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Q&A With Covington & Burling's John Gourary

Law360, New York (November 25, 2009) -- John P. Gourary is a partner with Covington & Burling LLP in the firm's New York office and co-chair of the firm's corporate finance practice.

Gourary has more than 25 years of experience in bank finance transactions (including structured finance and other asset-based transactions), as well as in mergers and acquisitions and venture capital transactions.

More recently, his practice has centered on syndicated loan transactions as well as innovative financings of unusual asset classes, including in particular the sales and monetizations of pharmaceutical royalty streams.

Q: What attracted you to your practice area?

A: Pharmaceutical royalty monetizations, which involve the sale or financing of interests in streams of royalties payable with respect to sales of pharmaceutical products, draw upon both finance and M&A.

I have always liked practicing in both of these areas, so working on pharmaceutical royalty monetization transactions allows me to combine these interests. Also, these transactions are unique, raising novel and interesting issues and problems.

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

A: I have been lucky enough to have worked on many challenging transactions over the course of my career, but I would have to put two pharmaceutical royalty monetizations at the top of my list — representing Emory University in its groundbreaking \$540 million sale of royalty rights associated with Emtriva and representing Northwestern University in its \$700 million sale of a portion of its royalty rights associated with Lyrica, the largest transaction to date.

The challenges came from the need to anticipate and address the concerns and requirements of many different players and constituencies involved in these transactions in order to navigate successfully to a closing.

Working with universities is especially rewarding, and the people with whom I had the privilege to work at both Emory and Northwestern were smart, capable, dedicated and a joy to work with.

Q: What are the most challenging legal problems currently facing clients in your practice area?

A: The biggest challenge right now is similar to the biggest challenge in transactions generally these days, and that is the readjustment of pricing expectations.

Sellers are worried about selling their interests for too low a price and buyers are wary of paying too much. This has made things a bit more difficult, although there are many ways to bridge differing perceptions of value in pharmaceutical royalty monetizations.

Q: Where do you see the next wave of activity in your practice area coming from?

A: Pharmaceutical royalty monetizations is a relatively new and growing area. Universities have paved the way, and life sciences companies are now looking closely at doing these kinds of transactions.

Royalty monetizations are appealing to life sciences companies because they convert passive revenue streams into cash that can be used for research and development, M&A or in-licensing activities.

Q: Outside your own firm, name one lawyer who's impressed you and tell us why.

A: Jim Florack [a partner] of Davis Polk & Wardwell LLP. Jim has an exceptionally quick mind, and is a very practical and solutions-oriented lawyer. All that, and a wonderful sense of humor too. He is a pleasure to work with.

Q: What advice would you give to a young lawyer interested in getting into your practice area?

A: It is important to understand your client's perspectives and goals, but it is even more important, perhaps, to understand the perspectives and goals of the other parties involved in the transaction. In finance transactions, the parties want to complete a transaction; and all too often lawyers create problems and get in the way of that objective.

A good lawyer should understand the points of view of people on all sides of the table, anticipate their concerns, and suggest solutions in order to close transactions successfully and efficiently.