

2007 PROXY SEASON PREVIEW

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The Altman Group is pleased to present its 2007 proxy season preview. This preview looks at three major themes in the proxy voting and corporate governance world.

- Board of Director Issues
- Compensation Related Issues
- Hedge Fund Activism

By any measure 2007 promises to be a hyper-active year in the corporate governance arena. This season will be first year shareholders will be reviewing proxies with the new compensation disclosure requirements, the first major overhaul to disclosure requirements since 1992. Also, options backdating will continue to engulf more and more companies and executives. The push to change how directors are elected and re-elected continues apace. There were a record number of majority vote shareholder proposals in 2006, and it is expected that there will be just as many in 2007. Further, the possible rejuvenation and the pending change in regulations involving the elimination of the broker discretionary vote on director elections will have some major implications over the next few years.

We hope you find our preview informative and wish you a successful 2007 proxy season.

I. BOARD OF DIRECTOR ISSUES

The structure of company boards and how they are elected continues to grab the corporate governance headlines. Majority voting in director elections continues to take center stage as the hottest corporate governance issue, capturing the attention of the entire corporate and institutional community.

Also, shareholder activists and institutional investors will continue to push for annually elected boards and director independence, including separating the positions of Chairman and CEO.

Majority Voting

As a proxy voting matter, majority voting generally comes in the form of a shareholder proposal asking the company to require a majority of the votes cast at the shareholder meeting be required to elect or re-elect directors. At most corporations, directors are currently elected by a plurality system under which a director needs just one vote to be re-elected to the board.

Majority voting, in essence, evolved from “the equal access to the proxy” proposal. Roughly, the equal access proposal would allow a shareholder or shareholder group to nominate a director on management’s proxy card to compete with management’s nominee if a director receives a certain threshold of withhold votes. Due to heavy opposition from corporate America the SEC commissioners were unable to resolve the differences on this issue

and it remains stalled to this day.

However, proxy access received new life when in September 2006, the DC Court of Appeals stated that the SEC was wrong to allow American International Group to exclude an equal access proposal from its ballot. Although the issue is not resolved at the SEC yet, the Commission did allow a proxy access shareholder proposal to stand at Hewlett Packard's annual meeting in March 2007. The proposal received the support of the major shareholder advocacy firms. A good showing on shareholders proposals in 2007 could help shape the SEC's agenda on this issue.

Starting at the end of the 2005 proxy season, many companies began to address the majority vote issue by either adopting majority voting or more commonly adopting a variant – a director resignation policy. Many companies attempting to address majority voting have adopted a director resignation policy that some call the “Pfizer” model, after the pharmaceutical company became the first to adopt it. The Pfizer model maintains the plurality system but amends the corporate governance guidelines such that a director receiving more WITHHOLD votes than FOR votes must submit his / her resignation to the board. Generally speaking, once the resignation is submitted, the board will have 90 days to decide whether or not to accept the resignation, addressing the logistics of the holdover issue. The most vocal proponents of majority voting, primarily the labor unions and public pension funds, feel a director resignation policy such as the Pfizer model does not go far enough in addressing majority voting.

Another variation in attempting to address the majority voting issue is sometimes called the “Intel” model, again taking the

name of the company that was the first to implement it. This variation amends a company's bylaws to provide that a director must receive more FOR votes than AGAINST votes in order to be elected to the board. (Note the addition of the AGAINST vote – rather than just the FOR and WITHHOLD voting choices that had previously been in place.) A first time nominee who does not meet this requirement will not be appointed to board. A director up for re-election would be required to submit his / her resignation to the board. The board will then follow a process similar to the holdover logistics of the Pfizer model.

The Intel model is considered by majority vote proponents to be much closer to the spirit of majority voting than the Pfizer model, partly because shareholders will be able to vote against directors (the proponents feel this sends a much stronger message to the company) and the Intel model is an actual amendment to the company's bylaws whereas the Pfizer model is an amendment to the company's corporate governance guidelines. A bylaw change is much more concrete and much more difficult to change than a corporate governance provision.

