



HEDGE FUND
SOLUTIONS



CATALYST EQUITY RESEARCH REPORT™

Weekly Research Highlighting Activist Investments

TheStreet.com **RealMoney**

OLSHAN
OLSHAN GRUNDMAN FROME
ROSENZWEIG & WOLOSKY LLP

Georgeson

Schulte Roth & Zabel

 **NACHMAN
HAYS
BROWNSTEIN**

**Lowenstein
Sandler**
ATTORNEYS AT LAW

 **The Altman Group**

LH **LAUREL HILL ADVISORY GROUP**
New York • Toronto • San Francisco • Vancouver

Subscribe to receive this **FREE** Report emailed weekly.
www.hedgerelations.com/research.html

HIGHLIGHTING ACTIVIST INVESTMENTS*Week Ending April 17, 2009*

SYMBOL	COMPANY	INVESTOR
ABTL	Autobyte, Inc.	Trilogy Enterprises
AMLN	Amylin Pharmaceuticals	Carl Icahn
ENTU	Entrust Inc.	Empire Capital
FSS	Federal Signal Inc.	Warren Kanders
IPAS	iPass Inc.	Ramius Capital
KONA	Kona Grill	Mill Road Capital
OICO	OI Corp	Mustang Capital
SAH	Sonic Automotive	Paul Rusnak

The Official Activist Investing Blog™**The Activist Blog & Tacklers**Insights Provided By Contributing Experts
From Around The Globe<http://activistinvesting.blogspot.com/>

HEDGE FUND SOLUTIONS is a Philadelphia-based strategy consulting, public relations and investor communications firm focused on shareholder activism. We have an unparalleled depth of knowledge on the subject matter and are the trusted advisor to numerous CEOs, board members and institutional investors worldwide.

Recently issued report on shareholder activism **NOW AVAILABLE!**

The Role of the Board in Turbulent Times...Avoiding Shareholder Activism

Authored by Damien Park & Matteo Tonello

<http://ssrn.com/abstract=1390340>

Autobytel Inc. (ABTL)**Activist Investor:****Investor Info**

Shares	3,346,003
% Outstanding	7.4%
Cost Basis	0.46

Company Info

Share Price	0.30
Revenue	71M
Market Cap	14M
Enterprise Value	-14M
Net Cash	27M
EBITDA	-19M
52 wk. range	0.22 – 2.20
EV/EBITDA	N/A

Catalyst Info**Catalyst:**

Trilogy has commenced an unsolicited tender offer to acquire all of ABTL shares for \$0.35/share.

Comment:

We previously covered ABTL in our November 28 Catalyst Research Report, highlighting that Trilogy had been rapidly accumulating the stock since October 16th.

We estimate 20% of ABTL shares are held by activist investors.

Amylin Pharmaceuticals Inc. (AMLN)**Activist Investor: Carl Icahn****Investor Info**

Shares	12,971,328
% Outstanding	9.43%
Cost Basis	24.39

Company Info

Share Price	10.18
Revenue	837M
Market Cap	1.4B
Enterprise Value	1.4B
Net Cash	0
EBITDA	-188M
52 wk. range	5.50 – 35.00
EV/EBITDA	Negative

Catalyst Info**Catalyst:**

On April 15 Icahn sent a letter to the Chairman of AMLN stating that a number of shareholders (including Icahn, Eastbourne Partners and Ted Greene – Amylin's co-founder) all believe he should resign. Icahn also reiterated his concern that the company's poison pill and poison put contracts are impediments to shareholders being able to hold constructive dialogues about board representation.

In the letter Icahn criticized the Chairman for allowing the company to spend money on maintaining a large commercial operation in primary care diabetes sales. In addition, Icahn says SG&A expenses are too high and should be running around 22% of sales instead of the company's current level of 47%.

