

## Hospitality Group Of The Year: Latham & Watkins

By **Natalie Rodriguez**

*Law360, New York (January 21, 2014, 6:01 PM ET)* -- Latham & Watkins LLP's successful handling of some of the most complex deals in the hotel and gaming space has recently garnered the firm a slew of new high-profile clients — including MCR Development LLC, which turned to Latham for a \$430 million portfolio buy — as well as a spot on Law360's Hospitality Practice Groups of the Year.

Over the last year, Latham's hospitality, gaming and leisure group has been wrangling some of the biggest-ticket deals in the industry. Included in the myriad work the team has sealed up are a \$1.9 billion refinancing deal for Station Casinos LLC and the Government of Singapore Investment Corp. (Realty) Private Ltd.'s \$1.5 billion purchase of five luxury resort properties from the investor owners of bankrupt MSR Resort Golf Course LLC.

"This year has been my best year personally. It was my most fulfilling year and the busiest year I've had that was purely transactional-based," Gary Axelrod, co-chair of the firm's hospitality, gaming and leisure industry group, said.

Within Axelrod's heavy workload has been MCR's acquisition of a 26-hotel portfolio, which included several side-deals ranging from a joint venture with an institutional investor, to negotiating a credit facility and assuming an existing commercial mortgage-backed securities debt.

The initial phases of the MCR purchase began to close in October, but the work has continued on for Axelrod and his team. "MCR has definitely taken a big chunk of my time in the last six months ... and we're still closing deals in that portfolio," he said.

The in-demand team, which has more than 100 attorneys spread in offices across the globe, has been juggling a number of deals and sometimes a number of roles in the same deal. For example, with GIC's purchase of bankrupt MSR's resort assets, Axelrod represented the brand while other Latham attorneys separately represented GIC and hedge fund Paulson & Co., which led the group of investors that sought bankruptcy protection for MSR.

Latham attorneys from at least three offices — Chicago, New York and Los Angeles — coordinated on the resort property acquisition, which closed in April 2013. The deal speaks to the firm's flexibility and deep bench of resources in the hospitality sector.

“One of the things that appealed to me was just the breadth of the practice. Attorneys in the group have very broad skill sets, and we represent a broad variety of clients around the globe,” said Axelrod, who joined the firm in 2011.

That roster of clients has grown recently, with the Latham team adding Hersha Hospitality Management LP, Highgate Hotels LP, Junius Real Estate Partners, MCR, Loews Hotels, and Westmont Hospitality Group to its list in recent months.

For Westmont, the team was challenged with complicated securitized loan issues before it could proceed with a hotel portfolio deal for the company. As a senior mezzanine holder, Westmont started foreclosure proceedings on a loan underlying the hotels, but was halted by a court order obtained by the lender that said it first needed to cure defaults under an intercreditor agreement.

“It was a very tough deal because of the fights we had with the mortgage lenders ... in addition to which we had holders of a few of the various bonds in the securitized loan working through a servicer, who also held subordinate mezz debt, and therefore the transaction and litigation became a much more difficult [negotiation],” said Jamie Hisiger, global co-chair of Latham's real estate practice.

Ultimately, however, the Latham team prevailed in its arguments over the court order, and the CMBS lenders eventually negotiated a settlement with Westmont.

Latham's hospitality team gravitates to such complicated work as the Westmont deal. “We don't get hired for the easy ones,” Axelrod said.

The team was also asked to ride in to tackle a tough situation that arose last year, when client Starwood Capital Group LP struck a \$150 million joint venture with a developer to save a Margaritaville-branded resort proposal in Florida.

Facing both a very tight deadline and pressure from community officials frustrated by the original developers' inability to secure financing in the past, Axelrod helped negotiate a unique condition in a ground lease that bought the parties more time, but gave some much-needed political cover to the local officials that were under fire to make progress. Latham's team then deftly negotiated a trio of management agreements, plus a development deal and franchise agreement.

The group's long track record of taking on such complex issues means it is able to deftly walk clients — new and old — through tough times.

“What I think gives them confidence is when we explain to them in great detail how an issue will be resolved or how a transaction will progress, and then they see it play out exactly as we predicted. Our ability to call upon our vast experience and apply it to current transactions always makes the client feel like they are in good hands,” Axelrod said.

And even when one of the group's attorneys are stumped by a particularly knotty problem, it often just takes a quick reaching out to Latham's vast web of lawyers to help parse out the matter. “Sometimes it happens just by sending out an email to the applicable groups and asking what have you seen recently in this fact pattern,” Hisiger said.

Often the firm can offer more than one solution to a problem. For example, when Latham represented Peterson Cos. on a ground lease for a proposed casino that will be run by MGM Resorts International, MGM raised concerns about how the deal might be impacted by having a still unidentified lender and a structured lease with the landlord.

"I went to the client with five to six alternatives to deal with it, and not a lot of firms would have that expertise," Axelrod said.

And when Loews wanted to seal up the \$140 million purchase of the Boston Back Bay Hotel last year, which was subject to a little-known estate-of-years agreement, Axelrod and his team were quickly able to work the matter out for the client — and a nervous lender. "We had to get our lender comfortable that it was a financeable interest," Axelrod said.

Looking ahead, Latham hopes the coming months will bring many more complicated deals to be worked out by the firm's talented hospitality team.

"I for one hope it's business-as-usual in 2014. If it matches 2013, I think it's going to be a very good year," Axelrod said.

--Editing by Edrienne Su.

All Content © 2003-2014, Portfolio Media, Inc.