Examining Market Reaction to Activist Investor Campaigns by Hedge Funds

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I. Introduction

Individual investors and institutional shareholders have long attempted to influence the behavior of management in hopes of increasing equity returns. In the past such efforts were typically limited to voting on specific governance procedures with little immediate or direct effect on the underlying business or composition of the management team. In effect, early activist investors worked to ensure that the board of directors acted as an effective agent of the shareholders.[1] This type of activism was essentially passive, limiting shareholders to voting on board proposals or campaigning for certain marginal corporate governance measures. Shareholder activism was partially restrained by Securities and Exchange Commission rules that limited shareholder access to the issuer-funded proxy process. In 1992, however, the SEC promulgated Rule 14a-8 giving shareholders easier access to company proxy materials. This new rule and other factors led to an increase in shareholder activism in the proxy process and through informal negotiations with management.[2]

Despite this increase in shareholder activism over the past decade, studies suggest activist shareholders have had little impact on stock returns.[3] These studies find no systematic effect of activist shareholder campaigns since the passage of Rule 14a-8. Authors suggest individual and institutional investors fail to effect shareholder returns because they are either too small, in the case of individual investors, or unable to trade their positions, in the case of institutional investors (Gillian and Starks (1996)).

[1] Stuart L. Gillian and Laura T. Starks, *Corporate governance proposals and shareholder activism: the role of institutional investors*, 57 Journal of Financial Economics 275 (1996).
[2] Georgeson Shareholder Annual Corporate Governance Review, (2005).
[3] S. Wahl *Pension Fund Activism and Firm Performance,* Journal of Financial and Quantitative Analysis, Vol. 31 (1996).

Recently, a new type of investor has become more involved: professional money managers operating as activist investors, notably hedge funds. With abundant capital to invest, hedge funds have purchased non-controlling positions in companies and pushed management for corporate actions that, these investors argue, increase shareholder returns. These modern activist investors typically seek to win board seats or to convince management to take specific action such as selling non-core businesses or returning more cash to shareholders. These activist campaigns are carried out either through formal proxy contests or private negotiations with management that are disclosed to the public through SEC filings or the business press.

Although professional investors have long engaged in battles for corporate control, recent efforts represent a shift in strategy. Specifically, in the past professional investors often sought to purchase a company outright and take action to change the management and operations in order to unlock value. In a corporate buy-out the professional investor has unfettered power to make corporate changes and capture most of the increase in value, less any premium paid during the buy-out. Today, many professional investors do not seek full ownership, or even effective control, but rather purchase a block of shares to gain a voice with management and benefit from increases in share returns. Using this strategy professional investors purchase or control a minority position, that is typically less than 20%, thereby risking less capital but allowing them to exercise greater influence over corporate affairs than their share ownership would suggest.[4]

This paper examines activist investor campaigns and attempts to measure whether their efforts increase shareholder value.

[4] While activist investors may hold less than 20% in a company to limit their risk, an additional explanation for the small ownership percentage is the investor's need to remain below ownership levels that would trigger a poison pill (often less than 20% ownership will trigger a poison pill).

II. Background on Proxy Contests

A common vehicle for activist campaigns is the annual or special shareholder meeting proxy solicitation process. Proxy contests require specific public filings with the SEC that inform the public of the activist investor's efforts. As an initial matter, any person or group of persons who acquires 5% or more of the shares of a reporting company must file a Schedule 13D or Schedule 13G with the SEC to report the holdings. Both schedules must be updated following additional purchases or sales of the securities and include disclosure of the investor's identity, percentage of shares held and any intent to influence management or seek control of the company. If a shareholder pursues a formal proxy contest, the shareholder is required to file preliminary and definitive proxy materials providing specific information on the investor's proposals. These documents give public notice of the progress of the proxy contest enabling investors to vote in support of the activist investor or incumbent management.

III. Prior Research

Existing research on shareholder proposals does not focus on hedge funds, most likely because professional activist investing has become a major factor in the market only recently as investment funds have more capital to invest and stock market returns have moderated as compared to the 1990s. Past research has instead focused on shareholder proposals that were contained in company proxy materials and proposed simple corporate governance changes such as redeeming a poison pill or declassifying the board of directors. Existing research also focuses on the effects of pension funds such as CalPERS and has drawn varying conclusion as to the effect of proxy contests. For example, Gillian and Starks (1999), study the differences in support gained by shareholder proposals sponsored by individuals, groups and institutional investors finding that proposals offered by institutions garner more support than those offered by individuals or investor groups.[5] Similarly, Bradley, Brav, Goldstein and Jang (2005) find that the revised SEC rules from 1992, and more recently as part of the Sarbanes-Oxley Act of 2002, have reduced the costs of the formal proxy contests and have, therefore, led to an increase in such contests.[6]

While institutional shareholders may have more influence in a proxy contest than individual investors, Monks and Minnow (1995) find that pension funds and other similar institutions do not have broad based support from their beneficiaries to engage in aggressive activist investing. They conclude that institutional investors can be an important constituency for individual investors to work with when pushing for significant corporate or management change.[7] Summing up existing research, Karpoff (2001) concludes that studies disagree on the effect of activist campaigns mostly because there are differences in the samples selection as well as definitions of a successful campaign.[8]

This paper will measure the effect of professional activist investors, as defined below, on shareholder returns in recent activist campaigns. Activist investors claim that their interests are aligned with other shareholders thus we should expect that, with their outsized influence over management, they will increase returns for all shareholders. This paper will then attempt to define financial characteristics of companies that make it more likely that an activist campaign will yield positive excess returns.

