

THE MICHEL-SHAKED GROUP

EXPERT TESTIMONY | CORPORATE FINANCE | BUSINESS CONSULTING

Firm Overview

The Michel-Shaked Group is a multi-disciplined practice covering a wide array of finance, economic, accounting, and business consulting services. Our expert testimony services provide assistance with discovery, financial/economic analysis, report preparation, critique of opposing expert reports, and testimony. The various types of cases handled include valuation, damages, bankruptcy, securities, intellectual property, antitrust, accounting, taxation, labor, employment and pensions.

In addition to our services relating to expert testimony, Michel-Shaked also provides corporate finance advisory services. The corporate finance practice is designed to either provide an opinion to a client or to provide advisory services on a variety of topics. Advisory services range from consulting on restructuring, diversification, and mergers and acquisitions for established firms to developing business plans for entrepreneurial organizations. Our extensive valuation practice provides opinions on topics ranging from the fair market value of a closely-held business or asset to the value of contingent claims. In addition, our firm provides numerous seminars on a broad range of topics to both law firms and corporations.

While we are a Boston-based firm, our client base is national, with the majority of our clients from outside New England. Regardless of geography, maintaining close client contact and timely updates on our progress during the engagement is integral to our philosophy of delivering superior client service.

Founded by finance professors Allen Michel and Israel Shaked, for over two decades Michel-Shaked has provided clients with innovative, effective and timely analyses. We have extensive experience serving a broad array of industries. Our nationwide network of academic and practitioner experts along with our in-house team of professionals allow us to staff each engagement to fit a particular client's needs. Since our expert testimony and corporate finance practices complement each other, our clients have benefited from the enhanced credibility lent to the reports we have prepared and the testimony we have provided.

Our Clients

The Michel-Shaked Group has provided consulting services to leading law firms, corporations and government agencies. The individuals at these organizations have challenged us and in the process made us better consultants. Below, we provide representative lists of the many clients we have served, many of whom we have worked for on multiple occasions.

LAW FIRM CLIENTS

Alston & Bird
Andrews Kurth
Berger & Montague
Berman DeValerio Pease Tabacco Burt & Pucillo
Beus Gilbert
Bingham McCutchen
Blank Rome
Brown & Burke
Burns & Levinson
Chimicles & Tikellis
Cohen, Milstein, Hausfeld & Toll
Devine, Millimet & Branch
Edwards & Caldwell
Eilbacher Scott
Fenigstein & Kaufman
Fried, Frank, Harris, Shriver & Jacobson
Gibson, Dunn & Crutcher
Gillis & Bikofsky
Gilman and Pastor
Goodwin Procter
Grant & Eisenhofer
Heins Mills & Olson
Hennigan, Bennett and Dorman
Hertz, Schram & Saretsky
Hiscock & Barclay
Holland & Knight
Howard Rice Nemerovski Canady Falk & Rabkin
Hunton & Williams
Jeffer, Mangels, Butler & Marmaro
Jenner & Block
Kasowitz, Benson, Torres & Friedman
Katten Muchin Zavis Rosenman
Kaye Scholer
Kilpatrick Stockton
King & Spalding
Kluger, Peretz, Kaplan & Berlin
Leonard, Street and Deinard
Maynard, Cooper & Gale

LAW FIRM CLIENTS *continued*

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo
Moon, Moss, McGill & Shapiro
Munger, Tolles & Olson
Neuberger, Quinn, Gielen, Rubin & Gibber
Nixon Peabody
Nutter, McClennen & Fish
Palmer & Dodge
Phillips & Cohen
Piper Rudnick
Procopio, Cory, Hargreaves & Savitch
Provost & Umphrey Law Firm
Purdy & Germany
Robinson & Cole
Ruberto, Israel & Weiner
Sachnoff & Weaver
Schiffirin & Barroway
Shapiro Haber & Urmey
Shapiro Sher Guinot & Sandler
Simpson Thacher & Bartlett
Smith, Gambrell & Russell
Spolin Silverman Cohen & Bartlett
Squire, Sanders & Dempsey
Stoel Rives
Stroock & Stroock & Lavan
Stutman, Treister & Glatt
Sullivan & Worcester
Testa, Hurwitz & Thibeault
Warner, Smith & Harris
Willkie Farr & Gallagher
Wilmer Cutler Pickering Hale and Dorr
Winstead Sechrest & Minick
Woods Oviatt Gilman

GOVERNMENT AGENCY CLIENTS

Commonwealth of Massachusetts
Illinois (State of) Office of the Attorney General
Internal Revenue Service (IRS)
Massachusetts Port Authority
New Jersey Department of Law and Safety
Pension Benefit Guaranty Corporation
U.S. Department of Health, Education & Welfare
U.S. Department of Labor
U.S. Department of Transportation
U.S. Securities and Exchange Commission (SEC)
U.S. Trustee's Office

CORPORATE CLIENTS

Aavid Thermal Technologies
Antigenics
Aquaria/Marineland Aquarium Products
Asociacion Venezolana de Ejecutivos
Avid Technology
Boston Biomedica
Bridgestone
Brooks Automation
Carematrix
Colgate-Palmolive
Dealers Supply
Eclipsys
Exploration School
Finagle A Bagel
Forrester Research
Hewlett-Packard
Honeywell International
Houghton Mifflin
Instron
ITT Industries
LeadingSide
Maraven
Mentor Graphics
Micro Networks
Papa Gino's
Polaroid
Polycom
PRI Automation
Qwest Corporation
Simon & Schuster
Singapore Technologies
Symantec
Valores Finamex
Verizon Communications
XyEnterprise Solutions

Industry Experience

Through a combination of our expert testimony, corporate finance, and business consulting practice areas, The Michel-Shaked Group has analyzed numerous firms in a broad array of industries across the economy. The following highlights the broad base of industries in which we have been retained.

AEROSPACE & DEFENSE

Aircraft
Electrical/Mechanical Contracting
Electronic Instruments & Controls
Industrial Control/Automation

AUTO & TRUCK

Parts & Supplies
Tires
Wheels & Brakes

BASIC MATERIALS

Chemicals
Composites
Fabricated Plastic & Rubber
Iron & Steel
Paper & Paper Products

BUSINESS SERVICES

Copying
Leasing
Lobbying
Records Management
Research

CAPITAL GOODS

Metals
Printing Machinery

COMMUNICATIONS

Cable
Fiber-Optic Networks
Media
Networking Equipment
Services
Telephone Services
Wireless Voice & Data

CONSUMER PRODUCTS

Apparel & Accessories
Audio & Video
Cameras
Footwear
Furniture & Fixtures
Tobacco

DISTRIBUTION

Apparel & Accessories
Building Materials
Food & Drug
Electrical
Snack Goods
Software

ENERGY

Coal
Exploration & Production
Nuclear
Oil & Gas
Oil Well Services & Equipment
Pipeline Operations

ENGINEERING & CONSTRUCTION

Building Materials
Electrical/Mechanical Contracting
General Contracting
Process & Power
Supplies & Fixtures

ENTERTAINMENT

Broadcasting & Cable TV
Casinos & Gaming
Motion Pictures
Production Studios
Television

ENVIRONMENTAL SERVICES

Filtration Systems
Hazardous Waste
Waste Management

FINANCIAL SERVICES

Accounting
Broker-Dealer
Credit Rating
Insurance
Investment Banking
Investment Management
Leasing
Money Center Banking
Mortgage Banking
Regional Banking
Securities Brokerage

FOOD & BEVERAGE

Casual Dining Restaurants
Food Processing
Quick Service Restaurants

GOVERNMENTAL

Municipalities
Regulatory Commissions
Transportation

HEALTH CARE

Acute Care Hospitals
Assisted Living Facilities
Biotechnology & Drugs
Hospitals
Marketing Services
Medical Equipment & Supplies
Nursing Homes
Physician Practice Management
Sleep Centers

INSURANCE

Agencies
Life
Property & Casualty

MANUFACTURING

Cargo Accessories
Fabricated Metals
Fences
Textiles
Tool & Die

PERSONAL SERVICES & PRODUCTS

Child Care
Hair Salons
Salon Products
Weight Management

PHARMACEUTICAL

Distribution
Drug Development

PUBLISHING & PRINTING

Academic
Internet Services

REAL ESTATE

Holding Companies
Parking Services
Property Development & Management
REIT

RECREATIONAL PRODUCTS

Apparel & Accessories
Bicycle Accessories

RETAIL

Apparel & Accessories
Convenience Stores
Department Stores
Discount Stores
Food & Drug
Fabrics
Furniture
Groceries
Home Improvement
Internet
Specialty

