DIRECTORS ROUNDTABLE

WORLD RECOGNITION of DISTINGUISHED GENERAL COUNSEL

GUEST OF HONOR:

Christian 'Chris' Campbell

General Counsel, Secretary & Chief Franchise Policy Officer, Yum! Brands

THE SPEAKERS

Christian "Chris" Campbell
General Counsel, Secretary & Chief Franchise Policy Officer, Yum! Brands

Philip Zeidman
Partner, DLA Piper

Steven Steinborn
Partner, Hogan Lovells US LLP

Frederick "Fritz" Thomas
Partner, Mayer Brown LLP

David Graham
Partner, Sidley Austin LLP

(The biographies of the speakers are presented at the end of this transcript. Further information about the Directors Roundtable can be found at our website, www.directorsroundtable.com.)

TO THE READER

General Counsel are more important than ever. Boards of Directors look increasingly to them to enhance financial and business strategy, compliance, and integrity of corporate operations. In recognition of our distinguished guest of honor's personal accomplishments in his career and his leadership in the profession, we are honoring Christian Campbell, General Counsel of Yum! Brands, with the leading global honor for General Counsel. Yum! Brands is one of the world's largest restaurant companies, with over 40,000 restaurants in 125 countries and territories. Its brands include KFC, Taco Bell and Pizza Hut. His address will focus on key issues facing the General Counsel of an international restaurant corporation. The panelists' additional topics include governance, M&A, food law, franchising, developments in shareholder litigation, and international operations.

The Directors Roundtable is a civic group which organizes the preeminent worldwide programming for Directors and their advisors, including General Counsel.

Jack Friedman
Directors Roundtable Chairman & Moderator

Christian "Chris" Campbell

General Counsel, Secretary & Chief Franchise Policy Officer

Chris Campbell is Senior Vice President, General Counsel, Secretary and Chief Franchise Policy Officer for Yum! Brands, Inc. and reports to the Chairman and CEO. In this role, Campbell oversees all legal activities of the company and he is responsible for the oversight of the company's purchasing as a Director of the Company's purchasing cooperative with its franchisees, and for the administration and coordination of franchise policies.

Campbell joined Yum! Brands, Inc. from Owens Corning, where he held the titles Senior Vice President and General Counsel.

He holds a Bachelor and Masters degree in economics from Northwestern University (1972), and a law degree from Harvard Law School (1975). In addition, he completed the Advanced Management Program at Harvard Business School in 1992. He also serves on numerous professional boards.

Yum! Brands

Yum! Brands, Inc., (NYSE: YUM), based in Louisville, Kentucky, is one of the world's largest restaurant companies with over 41,000 restaurants in more than 125 countries and territories. Yum! Brands is ranked #216 on the Fortune 500 list with revenues of more than $13 billion, and in 2014 was named among the 100 Best Corporate Citizens by Corporate Responsibility Magazine and one of the Aon Hewitt Top Companies for Leaders in North America. Our restaurant brands – KFC®, Pizza Hut® and Taco Bell® – are the global leaders of the chicken, pizza and Mexican-style food categories.

Since our spin-off from PepsiCo in 1997, Yum! Brands has become a truly global company going from approximately 20 percent of profits coming from outside the U.S. to almost 70 percent in 2013. We're a leader in international retail development, opening on average over five new restaurants per day outside the U.S. in 2013.

Yum! Brands has a portfolio of brands with leadership positions in China and other emerging markets, with a long runway for growth. We're proud to be the worldwide leader in emerging markets with more than 14,000 restaurants, nearly twice as many as the nearest competition. With only two restaurants per million people in the top ten emerging markets, compared to 58 restaurants per million in the U.S., we are on the ground floor of global growth.

We're excited about the future and we're building a vibrant global business by focusing on three key business strategies:

- Build powerful brands through superior marketing, breakthrough innovation and compelling value with a foundation built on winning food and world class operations.
- Drive aggressive unit expansion everywhere, especially in emerging markets, and build leading brands in every significant category in China and India.
- Create industry-leading returns through franchising and disciplined use of capital and maximize long-term shareholder value.

With our announcement to combine our Yum! Restaurants International (YRI) and U.S. individual divisions for KFC, Pizza Hut and Taco Bell, effective January 1, 2014, we are well positioned to more aggressively accelerate growth in the years ahead. Yum! Restaurants China and Yum! Restaurants India remain separate divisions given their strategic importance and enormous growth potential. We remain focused on the three keys to driving shareholder value: new-unit development, same-store sales growth and generating high returns on invested capital.

Importantly, we're extremely proud of our 1.5 million associates around the globe and the unique culture we've built, one that's filled with energy, opportunity, and fun. We believe in our people, trust in their positive intentions, encourage ideas from everyone, and have actively developed a workforce that is diverse in style and background. Yum! Brands is a place where anyone can, and does, make a difference.

JACK FRIEDMAN: Welcome. I am Jack Friedman, Chairman of the Directors Roundtable. We have organized programs in the United States and fourteen other countries over 23 years. We are very privileged today to present a World Honor for General Counsel to Chris Campbell, who has a Chicago background through and through. He went to Northwestern; he has worked here in private practice; and he is here today from Kentucky. He also went to Harvard Law School.

Let me also introduce each of the panelists, and then each one will speak a bit later. Phil Zeidman is a partner at DLA Piper; Steve Steinborn is with Hogan Lovells; Fritz Thomas is with Mayer Brown; and David Graham is a partner at Sidley Austin. I also want to acknowledge the staff of Mayer Brown for working so hard to make this a success.

The format today will be that Chris will begin with his remarks, and then we'll move on to each of the speakers, and then have a roundtable discussion with Chris and the other speakers. To the extent there's time available, we'll have comments from the audience.

This series of events of World Honors for General Counsel arose when Boards of Directors told us that companies rarely get complimented for the good they do. We felt that giving the executives or the General Counsel a chance to speak about the company and the accomplishments of which they are proud would benefit the business community.

Without further ado, I would like to have Chris begin. Thank you very much.

CHRISTIAN "CHRIS" CAMPBELL: Thank you, Jack. It is awesome to be here and see so many old friends. I can assure you, you all look exactly as you did 25 years ago when I practiced law in Chicago. Although I do have to admit, I see some gray hair — I'm looking at Dick O'Malley, among others — but I live in a glass house, so I have no standing to challenge that.

I want to thank Fritz for arranging the logistics for this. It is a terrific facility. Fritz did assure me that the enhanced security measures downstairs had nothing to do with my being the guest speaker and attracting unsavory colleagues into the offices.

It is great to be here — and Jack, thank you for the nice introduction and for the recognition. They say to be effective as a General Counsel, you need to surround yourself with terrific people. We have the pleasure of having a great panel which Jack introduced.

Fritz has worked with me at many different companies. He is a corporate transactions and governance expert, and we'll look forward to his remarks.

David Graham, from Sidley & Austin, a fellow partner of mine from years ago, is a national litigator. He is the go-to guy when you have "bet the company" cases. We're going to hold you to that standard on the cases you are handling for us.

Steve Steinborn, a great friend of mine, has enormous regulatory expertise with his time at the Federal Trade Commission and his work with Washington, D.C. regulatory agencies. In my current role, we rely heavily on Steve for food safety and food-related issues, which you can imagine, at Yum! Brands, can be a big issue.

Last but not least, a long-time family friend, Phil Zeidman from DLA Piper — an international expert on franchising, and we look forward to his remarks.

I said to be effective, you need great people; in the audience is Cathy Tang — if you'd stand up, Cathy — the General Counsel of KFC. Welcome, Cathy. John Daly — stand up — he's Assistant General Counsel of Yum! Brands. I'm happy to have them here and supporting me in what I do.

I will say a few words about Yum!, and then we will hear from the other speakers, and then we'll have a chance for a roundtable discussion. Everyone asks, "What is Yum! Brands?" We have a video that we show that might answer some of the questions. Here we go.

[VIDEO PLAYS]

I told Jack this would be the only promotional clip we would show. We show this to our investors and at our annual conferences, because a lot of people don't realize

what a different company we have become since we started at spinoff. We were spun off as Tricon from Pepsi. We were three brands, but largely U.S.-focused. Our biggest business was KFC U.S. We had minimal international presence at that time. Pepsi left us with a lot of debt, but they gave us the benefit of substantial store ownership. Over the last 17 years, we have transformed the company. KFC U.S. is still a very important part of our business, but it is a smaller entity than many other KFC global businesses. We are truly global. We have paid down the debt; we are investment grade; and we have become a franchising company. We used to own 80% of all the stores; now we own less than 20%. We are predominantly a franchising business.

As the promotional clip showed you, we operate in 130 countries, and when I started at Yum!, I didn't even know there *were* 130 countries. We are everywhere. We have three global brands — KFC, the largest; Pizza Hut, globally known; and we are launching Taco Bell internationally this year. Now that Taco Bell has really caught fire in the U.S., it is becoming a global opportunity for us.

From the fewer than 10,000 restaurants we had to start, we completed our forty-thousandth restaurant in India last year. We have now over 2,000 franchisees. In addition to the two lawyers I introduced today, we have about 40 lawyers around the world, with offices in Johannesburg, Sydney, Delhi, London, and Paris.

We have $45 billion in system sales. "System sales" is a term of art in the franchising world; it encompasses revenues from all the stores in our system, regardless of whether they are franchised or company owned. We have, by the same definition, 1.5 million system employees. We really have, in the last 17 years, become a totally different company.

I think those of you who have followed us will know China is our major success story. We open about three new restaurants a day in China. KFC is our largest brand there, with Pizza Hut close behind and coming on strong. As you can imagine, there are many legal issues in China; China is a frequent travel destination for me and my team.

Before I get into the mundane issue of compliance — which will enable you to get CLE credits — I want to talk about some of the business challenges which I passed over, and which I hope we'll have a chance in the roundtable to get into in greater detail. I just listed ten of the things that I think about. One is China, and I've been going to China routinely. China is a changed country; it has a very strict regulatory and legal environment. China has its own regulations, lawyers, courts, and dispute resolutions. It is critically important to pay proper attention to legal issues in how you do business in China. Of course, food safety, there, is paramount.

Because we've been so successful in China, analysts ask us where is Yum's next big opportunity. The "runway for growth," as we call it, is somewhat limited in the U.S. by the saturated competitive environment. Our stockholders and analysts are constantly saying, "Where will you guys go next?" Our answer is — and we've proven it out so far — the emerging markets. We have opened a very successful business in Russia. One of our largest stores in Russia is right in Moscow.

On one recent trip to Moscow, I met the KFC store manager — if anyone has been to Moscow, the train station there is a big deal — and we own a couple of KFCs right in the train station. The general manager of the store was a trained lawyer, but she could make more money working for us as a KFC store manager.