The Statistics

The statistics show the importance that shareholders are putting on majority voting. In 2006, there were 98 shareholder proposals on majority voting, compared to 63 in 2005 and 12 in 2004. In 2007, there could be over 100 shareholder proposals requesting or requiring companies to adopt majority voting.

Table 1: 3 year statistics on majority voting *

	2006	2005	2004
<i>Total Proposals</i>	98	58	12
<i># Passed</i>	34	13	0
<i>Average Support</i>	48.15% *	44.27%**	11.75%
<i>% of Total that Passed</i>	34.69%	22.41	0.00%

Data from Institutional Shareholder Services (ISS) Voting Analytics

* Average support for 89 companies, results were not available for 9 companies.

**Average support for 53 companies, results were not available for 5 companies.

In 2004, the corporate governance community pushed the equal access proposal rather than the majority voting proposal. However, as equal access stalled at the SEC, people turned their attention to majority voting, thus accounting for the large jump in the number of proposals in 2005. Considering the vote levels in 2004, majority voting advocates were very impressed by the levels of support and the number of proposals that passed in 2005. However, as more and more institutional investors endorsed majority voting, high support levels became expected: average of 48.15% in 2006 versus 44.27% in 2005.

As stated above, many companies began to adopt director resignation policies to address the majority vote issue. Table 2 below looks at 83 of the 98 companies that received majority vote proposals in 2006 and whether or not they had adopted a director resignation policy at the time of the company's annual meeting. The table shows that during 2006, 48 companies that had adopted a director resignation policy received the majority vote proposal. Only seven, or just over 14%, of these proposals received shareholder support. At the 35 companies that did not adopt a director resignation policy and received the majority vote proposal, 23, or just under 66%, received shareholder support.

Table 2: 2006 Statistics Regarding Director Resignation Policies

	Proposals at Companies with Director Resignation Policy	Proposals at Companies without Director Resignation Policy
<i>Total Proposals</i>	48	35
<i># Passed</i>	7	23
<i>Average Support</i>	42.23%	53.93% *
<i>% of Total that Passed</i>	14.58%	65.71%

* Average support for 34 companies, results not available for one company.

These statistics allow for two assumptions to be made regarding the institutional shareholder community's view on majority voting. First, institutions

want to see a company address the majority voting issue (see the % of Total that Passed at companies without a director resignation policy). Second, in many cases, institutional investors are satisfied if a company stops short of adopting full majority voting if the company does adopt some type of director resignation policy.

The Regulatory Front

On June 20, 2006, the American Bar Association's (ABA) Committee on Corporate Laws amended the Model Business Corporation Act, which serves as the template for many state corporate laws, to provide that companies may remove directors that get a 50 percent withhold vote from shareholders. This change puts some teeth behind the Pfizer director resignation policy. However, the change only allows companies to remove directors it does not require them to be removed.

Throughout 2005, majority vote advocates hoped that the ABA would endorse majority voting. However, when the ABA released its opinion in January 2006, the advocates' hopes were dashed. The ABA would not recommend moving from the plurality system, as its main concern was a board's ability to function if either multiple directors lost their seats or the company would be on the wrong side of any exchange listing requirements.

Broker Discretionary Vote – NYSE Rule 452

Will director elections become a “non-routine” voting proposal in 2008? It appears it will once the SEC approves the NYSE recommendation that brokers lose the discretion to vote the shares where they have not received voting instructions from the underlying client. This could have a significant impact on director elections at some companies.

The NYSE requested the formation of a Proxy Working Group (“PWG”) containing a diversity of views and expertise to review the proxy voting process and to make recommendations with respect to NYSE proxy rules allowing brokers to vote on certain “Routine” proposals among other matters. The NYSE adopted the PWG recommendations on October 24, 2006. The proposal has now been filed with, and is subject to approval from the SEC. The proposal could be effective for all shareholder meetings on or after January 1, 2008.

