THE
Better IR
NEWSLETTER

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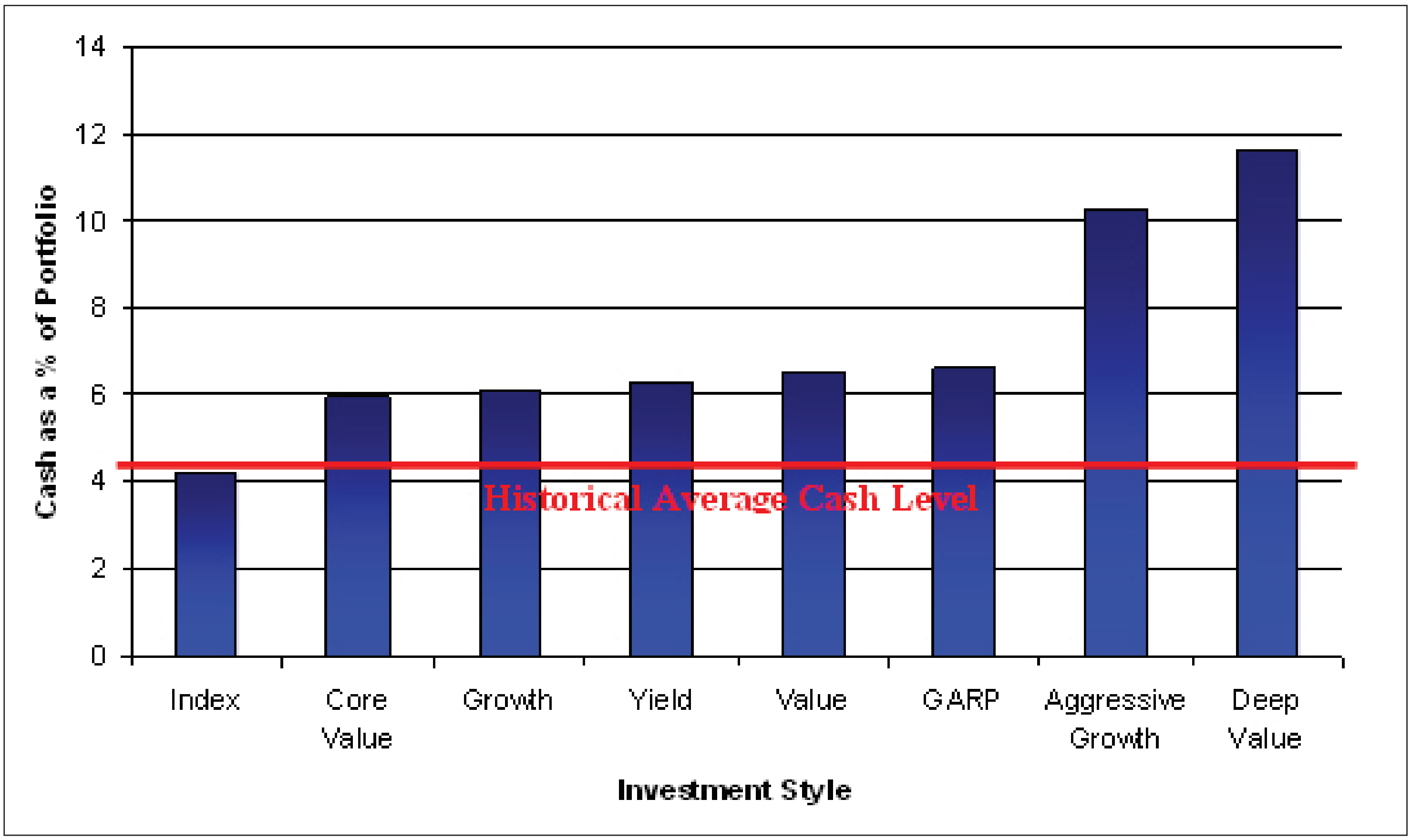
CONTENTS:

Looking to Splurge? - Mutual Fund Cash Positions

During recent months there has been a heightened focus on the cash reserves of mutual funds. Mutual funds hold cash for a number of purposes, including but not limited to, meeting shareholder redemptions, paying for general costs of operation, and for the flexibility to make timely investments. Greater volatility and decreased confidence in financial markets have been a contributing factor to this recent cash hoarding. The increase in two percent swings in the equity market has made predicting a market bottom nearly impossible, causing a number of large managers to increase their cash holdings until stability returns to the market. As investors hold additional cash, a potential side effect is a decrease in market liquidity as less money is actively participating in the market. How can you innovatively target investors in this environment, and can you benefit from these recent trends?

