Building Relationships:

New York Real Estate Highlights

HUNTON & WILLIAMS

Hunton & Williams LLP is a global law firm with more than 800 lawyers practicing from 19 offices across the United States, Europe and Asia. We represent thousands of businesses and individuals worldwide and include among our clients over one-third of the current Fortune 100 companies. We are proud of our many long-standing client relationships – nearly 40 percent of which date back more than 25 years –and equally proud of our expanding roster of new, industry-leading clients. According to BTI Consulting Group's Annual Survey of Corporate Counsel at Fortune 1000 companies, Hunton & Williams has been a member of the BTI Client Service A-Team for 14 years. Our comprehensive real estate practice advises clients on matters involving the full spectrum of commercial, industrial, retail, multifamily, hospitality and mixed-use properties, and also counsels private equity, opportunity and hedge funds in all aspects of real estate investments.

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Greetings from the Chairs

This year has continued to bring exciting opportunities to our New York real estate practice. Over the past 12 months, we have led billions of dollars of real estate lending and development deals. It is a thrill for us to be working with extraordinary clients on a range of remarkable deals, many of which are literally changing the landscape of New York City.

At the same time that we partner with all of you to grow your business, we are also pursuing our own growth trajectory, increasing Hunton & Williams' real estate practice to over 30 lawyers in New York and over 75 lawyers firmwide. Our goal: to build the most qualified, experienced team to help you execute the most complex deals in New York and beyond.

It has been an honor to work with you over the past year, and we look forward to sharing many more successes in the future.

Photo Credit: Steve Friedman 2014

Carl F. Schwartz
Co-chair, Real Estate Practice

Howard E. Schreiber
Co-chair, Real Estate Practice

Building New York: Recent Deals

Real Estate Development Team

Our real estate development team has represented these and other clients on major transactions such as the following:

- **World Wide Group** in the **$231 million** sale of its ground leasehold interests in the properties located at **110 Church Street and 53 Park Place situated in Manhattan's Tribeca area**.
- **Savanna Partners, LLC**, in the sale of a Class A office building located at **100 Wall Street in lower Manhattan** for **$275 million**. Since our lawyers helped Savanna acquire the building in 2011, they have made significant capital improvements to the 29-story building.
- **Tishman Speyer** in the acquisition and mortgage and mezzanine financing of **183 Madison Avenue (the Madison-Belmont Building)**, a 19-story, 274,413-square-foot landmark office building located on Madison Avenue and 34th Street in Manhattan's premier Midtown South submarket. 183 Madison Avenue was designed by the prominent New York architectural firm Warren & Wetmore, which also designed Grand Central Terminal.
- **American Realty Capital Hospitality Trust, Inc. ("ARC Hospitality")**, in the agreement to acquire a **$300 million** portfolio of 13 hotels (1,913 rooms) from Noble Investment Group, LLC. The acquisition is expected to close in three separate tranches during the fourth quarter of 2015 and first quarter of 2016.
- A joint venture between **Westbrook Partners** and **Normandy Real Estate Partners** in connection with the sale of a **$200 million** portfolio of multifamily buildings containing more than 1,650 units, all located in New York City.
- The owners of 70 Pine Street in downtown Manhattan (the landmark one-million-square- foot former headquarters of AIG in Manhattan's financial district), a joint venture between **Downtown Holdings** and **Rose Associates**, in connection with an approximately **$60 million** Historic Tax Credit. The Historic Tax Credit investment represents the final piece of capital needed to complete the conversion of the property from office to high-end residential and hotel.
- **Walter & Samuels, Inc.**, a preeminent New York City real estate management and investment firm, in the **$50 million** sale of a Manhattan retail and residential mixed-use building to a REIT.
- A joint venture between **Rockwood Capital** and **Stone Street Properties** in the **$100 million** sale of a portfolio of multifamily buildings (with a small commercial component), all located on the Upper East Side of Manhattan.
- **Vanbarton Group LLC** in the **$76 million** acquisition of **33 Caton Place in Windsor Terrace, Brooklyn**. The property, an eight-story luxury rental building, is just steps from Prospect Park and includes over 20,000 square feet of high-end amenities.
- **Cadence Property Group** in connection with the origination of a **$24.65 million** construction loan to renovate and develop the former **Radio City Post Office** into a new luxury condominium building called The Sorting House. This unique development includes a redesign of the third floor as well as the construction of two additional floors, with the historic 1930s Radio City Post Office remaining active on the first two floors.
- **Sakele Brothers, LLC**, in the **$63.7 million** sale to SL Green of two mixed-use properties at **187 Broadway** and 5-7 Dey Street in downtown Manhattan.