Background to NYSE Rule 452

One of the most important objectives of NYSE Rule 452 has been to allow brokers to vote uninstructed shares to be used in establishing quorum requirements at shareholder meetings.

Rule 452, also referred to as the Ten Day Rule, gives permission to the brokerage community, who custodies stock on behalf of its investors, the ability to vote as management recommends on proposals that are considered “Routine” or “Discretionary” in nature. “Discretionary” simply means that brokers have the discretion to vote on behalf of their clients if the client has not responded by voting their proxy. Among the proposals the NYSE considers “Routine”, and thus eligible for brokers to vote on behalf of their clients, are the Election of Directors provided it is non-contested, Ratification of Auditors, and an increase in authorized common stock for general corporate purposes.

NYSE Rule 452 does not, however, allow the broker to vote on any proposal that substantially affects the rights and privileges of stockholders; such as: mergers, proxy contests, and issuance of preferred stock. The NYSE has amended Rule 452 numerous times and most recently in 2003 to eliminate the discretionary vote on equity compensation plan proposals.

Who Will be Affected?

All NYSE, NASDAQ, and AMEX companies and closed-end mutual funds will be affected by the removal of the discretionary vote on director elections. NYSE Rule 452 (Ten Day Rule) impacts the brokerage firms that are traded on the NYSE, making this rule applicable to all publicly traded corporations. In fact, the change will have greater impact on NASDAQ companies due to the higher number of retail shareholders.

Potential Impact

The loss of the discretionary vote can have a significant impact on shareholder meeting campaigns having considerable retail/brokerage stock ownership. Historically for shareholder meetings, approximately two-thirds of the retail community does not vote their shares unless prompted and even then it is rarely over 50%, according to data from The Altman Group. Other potential company concerns include:

- Companies may not receive the necessary quorum requirements to hold a meeting.
- The newly adopted “Notice & Access” method for electronic delivery of proxy material scheduled to go into effect in 2007 may impact voting response.

- The increasing movement of director elections to a majority vote requirement or some variation along with the loss of the broker discretionary vote will raise the likelihood of a director failing to be re-elected.
- Lack of ability to communicate with objecting beneficial owners of stock may hinder solicitation efforts for stockholder approval of agenda items
- “Vote No Campaigns” and other shareholder activism against boards and individual directors may increase due to activists seizing the opportunity with companies that have low vote responses because brokers will not have the discretion to vote on behalf of their clients.

Classified Boards

A classified board is one in which generally one-third of the board is elected every year. Proponents of the classified board structure argue that a classified board provides for stability and continuity on the board. Opponents of the classified board structure argue that they act as an anti-takeover device and serve to entrench the board.

Shareholder proposals seeking to declassify the board have been one of the most frequently sponsored proposals, and biggest vote getters, since the rise of corporate governance.

Table 3: Shareholder proposal – Declassify the Board

	2006	2005	2004
<i>Total Proposals</i>	59	44	38
<i># Passed</i>	41	33	26
<i>Average Support</i>	67.49% *	71.84% **	69.47%***
<i>% of Total that Passed</i>	69.49%	75.00%	68.42%

Data from ISS Voting Analytics

*Average support for 48 companies, results were not available for 11 companies.

** Average support for 37 companies, results were not available for 7 companies.

*** Average support for 31 companies, results were not available for 7 companies.

Many companies are also taking the initiative to declassify their boards. During the past three years there have been 119 management sponsored proposals to declassify the board. This compares with four proposals to implement a classify board during the same time. According to a recent article by ISS (*Governance Weekly, August 4, 2006, Support Grows for Key Proposals*), their data shows that in 2005, 59% of the S&P 1,500 had a classified board which is down from previous years. In 2006, the majority of companies in the S&P500 moved to annually elected board.