In order to answer these questions it is necessary to first investigate if there are investors or types of investors that are holding more cash. Our methodology required an analysis of current mutual fund cash holdings, from which it is possible to calculate a fund advisor's cash position. While this process tends to exclude those institutions that do not manage sizeable mutual funds, the results do provide some insights into the cash levels of these investors.



According to Morningstar, the average diversified U.S. stock fund maintains roughly 4% of assets in cash. However, on average investors of all styles currently hold above the historical norm. The amount of cash on hand tends to vary by the type of investor, as certain investors require additional liquid assets readily available to make opportune investments. Index funds generally require less cash on hand due to their mandate to mimic the market and minimize tracking error. The most compelling data relates to Aggressive Growth and Deep Value funds, which presently hold substantially larger cash positions than investors of other styles. Due to their opportunistic approach, these investors tend to hold elevated levels of cash to make timely investments.

As you implement your targeting program for the remainder of 2008, consider the amount of cash these investors might have on hand to put back into the market. Through educating investors on a company's investment story, one will hopefully put investors in a position to make an investment when they feel the markets have stabilized. Some notable institutions that are rich in cash are Alpine Woods Capital Investors (30.0%), Arnhold & S. Bleichroeder Advisors (23.2%), Bessemer Investment Management (18.0%), Federated Investment Management (13.0%), and Capital World Investors (11.8%).

	Institution	Eq. Assets ($mm)	Style	Average % Cash
1	Alpine Woods Capital Investors LLC	8,322.6	Growth	30.0
2	ReachCapital Management LP	1,376.9	Agg Grow	29.5
3	Arnhold & S. Bleichroeder Advisers LLC	28,024.1	Value	23.2
4	Bessemer Investment Management LLC	14,169.6	Growth	18.0
5	Diamond Hill Capital Management, Inc.	3,967.8	Value	15.4
6	Federated Investment Management Co.	27,929.4	Core Valu	13.0
7	Tweedy, Browne Co. LLC	7,992.4	Value	12.6
8	Wintergreen Advisers LLC	1,633.5	Growth	12.4
9	Leuthold Weeden Capital Management LLC	2,517.2	Value	11.9
10	Capital World Investors	482,010.6	GARP	11.8
11	Wallace R. Weitz & Co.	3,251.4	Value	11.6
12	Reich & Tang Asset Management LLC	1,064.8	Value	11.5
13	Royce & Associates LLC	28,342.0	Value	10.8
14	U. S. Global Investors, Inc.	3,120.0	Growth	10.2
15	Franklin Mutual Advisers LLC	57,102.2	Value	10.2

In uncertain times, appropriate targeting can build a support level for a stock by lining up potential investors, promoting stability in a volatile market. Meeting investors educates analysts and hopefully leads them to become more comfortable with the company's investment potential. Cash rich investors will want to put that money to work when they believe the market has reached a bottom. Keeping them updated on your company's story could help you attract some of those available funds.

Authors: Alexander Knote & Justin Vieira

Alexander Knote is an analyst with Ipreo's Corporate Analytics Group. Justin Vieira is the Director of Corporate Analytics at Ipreo.

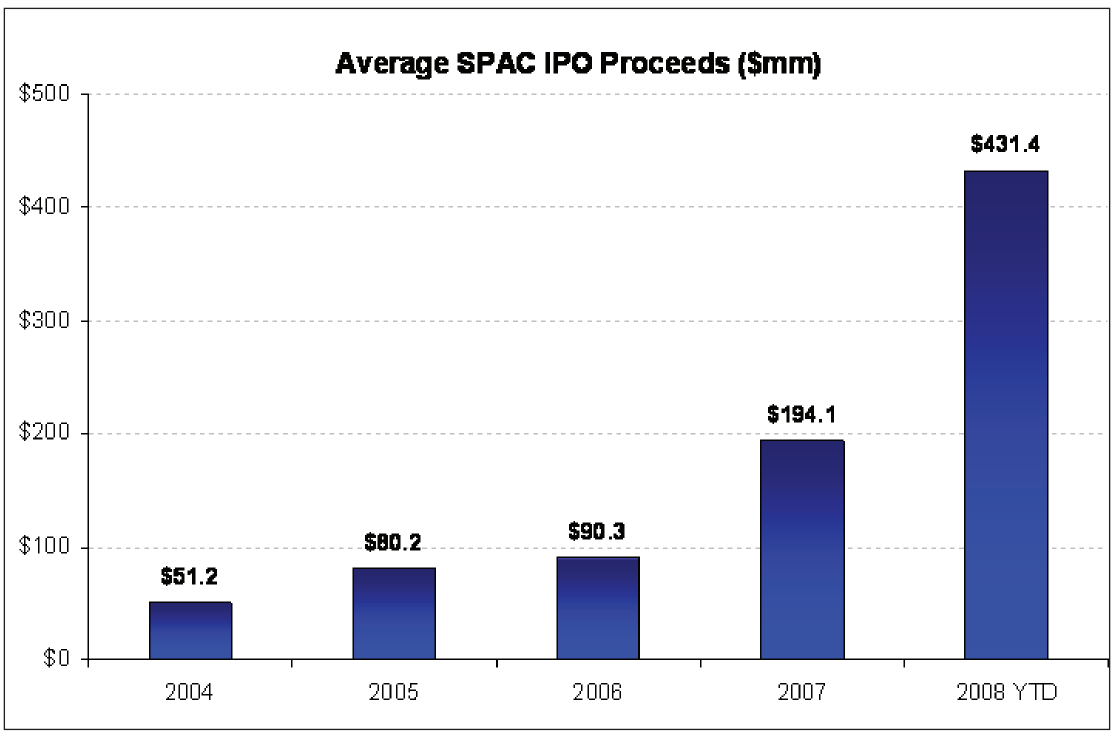
What the SPAC? - Acquisition Companies and Institutional Investors