Building New York: Recent Deals (continued)

Commercial Real Estate Lending Team

Our commercial real estate lending team has closed billions of dollars in loans for these and other clients in transactions such as the following:

- **Three major financial institutions**, as co-lenders, in connection with the origination of a **$1.035 billion** mortgage loan secured by a Class A trophy office tower in **midtown Manhattan**.
- A **major insurance company** in connection with the origination of a **$205 million** mortgage loan secured by a prominent office and retail tower located in **midtown Manhattan**.
- A **leading commercial bank** in connection with the $159.5 million mortgage and mezzanine financing of a historic luxury hotel in **Washington, DC**.
- **Three major insurance companies**, as co-lenders, in connection with the origination of a **$1 billion** mortgage loan secured by a preeminent shopping center located in the **Northeast**.
- A **major REIT** in connection with the origination of a **$103.6 million** acquisition and construction loan, consisting of both mortgage and mezzanine components, structured as a syndicated loan and secured by property located in **Brooklyn, New York**.
- A **major insurance company** in connection with the origination of a **$120 million** fee and leasehold mortgage loan secured by a shopping center located in a suburb of **New York City**.
- A **leading commercial bank** in connection with the origination of a **$120 million** mortgage loan secured by a portfolio of 58 bowling centers located in **15 states and Canada**.

- A **leading financial institution** in connection with the origination of a $**135 million** mortgage loan secured by a hotel in d**owntown Manhattan**. The borrower structure also included a multimillion-dollar loan made by investors as part of the EB-5 Visa program.
- A **major insurance company** in connection with the origination of three separate mortgage loans totaling **$177.5 million** in the aggregate and secured by commercial properties located in Mexico.
- A **leading commercial bank** in connection with the origination of a **$145 million** mortgage loan secured by a portfolio of 32 mobile home parks located in Colorado, Nebraska, Nevada, New Mexico, Texas and Wyoming.

Q&A With Newly Promoted Partners

We are delighted to announce the recent promotion of two of our associates to partners. We know that many of you have worked with Matt and Jay over the years and are familiar with their legal acumen, but we would like to take this opportunity to give you a little more insight into their professional and personal lives.

Matthew Scoville

Partner, New York

Matt joined the firm in May 2012 and focuses on commercial real estate transactions, including construction, finance, acquisitions and dispositions, development, leasing, and loan workouts and restructurings.

How did you get your start in real estate?
A few days after graduating college with a degree in accounting, I got an accounting internship at a law firm with a large commercial real estate practice. On the first day, I was pulled out of training to assist the real estate group with the closing of a large, high-profile acquisition in downtown Manhattan, helping to finalize closing documents and deliveries and running around the city collecting the necessary signature pages. It gave me the chance to be part of a major transaction, and from that moment on, I was hooked on the excitement of closing a deal and knew a career in commercial real estate was what I wanted.

What piece of advice are you constantly giving your clients?
Particularly for the developer clients my age who are just getting into decision making on their own, when deciding whether or not to take risky and aggressive positions, be sure to consider the effect on the relationships involved and on your reputation (not just the potential legal consequences).

