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After a period of active and successful collaboration between COMPASS and Lexecon, our two firms merged on January 1, 2008, creating Compass Lexecon. We now have offices in Chicago, Washington D.C., Cambridge, Los Angeles, San Francisco, Oakland, and Tucson. We also expect to open an office in New York in the near future.

Our preeminent competition, finance, energy and general litigation practices are now stronger than ever. We have developed cutting-edge expertise and extensive experience in a range of areas, including credit markets, derivatives and credit default swaps, private equity, the use of innovative econometric techniques to analyze the competitive and synergistic effects of mergers, economic analysis of the requirements for class certification, sophisticated tests of the competitive effects and rationales of challenged business practices, and the determinants of energy prices. We continue to be retained in a high percentage of the biggest and most complex cases and transactions. For example, *Deal.com* lists mergers that publicly received Second Requests from either the Department of Justice or Federal Trade Commission. A review of that list shows that Compass Lexecon experts are typically retained in close to 75 percent of these mergers. Because of our reputation for excellence and track record of success, we continue to attract and employ the most highly qualified professionals. Some of the recent highlights of our consulting practice are described below.

## **LITIGATION**

### **Clear Channel Communications/Private Equity Litigation**

We were retained in this case by Mark Hansen of Kellogg, Huber, Hansen, Todd, Evans & Figel P.L.L.C. and Bruce Kaplan of Friedman Kaplan Seiler & Adelman LLP to work on behalf of their clients Bain Capital Partners and Thomas H. Lee Partners, two private equity firms, on the \$23 billion acquisition of Clear Channel by Bain and Lee. The transaction was one of many that threatened to fall apart amid the current credit crisis. The sponsors, Bain and Lee, brought suit against a consortium of financial institutions for allegedly refusing to fund the acquisition and for failing to negotiate the final transaction agreements in good faith. Compass Lexecon experts Daniel Fischel and Christopher Culp were disclosed as experts on behalf of the two private equity firms. Culp was expected to testify about the lack of availability of alternative financing; Fischel was expected to testify about the economics of the commitment letter and damages. In largely denying the financial institutions motion for summary judgment, the court relied in part on the opinions of the private equity firms' "impressive" experts. The case then settled after the first day of trial. We were also retained by Robin Gibbs of Gibbs & Bruns L.L.P. in a related case which also settled. Another Compass Lexecon expert, Kevin Dages, had been scheduled to testify in that case along with Culp.

### **Allied Orthopedic Appliances, Inc. et al v. Tyco Healthcare Group L.P.**

In this class action, Janusz Ordovery, supported by Jith Jayaratne and a Compass Lexecon team in San Francisco, provided economic analysis for Tyco Healthcare and concluded that the impact on members of a proposed class of direct purchasers of pulse oximetry products in the United States could not be assessed using evidence common to the class. Judge Mariana Pfaelzer agreed, concluding that impact could not be established using common evidence, and denied the motion to certify the putative class. This decision was upheld by the Ninth Circuit. Compass Lexecon was retained by Christopher Dusseault of Gibson, Dunn & Crutcher LLP, who successfully represented Tyco.

### **Dow Chemicals Litigation with Ex-Officers**

This case involved litigation over the alleged improper and unauthorized attempts by two of Dow's senior executives to facilitate a leveraged buyout of Dow. Dow terminated both executives after it became aware of the unauthorized attempts. We were retained by David Bernick of Kirkland & Ellis, LLP on behalf of Dow to analyze the role of Dow's executives in the LBO transaction, the potential gain to the executives as a result of their participation in the attempts, the actions taken by Dow when it became aware of the unauthorized attempts, and the impact on Dow as a result of such attempts. Daniel Fischel and Compass Lexecon affiliate Robert Hamada were disclosed as experts in the case with statements of their expected expert testimony. The case then settled in what was described by *The Wall Street Journal* as a "decisive victory" for Dow.

## **CSX Proxy Fight Litigation**

We were retained in this case by Howard Godnick and David Momborquette of Schulte Roth & Zabel LLP on behalf of their client, The Children's Investment Fund ("CIF") in its proxy fight with CSX. Both sides filed claims of alleged disclosure violations. Daniel Fischel filed an expert report in support of CIF's claim that CSX insiders possessed material inside information prior to the award of certain executive compensation. The court agreed, stating, "The CSX....board possessed material non-public information at the time it set the target awards," but nevertheless concluded that CSX was not legally obligated to disclose this information. The court also concluded that CIF acted improperly but refused to enjoin them from voting their shares in the proxy contest.

