

# SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP

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March 22, 2007

Dear Clients, Alumni and Friends:

Skadden, Arps had another outstanding year on behalf of our clients in 2006, and we couldn't have described our success any better than *The American Lawyer* did in its May 2006 issue with a story headlined, "How Skadden Does It." The magazine story described the firm's focus on premier corporate work, our strategic growth around the world and our emphasis on building key practices such as commercial and securities litigation, corporate restructuring, corporate finance and intellectual property. How do we do it? Most importantly, we do it with almost 2,000 of the finest, smartest and most dedicated lawyers in the world.

In 2006, numerous publications ranked the firm atop various surveys conducted among large corporations or their directors, senior management or law departments. These selections reflect our commitment to providing the highest quality legal services to our clients, who repeatedly place their trust in us with their most critical legal issues.

At Skadden, Arps, we equally value our commitment to public service. Providing legal services to those in need is ingrained in the firm's culture. We were honored twice in 2006 for our *pro bono* work, receiving the 2006 National Public Service Award from the *Pro Bono* Committee of the American Bar Association Section of Business Law and the Marvin Frankel Award from Human Rights First for our work on refugee asylum cases. Separately, the Skadden Fellowship Foundation this year passed two important milestones: More than 500 fellowships have been awarded since 1988 to assist law school graduates and judicial clerks interested in pursuing public interest law, and, for the first time, a fellow will be placed with an organization outside the United States, in London.

We are proud of these good works, just as we are proud of the firm's outstanding record in representing our clients. The following are highlights of the recognition the firm has received this year, reflecting the performance of our attorneys around the world and across a range of practice areas:

### ***Corporate Board Member***

For the sixth straight year, Skadden, Arps was named the best corporate law firm in the United States by *Corporate Board Member*. The magazine surveys almost 1,700 directors and general counsel of publicly traded companies who are asked to identify the law firms they most admire. The firm also ranked first in a separate survey in which *Corporate Board Member* asked general counsel which law firms they would most want to represent their companies on national matters.

### ***Corporate Scorecard***

Skadden tied for the top position in *The American Lawyer's* April 2006 "Corporate Scorecard" survey for 2005, with top 10 rankings in 15 of the 23 league tables.

### **Mergers and Acquisitions**

In 21 of the 23 years in which the annual "Corporate Scorecard" has been published – and for 14 consecutive years, including 2006 – Skadden has ranked first among law firms in handling the greatest number of large M&A transactions.

### **Restructuring**

The firm's Restructuring Group was credited as the top debtor's counsel, having handled six of the top 30 filings in terms of asset value, including Refco Inc., Delphi Corporation, Winn-Dixie Stores, Inc., McLeodUSA Incorporated, Friedman's, Inc. and Ultimate Electronics, Inc.

### **Corporate Finance**

As underwriter's counsel, Skadden topped the IPO rankings by both proceeds and number of offerings, and ranked first by proceeds (and second by number of offerings) of REIT debt. As issuer's counsel, Skadden ranked second in terms of the number of equity offerings by U.S. corporations (excluding IPOs) and second by number of offerings of high-yield debt.

### ***Chambers***

Chambers & Partners named Skadden, Arps the "Global Corporate Law Firm of the Year" for 2006. In addition, Skadden partners Sheila Birnbaum and Mike Naeve received Awards for Excellence; Sheila for her outstanding contribution to the legal profession and the products liability practice, and Mike for his work in the energy sector (he advised on four of the five biggest energy deals during the year).

Skadden has more attorneys (147) named as leading lawyers than any other law firm in the 2006 edition of *Chambers USA: America's Leading Lawyers for Business*, and 62 of the firm's practices are listed among the nation's best. In the 2007 edition of *Chambers Global: The World's Leading Lawyers for Business*, 83 Skadden attorneys are listed among the world's leading lawyers, and the firm also ranks in the top tier in 38 practice areas.

### ***Who's Who Legal***

Skadden was named the 2006 *Who's Who Legal* Law Firm of the Year: USA. According to the publication, Skadden "is a worthy winner of the *Who's Who Legal* Law Firm of the Year for USA with outstanding individual talent and breadth of expertise. This is the first time we have singled out an individual firm nationally for such an honor, and Skadden, Arps can truly be said to be the USA's leading firm." Based on the nominations received from clients and attorneys in private practice, Skadden was identified as a leading firm in 47 countries.