What was your favorite summer job?
My favorite summer job was interning in the New York Attorney General's office under Elliot Spitzer. There were so many interesting people and never-ending activity.

Our real estate practice is nationally ranked in *The Legal 500 USA* and consistently ranked in *Chambers USA*.

Jay Mower

Partner, Dallas and New York

Jay joined the firm in July 2012. He represents clients in complex commercial real estate finance and capital markets transactions, including multiproperty and multistate acquisitions, construction loans, mezzanine financings, securitizations and refinancings of commercial properties.

How did you get your start in real estate?
During law school, my Property I professor was Professor Robert Zinman, who was in the forefront of bankruptcy matters as they involve real estate, and he introduced me to the securitization of mortgage loans and real estate finance. While my initial instinct going into law school was that I would be more interested in criminal law or litigation, I found myself captivated by the fact that each property and deal in real estate is unique. It also appealed to me that the goal in transactional work was deal making as well as drafting provisions and advising clients in a way that would avoid costly litigation. In my second semester of law school, Professor Zinman approached me to see if I would be interested in helping him with a New York State Bar Association journal called the New York Real Property Law Journal. In my second year of law school, I took over as Student Managing Editor of the New York Real Property Law Journal and stayed in that role for three years. From then on, I knew real estate was my future in law.

What piece of advice are you constantly giving your clients?
The most common piece of advice I give my clients is to remember that loan documents are as much for when times are not going well as for when the deal is working. I am very lucky to have clients who want to get deals done, and they can be very creative. They are truly deal makers, which makes the job much more enjoyable and challenging. Unfortunately, as lawyers, it is often our job to remind clients of protections they need for when the deal goes sour and to ask them about what they want to have happen when they need to exercise those protections.

What Real Estate Companies Need to Know About Employment and Human Resource Management

Kurt Powell

Partner, Atlanta

Real estate companies face mounting regulation in managing their employees, which poses a number of risks to their organization. To meet the challenges presented by this increasingly complex legal environment and ensure that the most significant threats are addressed first, employers need to take a risk-based approach to human resource management:

Avoid the "multiplier effect."

Class and collective actions challenging employer overtime and pay practices have become commonplace; class actions challenging compliance with the Fair Credit Reporting Act and other criminal background check laws, such as the New York City Human Rights Law, N.Y.C. Admin. Code § 8-101, are increasing. The upshot of all this: a major multiplier effect as the statutory violations relating to a particular group of employees start adding up. What's more, because the law typically provides for an award of attorney's fees, such litigation is attractive to many plaintiff's lawyers. To preempt this problem, employers should consider implementing an employee dispute resolution program that includes arbitration and class action waivers. The use of these waivers in arbitration agreements has been upheld by the United States Supreme Court, and a properly designed program should be legally enforceable. By putting in place such programs, along with a wage/hour compliance audit, an organization can greatly reduce its risk profile.

Avoid "executive risk" cases.

This issue is obvious but often overlooked. No organization wants to be involved in litigation focusing on executive conduct or requiring a high-level employee to appear as a witness. To meaningfully minimize such litigation, companies need to educate their executives in such areas as employment litigation risks, the potential impact of their behavior in the workplace, and the proper use of attorney-client privilege in emails and other correspondence.

Analyze potential joint employer liability risks.

The use of independent contractors and contingent workers is under attack. The National Labor Relations Board just announced a major change in the test for joint employer status. Under the new Browning-Ferris Industries test, the scope of potential joint employer liability is greatly expanded, raising numerous legal and practical problems that will affect relationships such as the subcontractor relationship between building owners and janitorial or security contractors. This decision has far reaching implications and the Hunton & Williams labor team will be following up with more information regarding its impact on our clients. At a minimum, employers will need to assess their use of independent contractors, temporary employees and contract workers to gauge potential joint employer risks and liabilities.

