

Dealmakers Q&A: Loeb & Loeb's Arash Khalili

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Arash Khalili is a partner in the Los Angeles office of Loeb & Loeb LLP. Khalili is a transactional attorney representing private and public companies and high-net worth individuals across all industry sectors. He handles a wide range of corporate, media, entertainment, music, sports and real estate-related matters, including mergers and acquisitions, joint ventures, complex commercial transactions, equity and debt financings, licensing and endorsements, cross-border transactions, corporate governance, general business and dispute resolution-related matters.

Khalili has been recognized by the Los Angeles Business Journal as one of the leading transactional attorneys in Los Angeles in the publication's "Most Influential M&A Advisors" special report. He was honored among the "Top 20 Attorneys Under 40" by the Daily Journal, was recipient of the 3rd Annual 40 under 40 M&A Advisor Recognition Award (West Region), and was also named a "Rising Star" in Southern California Super Lawyers, a Thomson Reuters publication.



Arash Khalili

As a participant in Law360's Q&A series with dealmaking movers and shakers, Arash Khalili shared his perspective on five questions:

Q: What's the most challenging deal you've worked on, and why?

A: Over the course of my career, I have worked on many challenging deals. However, there are a few deals that stand out. I often find myself reflecting upon those deals and the lessons learned. Of them, one of my most challenging deals involved the sale of a controlling equity stake in a media company that was being sold through an auction process. This is the deal that I often refer to as the "perfect storm."

Our client, the controlling stakeholder, had to sell its position in the company before quarter end — a firm drop-dead date. From the start of the auction process, we had less than six weeks to close a very complex transaction. Not only had a purchaser not been identified but the universe of intellectual property assets that would be included in the sale was also in flux. While the time constraints seemed insurmountable at the time, the timing was only one of the many challenges we faced. We were also working in a highly volatile, yet fragile, transactional environment. The challenges in this deal were

further exacerbated by the regulatory hurdles we had to overcome as well as the multiple counterparties and contentious opposing counsel involved. As a result of extraordinary efforts by the deal team, the transaction closed on time and the client's goal was achieved. It literally came down to the wire — but for the funds not having been received within a couple of hours before the deadline, the deal would have busted.

Q: What aspect of regulation affecting your practice are in need of reform, and why?

A: Rather than discussing domestic regulation reform, I will take this opportunity to address the impact of foreign regulations on deals. While we have recently seen a meaningful increase in inbound M&A activity by foreign investors, I have not experienced a similar uptick in foreign investments and cross-border M&A activity by U.S. investors. I believe the lack of reciprocity is due, in part, to the uncertainty associated with the regulatory landscape of foreign countries, including certain Asian, South American and Middle Eastern countries.

We are seeing more and more foreign investors acquire both controlling and noncontrolling stakes domestically. However, U.S. investors are often more cautious and have reservations when evaluating investment opportunities in foreign countries, such as China. In part, the lack of regulatory uniformity and transparency throughout the regulatory approval process can often be an impediment to getting foreign deals done. Regulatory reform is needed in countries such as China in order to increase foreign deal activity by U.S. investors.

Q: What upcoming trends or under-the-radar areas of deal activity do you anticipate, and why?

A: We are seeing an increasing number of deals involving the acquisition of media-related content, a trend that I expect will continue for the foreseeable future. There is an ever-growing demand in the global marketplace for digital content. As the technology and media industries continue to innovate and find new ways of disseminating content to consumers, there is a parallel need to supply consumers with on-demand content and the use of digital means to deliver such content has become profound. Companies and strategic investors, both domestic and foreign, are focused on this need and are seeking to increase their inventory of content, creating vast and diversified libraries of intellectual property rights, including broad digital rights. These deals are being structured in a variety of ways, including the direct acquisition of existing rights, joint ventures involving the creation and collaborative exploitation of new content, and long-term licensing deals with complex buyout features.

Q: What advice would you give an aspiring dealmaker?

A: I would give an aspiring dealmaker the following advice, in no particular order:

Make sure you understand your client's business objectives and don't lose sight of them. Lawyers often have a tendency to get "lost in the weeds" and can often lose sight of the overall business objective. Take the necessary time to speak with your client about their risk tolerance and what levels of risk the client is willing to assume in order to get the deal done.

Make every effort to manage your client's expectations early in the process. If your client has unrealistic expectations, you will better serve your client's interest and avoid more difficult or terse conversations down the road if you take time to manage expectations early on. Have candid conversations with your client at the outset regarding timing, fees and whether the desired deal terms are market or off-market and how that may impact the overall process. Make every attempt to avoid seeking to merely appease

your client by overpromising and underperforming.

Maintain your professionalism despite opposing counsel's antics, deal frustration or deal fatigue. Your reputation follows you. You can zealously advocate on behalf of your client without getting emotional or letting the other side get under your skin, which will only impair your ability to cut through the issues and find ways to seek an acceptable compromise. Strive to be perceived as a deal maker and not a deal breaker.

Think outside the "lawyer box" and identify or consider ways to enhance or add value to your client's deal. I have found that clients greatly appreciate such efforts by counsel, which often lead to creating and supporting a relationship of trust between counsel and client. When clients learn that you can make such contributions, they will tend to lean on you more often for feedback or input, which can ultimately result in more deal flow.

Q: Outside your firm, name a dealmaker who has impressed you, and tell us why?

A: George Chachas, a corporate attorney, was instrumental in teaching me about the fundamentals of both the practice of law and the business of law. George was one of my initial mentors and he emphasized the need to forge trusting relationships with clients. The confidence and trust that George developed with his clients proved to be a contributing factor in effectively closing deals. George also invested the additional time and effort needed to fully understand the ins and outs of the business involved in the deal. Having this additional insight and knowledge of the practical realities of the business proved to be very useful in achieving the clients' objectives. I am grateful for the opportunity to have worked with George early on in my career.

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