SERVICES

Advertising
Information Technology
Internet Services
Marketing Information
Schools
Security Systems & Services
Storage

SOFTWARE & PROGRAMMING

Animation & Graphics
Design Automation
Desktop Publishing
Enterprise Management
Health Care Information
Human Resources
Internet Security
IT Management
Knowledge Management
Medical Management
Speech Recognition

TECHNOLOGY

Cellular
Communications Equipment
Computer Networks
Electronic Instruments & Controls
Imaging
Internet Services
Metal Recovery
Office Equipment
Semiconductors
Thermal Management

TRANSPORTATION

Air Courier
Airline
Cargo
Trucking

TRAVEL & LEISURE

Cruise Lines
Resorts

UTILITIES

Electric
Natural Gas
Water

Practice Areas

EXPERT TESTIMONY

Attorneys nationwide have engaged The Michel-Shaked Group to testify on broad ranging commercial litigation matters in numerous industries. Our expert testimony practice covers virtually every financial topic including valuation, damages, bankruptcy, securities, intellectual property, antitrust, accounting, taxation, labor, employment and pensions. While the focus of our work is generally to submit a report and prepare for testimony, we remain actively involved throughout the entire litigation process. At the outset, Michel-Shaked often assists in the discovery process by recommending to the attorneys the types of documents that may be relevant to our analysis. We also believe it is important to keep our clients updated on our progress.

Each case is led either by one of our managing directors or one of our senior experts. A staff of professionals with backgrounds in finance, accounting, and economics supports the engagement leader. The Michel-Shaked team works with the testifying expert to develop and carry out a plan of analysis. We have an extensive network of senior experts comprised of faculty members from leading universities nationwide as well as practitioners with extensive experience covering a broad spectrum of industries and areas of expertise. This network allows us to staff each engagement to fit a particular client's needs.

CORPORATE FINANCE & BUSINESS CONSULTING

The firm's founding has its roots in consulting on matters that impact a corporation's value. Today, our corporate finance function has evolved to include a full range of consulting services to both closely-held and publicly-traded companies. Our expertise in valuation is sought after for our knowledge and ability to value businesses, a broad array of financial instruments, intellectual property, and a wide range of other intangible assets. Many of our assignments, for example, involve the issuance of a valuation opinion that is needed for a client's SEC filing.

Business consulting engagements consist of advising clients on a wide range of topics, including business planning, start-up development, financial planning, and market research. In addition, Michel-Shaked is called on to consult with clients engaged in restructuring and reorganization transactions.

Case Studies

Michel-Shaked's areas of practice are designed to serve both attorneys and corporations across the United States on a wide variety of financial, economic, accounting, and general business issues.

The following list is a sample of the primary practice areas of The Michel-Shaked Group:

- Valuation
- Damages
- Bankruptcy
- Securities
- Intellectual Property
- Accounting
- Taxation
- Labor, Employment and Pensions
- Business Consulting

The remainder of this brochure highlights each of our practice areas and includes samples of cases from each area.

Valuation

Valuation is the cornerstone of The Michel-Shaked Group practice. Many of our litigation engagements involve some aspect of valuation. Whether the assignment is to perform a valuation as part of a contract dispute, determine the fair market value of a security, or to assess the solvency of a corporation, valuation methods are employed. Our Managing Directors, senior experts and professionals are well versed in the complexities of valuation and also in the many recent developments in emerging valuation methodologies. We have been asked to perform valuations in many high-profile litigation cases during the past two decades. Many law firms rely on us for our expertise in complex valuation matters, our ability to explain these complexities clearly to a judge or jury, and our responsiveness to our clients.

We have been called upon in many of our corporate finance engagements to provide opinions as to the value of a wide array of financial instruments, stock in privately-held businesses, and tangible and intangible assets. Leading accounting firms often refer their clients to us for valuation services pertaining to a variety of issues. Those issues range from determining the fair market value of common stock in a closely-held business to valuing intangible assets such as in-process R&D or customer lists. Our valuations are often used by public corporations to meet their filing requirements with the Securities and Exchange Commission.

Given the cross-disciplined nature of Michel-Shaked in providing both corporate finance and expert testimony services, our credibility is enhanced in both the preparation of a valuation report and in the courtroom.

The following list is a sample of areas of our expertise in the valuation field:

- Appraisal Rights
- Asset Impairment
- Bonds and Notes
- Built-In Capital Gains
- Business Valuation
- Buy-Sell Agreements
- Cheap Stock
- Collateral
- Common Stock
- Contingent Claims and Notes
- Controlling Interests
- Debentures
- Derivative Securities
- ESOPs
- Family Limited Partnerships
- Fixed Income Securities
- Franchises
- Futures and Options
- Goodwill
- Hedge Funds
- Initial Public Offerings
- Intangible Assets
- Intellectual Property
- Limited Partnerships
- Loan Guarantees
- Merger Consideration
- Minority Interests
- Municipal Bonds
- Mutual Funds
- Pension Funds
- Preferred Stock
- Privately Held Companies
- Projects
- Real Estate
- Research and Development
- Restricted Stock
- S Corporations
- Subordinated Notes
- Subsidiaries
- Structured Settlements
- Synergies
- Synthetic Leases
- Technology
- Thinly Traded Stock
- Value of Life
- Warrants

A sample of valuation assignments

BUSINESS VALUATION

Two providers of health care services entered into an arrangement whereby a sleep disorder treatment provider leased space and contracted physicians from the hospital. A dispute arose over payments owed, and the two parties entered into a settlement agreement to resolve their differences. As part of the settlement, the parties entered into arbitration with the hospital, agreeing to purchase the sleep disorder clinic at its fair market value. Working with one of our senior experts, Michel-Shaked valued the sleep disorder clinic.

PREFERENCE ACTION

A defense contractor and a technology company formed a joint venture to employ the technology firm's innovative processes to clean up hazardous waste. A few years after forming the joint venture, the partners decided to restructure the partnership. As part of the restructuring, a business unit was transferred to the defense contractor and the remaining portion of the partnership became a subsidiary of the technology company. By the end of the year, the technology company and its subsidiaries filed for Chapter 11 protection. The bankruptcy trustee sued the defense contractor, alleging the restructuring transaction resulted in a preference payment as the joint venture was insolvent at the time of the asset transfer. Michel-Shaked was retained to perform a solvency analysis of the partnership on both a pre-and-post transaction basis. We employed several different approaches to value the wide variety of the partnership's assets and liabilities.

Valuation continued on page 10



Valuation continued from page 9

REORGANIZATION ADVISORY

A Fortune 500 medical products and services company sold a unit to two investment banks, but retained preferred shares in the unit. Several years later, the unit entered into a recapitalization transaction whereby the unit took on additional debt in order to fund a dividend payment to the two investment banks. Three years after the recapitalization, the unit filed for Chapter 11 protection. The unit and its Wall Street financial adviser advocated a prepackaged bankruptcy plan, placing a value on the enterprise that eliminated any value of the preferred shares held by the Fortune 500 company. Michel-Shaked, together with one of its senior experts, was retained to analyze the valuation work presented in the proposed prepackaged bankruptcy plan as well as the valuation work of another consulting firm. We also performed an independent valuation of the unit.

CONTINGENT NOTES

A thinly traded developer of enterprise desktop management software sought additional funding to shore up its balance sheet. The company was able to raise additional equity by issuing contingent promissory notes that would be issued if the average stock price fell below a set price over a defined period of time. In order to meet Securities and Exchange Commission reporting requirements, the company had to report the value of the contingent promissory notes on a quarterly basis. Michel-Shaked was engaged to value the contingent notes.

LEVERAGED BUYOUT

A publicly-traded Midwestern retailer was taken private in a leveraged buyout. Within a relatively short period following the transaction, the retailer filed for bankruptcy protection. Unsecured creditors filed a lawsuit against the directors and other significant selling shareholders, claiming the transaction was a fraudulent conveyance. Michel-Shaked was retained by the Chairman of the Board to analyze the retailer's solvency and capital adequacy immediately following the leveraged buyout. As part of our report, we valued the retailer and projected its cash flows.

WARRANT

A diversified health care company acquired another health care entity. The purchase price included a warrant issued to the target company to purchase shares of the acquirer's stock. Using the Black-Scholes option-pricing model, Michel-Shaked valued the warrant at the time it was issued to the target company. The objective of this analysis was to establish the total purchase price paid for the target company.

RESEARCH AND DEVELOPMENT

A publicly-traded manufacturer of semiconductor fabrication factory automation tools acquired a development stage software company. The target company was in the process of developing high-end planning and scheduling software specific to semiconductor fabrication plants. We were retained to identify any completed or in-process R&D technologies and other intangible assets as well as to value these assets. The results of our valuation were used to record the acquisition under purchase accounting principles.

