East meets West at Oakland law firm

BY ERIC YOUNG
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Crosby Heafey Roach & May, Oakland's biggest law firm, has agreed to merge with Pittsburgh-based behemoth Reed Smith LLP in an effort to grow its corporate practice and keep pace in an era of expanding legal firms.

The deal combines Crosby Heafey's 230 attorneys with Reed Smith's 780 lawyers — making it the nation's largest law firm merger this year — with 2003 revenue projected at $500 million. Reed Smith is known as a general practice firm, while Crosby Heafey's reputation is as a regional firm with a strong litigation practice.

In addition to its Oakland headquarters, Crosby Heafey has offices in San Francisco, Palo Alto, Los Angeles, Century City, and Westlake Village, giving Reed Smith the major West Coast presence that it had been seeking.

Reed Smith has been on a growth spurt, completing mergers over the past year of firms in New York and London.

Crosby Heafey Managing Partner Kurt C. Peterson said that although his practice is joining an East Coast firm, the deal will not diminish Crosby Heafey's work or relationships in the East Bay or California. "We want to keep our core group of people together. We want to grow in California."

The firm recently renewed its lease in Oakland on more than 90,000 square feet of office space at 1999 Harrison St. in an 11-year deal.

See **CROSBY, 48**

Buyer to cart off buildings at half price

BY STEVE GINSBERG
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Legacy Partners has emerged as the front runner to buy Inktomi's troubled campus in Foster City, according to sources close to the deal.

If it closes, Legacy, which is headquartered in the Third Avenue, two-building development, will buy it for around $175 a square foot — after selling it to Inktomi for nearly $400 a square foot earlier in the year. The project is called Bayside Towers and is located on Highway 92 at the foot of the San Mateo Bridge. The campus offers spectacular bay views.

Legacy will partner with Walton Street Capital Fund, which will put around 85 percent of the equity into the deal. New York-based Walton has been a Bay Area investor in the past, backing Pacific Shores Center, 100 Pine St. in San Francisco and the San Jose Marriott.

San Francisco-based Dennis Wong and his SPI Holdings had the two-building campus under contract but bowed out last week. Wong was in first position and hoped to pay $190 a square foot, but didn't close because tax benefits didn't materialize. He also may have been spooked by the tenuous lineup of tenants in the building.

Legacy developed the site, is housed in 60,000 square feet of the project, and was

See **INKTOMI, 48**

Sound business

DOUGLAS ZIMMERMAN

JASPER: Deal on table was "too good to pass up."

With an eye on its future, fast-growing Dolby Labs buys a third S.F. building

BY LIZETTE WILSON
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San Francisco's oldest technology company, Dolby Laboratories, has purchased a historic building south of Market Street to accommodate expected growth by 2007.

Deal terms were not disclosed. The property, at 1590 Bryant St., is assessed at $10 million, according to city records. Previous owner Shearwater Partners LLC — a San Francisco-based real estate company — appealed that assessment in August, arguing the true value of the building was $6,525,000.

Dolby CEO Bill Jasper said he plans to finish renovating the building and then lease it out until Dolby needs the additional 71,000 square feet, roughly five years from now. Jasper said the privately-held company is growing about 15 percent per year and should continue to do so for the foreseeable future.

The deal "was too good to pass up," said Jasper.

The other big selling point? It matches Dolby's main headquarters at 100

See **DOLBY, 48**

Kaiser Permanente pulls the plug on ailing home-health venture

NAJIB JOE HAKIM

LAWRENCE: Former CEO backed venture.

Oakland HMO plowed $12 million into CareTouch spinoff

BY MEG WALKER
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Kaiser Permanente, ending its foray into e-commerce, is shutting down CareTouch, an e-commerce and store venture launched two years ago to target the home health-care market.

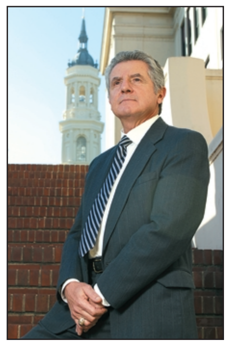
With former Kaiser Permanente CEO David Lawrence's backing, Kaiser Permanente spun out CareTouch and invested $12 million in the Concord-based startup in 2000. The spinoff raised another $5 million from IBM.

CareTouch provided support and products through its web site, Carepanion.com, a catalog and eight retail sites. The products were items not typically covered by insurers that could be used to care for patients at home. They ranged from special bandages to pillows to motor scooters.

The service was popular, said Jim Simpson, a

See **CARE, 48**

NextWeek



CRASH COURSE

Law, business schools ensure students make grade in ethics.

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Ex-Goodby exec Hollerbach takes on the old shop.

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List of the Bay Area's largest retailers.

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