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[5] Gillian and Starks, *Corporate Governance, Corporate Ownership, and the Role of Institutional Investors: a Global Perspective*, University of Delaware Working Paper.
[6] Michael Bradley, Alon Brav, Itay Goldstein and Wei Jang, *Costly Communication, Shareholder Activism and the Limits of Arbitrage*, (2005).
[7] Robert Monks and Nell Minnow, *Corporate Governance*, Cambridge, Massachusetts, Blackwell.
[8] Jonathan M. Karpoff, *The Impact of Shareholder Activism on Companies: A Survey of Empirical Findings*, Emory University (2001).

IV. Data Sample

In this study a critical question is the definition of an activist investor. In this analysis, activist investors were defined as professional investors who are not corporate insiders and are seeking to initiate significant corporate actions to improve their investment returns (*e.g.*, election of directors and pursuing a sale of the company). In addition to excluding corporate insiders such as existing board members, the definition of activist investor excludes investors who have been shareholders for an extended period of time and are blocking an action proposed by the company such as a merger. The definition of activist investors does, however, include investors who have purchased shares in a company after management has proposed a merger or other significant action.[9] The logic behind this definition is to examine cases where professional investors make an investment in a company and work to make changes that would not have occurred in the absence of the investor.

The key period for measuring excess returns in the sample was the announcement of the initiation of a campaign and the ultimate resolution of the activist campaign. When an activist pursues a formal proxy challenge there are a series of public filings required which are often accompanied by press releases and independent press coverage. In cases where there is no formal proxy contest, an activist who owns more than 5% of the shares must file a Schedule 13D disclosing their ownership stake as well as their intentions to advocate for changes with management. All dates for the sample were based on the first public announcement of either the initiation or completion of an activist campaign through SEC filings or press coverage as available on Lexis-Nexis.

[9] For example, this sample includes Carl Icahn's investment in Mylan Laboratories following its announced acquisition King Pharmaceuticals where Mr. Icahn made his investment and then attempted to block the proposed acquisition.

The sample time period for activist investor efforts was set from 2001 through 2005 with increasing emphasis in 2004 and 2005 in order to capture the characteristics of the recent increase in activist investor efforts. The initial screen for relevant activist efforts was the Georgeson Shareholder Annual Corporate Governance Review for each of the relevant years. During this time period there were approximately 200 contested proxy solicitations by shareholders (Georgeson 2005). Proxy contests were screened to include only those initiated by activist investors, as defined above. In addition to the Georgeson Shareholder Annual Corporate Governance Review reports, business and financial press reports included in Lexis-Nexis provided additional cases of activist efforts that were not formal proxy contests. This screen reduced the overall size of the sample to about 75. This sample was further reduced by those companies for which the CRSP database (maintained by the Center for Research in Security Prices) did not have excess return information. The CRSP database contains excess returns for shares listed on NYSE, Amex and Nasdaq. The limitation based on CRSP caused a disproportionate reduction in the number of activist efforts involving smaller companies which tend not to be covered by CRSP.

In the final sample, events classified as successful campaigns exceeded those classified as failures (27 of 40 cases were classified as successes). This potential bias in favor of successful campaigns is likely the result of the classification of settlements of proxy contests between the activist investor and management. Cases that were settled before a proxy vote, in the case of a formal proxy contest, were classified as a success because in all observed cases of a settlement the activist investor achieved the major objective of the campaign.