A significant portion of the deal volume in the IPO market of 2007 and the first half of 2008 came from "blank check" companies, also known as SPACs. A SPAC, or Special Purpose Acquisition Company, is a shell company that goes public in order to raise capital to make an acquisition. It is formed with no assets or operations, and without naming a specific company to acquire. Some SPACs may detail a focus industry or region for their acquisition, but it is not required. Once the SPAC goes public, a portion of the capital raised, typically 80-100%, is held in a trust and reserved for the acquisition. The market value of the acquisition, or portfolio of acquisitions, usually must equal 80% of the SPAC's total assets at the time of the acquisition and must be approved by the majority of the shareholders. Challenges, such as finding appropriate target acquisitions during the required time period, usually 18 to 24 months, can make completing a deal problematic. A SPAC may wind up overpaying for an acquisition in order to push the deal through so that it is not required to liquidate.

Formerly dominated by the American Stock Exchange and the OTC markets, the New York Stock Exchange and the NASDAQ have recently changed their listing requirements in order to facilitate new listings of SPACs in 2008. The increased exposure achieved by moving to larger exchanges has helped legitimize SPACs as more mainstream securities. Investment vehicles, such as hedge fund Hayground Cove Acquisitions Strategies Fund, have launched with the sole purpose of investing in and sponsoring SPACs.

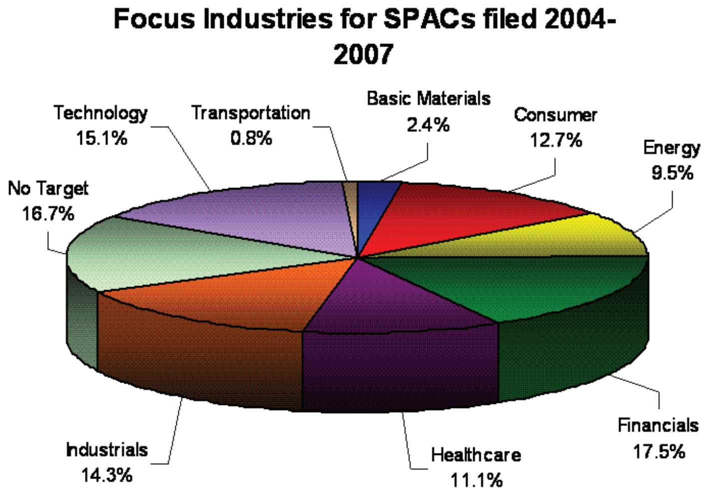
SPACs owe their rise in popularity over the past year in part to the credit crunch. Historically, a main competitor of SPACs has been private equity firms. Many private equity firms complete acquisitions through leveraged buyouts requiring large amounts of debt. In today's turbulent market, private equity firms are having trouble raising capital and financing their deals due to the credit crunch. This has been an advantage for cash-rich SPACs, who raise their capital through the equity markets rather than through debt.

