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Weekly Research Highlighting Activist Investments

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HIGHLIGHTING ACTIVIST INVESTMENTS

Week Ending June 26, 2009

SYMBOL	COMPANY	INVESTOR
CTO	Consolidated Tomoka Land Co	Wintergreen Advisers
DCS	Dreman/Claymore Dividend Fund	Bulldog Investors
DITC	Ditech Networks	Lloyd Miller
HDIX	Home Diagnostics	Discovery Group
JTX	Jackson Hewitt Tax Service	Shamrock Activist Value Fund
KANA.OB	Kana Software	KVO Capital Management
SLRY	Salary.com	Raging Capital Management
STAA	Staar Surgical Co	Broadwood Partners
TLX	Trans-Lux Corp	GAMCO Investors
UAHC	United American Healthcare Corp.	Strategic Turnaround Partners

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

Authored by Damien Park & Matteo Tonello

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



Consolidated Tomoka Land Co. (CTO)**Activist Investor:** Wintergreen Advisers**Investor Info**

Shares	1,481,474
% Outstanding	25.9%
Cost Basis	61.42

Company Info

Share Price	37.14
Revenue	19M
Market Cap	213M
Enterprise Value	223M
Net Cash	-11M
EBITDA	9M
52 wk. range	21.56 – 50.57
EV/EBITDA	25.8

Catalyst Info**Catalyst:**

On June 23 Wintergreen sent a letter to CTO congratulating the newly elected board members, applauding the board for separating the positions of Chairman and CEO, encouraging the board to make the shareholder mandated changes to the Articles of Incorporation and By-Laws (to de-stagger the board and set the number of directors at 11) and expressing concern over possible conflicts of interest between the newly appointed Chairman and his personal business interests.

Comment:

We previously covered CTO in numerous Catalyst Research Reports (most recently on March 27), highlighting letters Wintergreen had sent disclosing their significant concerns with the Company's current business strategy and slow response to unlock value by exploring all strategic alternatives available. On December 31, 2008 Wintergreen filed an application for a court ordered inspection of Company records for the purposes of trying to determine whether the affairs of the Company were being properly administered by the corporate officers. On March 9 Wintergreen filed a proxy in order to replace three directors up for election at the 2009 annual meeting (2 nominees were elected at the meeting). Wintergreen also submitted shareholder proposals to (i) declassify the board, (ii) separate the positions of Chairman and CEO, and (iii) ensure the board consist of no more than 11 people.

Dreman/Claymore Dividend & Income Fund (DCS)**Activist Investor:** Bulldog Investors**Investor Info**

Shares	927,965
% Outstanding	12.22%
Cost Basis	Not Avail

Company Info

Share Price	9.96
Revenue	73M
Market Cap	90M
Enterprise Value	90M
Net Cash	N/A
EBITDA	N/A
52 wk. range	4.80 – 65.95
EV/EBITDA	N/A

Catalyst Info**Catalyst:**

On June 20 Bulldog sent a letter to DCS stating that the board did the right thing in terminating their sub-advisory agreement with Dreman Value Management. Bulldog also announced they will continue with a proxy contest to replace board members unless shareholders are given the opportunity to realize the net asset value of the closed-end fund.

Comment:

In April Bulldog submitted a shareholder proposal for DCS to terminate its investment advisory agreement with Dreman Value Management. On June 17 DCS announced Manning & Napier would replace Dreman as the fund's sub-advisor.

As of June 26 DCS was trading at a 21.02% discount to its Net Asset Value.

Ditech Networks, Inc. (DITC)**Activist Investor:** Lloyd Miller**Investor Info**

Shares	1,540,694
% Outstanding	5.9%
Cost Basis	1.76

Company Info

Share Price	1.04
Revenue	19M
Market Cap	27M
Enterprise Value	-16M
Net Cash	43M
EBITDA	-19M
52 wk. range	0.60 – 2.26
EV/EBITDA	N/A

Catalyst Info**Catalyst:**

On June 22 Miller disclosed a 5% ownership position in DITC and announced his support for Lamassu Holdings' two director nominees up for election at this year's annual meeting.

Comment:

We previously covered DITC in our May 22, February 27, January 30, 2009; October 5, June 8 and May 25, 2007 Catalyst Research Reports, highlighting (1) Riley Investment Management's letter suggesting the Company undergo a share buyback and (2) Lamassu Holdings' offer to purchase the company for \$1.25 per share in cash as a bolt-on acquisition to one of their portfolio companies.

On February 24 DITC announced they were rejecting the unsolicited buyout offer. Lamassu then announced their intention to replace two directors up for election this year.

