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CATALYST EQUITY RESEARCH REPORT™

Weekly Research Highlighting Activist Investments

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HIGHLIGHTING ACTIVIST INVESTMENTS*Week Ending September 7, 2012*

SYMBOL	COMPANY	INVESTOR
APFC	American Pacific Corporation	Cornwall Capital
CBRL	Cracker Barrel Old Country Store	Biglari Holdings
CXW	Corrections Corp. of America	Corvex Management
MVG	Mag Silver Corp.	Mason Hill; Jeff Eberwein
PRTS	US Auto Parts Network	Discovery Capital
RLH	Red Lion Hotels	Columbia Pacific Opportunity
SCX	LS Starrett Co	GAMCO Investors
TPCG	TPC Group Inc.	Sandell Asset Management
WTSLA	Wet Seal, Inc.	Clinton Group
WYNN	Wynn Resorts	Aruze USA Inc.

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American Pacific Corp. (APFC)**Activist Investor:** Cornwall Capital Management**Investor Info**

Shares	952,036
% Outstanding	12.5%
Cost Basis	7.74

Company Info

Share Price	11.91
Revenue	253M
Market Cap	91M
Enterprise Value	157M
Net Cash	-66M
EBITDA	55M
52 wk. range	6.50 – 13.47
EV/EBITDA	2.8

Catalyst Info**Catalyst:**

On September 6 Cornwall Capital disclosed that they have recently increased their ownership in APFC from 8.9% to 12.5% and sent a letter to the board proposing that two of the current directors be immediately replaced by two of Cornwall's designees. In the letter Cornwall stated that it is imperative for the board to (i) evaluate its long-term strategic plan and (ii) clarify the standards governing its capital allocation decisions.

A copy of Cornwall's September 6 letter is available here:

<http://www.sec.gov/Archives/edgar/data/350832/000135982412000026/exhibit1.htm>

Comment:

We previously covered APFC in our December 9, 2011 and September 23, 2011 Catalyst Research Reports, highlighting Mill Road Capital's 7.3% "active" ownership stake at an average cost of \$6.58/share. Mill Road subsequently increased their ownership to 9.3% in December.

On October 11, 2011 Cornwall disclosed a 6.5% "active" ownership stake at an average cost of \$6.96/share and subsequently increased it to 8.9% at an average cost of \$7.13/sh. They currently own 12.5%.

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Cracker Barrel Old Country Store (CBRL)**Activist Investor:** Biglari Holdings**Investor Info**

Shares	4,064,509
% Outstanding	17.5%
Cost Basis	48.59

Company Info

Share Price	64.72
Revenue	2.5B
Market Cap	1.5B
Enterprise Value	1.9B
Net Cash	-461M
EBITDA	238M
52 wk. range	37.31 – 64.95
EV/EBITDA	8.3

Catalyst Info**Catalyst:**

On September 6 Biglari Holdings (BH) issued a press release commenting on CBRL's proposed settlement offer to avoid a proxy contest. BH said they are rejecting the "Faux Offer" because of two fundamental flaws, (i) the requirement to recommend two individuals with no relevant restaurant experience and (ii) no significant ownership in the company's stock.

BH further stated that, "[BH] are principled, and we will not waiver in our pursuit of board seats. Nonetheless, we are hopeful that rationality will prevail and that the new Board will depart from its predecessors. Needless to say, a proxy contest is costly and distracting. After all, we pay 100% of the costs on our side as well as 18%, in effect, of what the Board spends of shareholders' money.

A copy of BH's September 5 press release along with CBRL's settlement offer is available here:

http://www.sec.gov/Archives/edgar/data/93859/000092189512001813/ex991to13da1507428021_090512.htm

Comment:

We previously covered CBRL in our August 17, April 20, April 13, January 27, January 13, January 6, 2012; November 18, September 23, September 2, August 26 and June 17, 2011 Catalyst Research Reports, highlighting BH's "active" ownership stake and August 23, 2011 letter expressing concern over the Company's failure to disclose operating segments for both the restaurant and the retail operations.

On September 1, 2011 BH nominated two individuals to the 11 member board (later reduce to one nominee).