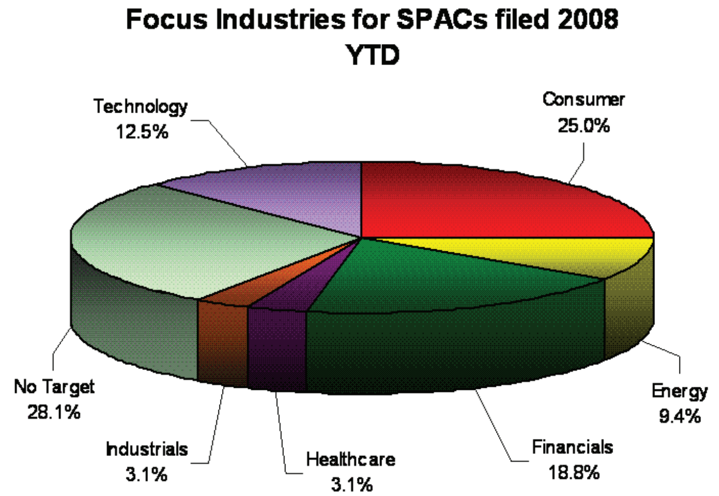
In 2007 fifty-eight SPACs went public, raising a total of $11.3 billion. Comparatively, sixty-six SPACs went public during the entire three-year period from 2004 through 2006, and raised just $5.5 billion between them. Year-to-date, seven SPACs have gone public and raised $3.0 billion. SPAC IPOs have clearly been increasing not only in number, but also in size, as is shown in the accompanying chart.



SPACs have made acquisitions in a wide range of industries. As SPACs become more popular and raise more capital in their offerings, SPACs will potentially target larger and more established companies. This brings them into greater direct competition with private equity firms. This trend could also cause acquisitions to rise in current attractive sectors in the market such as the Consumer, Technology, and Financial sectors.

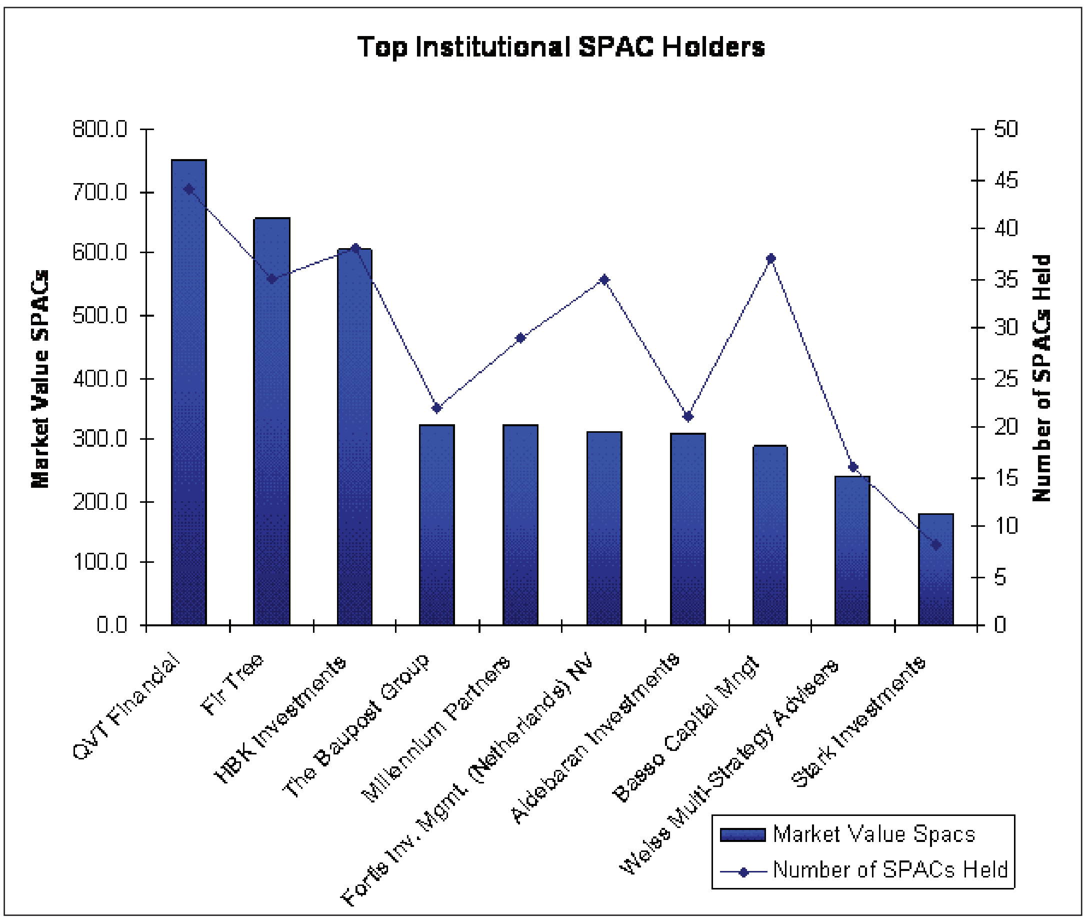
Recently however, SPACs have experienced increased difficulty in uncovering opportunities and completing acquisitions due to the increase in SPAC deal volume and the resulting competition. Twelve SPACs have been forced to liquidate since 2007, and more





dissolutions are expected in the second half of 2008. During the first half of 2008, the SPAC market slowed to a crawl as SPACs began to struggle to go public while some existing SPACs were forced to liquidate. However, in a reversal of this trend, the last month has seen a slight resurgence in the number of SPACs going public.