## **JPMorgan Chase & Bear Stearns Litigation**

Shareholders of Bear Stearns sought a preliminary injunction in this case to prevent the acquisition of Bear Stearns by JPMorgan Chase. David Gross and a Compass Lexecon team in Chicago supported Larry Meyer, a former Governor of the Federal Reserve, who put forth an affidavit explaining the Federal Reserve's actions and the potentially serious consequences to the financial system as a whole if an injunction preventing the acquisition was granted. We also analyzed other economic issues in the case. The shareholders dropped their suit the day before the scheduled preliminary injunction hearing. JPMorgan Chase was successfully represented by Marc Wolinsky, Peter Hein, Douglas Mayer, and others at Wachtell, Lipton, Rosen & Katz.

## **Genesco/Finish Line/UBS MAC and Solvency Litigations**

We were retained in this case by Jim Denvir and William Jackson of Boies, Schiller & Flexner, LLP on behalf of their client, Genesco, in two separate highly expedited litigations related to the proposed acquisition of Genesco by Finish Line. Defendants argued that Genesco had experienced a material adverse change in its business and that Genesco had misrepresented its financial performance prior to the signing of the merger agreement. Compass Lexecon affiliate Roman Weil testified on behalf of Genesco and rebutted these claims. The court ruled in favor of Genesco on all issues. In a parallel action addressing solvency, Compass Lexecon affiliate John Finnerty was the expert for Genesco and was deposed on solvency and related economic issues. Genesco reached a favorable settlement shortly following the expert depositions.

## **Solutia Litigation**

This case involved litigation over the refusal by a group of lenders to provide financing to our client, Solutia, which would enable it to exit bankruptcy. We were retained by Rick Werder and others at Quinn Emanuel Urquhart Oliver & Hedges, LLP to analyze whether the conditions in the credit markets and, specifically, for leveraged syndicated loans provided a basis for the lenders to refuse to fund under a "market MAC" clause. Christopher Culp of Compass Lexecon testified in the case on the state of credit markets at various points in time. The parties reached a

settlement prior to closing arguments and Solutia emerged from bankruptcy with funding provided by the original bank group.

### **Fyffes Corp. Insider Trading Suit**

In this case, Fyffes, a large European company based in Ireland, alleged that one of its senior executives improperly traded on the basis of material inside information. Compass Lexecon and Dan Fischel were retained by Fyffes to analyze the relevant economic evidence related to this claim. After performing an extensive analysis of trading data, company performance and publicly available information, the Compass Lexecon team concluded that the economic evidence supported Fyffes' claim. Fischel then testified in a highly publicized trial, reportedly the biggest commercial trial in Ireland's history. The trial court initially ruled in favor of the executive but the Ireland Supreme Court reversed, agreeing with Fischel's testimony. The case settled after remand and before the scheduled damage trial.

### **New Motor Vehicles Canadian Export Antitrust Litigation**

In an antitrust class action lawsuit against all major automobile manufacturers, Joseph Kalt, supported by a Compass Lexecon team in our Cambridge office, testified that gray market vehicle imports could not plausibly affect the majority of dealer invoice prices or Manufacturer Suggested Retail Prices ("MSRPs") in the United States and concluded that plaintiffs had not demonstrated that the proposed class members suffered common impact. The First Circuit Court of Appeals cited issues raised by Professor Kalt in reversing certification of the proposed classes. Multiple law firms were engaged in this matter. Compass Lexecon worked with lead counsel Richard C. Godfrey, David J. Zott, and Daniel E. Laytin of Kirkland & Ellis LLP, and was also retained by counsel for all the major automobile manufacturers.

### **Fresh Del Monte Pineapples Antitrust Litigation**

Plaintiffs in this case claimed that Del Monte had attempted to monopolize the market for fresh, whole, extra-sweet pineapples by allegedly prosecuting a false patent application and threatening competitors with patent litigation. We were retained to analyze plaintiffs' claims. Compass Lexecon expert Bradley Reiff filed an affidavit concluding that there was no basis for class certification. The court, citing Dr. Reiff's analysis, agreed. "The Court agrees with Reiff's conclusion that [plaintiffs' class certification expert] has not present[ed] a reliable methodology for determining damages to the class...such that plaintiffs can show that class-wide issues predominate over individual issues." Del Monte was successfully represented by Carl E. Goldfarb and others at Boies, Schiller & Flexner LLP who retained Compass Lexecon and Dr. Reiff.

## **Office of Federal Housing Enterprise Oversight v. Franklin D. Raines and J. Timothy Howard**

Fannie Mae and Franklin Raines, Fannie Mae's former Chairman of the Board and CEO, were accused by its regulator of improper accounting practices and activities that threatened the safety and soundness of Fannie Mae. Daniel Fischel, supported by David Gross and a Compass Lexecon team in Chicago provided economic analysis demonstrating that the allegations Fannie Mae was accused of related to how Fannie Mae reports its financial results, rather than to the economic substance of Fannie Mae's business or its safety and soundness. Raines reached a favorable settlement after expert reports were filed. We were retained by Gerson Zweifach, Joseph Terry and others at Williams & Connolly LLP in connection with their successful representation of Mr. Raines. In addition, Compass Lexecon expert Charles Cox was retained on behalf of J. Timothy Howard, Fannie Mae's former CFO, by Steven Salky of Zuckerman Spaeder LLP who also reached a favorable settlement.

