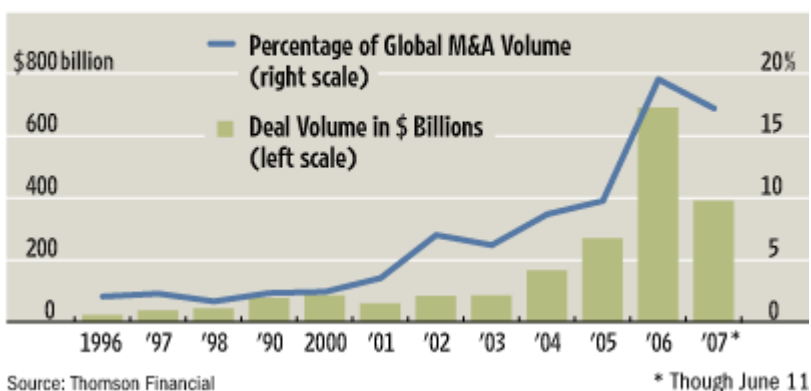


Overview

FUELED BY CHEAP CREDIT, the LBO boom, building since 2004, has exploded in the past 18 months. Private-equity deal volume more than doubled in 2006, and LBOs accounted for almost 20% of last year's record \$3.5 trillion in global M&A, according to Thomson Financial. The buying binge continues this year. LBOs accounted for more than 17% of the \$2.26 trillion in deals through June 11, 2007, and are on pace to break last year's record volume. The biggest firm, Blackstone, has gone public, raising billions of dollars and encouraging rivals such as KKR to follow suit. But Congress is weighing a significant tax increase for private-equity firms that go public. And some analysts think the IPO trend is a sign the boom is near an end.

Buyout Boom

A look at LBO deal volume since 1996 and the percentage of global M&A buyouts accounted for.



Blackstone Group

Assets Under Management: \$79 billion

Headquarters: New York

Founded: 1985

Chairman & CEO: Stephen Schwarzman

Shares of Blackstone, the world's biggest private-equity firm, began trading today after one of the largest IPOs in U.S. history, raising \$4.6 billion and valuing the company at about \$33.6 billion. The offering leaves CEO Stephen Schwarzman with a stake in the company worth \$7.7 billion. Interest in the IPO was high, even though Congress is considering a significant increase in the tax rate for a large portion of the company's profits. Blackstone has a history of diverse investments. It led a group in the \$17.7 billion leveraged buyout of Freescale Semiconductor. Last summer, Blackstone and Bain closed a \$6 billion bid for arts-and-crafts retailer Michaels Stores. In a mammoth property deal, Blackstone beat out Vornado to acquire Equity Office Properties, the nation's largest office-building owner, for \$23 billion. Blackstone was also part of a group buying Biomet for \$11.4 billion, and it agreed to pay about \$6.4 billion, excluding debt, to buy Alliance Data Systems. It has closed a global buyout fund with total commitments of

\$15.6 billion -- since raised to nearly \$20 billion -- securing its predominance.

Research: Worth Civils



**Stephen
Schwarzman**

Carlyle Group

Assets Under Management: \$59 billion

Headquarters: Washington, D.C.

Founded: 1987

Chairman: Louis V. Gerstner

Carlyle is the largest private-equity firm, with many connections across business and politics, such as IBM ex-chief Louis Gerstner and former President George H.W. Bush. The firm became Wall Street's first "\$10 billion man" last year and is now targeting a single fund of \$15 billion, but may opt for a larger size. In December 2005, Carlyle partnered with others to pay \$15 billion for Ford Motor's Hertz, which has since gone public. The firm also was a key component in the acquisition of Dunkin' Brands for \$2.4 billion. Last year, Carlyle was part of the \$14.6 billion acquisition of oil-pipeline operator Kinder Morgan -- as well as one of the firms that snagged Dutch market research firm VNU for \$9.8 billion. It also was part of a group that bought Freescale Semiconductor for \$17.7 billion. More recently, Carlyle bought Goodyear Tire & Rubber's engineered-products unit for about \$1.5 billion. After Blackstone's successful IPO, Carlyle may also be considering going public.