Comment:

We previously covered AMLN in our April 3, March 13, February 6, January 30 2009, September 12, August 29 and May 23, 2008 Catalyst Research Reports, highlighting an announcement by Carl Icahn and (separately) Eastbourne Partners (12.5% shareholder at an average cost of \$25.97/share) that they are both going to nominate five individuals to the twelve member board.

On March 9 Eastbourne sent a letter to the board discussing the Company's proposal to allow shareholders to select the twelve directors they believe will best serve their interests from a field of up to 22 nominees, which could include as many as ten nominees (5 from Eastbourne and 5 from Carl Icahn) in addition to the 12 nominees put forward by the incumbent board.

In the March 9 letter Eastbourne suggested AMLN was standing in the way of a real election contest behind the wall of poison puts and pills. (The "poison contracts" restrict shareholders owning more than 15% of AMLN to engage in discussions about board representation. Furthermore, as a result of the poison put obligations in two of the company's debt agreements, in the event of an unauthorized change of control – which will occur if Icahn's and Eastbourne's nominees are elected, lenders can call for immediate debt repayment. Eastbourne believes if AMLN "approved" the nomination of all board candidates that the poison put issue would be resolved.

On March 30 the SEC issued a "no action" letter in connection with Eastbourne's and Icahn's proxy contest to replace board members. The SEC's ruling allows Eastbourne and Icahn to vote for each other's candidates (and for management's nominees) without triggering the 15% poison pill provision. See more about this (including a client alert from one of our sponsors – Schulte Roth & Zabel) on The Official Activist Investing Blog™ <http://activistinvesting.blogspot.com>

On April 3 Eastbourne sent a letter to AMLN requesting they remove the poison pill so Icahn and Eastbourne can hold direct discussions to put forth a combined 5-person minority slate of director nominees. On April 13 AMLN announced they will "approve" Icahn and Eastbourne's nominees for the purpose of neutralizing the poison puts.

Entrust, Inc. (ENTU)**Activist Investor:** Empire Capital**Investor Info**

Shares	11,814,221
% Outstanding	19.3%
Cost Basis	2.62

Company Info

Share Price	1.89
Revenue	100M
Market Cap	116M
Enterprise Value	92M
Net Cash	24M
EBITDA	5M
52 wk. range	0.98 – 3.41
EV/EBITDA	19.1

Catalyst Info**Catalyst:**

On April 13 Entrust announced they have entered into a purchase agreement with Thoma Bravo, a private equity firm, to acquire the company for \$1.85/share.

On April 15 Empire announced they support the deal and have agreed to vote their shares in favor of the transaction.

Comment:

We previously covered ENTU in our November 21 and April 18 2008 Catalyst Research Reports, highlighting Empire's announcement on April 14 2008 that they had been in discussion with ENTU concerning appropriate board representation. On June 13 ENTU appointed one person from Empire to the nine person board of directors. In late October Empire announced they may seek additional board representation in order to maximize shareholder value. Empire eventually settled with ENTU, agreeing to accept a non-voting board oversight position.

Federal Signal Corp. (FSS)**Activist Investor:** Warren Kanders**Investor Info**

Shares	1,400,000
% Outstanding	3.0%
Cost Basis	Not Avail

Company Info

Share Price	7.31
Revenue	959M
Market Cap	346M
Enterprise Value	592M
Net Cash	-246M
EBITDA	74M
52 wk. range	3.73 – 17.50
EV/EBITDA	8.0

Catalyst Info**Catalyst:**

On April 15 Warren Kanders sent a letter to FSS shareholders comparing and contrasting his three director nominees against the company's candidates for election at the April 29 annual meeting. Also in the letter Kanders addressed his concerns relating to the company's excessive overhead costs, executive compensation arrangement with the new CEO, and the company's lack of coherent growth strategy.

