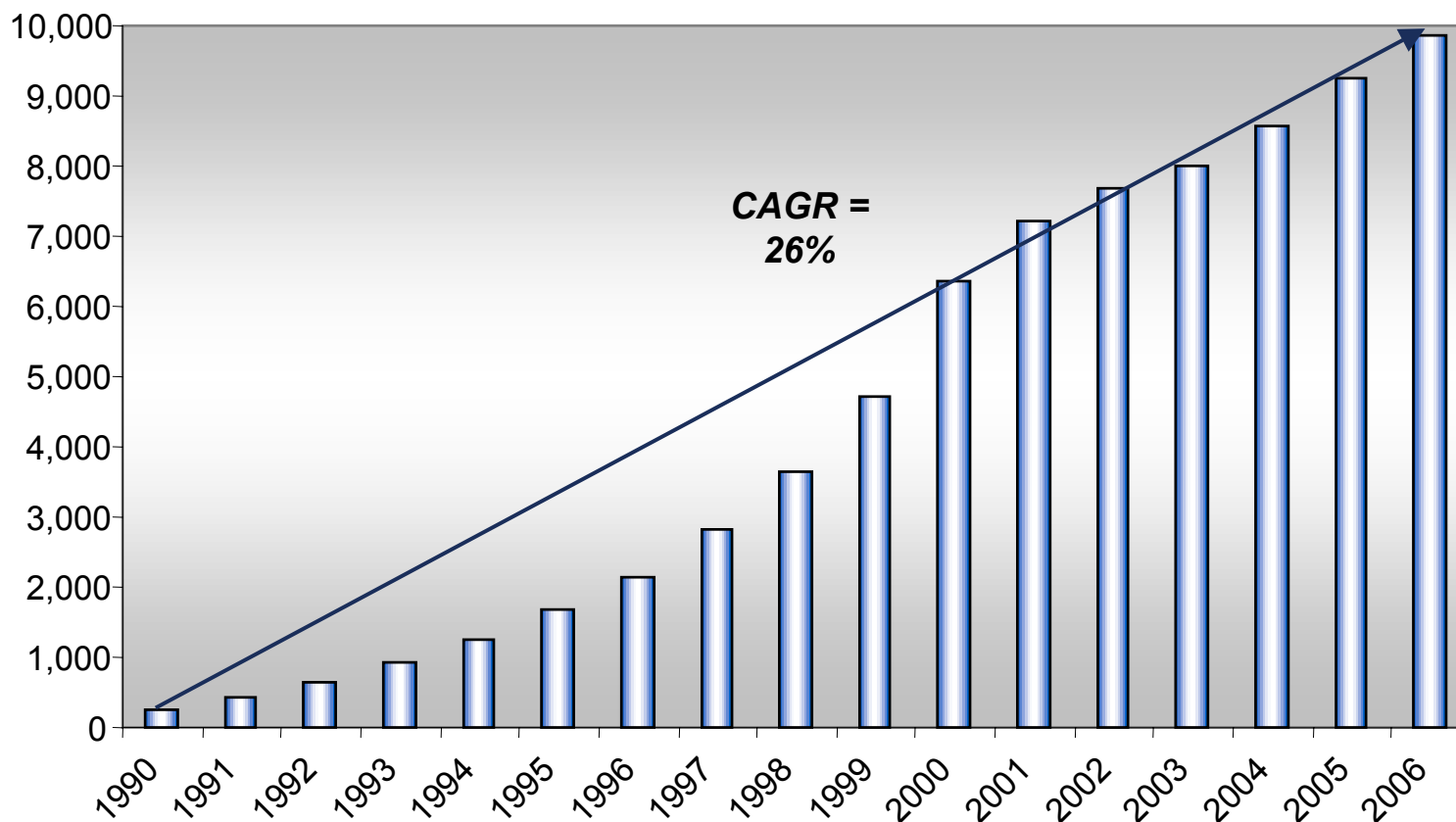

State of the Private Equity Industry

Exponential Growth in Private Equity Funds

Number of Direct Investment Private Equity Funds

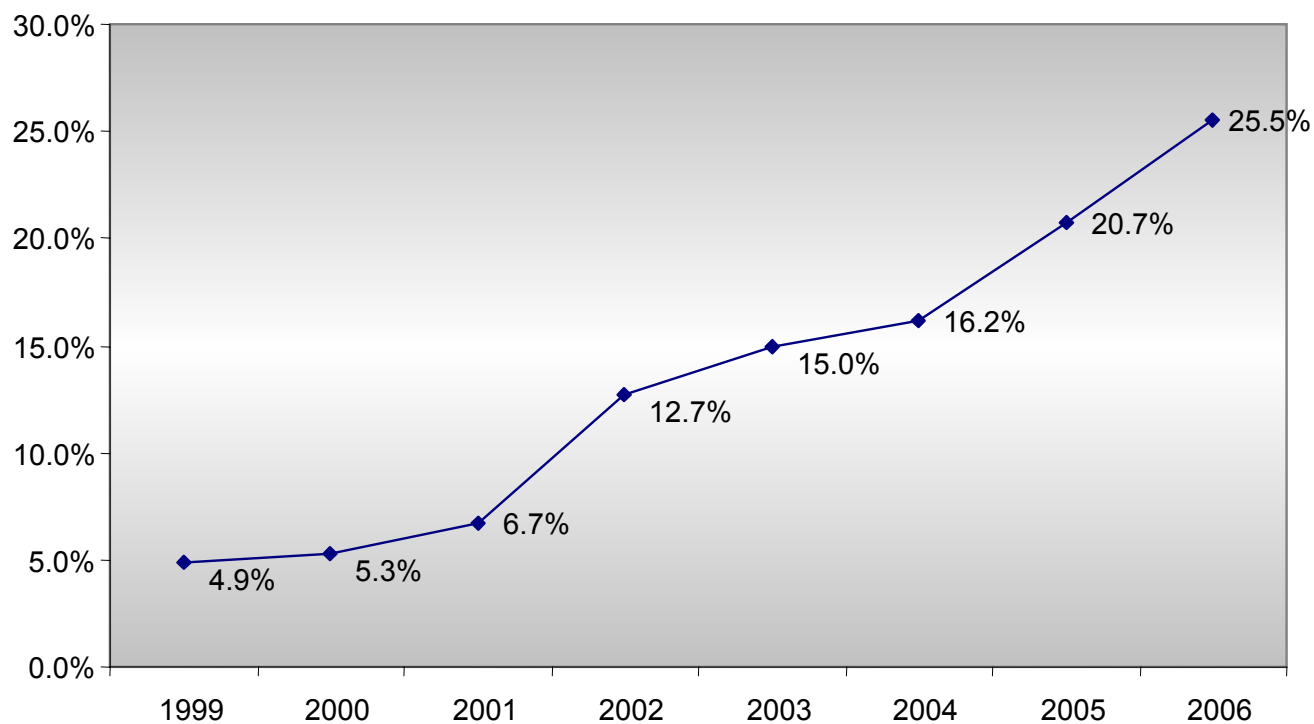


Source: Venture Economics

Private Equity an Increasingly Larger % of Total M&A

- In 2006, global LBO deals accounted for 25.5% of M&A worldwide
 - This compares to 4% during 2000 and 17% in 2005
- H1 2007, LBO deals accounted for 30% of all M&A transactions

