



401:CHAIR'S CHOICE Image Is Everything: The Corporate Client in the Real World

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The Cast

- **Marsha Pruitt – CEO, LifeStyles, Inc.**
 - Lifestyles and Designs for Women
- **Sam Watson CEO, Telecity, Inc.**
 - Parent of USA Hooray Cellular Phones
- **Ralph Radar - Consumer Advocate**
- **Rev. Jessica Lopez - Civil Rights Advocate**
- **YOU – General Counsel for Lifestyles, Inc.**

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The Story

- Telecity announces *Hey Marsha* cell phone
- Telecity stock soars
- Conference call with you, Sam Watson and Telecity GC
- Marsha learns about the cell phone defect
- Sam sells out
- Marsha sells out the next day

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Story continues Summer Heat

- Telecity issues press release about the defect; stock tumbles
- Auditor notes the timing of the Watson sales
- Reverend Lopez press conference
- SEC begins investigation
- Ralph Radar campaign targets Telecity for off shore labor exploitation

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Story Continues . . . Regulators Probe

- Marsha interviewed by US Attorney
- Watson indicted for insider trades
- US Attorney invites YOU to an interview
- Analyst meeting requires your appearance
- Public Relations seeking your absolute denial of wrongdoing

Marsha's Mid-Life Crisis

Prepare

Know who you are

Establish channels



Employees



Customers



Investors



Analysts



Media



Board

Communicate....

when times are good.

You carry your baggage

... so pack well.

Focus

What you know

What you don't know

What did you assume?

What changed?

Hasn't changed?

Impact on company?

Impact on others?

Fixable?

What will it take?

What are you
prepared to do?

Be deliberate ...

... in real time.

Prioritize

Business must go on

Crisis managed

Problem fixed

Hard on problem

... (if possible) soft
on people

Usually, time to be
tough later

Communicate

Less is more

FD

Customers and ...

Employees

... can kill you.

Analysts can't.

Keep priorities straight

Don't overestimate

media

litigation

If channels prepared

... less unusual

If you don't tell
what it all
means.....

someone else will.

Credibility

Tell the truth

Set milestones

Themes, not numbers

Ideal

Problem found

Responsibility

Fixing

Concerned

Take care of you

Often.....

What we know

Doing what we can

Cooperating

Take the high road,

... there's never any
traffic.

Reinforce

Key themes

What hasn't changed

Met milestones

Prepare

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Setting the Stage

Marsha Pruitt, larger-than-life CEO of Marsha Pruitt Fabulous LifeStyles, Inc. (better known as "Marsha, Inc.") has built an international empire based on a lifestyle for women incorporating homecrafts, glamorous food, and a distinctive style. Her product lineup includes "M," *the Marsha Magazine*, The Ozone Network, a cable television network focused on empowering and beautifying women and *Marsha!*, a daytime television show. Marsha, Inc. has an exclusive deal to sell products through a national discount store chain for consumers with a modest budget and an appetite for designer names. Marsha, Inc. went public in 1999. Marsha is also a member of the board of the New York Stock Exchange. You, dear reader, are the General Counsel for LifeStyles, Inc.

Sam Watson is the CEO of Telecity, Inc., a telecommunications empire that includes a nationwide cellular network and USA Hooray, a wholly-owned subsidiary that designs and manufactures cell phones. USA Hooray is developing a new cell phone technology that will allow callers to make video calls over its network with full motion video and clear, crisp resolution. Beta testing has been fantastic and USA Hooray announced in January that it would launch the new phones, trademarked **Hey, You!**TM in early summer. A **Hey, Marsha!**TM Model will be the first in a planned line of limited editions. Telecity's stock doubled in price when the plans were announced.

Marsha and Watson have a friendship that dates back several years. Marsha was the original national "spokesmodel" for USA Hooray, and the company designs a new *Marsha* phone annually. The two CEOs also use the same brokerage firm to handle their personal portfolios. Watson owns several million shares of Telecity stock. Marsha owns 4000 shares of Telecity.

Ralph Radar is a bombastic consumer advocate and Harvard-trained lawyer who has been a national figure for over 20 years. He is a perpetual Presidential candidate and founder of the Radar independent party.

The Reverend Jessica Lopez is a prominent civil rights advocate with a penchant for self promotion. Her organization, Operation PULL, acts as an industry watchdog, monitoring various segments for evidence of discriminatory business practices. PULL has been researching the telecommunications industry for a number of years.

Trouble on the Horizon

After several months of successful beta testing, USA Hooray started production of the Hey, You!TM and the Hey, Marsha!TM cell phone lines. Unfortunately, the production models did not perform as they should have. The screens burned out after about 250 hours of use.

In a teleconference call with you, Sam and the General Counsel for Telecity, Sam tells you about the problem with the phones. At the end of the call Watson says, with a hearty laugh, "Better tell Marsha to sell her stock!". The General Counsel for Telecity chuckles along with Sam and the call ends after everyone finishes chuckling.

After you get off the telephone call, you walk down the hall to fill Marsha in on the situation and let her know that Sam believes this will have a material impact on the price of the stock. Marsha asks you whether she can sell her shares and point out to her that the information is not public yet. Marsha comments, "You lawyers are always afraid to take a little risk." Stung by Marsha's comment you keep quiet and politely change to the next topic.

A few months later you find out that Sam Watson ordered his broker to sell the majority of his shares as well as those held by his wife and daughters, immediately after the conference call, before notifying the rest of the Telecity executive team and Board of Directors,

You also discover, long after the fact, that Marsha placed a sell order for her Telecity shares the day after your conversation with her, telling herself that bad news travels fast and if she waits one business day, the news will surely be circulating in the investor community.