V. **Data Analysis**

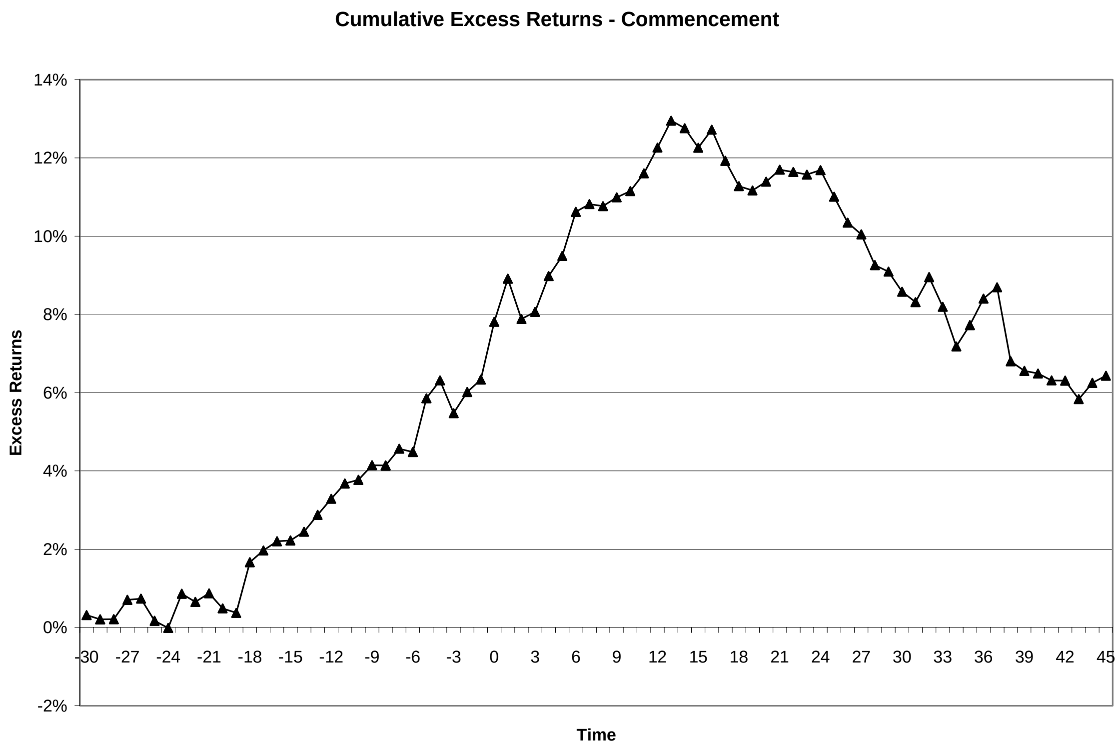
The CRSP database computes excess returns for stocks traded on the major stock exchanges. Stocks are categorized into deciles based on certain characteristics and excess returns are benchmarked against other companies in the relevant deciles. CRSP uses deciles based on Beta, standard deviation of returns and market capitalization. In this analysis the Beta deciles were the relevant benchmark to measure each company's relative performance against other companies with similar exposure to market risk.

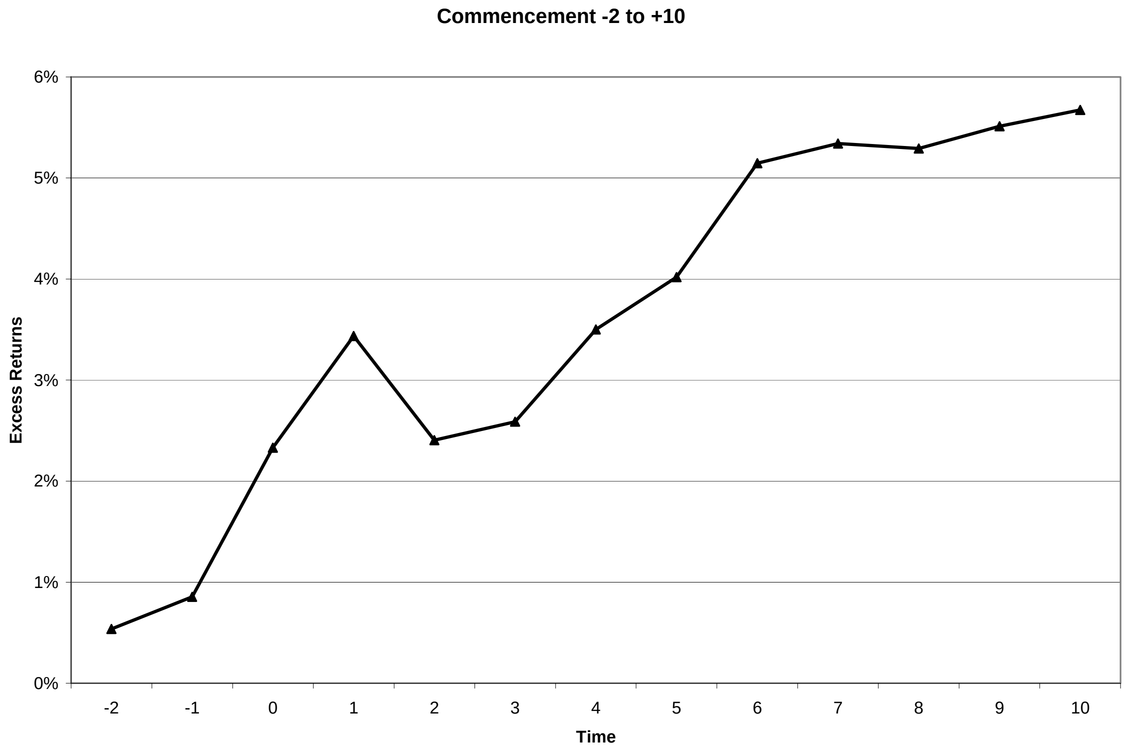
The CRSP database provides Beta excess returns on a daily basis. For the analysis, each daily excess return was converted into a continuously compounded rate using the natural logarithm. The compounded excess returns were measured over a variety of event windows ranging from as much as 30 days before to 45 days after each announcement to as little as 2 days before and after each announcement. This technique of examining differing time periods was designed to both capture the key excess return periods in the analysis and to determine if the market was able to discount rumors or other non-public predictors of announcements.

