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**Hedge Fund Solutions, LLC**  
**5-Phase Activist Shareholder Management Program™**

## **INTRODUCTION & OVERVIEW**

Over a six month period, HFS will work collaboratively with the senior management team and board of directors to begin implementing Hedge Fund Solutions' 5-Phase Activist Shareholder Management Program™.

In our experience, the best approach both to serve shareholders and to position companies for long-term strategic independence is to think and act preemptively. This program is a proven course of action designed for public companies apprehensive about the possibility of attracting disruptive shareholders misaligned with management's longer-term perspective on enhancing shareholder value. The following framework offers managers a structure for diagnosing the vulnerability of their company to takeover attempts, identifying where activists may see hidden value to be extracted, and planning the course ahead (Exhibit 1). The five tenets of the program include:

### **1. Understanding Activists**

Build a collective awareness of who these activist investors are along with the diverse methodologies used to take control of companies and/or extract short-term value.

### **2. Identify and Fix Exposures**

Diagnose vulnerabilities to activist investors and take measures aimed at reducing these dangers.

### **3. Unlock Dormant Value**

Developing strategic alternatives to enhance nearer-term share value.

### **4. Develop Lasting Shareholder Value Initiatives**

Designing a comprehensive plan that leads to new levels of shareholder benefit.

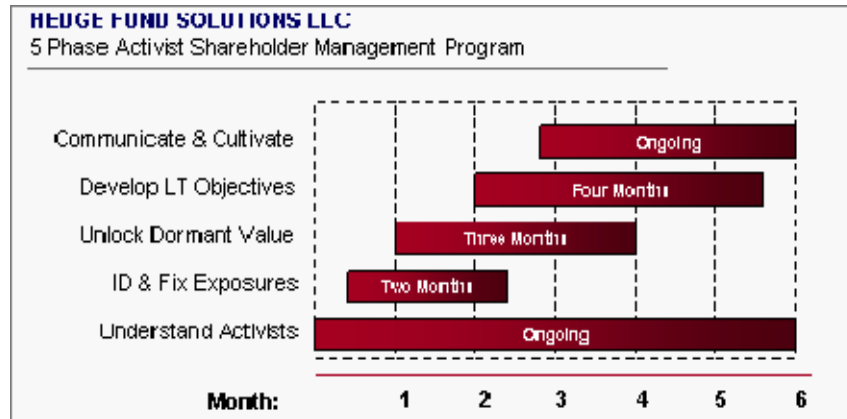
### **5. Communicate Value and Cultivate Shareholders**

Engineer a systems approach to investor relations in order to communicate enduring shareholder benefits and replace transitory and unpredictable investors with value-oriented institutional stakeholders.

### The Best Defense is a Superior Offense

Hedge Fund Solutions is comprised of former senior executives that have experienced the activist process as CEO, board directors, business managers, investor representatives, and company advisors. Since 2001 we have counseled funds and companies alike ranging upwards of \$25B in assets under management and \$5B in revenues on ways to effectively and efficiently enhance shareholder value through improvements in business strategy, corporate governance, internal operations, capital structure, and investor relations.

A substantial portion of this experience will be conveyed to your management team through our 5-Phase Activist Shareholder Management Program™.



(Exhibit 1)

### **PHASE ONE: Understand Activists**

HFS will consult to the Company's board and management on all matters relating to shareholder activism. Initially, we will detail specific activist strategies and tactics that some of your current shareholders have used in previous situations and finish by assembling the resources needed to proactively defend against any foreseeable undesirable demands or takeover initiatives. Deliverables during this phase of the program includes:

- Provide professional counsel on all matters relating to activist shareholders' investment strategies.
- Analyze your shareholder base on a regular basis, highlighting activist investors and "tag-along" investors known to associate with activists.
- Profile current shareholders with a history of activism. The objective is to provide a detailed and insightful account of their past activist activities in order to develop appropriate strategies that reduce your susceptibility to probable future demands.
- Identify and monitor for "tag-along" investors and shareholders likely to align with the activist funds.
- Provide in-depth case studies on relevant "hostile" targets and the aggressive tactics used by activist investors.
- Assist management in building and leading a strong advisory team of specialists that are experts in managing activist investors. HFS's advisory associates include legal, banking, proxy solicitation, public relations and investor relations.