COMMON STOCK

A manufacturer of electronic connectors granted stock options to several key employees and directors prior to the company's initial public offering. Michel-Shaked was retained to value the company's stock at the time the options were granted. The valuation was performed to determine whether deferred compensation should be recorded for accounting purposes and disclosed in the IPO's offering prospectus.

MERGER CONSIDERATION

Shortly before going public, a closely-held manufacturer of control products purchased a software company for cash, notes, and shares of its stock. Michel-Shaked was retained to determine the total acquisition price by valuing the notes and the stock of the closely-held acquirer used for the purchase. The valuation we performed determined the total purchase price, which the acquirer incorporated into its initial public offering filings with the Securities and Exchange Commission.

MINORITY INTEREST

An employee of an operator of assisted living facilities claimed that the majority owner promised to sell him a minority stake in the company. A disagreement arose between the two parties when the stake was not offered for sale. To settle the dispute, the parties agreed that the holder of the majority interest would pay the employee the fair market value of the minority interest. Michel-Shaked was engaged to value the minority interest. Relying upon our health care and valuation expertise, we valued the interest employing several valuation methodologies.

PROPERTY DEVELOPMENT – LITIGATION RIGHTS

A property development and a management company were involved in a dispute over the development of office space in the downtown area of a major U.S. city. The developer sought to sell the litigation rights accruing to it as a result of the dispute. Michel-Shaked was retained to value the litigation rights involving the disputed development opportunity. The valuation was used in conjunction with the sale of the litigation rights to a third party.

RESTRICTED STOCK

A publicly-traded provider of human resource software acquired certain assets of a publicly-traded Internet company. The purchase price consisted of cash and restricted shares of the acquirer's common stock. The acquirer was required to determine the value of the consideration in order to report the transaction on its books. Michel-Shaked was engaged to determine the lack of marketability discount to be applied to the restricted shares for the purpose of determining the total purchase price. This analysis was performed to support the recording of the transaction as reported in the acquirer's filings with the Securities and Exchange Commission.

MINORITY INTEREST

The minority interest shareholder in a closely-held cargo shipping business entered into an arbitration process, seeking the fair market value for that interest. Michel-Shaked was engaged to value the minority interest. Our expert presented our valuation and findings at an arbitration hearing.

COMMON STOCK

A diversified health care company granted stock options to several executives prior to the company's initial public offering. Michel-Shaked was retained to value the company's stock at the time the options were granted. The valuation was performed to determine whether additional compensation should be recorded and disclosed in the IPO's offering prospectus.

Michel-Shaked was engaged to determine the lack of marketability discount to be applied to the restricted shares for the purpose of determining the total purchase price.

Damages

Drawing upon our knowledge base in finance, accounting, economics, marketing and general business principles, combined with the industry expertise of our senior experts, The Michel-Shaked Group is well positioned to tackle a variety of damage cases pertaining to commercial litigation. Our experience in other matters such as securities, valuation, and intellectual property, for example, also aids us in preparing sound and effective analyses for our clients.

The following list is a sample of areas of our expertise in the damages field:

Accountant Liability	Lender Liability
Actuarial	Lost Profits
Antitrust	Mergers and Acquisitions
Asbestos	Non-Compete Agreement
Asset Mismanagement	Patent Infringement
Bankruptcy	Pension Plans
Breach of Contract	Price Fixing
Business Judgment Rule	Product Liability
Collateral	Punitive Damages
Copyright Infringement	Qui Tam (Whistle Blower)
Disclosure	Representations and Warranties
Fiduciary Duty	Securities
Financing Alternatives	Tender Offers
Insurance Claims	Wrongful Death
Investment Suitability	

A sample of damages assignments

ACQUISITION

A European enterprise management software firm acquired a U.S. software concern in a stock-for-stock transaction. Within two weeks of the close of the acquisition, the European firm announced an earnings restatement. Consequently, the share price tumbled. Majority shareholders of the acquired company filed suit, claiming damages as a result of the diminished value of the shares they received in the acquisition. Michel-Shaked, working together with one of our senior experts and utilizing an event study, quantified the damages suffered by the plaintiffs.

PENSION PLANS

A company acquired a designer and manufacturer of precision motion and fluid controls. The assets of the controls business were later sold, but the company retained the liabilities of the business, including the obligations of the defined benefit plan. The trustees appointed by the company to oversee the defined benefit plan hired an investment manager to manage the plan. In a lawsuit filed by the trustees against the investment manager, the trustees alleged that the manager changed investment philosophy by switching the plan from large-cap and more conservative investments into mid-cap and small-cap stocks. As a result, the plan sustained losses when the investments were later liquidated. Michel-Shaked evaluated the performance and actions of the investment manager.

FIDUCIARY DUTY

An heir to a Fortune 50 chemicals concern had funds managed by a trust company. An investment manager at the trust company managed the heir's funds for numerous years while establishing his own management firm where he continued to manage the account. The trust company remained the custodian of the funds. The account had been invested in a well-diversified portfolio, but then the account lost money. The heir filed a lawsuit against the investment manager and the trust company alleging that the once well-diversified portfolio became invested in essentially four assets. Of the four assets, two were privately-held start-up companies in which the investment manager was a board member and another asset was a fund managed by the investment manager. Working with several of our senior experts, Michel-Shaked assessed damages and evaluated the actions and performance of both the investment manager and custodian.

INVESTMENT BANKING

An investment bank was retained to take an Internet security public in an initial public offering. Undisclosed to the Internet firm and its founders, one of the investment bank's managing directors gave some of the pre-IPO stock to a vice president at the investment bank. The vice president then profited from the sale of the stock a few years later at which time the founders of the Internet firm discovered the undisclosed stock arrangement. Michel-Shaked was engaged to evaluate the actions of the investment bankers and to assess any damages.

INSURANCE/ASBESTOS

In a complex and intricate recapitalization transaction, a large European insurance company established a separate entity to acquire the book of business of a domestic property and casualty (P&C) insurer. The P&C business was then operated in a run-off mode. Following the recapitalization, the P&C business experienced an incidence of asbestos claims higher than was actuarially forecasted. When the P&C stopped making payments on its office lease, the property owner and its creditors filed a lawsuit against the European insurer to recover lost rent, alleging the recapitalization was a fraudulent conveyance. The Michel-Shaked team, working with several senior experts, valued the P&C business to test for solvency and projected the P&C's cash flows to determine if the insurer had adequate capital. Included as part of the analysis was a review of the reasonableness of the projected asbestos claims.

BREACH OF CONTRACT

An operator of paging services specializing in health care held a contract to provide such services for a hospital and the hospital's doctors. After investing in new equipment and office space within the hospital, the paging service contract was abruptly terminated. The paging service provider filed a lawsuit against the hospital seeking damages, claiming the termination was a breach of contract. Michel-Shaked was retained to quantify damages.

Damages continued on page 14



Damages continued from page 13

SECURITIES DAMAGES

Based in part on its apparent financial strength, a health care system issued variable rate demand bonds via a third party (government agency). Bondholders had the right to sell the bonds back to the government agency at par at any point in time, but this could be avoided if the rates on the bonds were raised. After the company filed for bankruptcy, it was learned that the healthcare system had shifted accounting reserves between affiliates in order for certain entities to appear more profitable. The U.S. Securities and Exchange Commission sought penalties against certain members of the company's independent auditors. Led by one of our senior experts, Michel-Shaked performed an event study in an effort to assess whether information on a particular bond's underlying creditworthiness was dependent on whether the bond issue was insured or uninsured.

DILUTION EFFECTS

A firm producing testing equipment for the semiconductor industry was seeking a new round of venture financing. One of the original providers of venture capital declined to participate in the new round. Through a series of transactions consisting of stock conversions and stock splits, the original provider of capital found that its significant interest was diluted to essentially zero. Approximately a year later, the company had its initial public offering. The firm providing the original capital sought damages for the excessive dilution. Michel-Shaked, together with one of our senior experts, was retained to determine the appropriate degree of dilution and assess the damages the firm suffered.

LOST PROFITS

A distributor of electrical components had a regional distribution agreement with a large manufacturer of electronic components. The distributor alleged in a lawsuit filed against the manufacturer that the manufacturer withheld certain high value products from the plaintiff and gave these products to other firms for distribution. Michel-Shaked, together with one of our senior experts, was retained to quantify the damages suffered by the distributor.