VI. Event Study Results

A. Commencement

Windows of -30 to +30 (the "61-day Period") and -30 to +45 (the "76-day Period") were used to measure cumulative excess returns following the public announcement of an activist investor's commencement of a campaign to influence management and following the public announcement of the conclusion of the campaign. Mean cumulative excess returns during the 61-day Period surrounding commencement was +8.6% significant at 5% and the median excess return was 9.1%. During the 76-day Period surrounding commencement the mean excess return fell to +6.4% with a t statistic of 1.22, while the median excess return was 9.6%. While excess returns during the 76-day Period were not necessarily significant in a strict sense, the trend is consistent with the 61-day Period. Both time periods show that excess returns become positive in the period leading up to the first announcement and reach their apex approximately 13 trading days after the announcement. These trends are shown in more detail in the graphs below for the 76-day Period as well as for the period immediately surrounding the announcement.



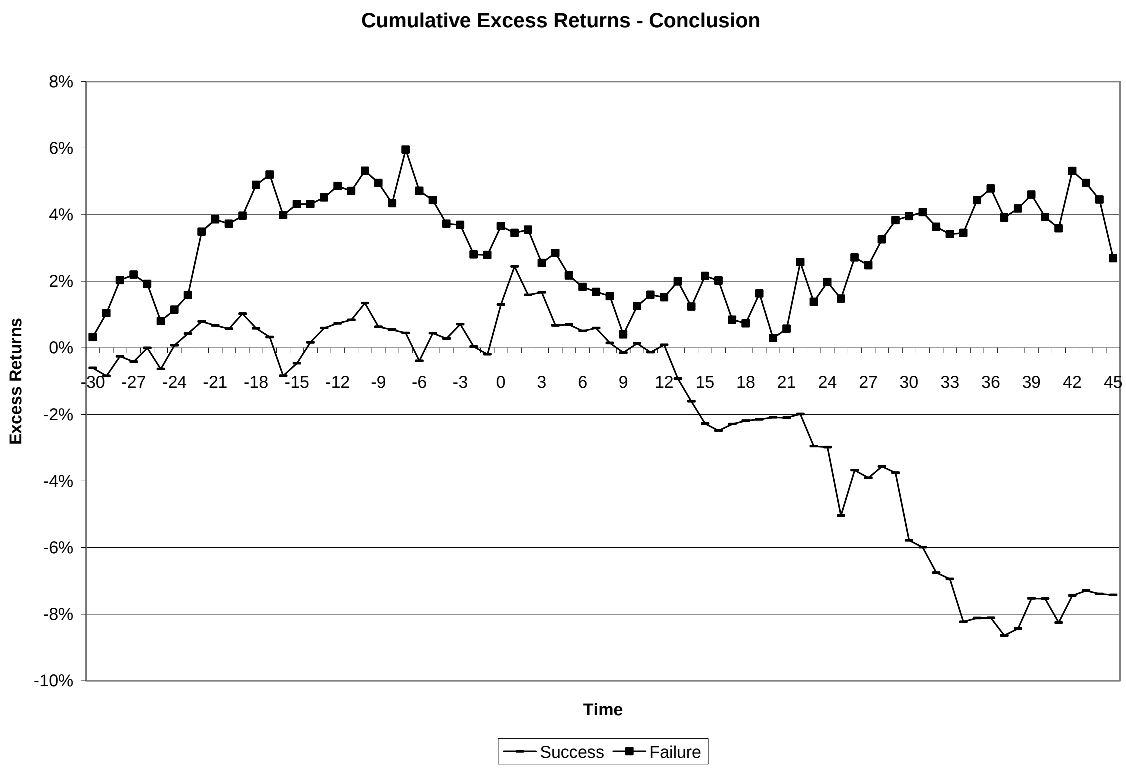


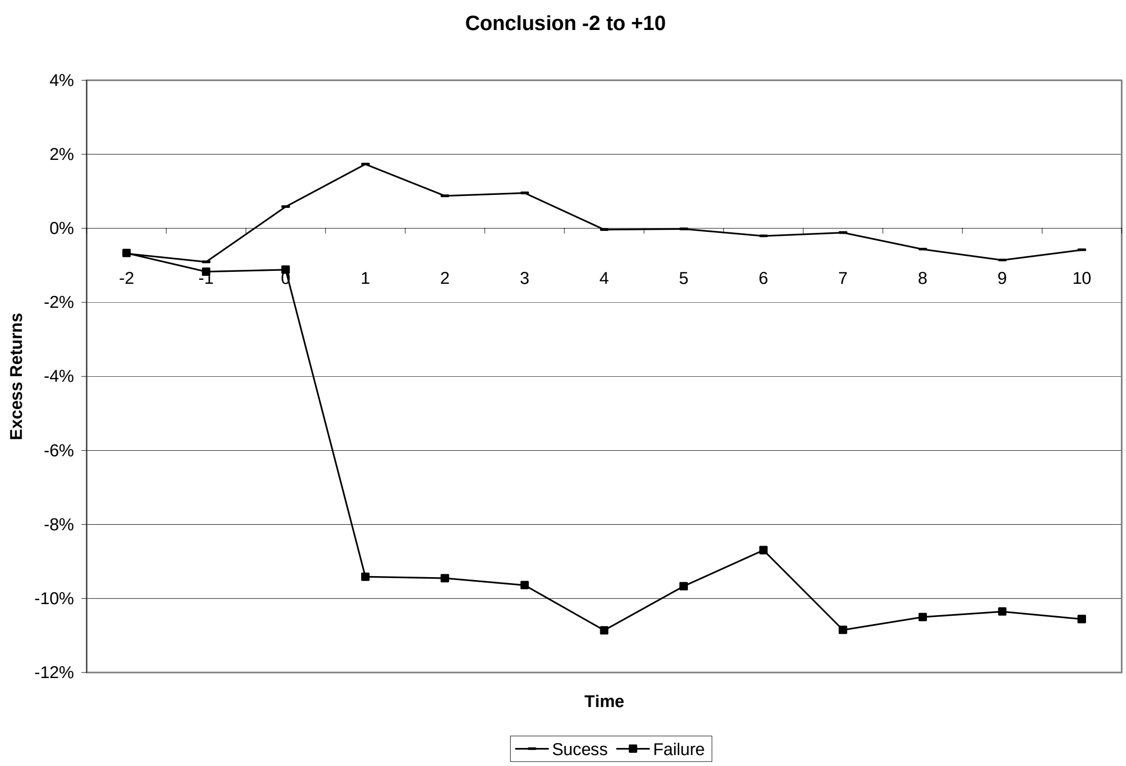
B. Conclusion

At the conclusion of activist investor campaigns, the trend in cumulative excess returns is less clear. The table below shows the mean, median and t statistic for cases of activist investor success, failure and all conclusions.

Excess Returns - Conclusion	-30 to +30			-30 to +45		
	Mean	Median	t statistic	Mean	Median	t statistic
Activist Success	(0.058)	(0.002)	(1.18)	(0.074)	(0.055)	(1.75)
Activist Failure	0.040	(0.003)	1.17	0.027	0.018	0.68
All Conclusions	(0.025)	(0.003)	(0.73)	(0.041)	(0.053)	(1.27)