When I visit a store, I often ask, "What are the peak hours? What does the business model look like?" She took out a piece of paper that had a flat line, which, from eight in the morning, when it opens, to late at night, it's peak. Those are the peak hours. When we went in, it was standing room only. Russia is a huge opportunity.

India is a very big market. In the promotional video, you saw we view India, and the growing consumer class there, as a huge business opportunity. We are also heavily invested in Africa, predominantly now in South Africa, but moving into central countries, where there is an open field from a competitive standpoint, and great opportunity. With that, of course, comes great legal challenge, both supply chain and Foreign Corrupt Practices, which is one thing I will talk about.

The franchise model itself is a challenge. It's easier when you own the company stores to be sure the store image, the products, the people, are all performing, and the brand is held to the highest standards. When you run a franchise model, you have to enforce standards, hopefully cooperatively and voluntarily. You're judged by the weak link in your business; so if there is a weak KFC store owned by a franchisee, that reflects on the system. Administering the franchise contracts is a big deal.

Making products relevant is equally important. We had a discussion last night, "What is Yum! Brands doing about health and nutrition, and are your products relevant?" We study that constantly; we believe it is very important. We also watch what the

consumer is looking for, and carefully study that. We know that health and nutrition are important to consumers. Our goal is to offer products that drive sales and are delicious, and meet all of our evolving customer needs. That's both a legal challenge and a business challenge — a legal challenge in that regulatory intervention is becoming greater and greater on that subject.

We are taking Taco Bell global. That's a huge opportunity for us. We've had two or three prior forays into the international markets with Taco Bell, but Mexican-inspired food, until recently, was not very well-known or popular outside the United States. Also, arranging supply chain for tacos and other Taco Bell products was necessary. Because of the success of the last two years in the United States, and the great demand pull that Taco Bell products now have globally, we are successfully launching Taco Bell into new countries. This launch also carries with it significant legal challenges: what contracts, what policies, how do we launch this business.

I'm Founding Director of our Supply Chain Buying Cooperative, which buys over $5 billion worth of products every year. Our mission is to ensure supply of good products safely to the system. If there is a supply problem or a bad quality product, the brand suffers, and often that problem is magnified by the growing importance of social media.

I had the luxury, when I started at Yum! Brands, when there was a crisis, to have 24 to 36 hours between when a crisis occurred and when a meaningful corporate response was necessary. Today, with social media, we're lucky if we have 20 seconds. We have people monitoring what is said about our brands around the world 24 hours a day. It's no surprise to anyone in this room that people today get most of their news and most of their information off social media. When something is posted about a company, the tendency is to believe it's true until rebutted. That's a huge challenge.

> "Those of you who have followed us will know China is our major success story. We open about three new restaurants a day in China. KFC is our largest brand there, with Pizza Hut close behind and coming on strong."
>
> *– Christian "Chris" Campbell*

We're also concerned about managing cyber risk. Our customers are demanding credit transactions, digital access to our brands, and providing us with sensitive consumer information. How we manage that risk is a combined legal/business risk.

Lastly — and this gets us into CLE land — there is compliance. I am often asked, "How does the General Counsel of Yum! Brands assure to the Board that in 130 countries and 40,000 restaurants and a million system employees, you are in compliance with laws?" That is a valid and difficult question, and it probably has given me one or two gray hairs. Here is how we think about it: We look at ourselves as risk managers. And as we look at our international businesses, we need to recognize the broad reach of many of our U.S. laws and regulations. As you all know, our Foreign Corrupt Practices laws apply all over the world. We have securities laws that apply to executives who trade stock, even outside the United States. They need pre-clearance from our department before they trade. That's difficult. Antitrust and trade regulation also have extraterritorial implications.

In addition to U.S. laws, there are a range of local laws that, in some cases, are much more severe than ours: food safety, employment, advertising law, and privacy laws, to name a few. As you think about a job of discussing compliance with a board, it is critical to have a good process in place.

What we have is very representative of what large, multinational U.S. companies do. We started with nothing, by the way. In 1997, John Daly and I wrote the Code of Conduct. That was a first. That put into writing what policies and conduct we expected of our employees around the world. We got some push-back, because some of the things that are customary in the United States may not be customary in other parts of the world. We put a lot of work into writing a code of conduct that would be globally applicable and enforceable.

We then created, very early on, a Compliance Oversight Committee. That consisted of me, the CFO, the Business Presidents, the Chief People Officer; as well as the new Food Safety Officer. We meet quarterly. I know David Graham will be talking about what records we should be keeping, so I'll have my ears open for that! We address the risks that confront our business and what we are doing to mitigate them. In addition to what I have already identified, if you look at our 10K, we have about 15 risk factors that we feel impact our business, and those are the factors the Compliance Oversight Committee looks at every other month.

As Chairman of that committee, I report to a Board committee. In our case, it's the Audit Committee, but in other companies, there are special risk committees of the board. That's where I report on the processes in place, and that we are paying due regard to compliance with laws in 130 countries.

What is it we do at the Compliance Oversight Committee? There are basically three components. The first is *prevent*. With that, training is critical. Because of the reach of our company, we cannot send people all over the world to train. We do as much of that as possible, but we also have online training programs available in all pertinent languages. We actually have examinations at the end of the training program. If you take the module on insider trading, for example, you can't just

simply sit at your computer and dream away; you have to listen. If you fail the exam, you have to take it over again. John Daly receives all of the reports of who passed and who failed. I'm sorry to say, one lawyer once failed an insider trading question. I had a lot of fun talking to him about that!

We started with compliance at the corporate center, with essentially John and I saying, "We're responsible for compliance." That didn't work, because everybody naturally concluded, "Compliance is based in Louisville, Kentucky, that's a Louisville function; therefore, why should we worry about it if John and Chris are worried about it?" That simply didn't work, so we now have lawyers in all these regions with primary accountability for compliance, and their senior management are bonused on compliance. Our CEO has included performance on compliance issues as a key component of their compensation.

Detecting is also essential. By the way, *prevent, detect, remediate* and *process* are what you'll need to show when you get into trouble. When you have a regulatory inquiry, one of the first questions you will be asked is to produce your code of conduct; outline your compliance programs; and the processes you followed, and document that. We take elaborate care to show that we have an Oversight Committee, that it reports to the Board, and that we *do* take measures to detect non-compliance. We have anonymous reporting lines. We also do routine audits. Not just financial audits — we do audits on Foreign Corrupt Practices, and other key issues — food safety audits — that we feel impact our brands.

In addition, all lawyers in the field report in to me, and they understand that as beloved as they need to be with their local teams, they will be held accountable for non-compliances in the field. We also have a credible reporting network.

Then, lastly but not unimportantly, what you do with the information that you receive is very important to the regulators; and

therefore, you can't simply say, "This guy didn't understand the rules" or "he's a very prominent businessperson and he can't be bothered with compliance." That doesn't work. You have to document that when someone has done something wrong, the company has taken a meaningful response not only to correct it from happening in the future, but that appropriate disciplinary action has been taken. As you go up the line to the audit committee, they expect that as part of your program.

All that comes to the point I was making earlier: When you receive a regulatory inquiry, it really is important not only to have all these processes in place, but to be able to document in detail that you followed them, that you took action. If you do, you'll be held in good stead.

The Foreign Corrupt Practices Act is a specific good example of how compliance works. The Department of Justice and SEC continue to prioritize Foreign Corrupt Practices, and the U.S. enforcement of Foreign Corrupt Practices, particularly in emerging markets. We are one of the largest retail developers in the world, with our annual new store builds. As we do business in South Africa, India, Russia, and Brazil, we have to be sure that it's done such that we're not creating Foreign Corrupt Practices problems. We have watched, with interest, the Avon and Wal-Mart investigations, which indicate not only that one noncompliance will lead to investigation in multiple countries, but the fines are extremely large and punitive, and in the Wal-Mart case, still ongoing.

When we discuss this with our international teams, we address, right off the bat, the initial mistaken impression: "The Foreign Corrupt Practices Act doesn't apply to a non-U.S. citizen, so why are you wasting my time?" That is a common misimpression.

We also deal with potential cultural issues such as, "Everybody else pays the official to get a license, and you, at Louisville, are demanding that we build 500 stores this year. How can we do it? We can't compete." Those have to be dismissed right away. We make the issue personal. As I said earlier, we bonus executives on compliance. We actually make Foreign Corrupt Practices compliance a management incentive goal, along with new store builds and profit plans. I've also included — and you can look at it later — a checklist of good things that you should do as you comply with the Foreign Corrupt Practices Act.

I'm going to put on my Yum! sales hat in closing. Jack asked me, "What are some of the things that Yum! Brands has done that you're proud of?" Frankly, as I mentioned, we are a global company. We are everywhere. We're in China and in the emerging markets. We take a lot of pride that we have planted the American flag globally.

From an employment standpoint, we have given opportunity to many, many people. There was a great article in the *New York Times* this week about a Pizza Hut employee who worked for us and got his career started there. The opportunity to help people is very, very good.

In China, we own most of our stores, and we employ 400,000 people. We have 1.5 million people employed in our system. We have 2,000 franchisees, and they're independent businessmen. They have made a

career out of working with our company, and some of them own only one store; some own 1,000 stores. Some of them are wealthier than anybody in this room, but they've all earned their success on an entrepreneurial basis. We are glad that we gave them the opportunity and the career.

If you read our Annual Report, you'll see that we are a company based on people, and that's a unique culture, a competitive advantage. Those of you who have come to visit me at Yum! Brands can feel the tangible sense that the company is one that supports its people.

We also believe in corporate responsibility. Since we are a food company, we have aligned ourselves with the World Food Program. This is a U.N. organization that operates around the world and provides meals for people who otherwise would be in serious trouble. That is a great cause. People who work at Yum! are proud that we do that.

Last, but not least — and I'm disappointed in Fritz that we don't have them here — but the Yum! products are delicious. I hope you all are happy users!

That concludes my remarks, and I will turn it over to Jack. Thank you very much!

JACK FRIEDMAN: I would like to mention that there will be a full-color transcript of the program that's going to be made available nationally and globally to 150,000 people. Part of the World Recognition is not only this fine program, but also the fact that it'll have this impressive reach.

Let me ask this question: "What would be examples of questions that a government would ask you, or regulations a government has which are different than in America?"

CHRISTIAN "CHRIS" CAMPBELL: There are a lot of local examples. One that comes to mind is Taco Bell, and the challenges that we had, and are having, exporting that brand globally. In some countries, GMOs are not permitted. The supply chain is, therefore, impacted; you have to seek out local sources of goods based on local regulations. That is one example. Export/import laws vary around the country, and our U.S. supply chain is much easier.