### **SLM Corp**

Compass Lexecon was retained by Eric Roth and Marc Wolinsky of Wachtell, Lipton, Rosen & Katz to act as experts on behalf of their clients, J.C. Flowers, J.P. Morgan and Bank of America, in connection with litigation concerning whether a material adverse change in Sallie Mae's financial condition had occurred, thereby allowing Flowers and the buyers group to terminate their acquisition agreement without payment of any termination fee. The case ultimately settled on very favorable terms to the buyers' group prior to expert testimony.

### **Amaranth Advisors LLC**

Compass Lexecon was retained by David Mollon, Mike Philipp and Steve Senderowitz of Winston & Strawn LLP to evaluate the statistical analysis contained in a staff report of the United States Senate, Permanent Subcommittee on Investigations concerning "Excessive Speculation in the Natural Gas Markets" which concluded that "the larger than usual differences between winter and summer [natural gas] futures prices that prevailed during the spring and summer of 2006 were largely the result of Amaranth's large-scale trades...." As reported in *The Wall Street Journal*, Compass Lexecon's report authored by Senior Vice President David Ross concluded that the staff's conclusions were based on spurious correlations and incomplete data analyses and found that when proper methodology was used, the data did not support the staff's conclusions. Daniel Fischel has also been retained by Amaranth and publicly disclosed as an expert in connection with ongoing litigation.

### **Coleman (Parent) Holdings Inc. v. Morgan Stanley & Co., Inc.**

In this case, Coleman (Parent) Holdings Inc. (“CPH”) alleged that our client, Morgan Stanley, assisted in a fraudulent scheme to inflate the price of Sunbeam Inc.’s common stock prior to Sunbeam’s stock-for-stock merger with CPH. After the trial court entered a partial default against Morgan Stanley as a sanction for alleged discovery misconduct, we were retained to analyze damages. After performing an extensive economic analysis, Compass Lexecon expert Daniel Fischel, working with David Ross and others, concluded that CPH and its expert had failed to prove any damages, but the trial court ruled this testimony could not be presented at trial. The jury then returned a three billion dollar verdict against Morgan Stanley. But the appellate court reversed, holding that CPH had failed to prove any damages, exactly as the Compass Lexecon team had earlier concluded. We were retained by and worked with Mark Hansen of Kellogg Huber at trial and also worked with Philippe Selendy of Quinn Emanuel in anticipation of a possible retrial until the appellate court dismissed the case.

### **Korean Fair Trade Commission v. Intel**

Janusz Ordoover supported by University of Rochester Professor Greg Shaffer, prepared a written statement and presented economic analysis on behalf of Advanced Micro Devices (AMD) to the Korean Fair Trade Commission (KFTC) in its case against Intel. Compass Lexecon was able to demonstrate that Intel’s conduct, as alleged by the KFTC, had an exclusionary effect on AMD by foreclosing its microprocessors from certain leading Korean original equipment manufacturers, and also harmed Korean consumers. In June 2008, the KFTC fined Intel \$25.4 million. AMD is represented by Youngjin Jung of Yulchon Attorneys at Law in Seoul, Korea.

### **Cendant**

In this case, Compass Lexecon’s client Cendant Corp. sued an accounting firm claiming that the firm was responsible for Cendant’s restatement of prior financial results in 1998 which resulted in massive shareholder litigation. The accounting firm asserted counterclaims against Cendant for lost profits stemming from alleged harm to its reputation. Compass Lexecon experts Daniel Fischel and Bradley Reiff both filed reports and were deposed prior to the case being settled on very favorable terms. Cendant was represented by Gregory Diskant and Frederick Warder of Patterson Belknap Webb & Tyler LLP who retained us.

### **In re UnitedGlobalCom, Inc. Securities Litigation**

This case involved litigation in the Delaware Court of Chancery challenging the June 2005 merger of Liberty Media International, Inc. and its majority-owned subsidiary UnitedGlobalCom, Inc. (“UGC”). We were hired by Kevin Abrams of Abrams & Laster LLP to respond to plaintiffs’ claims that the exchange ratio was unfair to UGC’s minority shareholders. Daniel Fischel and Kevin Dages issued expert reports and provided deposition testimony which rebutted plaintiffs’ claims. The parties reached a settlement very favorable to our clients just prior to trial.

