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Re: Sheppard Mullin Bites Into the Big Apple and More in 2004

To Our Clients and Friends:

This letter comes after a year of geographic expansion for our firm. Last year I wrote about the opening of our first East coast office in Washington, D.C. This year our big news is that we opened an office in midtown Manhattan. In addition, we opened a new office in Century City (west Los Angeles) which is home to our ever expanding Entertainment & Media practice. And of course we continued to recruit exceptional legal talent, growing from 397 to 440 attorneys – all to meet the changing needs of our clients.

New York, New York – Start Spreading the News

Move over Katie Couric and Matt Lauer – the new star of Rockefeller Center is Jim McGuire, the Partner-in-Charge of our New York office. Jim McGuire, a highly respected trial attorney specializing in white collar criminal and complex commercial litigation matters, joined forces with Sheppard Mullin in September 2004 when we opened the doors of our new midtown office. Jim was most recently a partner at White & Case in New York and is a former Assistant U.S. Attorney for the Southern District of NY. In addition to being a preeminent trial attorney, Jim has extensive experience in internal corporate investigations. Among the many other talented lawyers in our NY office is partner John Gustafsson, who most recently was vice president and general counsel with Honeywell International Inc.'s Automation and Control Products business. Look for continued strategic growth in this office, building on our keystone litigation practice and existing strengths in finance, bankruptcy and entertainment/media.

Hooray for Hollywood – Actually, Century City

Our new office on Avenue of the Stars was opened to accommodate the firm's expanding Entertainment and Media Group, which has grown to become one of the country's leading entertainment and media practices.

On the transactional side, our attorneys represent a wide range of major studios, independent production companies, and financial institutions. In 2004, our entertainment team played a role in the development, financing, production and/or distribution of "The Motorcycle Diaries," "Eternal Sunshine of the Spotless Mind," "House of Flying Daggers," and "You Got

Served" – among many other films. Partner Shaun Clark was named by *Hollywood Reporter* magazine as one of the top 35 entertainment executives 35 years old and under.

On the litigation side, our Entertainment and Media lawyers have been successfully representing studios, production and post-production companies, high tech companies, and a variety of other institutional clients in high profile litigation. The diverse matters we handled in 2004 involved motion picture, television and home video distribution rights; profit participation and other accounting claims; talent disagreements; broadcast content, including First Amendment issues and defamation claims; copyright, trademark, idea submission, name and likeness and right of publicity claims; antitrust, vertical integration and unfair competition claims; and a variety of liability and insurance coverage issues unique to the entertainment industry.

The "Media" in "Entertainment and Media" is where Madison Avenue meets Avenue of the Stars. Many attorneys in this group comprise our national advertising law practice servicing advertisers, ad agencies, online businesses, broadcasters, publishers, brand owners, content providers and other advertising enterprises and professionals.

What Do the Red-Legged Frog and World Poker Tour Have in Common?

Nothing. Except that we won cases involving each. From the many litigation victories we had last year, the following examples illustrate the breadth of our practice.

- On behalf of client Hayward 1900, Inc., we successfully staved off two court challenges to a major master-planned community in northern CA. The first challenge was brought under the California Environmental Quality Act (CEQA). The second sought to prevent construction of the project based on the alleged failure to protect adequately the environmentally-sensitive habitat of the California red-legged frog and the Alameda whipsnake.
- We obtained a preliminary injunction in the Central District of California against two companies creating a program that competed with the programming of our client, WPT Enterprises, Inc. (World Poker Tour). The injunction prevents the defendants from using WPT's trademarks and copyrighted materials.
- We represented Nordstrom in a Section 17200 case alleging that Nordstrom collected excess sales tax reimbursements when Rewards Gift Certificates given to Nordstrom Bank credit card customers were redeemed. The Court ruled in favor of Nordstrom on all counts. This case is one of many sales tax class actions on the horizon and the first to go to trial.

- The firm obtained a judgment on behalf of the State Compensation Insurance Fund, in one of the largest awards of its type in the history of California's workers' compensation system. The \$14.6 million judgment was entered against two Southern California businesses that used an elaborate 'shell game' to avoid paying correct workers' compensation premiums. The judgment includes \$1.3 million in unpaid premiums and a \$13 million penalty pursuant to Insurance Code 756.
- We successfully represented the Gillette Company in a month long jury trial against 99 Cents Only Stores, Inc. Gillette prevailed on its complaint for breach of a \$3 million purchase agreement and also defeated 99 Cents' countersuit for fraud and unfair business practices. The judgment currently is on appeal.
- We successfully secured summary judgment from the U.S. Court of Federal Claims in an action challenging a \$263 million contract award to our client, Northrop Grumman Corporation, to modernize the Department of Defense's travel system.
- After a contested confirmation trial in the Western MacArthur case, one of the largest asbestos trusts in the country was established for the benefit of our clients, consisting of \$2.2 billion, with over \$650 million already distributed to our clients.
- Our labor and employment attorneys won summary judgment in a large wage and hour class action filed against client Circuit City.

What's the Big Deal?

It's impossible to single out just one.

- We represented JAMDAT Mobile in its \$102 million IPO. JAMDAT is a global publisher of wireless entertainment applications. The deal was co-lead by Lehman Brothers and Merrill Lynch.
- In 2004, we represented The Boeing Company in two major deals: the sale of financial assets to GE Capital Corp; and the sale of assets of Boeing's Commercial Electronics Operating Unit to BAE Systems Controls, Inc.
- We represented HomeLoanCenter.com, a second generation Internet-based mortgage lender, when it was acquired by LendingTree, Inc., a leading online lending and real estate exchange. The deal is strategically important and considered by both companies to be a direct win for consumers.