Marsha's trades that day were small compared to the Watsons'. In all, the family sold two million shares. The day after Marsha sells her stock Telecity announced the delay of the Hey, You!™ launch and the company's stock plummeted. Not surprisingly, in light of Telecity's announcement, the Watsons' sales drew the attention of an internal auditor at the brokerage firm, who went to see Watson's broker immediately.

In the months that followed, things went from bad to worse.

In early May, Reverend Lopez held a press conference and declared that the prepaid cellular industry is targeting Hispanic and African American communities for high-cost prepaid calling plans, which she called "Urban Weapons of Mass Exploitation." PULL claims that the prepaid cards are marketed almost exclusively in minority neighborhoods and that more traditional, monthly cellular plans are marketed to Caucasian customers. PULL scheduled several demonstrations and other events over the summer months. These events were timed to coincide with the PULL annual convention and PULL Expo, as well as the annual meetings of the National Conference of State Legislators and the National Association of Attorneys General. You are pulled away from eating your turkey on whole wheat sandwich at your desk to join a meeting in progress between Marsha, the CFO and the VP Corporate Communications about responding to the allegations. You discuss with Marsha, the conversation about the cell phone problems, and are surprised to learn that in spite of your reminding her that the information was not yet public, Marsha sold her shares based on her "wait a day" theory.

Meanwhile, the brokerage firm referred the Watson incident to the SEC, and the government started preparing an insider-trading case against the broker.

Marsha receives a call from the US Attorneys office inviting her to join them for a chat about her relationship with Watson, and her reasons for selling her shares. Since Watson had not told Marsha about the Hey, You!TM production problems, and she waited a whole day before acting on the information, Marsha believes, in spite of your opinion, that she has no problem. You get a call from Marsha's assistant telling you (on the QT, since Marsha will fire her assistant for this breach of loyalty and absolute confidentiality as to her decisions) that Marsha has scheduled a meeting with an Assistant U.S. Attorney and her personal attorneys. You are trying to find the best way to approach Marsha and remind her that this could affect the overall fortunes of the company and its stockholders.

Watson was subsequently arrested and charged with insider trading. He eventually agreed to plead guilty to the insider-trading charges and also to obstruction of justice and tax fraud. He agreed to a seven-year federal sentence.

The media has made the connection between Watson and Marsha and speculation appears on the front page of the Wall Street Journal about the fate of Marsha's empire if she is dragged into the fray.

The Summer Brings More Heat

Ralph Radar launches his Presidential campaign and holds a press conference where he reveals that Telecity's back office operations are all located in India. All help desk operators have been trained to speak perfect American English, including colloquialisms. Radar is outraged at the loss of American jobs and makes "off shoring" his central campaign theme.

Radar's law school roommate is the Idaho Attorney General. He's a zealous prosecutor, often critical of the federal government's consumer protection record. He leads a group of 23 State Attorneys General, who announce that they will investigate the Telecity incident to determine whether state deceptive trade practices laws have been violated.


After several months of Operation PULL protests, legislators in six different states introduce bills targeting American companies with call centers located outside the U.S. The bills all require that, at the beginning of each inbound or outbound call, the foreign employees must identify themselves as foreign nationals, state which country they are located in and offer to redirect the call to a U.S.-based call center if the customer chooses.

Marsha's interview does not go well and it now appears that Marsha will be charged with securities fraud, obstruction of justice and making false statements to a federal agent. To your dismay, you have also been asked to agree to an interview with the

U.S. Attorney. You are also asked by the CFO to participate in a meeting with financial analysts to discuss the possible financial impact of the investigation on the Marsha empire.

Marsha plans to retain a high-powered Hollywood PR firm. In her preliminary meeting with the PR expert, it was suggested that Marsha have her daughters attend court every day, wearing Marsha products, and that they reserve seats for Marsha's celebrity friends, many of whom will attend court to show their support for Marsha.

The PR firm has also asked that in house counsel be prepared to make a statement denying all allegations of wrongdoing by the CEO of Marsha, Inc.




General Counsel Take the Stage

Corporate Counsel as the Face of the Client

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Lawyer Skills NOT enough

- Traditional Legal Methods ineffective for media audience with short attention span
- “Sound bytes,” “Message Houses” and “responses without answers” are not part of a lawyer’s traditional training
- Presidential campaign is an education in media messaging

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Preparing for Press Conference or Testifying before Investigative Panel

- **Team Approach**
 - PR or Crisis Communication Firms
 - Law firms for potential/actual Litigation scenario
 - Investor Relations
 - Lobbyists
 - Internal Personnel and Management

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Preparing for Press Conference or Testifying before Investigative Panel (cont'd)

- **Your Training**
 - Develop the client story
 - Education about facts
 - Practice Q&A
 - Response ≠ Answer to a Question
 - This is a process involving interplay between team members

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Preparing for Press Conference or Testifying before Investigative Panel (cont'd)

- Your Performance
 - If not dead, you WILL be anxious
 - Past speaking experience is an asset
 - Breathing and relaxation techniques
 - Difficult to be completely candid and MUST be truthful

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Resources for the Speaker//Presenter

- “Voice Power” – Renee Grant Williams
- “Making Effective Presentations”
 - Emerging Trends Consulting Group & Evergreen Media Consultants www.lawexec.com/ldsi/Pres/EffPres/two-frame.html
- Rhetoric
 - The Art of Using Language to Persuade or Influence Others
 - <http://www.cwrl.utexas.edu/~shannon/spring309/rhetoric101.htm>
- *Nail 'Em!: Confronting High-Profile Attacks on Celebrities & Businesses* - Eric Dezenhall

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Homework!

- Read!
- Seek out opportunities to speak in public
 - Toastmasters
 - Seminars
 - Training for Management
- Improve your writing style