On September 23 CBRL adopted a Poison Pill with a 10% trigger that would expire at the Company's shareholder meeting unless approved by shareholders. The Company states that the action was in response to BH's clearance under the Hart-Scott-Rodino Act to acquire up to 49.99% of the Company's common stock. (The approval of the Poison Pill was put to a shareholder vote at the annual meeting and defeated).

In a press release issued on the same day, BH stated that the reasoning provided by the board to adopt the pill was misleading since they had told the Company that they were not interested in seeking control of CBRL.

On November 14 BH issued a letter to shareholders outlining a business improvement plan for CBRL.

On April 13, 2012 we reported that BH had increased its ownership from 9.9% to 16.9% (currently 17.5%) since losing a proxy contest for board representation on December 20, 2011. On April 10, 2012 CBRL adopted another poison pill, this time with a 20% trigger.

On April 19 Biglari issued a letter to CBRL shareholders reaffirming its long-term investment commitment in CBRL and calling upon the board to replace the CEO. In addition, Biglari stated that they intend to replace four board members at the next annual meeting.

A copy of Biglari's April 19, 2012 letter is available here:

http://www.sec.gov/Archives/edgar/data/93859/000092189512000806/ex991to13da1207428cra_041912.htm

On August 16, 2012 we reported that Biglari nominated two people for election to the board at the next annual meeting.



Proxy Solicitor to Cracker Barrel



Proxy Solicitor to Biglari Holdings



Legal counsel to Biglari Holdings

Corrections Corporation of America (CXW)**Activist Investor:** *Corvex Capital***Investor Info**

Shares	4,990,000
% Outstanding	4.99%
Cost Basis	Not Avail

Company Info

Share Price	34.62
Revenue	1.8B
Market Cap	3.5B
Enterprise Value	3.8B
Net Cash	-1.2B
EBITDA	428M
52 wk. range	20.14 – 35.04
EV/EBITDA	8.8

Catalyst Info**Catalyst:**

On September 5 Corvex Capital disclosed they have ended their active investment “Group” relationship with Marcato Capital and commended the board of CXW on the significant progress they have made toward REIT conversion and on the recent positive business momentum including the recent Arizona Department of Corrections contract award.

Comment:

We previously covered CXW in our May 4 and April 6 Catalyst Research Reports, highlighting Corvex Capital and Marcato Capital’s combined 7.04% ownership stake and statement that they have been in discussions with the company about converting to a real estate investment trust (REIT) for tax purposes.

On May 4 Corvex and Marcato issued a joint press release commending CXW’s board and management on their decision to explore a potential REIT conversion. In addition, the investors stated, “We have been pleased with the constructive dialogue that we have had with management regarding Project REIT and believe that management and the board of directors intend to work expeditiously and are committed to seeing the process through to its completion. Prior to our discussions with the Company, we engaged independent legal and tax advisors with expertise in REIT conversions. We believe that the structure being contemplated by the REIT Project has a high probability of accomplishing the Company’s goals.”

MAG Silver Corp. (MVG)**Activist Investor:** *Mason Hill, Jeff Eberwein***Investor Info**

Shares	5,103,103
% Outstanding	9.2%
Cost Basis	7.47

Company Info

Share Price	11.29
Revenue	N/A
Market Cap	637M
Enterprise Value	620M
Net Cash	15M
EBITDA	-8M
52 wk. range	5.95 – 11.43
EV/EBITDA	Negative

Catalyst Info**Catalyst:**

On September 5 MVG entered into a settlement agreement with an investment group led by Mason Hill and Jeff Eberwein called “Mining Investors for Shareholder Value” (MISV). Under the terms of the settlement MVG agreed to add two new directors to a 9-member board.

A link to MVG’s Sept. 5th settlement agreement with MISV is available here:

http://www.sec.gov/Archives/edgar/data/1230992/000092189512001827/ex991to13da208911002_090512.htm

Comment:

We previously covered MVG in our June 29 Catalyst Research Report, highlighting the fact that Mason Hill and Jeff Eberwein formed an investment group called “Mining Investors for Shareholder Value” (MISV) and disclosed a total 9.2% group ownership stake in MVG.