Louis Gerstner

Bain Capital Partners

Assets Under Management: \$40 billion

Headquarters: Boston

Founded: 1984

Founders: Five, including former Massachusetts Gov. Mitt Romney, who is now running for president

Bain Capital manages a diverse portfolio, ranging from Domino's Pizza to Staples. The firm also owns arts-and-crafts retailer Michaels Stores, which accepted a \$6 billion bid from Bain and Blackstone. Two companies owned by Bain went public last year: Burger King and Warner Chilcott. Bain agreed to acquire Burlington Coat Factory for \$2.1 billion in 2006, and it also agreed to pay \$3 billion for TI's sensors-and-controls business. Bain raised \$8 billion for its ninth fund last April, along with a \$2 billion co-investment fund, more than twice the size of its 2004 fund. Last summer, it was part of a group that bought hospital operator HCA for \$21 billion, and more recently, struck another big deal with Thomas H. Lee to buy Clear Channel for \$18.7 billion; but the firms had to raise their offer to \$19.4 billion to get shareholders to accept. Bain also sweetened its bid to \$3.2 billion for Outback parent OSI Restaurant Partners to push the deal through. In 2005, Bain joined others to buy SunGard Data Systems for \$11 billion and was involved in the purchases of Toys "R" Us and Dunkin' Brands.

TPG Capital

Assets Under Management: \$30 billion

Headquarters: Fort Worth, Texas

Founded: 1993

Managing Partners: David Bonderman, Jim Coulter, William Price

Formerly known as Texas Pacific Group, TPG thrives on leveraged buyouts, targeting poorly performing companies to revamp and sell to the public for profit. In the 1990s, TPG turned around Continental Airlines and America West, now US Airways. TPG bought Burger King for \$1.4 billion in 2002, and it went public in 2006 after a long overhaul. Another company held by TPG, J. Crew, went public in 2006. Neiman Marcus also drew TPG's interest and in May of 2005, the firm partnered with Warburg to buy it for \$5.1 billion. TPG was part of a group that paid \$12.1 billion for Univision in June. It joined Leonard Green to buy Petco for \$1.8 billion, and paid \$1.7 billion for aluminum maker Aleris. It was also part of a group that bought Freescale for \$17.7 billion, and one that is paying \$11.4 billion for Biomet. The firm joined Silver Lake to buy Sabre Holdings for \$4.5 billion, and again this year to buy Avaya for \$8.2 billion. TPG also teamed with Apollo on the \$17-billion purchase of Harrah's, with KKR for on the record \$32 billion TXU deal and with Goldman to buy Alltel for \$27.5 billion.



David Bonderman

Kohlberg Kravis Roberts & Co.

Assets Under Management: \$30 billion

Headquarters: New York

Founded: 1976

Founding Partner: Henry R. Kravis

Kohlberg Kravis Roberts is known as one of the most aggressive buyout firms and is remembered for the \$25 billion leveraged buyout of RJR Nabisco in 1989. It recently toppled that long-time record when it teamed with TPG Capital for a \$32 billion offer for utility TXU, followed soon after by the firm's \$29 billion buyout of card processor First Data. In another big move, KKR and others struck a \$21.3 billion deal for HCA last year, and it is teaming with

others to pay \$11.4 billion for Biomet. KKR also was part of the group that bought Danish telecom TDC, as well as one that snapped up SunGard in 2005. KKR was in on the \$6.6 billion deal to buy Toys "R" Us and led a group that bought a 78% stake in GMAC's real-estate unit. It paid nearly \$7 billion for discount chain Dollar General, and was also part of a group that picked up U.S. Foodservice from Ahold for \$7.1 billion and one that bought stereo maker Harman International for \$7.8 billion. It was one of the first private-equity firms to experiment with going public, raising \$5 billion in May selling shares in one of its funds. Shortly after rival Blackstone's IPO, KKR filed plans for its own U.S. public offering, adding to worries the private-equity boom had peaked.



Henry Kravis

Cerberus Capital Management

Assets Under Management: \$22 billion

Headquarters: New York

Founded: 1992

Founding CEO: Stephen Feinberg

Cerberus, named for the three-headed dog that guards the gates of hell in Greek mythology, has been an active deal maker in the auto sector. The firm clinched a \$7.4 billion deal to take an 80% stake in the Chrysler Group from DaimlerChrysler. It will likely slash costs and meld Chrysler's financing arm with GMAC, in which Cerberus has a 51% stake, acquired last year for nearly \$8 billion. Cerberus late last year agreed to invest \$1.7 billion in bankrupt auto-parts maker Delphi, but is likely to pull out after failing to agree on labor-cost cuts. It recently bought parts maker Tower Automotive in a \$1 billion deal. A decade ago, Cerberus was a tiny vulture investment fund, making loans to troubled businesses, including the publisher of Penthouse magazine. But it has quietly acquired several well-known companies, including car-rental chains National and Alamo, as well as parts of Air Canada and the retailers Mervyn's and Albertson's. Former Vice President Dan Quayle has been a spokesman for Cerberus and runs one of its international units, and former Treasury Secretary John Snow became non-executive chairman last October. The

secretive firm is run by Stephen Feinberg, a former Princeton University tennis champion and paratrooper, who is an avid deer hunter.