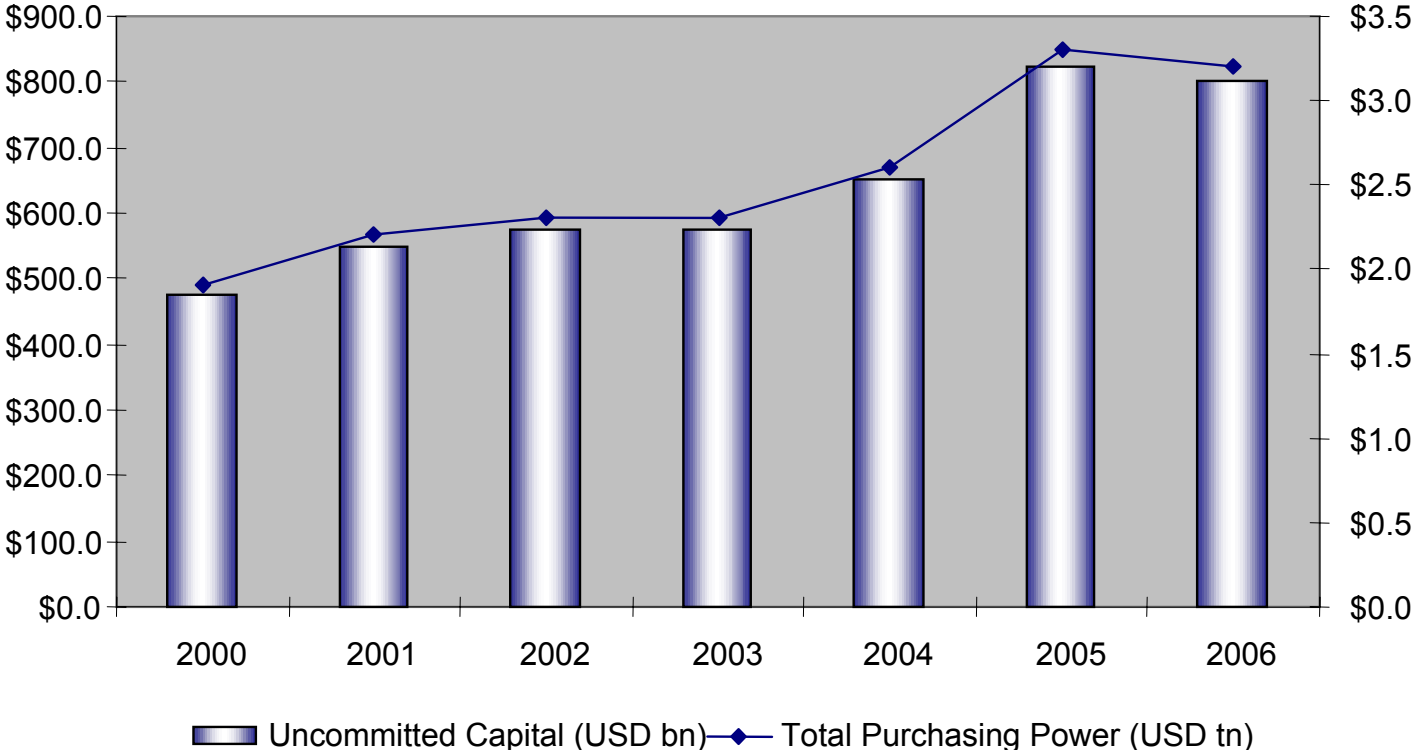
Private Equity as % Total M&A



Source: Thomson Financial, Blackstone

And Significant Dry Powder Remains...