## **Enron Civil Securities Litigation**

We were retained in this case by Richard Clary and Julie North of Cravath, Swaine & Moore LP on behalf of their client Credit Suisse First Boston (“CSFB”) which was a defendant in the massive Enron securities fraud class action. We supported Compass Lexecon affiliate Robert Hamada, as well as G. William Schwert and Anjan Thakor who issued expert reports and were deposed on issues of corporate governance, loss causation and damages, and the role of investment banks, respectively. CSFB was eventually dismissed from the litigation.

## **Masimo Corporation v. Tyco Healthcare Group L.P.**

Janusz Ordovery, supported by Jith Jayaratne, Cristian Santesteban and a team in San Francisco, served as the damages expert in the *Masimo v. Tyco* antitrust litigation matter, which sought to ascertain whether Tyco had used contract restrictions to harm competition in the market for pulse oximeters (a device used by hospitals to measure the amount of oxygen in patient's blood). The Judge ruled in favor of Tyco in the damages phase of the case, stating that she accepted Dr. Ordovery's "methodology in its entirety" and that Dr. Ordovery's "methodology, testimony, and conclusions...[were] the most reliable basis for the award of damages in the case." Tyco Healthcare was successfully represented by Jim Donato of Cooley Godward Kronish LLP.

## **Adelphia Communications Corp. v. Deloitte & Touche LLP**

In this case, Adelphia sued our client Deloitte for malpractice and professional negligence in connection with its auditing work for Adelphia. Adelphia and its experts claimed that Adelphia's damages ranged from \$3.27 billion to \$3.64 billion. Daniel Fischel of Compass Lexecon issued a report demonstrating that plaintiff's analysis was fundamentally flawed and did not establish that Deloitte caused Adelphia any economic harm. After depositions, the case settled for a small fraction of the amount claimed. We worked with Bud Shulman, Katherine Forrest, Stuart Gold, and others from Cravath, Swaine & Moore LLP who successfully represented Deloitte.

## **Department of Justice v. The National Association of Realtors**

In this case, Rick Flyer, supported by a Compass Lexecon team in Chicago, provided economic analysis for the National Association of Realtors (“NAR”) in their antitrust litigation with the U.S. Department of Justice. The litigation involved the NAR's policies on internet display of residential real estate listings, and specifically whether these policies were anticompetitive. The matter ended in a settlement that preserved key aspects of the NAR's policies, without any admission of guilt or payment of fines. Our work on this matter assisted Jack Bierig, John Treece and Scott Stein, as well as others at Sidley Austin LLP who successfully represented the NAR.

## **Lear Corporation and American Real Estate Partners**

Shareholders of Lear sought a preliminary injunction to prevent the acquisition of Lear by AREP, an affiliate of Carl Icahn. Daniel Fischel, supported by David Gross and a Compass Lexecon team in Chicago, filed an expert report and provided economic analyses in support of Lear's Board of Directors' decision to go forward with the acquisition. The economic analyses focused on the valuation of Lear, the terms of the merger agreement, and potential conflicts of interest. The court favorably cited Fischel's report in a lengthy opinion ruling for Lear. We were retained by and worked with Kevin Abrams and others at Abrams & Laster LLP.

## **U.S. Commodity Futures Trading Commission v. Anthony Dizona, et. al.**

In this case, the U.S. Commodity Futures Trading Commission alleged that Mr. Dizona and five other Coral Energy Resources traders submitted biased price and volume information to *Inside FERC*, a trade publication, that affected its monthly natural gas price indices. The jury acquitted Mr. Dizona on charges of false reporting, but found him guilty of attempted manipulation. However, the court, relying on the testimony of Compass Lexecon expert Joseph Kalt, set aside the verdict. In support of its decision, the court relied on Dr. Kalt's testimony that "...the price information submitted by [the Coral traders] accurately reflected the legitimate forces of supply and demand." Mr. Dizona was successfully represented by William G. Rosch III of Rosch & Ross, and Fred W. Stumpf of Stumpf Farrimond.

## **Securities Fraud Civil and Criminal Litigation**

Compass Lexecon has continued to be deeply involved in all aspects of securities litigation. Our involvement has been at every stage of litigation, including class certification, summary judgment, mediation, settlement, expert discovery and trial. Recently, we have worked on behalf of defendants in cases involving JDS Uniphase (a case which resulted in a defensive verdict at trial), Tyco, Qwest, Enron, Coca-Cola, Countrywide, Fannie Mae, AOL, Converium, Delphi, Schering-Plough, MetLife, General Motors, Baxter International, Forest Labs, Royal Dutch Shell, Peregrine, McKesson, and many other companies. We have also been retained to work on behalf of plaintiffs in litigation involving Household International and have continued our work on the coordinated litigation of 309 cases challenging the allocation of initial public offerings. In addition, we continue to be involved as experts in several high profile white collar criminal cases.