Expect to see more pressure on companies to declassify their board of directors.

Independent Chairman

Another popular shareholder proposal requests that the company separate the positions of the chairman of the board and CEO. Many US corporations combine the two positions. Proponents of the separation of the positions argue that the two roles are very distinct. The chairman is in charge of the board whose primary responsibility is to represent shareholders and oversee management.

In addition to separating the two positions, corporate governance activists argue that an independent director needs to be appointed chairman. A compromise that many companies have adopted is the appointment of a lead director who is independent and who has authority to perform such duties as calling a meeting of the board without the chairman present.

Table 4: Shareholder proposal – Separate Chairman and CEO

	2006	2005	2004
<i>Total Proposals</i>	54	22	39
<i># Passed</i>	2	1	0
<i>Average Support</i>	29.78%	30.81%	26.82%

Data from ISS Voting Analytics

Director Independence

Director independence is the cornerstone of good corporate governance. Many institutional investors demand that the board of director of the companies they invest in consist of AT LEAST a majority of independent directors. In many cases institutional investors will withhold votes from board that do not meet the majority threshold. The most influential proxy advisory firm, ISS, will recommend withhold votes from boards that do not consist of a majority of independent directors.

However, corporations should think beyond a mere majority as many shareholders see a majority independent board as the floor of what is acceptable. Many institutional investors now require companies to have a board that consists of two-thirds or three-quarters independent directors. Glass Lewis, ISS's main competitor, requires that a board consist of two-thirds independent directors or they will recommend votes be withheld from directors.

The key board committees, audit, nominating, governance, and compensation, should consist entirely of independent directors. Institutional investors and

the proxy advisory firms will generally withhold votes from any non-independent directors serving on these key committees.

Corporations also need to think about what constitutes an independent director. Institutional investors and the proxy advisory firms generally have independence standards which are stricter than the exchange requirements. To avoid surprising withhold votes, corporations should understand how their largest holders define independence.

Under the plurality voting system, which most corporations employ, large withhold votes are more a source of embarrassment, as opposed to having real “teeth”. However, as majority voting gains in popularity these large votes against directors could have much deeper ramifications, such as directors not being re-elected to the board.

Despite the increased scrutiny on director independence, shareholder activism around the issue seems to be declining, at least with regard to shareholder proposals. The following table contains statistics on shareholder proposals requesting the company to increase the independence of the board.

Table 5: SP – Director Independence

	2006	2005	2004
<i>Total Proposals</i>	1	3	13
<i># Passed</i>	0	0	3
<i>Average Support</i>	25.00%	26.93%	26.12%

Data from IRRC

There are a couple of main reasons for the decreased shareholder activism on this shareholder proposal. First, many activists have refocused their energy to shareholder proposals regarding majority voting in the election of directors. Also, activists are more likely to target the non-independent director directly via “just vote no” campaigns as opposed to sponsoring shareholder proposals. Second, and more importantly, boards and committees tend to be more independent. This increased independence can be linked to the post-Enron regulatory requirements and increased scrutiny from institutional investors and proxy advisory firms.

II. COMPENSATION RELATED ISSUES

Options Backdating

The option backdating issue continues to grab the compensation headlines. There are approximately 140 companies involved in the option backdating issue, including Apple who recently exonerated CEO Steve Jobs.

The big issue for many institutional investors looking at this issue is whether or not backdating resulted from sloppy record keeping or fraud. In fact, in the majority of these 140 cases the issue was most likely bad record keeping and not fraud. However, the institutional community is expected to address the backdating issue in 2007 when voting their shares. ISS released their 2007 proxy voting guidelines in November 2006, and how they plan to analyze the backdating issues gives insight on how the institutional community as a whole will look at this issues.