> "We have anonymous reporting lines. We also do routine audits. Not just financial audits — we do audits on Foreign Corrupt Practices, and other key issues — food safety audits — that we feel impact our brands."
>
> *— Christian "Chris" Campbell*

I would also say, food safety laws and regulations in every country can be different. When I started, the U.S. led the charge; we had the strongest regime of food safety regulations. Today, that has been challenged by the European Union and Asia, which also have stringent food safety regulations.

Having said that, when I bring the global lawyers together there is more held in common than there is different. We are, after all, a franchise company. We enforce franchise contracts and standards. Most of the issues we talk about are common issues and not differences. But there are very significant ones.

JACK FRIEDMAN: What would be examples of tailoring your menu to the local culture?

CHRISTIAN "CHRIS" CAMPBELL: China is the biggest example. In China, if any of you have been to China or intend to go, I encourage you to go into a Pizza Hut restaurant. You'll get white tablecloth service; there'll be a maître d'; it will be as large as this room. You will have menu offerings that include steak, salads, and pastas. Then they'll have afternoon tea time. It is very much catered to the Chinese culture. The same is true of the breakfast served in China.

I'm told, although I'm not an expert on this, that in some of the other countries, certain flavorings and spices are preferred. While we always hold in great honor the Colonel's secret recipe, in some cases, there may be a little bit of spicing added to cater to local flavors.

JACK FRIEDMAN: In India, do they use beef?

CHRISTIAN "CHRIS" CAMPBELL: Thirty percent of the Indian population will not eat beef, and a number of the Indian population will not come into restaurants to buy vegetarian products if meat is also offered. McDonald's is also in India, and so is Burger King, offering meat. They deal with the cultural differences. Taco Bell is opening some all-vegetarian restaurants to address that need.

JACK FRIEDMAN: I have one more question. With all the different countries that you're in, there must be many different cultures represented in the workforce. What are some examples of employment issues that are different in other countries?

CHRISTIAN "CHRIS" CAMPBELL: There are different labor laws. If you get into continental Europe, and you think about terminating someone or firing someone, that's a different ball game than it is in the U.S. Our labor lawyers in the U.S. talk about "employment at will"; in Europe, that's not true. There are many union issues, and in China, I could speak for an hour on the different aspects of hiring people there. China is a good example of laws and regulations that vary by region.

JACK FRIEDMAN: Thank you. Our next speaker is Steve Steinborn of Hogan Lovells and he'll introduce his topic.

STEVEN STEINBORN: Good morning, everyone. My name is Steve Steinborn, and I'm an attorney with Hogan Lovells in Washington, D.C. It is a pleasure to be with you this morning. First of all, I'd like to thank the Directors Roundtable for the invitation to share a few remarks, and I would also like to congratulate Chris Campbell on the recognition today from Directors Roundtable.

For those of you who are familiar with the Yum! culture, you'll appreciate that the award is particularly fitting, because Yum! is built on a culture of recognizing the contribution of others. With all that Chris has contributed to Yum! it's nice that we have the opportunity to recognize his contributions today.

The Yum! Brands are iconic brands. It's interesting to learn about their development and their growth. That, obviously, comes from the top, with the General Counsel. Chris is a true gentleman and scholar, and he gives real meaning to those words. It's great to be here and it's interesting to hear about a global company like Yum! Taking a step back, I'm a food lawyer. For those of you who don't know what that is, I didn't know, either, until I got out of law school. We do a lot of work with Yum! and other parts of the food industry on regulatory matters in Washington, D.C. and involving advertising, promotions and a host of other issues of importance to the food industry.

There is a perception that not a lot happens in Washington, D.C. That perception is absolutely true, unless you consider gridlock to be action. I wanted to talk a little bit about what I view as the intersection between law and regulation. What you see in Washington, D.C., in the Congress, is gridlock, pure and simple: nothing happens and nothing's going to happen. The people that make predictions for the campaigns in the news media, for the new election, are simply making predictions of how the gridlock will look going forward. It is almost as if who we put into office doesn't matter. That's a pessimistic view, but I

want to point-out that it's certainly not the view when it comes to federal regulations. Federal regulation is the work of the federal government, the various departments – Health & Human Services, Department of Agriculture; and independent commissions like the Federal Trade Commission. I want to share some thoughts about the Obama Administration in the context of federal regulation and the food industry.

When Obama was first elected President, there was a great deal of excitement in various quarters within Washington. A lot of pent-up energy, particularly in the regulatory community, about issues that the Democrats and other key stakeholders wanted to accomplish for many years, but weren't able to with the Republicans in control of the White House.

What you saw in the first term of the Obama Administration were a lot of initiatives, a lot of new proposals; focus on childhood obesity coming right from the White House. They were also carrying that tune, if you will, throughout the Obama Administration. As a result, you saw new legislation being passed, including sweeping reforms involving food safety and many other initiatives.

Now there are two years left in the Obama Administration, and I would propose that the most effective, appropriate way to think about the next two years is in terms of an Obama legacy. This is all about the legacy years; it's going to be a question of, between now and the end of the Obama Administration, what legacy is he going to leave? In the food area, I wanted to touch on just a couple of those elements.

First is the Food Safety Modernization Act, a food safety law. It is the most significant change in the law since 1938. The law that we're currently operating under was adopted by Congress in 1938, and it's changed very little, with a few exceptions, over many decades. The FSMA law, which was adopted by Congress in 2011, will change things significantly. There are seven major rulemakings that are being implemented, which will amount to literally thousands and thousands of pages of new regulations that will directly affect how the food industry will operate. These regulations come as a result of the peanut recalls and a number of other foodborne outbreaks that have occurred over the last decade. There has been a tremendous reaction to those food safety challenges in the form of new government regulation.

New re-proposals have just been issued. The regulations typically go through a proposed rule and a final rule. In this case, there were proposed rules, and now there are *re-proposed* rules, and then there will be final rules. That's owing to the complexity of the regulations.

The new regulations will present sizeable challenges for the food industry, and particularly for QSRs [quick service restaurants]. If you are an importer of food, you have to verify the suppliers you are using overseas. That is something that companies like Yum! are very good at, because they are

used to dealing with supplier networks globally. It will be a significant challenge for all segments of the food industry, just verifying their supply chain. Yum! was one of the first companies to recognize that food safety was an important part of their relationships with vendors, and going back at least a couple of decades, you saw companies like Yum! setting performance standards and safety standards for the suppliers long before the federal government ever came along and said that was necessary.

In some ways, federal regulation is catching up to the marketplace. On the other hand, federal regulators can impose sweeping requirements that parallel FSMA. So there will be a lot more rulemaking; a lot more oversight; a significant amount more access to plant records. There's new FDA enforcement authority. It's going to be a very pervasive regulation that will differ markedly from the regulations currently on the books.

I will say in the same breath that the FDA has made a real effort to acknowledge some of the food industry's concerns. A number of groups, including the National Restaurant Association, have had some effect in moderating some of those proposals. The re-proposals are the subject of a number of memos which are outside, so I will not get into all the details of the regulations.

Other developments to watch for, in terms of the Obama Administration and one of the big initiatives that Chris mentioned — that Yum! has supported — is a national, uniform approach to calorie menu labeling. Rather than labeling it one way in the State of California and another way in my home county of Montgomery County, Maryland, as well as in New York City and other jurisdictions who require yet a different way, there's going to be a single, uniform set of regulations. Those regulations are expected any time now. They've been rumored to be coming out for the last six months, so it's hard to know the exact timing. In a couple of years, you'll see on nearly every menu board in the U.S., next to the price, the total calories. Whether you want that information or not it will be there for you, if you want to make use of it.

There's also a new initiative that's being championed by the Obama Administration on setting voluntary targets on sodium levels. Sodium reductions will be targeted — there's a notion in the regulatory community that the food industry is committed to reducing sodium, but just not fast enough. There's also a perception, which I think is valid, that if you cut back sodium too much in foods, consumers won't eat them. There's the constant struggle between putting foods out that consumers will actually enjoy and purchase that are moderated in terms of sodium content. There is, of course, no public health benefit realized if the consumers aren't purchasing sodium-reduced products. The proposal is expected sometime this fall or early next year.

The new dietary guidelines that used to be the four food groups, comes out every five years. When those guidelines come out in 2015, that will also be new impetus for the sodium reduction debate, as well as other areas involving nutrition public policy.

I have a few other items I want to mention. Several years ago, the federal government sought to impose voluntary nutritional standards on advertising to children. If you wanted to advertise to children, the notion was that you should meet certain nutritional thresholds. That proposal got gutted, in part, by Congress. It was viewed as being heavy-handed and perhaps not well thought-out. That debate is still playing out in different places. An example of that is in the Federal Schools Meals Programs. There's reauthorization for the breakfast/lunch meal programs that are under federal reimbursement. Those have always had nutritional standards, but now, they're going to extend nutritional standards to competitive foods. "Competitive foods" is just another term for foods that are sold in

school cafeterias that are outside of federally reimbursed dollars, that don't fall currently under the federal program.

Finally, I would mention that we should also be aware of the prospect for state and local regulation. GMO labeling is a good example. There's a lot of interest in that in Europe, and there's also now increasing interest in the United States in identifying genetically modified organisms. GMOs have been widely used in the United States, but Vermont recently passed an initiative that would require GMO labeling on qualifying food labels. There's a lot of feeling in the food industry that it's unconstitutional to compel speech in that regard. That's an issue that's already been addressed by the federal government and found not to be necessary.

Thank you for the opportunity to share some remarks with you. Congratulations once again to Chris Campbell for this well-deserved recognition.

JACK FRIEDMAN: Our next speaker is Philip Zeidman of DLA Piper.

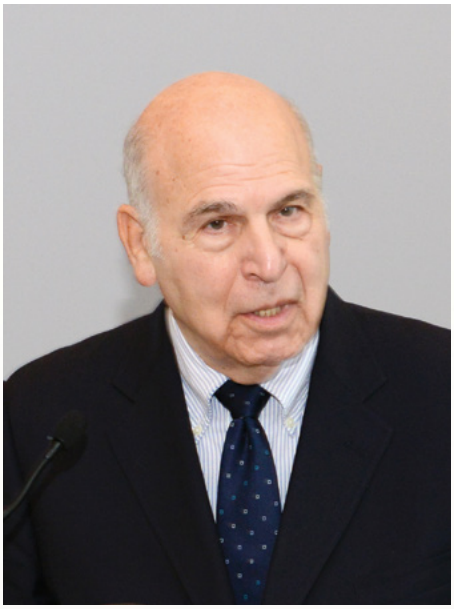
PHILIP ZEIDMAN: Thanks to Chris for inviting me, and to Jack for organizing the program and introducing, and to Fritz for hosting us. Thank you all for being here.