Conclusion

Taking a risk-based approach to human resource management allows an organization to effectively and efficiently reduce its risk profile. The Hunton & Williams Labor and Employment team works closely with our clients in formulating the right strategy and support to significantly lower their legal risks and costs.

We have over 75 lawyers working on real estate matters from offices around the country.

What's Happening in Hospitality: Q&A With Partner Rori Malech

What are two trends that will impact the hospitality sector over the next few years?

The continuing trends center around millennial consumers and the use of online travel agencies and social media. Hotel lobbies are being modeled on what I call the Starbucks or WeWork plan. Lobbies are no longer used merely for check-in and baggage drop-off; they are now designed as interactive spaces where business and leisure travelers can work and socialize in a more collaborative manner. Gone are the days where you grab your paper, order some food and hide out in your room. Hotels also spend significant time and money reacting to consumer feedback in real time. It is not uncommon if you sit in a hotel restaurant and post a poor review to have the manager address your concerns before you pay the bill. Being tech-friendly is a must, with services that include online check-in and wireless integration between a guest's phone and hotel room functions.

Boutique and high-end hotels are also focused on lifestyle consumers, offering items such as pillow menus, sound machines and specialty food items. All the large hotel chains have developed their own boutique brands, which in some respect is anathema to the boutique sector. On the flip side, I also see a lot of activity in limited service and extended stay models for the everyday consumer. These hotels provide a lower price point and uniformity for their guests. The brand boutiques, however, seek to capture the best of both worlds: a unique experience along with predictability and functionality.

What's your favorite weekend getaway?

Anyone who knows my family well knows that if we have a free evening or weekend, you are likely to find us at a concert, whether at a local club, stadium or outdoor festival. This summer, while our kids were at sleepaway camp, VIP tickets to the Grateful Dead's 50th anniversary Fare Thee Well shows fell into our lap. With Trey Anastasio of Phish standing in for Jerry Garcia, this was not something we could miss. We flew out to Santa Clara for the weekend to attend both California shows. Unlike the 60s, when fans sold veggie burritos and tie-dyed T-shirts in the parking lot and slept in their VW vans, a good portion of the fans this summer arrived in private jets and stayed in luxury hotels. I guess the teenagers of that era have morphed into the corporate executives of today. We were just happy to have WiFi on our flights (although we did use points to upgrade to first class on our red-eye back). And by the way, as hotel consumers, we decided to decline a luxury hotel in downtown San Francisco (during a busy convention weekend) and opted instead for a limited service hotel in Palo Alto closer to the concert venue.

Top Five Real Estate Insurance Issues: Is Your Coverage Sufficient?

Walter J. Andrews
Partner, McLean

Michael S. Levine
Counsel, McLean

Those involved in today's real estate market face a variety of risks of loss. Here are five tips to help mitigate some of the more prevalent types of loss.[1]

1. Additional Insured Coverages

Real estate transactions are complex, with multiple parties with diverse roles and durations of involvement. This means multiple policies of insurance. So, when liability occurs, think "outside the box," and look to all potential sources of insurance, rather than only to your own policies. Other sources of insurance might include policies issued to developers, property owners, property managers, lenders, tenants or contractors (and subcontractors). And, when you qualify as an additional insured, coverage may be available even where the third-party policyholder is not itself a liability target.

2. Cyber-Liabilities

Cyber-crime, hacks, data loss and corruption frequently top the headlines. The real estate industry is not immune from this exposure and, in some respects, it is at heightened vulnerability. This is particularly so with financing and tenant relations. In the past, cyber-related liabilities were covered under traditional general liability insurance policies. However, with exposure from cyber-risk increasing, insurers have worked to limit coverage under traditional or "legacy" liability policies. Businesses engaged in the real estate market, particularly mortgage lenders and property managers, should consider some form of cyber-risk protection in their insurance portfolio.

[1] This information is not intended to create an attorney-client or similar relationship. This paper is only a general overview and is not legal advice; if you have specific questions about your insurance coverage, and how these situations may affect it, please contact the authors at the contact information below.