## **Antitrust Litigation**

Compass Lexecon has continued to be immersed in a range of antitrust litigation involving both alleged monopolization and collusion. Like securities litigation, our involvement has been at all stages of the process. Recently, we have worked on behalf of clients in a wide variety of industries, including Weyerhaeuser, American Express, the National Collegiate Athletic Association, AT&T, Clear Channel, Qualcomm, Chemtura, Micron, Samsung, Abbott Laboratories, McKesson, and many other entities.



## **Intellectual Property Litigation**

We continue to be heavily involved in disputes concerning the value of intellectual property. For example, we have provided reports and/or testimony in a series of patent infringement cases on behalf of Verizon, matters involving Ricoh, IBM, Qualcomm, Max Software and Fresenius, and various cases involving the music industry. We have also been retained in numerous other matters to value intellectual property for patent damages, breach of contract and employment litigations.

## **ERISA Litigation**

Compass Lexecon has been retained in numerous ERISA cases alleging that fiduciaries failed to prudently manage employees' investments in company stock funds. For example, we have recently worked on cases on behalf of defendants in litigation involving Tyco, EDS, Nortel Networks, Motorola, Tellabs, and Boston Scientific, among others. Compass Lexecon experts Charles Cox, David Ross and Daniel Fischel have provided a wide range of analyses and testimony in these cases, including analyses of class conflicts, materiality, prudence, causation and damages.

## **MERGERS**

### **Chicago Mercantile Exchange-Chicago Board of Trade Merger**

Bobby Willig, Hal Sider, Mark Israel, Thomas Stemwedel, Joanna Tsai, and a Compass Lexecon team in Chicago were engaged by the Chicago Mercantile Exchange (CME) prior to its decision to launch a merger with the Chicago Board of Trade (CBOT). The U.S. Department of Justice expressed serious concerns over both horizontal and vertical anticompetitive impacts during the course of its protracted and intensive investigation. The Compass Lexecon team performed extensive and creative empirical analyses on the competitive impact of the merger. Employing sophisticated financial economics and econometrics, we showed that the futures contracts offered by the CME and CBOT were not close economic substitutes, even the futures contracts based on interest rates. The Compass Lexecon team also proved that the vertically related clearing services offered by CME did not constitute an anticompetitive entry barrier. These economic analyses helped persuade the Department of Justice to close its investigation. We were retained by Ben Crisman, John Lyons, and Jerry Salzman of Skadden, Arps, Slate, Meagher & Flom LLP.

### **Reuters-Thomson Merger**

Rick Flyer, Colleen Loughlin, and a Compass Lexecon team in Chicago provided economic analysis for Reuters in their \$40 billion merger with Thomson. The deal involved the combination of two of the world's three largest financial information providers. We performed extensive econometric analysis and concluded that the transaction would have no adverse impact on competition. The deal ultimately was not challenged by the U.S. Department of Justice. We were retained by Steve Newborn, Lee Van Voorhis and others at Weil, Gotshal & Manges LLP.

## **A&P-Pathmark Merger**

Dan Rubinfeld, Glenn Mitchell and a Compass Lexecon team in Los Angeles provided economic analysis for Great Atlantic & Pacific Tea Company, owners of the A&P supermarket chain, in its acquisition of Pathmark, a competing supermarket chain. The A&P and Pathmark chains had substantial geographic overlap in New York and New Jersey, which raised concerns that a large number of stores would have to be divested in order to win approval for the acquisition from the Federal Trade Commission. Although A&P was prepared to sell some stores, the value of the acquisition would have been severely diminished if a large number of stores had to be divested. Working with other consultants to outside counsel, the Compass Lexecon team provided economic analysis of relevant geographic markets and competition from non-traditional supermarkets to demonstrate that the acquisition would not lessen competition in most areas where both A&P and Pathmark stores operated. The FTC eventually agreed, allowing the acquisition to proceed with only a small number of divestitures. A&P was represented by Michael Keeley of Axinn, Veltrop & Harkrider LLP. Pathmark was represented by Bruce Prager of Latham & Watkins LLP.

## **DG FastChannel Acquisition of Vyvx**

Janusz Ordovery, Jon Orszag, and Glenn Mitchell, supported by a Compass Lexecon team in Los Angeles provided economic analysis for DG FastChannel (“DG”) in their proposed acquisition of Vyvx from Level 3 Communications. DG and Vyvx are the two leading distributors of video advertising to television outlets in the United States. As reflected in written submissions and a presentation to the U.S. Department of Justice, Compass Lexecon performed an economic analysis of entry conditions, including an empirical analysis of minimum viable scale and revenue available to new entrants. These analyses demonstrated that the proposed acquisition would not have an adverse effect on competition. Several weeks after the Compass Lexecon presentation, the DOJ concluded its investigation and allowed the deal to go forward. DG was successfully represented by Marc Williamson, Manfred Gabriel, and Alexi Maltas of Latham & Watkins LLP; Level 3 Communications and Vyvx were successfully represented by Phil Verveer, Barry Nigro, and Ben Jackson of Willkie Farr & Gallagher LLP.

