

Steptoe & Johnson LLP

China Central Place, 29th Floor,
Tower 2
79 Jianguo Road, Chaoyang
District
Beijing, 100025
Tel: +86 10 5834 1000
Fax: +86 10 5969 6099

Avenue Louise 489
3rd Floor
B-1050 Brussels
Belgium
Tel: +32 2 626 0500
Fax: +32 2 626 0510

115 South LaSalle Street
Suite 3100
Chicago, IL 60603
Tel: 312.577.1300
Fax: 312.577.1370

2121 Avenue of the Stars
Suite 2800
Los Angeles, CA 90067
Tel: 310.734.3200
Fax: 310.734.3300

633 West Fifth Street
Suite 700
Los Angeles, CA 90071
Tel: 213.439.9400
Fax: 213.439.9599

1114 Avenue of the Americas
New York, NY 10036
Tel: 212.506.3900
Fax: 212.506.3950

201 E. Washington Street
Suite 1600
Phoenix, AZ 85004
Tel: 602.257.5200
Fax: 602.257.5299

1330 Connecticut Avenue, NW
Washington, DC 20036
Tel: 202.429.3000
Fax: 202.429.3902

Steptoe & Johnson

99 Gresham Street
London, EC2V 7NG
England
Tel: +44 20 7367 8000
Fax: +44 20 7367 8001

Crisis Management

When faced with an event that gives rise to significant legal, financial and public relations exposure, corporate management needs more than ever to remain focused on running its business. Steptoe & Johnson LLP’s crisis management team can free your management team to focus on the bottom line and steer your company through difficult times. Steptoe lawyers are experienced in handling multi-faceted problems with multi-forum demands. Whether it is a Congressional inquiry, a regulatory agency subpoena or a criminal investigation – or, as is often the case, a combination of oversight and public relations inquiries – Steptoe can help your organization prepare and respond, minimize legal exposure, and protect the reputation of your management and organization.

Our clients seek our assistance when dealing with a crisis because of our versatile attorneys and the multi-dimensional strategic plans that they carefully tailor to the individual client’s circumstances. The Steptoe team provides clients with coordinated political, business, public relations, and legal advocacy.

Steptoe's Strategy

Steptoe advocates a multi-front approach to crisis management. Whether the predicament stems from internal problems or external events, Steptoe will assist your organization to:

- Remain focused during crisis;
- Demonstrate corporate commitment, preparedness and expertise;
- Respond decisively, quickly and thoughtfully;
- Control and dictate the flow of accurate information;
- Communicate effectively with stakeholders; and
- Manage & use resources efficiently.

Crisis Response

Steptoe enables clients to maintain focus on business objectives while managing a crisis by providing clients with a multidimensional coordinated strategy in a compressed response time. Our experienced attorneys immediately offer clients a full menu of options to address the crisis while ensuring a business moves forward uninterrupted. Some of Steptoe’s strengths include:

- Daily contact with congressional leaders, regulatory agencies and enforcement agencies;

Crisis Management

- Rapid development of coordinated communications strategies that allow for simple, consistent, and credible communication with the full array of stakeholders;
- Experience leading internal investigations quickly and discreetly;
- Experience acting as lead counsel coordinating complex civil litigation;
- An anticipatory approach that takes into account the various potential directions developing crises can take;
- A white collar criminal defense practice group with vast experience managing high-profile, complicated matters.

Preventing the Crisis

In an ideal world, clients assume a proactive attitude towards potential crises that allows Steptoe to work with them to implement an avoidance strategy. The avoidance strategy includes systems to monitor changes in the industry's regulatory and enforcement practices and to monitor internal functions with vulnerability audits in order to give the client maximum ability to address difficulties before they escalate.

Preparation is integral to identifying and preventing or diminishing the impact of a crisis. To meet this critical need, Steptoe helps clients conduct targeted internal investigations and draft crisis management plans and crisis communication plans. With Steptoe's assistance, clients identify potential threats early and quickly implement agreed upon strategies.

While the firm's more than twenty-four practice groups support the Crisis Management practice, a core group of attorneys with specialized backgrounds comprise the practice's leadership. In addition to impressive legal careers, these individuals have developed particular areas of expertise that make them uniquely suited to crisis management.

For more than 30 years, co-chair Jim Moorhead has helped clients address crises in legal, business, regulatory, and political settings. As the former Chief Financial Officer and General Counsel for an emerging growth company, he brings familiarity with the priorities and struggles of in-house counsel to the crisis management team and personal experience with best practices for internal investigations and complex litigation. His experience as an Assistant US Attorney has been invaluable. In that capacity, he specialized in prosecuting political and labor corruption cases, and gained tremendous insight into the focus, scope and direction of investigations and the best strategies for addressing them. Mr. Moorhead is also a frequent television commentator on major civil and criminal

Crisis Management

trials.