¹ISS states they may withhold votes from compensation committee members and will consider several factors:

- Inadvertent versus deliberate grant date changes
- Length of time of options backdating
- Size of restatement
- Corrective actions taken by the board
 - Canceling or repricing backdated options
 - Recoupment of option gains on backdated grants
- Adoption of grant policy that prohibits backdating

¹ISS US Corporate Governance Policy – 2007 Policy Updates. Page 19.

Compensation Pay Disclosure

On July 26, 2006, the SEC finalized its rules on executive compensation disclosure. This is the first major overhaul to the SEC's disclosure requirements since 1992. For the corporate governance activist, and many other shareholders, the timing could not have been better. Many corporations are being investigated by the SEC regarding the backdating of options, and there are likely to be many more. The new rules went into effect for proxies filed by companies whose fiscal years ended after December 14, 2006. Under the new rules a company will be required to disclose the total compensation of the CEO, CFO, and the next three highest paid executive officers in specific sections.

The first section, titled the Compensation Discussion and Analysis (CDA), must be signed-off on by the CEO and the CFO. The existing Compensation Committee Report will require a statement that the compensation committee reviewed the CDA, discussed it with management, and recommended it to be included in the company's 10K and proxy.

The second section titled the Summary Compensation Table, as the SEC states "...will be the principal disclosure vehicle for executive compensation". As is currently the case the table will disclose three years of data. The data will include:

- Salary and bonus
- Stock awards (restricted stock, performance shares for example)
- Stock option awards, non-equity plan compensation
- Change in pension value and non-qualified deferred compensation earnings.
- All other compensation, including perks of over \$10,000
- Total Compensation

The third section will include the Outstanding Equity Awards at Fiscal-Year End Table, which will show outstanding awards and amounts that could potentially be received in the future. This section will also include an Option Exercises and Stock Vested Table which will show amount realized on equity compensation during the past fiscal year.

The fourth section will be for retirement plan and post-employment disclosure. This section will include the Pension Benefits Table, which will show the present value of accumulated benefit under the pension plan. The Nonqualified Deferred Compensation Table will show plans of executive and company contributions to a deferred comp plan. Finally, the section will include a narrative of any arrangement that provides for payments or benefits regarding termination, changes in responsibility, and changes in control.

The idea of the disclosure requirements, particularly the total compensation column, is to provide shareholders a simple number on which to evaluate an executive's compensation. Currently, it is very difficult, if not impossible for shareholders to find an executive's total compensation as the numbers are spread out in the 10K and the proxy.

While most corporate governance advocates applaud the new rules, some feel that it does not go far enough. Some of these advocates feel that shareholders should be allowed to vote on the pay packages even if the vote is advisory. On the other side, there are some pay experts who feel that having pay boiled down to one number may have the effect of driving pay up. They expect that

some executives may look at the pay of their peers making more than them and push for an increase.

Increased Activism as a Result of Better Disclosure

One thing is for sure with the new disclosure requirements, shareholder activism on pay issues is likely to increase from its already high levels. All of an executive's compensation is going to be open for all shareholders to see. There is certainly going to be an "Oh My" factor as shareholders and activist see these figures.

Consider the case of Pfizer in 2006. For some time Pfizer has been considered the poster child of good corporate governance and disclosure. In fact, the Pfizer proxy for the 2006 shareholder meeting contained the new compensation disclosure requirement BEFORE the SEC mandated that companies had to use them. However, one number that stuck out to many activists was \$83 million in pension benefits to former CEO Hank McKinnell.

A group called the Investors for Director Accountability (two members of the steering committee include corporate governance heavyweights Bob Monks and John Bogel) used this number as the focal point of its "just vote no" campaign against Pfizer's compensation committee members. They called this payout one of the highest in corporate America. The group also pointed to the fact that Pfizer's stock had not performed well over the past five years, thus setting the stage for a pay for performance disconnect.

The die was cast, ISS recommended a without vote on two of the compensation committee members and the end result was that 22% of the votes were withheld from the compensation committee members. Expect to see more cases like Pfizer in 2007.