Home Diagnostics, Inc. (HDIX)**Activist Investor:** *Discovery Capital***Investor Info**

Shares	1,414,810
% Outstanding	8.4%
Cost Basis	7.27

Company Info

Share Price	6.09
Revenue	123M
Market Cap	103M
Enterprise Value	81M
Net Cash	22M
EBITDA	14M
52 wk. range	4.41 – 10.99
EV/EBITDA	5.9

Catalyst Info**Catalyst:**

Discovery continues to increase their ownership position in HDIX. Since last June they have purchased an additional 307,634 shares (equivalent to 2.2% of HDIX shares outstanding).

Comment:

We previously covered HDIX in our March 21 2008 Catalyst Research Report, highlighting Discovery's aggressive increase in ownership early last year.

Jackson Hewitt Tax Service Inc. (JTX)**Activist Investor:** *Shamrock Activist Value Fund***Investor Info**

Shares	2,934,312
% Outstanding	8.3%
Cost Basis	29.99

Company Info

Share Price	5.74
Revenue	277M
Market Cap	165M
Enterprise Value	520M
Net Cash	-356M
EBITDA	92M
52 wk. range	2.80 – 17.83
EV/EBITDA	5.6

Catalyst Info**Catalyst:**

On June 24 Shamrock sent a letter to JTX confirming the Company's agreement to: (i) include a new independent director candidate on the company's slate to be elected at its annual meeting and (ii) submit to a stockholder vote a proposal to redeem the poison pill.

Comment:

We previously covered JTX in our May 22, May 15, January 16 2009; December 5 and April 18 2008; and December 14, November 16 and October 26 2007 Catalyst Research Reports, highlighting Shamrock Activist Fund's (8.3% ownership) request that the Company (i) de-stagger its current board and institute annual elections for all directors, (ii) adopt a majority voting standard for the election of directors who are running unopposed, and (iii) remove the poison pill. On December 3 2008 Shamrock submitted a shareholder proposal to repeal the Company's poison pill. On January 12 2009 Shamrock sent a letter to the Chairman expressing their concerns with the Company's current compensation policies. In the letter Shamrock stated their belief that the Company's efforts to maximize shareholder value will increase if they add an independent director with knowledge and direct experience in the field of executive compensation to lead an effort to revamp the company's executive compensation programs to appropriately match pay with performance.

Kana Software Inc. (KANA.OB)**Activist Investor:** *KVO Capital Management***Investor Info**

Shares	3,354,353
% Outstanding	8.15%
Cost Basis	1.01

Company Info

Share Price	0.70
Revenue	58M
Market Cap	29M
Enterprise Value	31M
Net Cash	-2M
EBITDA	-4M
52 wk. range	0.45 – 1.75
EV/EBITDA	Negative

Catalyst Info**Catalyst:**

On June 18 KVO sent a letter to KANA nominating one individual for election to the board. On June 19 KANA rejected the nominee because the nomination fell outside the company's advance notice requirements. On June 22 KVO filed a complaint requesting the Court permit their nominee. On June 22 Slater Capital (1.7%) announced their support for KVO's nominee. On June 25 KANA changed the annual meeting to December 1.

Comment:

We previously covered KANA in our June 19, May 15, January 30 and January 16 2009; December 19 and November 21 2008 Catalyst Research Reports, highlighting KVO's January 30 letter stating that they want to be clear that they have not invested in KANA based upon any confidence in the failed strategies of the CEO and Board of Directors; the investment was based upon the belief that KANA is undervalued in relation to what could be realized either in the sale of the Company or under management that understood the immediate need to control costs. On May 12 KVO announced their plans to propose an alternate slate of directors and also said they may attempt to purchase the company's outstanding bank debt and/or make an offer to buy the business.

Salary.com (SLRY)**Activist Investor:** Raging Capital Management**Investor Info**

Shares	1,385,876
% Outstanding	8.3%
Cost Basis	3.89

Company Info

Share Price	3.24
Revenue	43M
Market Cap	52M
Enterprise Value	39M
Net Cash	13M
EBITDA	-18M
52 wk. range	1.28 – 5.40
EV/EBITDA	Negative

Catalyst Info**Catalyst:**

On June 23 SLRY announced the appointment of Raging Capital's Managing Member to their board.

Comment:

We previously covered SLRY in our April 3 and March 20 Catalyst Research Reports, highlighting a shareholder proposal that Cannell Capital (6.8% shareholder) submitted on March 4 requesting the company hire an investment bank to examine a sale. We also highlighted a March 18 letter from Raging Capital stating their belief that the board should include non-employee directors who have material ownership positions in the company. In the letter Raging Capital suggested that two of the three board seats up for election at the 2009 annual meeting should be filled by two new directors that are agreeable to the existing nominating committee and their firm. On April 3 Kinderhook Partners (9.6%) sent a letter agreeing with Raging Capital.