**Total Uncommitted Capital (\$USD bn)
and Purchasing Power (\$USD tn)**

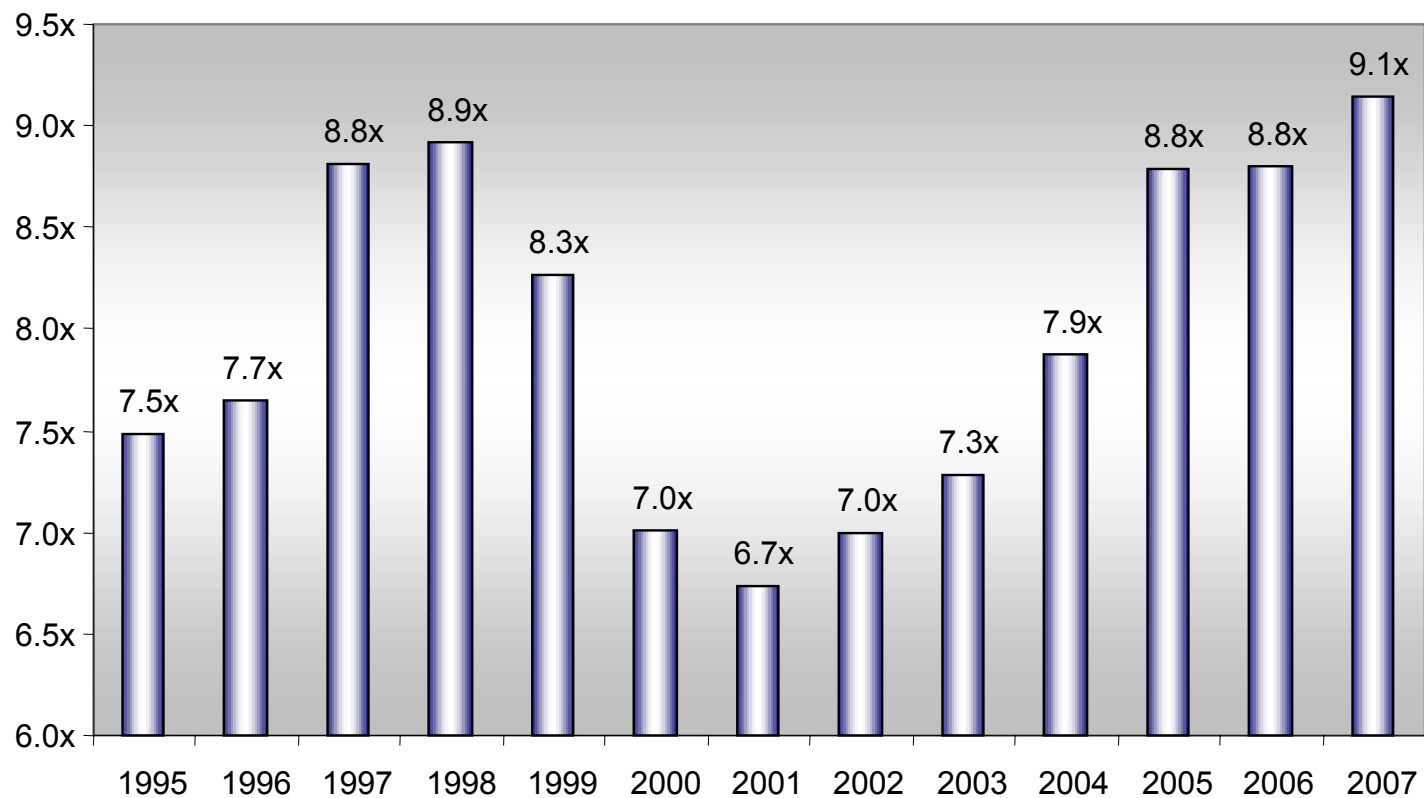


Source: Thomson Financial

Current Challenges in the Private Equity Market

Prior to August: Multiples Continued to Escalate...