BREACH OF CONTRACT

A diversified manufacturing company had an agreement to acquire a manufacturer of electronic components. The acquirer sought damages from the target after the target company terminated the purchase agreement. Michel-Shaked was retained to determine the financial loss that was sustained by the plaintiff as a result of the termination of the merger. Led by a Michel-Shaked senior expert, we analyzed the feasibility of a proposed debt financing as well as the feasibility of an IPO following the merger. We employed several methodologies to value the post-merger IPO entity.

ACQUISITION

An investor group formed a joint venture with another group for the purpose of acquiring a European manufacturer of sporting goods. Just prior to the consummation of the acquisition, one of the investors was removed from the acquiring group. The case focused on the value of the ousted investor's interest, as the damages sought were critically dependent on the value of the target company. Michel-Shaked was retained to value the ousted party's interest.

PUNITIVE DAMAGES

A Fortune 100 company was sued for its involvement in the production of asbestos. The plaintiffs alleged they had suffered damages as a result of their coming in contact with the asbestos. Under state statutes, the company could be punished in an amount that would be noticeable to the firm, yet not detrimental. The Michel-Shaked Group was retained to determine the damage award.

REPRESENTATIONS

A leading private equity investment firm acquired a food processing company. The acquirer maintained that the seller misrepresented the condition of the business and held back a portion of the purchase price. The seller then sued the acquirer for damages in the amount of the holdback. Together with one of our senior experts, Michel-Shaked was retained to evaluate the appropriateness of the due diligence performed by the acquirer.

FINANCING ALTERNATIVES

A cargo restraint manufacturer retained an investment bank to obtain additional financing for its operations. The investment bank evaluated several proposals and advised the manufacturer to select one of the proposals. Subsequent to obtaining the new financing, the manufacturer sued the investment bank for damages alleging that the financing proposal selected by the investment bank was the most expensive to the manufacturer, and had generated the highest fees under the terms of the engagement agreement. Michel-Shaked was retained to evaluate the financing alternatives and the work performed by the investment bank as well as to assess any damages.

BUSINESS DAMAGES

A clothing manufacturer had granted exclusive rights to sell its product to a chain of specialty retail stores within a geographical area. The manufacturer then offered lower prices to a nearby chain of competitive stores. A breach of contract suit was filed against the clothing manufacturer. Michel-Shaked was engaged to assess the extent of damages.

QUI TAM (WHISTLE-BLOWER)

In what became a highly publicized matter involving "yield burning," a former investment banker initiated a qui tam lawsuit against an underwriter of tax-exempt securities. The lawsuit alleged that the investment bank excessively marked up the cost of securities purchased for municipal escrow portfolios nationwide. The Michel-Shaked team, led by one of our senior experts, analyzed the market and prices for Treasury securities, municipal securities, and derivative securities. The senior expert testified at public hearings and participated in discussions with the U.S. Department of Justice, the Internal Revenue Service, and the U.S. Securities and Exchange Commission.

INVESTMENT SUITABILITY

Several elderly investors placed funds with a brokerage firm, specifying they sought low-risk investments. The broker handling their accounts invested part of the funds in debt securities of a financially distressed hospital. The hospital eventually defaulted on the bonds and the investors filed a lawsuit against the brokerage firm seeking recovery for their losses. Michel-Shaked was engaged to assess the appropriateness of the bond investment and to quantify the damages suffered by the investors. Our report included a competitive analysis of the hospital sector as well as a financial review of the hospital itself.

Michel-Shaked was retained to determine the financial loss that was sustained by the plaintiff as a result of the termination of the merger.

The Michel-Shaked Group has worked on many of the largest bankruptcies in U.S. history. Moreover, unlike larger consulting firms that may have had a large number of personnel with limited exposure to bankruptcy cases, at Michel-Shaked, our Managing Directors, senior professionals, and a number of our senior experts have been personally involved in many of our bankruptcy, fraudulent conveyance, preference, and deepening insolvency matters. This vast knowledge and in-depth experience lends itself to credible analyses. Drs. Michel and Shaked also serve as contributing editors for the *American Bankruptcy Institute Journal*.

The Michel-Shaked Group, while having significant experience on fraudulent conveyance, preference, and deepening insolvency issues, also acts as an adviser or litigation consultant to creditor committees, bankruptcy trustees and other parties involved in reorganization efforts.

The following list is a sample of areas of our expertise in the bankruptcy field:

Accounting Issues	Fraudulent Conveyance
Actuarial Issues	Lender Liability
Capital Adequacy	Leveraged Buyouts
Corporate Governance	Mergers and Acquisitions
Creditor Committee Advisory	Piercing the Corporate Veil
Debtor Advisory	Preferences
Deepening Insolvency	Recapitalizations
Director and Officer Liability	Reorganization Advisory
Due Diligence	Security Analysis
Equitable Subordination	Solvency
Fair Consideration	Trustee Advisory
Fiduciary Duty	Valuation

A sample of bankruptcy assignments

PREFERENCE ACTION

A distribution company undertook a refinancing as part of a recapitalization plan. The company's then current line of credit, provided by a major money center bank, was retired as part of the refinancing. Shortly after the recapitalization, the distributor filed for bankruptcy protection. The bankruptcy trustee alleged in a lawsuit that the payment to the money center bank constituted a preference payment. Michel-Shaked was retained to analyze the solvency of the distributor. Led by one of our senior experts, the Michel-Shaked team valued the company. In addition, we performed an assessment of the distributor's industry and the company's performance as well as its capital adequacy.

FRAUDULENT CONVEYANCE

A publicly-traded operator of a large chain of convenience stores was taken private in a leveraged buyout. Shortly after the LBO, the company filed for bankruptcy protection. The bankruptcy trustee filed a lawsuit against the selling shareholders, lenders, and other parties involved in the transaction, alleging the LBO constituted a fraudulent conveyance. Michel-Shaked was retained to determine whether the company was solvent and adequately capitalized immediately following the transaction as well as to determine whether fair consideration was given in the transaction. As part of our analysis, we also reviewed and assessed the due diligence procedures performed by the firm that issued the solvency opinion as well as the investment bankers working on the transaction.

REORGANIZATION ADVISORY

A publicly-traded nursing home operator spun its real estate holdings into a separately traded Real Estate Investment Trust (REIT). The nursing home operator then leased the facilities from the REIT, which created tax advantages to the shareholders who now owned shares in both the company and the REIT. Shortly after the transaction was consummated, the nursing home company became financially distressed and could no longer make the lease payments owed to the REIT. The company filed for bankruptcy protection and during the reorganization process, the company threatened to sue the REIT. Michel-Shaked was retained to analyze the economics of the spin transaction and to assess the likelihood of the company prevailing in court. Together with several of our senior experts, we analyzed the transaction, valued the company, forecasted cash flows and analyzed developments in the industry.

DEEPENING INSOLVENCY

A provider of low-grade mortgages pooled loans from its mortgage portfolio and then sold the pools. In preparing its financial statements, the company made certain assumptions on the collection rate of the loans and on the recognition of gains on the sales of the pooled loans. The company filed for bankruptcy and the liquidation trustee filed suit against the company's independent accountants, alleging that the accountants failed to provide adequate auditing services. Led by one of our senior experts, Michel-Shaked performed a deepening insolvency analysis by valuing the company at different points in time leading up to its bankruptcy.

DUE DILIGENCE

Within a few months after raising over \$100 million in a round of debt financing, a financially distressed developer of composite materials filed for bankruptcy protection. An investor group that often invested in high-risk companies participated in this round of financing and brought a lawsuit against the company claiming the company's problems were not fully disclosed. The Michel-Shaked Group was retained to assess the allegations made in the complaint. As part of our analysis, we reviewed the company's disclosures made over a several year period as well as the due diligence undertaken by the investor group.

Bankruptcy continued on page 18

Michel-Shaked performed a deepening insolvency analysis by valuing the company at different points in time leading up to its bankruptcy.



Bankruptcy continued from page 17

SOLVENCY

The operator of a small casino on the Gulf Coast issued bonds in order to fund the construction of two casinos; one on the Mississippi River and the other adjacent to the existing Gulf Coast facility. The casinos were constructed, but shortly after the completion of the projects the company fell victim to intense competition and filed for bankruptcy. The construction firm, as a creditor, sued the company, alleging the casino operator was insolvent at the time of the issuance of the bonds. Michel-Shaked was engaged to study the industry and competition in the region and to perform tests of solvency and fair consideration.

CAPITAL ADEQUACY

The U.S. textile-manufacturing subsidiary of a British firm filed for bankruptcy protection. The U.S. subsidiary sued its parent company for allegedly failing to provide it with adequate capital to operate. Led by one of our senior experts, Michel-Shaked performed tests for solvency and capital adequacy, and also examined the impact that the North American Free Trade Agreement (NAFTA) had on the subsidiary.