Excess returns during the period 76-day Period surrounding conclusion of a campaign are generally negative in the case of an activist investor's success and slightly positive in the case of failure. The trend in excess returns is shown in the graph below for the 76-day Period as well as for the period immediately surrounding the conclusion.


Cumulative Excess Returns - Conclusion
8%
6%
4%
2%
0%
-2%
-4%
-6%
-8%
-10%
Excess Returns
-30 -27 -24 -21 -18 -15 -12 -9 -6 -3 0 3 6 9 12 15 18 21 24 27 30 33 36 39 42 45
Time
Success
Failure


Conclusion -2 to +10
4%
2%
0%
-2%
-4%
-6%
-8%
-10%
-12%
Excess Returns
-2 -1 0 1 2 3 4 5 6 7 8 9 10
Time
Sucess
Failure

Showing negative or zero excess returns at the conclusion of all campaigns appears to be inconsistent with the positive excess returns following the initiation of an activist campaign. In addition, excess returns over the 76-day Period appear to be more negative in the cases where an activist is successful as compared to when an activist fails. A plausible explanation for better returns in the case of a failed campaign is that when activist investors fail, they often continue to publicly pressure management and have the option to re-initiate a campaign. The data also show that success by an activist investor leads to near zero excess returns in the period leading up to the conclusion, positive excess return when success is announced, followed by negative excess returns thereafter. This may represent the market discounting the possibility of improved corporate performance or a potential sale of the company prior to the conclusion when it is apparent that the activist investor will prevail. When the activist is ultimately successful, however, the activist may not be willing or able to implement all value enhancing proposals and the price premium may, therefore, be reduced.