Comment:

We previously covered FSS in our July 4 and March 14 2008 Catalyst Research Reports, highlighting Ramius Capital's settlement agreement with the company in order to avoid a proxy contest. Under the terms of the agreement Ramius appointed two individuals to the board and were also afforded the right to appoint an observer to the board. In addition, Ramius' appointees joined the CEO search committee. On June 30 Kanders disclosed his interest in filling the CEO position. On September 15 FSS announced the appointment of a new CEO.

iPass Inc. (IPAS)**Activist Investor:** Ramius Capital**Investor Info**

Shares	3,106,407
% Outstanding	5.1%
Cost Basis	1.06

Company Info

Share Price	1.02
Revenue	191M
Market Cap	63M
Enterprise Value	-6M
Net Cash	68M
EBITDA	1.3M
52 wk. range	0.89 – 2.92
EV/EBITDA	Negative

Catalyst Info**Catalyst:**

Ramius has accumulated 2,032,801 shares of IPAS (equivalent to approximately 3.4% of IPAS shares outstanding) since February. Ramius currently owns 5.1%.

Comment:

We previously covered IPAS in numerous Catalyst Research Reports (most recently on April 10), highlighting Foxhill Capital's (6.7% shareholder at an average cost of \$2.76/share) letter to the board listing a number of demands, including: (i) the board engage an outside consultant to review the current business plan, (ii) develop stated goals for management and if these goals are not met, remove management, (iii) change management's compensation, (iv) initiate a sale of the Company. Before this, we covered Shamrock Capital's (9.8%) request for board representation last year. Shamrock was granted one seat in March 2008.

On February 6 Foxhill submitted a shareholder proposal recommending that IPAS declassify the board and on February 27 nominated three people for election to the board. On April 7 Foxhill sent a letter to the board stating that management's bonus plan fails to align incentives with the objective of achieving profitability and enhancing shareholder value. Foxhill also reiterated its belief that its three director nominees would provide meaningful change to the board and suggested the board avoid the expense of a proxy contest by immediately appointing its three nominees.

Kona Grill Inc. (KONA)**Activist Investor:** Mill Road Capital**Investor Info**

Shares	648,171
% Outstanding	10.0%
Cost Basis	8.02

Company Info

Share Price	2.16
Revenue	76M
Market Cap	14M
Enterprise Value	16M
Net Cash	-2M
EBITDA	3M
52 wk. range	1.10 – 9.48
EV/EBITDA	5.3

Catalyst Info**Catalyst:**

On April 15 Mill Road sent a letter to KONA reiterating their dissatisfaction with the company's recent fundraising process. In the letter Mill Road demanded the Company take "corrective" action.

Comment:

We previously covered KONA in our March 13, January 30, January 2, November 14 and June 27 Catalyst Research Reports, highlighting Mill Road's announcement that they had sent a non-binding offer to KONA (on March 28 2008 when they owned 4.9%) to acquire all of the outstanding stock for \$10.75/share. On May 1 KONA responded that they were not interested in pursuing a transaction. On January 1, 2009 Mill Road sent a letter to KONA offering to invest \$1M into the company in exchange for 689,655 newly issued shares at a price of \$1.45/share and highlighted that the offer was 22% higher than the financing arrangement announced with the Chairman's father. On March 6 and March 11 Mill Road sent letters to KONA announcing that the Board failed in its fiduciary obligations when it offered to sell shares to the Chairman's father twice without going through a competitive bidding process.

OI Corp. (OICO)**Activist Investor:** Mustang Capital Management**Investor Info**

Shares	298,210
% Outstanding	12.7%
Cost Basis	11.34

Company Info

Share Price	7.22
Revenue	29M
Market Cap	17M
Enterprise Value	14M
Net Cash	3M
EBITDA	2M
52 wk. range	6.65 – 13.27
EV/EBITDA	6.5

Catalyst Info**Catalyst:**

Mustang Capital has been steadily increasing their ownership stake in OICO from 9.1% last July to their current ownership level of 12.7%.