## **Oracle-BEA Systems Merger**

Janusz Ordovery, Duncan Cameron, and a Compass Lexecon team in Los Angeles provided economic analysis for Oracle in its \$8.5 billion proposed acquisition of BEA Systems. The deal between two of the world’s largest software innovators involved the combination of two prominent suppliers of application servers and other “Middleware” software. Compass Lexecon was able to demonstrate that, for a variety of reasons, the degree of direct competition between the companies was small, and the potential synergies from the deal were significant. The deal was given the green light by the U.S. Department of Justice in March and was recently completed. Oracle was represented by Dan Wall of Latham & Watkins LLP.

### **AT&T-Dobson Communications Merger**

Bobby Willig, Jon Orszag, and a Compass Lexecon team in San Francisco provided economic analysis to AT&T, Inc. in its acquisition of Dobson Communications Corporation. Willig and Orszag submitted testimony to the Federal Communications Commission (“FCC”) laying out an economic framework for assessing the merger and its competitive effects in Cellular Market Areas. After a thorough review, the Department of Justice and FCC cleared the merger with divestitures in only seven areas. AT&T was represented by Rich Rosen of Arnold & Porter LLP.

### **Houghton Mifflin-Harcourt Education Merger**

Compass Lexecon was retained by Helene Jaffe and Fiona Schaeffer of Weil, Gotshal & Manges LLP on behalf of their client Houghton Mifflin which sought to acquire Harcourt Education, in a merger that would create the nation’s largest K-12 educational publisher. Dan Rubinfeld served as the lead economic expert on the case, supported by Rick Flyer, Mark Israel, and a team in the Chicago office. Together, they developed an econometric analysis of the relationship between instructional material prices, margins, and market structure, with which they demonstrated that the merger would not result in higher prices or otherwise harm competition. Shortly following the presentation of these results, the U.S. Department of Justice cleared the merger without requiring full compliance with its Second Request and with no other conditions.

### **Bowater-Abitibi Merger**

Bobby Willig, Jith Jayaratne, Jay Ezrielev, and a Compass Lexecon team in San Francisco and Washington, D.C. provided economic analyses for Abitibi Consolidated Inc. and Bowater Inc. in their \$1.6 billion merger. The merger between the two largest manufacturers of newsprint and several other paper products in North America was closely scrutinized by the U.S. Department of Justice. Using a dynamic Critical Loss Analysis model, Compass Lexecon was able to demonstrate that the merged firm would not have the incentive or ability to raise prices following the merger. The deal was approved by the Department of Justice subject to the divestiture of one newsprint mill. Abitibi was represented by Joe Simons at Paul Weiss Rifkind Wharton & Garrison LLP, and Bowater was represented by Mark Ryan at Mayer Brown LLP.

### **Pact Group-Brickwood Merger**

The Australian Competition and Consumer Commission (ACCC) cleared Pact Group’s acquisition of Brickwood Holdings in April 2008 reversing their previous position and dropping their original opposition to the merger after Janusz Ordovery of Compass Lexecon submitted a report to the ACCC showing that the proposed merger of these two producers of Polyethylene Terephthalate (PET) bottles for beverages and other products was unlikely to reduce competition. Dr. Ordovery was assisted by Bradley Reiff and Wendy Petropoulos of Compass Lexecon’s Chicago office. Pact Group was represented by Nick Taylor and Paula Gilardoni of Gilbert & Tobin.

### **Universal Music-Univision Merger**

Dan Rubinfeld, Duncan Cameron, Lacey Plache and a Compass Lexecon team in Los Angeles performed various economic analyses to assist counsel in demonstrating that the merger between Universal Music Group and Univision Music Group would not harm competition. Counsel noted that our work was “absolutely critical to this success” and that the information we provided ultimately resulted in the Federal Trade Commission’s decision not to issue a Second Request. Universal was represented by Glenn D. Pomerantz, Bradley S. Phillips, and Kristina L. Wilson of Munger, Tolles & Olson LLP.

### **Transocean-GlobalSantaFe Merger**

Bobby Willig, Meg Guerin-Calvert, Jay Ezrielev, David Fenichel and a Compass Lexecon team were retained by counsel for the parties to assist in an economic analysis of the merger of Transocean and GlobalSantaFe, two large oil and gas contractors. The merger cleared the DOJ after Compass Lexecon provided extensive empirical analyses of geographic market issues, including assessments of rig movements and contracting, and an evaluation of the planned entry and contracting of a substantial number of new rigs. The Compass Lexecon team also assisted on the UK review of the transaction. Transocean was represented by Rufus Oliver of Baker Botts, as well as George Peretz of Monkton Chambers in the UK, and GlobalSantaFe was represented by Ben Crisman and John Lyons of Skadden, Arps, Slate, Meagher & Flom LLP.