FINANCIAL DISTRESS

A high-profile leveraged buyout firm acquired a national diet and nutrition chain. Shortly thereafter, in order to maintain the company's competitiveness, franchise fees were raised. The franchisees, which claimed the fee increase was a result of the leveraged buyout that led to the firm's financial distress, sought to recover damages. Michel-Shaked's analysis determined that factors other than the LBO, which were unforeseen at the time of the transaction, caused the financial distress the company experienced.

MERGER

A well-known Hollywood motion picture studio and a European studio were merged through a complex leveraged transaction involving worldwide licensing arrangements and asset transfers. An independent motion picture production company, whose lucrative series of films were distributed by one of the two merged companies, claimed that as a result of the merger it suffered significant damages. Although the combined firm continued to operate, Michel-Shaked was retained to determine whether the resulting firm was insolvent or undercapitalized.

FIDUCIARY DUTY

During the bankruptcy reorganization process for a manufacturer of parts and supplies used in the automotive industry, the bankruptcy trustee challenged the fees charged by the adviser providing financial consulting services. Michel-Shaked was retained to review and evaluate the work performed and fees charged by the creditor committee's financial adviser.

SOLVENCY ANALYSIS – PROPERTY DEVELOPMENT

A private general partnership that developed office space in the New England area became financially distressed shortly after the completion of one of its projects and in the midst of a downturn in the office leasing market. Michel-Shaked was retained to analyze the solvency and cash flows of the partnership.

SOLVENCY ANALYSIS

A trucking company was spun-off from its parent company in a management-led leveraged buyout. Shortly after the LBO, the company was recapitalized. Following this transaction, the company filed for bankruptcy protection. The bankruptcy trustee sued the investment bank and lead-lending bank, seeking damages. Michel-Shaked was retained to determine whether the company was solvent and adequately capitalized immediately following the transaction.

LEVERAGED BUYOUT

The owner of an air transport courier sold the firm to another cargo operator in a leveraged buyout. Shortly thereafter, the air courier became financially distressed and then filed for bankruptcy. The estate of the bankrupt company filed a lawsuit against the former owner seeking to recover the amount paid the owner in the sale. Michel-Shaked was retained to analyze the LBO as well as the actions taken by the new management group following the transaction and to present the findings of our analysis at mediation.

FRAUDULENT CONVEYANCE

A management and services company held ownership stakes in several companies, among them a recreational products and apparel company. This operating company became financially distressed. A creditors' committee was formed and after making preliminary investigations, the committee threatened to sue the management and services company and its owner personally, alleging that some of the transactions resulted in a fraudulent conveyance. The Michel-Shaked Group was engaged to evaluate the merit of the allegations.

Michel-Shaked was retained to analyze the LBO as well as the actions taken by the new management group following the transaction and to present the findings of our analysis at mediation.

The Michel-Shaked Group is experienced in using modern financial theory to analyze the liability and assess the damages resulting from alleged securities violations. We have been involved in well-publicized Rule 10b-5, Sections 11 and 12 cases. Combining academic research with our practical experience in the securities arena has garnered us a reputation for providing timely and effective analyses as well as cogent testimony. In addition to engagements related to publicly-traded securities, our senior experts have provided consulting and expert testimony in numerous securities cases involving private entities and government agencies.

The following list is a sample of areas of our expertise in the securities field:

Accounting Issues	Earnings Restatements
Analyst Coverage	Fiduciary Duty
Bond Default	Fraud on the Market
Class Action	Hedge Funds
Class Certification	Insider Trading
Corporate Governance	Loss Causation
Credit Ratings	Mergers and Acquisitions
Damages	Mutual Funds
Derivative Action	Pension Plans
Dilution Effects	Representations and Warranties
Director and Officer Liability	Short Selling
Disclosure	Valuation
Dissenters' Rights	Yield Burning

A sample of securities assignments

SECTIONS 11 AND 12

A leading developer, producer and marketer of professional salon products announced that it had to restate three years of earnings, resulting in losses for each of the three years. Upon news of the earnings restatement, the price of the company's bonds plummeted, precipitating a securities lawsuit. Michel-Shaked was engaged to quantify damages under Sections 11 and 12 of the Securities Act of 1933. Led by one of our senior experts, we used statistical models and performed other analyses to determine the damages.

ANALYST COVERAGE

A publicly-traded women's specialty retailer filed for bankruptcy protection and soon found that it and the primary stock analyst covering the company were embroiled in a securities class action lawsuit. The lawsuit alleged that the stock analyst representing a major brokerage firm failed to meet industry standards of due diligence in preparing analyst reports on the company. The retailer falsified its disclosures to the investing public by fraudulently claiming it had significant sales of cosmetic products in addition to its main line of clothes. Leading up to the point of the bankruptcy filing, the analyst continued to write glowing reports about the company. Michel-Shaked was retained to assess the disclosures made by the company as well as the quality of the due diligence performed by the stock analyst. In order to determine the damage per share, we also performed an elaborate statistical analysis that examined the abnormal stock returns associated with various announcements and disclosures.

RULE 10b-5

In a class action lawsuit filed on behalf of shareholders of a publicly-traded manufacturer of laser-based medical instruments, the shareholders alleged that the company failed to adequately disclose the size of the market for its lasers. When equity analysts and others following the company learned of the firm's "true" market potential, the stock price fell on the reported news. Working with one of our senior experts, Michel-Shaked performed a detailed review of the disclosures made by the company as well as reports written on the company and on the market for the company's lasers. While our primary focus quantified damages suffered by shareholders under Rule 10b-5, the analysis also included a quantification of Section 11 and 12 secondary offering damages as well as Section 20A insider trading damages.

CLASS CERTIFICATION

In a highly publicized matter, a provider of telecommunications services to carriers and commercial enterprises worldwide disclosed that it had revenue recognition problems. Following the announcement, the company's market capitalization plummeted, leading to several class action lawsuits and ultimately to the company's filing for bankruptcy protection. Michel-Shaked evaluated whether preferred stockholders had conflicting interests with the common stockholders.

CORPORATE GOVERNANCE

The independent accountants for a professional salon products company performed both auditing and consulting services for the firm. In addition, former employees of the accounting firm were members of the company's management team. The Board of Directors of the company pursued a business strategy of growing through acquisitions. As was discovered later, the financial statements and other information on which the board relied were inaccurate. The company filed a lawsuit against its independent accountants and others, claiming that if the company and its Board of Directors were provided with accurate and timely financial information, the company would have pursued a different strategy. Led by one of our senior experts, Michel-Shaked reviewed and assessed the strategy the company followed and evaluated alternative strategies the company could have followed.

FRAUD ON THE MARKET

A large European communications equipment manufacturer acquired another communications firm in a stock-for-stock transaction. Approximately a week after the transaction closed, the acquirer announced a downward revision of sales and earnings. Shares of the acquirer fell sharply following the announcement, precipitating a class action lawsuit. Michel-Shaked was engaged to quantify damages under Sections 11 and 12 of the Securities Act of 1933. Led by one of our senior experts, we used statistical models and performed other analyses to determine the damages.

Securities continued on page 22



Securities continued from page 21

SHORT SELLING

In a class action lawsuit, a manufacturer of digital imaging and printing plate technologies was accused of issuing false and misleading financial statements. The class action complaint also alleged that directors and officers shorted stock in the company while having material non-public information. Michel-Shaked was engaged to evaluate damages, if any, by performing a Fraud on the Market analysis, incorporating the effects of the short selling.

CLASS ACTION

A diversified publicly-traded holding company operating a snack goods distribution business and hair care salons became financially distressed, primarily as a result of declining profitability. Much to the surprise of shareholders, the company filed for bankruptcy protection. Shareholders filed a lawsuit alleging that the company and its management failed to adequately disclose the company's deteriorating financial condition. Michel-Shaked was retained to evaluate the appropriateness of the company's disclosures. The analysis included a review of financial statements, press releases, and other disclosures. We also performed an assessment of whether certain issues not disclosed were material.

DISCLOSURE

A fixed income mutual fund was sued by several investors, alleging the fund invested in securities outside the realm of the fund's investment objectives. The lawsuit claimed that the fund had extensive holdings in mortgage-backed derivatives that were not adequately disclosed. The portfolio suffered substantial losses when interest rates rose unexpectedly. Michel-Shaked, working with one of our senior experts, was engaged to analyze the fixed income market, both before and after the spike in interest rates, and the investment strategy and philosophy of the fund.