3. Pollution Liability Policies (for lenders)

Unknown environmental problems can impose liabilities that far exceed those caused by fire, vandalism, theft or title risks. This is particularly significant for lenders, who are removed from day-to-day activity at the property, yet rely heavily on property value to protect their financial investment. When collateral property is contaminated, value falls, increasing risk. Even where the lender assumes ownership of the property through foreclosure or otherwise, the lender may still not recoup the loan balance due to the cost of cleanup and the resulting diminution in value. Lender liability insurance can help mitigate this risk. The insurance can be bought by the lender or the borrower as a condition to the loan.

4. Mergers and Acquisitions

Real property transfer is often a significant part of corporate mergers, acquisitions and consolidations. Insurance may not be viewed as a high-priority item in the transaction, or it may be overlooked altogether. Those involved should take care that existing insurance is not forfeited when new legal entities are formed or when existing entities are dissolved. The insurance contracts themselves should always be reviewed for provisions governing assignment of the contract, notice to the carrier or other terms that could affect the viability of the insurance after the transaction is complete.

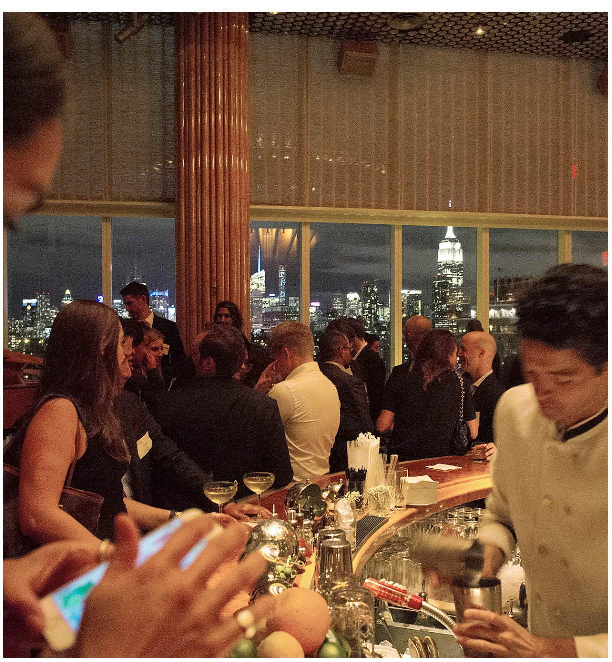
5. Reps and Warranties

Inaccuracies in transaction-related representations and warranties made by a seller or the target company can lead to costly liabilities. Buyers can be left without the ability to cover costs or recover expenditures or losses, while sellers may be forced to give back a portion of the purchase proceeds. Reps and Warranties insurance helps to protect buyers and sellers involved in commercial transactions from financial loss that occurs when inaccuracies in the representations or warranties arise. Although not a new product, increases in policy availability and associated decreases in policy premiums have made such coverages attainable for even small- and medium-size transactions.

Real Estate Events

Fourth Annual Real Estate Reception

On September 30, Hunton & Williams hosted more than 300 clients and friends at its fourth annual New York real estate client reception, which took place in Manhattan's Meatpacking District. Under beautiful end-of-summer skies and with breathtaking views, the firm celebrated the city's best and brightest in real estate. [Click here to see a highlight video from the event.]



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Real Estate Events

Real Estate Rockers in Relief

On December 2, over 450 real estate professionals from across the industry rocked out for charity at the fourth annual Real Estate Rockers in Relief concert at the Highline Ballroom in New York City. The concert raised awareness and over $90k for the JDRC, an organization that assists communities across the nation with long-term domestic disaster recovery, including local relief efforts in the tri-state area following Hurricane Sandy. Our next Real Estate Rockers in Relief event will be held in April 2016 at the Highline Ballroom. We hope to see you there!