The program notes that Yum! is one of the largest international restaurant companies, with multiple brands and over 4,000 restaurants. My function here today is to tell you it wasn't always that way. John Y. Brown was a young lawyer in Kentucky, working at his father's law firm. He later, by the way, became Governor of Kentucky.

He bought whatever it was that Colonel Sanders had. He later sold it to Heublein, which, in turn, sold it to R.J. Reynolds, which then became RJR Nabisco. RJR sold it to PepsiCo, which had already bought Pizza Hut and Taco Bell, then spun off its restaurant holdings to Tricon. Tricon added other chain names, and changed the name to Yum! Brands.

This journey through the thicket of great American business names is of historical interest. From a personal point of view, though, it was interesting because I had the rare good fortune to represent the company in each of those incarnations, including representing brands before they bought them and brands after they sold them.

In what now seems, in retrospect, to have been an unimaginably young age, I was retained to defend the company in what was then one of the very first antitrust class actions ever filed in that industry. One of the things that was entailed in that was serving as counsel to one of our witness's deposition during the pre-trial discovery, because that witness — one of our employees — was going to be called by plaintiff's counsel. That witness was Colonel Sanders. He was going to be called by plaintiff's counsel because he was, I guess to put it tactfully, ambivalent about new management, and clearly resentful at what he felt to be an inadequate price at which he had sold to John Y. Brown. He thought that because of his stature (as he saw it), he didn't need any counsel at all, and if he did, it certainly should be somebody else, not this young whippersnapper. It was the only time in my career that throughout a proceeding, I was routinely addressed by my own client as "Sonny Boy."



Yum! today bears little resemblance to the Kentucky Fried Chicken of that initial experience. The changes over the years seem to me to be far more than just the acquisition of more brands, restaurants, consumer recognition and revenue — as impressive as that is — but in some sense, to mirror the changes in the world at large. Consider: When I first represented the company, it had expanded to only fifteen countries, most of them in the English-speaking world. Today, it's in over 130 countries and territories, some of which have quite different names than they did at the time the company first entered those countries.

The changes this has created for a relatively small Kentucky company cannot be overstated, in terms of outlook and world view, as well as of resources and activities. More than 70% of the company's profits come from outside of the United States, and that change, in the company, is part of a larger re-orientation of the industry as a whole. Of the 200 largest U.S.-based franchise companies (based upon number of units) in the world today, more than a third of their units are already outside the United States. It's predicted that that number will be more than 50% by the end of this decade. Think of what that will mean in terms of the change of structure, recruitment and culture. Think what it already means in terms of the demands it poses to the General Counsel of that company.

Go beyond that: There's an even larger dimension to globalization, because it's not simply the requirement of translating training materials and adapting menus to align with the local taste. Although that imperative, itself, leads to some interesting experiences: When I fly from here to Japan tomorrow, I expect to be struck again that the most popular topping on Pizza Hut's pizza is squid. The most popular dessert in Japan is the dessert you buy at KFC, which is the Italian dish, tiramisu. Go figure.

That's a simple example of adjustment to local taste. It goes beyond that. When young people in many countries of the world want to go out for a social experience, they spend an evening at the Pizza Hut or the KFC. Not just because they're interested in Western tastes, but because it's a sign of modernity. It's a sign that you're participating in a worldwide ritual. These companies, as a consequence, have become a symbol of something else. In many ways, they are a proxy or surrogate for the United States itself.

When I first went to China 35 years ago, I visited a factory where women were making napkins and towels with the image of Colonel Sanders and the lyrics to "My Old Kentucky Home." They had no idea who that face was or what those words meant, except somehow it was American. Today, when tourists cannot penetrate a U.S. Embassy compound, they turn to the most accessible building which is emblematic of the United States. Almost invariably, it is a franchised establishment — a restaurant or a hotel. One of the reasons they do so is they know that the presence of these symbols of American life, has an effect far from what some terrorists would have you believe — that they would inflame the populace. In fact, they know that they serve as a reminder that it's possible for the everyday pleasures of life to create a bond among people. Until the conflict in Kosovo, the epigram of Tom Friedman of

the *New York Times* was, and still remains, apt: There has never been a war between two countries that both have a McDonalds.

The ironic aspect of that sporadic violence is that it exists despite the Herculean efforts to adapt to the local cultures in more meaningful ways in Muslim countries: halal food; separate facilities for men and women; prayers at appropriate times of the day. And it takes place despite the fact that those who are being hurt are not Chris Campbell and his colleagues in Louisville (except in a marginal sense); those who are being put in harm's way physically, those who are losing their means of employment, those who are losing their investments, are the countrymen of those people who are throwing the Molotov cocktails. True franchising opportunities are being created by Chris Campbell and his colleagues with jobs and entrepreneurial opportunities for business ownership, for countries which are hungry for them. In seeking to strike at the United States through striking at these iconic symbols which are identified with it, these outlaws are destroying the lives of their own citizens, setting back the progress of a way of life, a way of doing business, a way of living that's been embraced by their countrymen.

At the center of this extraordinary time, with an unmatched view of these remarkable changes, sits Chris. He's not only General Counsel and holds several other titles, but he's also Chief Franchise Policy Officer. For almost two decades, he has dealt with challenges and opportunities which few legal officers will ever have — that responsibility, and yes, that opportunity. Few have the fortitude to confront these kinds of issues. It's difficult to think of anybody who more deserves this recognition given today. As David Novak, the Chairman of the company, said in his recent book in reflecting upon his days as CEO, he said, "I rely on certain people, like my Chief Legal Counsel, Chris Campbell, to tell me things I don't want to know. When he does, he does the company and me a world of good almost every time he does it."

In closing, I want to add a personal word. Before I knew Chris, I knew his brother, Tom, who has carved out a stunning career in law and politics and academia and public policy. Before I knew Chris, I knew his brother, Bill, a superb lawyer who, until his death much too young — just a year ago — was the General Counsel and, more importantly, the moral compass of our law firm. I even had the pleasure, many years ago, to meet the father of the Campbell boys. Some of you may know that he was U.S. Attorney for the Northern District of Illinois, and then became Chief Judge of the Federal Court here. He was, at his death, the longest-tenured federal judge in the United States.

I think I can make a convincing argument that the Campbells are the first family of American law, and it's my personal privilege and an honor to our firm to participate in this tribute not only to Chris Campbell, but to the entire Campbell family.

Thanks very much.

JACK FRIEDMAN: Chris, when you were growing up your father was a federal judge. Tell us about him.

CHRISTIAN "CHRIS" CAMPBELL: Thank you. I could go on forever, but a couple of thoughts immediately come to mind. When the old federal building was replaced here in Chicago, and they moved into the Dirksen Building, my dad was Chief Federal Judge. He had his trial bench moved into his bedroom. When Bill, Tom and I had our report cards, it would be like motion call before Judge Campbell. He also stressed the importance of legal education, and that's why the three of us went into that field. His point of view was, whatever you do, the training and legal discipline will serve you very well. I think he was right. Friends joke with me: I don't know if I practice law now or not, because so much of what I do is a mix of law and business — but the legal training has been invaluable. There are many stories that I could tell, but those two come to mind, Jack.

JACK FRIEDMAN: Thank you very much. Phil, we can't really do justice to the topic right now, but could you give us an example of the contract between a franchisor and the franchisee?

PHILIP ZEIDMAN: You're right. I can't do justice to your question in a two minute response. I can put it in perspective. The absolute bare minimum of controls that the company wants to exert are the ones which it's required to exert under the trademark laws, because it needs to protect the nature and quality of the goods that are sold under its name. That's the bedrock minimum of protections. The company is obviously interested in far more than that; it's interested in a level of uniformity of expectation. If you go to Kentucky Fried Chicken or Pizza Hut or Taco Bell in one place, it'll be as close as possible to the experience you have elsewhere. That, obviously, entails more than simply pure trademark protection. In most of the areas you describe, there are levels of controls, influence, suggestions which are made from the franchis*or* to the franchis*ee*. It would take too long to show all the various types, but they cut across most of the board.

Where you run into issues as to how far you can do that arise principally from two areas. First of all, there are some state laws

which limit the amount of control you can exert. You can't terminate a franchisee or can't refuse to permit it to be renewed, you can't refuse to let him transfer, except for certain things he's done. Those are usually violations of something like an essential and reasonable provision of the agreement. That's where you run into more issues. The limitation on this also arises — purely unrelated to governmental action — out of private law. For example, there is vicarious liability. If you step too far into the operations of the franchisee's business, you are taking a real chance that if someone is injured, for example, in that restaurant, and is looking around for deep pockets to sue, that he will soon find that Yum! may have somewhat deeper pockets than that franchisee. Therefore, for vicarious liability purposes, you will need to be sure that you are not exercising more control than is necessary in order to reach the desired and government-sanctioned result. That's the limit.

Now, to take one more step, today there is a larger dimension of this and a larger risk which arises out of it. That arises out of a relatively obscure — until very recently — opinion of the General Counsel of the National Labor Relations Board, with which some of you may be familiar. Recently — this summer — he held that McDonald's could be sued for violations of labor practices by its franchisees. Now, if that were to hold up, the natural result would mean that these companies would be responsible for the actions of the thousands of employees of the thousands of franchisees all over the world. That's nonsense, of course; just ask Harman Management, the *first* Kentucky Fried Chicken franchisee, which perhaps is still the *largest* franchisee of Kentucky Fried Chicken. It has hundreds of millions of dollars in revenue and thousands of employees. Tell them that the decisions regarding hiring and firing of those employees of their franchisees are not being made by them, but are being made by Chris Campbell and his colleagues in Louisville, and see what sort of reaction you get.

This is not only a matter of concern for people like Yum!. Rather, this cuts across all the traditional changes in American business in which companies are hiving off non-core functions for a variety of reasons. They do it for tax reasons, for labor reasons, for managerial reasons — whether it's through outsourcing, or whether it's through independent contracting, or whether it's through franchising. This could affect a large part of American business, so ask not for whom the bell tolls, because you may find that it tolls for thee or for thy clients.

JACK FRIEDMAN: Thank you very much. I'd like to introduce Frederick "Fritz" Thomas of Mayer Brown.