CREDIT RATING

A large West Coast life insurer issued guaranteed investment contracts (GICs). At the time the GICs were issued, one of the major rating agencies issued a AAA claim paying ability rating for the insurer. A few months after the high rating was issued, the insurer filed for bankruptcy protection. The holders of the GICs sued the rating agency for damages claiming the rating was unsuitable. Michel-Shaked evaluated the procedures and analysis performed by the rating agency and the creditworthiness of the insurance company. The focus of our work was to determine the reasonableness of the rating given to the life insurer's claims paying ability.

REPRESENTATIONS

Investors in a series of oil and gas limited partnerships filed a RICO class action suit against the organizers and promoters of the partnerships. The plaintiffs alleged that the defendants sold the partnership interests in a fraudulent manner by misrepresenting the risk and expected return of the investments. The plaintiffs also claimed that the defendants schemed to induce the investors into later selling their partnership interests at below true market values. Michel-Shaked was retained to evaluate and critique the damage estimates prepared by the class expert. The Michel-Shaked team, led by a senior expert, developed an analysis of reasonable market expectations as well as a critique of the class expert's damage report.

YIELD BURNING

A state governmental agency undertook a bond defeasance. As part of the bond defeasance process, U.S. Treasury securities were purchased in conjunction with the municipal advanced refunding. In a lawsuit filed by the municipality against the investment bank retained for the bond defeasance, the municipality alleged that the price of the U.S. Treasury securities purchased on its behalf had been marked up excessively, thus lowering ("burning") the yield on those securities. Led by one of our senior experts, Michel-Shaked was retained to value the Treasury securities purchased by the municipality and to compare the purchase price to the then prevailing market price. Following this analysis, we calculated damages.

INSIDER TRADING

An investor was accused of having purchased stock based on confidential information prior to the public announcement that the firm was a takeover target. Working in collaboration with another consulting firm, Michel-Shaked was engaged to assess the likelihood that the company was a takeover candidate and that any reasonably knowledgeable investor, provided with the publicly available information the defendant received, would have also purchased the stock.

DISCLOSURE

In a securities class action suit brought against a holding company and its life insurance subsidiary, plaintiffs claimed that the company had failed to disclose material information regarding its portfolio investment of high yield securities. The plaintiffs claimed that as a result, the stock price was artificially inflated. Michel-Shaked was retained to evaluate the appropriateness of the firm's disclosures given its insurance and investment portfolios and deteriorating financial condition. The analysis included a review of financial statements, earnings announcements, and other disclosures. We also performed an assessment of whether certain issues not disclosed were material.

While Michel-Shaked's primary focus quantified damages suffered by shareholders under Rule 10b-5, the analysis also included a quantification of Section 11 and 12 secondary offering damages as well as Section 20A insider trading damages.

Intellectual Property

The intellectual property practice at The Michel-Shaked Group pulls together the resources and expertise of its valuation, finance, economic, and marketing research skills to address a wide variety of intellectual property issues. Attorneys have retained Michel-Shaked to determine intellectual property damages, if any, resulting from allegations of inappropriate use and/or infringements of proprietary knowledge. Corporate clients also have engaged Michel-Shaked to identify and value intellectual property and other intangible assets.

The following list is a sample of areas of our expertise in the intellectual property field:

Copyright Infringement	Patent Infringement
Damages	Research and Development
Intangible Assets	Trade Secrets
Lost Profits	Valuation

A sample of intellectual property assignments

DAMAGES

A cofounder and significant shareholder of a telecommunications firm left the company to work for an allegedly competing firm. The company from which the founder departed claimed that its proprietary knowledge had been transferred and as a result it suffered damages. Michel-Shaked analyzed the company's performance and evaluated the similarity between the markets and technologies of the two allegedly competing firms.

PATENT INFRINGEMENT

A European pharmaceutical company brought suit against a competing firm alleging the competitor infringed upon its patent in marketing a competing product. Michel-Shaked was retained to assess the market for this product, to determine the impact on profits resulting from the alleged patent infringement, and to determine the damage award.

TRADE SECRETS

Several employees of a software division of a Fortune 500 company left to join a startup software firm. The Fortune 500 company sued the startup firm and individually named defendants, alleging the former employees took proprietary information, which helped the startup develop a competing product in a much shorter period of time than under ordinary circumstances. The suit also claimed that certain customer accounts were lost. Michel-Shaked was retained to assess the damages, if any, from the actions taken by these former employees. Together with one of our senior experts, we analyzed the markets served by the two "competing" products, made an assessment of the damages and critiqued the other side's expert report.

PRODUCT DEVELOPMENT

A medical device developer and manufacturer had an exclusive distribution agreement with a Fortune 500 company covering one of the developer's product lines. The developer spent several years designing what it believed to be a "new" product, one not covered by the existing distribution agreement. When the "new" product was nearing completion, the two companies became embroiled in litigation over whether the distribution agreement applied to this particular product. While the developer argued that it was a "new" product, the distributor claimed it was merely a product extension. Working with one of our senior experts, Michel-Shaked analyzed the markets served by both the existing and "new" products and their product development cycles.

FRANCHISE INFRINGEMENT

A major Hollywood motion picture studio that held the exclusive rights to a successful movie franchise filed suit against a global electronics and entertainment company. The lawsuit alleged that the exclusive rights would be violated when the other company's plan to film a similar motion picture was implemented. Michel-Shaked was engaged to value the franchise and to quantify damages.

PROPRIETARY KNOWLEDGE

An electrical and mechanical engineering firm acquired an aerospace and defense subcontractor. Prior to the closing of the transaction, several employees left the subcontractor to join a competing firm. The engineering firm alleged in a lawsuit that the former employees took proprietary information such as engineering drawings, computer programs and business proposals. Michel-Shaked, working with one of our senior experts, was engaged to determine the damages suffered by the acquirer. The damage calculations took several forms, but primarily rested on the value of lost profits associated with lost contracts.

RESEARCH AND DEVELOPMENT

A publicly-traded animation and graphics software firm acquired the foreign subsidiary of a major U.S. software company operating in the same field. The target company was in the process of developing high-end 3D modeling, animation, and rendering software. We were retained to identify any completed or in-process R&D technologies and other intangible assets and to value these assets. The results of our valuation were used to record the acquisition under purchase accounting principles.

Michel-Shaked analyzed the markets served by the two "competing" products, made an assessment of damages and critiqued the other side's expert report.

The accounting practice at The Michel-Shaked Group covers many facets of financial statement reporting. We have handled cases involving both publicly-traded and closely-held companies, conglomerates as well as niche players. We have been retained to consult on a wide variety of accounting issues. For example, we have been engaged to investigate and report on the work performed by auditors as well as the role played by senior management and the board in the preparation of financial statements. Relying on our accounting and valuation knowledge, we have been retained to provide clients with a purchase price allocation in which we evaluated intangible assets, including customer lists, patents, workforce, completed technology, in-process research and development, and goodwill.

The following list is a sample of areas of our expertise in the accounting field:

Auditor Review	Leases
Derivative Securities	Off-Balance Sheet Financing
Earnings Management	Ponzi Schemes
Earnings Restatements	Purchase Accounting
Forensic Accounting	Revenue Recognition
Financial Reporting	Self-Insurance Reserves
Goodwill Impairment	

A sample of accounting assignments

EARNINGS MANAGEMENT

A large chemicals conglomerate was accused of smoothing out its earnings over a several year period by adjusting reserves at one of its subsidiaries. It was alleged that the reserves were not adequately disclosed in the company's SEC filings. Michel-Shaked was retained to investigate the nature of the reserves and the adjustments made to the reserve accounts over time and to determine the adequacy of the disclosures regarding the reserves in the company's public filings.

REVENUE RECOGNITION

An operator of acute care hospitals was alleged to have inappropriately reported revenues over the course of a couple of years. The plaintiffs sought damages from the auditing firm, alleging the accounting firm assisted with the issuance of improper financial statements. Working with one of our healthcare senior experts, Michel-Shaked investigated the revenue recognition policy of the company and assessed the impact on the company's earnings. As part of our work, we also determined the standard of revenue reporting utilized by other firms competing in the same marketplace.

PONZI SCHEME

After falling victim to the largest Ponzi scheme in United States history, an office equipment leasing company filed for bankruptcy. The bankruptcy Trustee filed charges against the company's independent accountants, a legal adviser, and an insurer, seeking damages. Together with two of our senior experts, Michel-Shaked was retained to conduct a comprehensive forensic accounting investigation and to quantify damages, if any. The analysis also included a reconstruction of the company's financial statements.

FIXED ASSETS

An operator of drug stores agreed to acquire another retailer's drug store operations. The purchase price was established as the tangible book value of assets. Included in the accounting records for fixed assets were intangible assets such as goodwill. Following the closing of the transaction, the acquirer sued for damages resulting from an alleged overpayment due to inaccuracies in the fixed asset register. Michel-Shaked was retained to determine the appropriateness of the disclosure of tangible versus intangible assets as well as to opine on the definition of fixed assets.