At that time, MISV stated that they were highly concerned about further dilution of shareholders’ effective ownership and called on the Board to refrain from any further value-destructive dilution of shareholders and not to take any action that negatively impacts the Company’s corporate governance or is otherwise adverse to shareholders’ best interests, including, without limitation, lowering the threshold on the poison pill, altering the structure of the Board, delaying the annual general meeting of shareholders or adopting other anti-takeover or defensive measures.

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Legal counsel to Mining Investors for Shareholder Value

U.S. Auto Parts Network (PRTS)**Activist Investor:** *Discovery Capital***Investor Info**

Shares	1,949,674
% Outstanding	6.4%
Cost Basis	3.97

Company Info

Share Price	3.17
Revenue	324M
Market Cap	97M
Enterprise Value	109M
Net Cash	-11M
EBITDA	11M
52 wk. range	2.82 – 6.40
EV/EBITDA	10.2

Catalyst Info**Catalyst:**

Discovery has recently increased their “active” ownership stake in PRTS from 5.3% to 6.4% of the company’s shares outstanding.

Comment:

We previously covered PRTS in our May 11 2012 Catalyst Research Report, highlighting Discovery Capital’s 5.3% “active” ownership stake in PRTS.

Red Lion Hotels Corp (RLH)**Activist Investor:** *Columbia Pacific Opportunity Fund***Investor Info**

Shares	5,497,448
% Outstanding	28.8%
Cost Basis	Not Avail

Company Info

Share Price	7.67
Revenue	161M
Market Cap	147M
Enterprise Value	243M
Net Cash	-95M
EBITDA	16M
52 wk. range	6.26 – 8.80
EV/EBITDA	15.3

Catalyst Info**Catalyst:**

On September 7 Columbia Pacific sent a letter to the board of RLH stating that, “after five months, it is time for shareholders to learn the results of [the strategic review] process”. Furthermore, Columbia Pacific said that if the board does not present a proposal to sell or liquidate the company they intend to call for their resignation.

Comment:

We previously covered RLH in our March 2, 2012; November 18, 2011, July 8, 2011, December 3, 2010 and February 13, 2009 Catalyst Research Reports, highlighting a letter from Columbia to RLH in 2009 expressing their disappointment in the Board’s decision to adopt a poison pill. Columbia, who has previously expressed an interest in acquiring RLH, demanded the Board remove the pill and begin the process of liquidation or sale of the Company to return value to shareholders in the timeliest manner possible. At the time of Columbia’s letter in early 2009, RLH stock was trading around \$2.60/share.

On December 1, 2010 Columbia stated their belief that RLH should consider a sale of one or more assets. Furthermore, Columbia stated they may be interested in acquiring certain assets.

On January 19, 2011 Columbia sent a letter to the board stating that the Company’s January 18, 2011 announcement to sell two real estate assets was an important first step in the process to create and return value to shareholders. However, Columbia also stated that RLH explore the sale of the entire company or all of its real estate assets while focusing on growing the high margin franchise and management business.

On November 14, 2011 Columbia said that they applaud management for successfully selling fully valued real estate, reducing debt, and reallocating capital to recently acquire the iStar lease portfolio. With the hotel portfolio and balance sheet in a stable position, Columbia now believes it is time to engage an advisor to run a full process to sell or liquidate the entire company. Columbia intends to be part of this process as a potential acquirer.

On February 28 Columbia sent a letter to the board stating that several financial and strategic parties have recently contacted them expressing an interest in acquiring the Company. As a result, Columbia believes RLH should run a full and transparent sale process.

LS Starrett Co. (SCX)**Activist Investor:** GAMCO Investors**Investor Info**

Shares	887,325
% Outstanding	14.76%
Cost Basis	Not Avail

Company Info

Share Price	12.70
Revenue	261M
Market Cap	86M
Enterprise Value	97M
Net Cash	-11M
EBITDA	22M
52 wk. range	9.90 – 14.86
EV/EBITDA	4.4

Catalyst Info**Catalyst:**

On September 5 GAMCO submitted a shareholder proposal for the removal of SCX's poison pill.