Cumulative excess returns at the commencement and conclusion of activist campaigns suggest that the market is able to discount the commencement of the campaign and predict whether the campaign will be successful. In terms of the announcement, excess returns become positive in the trading days immediately preceding the public announcement which likely reflects rumors in the market of an imminent challenge to management. Specifically, modern activist campaigns are often led by one activist investor but other hedge funds may formally join the effort, or take a position in the shares alongside the lead activist.[10] This phenomenon could cause activist investors to begin taking a position in the shares before the formal announcement. Provided the investors own less than 5% of the shares there is no required disclosure of the

[10] Dan Roberts and Stephen Schurr, *Tyco Now Targeted by Activist Hedge Funds*, Financial Times, February 27, 2006.

ownership stake which would delay the public announcement of the campaign. Similarly, as an activist investor purchases shares in preparation for a campaign, they have an incentive to begin publicizing their efforts to unlock shareholder value to begin gaining shareholder support for their campaign. These efforts can often include assembling a group of other activist investors to purchase blocks of shares which would further boost returns prior to a public announcement. All of these factors would contribute to the market anticipating the start of a contest. In terms of the conclusion of the campaign, the market appears to be able to predict the outcome – with a low statistical significance. The ability to predict the outcome is likely the result of the ongoing public nature of the campaign that is covered in the press, in SEC filings and often in other public announcements by third party corporate governance evaluators such as Institutional Shareholder Services.

The table below displays the cumulative excess returns over a series of time periods in relation to the announcement date. The mean and median points show that the data tend to be skewed because of several observations with very high excess returns. The mean has, therefore, been supplemented with a p-value derived from a non-parametric test measuring positive or negative excess returns regardless of the size of the return and computed the probability of positive returns as .5. The p-values displayed below show the probability that the number of observed announcements with positive returns would equal or exceed the number actual observed if the probability of positive returns was .5. Both the analysis of the sample mean as well as the non-parametric test show positive excess returns surrounding the announcement date and positive excess returns in the period just before and immediately following conclusion of an activist campaign.

Cumulative Excess Returns in the Period Surrounding Announcement Date																
	Commencement				Success				Failure				All Conclusions			
	Mean	Median	t stat	p-value	Mean	Median	t stat	p-value	Mean	Median	t stat	p-value	Mean	Median	t stat	p-value
T + 2	0.015	0.006	1.14	0.04	0.018	0.012	1.94	0.00	0.008	0.006	0.58	0.13	0.014	0.008	1.93	0.00
+/- 2	0.024	0.012	1.60	0.00	0.009	0.016	0.77	0.04	(0.001)	(0.003)	(0.10)	0.50	0.005	0.008	0.61	0.10
T + 5	0.032	0.020	2.22	0.02	0.009	0.011	0.83	0.01	(0.006)	(0.002)	(0.43)	0.13	0.004	0.007	0.45	0.01
-2 - +5	0.040	0.039	2.35	0.00	(0.000)	0.009	(0.01)	0.08	(0.015)	(0.001)	(0.85)	0.29	(0.005)	(0.001)	(0.47)	0.10
+/- 5	0.050	0.055	2.02	0.00	0.011	0.008	0.76	0.28	(0.025)	(0.028)	(1.33)	0.87	(0.001)	(0.005)	(0.11)	0.63
T + 10	0.048	0.035	2.79	0.00	0.003	(0.002)	0.23	0.58	(0.015)	(0.019)	(0.86)	0.95	(0.003)	(0.004)	(0.26)	0.90
-2 - +10	0.057	0.065	2.73	0.00	(0.006)	0.003	(0.32)	0.42	(0.024)	(0.029)	(1.25)	0.87	(0.012)	(0.005)	(0.88)	0.74
+/- 10	0.075	0.081	2.15	0.00	(0.007)	0.013	(0.35)	0.28	(0.035)	(0.050)	(1.63)	0.95	(0.016)	(0.021)	(1.07)	0.74
T + 30	0.022	0.024	1.00	0.02	(0.056)	(0.029)	(1.77)	0.72	0.012	0.016	0.39	0.29	(0.033)	(0.005)	(1.41)	0.63
-2 - +30	0.031	0.064	1.23	0.08	(0.065)	(0.011)	(1.90)	0.72	0.003	0.062	0.09	0.13	(0.042)	(0.005)	(1.68)	0.50
+/- 30	0.086	0.091	2.00	0.00	(0.058)	(0.002)	(1.18)	0.16	0.040	(0.003)	1.17	0.29	(0.025)	(0.003)	(0.73)	0.17
-30/+45	0.064	0.096	1.22	0.00	(0.074)	(0.055)	(1.75)	0.92	0.027	0.018	0.68	0.29	(0.041)	(0.053)	(1.27)	0.83

VII. Predicting Excess Returns

Activist investors claim that their interests are completely aligned with other shareholders and that their campaigns maximize returns to all shareholders. Assuming that this is true, investors should attempt to identify companies that are potential targets of activist campaigns in order to capture the positive excess returns from the initial announcement of a campaign. To find predictors of companies that will yield positive excess returns, all activist campaigns with excess returns data were used in a least squares linear regression model. The usable sample was 34 companies that had faced an activist challenge in the period 2001 to 2005. Using this data, the linear regression did not show a significant linear relationship between financial factors of the firm and excess returns.[11] The lack of a relationship across different years included in the sample may be evidence of what some market commentators suggest is a shift in the types of investments made by activist investors; specifically, that activist investors have begun targeting larger companies.[12] As recently as 2004, activist investors were focused primarily on companies with a market capitalization of less than $4 billion. This has changed with high profile activist