FINANCIAL REPORTING

Upon the advice of its outside auditors, a provider of Internet fax services hired an accounting consultant to act as its interim Chief Financial Officer. The acting CFO then allegedly assisted the Chief Executive Officer in preparing fraudulent financial statements, and in embezzling funds. Working with one of our senior experts, Michel-Shaked analyzed the duties and tasks that the consultant accepted and performed as compared to those duties expected of a CFO.

SYNTHETIC LEASES

A food and drug retailer entered into four synthetic leases with a developer of four separate distribution centers. Led by one of our real estate senior experts, Michel-Shaked was asked to evaluate whether the synthetic lease transactions were reasonably classified as real estate leases or were financing instruments designed for the primary benefit of the retailer (tenant). The focus of our report was to determine whether the leases satisfied a reasonable balance of the rights, obligations, burdens, and benefits typical of a normal commercial real estate lease or whether the leases were sufficiently well crafted to meet FASB 13 operating lease criteria. A critical issue in reviewing the benefits and burdens to the lessor and lessee was the need to assess whether the lease documents should be viewed as independent documents or be viewed in the context of the other documents involved in the synthetic lease transactions.

PURCHASE ACCOUNTING

A publicly-traded provider of human resource software acquired certain assets of a publicly-traded Internet company. The purchase price consisted of cash and restricted shares of the acquirer's common stock. The acquirer was required to determine the value of the consideration in order to report the transaction on its books. Michel-Shaked was engaged to determine the lack of marketability discount to be applied to the restricted shares for the purpose of determining the total purchase price. This analysis was performed to substantiate the recording of the transaction as reported in the acquirer's filings with the Securities and Exchange Commission.

Working with one of our healthcare senior experts, Michel-Shaked investigated the revenue recognition policy of the company and assessed the impact on the company's earnings.

The taxation practice at The Michel-Shaked Group is based upon our extensive experience in valuation and also draws upon our knowledge base in finance, accounting, and economics. Attorneys involved in tax litigation or the development of tax strategies and those assessing tax implications of certain transactions have sought our expertise in a wide array of tax matters. In addition to our expert testimony work, corporate clients have retained us to render an opinion related to a particular aspect of the tax law that may impact a merger or an acquisition.

The following list is a sample of areas of our expertise in the taxation field:

Accounting Issues	Limited Partnerships
Alternative Minimum Tax	Marketability Discounts
Built-In Capital Gains	Mergers and Acquisitions
Change of Control	Minority Discounts
Control Premiums	NOL Utilization
Estate Tax	REITs
Family Limited Partnerships	Tax Shelters
Gift Tax	Valuation

A sample of taxation assignments

ESTATE TAX

A personal holding company that managed investments for the benefit of several trusts held a portfolio of assets mostly comprised of marketable securities. An individual owning a minority stake in the company passed away. In valuing the deceased's interest in the holding company, the estate tax return took discounts for minority interest, lack of marketability, and built-in capital gains (or "trapped capital gains"). The Internal Revenue Service engaged Michel-Shaked to value the estate and to determine the reasonableness of the discounts taken on the estate tax return.

ASSET DEPRECIATION

Michel-Shaked was retained on behalf of the estate of a former major airline carrier to analyze the carrier's method of depreciating its aircraft. The analysis focused on the depreciation deducted while aircraft were in use over the United States and its territories and depreciation taken while aircraft were flown overseas.

FAMILY LIMITED PARTNERSHIP

A taxpayer challenged the Internal Revenue Service's valuation of a family limited partnership consisting of real estate, securities, a shareholder loan, and cash. The valuation dispute centered on the application of minority interest and lack of marketability discounts. Together with one of our senior experts, Michel-Shaked analyzed the discounts applied to the underlying net asset values.

GIFT TAX

On behalf of the Internal Revenue Service, Michel-Shaked was retained to critique the value placed on shares of a privately-held aerospace electronic instruments manufacturer that the taxpayer gifted to family members. Working with one of our senior experts, we valued the stock of the company as of the gift date. Our report also included a trend-analysis for the industry and a review of investment banking activities pertaining to the sale of the company.

CHANGE OF CONTROL

An operator of casual dining restaurants completed a recapitalization and ownership restructuring. Several months following the recapitalization, the company acquired another chain of casual dining restaurants being spun-off from a large publicly-traded food and beverage company. An additional round of equity and bank debt financed the acquisition. Michel-Shaked was engaged to determine if the first recapitalization resulted in a change of control as determined under §382 of the Internal Revenue Code and to value the common stock and preferred stock of the combined entities following the acquisition.

ACQUISITION

On behalf of the Internal Revenue Service, Michel-Shaked was retained to analyze the long-term impact of an acquisition on the target company, a manufacturer of equipment used in the paper industry. The issue was whether the investment banking fee paid was for the long or short-term benefit of the company. Based on our analysis, we determined a reasonable useful life over which the fees should be deducted.

OFFSHORE ASSET MANAGEMENT

A U.S.-based asset management firm operated a Cayman Islands office where it offered tax-advantaged investments to non-U.S. citizens. The Internal Revenue Service asserted that the U.S. corporate tax return for the company allocated a disproportionately high rate of its revenue to the Cayman Islands entity and thus excessively lowered U.S. taxable income. Michel-Shaked was retained on behalf of the IRS to determine the reasonable fee income and costs associated with operating a money management firm, taking into consideration the level of service provided.

TECHNOLOGY TRANSFER

A U.S. manufacturer of material testing equipment purchased a foreign company operating in the same field. Following the acquisition, the U.S. parent company transferred the foreign subsidiary's technology to the U.S., and needed to determine the value of the technology for book and tax purposes. Michel-Shaked applied a variety of different techniques to value the transferred technology.

The Internal Revenue Service engaged Michel-Shaked to value the estate and to determine the reasonableness of the discounts taken on the estate tax return.

Labor, Employment and Pensions

Drawing upon The Michel-Shaked Group's knowledge base in damages, securities, valuation, and fiduciary duties, the group is well positioned to address labor, employment and pension matters. Together with our pool of senior experts, Michel-Shaked is well qualified to evaluate damages, assess and investigate the prudence of investments, and to address the variety of fiduciary duty issues that arise in many ERISA, ESOP, and wrongful termination matters. In addition, the group's strong valuation experience makes it well suited to assist companies in establishing the fair market value of their stock for executive compensation purposes.

The following list is a sample of areas of our expertise in the labor, employment, and pension field:

Compensation	Non-Compete Agreements
Damages	Pension Plans
Disclosure	Restricted Stock
ERISA	Valuation
ESOPs	Wrongful Termination
Fiduciary Duty	

A sample of labor, employment and pension assignments

PENSION PLAN

The retirement plan of a discount retailer allegedly continued to purchase and hold the company's stock when the plan's trustees knew of the company's financial distress. The U.S. Department of Labor (DOL) claimed it was not prudent to purchase and hold the firm's stock for its employees. Together with one of our senior experts, Michel-Shaked analyzed the stock price movement and related events in order to assist the DOL in determining whether it should file a lawsuit against the company and its Board of Directors.

EXECUTIVE COMPENSATION

A manufacturer of power protection systems retained an independent contractor to function as a Chief Financial Officer. Six months later, the independent contractor became a salaried employee. Two years after becoming a salaried employee, the individual left the firm, claiming additional compensation was owed. The claim for additional compensation was based on the assertion that the individual qualified for the company's employee stock option plan (ESOP) dating back to the commencement of the independent contractor status. Michel-Shaked, together with one of our senior experts, evaluated the actions of the individual while in the CFO post.

WRONGFUL TERMINATION

A global business consulting firm performed a study of a well-known company that develops and manages international destination resorts. After the review, the Board of Directors terminated the employment of the Chief Executive Officer, the son of the founder. In a matter that received attention domestically and in Europe, the CEO sued the consulting firm claiming damages. Michel-Shaked was retained to assess damages, critique the other expert's report and to prepare the attorneys for their cross examination of witnesses at trial.

RESTRICTED STOCK

An employee of an Internet marketing firm was granted restricted stock in the firm. The employee was later terminated. Shortly thereafter, the company had its initial public offering (IPO). Two and one-half years after the IPO, another publicly-traded firm acquired the marketing firm. The terminated employee sued, alleging damages arising from the missed opportunity resulting from the IPO, including the value of the restricted stock. Led by one of our senior experts, Michel-Shaked critiqued the damage analysis prepared by the other side's expert and calculated the damages, correcting for errors made by the other side's expert in applying the Black-Scholes option pricing model.