STAAR Surgical Company (STAA)**Activist Investor:** Broadwood Partners**Investor Info**

Shares	6,054,538
% Outstanding	17.4%
Cost Basis	Not Avail

Company Info

Share Price	1.98
Revenue	75M
Market Cap	60M
Enterprise Value	65M
Net Cash	-5M
EBITDA	-5M
52 wk. range	0.79 – 5.98
EV/EBITDA	Negative

Catalyst Info**Catalyst:**

On June 23 Broadwood announced their belief that STAA's U.S. business results have improved following changes in strategy and management; however, there is room for continued improvement. Broadwood said they continue to support the current management team, its current sales and marketing strategy, and its ongoing efforts to adopt an appropriate cost structure for its operations. Furthermore, Broadwood intends to continue to closely monitor results in these areas, and may seek additional changes if significant progress does not continue over time.

Broadwood believes STAA's revenue growth and substantial margin improvement have not yet been reflected in its stock price and therefore continue to oppose any proposed acquisition of the Company at a price that does not represent a very large premium to its current market value.

Trans-Lux Corp. (TLX)**Activist Investor:** GAMCO Investors**Investor Info**

Shares	2,020,090
% Outstanding	40.87%
Cost Basis	Not Avail

Company Info

Share Price	1.10
Revenue	37M
Market Cap	3M
Enterprise Value	23M
Net Cash	-20M
EBITDA	5M
52 wk. range	0.20 – 3.97
EV/EBITDA	4.7

Catalyst Info**Catalyst:**

On June 23 TLX announced the resignation of three directors and the nomination of three Gamco director candidates as part of a lawsuit settlement agreement. In addition, the company announced, subject to shareholder approval, each share of Trans-Lux B stock will convert into 1.3 shares of Trans-Lux common stock.

Comment:

We previously covered TLX in our February 6 2009 and July 18 2008 Catalyst Research Reports, highlighting a letter from Gamco on July 14 2008 to TLX's Chairman Emeritus requesting to understand the process undertaken and valuations considered in the decision to sell the assets of their entertainment division for \$8.5M to a private equity firm. On February 3 Gamco nominated three people for election to the board at TLX's next annual meeting.

United American Healthcare Corp. (UAHC)**Activist Investor:** Strategic Turnaround Equity Partners**Investor Info**

Shares	732,732
% Outstanding	9.0%
Cost Basis	Not Avail

Company Info

Share Price	1.43
Revenue	21M
Market Cap	12M
Enterprise Value	-3M
Net Cash	15M
EBITDA	-3M
52 wk. range	1.04 – 2.21
EV/EBITDA	N/A

Catalyst Info**Catalyst:**

On June 23 Strategic Turnaround sent a letter to UAHC's CEO, its CFO and its Chairman announcing that they no longer support management because they have not presented a plan to shareholders to reduce corporate overhead and expenses to preserve the Company's cash. Strategic Turnaround demanded the company (i) reduce all salaries by 30%, (ii) freeze all bonuses, (iii) clawback all bonuses issued last year, (iv) reduce all expenses, including office space, (v) re-examine all compensation, and (vi) prepare an Austerity Plan and Budget.

Comment:

We previously covered UAHC in our May 8 2009; October 17, October 3, August 8 2008; and June 22 2007 Catalyst Research Reports, highlighting Strategic Turnaround's request for UAHC to improve investor communications and explore various strategic alternatives. On September 23 UAHC included one person from Strategic Turnaround as the only individual up for election to the board at the 2008 annual meeting. On October 16 Lloyd Miller (11.6% shareholder) highlighted a recent communication by UAHC that stated it "has not paid any cash dividends on its Common Stock since its initial public offering in fiscal 1991 and does not anticipate paying such dividends in the foreseeable future. The Company intends to retain earnings for use in the operation and expansion of its business." Following this, Miller announced his belief that the Company should not retain funds for expansion or acquisitions under current economic and business conditions and that the Company should act promptly in the interest of shareholders to declare an extraordinary dividend as a significant return of capital to shareholders, and should pay this dividend on or before December 31, 2008.

On May 8 2009 Strategic Turnaround sent a letter to UAHC's Chairman expressing their extreme disappointment with the company's recent earnings and cash-burn rate. In the letter Strategic Turnaround insisted that the management immediately formulate a plan to be articulated to the shareholders on how they are going to reduce the cash burn, including a reduction in salaries and expenses as well as a clawback on all [2008] bonuses.

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