



## PIRATE CAPITAL LLC

# INVESTOR NEWSLETTER

### AUGUST 2007 MONTHLY

PERFORMANCE*	August	YTD	Since Inception
Jolly Roger Fund LP	-4.37%	-1.07%	181.72%
Jolly Roger Offshore Fund LTD	-3.98%	-7.46%	117.77%
Jolly Roger Activist Fund LP	-6.43%	-24.39%	-16.17%
Jolly Roger Activist Fund LTD	-6.43%	-22.84%	-14.65%

### *PORTFOLIO MANAGER'S REPORT*

Markets remained choppy over the past month, as the heightened level of volatility that developed in July spilled over into the month of August. On August 16th, the CBOE SPX Volatility Index (which measures the market estimate of future volatility) spiked to 37.50, its highest level since 2002, as investors momentarily capitulated and sold stock aggressively into a falling market.

Since the 16th, equities have been better-bid but have not yet regained all of their losses from their July highs. Due in part to the broader market weakness, the Jolly Roger Funds returned negative performance for the month of August. While we are always very disappointed with negative performance figures, our return outlook for our investment portfolio remains encouraging as with each day we move closer to seeing our investment thesis in each of our positions play through.

Looking forward on the macro front, the Federal Reserve is widely expected to cut the target Federal Funds Rate next week, which could help break the stalemate in the credit markets and should also help valuation metrics across the board including those of our positions. Oil prices recently hit a new high, indicating that energy investors believe that the global economy will remain strong with energy demand outstripping supply. This suggests that the recent market turmoil will not derail global growth.

Despite the improved outlook, our portfolio continues to contain zero leverage, which we believe is prudent given the elevated volatility in the markets. We continue to hold cash but are carefully preparing to deploy funds into several new opportunities that we've identified.

We reiterate our confidence that there is substantial upside in our portfolio names, and we will continue to leverage our Board positions to unlock this value for our investors. We expect our core investments to appreciate significantly over time and for new investments to add incremental value.

Those of you who were able to join us on our recent conference call had the opportunity to hear us discuss several examples of some of the activist hands-on initiatives that we are able to undertake at several of our portfolio companies given our insider status. In an effort to be more transparent with all of our investors, we will be publishing a confidential report for our investors that will detail some of the work that we do behind the scenes in order to create value in our investments. Please contact our Client Services department for a copy of this report.



## PIRATE CAPITAL LLC

# PERFORMANCE UPDATE

### Treasures of the Month

**Boardwalk Real Estate Investment Trust (ticker: BEI-U CN)** gained 3.1% in August as investors began bargain hunting. Boardwalk is a Canadian real estate development company that continues to benefit from higher oil prices, which are fueling very strong employment growth in Canada and subsequently driving up demand for housing throughout Alberta.

### Shipwrecks of the Month

**The Brink's Company (ticker: BCO)** fell 6% in August as investors expressed their disappointment with CEO Michael Dan's comments suggesting that a split up of the Company's two disparate business units was not likely in the near term. We are limited to what we can share given our Board membership; however, we continue to believe that BCO currently trades at a significant discount to fair value. We will continue to use our Board presence to actively push for initiatives that will maximize shareholder value.

**Pep Boys—Manny, Moe & Jack (ticker: PBY)** gave back 3.2% in August as investors sold the stock as credit conditions worsened and concerns regarding industry sales trends resurfaced. Pep Boys continues to pursue several value creation initiatives for shareholders, including monetization of the Company's valuable real estate holdings and expense reduction measures that are expected to extract more than \$100 million annually. We continue to play a key role as a Pep Boys Board member to turn around the Company and bring these initiatives to fruition in order to maximize shareholder value.

**The Allied Defense Group (ticker: ADG)** fell 28% in August as investors sold shares of the once highly-leveraged company as credit concerns intensified. Fortunately, ADG was able to recapitalize itself ahead of the credit market buckle and thereby successfully resolve all outstanding disputes with its bondholders that had once led to a going-concern opinion. The Company also secured a large defense contract with a Middle-Eastern country. More recently, the Company announced the sale of its European electronics subsidiary (VSK) for more than \$47 million, reflecting a healthy premium valuation. We remain committed to maximizing value for all shareholders at ADG via our Board position.

**Angelica Corp. (ticker: AGL)** was down 6.7% driven primarily by softness in the broader service industry. Energy prices also ticked up during August, in-line with the normal seasonal trend. Despite these developments, we continue to believe that meaningful upside exists in AGL stock, premised on the firm adopting the right go-forward strategies. In that vein, we have recently submitted our proxy proposal calling for the nomination of two Pirate representatives to Angelica's Board of Directors. If successful, Angelica will have a more balanced board that we expect will: 1) provide the much needed corporate oversight of Angelica's management, 2) push for management to pay greater attention towards evaluating strategic alternatives, including the potential sale of the company, and 3) better align the interest of the board with that of shareholders.

\*Subject to final confirmation and audit. The "Net" returns reflect the performance of aggregate limited partner/shareholder capital for applicable periods; individual limited partner/shareholder performance may vary significantly from composite results. Historic returns are not indicative of future results. You are receiving this information because you have requested information on Pirate Capital LLC. Please notify us if you do not wish to receive future information. The information set forth above is intended solely for use by the recipient and is not to be reproduced or distributed to other parties. The data was compiled from sources that Pirate Capital LLC believes to be reliable; however, Pirate Capital LLC makes no representations or guarantees hereby with respect to the accuracy or completeness of such data. These are preliminary numbers pending final annual review by our accountants. Past performance is not necessarily indicative of future results. An investment in the "Funds" (Jolly Roger Fund LP or Jolly Roger Offshore Fund LTD or Jolly Roger Activist Fund LP or Jolly Roger Activist Fund LTD) will be subject to a variety of risks, and there can be no assurance that their investment objectives will be met or that they will not incur losses.