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- We represented Wolfgang Puck Catering and Events in its strategic partnership with Compass Group.
- We represented Valeant Pharmaceuticals International (formerly ICN Pharmaceuticals, Inc.) in two Rule 144A offerings, one managed by Banc of America Securities and Goldman Sachs, involving Convertible Subordinated Notes and the other managed by Bear Stearns involving 7.0% Senior Notes, and in a subsequent A/B Exchange of the senior notes.

¿Habla Usted Español?

In 2004, the firm's Hispanic/Latino Business team continued to grow. The team consists of bilingual and bicultural attorneys who offer their expertise to Mexican and Latin American companies doing business in the United States; domestic businesses targeting the U.S. Hispanic/Latino market; Hispanic/Latino owned businesses; and businesses with Spanish speaking workforces.

The Dynamic Dozen

Each year we make every effort to recruit the best practitioners in their chosen fields to complement and strengthen our existing talent. Last year we outdid ourselves. Here is the all-star line up:

- Three white collar defense attorneys from the U.S. Attorney's Office for the District of Columbia: Roscoe Howard, former United States Attorney; Mark Nagle, former Chief of the Civil Division; and Dan Seikaly, former Chief of the Criminal Division, all resident in our Washington, D.C. office
- Two NY-based litigators: Jim McGuire, white collar criminal and complex commercial litigation; and John Gustafsson, former vice president and general counsel with Honeywell International Inc.'s Automation & Control Products
- Two First Amendment litigators: Gary Bostwick (Century City) and Guylyn Cummins (San Diego)
- Two corporate partners based in our Del Mar (San Diego) office: John Hentrich and John Tishler
- Commercial lending partner Troy Zander (San Diego)
- San Francisco antitrust partner Ed Duckers
- Labor and employment partner Mary Pivec (Washington, D.C.)

And we elevated three of our own in-house stars to partner last year:

- Ted C. Lindquist (San Francisco) litigates individual and class action cases of all types and has successfully argued appeals before both the Ninth Circuit Court of Appeals and the California Court of Appeal.
- Aaron J. Malo (Orange County) specializes in creditors' rights issues and bankruptcy proceedings and regularly tries cases in both state and federal courts.
- Brette S. Simon (Los Angeles) represents clients in public and private M&A transactions and advises companies and investors in debt and equity financings.

Their Mothers (and We) Are Proud

- 22 of our Los Angeles and Orange County partners, and 11 of our San Francisco partners were named "Super Lawyers" in *Super Lawyers* magazine.
- Chambers & Partners' guide to America's leading business lawyers not only ranked Sheppard Mullin as one of the top law firms in our market but also singled out Michael Ahrens (Bankruptcy), John Berchild (Banking & Finance), Larry Braun (Corporate, M&A), Tom Leo (Media & Entertainment), Prentice O'Leary (Bankruptcy), Bill Scott (Banking & Finance), Richard Simmons (Employment) and Bob Thompson (Real Estate). Bob was also recognized as one of the top real estate attorneys in California by *The Recorder* legal newspaper.
- Euromoney Legal Media Group selected Charles Donovan to appear in *The 2004 Guide to the World's Leading Shipping & Maritime Lawyers*.
- John Chierichella, Washington, D.C.-based Government Contracts partner, was named a "Leading Lawyer" by the editors of the *Legal Times*.
- Joel Ohlgren was asked to serve on the American College of Bankruptcy Foundation Board.
- Litigator Andy Guilford was selected for the fourth time by the *Daily Journal* as one of California's 100 Most Influential Attorneys.
- *Washingtonian Magazine* named Roscoe Howard and Dan Seikaly top criminal defense lawyers.

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We Are "Pro" – Pro Bono and Community Service

- We received a favorable ruling in Sacramento Federal Court for the Natural Resources Defense Council regarding restoration of the San Joaquin River. The Court held that the Federal Government is acting illegally in its operation of the Friant Dam in the San Joaquin River to divert the entire flow of the river for irrigation which has destroyed the historic fisheries. The case has lasted 16 years, and now the Court will decide the remedy to restore the river.
- We provided counsel to the Museum of African Diaspora – San Francisco's first museum of African contemporary art – in connection with a funding agreement with the San Francisco Redevelopment Agency, a lease with the building owner, a construction contract, and various employment matters. After a year of tough contract negotiations, we are proud that the museum is scheduled to open its doors this fall.
- The firm received the Law Firm Award from the Black Women Lawyers Association of Los Angeles Foundation for its strong commitment to the promotion of community and pro bono activities.
- Individual attorneys were recognized for their volunteer efforts: Ed Vogel, Karin Vogel and Mary Snyder by the San Diego Volunteer Lawyers Program; Lori Osmundsen by the Los Angeles Conservancy at their Annual Meeting; and Betsy McDaniel by the Volunteer Legal Services Program of the San Francisco Bar Association.

We appreciate every opportunity you gave us to work with you in 2004. Thank you for your continued confidence in us in 2005.

Best Regards,

Guy N. Halgren
Chairman of the Executive Committee

for SHEPPARD MULLIN RICHTER & HAMPTON LLP