### ***The Best Lawyers in America (2007)***

The publication listed 154 Skadden partners among the most elite lawyers in their cities or practices, and 39 partners are recognized in more than one area. Skadden has more lawyers listed than any other law firm in the following areas: Mergers and Acquisitions, Securities Law and Mass Tort Litigation.

### ***PLC Which Lawyer? Global 50***

Skadden was named one of the "Global 50" firms chosen on the basis of recommendations in core corporate and commercial practice areas by in-house counsel at 5,000 leading companies worldwide.

### ***The American Lawyer***

Partner Greg Miao was featured on the cover of the magazine's annual "Dealmakers of the Year" issue, as he and fellow China-based partner Jon Christianson were recognized for their pivotal work on the China Construction Bank's initial public offering, the world's largest IPO in 2005.

### ***International Financial Law Review***

Skadden was named "Securitization Team of the Year (Americas)" by *IFLR* for the firm's roles on the Wirefree Partners III securitization and the Tourmaline CDO I, which was the first hybrid CDO combining both funded and unfunded assets and liabilities.

### ***Global Finance***

Skadden was named "Best Legal Advisors – Asia" by *Global Finance*, which identified the leading legal advisors in the world based on deals announced or completed, client service, deal-structuring capabilities, efforts to overcome difficult market conditions and innovation.

### ***The National Law Journal***

Skadden's successful representation of DaimlerChrysler AG in securities litigation brought by financier Kirk Kerkorian's Tracinda Corporation was chosen in 2006 as the newspaper's "Top Defense Win" for the previous year.

## Rankings

### Mergers and Acquisitions

The firm's prominence in M&A was reinforced by several rankings in 2006, including:

- **Bloomberg:** Skadden ranked first by dollar value in both global announced deals and U.S. announced deals. The firm worked on six of the top 10 global announced deals in 2006.
- **Thomson Financial:** Skadden ranked first by dollar value for worldwide and U.S. announced deals.
- **Dealogic:** Skadden ranked first by dollar value of global and U.S. mergers and acquisitions announced in 2006.
- **mergermarket:** Skadden ranked first by dollar value in announced North American transactions and among the top 10 firms by dollar value in announced transactions in Europe.

### Corporate Restructuring

Skadden ranked first in a *Bankruptcy Law 360* survey of the nation's top bankruptcy practices, based on new Chapter 11 filings in 2006. According to the publication: "Skadden is one of the few firms that beleaguered companies constantly tap in their time of need."

Skadden-led restructurings accounted for four of the top 10 restructurings of 2006, according to *Turnarounds & Workouts* (January 2007), and Skadden was the only firm with more than one case cited. Named to the 2006 "Top 10 List" were the successful restructurings of Blue Bird Corporation, The Delaco Company, Refco Inc. and Winn-Dixie Stores, Inc.

### Corporate Finance

**Thomson Financial's** survey of debt, equity and equity-related offerings for 2006 ranked Skadden:

- first as issuer's counsel for U.S. common stock;
- second as legal advisor to U.S. issuers of global equity;
- second as legal advisor to issuers of U.S. high-yield corporate debt; and
- third representing issuers of U.S. equity and equity-related offerings.

**Bloomberg** ranked the firm first, by both dollar value and number of deals, when representing issuers of U.S. high-yield offerings and second by dollar value when representing issuers of U.S. equity offerings.

## **Representative Matters**

### **M&A**

The firm worked on some of the largest and most complex M&A transactions of 2006, which included advising:

- Express Scripts, Inc. in its approximately \$25 billion attempted hostile takeover via an exchange offer of Caremark Rx, Inc.;
- Arcelor S.A. of Luxembourg against an unsolicited US\$22.8 billion bid from Mittal Steel NV of the Netherlands, and in its subsequent US\$33.8 billion friendly merger with Mittal Steel;
- A private equity consortium led by The Blackstone Group L.P., The Carlyle Group, Permira Funds (United Kingdom) and Texas Pacific Group in the consortium's \$17.6 billion going-private acquisition of Freescale Semiconductor, Inc. At the time of the announcement, this was the third-largest leveraged buyout in any industry and the largest in the high-tech industry;
- France-based Alcatel in its US\$13.4 billion merger-of-equals with Lucent Technologies Inc.;
- BlackRock, Inc. in its \$9.8 billion merger with Merrill Lynch Investment Managers LP, a transaction that is the largest M&A deal ever in the asset management industry worldwide; and
- Toshiba Corporation of Japan in its US\$5 billion acquisition of Westinghouse Electric Company LLC from British Nuclear Fuels PLC.

