



HALSEY LANE

HOLDINGS, LLC

***HALSEY LANE CO-LEADS DISCUSSION ON OWNING NEWLY RESTRUCTURED COMPANIES
IN CONJUNCTION WITH THE HEDGE FUND LAW REPORT***

Mark Dalton of Halsey Lane co-led a breakfast discussion hosted by Richards Kibbe & Orbe on how lenders-turned-owners can maximize their recovery on post-restructured companies

New York, July 14, 2010 – Mark Dalton, Principal and Founder of Halsey Lane Holdings, LLC (Halsey Lane), co-led a breakfast discussion titled “From Lender to Shareholder: How to Make Your Equity Work Harder for You.” Held at New York’s Yale Club, the breakfast was hosted by Richards Kibbe & Orbe, LLP (RK&O). Dalton shared the panel with representatives from RK&O and CRT Capital Group LLC, in conjunction with *The Hedge Fund Law Report*. While the topic was relevant for all owners of newly-restructured companies, the discussion specifically focused on lenders-turned-owners as a result of the bankruptcy process (Unintended Owners). Unintended Owners do not seek to own companies and often lack experience in that role. The dramatic increase in corporate bankruptcies and severe deterioration of asset values that have accompanied the current economic downturn resulted in a massive shift in equity ownership to such lenders.

Dalton’s presentation provided an overview of key business considerations an Unintended Owner faces when granted ownership in a newly-restructured company. A new owner must first determine whether it should hold or sell its equity ownership based such factors as the company’s turnaround potential, capital structure, management competency and exit opportunities. Furthermore, owners need to be aware of the tradeoffs between publicly listing a company’s stock and keeping a company privately held. While a public listing provides Unintended Owners access to liquidity, it also involves increased overhead costs and time requirements for management. Furthermore, smaller companies may not attract analyst coverage and transfer of control to a future buyer is more complicated.

An Unintended Owner must also determine how much oversight is necessary and to what degree an owner is capable of providing such oversight to its equity investment. Oversight ***need*** is influenced by the strength of the existing management team, potential need for additional capital injections, opportunity for value creation and the existence of a co-investor(s) who is willing to lead the oversight

process. Oversight **capability** is based on how much exposure the owner has to the particular company and what percentage of its overall portfolio this investment represents. Sometimes the gap between **need** and **capability** is expansive and goes unfilled.

Many owners conflate increased governance with increased day-to-day oversight. Governance can play a part in, but cannot replace, hands-on investment oversight. A new owner will need to weigh the tradeoffs between nominating third-party directors and sitting on the Board personally. While third-party Board members can lend industry expertise and independent governance to newly-reorganized companies, the need at such companies may also include day-to-day, detail-oriented involvement and proactive responses to company conditions, rather than the reactive posture usually adopted by Boards to information that is only periodically available and selectively provided by management.

The panel's final point concerned a potential lack of consensus among equity owners. Often, newly-reorganized companies are owned by a diverse group of former lenders who have different cost bases and agendas. Building consensus is critical to maximizing recovery because it saves time, improves decision-making efficiency and enables delivery of control to future buyers, which in turn can add a premium to the exit value. To download the presentation, visit www.halseylane.com.

About Halsey Lane

Founded in 2009 by Principals Mark Dalton and Alex Sorokin, New York-based Halsey Lane Holdings offers lenders-turned-owners and other Unintended Owners of post-restructured companies a single-source provider of analysis, planning, management oversight and governance. Halsey Lane's blend of experience, complementary skill set and on-the-ground focus on operations and finance enables the firm to deliver above-market returns in a timely manner to its clients. Halsey Lane's Principals each bring more than 25 years of experience in private equity, management, operations, restructuring and capital markets to the firm.

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