In a case involving derivative contracts issued by a firm in an acquisition, attorneys retained Cornerstone Research and Professor William Silber of New York University.

### Professor Silber demonstrated that a majority of the derivatives were adequately hedged by positions in other securities issued by the acquirer.

In his report, Professor Silber demonstrated that a majority of the derivatives were adequately hedged by positions in other securities issued by the acquirer and that such hedged holders suffered no harm from alleged inflation in the acquirer’s stock price. Further, those holders who were not hedged could not form a class as they were in direct conflict with each other regarding the amount of alleged inflation in the acquirer’s stock price. Professor Silber showed that such a conflict arose because of the differences in the contractual terms of the two derivatives—over certain ranges of the acquiring firm’s stock price, an increase in inflation would decrease the value of one derivative but increase the value of the other.