Providence Equity Partners

Assets Under Management: \$21 billion

Headquarters: Providence, R.I.

Founded: 1990

Chief Executive Officer: Jonathan Nelson

The main focus of Providence Equity Partners, based in Rhode Island but with offices in New York, London and Asia, is deals in the communications and media sectors. Former FCC Chairman Michael Powell joined the firm as a senior advisor in 2005. It has invested in such companies as Hallmark, Freedom Communications, MGM and Warner Music. In 2005, Providence joined other private-equity firms to buy SunGard for \$11 billion, and later that year, Danish telecom TDC for \$12 billion in Europe's largest buyout. Then, in June of 2006, Providence was as part of a group that paid \$12.1 billion for Univision. The firm joined Carlyle in the fall to purchase software provider Open Solutions for nearly \$1 billion. It also paid \$400 million for a 16% equity stake in Idea Cellular, an Indian company that has since gone public. Recently, Providence acquired a majority stake in comparison-shopping site NexTag for \$830 million. It could also be part of a deal for BCE, Canada's largest phone company. The firm raised \$12 billion for its latest fund, nearly triple its previous fund.



Jonathan M. Nelson

Thomas H. Lee Partners

Assets Under Management: \$20 billion

Headquarters: Boston

Founded: 1974

Co-Presidents: Anthony J. DiNovi, Scott A. Schoen, Scott M. Sperling

Thomas H. Lee has closed on more than \$6 billion in its sixth fund, and now has commitments totalling \$8.5 billion, exceeding its target. Last year, the firm completed the acquisitions of VNU, which it led with KKR, and Univision, which it led with TPG. Thomas H. Lee joined Bain to buy Clear Channel for \$19.4 billion, a deal that shareholders recently approved. It is also part of a group that acquired food-service provider Aramark for \$8.3 billion, and it has joined Fidelity National to buy payment processor Ceridian for \$5.3 billion. Other deals the firm was involved with include Dunkin' Donuts and Warner Music. Thomas H. Lee is perhaps best remembered for its successful investment in Snapple more than a decade ago. But the firm had the misfortune of investing more than \$450 million in Refco before its collapse, although it was able to recoup \$235 million through the brokerage firm's IPO and subsequent dividends. It is also slated to receive some \$100 million from Bawag as part of a settlement the Austrian bank reached in connection with Refco's demise. Meanwhile, the firm's founder and namesake left last year to launch Lee Equity Partners.

Warburg Pincus

Assets Under Management: \$20 billion

Headquarters: New York

Founded: 1966, merger of E.M. Warburg & Co. and Lionel I. Pincus & Co.

Co-Presidents: Charles Kaye and Joseph Landy

Warburg Pincus has headed more than 100 IPOs since its inception in 1966. Last year, the firm teamed with Thomas H. Lee Partners and other investors, including Aramark CEO Joseph Neubauer, to take the company private in a transaction valued at \$8.3 billion, including debt. In the fall, Warburg agreed to pay \$75 million for about 30% of Nyfix, an unprofitable equity-trading technology company implicated in the options backdating scandal. Warburg and Cinven Group won the bidding for Casema NV, paying an estimated \$2.7 billion for the Dutch cable-TV chain, and shortly after, the two firms paid a reported \$3.3 billion for Essent Kabelcom, another cable operator in the Netherlands. But in South Korea, Warburg has come under fire amid a backlash against foreign private-equity firms. In May of 2005, the firm partnered with TPG to buy Neiman Marcus for \$5.1 billion. Most recently, Warburg agreed to pay \$3.6 billion for Bausch & Lomb, which has stumbled over accounting troubles and is recovering from a recall of a contact-lens solution implicated in fungal eye infections.