Pay Related Shareholder Proposals

According to data from IRRC, there has been a sizable decrease in the number of executive / employee compensation related shareholder proposals. For 2006 year to date there have been 89 pay proposals verses 162 for all of 2005.

There is no single cause for the decrease in the number of proposals. Some of the reasons could include: activists targeting a compensation committee directly, more focus on other types of shareholder proposals such as majority voting, and/or companies having a stronger link between pay and performance.

Table 8 below provides statistics on 6 major pay related proposals. As the data show, linking an executive's pay to specific performance metrics continues to receive large numbers. 2006 saw a different take on the pay for performance proposals. There were many proposals (11) asking for pay for "superior" performance which are discussed below. When it comes to average support levels and pass rates, proposals requesting golden parachutes and severance agreements be put to a shareholder vote continue to lead the way.

Other proposals include increased disclosure of executive pay features, requiring holding periods for options, and a shareholder vote on supplemental executive retirement plans (SERPS).

Companies are also seeing more proposals that ask the company to recoup payouts to executives if there is a restatement of the company's financials. Interestingly, these proposals generally do not differentiate restatements due to fraud and those not due to fraud.

TABLE 8: Pay related shareholder proposals.

Proposal	#	2006		#	2005	
		Passed	Average Support		Passed	Average Support
Performance – Based Equity Award	11	3	39.12%	39	0	29.79%
Golden Parachutes / Severance Agreements	13	6	49.53%	22	18	54.89%
Increase Executive Compensation Disclosure	7	0	18.43%	4	0	11.60%
Recoup Pay if Restatement	10	0	23.61%	4	0	31.03%
Vote on SERPs	5	1	36.28% *	5	0	33.06%
Holding Periods for Options	3	0	29.40%	4	0	31.20%

Data from IRRC

* Average support for four of the five proposals.

Two new pay related shareholder proposals were presented in 2006 that many corporate governance experts feel will continue to grow in number and support in 2007. The first, as mentioned above, is pay for "superior" performance. These proposals state that the company should utilize financial metrics which can be benchmarked against peer group performance. Payouts should be made only if the company exceeds the mean or median financial metrics of the disclosed peer group.

There were 11 such proposals in 2006 with an average support level of 33.4%. The average support is regarded as fairly high given that this is the first year the proposal has been sponsored. The high support level also shows shareholders concern with linking an executive's pay to performance.

The second new shareholder proposal for 2006 asks that shareholders be allowed an advisory vote on a company's compensation committee report. The proposal is simply an advisory vote and will not affect any person's compensation, and will not affect the approval of any compensation-related proposal submitted for a vote.

There were six proposals in 2006 with an average support level of just less than 40 percent. Again, this is a large support level for a proposal's first year. Expect to see as many as 30 of these advisory vote proposals in 2007.

III. HEDGE FUND ACTIVISM

Hedge funds continue to lead the charge in shareholder activism. It is estimated that there are between 7,000 and 8,000 hedge funds worldwide. It is expected that by 2008 hedge fund assets may reach \$5 trillion. Hedge funds have never made a secret of the fact that they generally invest in securities for the short term. Activist hedge funds generally target companies where the stock price is significantly below the perceived or actual value of the company. Companies with poor corporate governance practices are also targets of activist hedge funds.

To many investors one of the attractive aspects of hedge funds has been that they are lightly regulated investment pools. 2006 was an up and down year regarding hedge fund regulation. First, hedge funds were required to register with the SEC by February 1, 2006, giving the commission more oversight of the funds. However, in late-June, the D.C. Circuit Court of Appeals overturned an SEC registration requirement. The case was brought by Opportunity Partners' Phil Goldstein, who is known for shareholder activism. The case successfully argued that the SEC exceeded its authority when it classified individual investors in a fund, and not a fund itself, as "clients". An advisor with less than 15 "clients" would not be required to register. With this victory far fewer hedge funds will be under the SEC's purview.