As SPACs continue to become more prevalent, their managers begin to include well-known public figures. These include recognized politicians, investors, and CEOs, such as Mario Cuomo, Nelson Peltz, Ronald Perelman, Daniel Quayle, George Tenet, Steve Wozniak, and more. SPACs are also gaining the attention of more well-known investors.



With SPACs struggling to go public and finalize acquisitions, institutional investors with large investments in SPACs may be starting to look for somewhere else to rotate their allocations. The top institutions invested in SPACs at the end of the first quarter 2008 were QVT Financial LP, Fir Tree Inc., and HBK Investments. These firms, as with many other top SPAC investors, are hedge fund managers with high turnover that tend to focus on special situations and event-driven opportunities. Additional firms who follow similar strategies include Baupost Group, Stark Investments, and JANA Partners LLC.

There are, however, a few firms which invest heavily in SPACs and follow more typical investment strategies. Two investors that may be worth some attention from an investor relations perspective are Fortis Investment Management (Netherlands) NV and Weiss Multi-Strategy Advisors, LLC. Fortis is a fundamental value investor which uses bottom up research to seek stocks with low price-to-earnings ratios, low price-to-book values, strong management, and international presence. Weiss Multi-Strategy is a market neutral, growth-oriented investor. It mainly focuses on stocks with market caps of $1-2 billion. Other investors with more limited exposure to SPACs include such well-known names as Bessemer Investment Management LLC, TIAA-CREF Asset Management LLC, Balyasny Asset Management LLC, and ClearBridge Advisors. They too may be looking for a place to re-invest this money in the near future and may be a good use of time for an IRO targeting investors with available funds.

Authors: Emily Burton & Christopher Stroh
Emily Burton is a senior analyst with Ipreo's Corporate Analytics Group. Christopher Stroh is an analyst in the Corporate Analytics Group.

Swaps and Counterparties - Vigilance in the Face of Limited Disclosure

Have you had investors tell you they own positions "on swap", or otherwise claim far larger stakes than what they have publicly disclosed? If so, you're not alone. Even beyond taking traditional options positions, institutional investors are increasingly using other forms of derivatives to accumulate stakes in companies like yours, for either malicious or benign purposes. Equity swaps, which involve the investor taking an economic interest in your issue without retaining the actual beneficial ownership, are becoming more popular as the benefits of anonymity increase (as seen by the growth of dark trading pools) and the overall availability of leverage decreases (due to tighter bank risk management).

Typically, the equity swap transaction will involve an investor looking to take an economic stake in a security, and a broker/dealer counterparty that is willing to hold shares in the transaction. The swap counterparty will purchase shares in the open market and enter the agreement with the investor; the investor will then pay either a fixed rate (i.e. a spread over LIBOR) or the total return on an equity index to the counterparty in return.

The investor saves not only the transaction costs in acquiring the shares, but also custody fees involved in holding the shares, as well as the avoidance of any tax impact on the capital gains/losses of those shares. Swaps can also allow an investor to "capture a record date", using an accumulation of a long position in the shares underlying a swap prior to a record date, then a reduction of the long position after the record date, in order to gain dividend or voting rights without making its own trades.

CSX Ruling

Equity swaps probably made their largest headlines to date with the CSX case in June 2008. Earlier this year, activist investor The Childrens' Investment Fund (TCI) targeted railroad company CSX and attempted to gain board representation. In the process, TCI used a series of equity swaps with numerous swap dealers to take a large economic stake in the company, though not "officially" taking an equivalent voting stake. After TCI disclosed that it held a stake in CSX that exceeded 5% of shares outstanding through swaps, CSX sued TCI in federal court, alleging that accumulating an 11.5% stake through swaps violated federal disclosures rules. The grounds of the suit stated that even if the counterparties owned the voting rights on the shares, they would be voting the shares in favor of CSX, and that collusion between TCI and the counterparties meant that TCI was the true beneficial owner of the shares and should have disclosed appropriately.