FREDERICK "FRITZ" THOMAS: Before I talk about legal things, I'd like to take just a minute to second some of the points that Steve and Phil made about Chris. I've worked with Chris for 30 years at three companies, and I know him pretty well, both as a person and as a lawyer. It's fitting to make several observations about Chris and his talents and his contributions. In saying this, I'm confident that I'm speaking not only on behalf of myself, but on behalf of the other panelists here and also for many people in the room who work with Chris and know him well and respect him greatly. Chris has a terrific intellect. You may likely already have appreciated that in his comments. He also has something that I think is particularly important for a General Counsel, given the range of legal and business issues that a General Counsel faces: an openness to new ideas and creative thinking. He's very receptive to both. He also has an exceptional ability to combine strong legal analysis, an understanding of legal topics and an ability to convey them effectively, with a deep understanding of the priorities and goals of the business. He's solidly planted in both legal and business camps. In addition, he has — and I'm confident you have recognized this — a great sense of humor, which makes him a lot of fun to work with. Lastly, he has a particularly strong ability to understand people and

their motivations, interests and concerns. Putting all that together, it's no surprise that Chris has been a great success at each of the companies that he's served, and most prominently and to the longest extent at his current company. Yum! Brands has been very successful under his leadership and the leadership of other key executives down in Louisville. Chris, congratulations again on this great honor.

Turning to the legal topics of the day, what I'd like to do is make a few comments about what boards of directors should be thinking about these days. Some of the points I'm going to make are rooted in traditional topics that are longstanding, but because of recent events, are particularly pertinent and important for boards to focus on today. My topic connects with a topic that Chris addressed, and with the topic that David is going to be talking more about in a minute. I want to talk about compliance and risk management, because in recent times, companies and their directors are coming under higher and higher levels of scrutiny and attack as a result of problems in the compliance and risk areas. You don't have to think very hard to recall names of pharmaceutical companies, financial institutions, oil

companies, auto companies, retailers and many others that have been in the news as a result of problems relating to compliance or risk. These compliance and risk related problems can arise from the FCPA, cyber security risks, product safety problems, and a host of other sources. These situations create the prospect of huge messes, and those huge messes may give rise to serious possibilities of large claims against not only the companies, but against the directors.

The fact that this is on directors' minds is evidenced in part by a recent survey of directors. Directors were asked what the biggest risks are that they're concerned about. Aside from financial risks, what were the three most important risks identified by directors in the survey? Coming in at number three was "regulatory compliance." Number two was "cyber security and IT." And number one was "reputational risk," which I would suggest is an outgrowth of numbers three and two. So, this is indeed a topic that is very much on directors' minds these days.

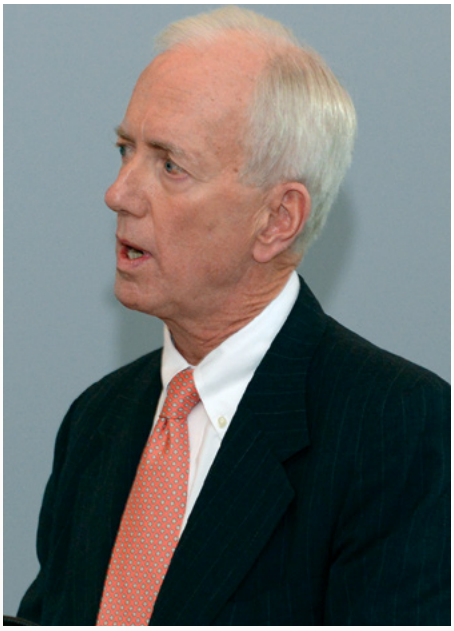
Now in the materials you've received today, I've provided a fair amount of material regarding some of the legal topics that are relevant here, but let me just take a moment to refer to some of the bedrock principles.

As most of you probably know, *Caremark* is the landmark Delaware decision in this area. Under *Caremark* a board is to assure itself that information and reporting systems exist that are reasonably designed to provide senior management and the board timely, accurate information sufficient to allow management and the board to reach informed judgments concerning the corporation's compliance with law and its business performance.

Now, the good news is that the Delaware Supreme Court in the *Stone v .Ritter* case held that for directors to be liable, a really high standard needs to be met. The plaintiff needs to show that the directors utterly failed to implement *any* reporting or information system or controls, or having implemented such a system or controls, they consciously failed to monitor or oversee its operations. Thus disabling themselves from being informed of risks or problems requiring their attention. That's a very high standard to meet.

The bad news is that the Supreme Court in that case also held that if a director fails that test, what that director has done is not to violate his or her duty of care, but rather to have violated his or her duty of loyalty. Now, remember Section 102(b)(7) of the Delaware General Corporation Act, which is the section that allows certificates of incorporation of Delaware corporations — and many other states have similar provisions — to exculpate directors from breaches of their duty of care. Except now we're talking about a breach of the duty of loyalty, which is not exculpated. The 102(b)(7) provision expressly excludes exculpation for duty of loyalty breaches and acts or omissions not in good faith. If a director does fail the tough *Stone v. Ritter* test, the prospect for claims of personal liability is meaningful.

In addition to the impact of state law, which I've ever so briefly summarized, risk and compliance is getting a lot of attention from other sources, both traditionally and recently. The SEC has given significant attention to the topic. See, for example, the SEC's implementation of the Dodd-Frank requirement that companies in their proxy statements describe the role of the board in addressing risk and the SEC's increased focus on the disclosure of cyber security risks and incidents. The topic is also getting a lot of attention from stock exchanges. The NYSE is very clear that the audit committee has significant responsibilities when it comes to both compliance and to risk. The topic is drawing attention from ISS and other proxy advisory firms. ISS has recommended "no" votes against directors of companies as a result of compliance and risk problems in those companies. The topic is receiving attention from sentencing courts as a result of the sentencing guidelines. And of course, the topic is getting a lot of attention from plaintiffs' attorneys.



So what should directors and companies be doing to renew their efforts in this area, to minimize the risks of claims and like problems? There are a number of steps that can be taken and, as a general matter, companies have done reasonable jobs to take steps. However, in light of the changing number of compliance and risk issues, and the changing nature of them — first and foremost, cyber security — additional attention and efforts are warranted.

I'd like to suggest, very briefly, ten examples of what boards should be doing, and in some cases are not doing.

One: The board should decide where risk and compliance is being considered at the board level. Is it the board as a whole? Is it the audit committee? Is it a compliance committee? Is it a risk committee? Is it some combination?

Two: The board should determine whether it wants, as part of the mix of directors, a director with subject matter expertise with regard to risk or compliance topics that are relevant to the company. An example would be having a director that has IT experience and skill who brings that expertise to the boardroom. It's not unlike what Sarbanes-Oxley contemplates in the form of an audit

committee financial expert — a director who brings to the audit committee expertise in accounting and auditing matters.

Three: Consider board-level education on key compliance and risk topics.

Four: Determine who in management is responsible for compliance and risk matters, and to whom they report. Is it, for example, a compliance officer who's reporting to an audit committee or a compliance committee?

Five: Consider the appointment of outside advisors — possibly engaged by the company, but possibly engaged directly by the board — to provide independent views regarding compliance and risk management practices of the company, to supplement the recommendations and thinking of management.

Six: Consider the frequency and manner in which audits and other compliance monitoring activities take place, so that compliance is achieved and risks are, in fact, identified and managed.

Seven: Determine the frequency, purpose and content of reports to the board and its committees.

Eight: Consider the manner in which reports from employees and third parties regarding compliance and risk matters are brought to the attention of the company, not only to make certain that legal requirements — for example, anonymity — are satisfied, but also to make sure that the right people are receiving those reports, and using them in the right manner. This is particularly important in light of the SEC's recently expanded whistleblower program which is getting so much attention.

Nine: Make sure that the company has in place well-designed programs to deal with risk or compliance problems if they arise. Have investigative protocols been established in advance? Have disciplinary standards been established in advance?

> "When I visit a store, I often ask, "What are the peak hours? What does the business model look like?" She took out a piece of paper that had a flat line, which, from eight in the morning, when it opens, to late at night, it's peak. Those are the peak hours. When we went in, it was standing room only. Russia is a huge opportunity."
>
> *– Christian "Chris" Campbell*

Lastly, periodically review the company's policies regarding compliance and risk management and the information and reporting systems that are referred to in the *Caremark* decision, considering the evolving nature and locations of the company's business and evolving circumstances and events (for example, the evolution in technology and cyber security needs) and developing industry, as well as legal, principles and practices, with an eye toward best practices in the company's industry.

There are, of course, a host of additional steps that can and should be taken. For example, consider the level and nature of insurance, employee training, and proper funding for these things. The point here is not to create a definitive list for any particular company but to emphasize that boards and their advisors need to be proactive at a time when the waters are calm. A record can and should be created that the right practices and approaches are in place. That way, when the waters get choppy, the company and board are ready to deal with events, and have already established the record that the litigators need to help minimize the risk of liability of the company and the directors. Thank you very much.

JACK FRIEDMAN: David Graham, a partner at Sidley Austin, will speak next.

DAVID GRAHAM: I'm David Graham. I want to add my thank yous to those that Steve and Fritz and Phil have given Chris, and also to thank Jack and the Directors Roundtable.

The thank you that I have to give is a special one. I and my colleagues at Sidley had the privilege of working with Chris for many years while he was a partner there. Even before he was a partner there, we've had the privilege for many years to work with Chris, both at the companies he was at prior to Yum!, and most especially with Yum!. All I can say, Chris, is that it is such a testament to you, personally, and the esteem that you're held in by so many people. To look at this crowd today, and so many of your friends here from Sidley are here precisely because it is you. Thank you for this opportunity, and thank you for the opportunity to continue to work with you and Yum!.

CHRISTIAN "CHRIS" CAMPBELL: Thank you.

DAVID GRAHAM: The litigator always comes in the rear, sweeping up, and I guess that's my task today! I'm here to talk about some of what happens when things go wrong with the compliance issues that have been touched upon by Chris, Fritz and others. My message is that, notwithstanding some of the protections afforded directors that Fritz referred to — including the *Caremark* standard and *Stone v. Ritter* — in my view, the nature, the sources and the level of scrutiny that directors are facing in the courts are changing. They are subtly increasing. In that regard, there are two related areas that I want to discuss briefly with you. They're dealt with more extensively in the materials, so I'm just going to touch on them orally today. They are shareholder requests for inspections of

books and records, and the shareholder ability to maintain derivative lawsuits in the name of the corporation. I'm going to focus on Delaware law, both because it drives so much of the jurisprudence in this area, and because so many corporations are incorporated in Delaware. These topics, as you'll see in a second, are particularly relevant as it relates to the issue of compliance and compliance failures.

