

## Clinton Group Inc.

Clinton Group Inc. is a New York-based multi-strategy hedge fund focusing on relative value and arbitrage opportunities. The majority of Clinton's managed assets are collateralized debt obligations. While it is not the primary investment strategy, Clinton does engage in activist investing and tends to team up with other activists in their campaigns. According to filings with the SEC, as of September 30, 2009, the Clinton Group had approximately \$262 million invested in more than 350 equity holdings.

**George E. Hall**, 49, is chairman and CEO of Clinton Group, which he founded in 1991. Prior to Clinton, Hall was vice president at Greenwich Capital Markets in charge of the mortgage arbitrage group, as well as a director at Citicorp Investment Bank, responsible for mortgage securities trading. Hall graduated with an undergraduate degree from the U.S. Merchant Marine Academy and an MBA from the Wharton School of University of Pennsylvania.

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**George E. Hall**  
Chairman and CEO

### Top 25 Public Company Investments (Holdings as of September 30, 2009)

Ticker	Company name	Shares held	Percent ownership	Δ Over last quarter	Value	Value percent of portfolio
GS	Goldman Sachs Group Inc	103,400	0.02%	Increase	\$19,062,000	7.3%
DDS	Dillards Inc	977,058	1.32%	Increase	13,777,000	5.3%
SCSS	Select Comfort Corp	2,535,334	5.67%	Increase	12,043,000	4.6%
MS	Morgan Stanley	300,000	0.03%	New	9,264,000	3.5%
GFF	Griffon Corp	495,367	0.84%	Increase	4,988,000	1.9%
COP	ConocoPhillips	65,900	0.00%	Increase	2,976,000	1.1%
NKE	Nike Inc	42,300	0.01%	New	2,737,000	1.0%
V	Vivendi Universal	35,600	0.00%	Increase	2,460,000	0.9%
HON	Honeywell International Inc	65,033	0.01%	Increase	2,416,000	0.9%
FNFG	First Niagara Financial Group Inc	174,726	0.09%	Increase	2,154,000	0.8%
CI	Cigna Corp	72,800	0.02%	Increase	2,045,000	0.8%
WAG	Walgreen Co	51,835	0.01%	Increase	1,942,000	0.7%
LLY	Lilly Eli & Co	58,685	0.01%	Increase	1,938,000	0.7%
TMO	Thermo Electron Corp	44,005	0.01%	Increase	1,922,000	0.7%
DVN	Devon Energy Corp	28,028	0.01%	Decrease	1,887,000	0.7%
KMB	Kimberly Clark Corp	28,600	0.01%	Decrease	1,687,000	0.6%
HTZ	Hertz Global Holdings Inc	154,000	0.05%	New	1,668,000	0.6%
GR	Goodrich Corp	30,600	0.02%	New	1,663,000	0.6%
BX	Blackstone Group LP	111,900	0.04%	Increase	1,589,000	0.6%
ORCL	Oracle Corp	75,600	0.00%	Increase	1,576,000	0.6%
MET	Metlife Inc	40,948	0.01%	Increase	1,559,000	0.6%
DIS	Walt Disney Co	54,700	0.00%	Decrease	1,502,000	0.6%
GWW	Grainger W W Inc	16,701	0.02%	New	1,492,000	0.6%
SAI	SAIC, Inc.	81,676	0.04%	Increase	1,433,000	0.6%
BNI	Burlington Northern Santa Fe Corp	17,800	0.01%	Increase	1,421,000	0.5%

Source: EDGAR

**Total Portfolio Value \$262,272,000**

## Recent Activist Situations

Company	Date	Situation/Demand	Outcome
Dillard's Inc. (DDS)	2008	Barington and Clinton sent a letter (9/08) to the board requesting the Company call a special meeting to repurchase all of the shares of the company's Class B stock (which controls two-thirds of the voting rights). In another letter (10/08), asked board to replace CEO.	CEO remains at Dillard's and Class B shares are still outstanding.
Select Comfort Corp. (SCSS)	2008	Clinton outlined nine initiatives the company could undertake in order to protect shareholder value (3/08).	Declined request for two seats on the board (6/08)
Dillard's Inc. (DDS)	2008	Improve Dillard's record in corporate governance, including, without limitation, the termination of the Company's A/B common stock class structure, amendment of the Company's majority voting standard, termination of the Company's "poison pill" rights plan if not approved by the Company's stockholders and separation of the Chairman and CEO positions.	Settlement agreement between Barington/Clinton and Dillard's (4/08); Dillard's agreed to include four nominees on their slate of director nominees, review whether the company's real estate assets and capital are being optimally deployed, and close underperforming stores.
Steven Madden Ltd. (SHOO)	2007-2008	Clinton believes shares undervalued; recommends use of cash and new debt for Dutch Tender Offer (10/07).	Company began strategic review and in March 2008 completed a Dutch Auction for 12.9% of shares at \$17/sh.
Lenox Group (LENX.OB)	2007	Announced it planned to nominate three board members (3/07).	Settlement agreement (4/07); Appointment of a Clinton representative to an expanded board of directors (from 7 to 8).
Griffon Corporation (GFF)	2006-2007	Recapitalization proposal at \$25/sh for 50% of shares. Clinton offered to provide equity financing for the transaction contingent upon the election of Clinton representatives to the Company's board, the Board's declassification, a removal of executive change in control provisions, and the engagement of a restructuring firm to manage cost reductions (5/07).	Griffon agreed to appoint two new directors, including a representative from activist investor Barington Capital (11/07).

## Documents available online at the Shareholder Activism Resource Portal)

Company	Form	Date	Situation overview
Dillard's Inc.	Inspection of Books & Records	December 8, 2008	Demand to inspect Company's books and records.
Dillard's Inc.	Letter	September 25, 2008	Letter to the Board of Directors demanding the removal of the Company's dual class share structure.
Select Comfort Corp.	Letter	March 10, 2008	Letter to Select Comfort outlining nine initiatives the company could undertake in order to protect shareholder value.
Lenox Group	Standstill agreement	April 14, 2007	Clinton will not participate in a proxy contest to replace board members, in exchange for the Company expanding its board by one and adding a representative from Clinton Group.
Griffon Corporation	Letter	March 5, 2007	Letter to the Board proposing corporate governance changes, such as: reduce the percentage of shareholder votes required to call a special meeting; de-classify the board; permit shareholders to remove directors without cause; and prohibit the CEO from serving as Chairman.
Griffon Corporation	Letter	December 19, 2006	Letter estimates the fair value of Griffon at \$31-\$35/share in sale.