### **FirstGroup-Laidlaw International Merger**

Janusz Ordovery, Bradley Reiff, Lynette Neumann, and a Compass Lexecon team in Chicago provided economic and econometric analyses showing the competitive effects of the acquisition of Laidlaw International, Inc. by FirstGroup plc. Both companies provide school bus transportation services, among other businesses. The Department of Justice closed its investigation with a divestiture in only one market (Anchorage, Alaska) -- the total number of school buses divested was approximately 800 out of a combined fleet of 62,000. FirstGroup was represented by Ronan Harty of Davis Polk & Wardwell and Laidlaw was represented by Ian John of Skadden, Arps, Slate, Meagher & Flom LLP.

### **Lifespan-Care New England Merger**

Recently, the FTC cleared the merger of Lifespan and Care New England, the two largest hospital systems in Rhode Island with no Second Request. William Lynk of Compass Lexecon in Chicago filed two reports on behalf of our client Lifespan with support from a team in the Chicago office. We were retained by Patricia Sullivan of Edwards Angell Palmer & Dodge LLP, counsel for Lifespan.

## **HONORS, PRESENTATIONS AND PUBLICATIONS**

Meg Guerin-Calvert was appointed by Kathryn M. Fenton, Chair, ABA Section of Antitrust Law and by Chair-Elect, Jim Wilson to the 2008-2009 Transition Task Force, which is tasked to prepare a written report and recommendations for the new administration addressing antitrust and consumer protection issues. The Transition Task Force will be chaired by two distinguished former Chairs of the Section, Janet McDavid and Phil Proger.

Compass Lexecon economist, University of Chicago adjunct professor, widely published author and internationally recognized expert Christopher Culp has studied and lectured widely on the markets that have been adversely affected by the credit crisis, including subprime residential mortgage-backed securities, asset-backed commercial paper, credit derivatives (including credit default swaps), structured credit markets (including SIVs, collateralized debt and loan obligations, and exotic structures like CDO-squared, constant proportion debt obligations, and leveraged super-senior notes), and leveraged finance markets (including leveraged syndicated loans and high-yield bonds). Recently, Culp gave a presentation in Zurich at a GARP event titled, *Super-Senior AAA CDOs and Other Derivatives Debacles*, available for download at [http://www.garpdigitallibrary.org/download/CMP/2008/Zurich\\_Culp.pdf](http://www.garpdigitallibrary.org/download/CMP/2008/Zurich_Culp.pdf).

In March 2008, Dennis Carlton participated in a joint presentation with the current EU Chief Economist, Damien Neven, sponsored by the Economics and International Committees of the American Bar Association's Antitrust Section titled "Meet the Economist Enforcers: A Dialogue with Damien Neven of the EU and Dennis Carlton until recently at DOJ." The presentations focused on the key economic issues in competition enforcement in the U.S. and E.U. In May, Carlton participated in a program run by the Department of Justice to teach antitrust to staff members and to foreign antitrust agencies. In May, the Industrial Organisation Society awarded Carlton and two co-authors the first annual Lanzilotti Prize for the best essay in antitrust economics. In June, he discussed the economics of remedies at the ABA's seminar on Remedies held at University of Virginia. In June, he was invited by the OECD to present his views on the antitrust of bundled discounts at the OECD meetings in Paris.

Daniel R. Fischel, David Ross and Michael Keable recently addressed enforcement staff and economists at the Securities and Exchange Commission on the use and abuse of event studies and other current issues relating to the use of economic evidence in securities litigation.

William M. Landes, the Clifton R. Musser Professor of Law and Economics at the University of Chicago Law School and Compass Lexecon Affiliate, was elected to the 2008 Class of Fellows of the American Academy of Arts and Sciences. The Academy was established to "provide a forum for a select group of scholars, members of the learned professions, and government and business leaders to work together on behalf of the democratic interests of the republic. The Academy's members today are individuals of exceptional achievement, drawn from science, scholarship, business, public affairs, and the arts." Landes is a former President of the American Law and Economics Association, and has appeared as an expert before courts, administrative agencies, and committees of Congress.

Joseph Cavicchi of Compass Lexecon's Cambridge office chaired a panel at the 27th Annual Eastern Conference of the Center for Research in Regulated Industries in May 2008 which focused on Electricity Industry Regulation.

Jon Orszag was a feature panelist at a Center for American Progress workshop on "Avoiding the Pitfalls of Credit Card Debt" in Washington, D.C. Orszag was also recently interviewed on CNBC and had an op-ed published in *The Wall Street Journal* about the potential consequences of credit card regulation, a topic Orszag has written about extensively.