Let me start with the burgeoning issue of shareholder inspection rights. There's a statute in Delaware; many of you are familiar with it: Section 220. It basically gives the right to *any* shareholder — no minimum shareholding — *any* shareholder of a Delaware corporation, to demand inspection of the company's stock ledger, its list of shareholders — or, most importantly, its book and records. An undefined phrase that's as broad as you can imagine. The stockholder or his designated representative has the right to do it. Oftentimes, that's an attorney; oftentimes a plaintiffs' class action attorney.

Now, the inspection demand is required to state a purpose, and it has to be a legitimate purpose. In fact, Section 220 itself says, "A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder." Pretty broad and pretty undefined. In fact, the Delaware courts have found that the list of proper purposes is almost endless. Let me just give you a couple of examples. People often think of §220 inspection demands as being a prelude to litigation, and they are. Now, they're often for the purposes of investigating potential corporate mismanagement or wrongdoing or bringing a shareholder derivative action. The Delaware courts have also said that it's entirely proper to have a §220 inspection demand in order to, "investigate the suitability of directors." Think for a second about how broad that is. It can also be for deciding whether or not one wants to prepare a stockholder resolution for a subsequent annual meeting, or communicating with other stockholders. Those are just examples — it's a non-exhaustive list.

The scope of what's a proper purpose is pretty broad to begin with. The one that most people usually consider is investigating whether or not there is potential mismanagement or wrongdoing. Now, I'm going to come back to that in a second.

These are very expedited proceedings. If you give an inspection demand under Delaware law, it has to be responded to within five business days. If the company says no, in whole or in part, the shareholder is entitled to bring an action in the Delaware Chancery Court requiring that the documents be produced.

These are expedited actions — *very* expedited actions. They usually take place within 30 to 60 days, and they're usually accompanied by evidentiary hearings. The courts don't like to dispose of these things on motion papers; they want to have evidence on them. This is a very expedited matter, and it can deal with books, records, and papers, and they're at the heart of what's going on within the company.

There are restrictions. The scope of a request has to be narrowly tailored; some courts have said it has to be with rifle precision to whatever the purpose is. The courts can condition access to the documents on, for example, confidentiality order, so that it can't simply be publicly disseminated. After all, we're talking about the internal records of the corporation. That can be modified, however, and often is, particularly if litigation results.

What's changed about Section 220? It's been around a long time and all of that has been there. I suggest there have been several changes. First, from the perspective of shareholder activism, Section 220 has become a tool that shareholder activists are using, both to make life uncomfortable for corporations, and also to obtain information for proxy contests that they otherwise would not have had.

Let me give you an example. Many of you are familiar with the *Citizens United* case in the United States Supreme Court that involved political contributions by corporations. One of the things that was said in the course of *dicta* in the *Citizens United* case was that rather than depriving corporations of the right to engage in political contributions, one way of sanitizing this area would be through disclosures to shareholders.

That language has been seized upon by various pension funds and shareholder groups that have an interest in the matter. They have begun making §220 requests for corporations, to see the entire range of political contributions that the corporation has made. That being a prelude to getting the corporation to adopt a policy either that it will not make political contributions — a matter for the shareholders — or that it will disclose in detail every political contribution in amount and person. That campaign has had some successes, including Qualcomm having responded to a §220 request by entering into a policy agreeing to those things.

Part of it has been a change in the environment and the use by activists. But the more important change in Section 220 has been, in my view, a subtle loosening of the standards in terms of the inspection of books and records.

I'm going to talk about what I mentioned before — the subject of potentially investigating wrongdoing or mismanagement. Perhaps for the purposes of bringing a lawsuit.

As the materials you have will tell you in greater detail, the standard that has been utilized by the Delaware courts, for purposes of somebody asking for books and records in order to investigate potential wrongdoing, has been that there has to be a credible basis. The Delaware courts have made increasingly clear that "credible basis" doesn't mean a probability. It doesn't mean that you are likely to prevail. It doesn't even mean that you have a good possibility of prevailing. As the Delaware courts have said, it is basically the lowest imaginable threshold above simply, "I've got a suspicion." Provided there's enough for a credible basis — and there's a lot of room for flexibility in those joints — you have the entitlement to get the documents.

You combine that with a couple of other things that have happened, and here's where the rubber begins to meet the road. I want to focus on a recent decision by the Delaware Chancery Court and the Delaware Supreme Court in the *Wal-Mart* case. Wal-Mart was already referred to — many of you know about the FCPA problems that Wal-Mart has had in connection with some of its subsidiaries. That, in turn, generated an inspection of books and records demand. The inspection demand ended up producing thousands and thousands of documents, going for reviews of backup tapes, having depositions taken of custodians in connection with it. At the end of the day, to top it all off, the Court found that the shareholder — because remember, the corporation, and the corporate officers could be viewed as agents of the shareholders — was entitled to privileged documents, attorney-client privileged documents. The shareholder, having shown a "credible basis" that there may have been something wrong, was entitled to find out the who, what, when and where as to who knew what, when, within Wal-Mart, in terms of the problems, so they could determine whether or not there might be a cause of action that should be brought.

Now step back and think about this for a second. All you need is a credible basis if there's a big enough problem, and the court says that you can get something very akin to almost full-fledged discovery at that stage, notwithstanding the narrow purpose, and you can get privileged documents.

I suggest that this is a change in the way the §220 is being viewed or applied, and that you're about to see a whole series of not only the increases that have occurred to date, but even greater use of §220 for these purposes, in an attempt to plumb corporate records. In turn, I suggest, the capability of getting increased access when something goes wrong — and not to give you a credible basis — requires a reassessment by corporate boards, by corporate General Counsel and corporations generally, regarding the philosophy as to how they keep their documents and what are contained within those documents, including corporate minutes.

Some of what Fritz said is absolutely right. There used to be a style of keeping corporate minutes, particularly at the board of directors' level, that said as little as possible was said — you meet, issue discussed, no more detail. Now, when you have the ability to have those records obtained, in the credible basis, and they will serve as the basis for a potential derivative lawsuit, it may be increasingly important to show that the board actively engaged on an issue, and to show what the nature of the reports to the board were, what information they obtained, and most importantly, how they reacted to that information. I'll explain a little bit more why I believe that when I talk about my next topic, which is derivative lawsuits.

Derivative lawsuits are a natural outflow of books and records, especially if the purpose of books and records demand has been to investigate potential corporate wrongdoing or mismanagement. There has been

an increasing level of regulatory and even statutory emphasis on board-level responsibilities, including particularly as it relates to compliance matters. The SEC, for example, has continued to emphasize compliance at the board level, monitoring, and has been actively looking to find a showcase lawsuit that they can bring against directors. The DOJ is doing the same.

The *Caremark* lawsuit and *Stone v. Ritter*, that Fritz referred to, have an interesting phrase in them. You can have liability if the board consciously failed to monitor or oversee the company's operations. What does that mean, "consciously failed to oversee operations"? What does it mean to oversee operations? I'd suggest that, to put it mildly, oversight of operations is an ambiguous term. I suggest that what is increasingly happening in the courts is that the notion of board-level responsibilities, supervisory responsibilities, is becoming blurred with the notion that boards have some operational responsibilities. If a problem exists, particularly in the area of compliance, and persists over a period of time, increasingly, you are finding the courts saying, "The board has somehow failed in its oversight operations, because they knew of the problem and it wasn't cured."

Now think about that for a second. Could it be that the problem is intractable? Could it be that the problem is beyond board control? What is the board supposed to do, when there is an operational problem, by way of fixing it? Is that part of the matter of the expertise that Fritz referred to in terms of having somebody there? If GM has a problem with safety in its cars, and the board says, "Go fix the problem," how do they ensure it *is* fixed? What does it mean to have operational oversight such that a problem does not continue to persist? This is recurring again and again. It's recurring in the medical device area; it's recurring in the area of money laundering compliance; it's recurring in the area of food safety, which Yum! and Chris face all the time.

There is a difference between the notion of oversight in a broad sense and oversight that ensures that operational matters are cured. Increasingly, the courts have blurred the two, so that boards are facing skepticism within the courts about the fact that if a known problem persists, that the responsibility is at their doorstep.

By the way, that shouldn't be a surprise. We have all the language that we toss about nowadays, and you see the regulatory agencies talk about the "tone at the top" and "culture of compliance." All of these things have impacts in terms of the ways that both shareholders and courts are assessing how far the board's responsibilities go.

To give you an example of a case that illustrates these trends — and there are several cases discussed in your materials, but I'll just give you one — there was a case from last year involving Baxter in the Seventh Circuit. This was a case involving a medical device which had a known problem. Baxter spent literally hundreds of millions of dollars in an attempt to fix the problem during a several-year period. In one year, however, the amount of expenditures fell off. Whether that was because the board had been told that the same level was not necessary, or the problem wasn't able to be fixed, or that lesser means were all that were required at that point, who knows. The amount fell off, and eventually the FDA withdrew the product from the market and didn't allow it to be sold any more, and a derivative lawsuit was brought. The Seventh Circuit found that given the magnitude of the problem, its duration, and the fact that the board had authorized lesser expenditures — even though hundreds of millions of dollars had been spent previously — that was enough to say that perhaps there was enough here to allow a shareholder to go forward, because perhaps the board had not overseen operations sufficiently, giving all benefit and inferences to the plaintiffs.

> "We have people monitoring what is said about our brands around the world 24 hours a day. It's no surprise to anyone in this room that people today get most of their news and most of their information off social media. When something is posted about a company, the tendency is to believe it's true until rebutted."
>
> – *Christian "Chris" Campbell*

Again, this has implications for how a board conducts its business and keeps records of what it does. Once again, I would suggest that what it tells us is that particularly when you're dealing in the compliance area, when problems are known or begin to become recurrent, that the way that companies have to protect themselves, and boards have to protect themselves, is not by the minimalist approach to corporate records; it's quite the opposite. It's that the board is going to have to be involved in such matters as setting timetables, deliverables, having records that show that the problem is being addressed, and having consequences that are spelled out if it isn't. Otherwise, the board begins to risk facing the kind of liability threats that are manifest in these cases.

JACK FRIEDMAN: What is your responsibility vis-à-vis the board, including the question of litigation?

CHRISTIAN "CHRIS" CAMPBELL: I agree with both David and Fritz. A couple of things we've noticed. One is the attack on attorney-client privilege continues. Documents that we write, going to the Board from the Compliance Oversight Committee, we anticipate could, at some point, be reviewed. Having documents that simply float problems up and don't identify what we're doing about them are problematic to us. We receive presentations all the time on food safety, cyber risk, and other issues. The Board expects us to give a full and candid report on what we have found, and we do that. We also don't let the presenter go away with, "Here are a hundred problems." The presenter who owns the compliance risk is charged with the responsibility of saying, "Here's also what we're doing about it." That is very important.