[11] The financial factors used in the Best Subsets and subsequent least squares model were: # of Employees, Market Capitalization, Cash/Total Assets, Diluted EPS, Net Income, 2-year price change in common stock, 2-year EBIT growth, Price/Book, P/E (Diluted), ROE, Pre-tax ROA, Stockholders Equity/Total Assets, Cash Flow from Operations/Total Liabilities and Percentage of shares held by the Activist Investor.
[12] James Altucher, *What's Behind Carl Icahn's Headlines*, available at www.thestreet.com May 16, 2005. Suggesting that activist investors are initiating campaigns in larger companies.

campaigns at large companies such as Carl Icahn's recent successful battle with Time Warner and Eddie Lampert's efforts to complete the Kmart and Sears merger in late 2004.[13]

In order to identify key financial factors in more recent activist campaigns the sample was adjusted to include data on campaigns grouped by the year the campaign was initiated. Using this analysis, the regression model for 2005 was an effective predictor of excess returns. The *y* variable in the regression was the compounded excess returns from -5 to +5 from the initial announcement. This time period was used because it captured the excess returns realized before the announcement as well as the initial positive excess returns in the period immediately following the announcement. Using a Best Subsets analysis and the *x* variables used for the analysis of all years, the following regression model was derived:

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BXRET +/-5 (St) = 0.493 + 3.93 Csh/Assets - 0.220 Price/Book - 4.01 ShEquity/Assests
                  + 1.45 CFO/Tot Liab + 8.65 Activist % - 0.158 2-yr Prc Chng
                  + 0.000521 Net Inc + 0.00930 P/E (Dil)

Predictor              Coef     SE Coef      T      P
Constant            0.49337     0.08158   6.05  0.002
Csh/Assets           3.9330      0.5948   6.61  0.001
Price/Book         -0.21986     0.02570  -8.55  0.000
ShEquity/Assests -4.0085      0.4250  -9.43  0.000
CFO/Tot Liab         1.4473      0.2755   5.25  0.003
Activist %            8.654       1.147   7.55  0.001
2-yr Prc Chng      -0.15812     0.06998  -2.26  0.073
Net Inc           0.0005208   0.0001091   4.78  0.005
P/E (Dil)          0.009301    0.001437   6.47  0.001

S = 0.0753487   R-Sq = 96.5%   R-Sq(adj) = 90.8%

Analysis of Variance

Source          DF        SS        MS      F      P
Regression       8  0.778190  0.097274  17.13  0.003
Residual Error   5  0.028387  0.005677
Total           13  0.806577

Source         DF    Seq SS
Csh/Assets      1  0.002036
Price/Book      1  0.047251
SEQ/Assests     1  0.123650
CFO/Tot Liab    1  0.076496
Activist %      1  0.069024
2-yr Prc Chng   1  0.129101
Net Inc         1  0.092790
P/E (Dil)       1  0.237841
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[13] John Garper, *Hedge Fund Agitators Deserve to be Heard*, Financial Times, November 17, 2005.

This regression output suggests that activist investors are more likely to achieve positive excess returns investing in companies that provide significant liquidity from operations with a strong balance sheet but are priced at a discount. Specifically, both Price/Book value and 2-year stock performance have negative coefficients, while Cash/Total Assets and Cash Flow from Operations/Total Liabilities are positive. These coefficients are consistent with activist investors seeking value investments and working with management to unlock the value, often by selling a business line or increasing dividends and share repurchases. Lastly, the percentage ownership by the activist investor had a coefficient of 8.7 significant at .1% suggesting that for a larger percentage of shares owned by the activist investor higher excess returns will be predicted. In this analysis the share ownership percentage included shares beneficially owned by the activist investor and those shares held by another party that was part of a voting group with the activist investor. The shares held by the activist investor also included shares that were bought immediately before the announcement of the activist campaign.

This same regression model was fit on excess returns for the periods -10 to +10 and -30 to +30. The regression model for period -10 to +10 was similar to the period -5 to +5 although with a lower R^2 and higher p-values for each x variable. This is to be expected because of its high correlation with the -5 to +5 period. The model for the -30 to + 30 period however did not show a significant linear relationship with the factors. This is likely due to the higher variance in the -30 to +30 period as compared with the period immediately before and after the announcement. This relationship is also consistent with positive excess returns being clustered in the period immediately before and for two weeks following the initial announcement.