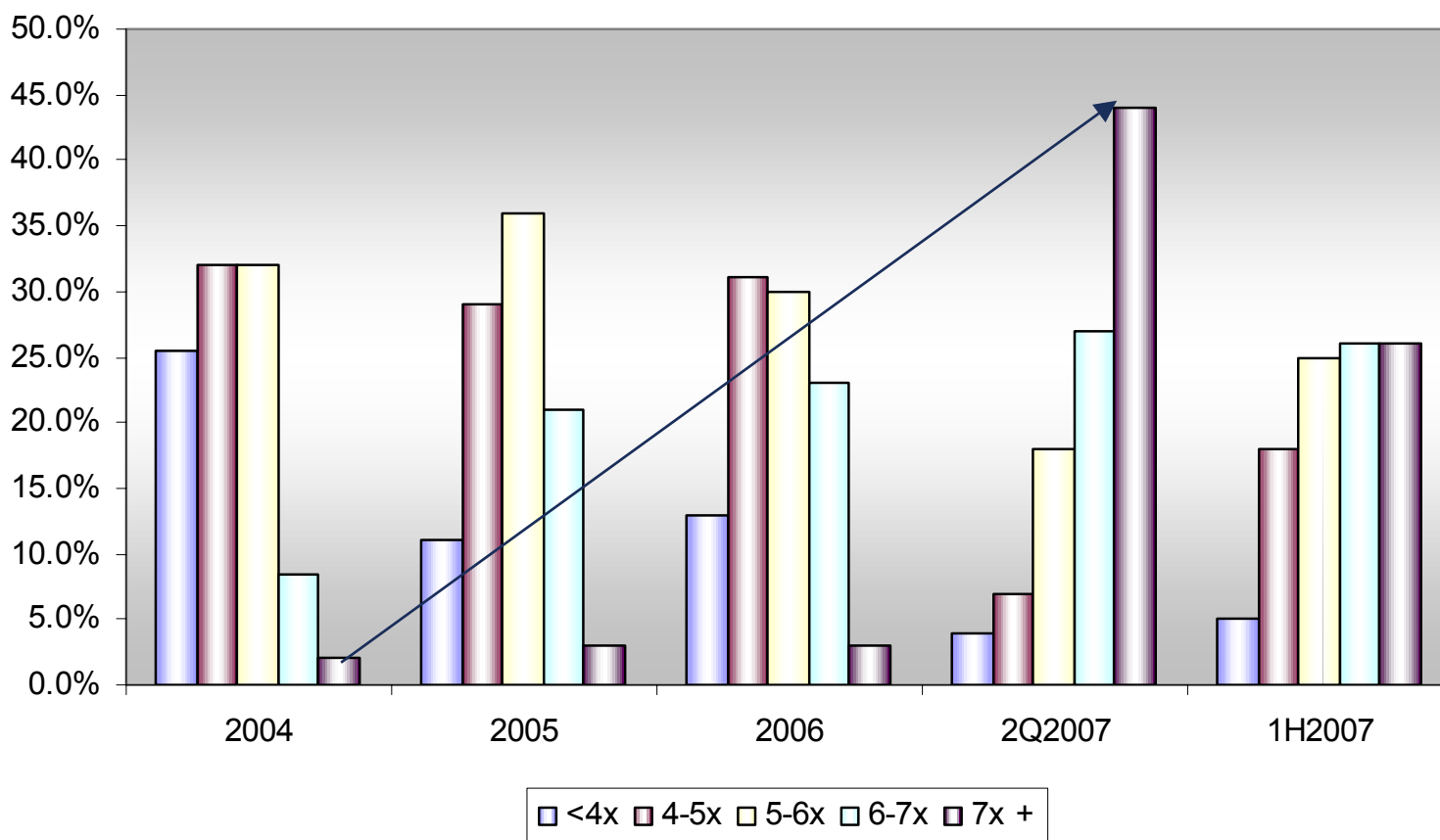
EV / EBITDA Multiples



Source: Thomson Financial. Only includes deals over \$500 mm

Prior to August: Debt to EBITDA ratios increased...

Large LBO Transactions by Debt / EBITDA Ratios



Source: S&P

Today: The bottom falls out- The “Subprime Contagion”

- LBO debt financing markets have weakened due to:
 - Weakness in U.S. subprime mortgage market- an industry-wide re-pricing of risk
 - Evaporation of CLO buyers, severely reducing liquidity for leveraged loans
 - Record backlog of new deals committed but not syndicated
 - The term “fully underwritten” called into question- legally
 - Many banks ceasing to fund under CLO warehouse lines

Today: The New Focus

- Greater emphasis has been placed on:
 - Track record of successfully closing deals
 - Financial structure certainty
 - Relationships in the market
 - Long term track record through numerous economic cycles