I haven't read the cases you cited, David, but I have simply sensed that's probably where the law is going. In terms of my role: at every Audit Committee meeting I have a report to the Audit Directors on pending litigation and pending risk, and I also summarize the meetings of the Compliance Oversight Committee, which typically occur in between Boards. We maintain a good record of that. I think that's important. We do not go minimalist, because I think our directors also want to know, and want to see a good record of what we are doing in terms of monitoring and managing risk.

DAVID GRAHAM: What Chris said earlier about what Yum! is doing, including your Compliance Committee having *very* detailed records, and some of what you talked about with the Board is exactly the kind of thing

— even the mindfulness as to how privileged documents are written, given potential access — is exactly the kind of consideration that corporations have to take into account. I don't want to exaggerate this. I believe there is a trend, even though it is not uniform. It is a set of issues that really need to be at the fore of companies, like Yum!, that are addressing this, and boards of directors.

CHRISTIAN "CHRIS" CAMPBELL: I would just add one other thing. It's not only the fear of shareholder and derivative litigation, but when there is a government investigation, we have found the very first thing the government asks is, "Where was the company in terms of managing this risk; what processes did the company have in place?" It's not so much that you're held strictly liable if there is a problem, but you are held liable if you did not have a documented, formalistic process. It almost verges on bureaucracy. Boards and new directors really are welcoming this. There is desire to have it.

FREDERICK "FRITZ" THOMAS: I would like to observe that it's somewhat interesting that, without any prearranged plan or any advanced coordination about topics, the topic that you focused on, Chris, and that I talked about, and that David has addressed, are very connected and overlapping and reflect similar concerns. That really signals the prominence and the importance of these topics.

JACK FRIEDMAN: What are the growing concerns that directors and senior officers have about their personal liability? Is there a concern they may have to oppose a colleague on the board as a witness, if not as a defendant?

FREDERICK "FRITZ" THOMAS: I'm sure all of us will have a few observations here. I find that boards spend more time thinking about indemnification. Should each director have a separate indemnification agreement that is personal to him or her? D&O insurance is obviously a regular major topic. Benchmarking what other companies are doing and what the scope of coverage is, the possible uses of that coverage, and potential competition between the company and directors for insurance protection are very important topics.

The other thing that's happening is the evolving question of the extent to which boards, committees of boards or, as we talked about a bit prior to our gathering today, individual directors should have counsel that look out just for the board or committee and the directors. Our firm — and I'm confident, the other firms represented on this panel — has been asked from time to time to come in and simply serve as counsel to the board or committee — not the company. Obviously, there is an intimate connection. The request can reflect the desire of a board or committee to have a lawyer who's in the room exclusively focused on helping the board or committee do the right things and create a record that it's done the right things. Those situations are frequently significant and often out of the ordinary, where a board or committee reaches for outside counsel to advise it directly.

DAVID GRAHAM: Let me just comment on that, Jack. I agree with Fritz that it has certainly become much more common, that you see separate counsel for boards or separate counsel for board committees. While the board and the corporation are obviously linked at the hip, at the same time, there's a difference. Most people may not be aware of this, but board members are actually not considered agents of the corporation. They have a somewhat different status vis-à-vis the corporation, there are some differences.

In terms of your question, though, about increased concern about personal liability, I actually somewhat marvel at this. Board members do have increased concerns. It causes them to pay more attention to things. I have found, in general, what it causes them to do is focus on making sure they get things right. It

has not been so much a defensive reaction, or people unwilling to serve on boards or doing things that they shouldn't do, but instead making sure that they do it right. That may result in greater legal expenditures, but it means that they are actually being very diligent in the way that they're approaching the matters.

PHILIP ZEIDMAN: I wanted to add that it's also been interesting to me how the scope of what outside law firms are asked to do in these matters goes well beyond the narrow confines of legal issues and things that you didn't learn in law school. Maybe it's because George Mitchell's the chairman of our firm, but I can tell you that our law firm has been brought into wide, sweeping investigations of the Penn State scandal, steroids in baseball, and factory conditions in Bangladesh. These are public policy issues that are not anything like what you thought you were going to do as a lawyer. And I see that trend increasing, not decreasing.

JACK FRIEDMAN: When a corporation has a crisis, such as a problem with the FDA, what should boards do right away, to get on top of the situation?

STEVEN STEINBORN: There are a couple of things you do. The first is internal, which is just getting your team in place, making sure you have the right people around the table. The second thing is your facts, which are always very fluid. Part of having the right team is making sure you've got people bringing the facts to the decision-making, so you don't back up prematurely.

From a regulatory standpoint, it's often advisable to open a dialog with the regulators. They either are already involved, or they will be involved. There is the notion that there's nothing worse than a regulator who's caught by surprise. Having that type of dialog is also very useful.

There is an important PR component that needs to be managed — and as was mentioned, in the day of social media, that brings on a whole new sense of urgency. Those are some of the bases that companies are well-served to cover.

> "...we bonus executives on compliance. We actually make Foreign Corrupt Practices compliance a management incentive goal, along with new store builds and profit plans."
>
> *– Christian "Chris" Campbell*

DAVID GRAHAM: I agree with everything Steve said, and there's more, but I actually think that a company has already gone off track if it's trying to react to a crisis by putting together a crisis management team. The companies that I'm familiar with have increasingly said, "We need to have crisis management in place, before a crisis ever happens, so that when the crisis happens" — and they model them in terms of scenarios — "we know what the drill is and what the steps are, because we're able to deal with it."

The issue is actually not so much "what do you do when the crisis hits" — and I agree with everything Steve said, and more — it's really, "what do you do to prepare beforehand, so that you're ready for a crisis when it hits."

FREDERICK "FRITZ" THOMAS: I couldn't agree with that more. It was point nine in my list of ten. We've done it for years in the takeover context for public companies. What happens if an offer comes in? What's the team? What are the steps that should be taken? What communications should be considered? All of that should be predesigned in the public M&A context. Companies have been doing that for years.

In the context of a crisis of the sort you've just described, Jack, I strongly second what David has said. There ought to be a team lined up and action steps designed. All of that should be thought out in advance. Obviously, there are going to be unique circumstances; you can't plan for everything. But a lot of the building can be done in advance.

JACK FRIEDMAN: What is the relationship between the board and the General Counsel?

CHRISTIAN "CHRIS" CAMPBELL: That's a great question, and as I said in my remarks, this is compounded by the fact you don't have the gift of 24 hours. In our business, certainly not; the social media puts out a crisis real-time, instantly. If someone put on social media, "I had a bad food experience at this restaurant" or "I got sick at this restaurant," by the time I get a phone call, there would be thousands of hits all over social media and the rumor would be taken as true.

On the question of advance preparation, we put a monitoring system at Taco Bell and at the other brands that looks at every store and every complaint that comes in. It's almost like a heat map. If we see a region where there are three or four complaints, it sets off an alarm, and we get on it right away. The key is to have the ability to quickly access all of the key facts.

The interface with the regulators is also critical. Steve has helped us with those relationships.

At the end of the day, what is the relationship between the General Counsel and the board? You have to have credibility. If you're perceived as not being forthcoming, or slanting things to protect your own or the company's interests, you won't last long. A successful person in the GC role can immediately, and should immediately, have access to the lead director or the head of the audit committee, and report facts as they come in.

Related to your previous question, Jack, I personally have a lot of friends who have become directors. They call me up and say,

"What should I think about before I go on the board?" I've been a General Counsel of a public company since 1990. I have seen what Fritz and Dave have said, how boards have changed, and the increasing scrutiny on boards. You do due diligence on insurance, and are there pending lawsuits, are there regulatory matters? Most importantly, you want to find out, is this a company that is prepared to deal with things with the right cultural tone?

JACK FRIEDMAN: Let's take a question from the audience.

[AUDIENCE MEMBER]: More recently, regulators have had some aspect of family coming in, in their interface with companies. For example, the BSA/AML (Bank Secrecy Act/Anti-Money Laundering) anti-money-laundering aspect with HSBC, where they were charged an enormous fine for no violations of law. There were no instances of money actually being laundered; it was really a regulator's view of the process that was being criticized. What advice do you have for directors in dealing with vagaries of that nature?

JACK FRIEDMAN: You may be dealing with regulators who are making judgments which go beyond regulations or the law because they feel it's the right policy. How do you deal with something like that?

DAVID GRAHAM: AML is a good example, and it's a very hard area at the moment. You have correctly indicated, in essence, that the regulatory view as to what constitutes appropriate AML compliance is a rapidly evolving view. The regulators, in essence, take their view and then impose it with 20/20 hindsight on companies that didn't necessarily have a clue that this was what the regulators thought was going to be required.

That is a situation where, given the prominence of the issue, you have to have regular reporting to the board regarding matters of AML compliance for a company for whom that's significant. Usually in the AML area, there is a requirement of board education for AML. Between the reporting to the board and having a record of that reporting, including opinions that everything is in shape, that is what is going to be required, together with some board education so that they appreciate what the risks are in the area.

JACK FRIEDMAN: Let me ask Chris one of my favorite questions. In the five minutes a month that you have free for your own personal life, what is it that you like to do?

CHRISTIAN "CHRIS" CAMPBELL: I'm looking at Bill Baumgardner now, but I still do a lot of fishing. I fly fish out in Colorado. I also do some deep-sea fishing in Florida. I don't do that in five minutes, by the way!

JACK FRIEDMAN: Let me thank everyone for coming to the program, especially our Guest of Honor and the Panelists.

Philip Zeidman

Partner

DLA PIPER

Philip Zeidman devotes his practice to domestic and international distribution, licensing and franchising law. He was the first Chairman of the American Bar Association Antitrust Law Section's Distribution and Franchising Committee, and Chairman of the International Franchising Committee of the International Bar Association. In 2013, Who's Who Legal named Mr. Zeidman the Global Franchise Lawyer of the Year at the Who's Who Legal Awards for the ninth consecutive year.

Mr. Zeidman has engaged in an international transactional practice, and is counsel to a number of U.S. and foreign companies and trade associations. He served as a Trial Lawyer for the Federal Trade Commission, General Counsel to the Small Business Administration and Special Assistant to the Vice President of the United States. He served as General Counsel to the International Franchise Association throughout his career.

Mr. Zeidman has been admitted to practice before the U.S. Supreme Court and in the District of Columbia, New York, Florida and Alabama. He graduated with honors from Yale College, where he was named Scholar of the First Rank and was Managing Editor of the Yale Banner Publications. He received his law degree from Harvard University and also studied at the Harvard Graduate School of Business Administration. Mr. Zeidman has served as an advisor in several capacities at both Yale and Duke Universities.

