

## Diffusing an Attack by the Shorts

**Situation Analysis:** A software company had completed a reverse merger and achieved a stock price exceeding \$20 per share. The management team then became the target of a stock-shorting entity that created negative publicity regarding the company's product and distribution channel, even approaching better business bureaus to entice a district attorney to bring suit against the client. Concerned that investors would be misled and abandon the stock, management asked LHA to develop a strategy to counter the attack.

**LHA's Solution:** LHA implemented a crisis management program to fight the shorts on multiple fronts:

- Constructed messaging points and Q&A to ensure all designated spokespeople delivered consistent messages with uniform language when answering analysts', investors', and reporters' questions
- Arranged a call-down to sell-side analysts (covering and potential) and investors so management could proactively answer questions
- Implemented a strategic press release program to maintain an accurate, high profile of significant company developments, reaffirmations of financial guidance, and strong company fundamentals
- Reminded client employees of their duty to direct all investor inquiries to named spokespeople
- Ensured full dissemination of management's investment community interaction at conferences and in conference calls to level the investor playing field
- Educated the investment community that management would not be able to comment on the lawsuit or its progress
- Upon the conclusion of the lawsuit, immediately issued a press release announcing the positive outcome

**Results:** LHA's comprehensive crisis management program successfully maintained an educated investor base, helped retain institutional ownership of greater than 55% and supported analyst sponsorship, protecting stock valuation over the year it took to resolve this matter.