Corporations should expect hedge fund activism to only increase. What do hedge funds demand of their target companies? The following is a summary of their possible demands:

1. By far the most common demand is board seats. Typically, the demand for board seats is accompanied by other demands explained below. Also, board seats are a stepping stone for the hedge fund to accomplish their true goal. For example, a hedge fund may want the company to hire an investment banker to review strategic alternatives. What better way to make this happen than to have a voice in the decision making process.
2. Increase dividends.

3. Stock buyback or repurchase to increase share price.
4. Corporate governance changes. For example, the fund may demand a company put an independent director on the board, declassify the board of directors, or remove a shareholder rights plan (poison pill).
5. Demands that the company sell itself, certain assets, or a business unit.

Since the beginning of 2006, The Altman Group has tracked 104 cases of hedge fund activism, the breakdown of these cases are as follows:

- 34 (or 32.7% of total cases) involved a proxy fight.
 - 26 decisions
 - In 16 cases management won the proxy fight.
 - In 10 cases the hedge fund won the proxy fight.
 - 8 current cases. These are instances where the votes are not final.
- 46 (or 44.2% of total) cases were settled.
 - In 33 of the settlements the hedge fund won board seats.
 - In 5 instances the company was acquired by a third party and the hedge fund went away.
 - In 8 cases the activism was settled by a corporate governance change, increase in stock price, or the hedge fund just walked away.
- 24 (or 23.1% of total) cases are still open. These are cases of activism that may evolve into a proxy fight, settlement, or the hedge fund may walk away.

The bottom line is that since the beginning of 2006, of the 72 cases of hedge fund activism that have been resolved, 43 (59.7%) were “won” by the dissident either in a fight or settlement. Management “won” 29 cases (40.3%).

TABLE 6: SELECTED CASES OF ACTIVISM

Hedge Fund	Company	Outcome
Pembridge Capital Management LLC	Topps Company Inc.	Activism settled when Pembridge got 3 board seats.
Triam Partners	HJ Heinz	Triam nominated 5 dissident nominees, and won two seats in this proxy fight.
Pirate Capital LLC	James River Coal Company	Activism settled when Pirate got 3 board seats.
Third Point LLC	Massey Energy Co	Third Point won two board seats at Massey's annual meeting.
PL Capital Group	Synergy Financial Group Inc.	PL Capital won two board seats at Synergy's annual meeting.
Dolphin Limited Partnership I, L.P.	InfoUSA Inc	All of management's nominees were re-elected to the board.
Highland Capital Management, L.P.	Motient Corp	All of management's nominees were re-elected to the board.
The Shamrock Group	Intrado Inc.	Intrado signed merger agreement with West Corp, and Shamrock dropped its proxy fight.
Greenlight Capital, L.L.C.	New Century Financial	Activism settled with Greenlight was given a board seat.

Despite the large number of total hedge funds in the world, there are only around 70-80 funds that employ aggressive activism in their investment strategy. The following is a list of hedge funds that have been involved in at least three cases of activism since the beginning of 2006:

TABLE 7: ACTIVIST FUNDS

Hedge Fund	Number of Cases of Activism
Third Point / Daniel Loeb	5
Barington Capital	4
Bulldog Investors	4
Mercury Real Estate Advisors	4
Pirate Capital	4
Carl Ichan	3
Steel Partners	3
Western Investments	3

In 2007, we will see the shareholder activist and hedge funds press the gains they have made in 2006. Shareholders will be looking very closely at a firm's pay for performance, given that overall pay data will be easy for everyone to see. The pressure on how directors are elected will continue to increase, despite the continued evolution of many of the hot topics on this issue. Finally hedge funds will continue their activism given the success rates they have had to date.

About The Altman Group: The Altman Group is one of the premier proxy solicitation corporate governance, shareholder identification, and bankruptcy services firms in the United States and winner of the 2006 TOPS Award as the Highest Rated Proxy Solicitation Firm.

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