Sonic Automotive Inc. (SAH)**Activist Investor:** Paul Rusnak**Investor Info**

Shares	4,300,000
% Outstanding	15.3%
Cost Basis	1.44

Company Info

Share Price	3.14
Revenue	6.0B
Market Cap	126M
Enterprise Value	1.8B
Net Cash	-1.6B
EBITDA	177M
52 wk. range	0.72 – 21.60
EV/EBITDA	10.1

Catalyst Info**Catalyst:**

Rusnak has accumulated all of his ownership in SAH since February. On April 17 Rusnak announced he had sent a letter to SAH requesting board membership.

CONTACT INFORMATION:**Hedge Fund Solutions, LLC**

Damien J. Park

Tel. +1 215.325.0514

dpark@hedgerelations.com

FREE Subscription to the weekly report:

<http://www.hedgerelations.com/research.html>or Email: research@hedgerelations.com

The *Catalyst Equity Research Report*™ is a general circulation weekly. Hedge Fund Solutions and/or its affiliates (the “Firm”) may have a consulting relationship with the companies featured in this report (the “Companies”). The Firm may also actively trade in the securities of the Companies for its own account. At any time, the Firm, funds it manages and/or its employees or their family members may have a long or short position in registered or non-registered securities or in options on any such security of any company mentioned in this report.

The information contained in this report is not a complete analysis of every material fact with respect to the company, industry, or security and is not an offer or solicitation to buy or sell any security. Although opinions and estimates expressed in this report reflect the current judgment of the Firm, the information upon which such opinions and estimates are based is not necessarily updated on a regular basis. In addition, opinions are subject to change without notice. The Firm from time to time may perform consulting services for companies mentioned in this report and may occasionally possess material, nonpublic information regarding such companies. This information is not used in the preparation of this report. Facts and other information contained in this report have been obtained from the public sources considered reliable but are not guaranteed in any way.

For Sponsorship Information Contact Damien Park at +1 215.325.0514 or dpark@hedgerelations.com

PLATINUM SPONSORS



Georgeson Inc. is the world's leading provider of strategic proxy and corporate governance advisory services to corporations and shareholder groups working to influence corporate strategy. For over half a century, Georgeson has specialized in complex solicitations such as hostile and friendly acquisitions, proxy contests and takeover defenses. For eight consecutive years, Georgeson has been ranked the No. 1 proxy solicitor for M&A transactions in the US.

Georgeson's experts include former corporate secretaries who have worked toward successful outcomes with activist investors, former directors of US research at RiskMetrics, M&A attorneys, and the most experienced proxy solicitation team in the industry.

Contact:

Rachel Posner, Senior Managing Director and General Counsel

Email: rposner@georgeson.com

Tel: +1 212.440.9921



Olshan Grundman Frome Rosenzweig & Wolosky LLP is a law firm dedicated to providing personal service tailored to the specific requirements and concerns of the firm's clients. Olshan is widely recognized as a preeminent law firm in the activist strategy area, and represents experienced activist investors, funds new to the activist area, as well as other investment and hedge funds. Olshan has extensive experience advising clients in a wide range of activist strategies, from private negotiations with management to public, high profile proxy contests, including expertly and efficiently handling litigation relating to activist matters. We also specialize in mergers and acquisitions and hostile takeovers, with extensive expertise in these matters. Olshan's highly regarded attorneys provide a full range of legal services and are uniquely positioned to provide expert advice regarding the complicated and nuanced legal issues facing activist investors today.

Contact:

Steve Wolosky, Partner

Email: swolosky@olshanlaw.com

Tel: +1 212.451.2333



Schulte Roth and Zabel LLP, one of the leading law firms in the activist investing area, has been involved in some of the highest-profile campaigns facing the business world in recent years. Serving both activist-only and occasional activists, the firm advises on federal securities law, state corporate law, Hart-Scott-Rodino, proxy rules and related matters, as well as handling investigations and litigations arising out of clients' activist activity. The firm, with over 450 lawyers in offices in New York, Washington, D.C., and London, has a long history of serving private equity and hedge fund clients.