EMPLOYEE STOCK OPTION PLAN

The employee stock option plan (ESOP) of a manufacturer of office equipment invested in the stock of the company. The firm went bankrupt, but the founder allegedly took some of the proprietary knowledge developed at the company and used that knowledge to start another company. The U.S. Department of Labor (DOL) sought to have the value of that proprietary knowledge put back into the estate of the bankrupt firm. The Michel-Shaked Group, together with one of its senior experts, evaluated the merits of the DOL's case against the founder.

PREFERENCE BONUS

A vice president at a high-profile Internet start-up received a bonus one month before the company filed for bankruptcy. Michel-Shaked was engaged to analyze the solvency of the firm at the time of the alleged preference payment. In conducting our solvency analysis, Michel-Shaked employed business valuation methods appropriate for such an Internet start-up.

CHEAP STOCK VALUATION

A diversified health care company granted stock options to several executives prior to the company's initial public offering (IPO). Michel-Shaked was retained to value the stock of the company at the time the options were granted. A valuation was performed to determine whether additional compensation should be recorded and disclosed in the IPO's offering prospectus.

Michel-Shaked was retained to assess damages, critique the other expert's report and to prepare the attorneys for their cross examination of witnesses at trial.

Given the breadth of the firm's knowledge in finance, economics, accounting and general business principles, The Michel-Shaked Group is often retained to provide clients with assistance or advice on general business issues. For example, clients in the start-up phase have sought the guidance of Michel-Shaked in developing business plans and leading them through the venture capital process. In addition, Michel-Shaked has consulted with clients engaged in restructuring and reorganization transactions.

The following list is a sample of areas of our expertise in the business consulting field:

Business Planning	Marketing Strategy
Corporate Control Strategies	Quality Control
Divestiture Strategies	Risk Management
Economic Value Added	Reorganization Advisory
Financial Reporting	Shareholder Wealth Maximization
Franchise Agreements	Start-Up Development
IPO Strategy	Takeover Defense Strategies
Market Research	Venture Capital

A sample of business consulting assignments

MARKETING STRATEGY

A large designer and manufacturer of computer equipment sought to enhance the effectiveness of its value added resellers (VARs). The computer company retained Michel-Shaked to visit VARs around the world, to analyze the marketing strategies employed by the company's VARs and to recommend changes to those strategies.

IPO STRATEGY

A United Kingdom manufacturer of electronic instruments and controls sought to monetize its minority interest investment in a privately-held U.S. technology company. Michel-Shaked was retained by the U.K. manufacturer to assist it in exploring different avenues for achieving its stated objective. Among the alternatives pursued was an IPO for the minority interest.

START-UP DEVELOPMENT

Michel-Shaked assisted an entrepreneurial biotech team in the early stage of organizational expansion. We analyzed the firm's market opportunities and developed a business plan. We also reviewed the plan's assumptions and made certain recommendations based on our analysis and experience.

REORGANIZATION ADVISORY

A manufacturer of private, general aircraft filed for bankruptcy protection. As part of the reorganization, a trust was established to provide compensation to any future claimants of aircraft crashes. Michel-Shaked was retained on behalf of the trust to determine the appropriate amount to be set aside for satisfying future claimants. Led by a Michel-Shaked senior expert, we developed a framework including financial projections for the company under a variety of business scenarios. The scenario analysis aided our client during restructuring negotiations with the trustee.

DIVESTITURE STRATEGY

A provider of computer systems analysis and integration services sought to refocus its strategy and operations. The Michel-Shaked Group was retained to assist the company in the evaluation of its various projects and to ultimately determine the value of the project that was sold.

SHAREHOLDER WEALTH MAXIMIZATION

A large telecommunications company sought to improve its stock performance. The top management engaged Michel-Shaked to provide advice on strategic corporate financial issues and to evaluate various options for maximizing shareholder wealth.

CORPORATE CONTROL

The chairman of a large publicly-traded convenience store chain sought to maintain control of the company in which he held a significant ownership. Bondholders claimed a technical default had occurred and were weighing their options. At the same time, a management-led group sought to wrest control of the company from the chairman. Michel-Shaked analyzed the competitive position of the company in the industry and its financial performance under the chairman's leadership. We also evaluated alternative strategies for maintaining control.

TAKEOVER DEFENSE STRATEGIES

A publicly-traded developer and manufacturer of imaging equipment received an unsolicited takeover offer from a leveraged buyout group. The company's Board of Directors retained Michel-Shaked to function in an advisory role. The Board had retained a prominent investment bank, but also sought an independent opinion evaluating the alternative options available to the company. We performed an independent valuation of the company, developed different takeover defense strategies, and provided the Board with an analysis and critique of its investment banker's advice.

BUSINESS PLANNING

The Michel-Shaked Group assisted an entrepreneurial team in the early stage of organizational expansion. We analyzed the firm's market opportunities and developed a business plan. We also made certain recommendations based on our analysis and experience.

Michel-Shaked performed an independent valuation of the company, developed different takeover defense strategies, and provided the Board with an analysis and critique of its investment banker's advice.

Senior Management

ALLEN MICHEL

*The Michel-Shaked Group, Managing Director
Boston University School of Management, Professor of Finance and Economics
and former Chairman of the Finance/Economics Department*

Dr. Allen Michel received his Ph.D. in managerial economics from Cornell University, and also has degrees from Yale and Carnegie-Mellon Universities. He has provided consulting services to companies worldwide and has testified on numerous matters, including bankruptcy, valuation, mergers and acquisitions, damages, deepening insolvency, securities, and fiduciary duty.

ISRAEL SHAKED

*The Michel-Shaked Group, Managing Director
Boston University School of Management,
Professor of Finance and Economics*

Dr. Israel Shaked received his Doctor of Business Administration from the Harvard Business School, and also has degrees in economics, statistics, and a Masters in Business Administration. He has won Boston University's prestigious Broderick Award for excellence in teaching an unprecedented two times and founded, directed, and taught in one of the nation's largest preparatory programs for those seeking to achieve the Chartered Financial Analyst (CFA) designation. Dr. Shaked has provided consulting services to a broad array of companies and has testified on numerous matters, including valuation, securities, leveraged buyouts, portfolio management, mergers and acquisitions, and damages.

Professors Michel and Shaked have testified on financial topics in U.S. Bankruptcy Court, U.S. District Court, U.S. Tax Court and state courts. In addition, they have appeared before the U.S. Congress' House Ways and Means Committee testifying on financial issues, and designed and directed a nationally recognized certification program for pension trustees. Drs. Michel and Shaked are prolific writers, having co-authored three books and more than 50 scholarly articles and they are frequently quoted in the press and often appear on television.

STEPHEN KEMPAINEN

The Michel-Shaked Group, Vice President

Stephen Kempainen received his Masters in Business Administration from Boston University where he studied finance and general management, and also has an undergraduate degree in accounting. Prior to undertaking his graduate studies, he worked as a Certified Public Accountant for Deloitte and Touche. In 1991, he joined Michel-Shaked and has worked on many of the firm's valuation assignments and complex bankruptcy, damages, and securities analyses.

Senior Experts

In order to provide our clients with the best possible results, The Michel-Shaked Group has established a network of senior experts. Our nationwide network of academic and practitioner experts allows us to staff each engagement to fit a particular client's needs. This network includes individuals in academia from leading universities as well as business practitioners. By creating this network, Michel-Shaked can draw upon a wealth of experts for both their specific industry as well as their general knowledge in the practice areas we serve. While the senior experts are primarily used for our expert testimony services, they are also used in some of our advisory and valuation work. These experts have prestigious academic and professional credentials and have distinguished themselves both in their careers and in their work with attorneys and consulting clients.

Seminars For Law Firms and Corporations

Recognizing the teaching and presentation skills of The Michel-Shaked Group, law firms from around the country and corporations worldwide have requested that Michel-Shaked provide seminars on finance, marketing and other business topics. We have often tailored seminars to meet a client's specific needs.

The following is a sample of seminars previously offered:

- Financial Statement Analysis
- A Guide to Corporate Valuation
- Key Financial Issues in Fraudulent Conveyance Litigation
- Securities Analysis – Rate of Return and Performance Measurement
- Damage Measurement – Compensatory and Punitive
- Mergers and Acquisitions – The Financial Issues



Photo by Alex Mavradis

The Michel-Shaked Group is a consulting firm specializing in finance, economics, accounting, and general business issues. Based in Boston, we provide expert testimony, corporate finance, and business consulting services to law firm and corporate clients nationwide.

THE MICHEL-SHAKED GROUP

2 Park Plaza, Suite 500, Boston, MA 02116

Tel 617 426 4455 Fax 617 426 6555

www.michel-shaked.com