After the lawsuit was fast-tracked, the SEC's Division of Corporate Finance stood up in favor of TCI's position that the swaps were not in violation of disclosure laws, and that an entity that does "nothing more than enter into an equity swap should not be found to have engaged in an evasion" of Section 13D. The final decision made in the case, issued by U.S. Southern District judge Lewis Kaplan, likely did not please the issuer's or the investor's side; TCI and the counterparties were allowed to vote their shares in the subsequent election, and though the judge determined that disclosure requirements were violated by TCI, there was limited recourse available. Further, the Court agreed with the SEC that the long investor in a swap was not the beneficial owner of the securities in all cases; instead it left the decision of beneficial ownership up to the facts of each individual case.

For the issuer, this means that unless Congress or the SEC act differently, equity swaps will remain a valid method for investors to hold, and potentially use to accumulate significant amounts of, your shares.

Swap Dealers / Counterparties

Most prime brokerage operations include equity swaps as part of their offering to (primarily hedge fund) clients; hedge funds looking to engage in equity swaps may already have a relationship with a valid broker/dealer able to engage in a swap. From Ipreo's experience, it appears common for investors to seek multiple swap dealers in order to accumulate a position; by approaching multiple potential counterparties, the investor may be able to attain superior terms, and by splitting up its order among multiple broker/dealers, each individual broker/dealer will take less overall liquidity risk.

With the collapse of Bear Stearns' prime brokerage business (many clients left altogether as concerns about the bank mounted), Goldman Sachs and Morgan Stanley have become the largest prime brokerage units in the US offering equity swaps. However, nearly every other broker/dealer (Citi, Merrill, UBS, Credit Suisse, Jefferies, RBC, etc.) offers some form of equity swap to clients.

Pulling Back the Curtain on Activists and Swaps

In situations of shareholder activism or takeovers, the curtain is briefly pulled back to show the structure of individual swap transactions with increased disclosure requirements. Ipreo took a closer look at the set of SEC 13D filings made by activist investors from mid-2006 through mid-2008 to view the disclosures made therein. 13 noted activist investors disclosed holdings of 16 securities during this period in which disclosures of swap details were made.

Noted Activist Investors and their Swap Counterparties

Security	Ticker	Activist Investor	First Filed 13D	Swap Counterparties
CSX Corp	CSX	Children's Investment Fund, LP (TCI), The	12/19/07	Citi, Deutsche, Goldman, Merrill, UBS, CS, JPM, Morgan Stanley
Clear Channel Communications	CCU	Highfields Capital Management, LP	5/30/08	Citi, UBS, RBOS, Jefferies
Borders Group Inc	BGP	Pershing Square Capital Management, L.P.	10/9/07	Citi, BNP Paribas, UBS
CNET Networks Inc	CNET	JANA Partners	1/7/08	Jefferies, Lehman, UBS
CNET Networks Inc	CNET	Sandell Asset Management Corporation	1/7/08	Deutsche, Lehman
Media General Inc Cl A	MEG	Harbert Management Corporation	12/17/08	Deutsche, Monecor (TradIndex)
Spectrum Brands Inc	SPC	Harbert Management Corporation	3/3/08	Deutsche, Monecor (TradIndex)
Maguire Properties Inc	MPG	Third Point, LLC	4/1/08	UBS, Jefferies
Motorola Inc	MOT	Icahn Associates, LLC	2/6/08	RBOS, Jefferies
Amylin Pharmaceuticals Inc	AMLN	Icahn Associates, LLC	5/22/08	Citi, Jefferies
Steris Corp	STE	Breeden Capital Management, LLC	2/8/08	Citi
Take-Two Interactive Software	TTWO	CR Intrinsic Investors, LLC	3/7/07	Citi
First American Corp/CA	FAF	Highfields Capital Management, LP	1/17/08	UBS
Invitrogen Corp	IVGN	SAC Capital Advisors, LLC	7/1/07	Citi
Jackson Hewitt Tax Services	JTX	Shamrock Capital Advisors, Inc	10/2/07	JPM
Coinstar Inc	CSTR	Shamrock Capital Advisors, Inc	5/31/06	Citi
Dillards Inc Cl A	DDS	Barington Capital Group, LP.	1/29/08	Morgan Stanley

As noted, in many of these cases prime brokerage relationships previously had been noted between the investor and the broker/ dealer; Ipreo has seen close relationships between Harbert / Harbinger and Deutsche in terms of prime brokerage in the past, for example.