### **Litigation**

Skadden handled some of the year's highest profile cases across a broad range of litigation disciplines. Our work in 2006 included representing:

- Merrill Lynch in winning a unanimous decision before the U.S. Supreme Court, which held that the Securities Litigation Uniform Standards Act of 1998 (SLUSA) preempts state law securities class actions brought by so-called “holders” of securities — those investors who purportedly would have sold their shares but instead held them — in the absence of an alleged misstatement or omission. The landmark decision is of great significance to all publicly traded companies and financial services firms.
- Numerous companies and individuals in investigations and litigation related to stock option grant practices, including Greg Reyes, former CEO and chairman of Brocade Communications, the first individual indicted on criminal charges for backdating; Doug

Woodrum, former CFO of CNET Networks; and Xilinx, Inc., which was advised by the SEC that its investigation concerning the company's stock option practices had been terminated without recommending any enforcement action and which had two shareholder derivative suits voluntarily dismissed.

- State Farm Mutual Automobile Insurance Company in a summary judgment victory in a 33 million-member nationwide class action in California Superior Court in Los Angeles in which the plaintiffs were seeking to recover up to \$47 billion from the company. *Hill v. State Farm* challenged the dividend and surplus decisions made from 1983 to 1998 by State Farm's board of directors at the company's headquarters in Illinois.
- NDCHealth Corporation in a significant victory before the U.S. Court of Appeals for the Eleventh Circuit, which dismissed a securities class action complaint against the company involving allegations of various wrongful revenue recognition practices. The decision may have significant implications for the manner in which plaintiffs in securities class actions try to plead scienter.
- Chiron Corporation, following the suspension of its license to manufacture Fluvirin influenza vaccine, which resulted in intense government and media scrutiny. An interdepartmental team of more than a dozen Skadden lawyers secured a series of victories over a two-year period: the SEC formally closed its investigation without taking any action, a securities class action was settled, product liability lawsuits were dismissed and other investigations were concluded.

Among other significant results, the firm obtained dismissals of purported shareholder derivative actions filed in three states against client Biogen Idec; persuaded a federal court in Cleveland, Ohio, to dismiss with prejudice a class action filed against client Anheuser-Busch, Inc. by parents who sought to recover money underage drinkers paid for alcohol to vendors other than the defendant; and secured a victory for Citigroup before the Illinois Court of Appeals related to its Capital Accumulation Plan, a ruling that validated an investment plan for employees to designate part of their salary for the purchase of Citigroup common stock. In addition, Skadden client eBay won a landmark case before the U.S. Supreme Court, establishing that injunctions should not be presumed in patent cases.

### **New Partners**

In addition to the 30 partners we named on April 1, 2006, we ushered in 2007 by welcoming two new partners, two new counsel and a number of new associates to our Antitrust Practice. Steven C. Sunshine, who joined as a partner in Washington, D.C., and Jess Biggio, who joined


as a partner in New York, bring a depth of experience in an area of critical importance to our corporate clients.

We also welcomed three new partners to the Tax Group in Washington, D.C., including two former Skadden associates. Hal Hicks, who had been an associate in the Skadden's New York office earlier in his career, was formerly the international tax counsel for the Office of Tax Policy at the Department of Treasury. B. John Williams, Jr. has been chief counsel for the Internal Revenue Service, a U.S. Tax Court judge and a deputy assistant attorney general in the Tax Division of the Justice Department. Alan Swirski's practice has included federal tax controversy matters before the IRS Office of Appeals as well as tax litigation before the federal courts, including the U.S. Supreme Court. Alan had been an associate in our Washington, D.C. office earlier in his career.

Sal Guerrero joined the firm as a partner in our banking and institutional investing practice in New York. Sal has extensive experience in leveraged acquisition lending and other financing transactions.

As you can see, the lawyers at Skadden, Arps have continued our established tradition of resolving challenging, complex and precedent-setting cases on behalf of our clients around the world. We honor and respect the great trust our clients bestow upon us when they come to us for guidance on legal issues of paramount importance to their business. As we look ahead to our firm's 60<sup>th</sup> anniversary in 2008, we want to sincerely thank you for your continued support.

Best regards,

A handwritten signature in black ink, appearing to read "Robert C. Sheehan". The signature is fluid and cursive, with a large initial "R" and "S".

Robert C. Sheehan  
Executive Partner