Contact:

Marc Weingarten, Partner

Email: marc.weingarten@srz.com

Tel: +1 212.756.2280



RealMoney, the paid subscription service for TheStreet.com, provides insights, analysis and detailed investment recommendations from top investment professionals, all in real time.

Damien Park, The CEO of Hedge Fund Solutions, is 1 of 45 of Wall Street's best investment professionals that provide RealMoney subscribers with a running commentary on actionable investment ideas throughout each trading day. Mr. Park, an expert on activist investing, focuses exclusively on providing current market commentary on these investments.

<http://www.realmoney.com>

GOLD SPONSORS

Lowenstein Sandler is a nationally recognized corporate law firm with offices in Boston, New York, Palo Alto and Roseland, with more than 270 attorneys providing a full range of legal services. The firm's commitment to its clients is demonstrated through its client-centered, service-oriented culture. Lowenstein Sandler attorneys are regularly recognized for excellence by clients and peers in national publications, including Best Lawyers in America, Chambers USA: America's Leading Lawyers for Business and The Legal 500.



The attorneys in our Investment Management and Corporate practices represent more than 200 domestic and offshore hedge funds, private equity funds, venture capital funds and other pooled investment vehicles, with assets under management ranging from \$50 million to more than \$30 billion. Our clients also include fund managers, investment advisers, administrators, broker-dealers and institutional investors.

Contact:

Jeffrey Shapiro, Partner
 Email: jshapiro@lowenstein.com
 Tel: +1 973.597.2470

Laurel Hill Advisory Group is a full service, cross-border proxy solicitation firm whose partners and associates are highly recognized in the areas of corporate governance, shareholder activism, and mergers & acquisitions. Laurel Hill was founded in late 2007 by a team of experienced professionals who have worked on over a hundred proxy fights and deals in the U.S. and Canada in the past two years. We are the fastest growing proxy firm in North America providing expertise in corporate governance consulting, shareholder identification, corporate actions (tender offers, consent solicitations), strategic proxy solicitation advisory services, and shareholder asset recovery programs.



Contact:

Tom Cronin, Partner
 E-mail: tcronin@laurehillag.com
 Tel: +1 917.338.3175

NachmanHaysBrownstein, Inc. (NHB) is a leading turnaround and crisis management firm specializing in complex and challenging operational, organizational and financial issues affecting public and privately-held companies worldwide. For the past fourteen consecutive years, NHB has been listed as one of the "Top Turnaround Firms" in *Turnarounds & Workouts*.



NHB introduces leading hedge funds and private equity sponsors to proprietary investment opportunities, while providing them with the management resources to quickly drive performance results at portfolio companies. The Firm's seasoned managers have a broad range of expertise in corporate governance, operational and financial due diligence, Six Sigma quality control, lean manufacturing techniques, process systems and controls, and information systems management. When appropriate and necessary, NHB's leadership team will act as interim CEO, COO, CFO and CRO and/or join a Company's Board of Directors.

NHB also provides investment banking services, including refinancing, recapitalizations and business divestiture. In addition, the firm has extensive expertise in all aspects of bankruptcy and non-bankruptcy alternatives such as wind-downs and orderly liquidations.

Contact:

Howard Brod Brownstein, Principal
 Email: hbrownstein@nhbteam.com
 Tel: +1 610.660.0060 x225

The Altman Group is a full service proxy solicitation firm whose senior professionals have over 250 years of industry experience. We have developed one of the most experienced proxy fight teams in the industry, having been retained in 46 contested solicitations over the past 3 years alone – and our 80% win record is unequaled. We were presented with the 2008 TOPS Award recognizing the firm with the highest rated proxy solicitation practice (the third consecutive win for us). We provide strategic consulting, shareholder identification, institutional and proxy advisory firm insight and advanced proxy solicitation services.



Contact:

Paul Schulman, Executive Managing Director
 Email: pschulman@altmangroup.com
 Tel: +1 201.806.2206