Mr. Zeidman served as a contributing editor for antitrust and trade regulation of *The Legal Times* and as a member of the advisory board of the Bureau of National Affairs' *Antitrust and Trade Regulation Report*. He is the Editor of Legal Aspects of Selling and Buying (Thompson/Reuters) and of several publications on franchising.

Mr. Zeidman is on the board of New Perimeter, DLA Piper's non-profit affiliate established to provide pro bono legal support for projects of global concern. He is a Founding Member of Appleseed, and now serves as its General Counsel. Mr. Zeidman is a former president of the IBA Foundation, an Honorary Life Member of the IBA and has been elected a trustee of EyeWitness to Atrocities. Created by the IBA and based in London, the Trust harnesses technology to bring to justice perpetrators of war crimes and crimes against humanity.

DLA Piper

DLA Piper is a global law firm with 4,200 lawyers located in more than 30 countries worldwide, positioning us to help companies with their legal needs anywhere in the world.

Our locally and internationally trained lawyers represent more clients in a broader range of geographies and practice areas than any other law firm. We have expertise in all legal and business sectors. Our international platform and ability to coordinate across countries is a significant asset, affording the convenience of working with one law firm to resolve any issue across geographies, and offering "one contact, one bill."

Our sector-based approach allows us to develop a deep and thorough knowledge of our clients' industries, and to provide them with accurate and bespoke legal advice.

Whether supporting local or international companies, we offer client-focused and tightly integrated services that are delivered by creative, practical and business-minded lawyers. Our client commitment is also our brand — everything matters when it comes to the way we serve and interact with our clients. If it matters to them, it matters to us.

We provide an extensive range of legal services, both contentious and non-contentious:

- Antitrust / Competition law
- Commercial contracts
- Corporate law
- Data protection
- Dispute resolution
- Distribution
- Employment
- Finance and projects
- Intellectual property
- International arbitration
- Internet law & new technologies
- Mergers & Acquisitions
- Patents
- Private equity
- Public law
- Real estate
- Regulatory
- Restructuring
- Tax
- Telecommunications
- Trademark

Steven Steinborn

Partner

Hogan Lovells

Steven Steinborn practices food and drug law with a focus on food labeling, advertising, and food safety. He works closely with food processors, restaurants, food service operators, and supermarkets with respect to compliance with nutrition and related labeling regulations. He routinely assists clients in enforcement proceedings before the U.S. Food and Drug Administration and the U.S. Department of Agriculture (USDA). Steven provides assistance to the firm's trade association and company clients in fashioning comments and developing strategies in dealing with key rulemaking and other public policy issues. In recent years, his practice is increasingly focused on counseling companies that seek to promote the health benefits of traditional foods.

Steven also advises food companies on a range of issues pertaining to the development of advertising, including the adequacy of substantiation and the express and implied terms conveyed by an advertisement. Steven has significant experience representing clients in enforcement matters before the U.S. Federal Trade Commission and has assisted in defending and initiating challenges against competitors. In addition, he advises food and other companies concerning games of chance and other promotional contests and awards to ensure compliance with an array of state laws.

Steven's practice also includes an emphasis on safety issues in connection with consumer products subject to the jurisdiction of the U.S. Consumer Product Safety Commission (CPSC). He routinely advises a variety of consumer products companies on compliance with the CPSC labeling and reporting requirements, and related product liability considerations. He has experience working with companies from diverse industries, ranging from gas grill manufacturers to toy companies, in enforcement proceedings before the CPSC. He also counsels companies with respect to a variety of different rulemaking and standard-setting activities at the CPSC, and similar activities undertaken by private organizations.

Steven is an experienced writer and frequent speaker on topics relating to food labeling and advertising. He also serves as an instructor for the Basic Food Law course sponsored by the Food Drug and Law Institute. Steven is a co-author of *A Guide to Federal Food Labeling Requirements*, a report commissioned by the U.S. Department of Health and Human Services and the USDA.

Hogan Lovells US LLP

Hogan Lovells is a global legal practice that helps corporations, financial institutions, and governmental entities across the spectrum of their critical business and legal issues globally and locally. We have over 2,500 lawyers operating out of more than 40 offices in the United States, Europe, Latin America, the Middle East, and Asia. We offer:

- an exceptional, high-quality transatlantic capability, with extensive reach into the world's commercial and financial centers;
- particular and distinctive strengths in the areas of government regulatory, litigation and arbitration, corporate, finance, and intellectual property; and
- access to a significant depth of knowledge and resource in many major industry sectors, including hotels and leisure, telecommunications, media and technology, energy and natural resources, infrastructure, financial services, life sciences and healthcare, consumer, and real estate.

Our practice breadth, geographical reach, and industry knowledge provide us with insights into the issues that affect our clients most deeply and enable us to provide high-quality, business-oriented legal advice to assist them in achieving their commercial goals. We are distinguished by a highly collaborative culture which values the contribution of our diverse team, both within Hogan Lovells and in the wider community. Our style is open, service-focused, and friendly. We believe that our commitment to client service, commerciality, and teamwork provides benefits to our clients and enhances effective business relationships.

Frederick "Fritz" Thomas

Partner

MAYER·BROWN

Fritz Thomas represents clients in transactions and a variety of corporate and securities law matters. His transactional practice focuses on stock acquisitions, asset acquisitions, mergers, joint ventures, strategic alliances, financings, shareholder arrangements and various other transactions. Clients represented by Fritz include U.S., foreign and multinational corporations and other entities, both public and private. In addition to his transactional practice, Fritz advises boards of directors, committees of boards of directors and management regarding corporate governance, securities and other matters.

Chambers USA has described Fritz as a "big deal guy" who does "an outstanding job of providing great service"... "'intelligent and polished' ... 'a trusted adviser of the highest degree'" ... "vastly experienced in M&A and general corporate work... an 'extremely knowledgeable counsel' who takes a 'practical and pragmatic approach' to deals." Fritz has also been listed in *Chambers USA: America's Leading Lawyers for Business*, *Who's Who Legal Illinois* for Corporate Governance and Mergers and Acquisitions, *Best Lawyers in America* in Mergers & Acquisitions Law, Corporate Governance Law and Corporate Compliance Law, the *Expert Guide to the World's Corporate Governance Lawyers*, and *The Legal 500 – United States*. In addition, he was selected as a "BTI Client Service All-Star" by BTI Consulting Group (one of 176 lawyers across the U.S. identified in surveys of corporate counsel as "delivering the absolute best client service to Fortune 1000 clients"), as an International Law Office Client Choice Award winner (the U.S. award winner in General Corporate), as the Best Lawyers' Chicago Corporate Compliance Law "Lawyer of the Year" and as a "Leading Lawyer" in mergers and acquisitions by IFLR1000.

Fritz is the Partner in Charge of Mayer Brown's Chicago office, has been a member of the firm's Management Committee, and has served as one of the co-heads of the firm's Corporate & Securities practice. Fritz joined Mayer Brown's Chicago office in 1975.

Mayer Brown LLP

Mayer Brown is a leading global law firm advising clients across the Americas, Europe and Asia. The firm is known for its client-focused approach to providing creative solutions to complex problems on behalf of businesses, governments and individuals. Mayer Brown is particularly renowned for its Supreme Court & Appellate, Litigation, Corporate & Securities, Finance, Real Estate and Tax practices.

Mayer Brown serves many of the world's largest companies, including a significant proportion of the Fortune 100, FTSE 100, DAX and Hang Seng Index companies, together with global leaders in major industries.

Mayer Brown advises on both regional and international transactions and litigation, and its lawyers have extensive experience managing pan-European, transatlantic and global projects. Additionally, since 2009, the firm has operated in association with Tauil & Chequer Advogados, with offices in Rio de Janeiro and São Paulo, giving our clients access to a full-service domestic Brazilian law firm.

David Graham

Partner, Sidley Austin LLP

SIDLEY AUSTIN LLP

David F. Graham has been a partner at the firm since 1986, and is a member of the firm's Executive Committee. He also serves as a global co-chair of the firm's Securities Litigation and SEC Enforcement team.

David's practice concentrates on complex commercial litigation, at both the trial and appellate levels, with an emphasis on the defense of securities fraud, antitrust and consumer class actions. He also frequently advises boards of directors on fiduciary and other issues, and represents companies and directors in M&A litigation matters. David has tried numerous matters in a wide variety of settings throughout the nation, including jury trials, bench trials, arbitrations and administrative proceedings. He has also argued dozens of appellate cases.

Prior to joining the firm in 1980, David was a Bigelow Teaching Fellow and Lecturer in Law at The University of Chicago Law School. He also served as law clerk to the Honorable Charles L. Levin, Justice, Michigan Supreme Court.

David lectures regularly on a variety of legal topics. He is also active in a variety of community and civic organizations and pro bono matters. David was recognized in *Chambers USA* 2013 and 2014 in Antitrust and Litigation: General Commercial. *Chambers* shares the comment that he "has the capacity to understand complicated facts and get right to the heart of the matter extremely quickly and incisively." Additionally, David is recognized as a Litigation Star in the United States in the 2014 edition of *Benchmark Litigation*, recommended in Securities: Shareholder Litigation in the *Legal 500 U.S.* 2014 and is listed as a "Best Lawyer" in Commercial Litigation, Litigation – Antitrust, and Litigation – Securities in the 2015 edition of *The Best Lawyers in America*.

Sidley Austin LLP

Sidley provides a broad range of legal services to meet the needs of our diverse client base. The strategic establishment of our offices in the key corporate and financial centers of the world has enabled us to represent a broad range of clients that includes multinational and domestic corporations, banks, funds and financial institutions.

Sidley has a broad transactional practice. Major practice disciplines include corporate and securities, mergers and acquisitions, securitization, intellectual property, funds and other pooled investments, bankruptcy and corporate reorganization, bank and commercial lending, public finance, real estate, project finance, tax and employee benefits, as well as trusts and estates.

We offer clients extensive litigation experience in trial, appellate and arbitration matters spanning virtually every area of substantive law. Main practice areas include general and commercial litigation, regulatory and financial litigation, antitrust, white collar criminal defense, environmental, life sciences, patent and other intellectual property litigation, product liability and mass tort litigation, international commercial arbitration and dispute resolution, and international trade law.

Sidley's regulatory practice in Washington, D.C., Brussels and elsewhere provides communications, energy, environmental, food, drug and device, healthcare, insurance, financial institutions and securities regulatory services to our clients in virtually every major industry, especially those industries that have been strictly regulated worldwide, such as the life sciences, energy, telecommunications and financial industries.

We are one of only a few U.S. law firms with a continuous presence in Asia for the past 30 years. During that time, we have earned a reputation among our clients and industry publications as a leading law firm in the Asia Pacific region.