

RODMAN PRIVATE CAPITAL ENERGY INDEX

The Rodman Private Capital Energy Index, first published by COSCO Capital Management LLC, which was acquired by Rodman & Renshaw Capital Group Inc. in June, is an index of capital raised by private-equity and mezzanine-fund providers available for investment primarily in the upstream oil and gas sector.

The Rodman Index is currently comprised of 23 capital sources in the U.S. and Canada. The firms are surveyed regarding their fund-raising and transaction activities. The following compilation reflects the responses provided by index participants for the first half of 2008.

Capital availability. In the Spring 2008 Private Capital Energy Index Report (PEIR), the report notes that, because the investing activity of the index had been so strong throughout 2007, "unless the capital available...is replenished through fund-raising activities in the first half of 2008, we probably have seen the pinnacle for investment activity for the next couple years." In fact, the Rodman Index participants rose to the occasion, raising \$11.1 billion in the first half of 2008. This represents more than five times the dollars raised over the same period last year.

As a result, the total initial capital in funds and budgets dedicated to energy investments controlled by Rodman Index participants on June 30, 2008, stood at \$32.3 billion, the most since the Index was formed. The total capital available, at \$19.5 billion, is more than \$2 billion above the previous record set at year-end 2006.

Transaction activity. The last time Rodman Index participants set a high in the category of capital available, they spent almost twice the capital they had committed over the previous year. While this is logical, the Index does not show this phenomenon expressed in the spending figures for the first half of 2008, which, at \$5.6 billion, at an average commitment of \$32 million per transaction, are both slightly down

from their counterparts in both halves of 2007. Based on the survey returns and Rodman's observations of the market during the first half of 2008, many of the Index members during this period were unusually busy with investors and distracted from investing. Now that the marketing is over and product prices have abated, we expect the pace and size of commitments over the next 12 months to increase significantly.

Monetization, profitability. The pace at which Rodman Index participants are monetizing their holdings has also begun to pick up. The number of monetizations reported during the first half of 2008, at 50, is more than 40% higher than those cited for the last half of 2007.

The total aggregate of these monetizations, however, is nowhere near the level achieved during that earlier period, resulting in the \$36-million average per transaction being less than half that achieved during the first half of 2007. This means that either private capital is still pruning its lower-impact holdings (a trend surmised from the data for the second half of 2007), or that private-capital providers are getting ready to pulse out holdings. Rodman forecasts that this will be determined by the strength of commodity prices through year-end.

International investment. In the last PEIR, Rodman admonished the energy sector to "look for continued growth in the emerging international marketplace, as investors are getting savvier and more comfortable dealing with geo-political risk." Indeed, the PEIR data indicate that Rodman Index participants committed just under \$3 billion in the first half of 2008 to international operators (outside of North America), already three-quarters of a billion more than that committed during all of 2007.

The vast majority of this international investment was committed to the U.K. and Europe, with India also figuring prominently. New emphasis is building on North Africa and other areas, such as Colombia.

Conclusions. In a period dominated by financial news bemoaning the credit crisis, a weak dollar and volatile commodity prices, private-capital providers focused on energy are thriving. Institutional investors are cramming into its corner, and apparently those providers are still finding ample opportunity to invest within the sector, both domestically and abroad.

If commodity prices retreat further, private-capital providers are loaded with fresh capital and will become even more aggressive buyers and backers, according to the report. If they rebound, the sector will ramp up its monetizations, for which the data suggest it has been preparing for the better part of the past 18 months. Either way, energy-focused private capital is sitting pretty.

Cameron O. Smith and Craig M.I. Campbell, The Rodman Energy Group. "The Rodman Private Capital Energy Index" is a trademark of the firm. All dollar values are in U.S., or converted from Canadian, when relevant, at C\$1 to US\$0.9579 as of June 30, 2008.

Rodman Index Participants*

Equity Focus	Tier	Mandate
Altira Group LLC	1	Energy
ARC Financial Corp. (CDN)	1	Energy
Avista Capital Partners L.P.	1	Energy
EnCap Investments L.P.	1	Energy
Energy Spectrum Capital LP	1	Energy
Energy Trust Partners LP	1	Energy
First Reserve Corp.	1	Energy
HM Capital Partners LLC	1	General
Kern Partners Ltd. (CDN)	1	Energy
Lime Rock Management LP	1	Energy
Metalmark Capital LLC	1	General
Quantum Energy Partners	1	Energy
Quintana Minerals Corp.	1	Energy
Riverstone Holdings LLC	1	Energy
Subtotal		14
Mezzanine Focus	Tier	Mandate
Macquarie Energy Capital	2	Energy
NGP Investment Advisor LP	2	Energy
Petrobridge Investment Management LLC	3	Energy
Prospect Energy Corp.	2	Energy
TCW Asset Management Co.	1	Energy
Subtotal		5
Equity & Mezzanine	Tier	Mandate
Constellation Energy	2	Energy
Commodities Group		
GasRock Capital LLC	3	Energy
Goldman Sachs & Co.	2	Energy
Post Oak Energy Capital LP	3	Energy
Subtotal		4
TOTAL Rodman Participants		23

*Tier 1, institutional aggregators; Tier 2, institutional investors; Tier 3, individual aggregators; Tier 4, high-net-worth individual investors. Source: The Rodman Energy Group (September 2008).

Private Capital Energy Index Report: Year-End 2004 to June 2008

Category	YE 2004	YE 2005	YE 2006	YE 2007	YE 2008
Capital					
Initial (\$B)	20.0	15.4	26.5	20.7	32.3
Available (\$B)	6.0	7.0	17.3	16.0	19.5
Investment					
# of Deals	125	155	257	331	179
Total (\$B)	3.1	2.7	6.6	12.7	5.6
Average (\$MM)	25.0	17.4	25.5	38.3	31.5
Monetization					
# of Deals	56	60	83	88	50
Total (\$B)	2.3	2.7	7.5	6.0	1.8
Average (\$MM)	41.8	45.0	89.8	68.4	36.3
Funding					
Total (\$B)	7.9	6.3	12.5	8.0	11.1

Source: Rodman Energy Group