Capital Partners	London	UK
Nikko Principal Investments	London	UK
North Bridge Growth Equity	Waltham	MA
Oak Hill Capital Management	Menlo Park	CA
Oak Investment Partners	Palo Alto	CA
Oaktree Capital Management, LLC	Los Angeles	CA
Old Lane	New York	NY
One Equity Partners	New York	NY
Parthenon Capital	Boston	MA
Pegasus Capital Advisors LP	Cos Cob	CT
Phoenix Equity Partners	London	UK
Pine Brook Road Partners, LLC	New York	NY
Platinum Equity Advisors, LLC	Beverly Hills	CA
Post Capital Partners	New York	NY
Proctor NBF Capital Partners	New York	NY
Promethean Investments	London	UK
Questor Management Company	Southfield	MI
Resolution PLC	London	UK
Rosemont Investment Partners	West Conshohocken	PA
Scale Venture Partners	Foster City	CA
Sequoia Capital	Menlo Park	CA
Shattan Mendel Enterprises	New York	NY
Silchester International Investors	London	UK
Silver Lake Partners	Menlo Park	CA
Spectrum Equity Investors	Boston	MA
State Street Global Alliance, LLC	Boston	MA
Sterling Partners	Northbrook	IL
Stone Point Capital LLC	Greenwich	CT
Strategic Investment Group	Arlington	VA
Stripes Group	New York	NY
Summit Partners	Boston	MA
Sun Capital Partners Ltd.	London	UK
Susquehanna International Group	Bala Cynwyd	PA
TA Associates	Boston	MA
Technology Crossover Ventures	Palo Alto	CA
Thomas H. Lee Partners, L.P.	Boston	MA
TL Ventures	Wayne	PA
TowerBrook Capital Partners	New York	NY
TPG Capital	New York	NY
Tudor Ventures	Boston	MA
Updata Partners Venture Capital	Edison	NJ
VantagePoint Venture Partners	San Bruno	CA
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	New York	NY
Zurich Alternative Asset Management	New York	NY

Freeman & Co. PE Activity

Capital Raising

INTER-ATLANTIC FINANCIAL

announced definitive merger agreement with

PATRIOT RISK MANAGEMENT INC

Freeman & Co. Securities LLC

$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

$1.3 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

GUGGENHEIM

has made an investment in

CRT CAPITAL GROUP LLC

Acted as financial advisor to CRT Capital Group
February 2002

Freeman & Co. Securities LLC

Private Equity Exits

citigroup

has acquired

LAVA

Acted as financial advisor to Citigroup Inc.
August 2004

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

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

NEOVEST High Performance Trading Technology

has been acquired by

JPMorgan

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

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

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

Recent Publications by Freeman & Co.

Securities Industry Reports

- *Happy to Have no Balance Sheet* (September 2009)
- *Securities Industry at Major Inflection Point* (March 2009)
- *Mom, Dad, Are We There Yet?* (September 2008)
- *Post Labor Day: Back to School, Hopefully not Schooled!* (September 2007)
- *Back in Black* (August 2006)
- *Landmark Deals Signal Growth of Electronic Trading Flow* (July 2005)
- *Mega Deals Return* (January 2005 Supplement)
- *2004 Provides Foundation for Expanded Deal Volumes* (January 2005)

Asset Management Reports

- *Humpty Dumpty Had a Big Fall* (September 2009)
- *Can a Third Shoe Drop?* (March 2009)
- *Reports of My Death Were Greatly Exaggerated* (September 2008)
- *The World is a Different Place (*February 2008)
- *Robust First-Half, Uncertain Future* (September 2007)
- *Déjà vu (All Over Again)* (August 2006)
- *Size Matters* (March 2006)
- *Changing Tides II* (August 2005)
- *A Slow Year, Focused on Repositioning* (February 2005)

Insurance

- *Insurance Servicing, Processing and Technology* (July 2009)
- *Retirement Funding: New Solutions for a Growing Problem* (August 2008)

Private Equity Focus

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

Thematic Industry Focus

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

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