Swaps as a Method of Avoiding Liquidity Risk

As another example, investors may choose to use equity swaps to take economic positions in your shares not just for reasons of concealing their positions, but also to minimize liquidity risk. If your issue is particularly illiquid, or the investor has very restrictive risk management rules, buying your equity on swap is one solution. In this case, the broker/dealer is holding the shares for the investor and taking the liquidity risk (risk that the position would need to be sold quickly), and the investor takes the issue-specific risk while paying the broker/dealer. One investment type that appears to attract investors holding through equity swaps is the MLP (Master Limited Partnership); given that MLP's tend to be stable dividend-paying "buy-and-hold" investments, liquidity in the issues is often weak, giving rise to brokers that will take the added liquidity risk in the place of an income-focused investor.

Top 10 MLP's by % Held by Broker / Dealers

Company Name	Ticker	Total % O/S Held by Broker / Dealers	Market Cap $MM	3M Avg Daily Volume (000's)	% O/S Traded Daily	Broker / Dealers Holding >2.0% O/S
Targa Resources Partners LP	NGLS	32.3%	985.9	154.6	0.33%	Goldman, Merrill, Citi, CS
Magellan Midstream Holdings, L.P.	MGG	20.1%	1,273.0	202.3	0.32%	Goldman, Morgan, CS, RBC
Williams Partners L.P.	WPZ	17.4%	1,548.9	254.4	0.48%	Morgan, CS, Merrill, RBC
Calumet Specialty Products Partners LP	CLMT	12.7%	411.0	246.4	0.76%	Goldman
Buckeye GP Holdings L.P.	BGH	12.6%	514.8	27.7	0.10%	Goldman
Atlas Pipeline Partners LP	APL	12.5%	1,374.8	307.6	0.79%	CS, RBC
Copano Energy LLC	CPNO	12.0%	1,541.2	107.1	0.22%	CS, Merrill
Linn Energy, LLC	LINE	9.9%	2,592.2	854.5	0.74%	CS, Goldman
Magellan Midstream Partners LP	MMP	9.7%	2,290.6	158.1	0.24%	Goldman, Merrill
Regency Energy Partners LP	RGNC	8.9%	1,670.7	122.6	0.17%	CS

Beyond just the awareness of the potential for activism, there is something to be gained by IR in maintaining knowledge of investors holding positions on swap. If you're aware of particular investors that have concerns about liquidity, you may be able to help "make your own market" in a future secondary offering that helps to improve liquidity.

IR Vigilance

Given that one of the reasons to undertake a swap transaction is the limited disclosure requirements, it's rather difficult to identify and confirm that an investor is holding your shares on swap. However, given that the counterparty is required to hold the shares, and in many cases will be required to file with the SEC for ownership of the shares, it's possible to spot the evidence of the introduction of a large equity swap by looking for large increases in positions disclosed by broker/dealers. It is notable that in nearly every case of activism analyzed above, disclosure of the counterparty's holdings through the standard filing process preceded disclosure of the activist's relationship with the counterparty, often by long periods of time. CSX, in particular, would have seen broker / dealers holding nearly 20% of its outstanding shares as of 9/30/07, prior to the initial 13D filing and announcement by TCI on 12/19/07. Simply scanning your public ownership filings for notable increases can give you an idea of the magnitude of shares that could be held on swap, even if the investor behind the swap remains secretive. The "canary in the coal mine" of an intrusion by an activist may actually be publicly available data.

Authors: Brian C. Matt, CFA & Alexander Knote

Brian C. Matt, CFA, is a Director in the Data Strategy & Analytics Group at Ipreo. Alexander Knote is an analyst in the Corporate Analytics team.

BetterIR - Firm Snapshot

Targeted Firm: Peregrine Capital Management, Inc ($6,558 mm)

Targeting Profile

Peregrine Capital Management is a growth oriented investment manager that invests in all market cap sizes. The firm utilizes three independent investment strategies: small/mid cap growth, small/mid-cap value and mid/large cap growth. When making an investment decision, Peregrine invests in companies with competitive products that have above-average annual earnings growth.

PCM seeks out companies that are leaders in their industries, are product innovators and produce at low costs. Peregrine uses bottom-up fundamental analysis to identify overlooked, undiscovered, or misunderstood stocks with attention placed on companies with new management and companies that are likely for a merger or takeover, as well as companies that have the potential to accelerate annual earnings growth. When looking for value, Peregrine looks for companies that have a PEG ratio significantly lower than its peers. The average PEG ratio of PCM is 1.09, which is 25% below that of the S&P 500. Peregrine looks to sell a stock when the price rises 10-20% relative to the rest of the portfolio or when the stock reaches an initial target price.

How to Approach

Peregrine has recently been increasing its investments in small-cap companies and currently has 28% of the firm's holdings in small cap companies. Industries that PCM has been investing in include Electronic Office Equipment, Hospitals and Health Care Facilities, Heavy Construction, Aerospace and Defense, Specialty Chemicals and Education and Training Services. In addition to those industries, the firm also doubled its investment in Passenger Airlines and increased its position in possibly undervalued industries such as Real Estate Investment Trusts as well as Rental and Leasing Services.