### **PHASE TWO: Identify & Fix Exposures**

Phase Two runs concurrent with Phase One and builds upon the knowledge base cultivated during that time. In this phase we will identify where outsiders may see pockets of value and/or leverage that is often used to support activists' demands and win institutional shareholder votes in a proxy fight. The deliverable for this phase of the program is the identification of specific areas of vulnerability that often benefits activists in takeover campaigns, the effects of which can easily be mitigated away if addressed early on.

## **Governance, Operations, Balance Sheet, Public Perception, Shareholder Advisory**

HFS will evaluate your business to ensure exposures to activism are minimized. During this phase we will highlight perceived vulnerabilities in corporate governance, operations, and balance sheet management.

The objective is to alter any corporate governance provisions that promote the perception of board entrenchment and that may stand in the way of garnering institutional support and third-party proxy advisor vote recommendations (RiskMetrics(ISS), Proxy Governance and Glass Lewis, etc...).

### **PHASE THREE: Unlock Dormant Value**

HFS will facilitate senior management strategy sessions to conceive alternative approaches to business growth and shareholder value appreciation. The deliverable for this phase of the program is to proactively assess the extractable value that an activist shareholder might see and then help guide management to take the necessary measures to ensure that current market valuations accurately reflect and balances intrinsic near-term value, as well as value over time.

- HFS will identify several initiatives that may release dormant value (while releasing so-called dormant value, it is important to continue to promote management's credibility and confidence in building the long-term value of the business).
- These initiatives may include strategies involving the appropriation of cash and investments and the potential strategic and operational improvements to the Company's business as determined by a host of factors, including an analysis and valuation of the Company's assets in spin-off or sale scenarios.
- HFS will analyze various strategic options with management and recommend a value development plan that balances short-term strategic enhancement initiatives with the Company's long-term value development strategy.

### **PHASE FOUR: Develop Long-Term Strategic Objectives**

Although it will always remain vital to maintain an intense focus on eliminating any gaps in value between a company's market value and its potential value, these actions serve to protect the interests of the transient investor far more than that of the longer-term shareholder.

During this phase of the program HFS will help facilitate the development of a series of integrative strategies that are intended to attract shareholders with an extended value-oriented interest.

## **PHASE FIVE: Communicate & Cultivate Shareholder Relations**

HFS will help engineer a program focused on replacing activist investors with value oriented, passive investors. During this phase of the program, HFS will conduct the following initiatives:

- Profile the Company's current shareholder base to identify appropriate improvement models.
- Target, prioritize and cultivate a shareholder base that reflects ideal shareholder objectives.
- Communicate a consistent, effective message shared by current desirable investors, management, and the Board of Directors to draw widespread investor support for the Company that disbands activist shareholders, increases short-term stock performance, improves the stock's liquidity and volatility, and accelerates the trading price toward the Company's intrinsic value.

Each of these measures highlighted throughout the 5-Phase program helps companies anticipate and manage the forces that make them most vulnerable to activist shareholders and will assist in unlocking your full value and maintaining strategic independence.

We look forward to working with you on this very important matter. For more information about how we've assisted clients improve value while reducing exposure toward shareholder activism, please contact us.

## **CONTACT INFORMATION**

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Mr. Park is the President and CEO of Hedge Fund Solutions, a Philadelphia-based consulting firm singly focused on providing substantive solutions for companies and investors on issues relating to shareholder activism. He is widely considered an expert on activist hedge funds, speaks at numerous seminars and events, and is often quoted in leading business publications around the world.