Co-chair Shannen Coffin's extensive background as a top lawyer in the federal government gives him unique insights into the operation of the Executive Branch, permitting him to understand governmental perspectives and anticipate effective responses. He recently served as Counsel to the Vice President of the United States, where he acted as the chief legal adviser to the Vice President and coordinated the Office of Vice President's response to congressional inquiries and litigation. Previously, he served as Deputy Assistant Attorney General for the Federal Programs Branch in the Justice Department's Civil Division, where he oversaw litigation on behalf of over 100 federal agencies, including frequent emergency litigation on behalf of the federal government.

Representative Matters

Tax Shelters

When a financial services firm came under a multi-front attack for its involvement with a tax shelter, Steptoe went on the offensive to deflect these attacks. The assaults began after the IRS challenged the tax shelter's propriety.

On the legislative front, the IRS challenge prompted an investigation and hearings in the United States Senate, which Steptoe helped address. The Senate hearings prompted regulatory investigations, two Department of Justice investigations, and a separate legislative investigation.

The company also came under intense public scrutiny that resulted in over fifty individual civil matters and several class actions.

To facilitate continuity of operations and minimize peripheral but potentially grave damage, Steptoe undertook more than a purely legal representation. Steptoe worked with the client to implement a coordinated communications strategy designed to reassure the company's investors while conveying a concise and credible message to other stakeholders.

California Energy Market Restructuring

In 1998, California transitioned into a deregulated electric power industry. Following deregulation, the price of electricity unexpectedly rose to shockingly high levels, triggering an escalating and potentially fatal financial crisis for the California electric utilities whose retail electricity rates were capped at fixed prices but whose costs of power supply were skyrocketing out of control. A major utility turned to Steptoe & Johnson to help it craft a strategy to avoid the dire consequences of the energy crisis (including insolvency, a fate the largest utility in California failed to escape). The firm immediately coordinated leading attorneys from the relevant practice areas and launched a multi-jurisdictional campaign to combat market manipulation by power suppliers, to obtain

Crisis Management

temporary price caps and future refunds from the pertinent regulators and courts, and to develop an overall strategy to remedy and emerge from the crisis.

Step toe's team worked together with the client's business executives, lobbyists, and in-house counsel to develop a coordinated regulatory, litigation, and legislative response at the federal and state level that charted a successful path through this unique crisis in the history of the electric power industry. The plan involved direct action by Step toe attorneys on several fronts. Step toe petitioned the Federal Energy Regulatory Commission (FERC) for relief and later challenged the FERC's lack of meaningful response in federal court. Step toe's lawyers won significant appellate victories in the 9th Circuit and DC Circuit, which entitled the utility to recover substantial refunds. Step toe lawyers also contributed to a successful effort to defeat a state voter initiative designed to further hamper the transition to a competitive market. While attempting to reconcile the Energy Crisis problems directly within the regulatory framework, Step toe both worked with the federal government and assisted the utility with a legislative lobbying effort in order to address the out-of-control energy prices. Eventually, these initiatives helped obtain relief by contributing to the passage of the Energy Policy Act of 2005.

At last calculation, Step toe's ongoing efforts have resulted in hundreds of millions of dollars in settlement money for the utility alone and over \$4 billion in settlements for a coalition of related California interests led by the firm.

Banking Regulation

In 2003, a long-respected bank experienced multiple parallel investigations and over \$25 million in regulatory sanctions due to a deficient anti-money laundering compliance program. This failure led to a congressional investigation, criminal investigations, regulatory investigations, and various civil suits, including shareholders suits and class actions. The bank also faced tremendous public relations challenges.

Step toe's diverse practice groups helped the bank navigate the numerous governmental inquiries and employed an overall strategy focused on preserving the bank's value. To accomplish this goal, the firm advised the bank regarding the handling of disclosures to the securities markets, the retaining of government contracts, and the safeguarding of its sensitive merger with another bank.

Financial Services Trade Association

In October 2004, when a state attorney general opened an investigation into the business practices of the three largest members of a financial services trade association, the association found itself under intense scrutiny, forced to defend one of the industry's core business compensation practices. The attorney general's investigation led to several class action suits against the industry.

Crisis Management

congressional hearings, as well as state legislative and regulatory hearings, followed. Steptoe lawyers teamed with the client, its members, and a public relations firm to develop a comprehensive response strategy to educate the trade association membership on relevant developments, to develop best practices to enhance industry credibility and to reduce liability exposure, and to coordinate the public affairs response on behalf of the industry.