Comment:

We previously covered SCX in our July 20 Catalyst Research Report, highlighting GAMCO's July 18 letter to SCX requesting that they remove or adjust the poison pill above the 15% threshold so that GAMCO can increase their ownership in the Company.

TPC Group Inc. (TPCG)**Activist Investor:** Sandell Asset Management**Investor Info**

Shares	1,109,816
% Outstanding	7.1%
Cost Basis	38.49

Company Info

Share Price	42.34
Revenue	2.7B
Market Cap	649M
Enterprise Value	877M
Net Cash	-213M
EBITDA	92M
52 wk. range	16.27 – 47.61
EV/EBITDA	9.6

Catalyst Info**Catalyst:**

On September 5 Sandell disclosed a 7.1% "active" ownership stake in TPCG and stated their opposition to the company's \$40/share going-private transaction.

A link to Sandell's White Paper setting forth their opinion is available here:

http://www.sec.gov/Archives/edgar/data/1140474/000090266412001168/p12-1566exh_2.htm

Schulte Roth&Zabel

Legal counsel to Sandell Asset Management

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Wet Seal Inc. (WTSLA)**Activist Investor:** Clinton Group**Investor Info**

Shares	6,002,800
% Outstanding	6.7%
Cost Basis	\$2.96

Company Info

Share Price	3.12
Revenue	598M
Market Cap	291M
Enterprise Value	133M
Net Cash	146M
EBITDA	25M
52 wk. range	2.42 – 5.08
EV/EBITDA	5.3

Catalyst Info**Catalyst:**

On September 5 Clinton sent a letter to the board of WTSLA stating that there is a misalignment between the board's compensation and the creation of shareholder value.

A copy of Clinton's September 5 letter to WTSLA is available here:

<http://www.sec.gov/Archives/edgar/data/863456/000090266412001172/p12-1569exhibit3.htm>

Comment:

We previously covered WTSLA in our August 31, August 24 and August 3 Catalyst Research Reports, highlighting Clinton's letters to WTSLA's board of directors stating that they intend to solicit written consents from other shareholders to remove board members and replace them with new directors unless the Company can justify why they are not examining a complete strategic review of the business with the aid of an investment banker.

On August 22 Clinton issued a press release announcing the five director nominees they plan to elect to the WTSLA board by way of written consent.

On August 30 Clinton Group disclosed that they have increased their ownership stake in WTSLA from 4.71% to 6.49% and announced they have filed a preliminary consent statement with the SEC to elect five new members to the company's 6-member board.

A copy of Clinton's preliminary consent statement is available here:

<http://www.sec.gov/Archives/edgar/data/863456/000090266412001153/p12-1555prec14a.htm>

In-Depth Activist Research & Webcast on WTSLA

On August 15 Hedge Fund Solutions issued an in-depth research report on this situation. For a copy of this research contact dpark@hedgerelations.com or 215-325-0514.

On August 23 Hedge Fund Solutions and APB Financial Group hosted a 30 minute webcast with Greg Taxin, head of activist investments for Clinton Group, to discuss their investment thesis in WTSLA. For a link to the webcast replay contact Brian Luster at APB Financial Group bluster@abbygroup.com or 212-293-3463.

Schulte Roth & Zabel

Legal counsel to Clinton Group

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Proxy Solicitor to Wet Seal

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Wynn Resorts Ltd. (WYNN)**Activist Investor:** Aruze USA Inc**Investor Info**

Shares	44,318,080
% Outstanding	35.4%
Cost Basis	Not Avail

Company Info

Share Price	102.74
Revenue	5.2M
Market Cap	10.3B
Enterprise Value	13.5B
Net Cash	-3.31B
EBITDA	1.5B
52 wk. range	90.11 – 161.33
EV/EBITDA	9.3

Catalyst Info**Catalyst:**

On September 5 Aruze disclosed that they have nominated 2 individuals for election to the board of WYNN.

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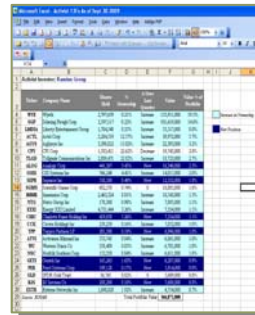
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