Hellman & Friedman

Assets Under Management: \$16 billion

Headquarters: San Francisco

Founded: 1984

Chairman: Warren Hellman

Hellman & Friedman is a seasoned West Coast private equity firm, dating back to 1984. With more than \$16 billion under management, it recently closed its newest \$8.4 billion fund. H&F has traditionally made investments in media, financial services, software and information services. The firm recently made headlines with the sale of its DoubleClick online ad sales business to Google for over \$3 billion, returning eight times its investment of \$316 million in less than two years. It is also the largest shareholder of the Nasdaq Stock Market. Other recent investments this year include the \$1.8 billion deal for software maker Kronos and Catalina Marketing, for which H&F paid \$1.7 billion after the company canceled a takeover by ValueAct Capital. It teamed with TPG to buy software-services firm Intergraph for \$1.4 billion in 2006. H&F has expanded internationally with investments in ProSiebenSat1 and Axel Springer in Germany, as well as Gartmore in the U.K. and VNU in Holland. It also has a majority stake in AlixPartners, a U.S. corporate turnaround and restructuring firm.

Madison Dearborn Partners

Assets Under Management: \$14 billion

Headquarters: Chicago

Founded: 1992

Chairman and CEO: John A. Canning

Madison Dearborn specializes in management buyouts and has focused four funds on the communications, consumer, financial-services and health-care sectors. It finished raising \$6.5 billion for its fifth and biggest fund last year. In 2004, MDP paid \$3.7 billion for Boise Cascade. The firm slashed the paper-products company's debt, but scrapped plans for an IPO of Boise. MDP was also part of the consortium that bought satellite company Intelsat for \$3 billion in late 2004, but it is now looking to cash out. In October 2005, Reliant Energy agreed to sell its three New York City power plants to a group led by MDP and U.S. Power Generating for \$975

million. In June, the firm was part of the group that nabbed Univision for \$12.1 billion, and it later snapped up Yankee Candle for \$1.4 billion. Recently, MDP teamed with former Disney CEO Michael Eisner to buy baseball card company Topps for nearly \$400 million, but some are opposed to the deal. It grabbed technology retailer CDW for \$7.3 billion in May. The firm is also part of a group from which R.R. Donnelley is considering an offer. Cellphone carrier Metro PCS, in which MDP has an 11% stake, recently went public in a \$1.2 billion IPO.

Apollo Management

Assets Under Management: \$13 billion

Headquarters: Purchase, N.Y.

Founded: 1990

Chairman: Leon D. Black

Apollo was the eventual victor in a competition with Bain to buy out Cendant's marketing-services division, which cost \$1.8 billion in July 2005. Like KKR, Apollo has a publicly traded arm, and the firm is now exploring the private sale of a 10% stake. In November 2005, Apollo agreed to buy Linens 'n Things for \$1.3 billion. More recent deals include buying Jacuzzi Brands for \$1.3 billion, including debt, and the \$975 million purchase of Covalence Specialty Materials. It also purchased Berry Plastics in a \$2.5 billion deal along with Graham Partners. In June, Apollo Real Estate Advisors and National Realty & Development Corp. bought Lord & Taylor for \$1.2 billion from Federated Department Stores. In the fall, Apollo bought General Electric's silicone and quartz business for \$3.4 billion. The firm has agreed to buy real-estate services firm Realty for \$6.6 billion and teamed with TPG on the \$17-billion purchase of Harrah's. Its most recent deals were a \$3.1 billion buyout of Claire's Stores, paying \$1.2 billion for Xstrata's aluminum business and winning logistics concern EGL for \$2 billion.



Leon Black

Tracinda Corp.

Assets Under Management: \$10 billion

Headquarters: Beverly Hills, Calif.

Founded: 1976

Co-chairman, president and CEO: Kirk Kerkorian

Colorful leader Kirk Kerkorian, who named Tracinda after his daughters Tracy and Linda, is closely tied to General Motors. In 2005, Tracinda nearly doubled its ownership of GM, and it increased its stake to total 9.9% of shares outstanding early last year. Mr. Kerkorian considered upping his stake to 12% as he pressed the auto maker to join an alliance between Nissan and Renault. While GM management explored the option, it ultimately decided against it. As a result, ally Jerome York abruptly resigned as a director at the company, and Tracinda has since cut its stake in GM to 7.4%. Mr. Kerkorian has rankled auto makers before, spending years fighting the Chrysler/Daimler-Benz merger. He recently re-entered the fray, with Tracinda submitting a \$4.5 billion bid for Chrysler, but was shut out. Elsewhere, Mr. Kerkorian's interests have included movie maker MGM, which he has owned all or part of three times. Although he has let go of MGM -- a Sony-led consortium acquired the studio in 2005 -- Mr. Kerkorian is expanding his casino empire. Tracinda is the majority owner of MGM Mirage, and is now trying to buy some of its prized Vegas properties and possibly the entire company.



Kirk Kerkorian