One relationship not reflected in the regression model was the overall relationship between the size of the company and excess returns. When approaching this study *a priori*, market capitalization was expected to be a strong predictor of excess returns with a negative sign to its coefficient. This expectation was based on past experience with activist investors that focused on smaller companies with the idea that an activist could purchase a larger percentage of shares and wield more influence at a smaller company. There are two possible explanations for this counterintuitive result. First, the CRSP database does not provide information on excess returns for many small companies, causing a possible bias in the sample towards larger market capitalization companies. Second, and perhaps more important for future activist efforts, hedge funds today have more capital to invest and have deployed that capital by pushing for corporate changes at larger companies.[14]

An area for further study in this analysis is to compare excess returns from shareholder actions by traditional institutional investors such as labor unions or pension funds. Institutional investors have traditionally favored focusing on pushing for corporate governance improvements at larger companies and not seeking board seats or asset sales. Such a comparison may show that traditional institutional investors are focused on larger companies and there may be less of a relationship between value (Price/Book and P/E) than is evident for hedge funds.

VIII. Conclusion

Activist investors appear to create positive excess returns at the commencement of an activist campaign. Because these investors are not seeking control, but rather to influence management and other shareholders, the market appears to be able to discount activist campaigns in the days before the official announcement. Further, activist investor campaigns provide positive excess returns for investors in the two-week period following the announcement. These postitive excess returns are likely the result of the activist investor's need to build public support

[14] Andrew Ross Sorkin, *Activist Investors change the Landscape; Corporate Boards Cannot Ignore them*, The Grand Rapids Press, January 8, 2006.

for their campaign which will lead the investor to communicate publicly their recommendation to increase shareholder. Lastly, in the limited number of activist investor campaigns by hedge funds included in this sample, companies with underperforming shares, strong cash flow and significant holdings by the activist investor are most likely to provide excess returns that exceed the overall average for activist campaigns.

Appendix A – List of Activist Investor Campaigns

Activist Campaigns with Excess Returns Information

	Year	Company	Activist	Success	Activist %
1	2001	Alltrista Corp.	Marlin Partners II LP	Yes	9.76%
2	2001	Computer Associates	Sam Wyly	No	0.50%
3	2001	Hercules, Inc.	Samuel Heyman	Yes	9.90%
4	2001	ICN Pharmacuticals	Sp Situation Partrs and Providence Cap.	Yes	4.50%
5	2001	Mayor's Jewelers	Opportunity Partners	Yes	9.60%
6	2001	Visx, Inc.	Carl Icahn and Barberry Corp	Yes	10.50%
7	2002	Aetna Inc.	Providence Investors LLC	No	16.80%
8	2002	Chad Therapeutics	Committee to Restore Sharhlder Value	No	7.30%
9	2002	Elite Pharmaceuticals	The Elite Value Committee	Yes	8.60%
10	2002	Kankakee Bancorp, Inc.	Lawrence Seidman	No	5.80%
11	2002	Tyco International Ltd	Relational Investors	Yes	16.00%
12	2002	United Industrial Corp.	Steel Partners	Yes	10.00%
13	2003	Chad Therapeutics	McDowell Investments LP	No	4.20%
14	2003	Dave & Busters	Dolphin Ltd. Partnership I LP	No	9.50%
15	2003	Equidyne Corp.	MFC Bancorp Ltd.	Yes	14.50%
16	2003	Hercules, Inc.	Shareholders Comm for Managt	No	9.06%
17	2003	JC Penney	Relational Investors	Yes	4.80%
18	2003	National Semiconductor	Relational Investors	Yes	7.00%
19	2003	Post Properties, Inc.	John A. Williams	No	2.30%
20	2003	Visx, Inc.	Carl Ichan	No	11.00%
21	2004	Alaska Air Group	Steve Nieman	No	0.50%
22	2004	Bally Total Fitness Corp.	Liberation Investments Group	Yes	5.81%
23	2004	Mylan Labs	Carl Icahn	Yes	9.80%
24	2004	Payless Shoesource Inc	Barrington Capital Group	No	1.10%
25	2004	Water Pik Technologies	Tennenbaum Capital Partners	Yes	19.20%
26	2005	Airnet Systems	Opportunity Partners	Yes	9.00%
27	2005	Beverly Enterprises Inc.	Formation Capital LLC	Yes	8.10%
28	2005	BKF Capital Group, Inc.	Steel Partners II, L.P.	Yes	16.80%
29	2005	Blockbuster, Inc.	Carl Ichan	Yes	9.70%
30	2005	Cenveo	Burton Capital Mgmt/Robert Burton	Yes	9.60%
31	2005	Cornell Companies	Pirate Capital LLC	Yes	13.20%
32	2005	Kerr McGee	Carl Ichan	Yes	8.00%
33	2005	OfficeMax Inc	K Capital	Yes	6.20%
34	2005	Six Flags	Daniel Snyder/ Red Zone LLC	Yes	11.70%
35	2005	Sizeler Property Investors Inc	First Union Real Estate Equity	Yes	9.90%
36	2005	SPX Corp	Relational Investors	No	5.70%
37	2005	Star Gas	Third Point LLC	Yes	6.00%
38	2005	Temple Inland	Carl Icahn	No	2.00%
39	2005	Time Warner	Carl Icahn	Yes	6.00%
40	2005	Wendys International	Pershing Square Cap/Highfields Cap	Yes	10.00%