Alan Shampine of Compass Lexecon's Chicago office was interviewed for "Payments: Cash Replacements" in the January 2008 issue of *Cards Insider* and authored "Another Look at Payment Instrument Economics" published in the December issue of the *Review of Network Economics*.

In February 2008, Bobby Willig and Dennis Carlton spoke at the "Unilateral Effects Analysis and Litigation Workshop" at the Federal Trade Commission. Willig discussed unilateral effect theories of competitive harm in merger analysis and Carlton presented on the virtues and limitations of econometric evidence to prove liability in unilateral effects cases.

Theresa Sullivan of Compass Lexecon's Washington, D.C. office recently co-authored an article on the risk of economic opportunism when standard-setting organizations include patented technology in standards. The paper was published in *The Antitrust Law Journal* and was co-authored with Joseph Farrell, John Hayes, and Carl Shapiro.

William Lynk of Compass Lexecon's Chicago office recently authored two articles relating to health care economics. The first, "The Level of Hospital Charges and the Income of the Uninsured Patient," appeared in the March 2008 issue of the *Journal of Health Care Finance & Economics* and the second, "The Balance of Power in Hospital Staff Privileges Disputes" appeared in the Fall 2007 issue of the *Antitrust Bulletin*.

In the fourth quarter of 2007, Hal Sider and Alan Shampine of Compass Lexecon's Chicago office published a paper – "Telecom Boom and Bust: Their Losses, Our Gain?" – in the *Milken Institute Review*.

## **RECENT PERSONNEL ADDITIONS**

**Dennis W. Carlton** recently returned to Compass Lexecon as a Senior Managing Director. Until January, Dr. Carlton served as the Deputy Assistant Attorney General in the Antitrust Division of the U.S. Department of Justice. He also served as the sole economist on the recent Antitrust Modernization Commission, a Congressional commission that published its findings in 2007. In addition to his role at Compass Lexecon, Carlton is a Professor of Economics at the Graduate School of Business at the University of Chicago. He has published more than 90 articles and two books, including one of the leading textbooks in industrial organization. He is the co-editor of the *Journal of Law and Economics* and of *Competition Policy International*, and serves on the advisory board of the *Journal of Competition Law and Economics*.

**Christopher Cavanagh** recently joined the Cambridge office of Compass Lexecon. Dr. Cavanagh is an expert in econometrics and its application in economic litigation. He has provided expert analysis for litigation support, mergers, and business consulting in a number of industries, including pharmaceuticals, transportation, and financial services. Dr. Cavanagh has served as an associate professor of economics at Columbia University and at Harvard University, as well as a visiting fellow at Oxford University's Nuffield College. He has also developed a large-scale inter-industry forecasting system based on an input-output model of the U.S. economy and has published several articles on issues in econometrics.

**Assaf Eliat** recently joined Compass Lexecon's San Francisco office. Dr. Eliat specializes in the economics of industrial organization and in antitrust economics. He conducted theoretical and empirical research on various competition topics, and has a Ph.D. in Economics from Stanford University. Previously, he earned a LL.B in law and economics from the Hebrew University, passed the Israeli bar exams, and held a position at the Israeli Antitrust Authority.

**Nauman Ilias** recently joined the Washington, D.C. office of Compass Lexecon. Dr. Ilias specializes in economic, financial, and statistical analysis of antitrust and litigation matters. He has worked in various industries including airlines, chemical, electric utilities, and telecommunications. Dr. Ilias previously worked for The Brattle Group and Competition Economics Inc. and has also consulted extensively with the Development Research Group at the World Bank.

**Todd Kendall** recently joined the Chicago office of Compass Lexecon. Dr. Kendall specializes in industrial organization, antitrust, and applied microeconomics. Prior to joining Compass Lexecon's Chicago office, Dr. Kendall was Assistant Professor of Economics at Clemson University in South Carolina. He has published in academic journals and been frequently cited in the press. Dr. Kendall has a Ph.D. and MA in economics from the University of Chicago.

**Gerald Lumer** recently joined the Chicago office of Compass Lexecon. Dr. Lumer is an economist and a physician. Dr. Lumer's areas of expertise include healthcare, antitrust and securities. Prior to joining Compass Lexecon, he was an economist at the Antitrust Division of the U.S. Department of Justice. There he evaluated the competitive effects of merger and advised on enforcement policy in the healthcare, pharmaceutical and financial services industries. Dr. Lumer earned his Ph.D. in economics from MIT. He completed his internship in internal medicine at the Mayo Clinic and has published papers on the clinical effectiveness of pharmaceuticals.

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If you would like to find out more details about our work or our experts, please feel free to email or call any of us.

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