

The Metropolitan Corporate Counsel®

www.metrocorpcounsel.com

Volume 17, No. 1

© 2009 The Metropolitan Corporate Counsel, Inc.

January 2009

West Coast – Law Firms

Silicon Valley: Still At The Head Of The Class

The Editor interviews Kathi A. Rawnsley, Member of the firm, Lowenstein Sandler PC.

Editor: Ms. Rawnsley, please tell our readers something about your professional experience.

Rawnsley: I started practicing law in 1995 in Silicon Valley. In 1999, I joined Intel Capital, the venture capital arm of Intel Corporation, as an in-house counsel. During 2007, the year prior to my joining Lowenstein Sandler in June, I was acting general counsel at Intel Capital.

Lowenstein Sandler was one of the firms I retained on a regular basis while at Intel Capital, and I knew a number of the firm's Tech Group members. We worked very well together, and I concluded that my view of practicing law in the venture capital area and sense of responsibility toward clients dovetailed nicely with what I saw at Lowenstein. In addition, the move provided me with a terrific opportunity for professional growth. Intel Capital is one of the most active venture investors in the world, but I did not have the opportunity to work on behalf of smaller, start-up companies while there. Today at least half of my work is with start-up and early-stage companies, including helping with their financings, raising venture debt and other corporate matters. The move has been excellent from my standpoint.

Editor: At the risk of asking the obvious, would you share with us some of the firm's strategic thinking in establishing a presence in California?

Rawnsley: A California office provided



Kathi A. Rawnsley

the firm with an opportunity to better serve the clients already in place, as well as generate new business. That is, the firm had a substantial number of West Coast clients already, and an on-the-ground presence was perceived as an opportunity to accelerate the growth of the venture capital practice. In addition, such a presence was thought to be extremely helpful in bringing new clients through the door. Doing this from New York or New Jersey is possible, to be sure, but much more of an effort. For a firm such as Lowenstein, California is a great jumping-off point for growth.

Editor: Would you give us an overview of the office and its practice?

Rawnsley: We're starting this operation in a small but very measured way. We have two lawyers, so much of what we do involves virtual teams that comprise

lawyers from the firm's other offices. We are in a position to call upon our colleagues from Boston, New York and New Jersey, and while we will hire more people specifically for the California office, the current financial markets crisis means that we will move forward with considerable care and forethought.

Lowenstein's Tech Group, of which I am a member, represents both venture capital firms and emerging growth companies. We have expertise in corporate transactions, IP, public and private investment – all hallmarks of Silicon Valley – and we tend to track developments in this rather unique environment.

Editor: How does the Silicon Valley office fit into Lowenstein's firm-wide practice?

Rawnsley: At the moment, the Silicon Valley office is part of the Tech Group, which has strong corporate and IP capability across the firm. Certain of the firm's other large practice groups already have clients based in California, and there will be more with some California connection. That means that those practices currently engaged elsewhere are going to have a very good look at the West Coast. Several of Lowenstein's practices are national in scope – and possessed of the requisite depth of experience and expertise – and just having an office in California is going to extend their reach.

Editor: Would you share with us your thoughts on California as a gateway to the Pacific Rim, to California and the West Coast, but also to business and commerce throughout the East Asia

Please email the interviewee at krawnsley@lowenstein.com with questions about this interview.

and South Asia regions?

Rawnsley: With globalization all firms are looking ahead, particularly those of regional or national stature. In the meantime, we have a network of firms upon which we call in addressing issues for our clients overseas, and this includes local firms in the jurisdictions that are attracting the most attention with globalization.

Editor: A practice such as yours must have been affected by the current financial markets crisis. Has that been the case?

Rawnsley: Every practice has been affected by the financial markets crisis, and that can be either positive or negative. A great many investors are being very cautious at the moment, but our bankruptcy and restructuring people are very busy. At the same time, there continues to be interest in many of these start-up enterprises. There are opportunities available now that were not there six months ago and may not be there six months hence, and we have potential investors calling on a regular basis. I do not believe that the venture capital area has seen as significant a decline in activity as some other areas, and that may be a consequence of people being used to a greater degree of risk. Some unpleasant reality may set in further during the early months of next year, but I think this has more to do with how much investors are willing to pay for these companies, as opposed to whether or not there will be investors willing and companies to fund. We are going to see different terms and lower numbers, and we are going to be working in different circumstances, but as long as innovation is the hallmark of Silicon Valley we are going to have investors attempting to connect with it.

Editor: I gather that, notwithstanding the current financial markets crisis, you believe Silicon Valley continues to be an attractive investment destination?

Rawnsley: Absolutely. Silicon Valley is a celebration of innovation. There is a new star regularly – one has only to think of HP, Intel, Apple and Google –

which means that some very smart people continue to try to climb this mountain. While Silicon Valley is no longer the only innovative hub in the U.S., it continues to be the most important one, and its continued development is assured, I think, by its being surrounded by some fantastic educational and research institutions, such as Stanford and U.C. Berkeley. I think it will continue to be an attractive investment destination.

Editor: What kind of impact is the crisis having on the firm's clients?

Rawnsley: In the Tech Group, we do transactional work for the most part, and many of these transactions are moving more slowly than was the case in the past. This is a reflection of increased caution. Indeed, with the deterioration of the economy we are seeing such things as the initial set of terms for a transaction being changed prior to consummation.

When I was in law school I knew that I wanted to practice a constructive kind of law. The work we do in the investment area is very constructive. If a lawyer obtains the best possible terms for his client in one of these deals – at the cost of alienating the other side – he or she is not necessarily acting in the client's best interests. Rather, it is essential to put a transaction together where the terms are acceptable to both parties; they are going to be working together for a considerable time, and a spirit of cooperation is much more likely to enable each party to achieve its goals. I am encouraged by the fact that this concept continues to underlie the work we are doing, notwithstanding a general deceleration in the pace of getting a deal done or even the possibility of a change of terms.

Editor: How about Lowenstein's presence in California over the next few years? Any slowdown in growth? Cutdowns or retrenchments?

Rawnsley: I would like to see us grow in size and, if possible, practice expertise to support the firm's existing California clients, in addition to attracting a new group of clients as a consequence of having a California presence. We do not

have any fixed goals in this regard. The decision to establish that presence was made before the financial markets crisis, but we have not overcommitted to California. I believe it is possible to grow in an economic environment such as this, and the present circumstances permit us to grow in an opportunistic way. I do not see any reason to retrench or revise our plans concerning the Silicon Valley office.

Editor: You mentioned an increase in bankruptcy and restructuring work? How long do you see this continuing?

Rawnsley: I don't think anyone can know the answer to that question. At some point, however, the present crisis will come to an end. When that happens at least some of the bankruptcy and restructuring work is going to slow, but I think *that* is when we will see other practice areas opening. I can say that I believe we are going to continue to feel some pain in the economy in 2009.

"I believe it is possible to grow in an economic environment such as this, and the present circumstances permit us to grow in an opportunistic way."

Editor: Is there anything you would like to add?

Rawnsley: I think that Lowenstein Sandler, and its Tech Group specifically, have been very thoughtful about growth. It is not uncommon for many firms to avoid new opportunities in circumstances like the present. They often sense that they have gotten ahead of themselves in terms of taking on new expenses, hiring personnel, and so on. Our plan, however, recognizes that establishing a presence in California and building on it in a deliberative and very careful manner is an opportunity, not a risk. This is *not* a bet the firm proposition. I look forward to growth in a very attractive and vibrant legal market over the years to come.