

RODMAN PRIVATE CAPITAL ENERGY INDEX

The Rodman Private Capital Energy Index tracks capital raised by private-equity and mezzanine-fund providers for investment in the energy industry, primarily the upstream. The index was developed by COSCO Capital Management LLC, which Rodman & Renshaw Capital Group Inc. acquired in June 2008.

The index is currently comprised of 22 capital sources in the U.S. and Canada. The following compilation reflects the responses provided by index participants for the second half of 2008. While hardly comprehensive, The Rodman Index represents a reasonable cross-section of the private-capital universe and its investment predilections.

Reflecting the challenging second half of 2008, Goldman Sachs, Constellation Energy Partners and Touradji Capital Management either lost funding or decided to discontinue investing in energy, and have been removed from the index. On the other hand, Pine Brook Road Partners and SB Energy Partners have joined the index.

Capital availability. Notwithstanding the economic downturn cited above, at year-end 2008 the index reported having available approximately \$26.9 billion, only slightly below the record amount of \$29.2 billion posted in the first-half of 2008. This number reflects the robust fund-raising of 2007 and first-half 2008. However, the participants report no new capital raises during second-half 2008.

Some index participants have undertaken fund-raising in this half, but all indicate significant difficulty with reaching funding targets.

Monetization. In second-half 2008, the total number of monetizations dropped precipitously to only one-quarter of the level seen in first-half 2008, but overall were in line with previous years. Total proceeds from reported monetizations were

more than one-third less than posted in all of 2007. Among monetizations, one private-equity index participant incurred one-third of the total alone, exiting 15 positions for a total of \$1.5 billion.

The take-away (with the one outlier excluded) is obvious: The M&A markets all but disappeared after July; commodity prices plummeted; and most planned exits were postponed.

Investment. Index members reported making in aggregate an index-record 352 investments during 2008, most of which were done during the first half. Market chaos in the second half caused a significant drop in the number of investments, but not nearly as severe as one might have expected, due mostly to add-on investments as index members drew down capital to support their portfolio companies.

The average size of investments made by index participants during 2008, relative to 2007, stayed surprisingly steady at \$33 million, not far off the 2007 average and well above the 2006 average.

Preferred business plans. Starting in the second half of 2008 and continuing into this year, index members are shifting their investment focus away from start-ups with drillbit-oriented business plans, often associated with unconventional-resource plays, to midstage E&Ps with producing assets and looking to acquire ailing neighbors or other E&Ps afflicted by the financial meltdown.

There is some sentiment that opportunities may improve in second-half 2009, and index members recognize that they need to select portfolio managements now to be prepared for the turnaround.

International investment. In reaction to troubled times, The Rodman Index members have also, for the first time in the past several years, reversed their major

trend toward international investments. At \$4.1 billion, the aggregate funds committed to international investments is the index's highest level ever. However, additions in second-half 2008 were nearly two-thirds less than that added in the first half, potentially indicating a refocus by private capital on less exotic investments as lower-risk opportunities, in the U.S., particularly, become more available, and indeed, more compelling.

Conclusion. The sea change in energy-investment parameters that occurred in 2008, particularly in the second half, is clearly reflected by participants' investment activities, which have slowed and become far more "mainstream," focusing on acquisitions from distressed sellers in traditional U.S. basins.

The fund-raising activity of 2007 and 2008 has left the index participants and, by implication, private capital with significant funds available.

—Cameron O. Smith and James M. Masters, The Rodman Energy Group. The Rodman Private Capital Energy Index and The Rodman Index are trademarks of the firm. All dollar values are U.S., or converted from Canadian, when relevant, at C\$1=US\$0.8025 (as of February 12, 2009).

The Rodman Index Participants*

Equity Focus	Tier	Mandate
Altira Group LLC	1	Energy
ARC Financial Corp. (CDN)	1	Energy
Avista Capital Partners LP	1	Energy
EnCap Investments LP	1	Energy
Energy Spectrum Securities	1	Energy
Energy Trust Partners LP	1	Energy
First Reserve Corp.	1	Energy
HM Capital Partners LLC	1	General
Kayne Anderson Capital Advisors LP	1	Energy
Kern Energy Partners Management Ltd. (CDN)	1	Energy
Lime Rock Management LP	1	Energy
Metalmark Capital LLC	1	General
Pine Brook Road Partners	1	General
Post Oak Energy Capital LP	1	Energy
Quantum Energy Partners	1	Energy
Riverstone Holdings LLC	1	Energy
SB Energy Management LP	1	Energy
Group Total	17	
Mezzanine Focus		
NGP Investment Advisor LP	2	Energy
TCW Asset Management Co.	1	Energy
Group Total	2	
Equity & Mezzanine		
GasRock Capital LLC	3	Energy
Macquarie Energy Capital	2	Energy
Prospect Energy Corp.	2	Energy
Group Total	3	
Total Index Members:	22	

*Tier 1, institutional aggregators; Tier 2, institutional investors; Tier 3, individual aggregators; Tier 4, high-net-worth individual investors. Source: The Rodman Energy Group.

Private Capital Energy Index: Year-End 2006 to Year-End 2008

Category	YE06	YE07	1H08	2H08	YE08
Capital					
Initial (\$B)	26.5	20.7	44.3	46.6	46.6
Available (\$B)	17.3	16.0	29.2	26.9	26.9
Investment—Total					
# of Deals	257	331	209	143	352
Total (\$B)	6.6	12.7	6.1	7.6	13.7
Average (\$MM)	26	38	29	53	39
Investment—Int'l					
# of Deals	28	45	32	18	50
Total (\$B)	0.9	2.2	3.0	1.1	4.1
Average (\$MM)	33	50	93.8	61.1	82.0
Monetization					
# of Deals	83	88	60	21	81
Total (\$B)	7.5	6.0	2.6	1.5	4.1
Average (\$MM)	90	68	44.1	71.0	51.1
Funding					
Total (\$B)	12.5	8.0	11.1	0.0	11.1

Source: The Rodman Energy Group