The two largest investments over the previous quarter include Diebold Inc. ($18.1 mm) in the Electronic Office Equipment industry and Matrix Service Co. ($15.9 mm) in the Heavy Construction industry. Although PCM has recently become a net seller in the IT sector, the firm remains heavily invested in many IT industries, the largest being Semiconductors and Software and may be well worth sitting down with if you are an IT company.

How Not to Approach

If you are in the Consumer Electronic Equipment or Publishing industries, Peregrine may not be the firm for you to meet with at this time, as the firm has sold out of their relatively small stakes in both industries in the last quarter. Companies in the Retail industry should beware as PCM has also been bearish on the retail space: Discount Store Retail (-$24.7 mm), Catalog and Online Retail (-$20.7 mm), and Specialty Retail (-$19.8 mm). Peregrine's large sale in the retail industries possibly reflects its management's belief in consumers having less discretionary income in a weakening economy. Other industries that should be wary of sitting down with Peregrine in the near future include the Medical Appliances and Equipment (-$32.5 mm) and Biotechnology (-$31.4 mm) as Peregrine has recently sold off large stakes in each.

Largest Portfolios Managed

- PCM Growth Equity (4.4 billion) – John S. Dale, Gary E. Nussbaum
- PCM Small-Cap Growth Equity (1.1 billion) - Robert B. Mersky, Paul E. von Kuster et. al.
- PCM Small-Cap Value (1.1 billion) - Tasso H. Coin, Jr., Douglas G. Pugh et. al.

Investment Potential

Average holdings for the firm at each market cap range:
Mega-cap- $ 199.7 mm
Large-cap-$92.5 mm
Mid-cap-$26.6 mm
Small-cap- $11.5 mm
Micro-cap-$6.3 mm

Average Equity Holding Period: 2.6 years

BetterIR - Fund Snapshot

Targeted Fund: Hotchkis & Wiley Core Value Fund (HWCIX)

Contacts:

George Davis (213-430-1838, george.davis@hwcm.com), *David Green* (213-430-1989, david.green@hwcm.com), *Sheldon Lieberman* (213-430-1812, sheldon.lieberman@hwcm.com), *Stanley Majcher* (213-430-1985, stan.majcher@hwcm.com), *Patricia McKenna* (213-430-1802, patty.mckenna@hwcm.com)

Targeting Profile

Hotchkis & Wiley's Core Value Fund (HWCIX) targets large-cap securities in undervalued or distressed condition. This contrarian investor seeks deep discounts with turnaround potential. In Q1 2008, fund managers increased positions in 23 securities— together averaging one-year returns down 42%. Not surprisingly, purchases in Diversified Financial Services led buying activity in the first quarter, bringing the sector's portfolio share to 25%. While fund managers have demonstrated a strong appetite for Financial Services, company-specific plays appear to take priority over sector rotation.

How to Approach:

IR managers approaching the fund should highlight discounted share price and recovery prospects. Low PE ratios are common throughout the portfolio, as are low enterprise values relative to cash flow. Companies facing difficult market conditions should feel comfortable discussing weakened valuations and reasons underlying. In Q1 2008, fund managers increased positions in Wachovia, Washington Mutual, Citigroup, and Freddie Mac— suggesting that Core Value Fund managers will not shy away from troubling news or gloomy short-term prospects. IR managers must, however, convince fund managers of their intrinsic value and restorative capacity. Reference to strong capital reinvestment practices and realistic recovery plans are critical to success. With a relatively low turnover period, fund managers will wait patiently for a turnaround they're convinced will occur.

How Not to Approach

High-flying stocks need not apply, as the fund's holdings average a low forward PE of 11.77. While the fund holds fifteen mid-cap and two small-cap holdings (18% of portfolio), large and mega-cap companies dominate the portfolio with 82% of its value. Small and mid-cap firms may consider avoiding the fund unless their discount valuation and turnaround story is especially compelling. Though the fund's holdings may be beaten down, many of its constituents possess iconic names and strong legacies. Little-known entities or firms with short histories might have difficulty overcoming what appears to be a bias towards durable brands. Companies should avoid casting their turnaround in the context of a broader industry rebound. As a contrarian investor, hyped sectors would likely lead fund managers elsewhere.

Investment Potential:

Mega Cap: 36.83m
Large Cap: 35.47m
Mid Cap: 19.66m
Small Cap: 2.81m

Average Equity Holding Period: 3.1 years