

Hospitality Group Of The Year: Sheppard Mullin

By **Sindhu Sundar**

Law360, New York (January 22, 2014, 2:59 PM ET) -- Sheppard Mullin Richter & Hampton LLP's hospitality practice has had a hand not only in large refinancings and hotel sales of 2013 — including a major lender's \$26 million sale of a San Jose hotel — but also in complex acquisitions and redevelopments that have maintained Chicago's iconic city skyline, landing a spot on Law360's Hospitality Practice Groups of the Year.

The former Chicago Athletic Association on Chicago's architecturally distinctive thoroughfare of Michigan Avenue was a landmark ripe for redevelopment when private equity firm Geolo Capital, lead by Sheppard Mullin partner Lawrence Eppley, made a move for the landmark along with co-developer AJ Capital Partners, with an eye to restyle it as a 240-room hotel with restaurants, according to the firm.

The deal, which comes with complex due diligence and nifty engineering design demands on the part of developers, closed in July and resembles another deal that closed in 2013, in which Eppley led a roughly 60-attorney team in longtime client Oxford Capital Group LLC acquired a 21-story building formerly known as the London Accident & Guarantee Building.

The deal would transform the building, a registered Chicago landmark designed by Alfred S. Alschuler, into a "high-design lifestyle hotel with storefronts of distinctive Michigan Avenue retail," according to a statement from the private equity group.

"To me, the main highlight of these deals is the adaptive reuse of real estate," Eppley said. "Some companies would rather adapt them than just see gorgeous buildings go into decline, which may not be competitive as office buildings. This way they get a nice second life."

Adaptive real estate redevelopment deals are part of the firm's focus on high-value deals, according to Eppley, the managing partner of the firm's relatively new Chicago office that opened in 2012.

Such deals are complex in part because they involve buildings drawing to the end of their useful lives, Eppley said, also noting that while the properties may be available at "the right price," the developers embarking on refashioning the property also stand to substantially boost its value.

"In a sense you never exactly know what you're getting into, and it takes some diligence," he said. "But this is a chance for sponsors to save part of the city skyline."

Besides high-value complex deals, Eppley's contribution to Sheppard Mullin's relatively young hospitality practice that began in 2006 is also to its bench. He and some of his colleagues arrived at Sheppard Mullin in 2012 from K&L Gates LLP, helping to open up Sheppard Mullin's Chicago office and expanding the firm's hospitality practice that had originally started with roughly 10 attorneys, according to Dana Dunwoody, co-chairman of the firm's Hospitality Practice Group.

The demise of Heller Ehrman LLP in 2008 and the influx of some of its attorneys to Sheppard Mullin also contributed to the growth of the firm's hospitality practice, Dunwoody noted. Sheppard Mullin, which counts hotel owners as well as lenders, investors, and real estate investment trusts and developers among its practice, has 40 attorneys in the hospitality group across its 15 offices worldwide, and a total of 640 attorneys, according to the firm.

The group, whose focuses lie in helping clients acquire and sell hotel properties and interests and negotiating management and partnership agreements, financings and licensing matters, in recent years also has seen more bankruptcy related work and more litigation, in the wake of the 2007 financial crisis, according to Dunwoody.

One such sale in a chain of events precipitated by the financial crisis fallout was the \$26 million sale in February of an unbranded hotel in San Jose by a major lender, which was led by Sheppard Mullin partner Juliette Ebert.

There were certain deferred maintenance and compliance issues that needed to be addressed, including some Americans with Disabilities Act upgrades to the pool and other public access areas, she said.

"The biggest challenge in these deals is making sure we're covering all the bases, whether it's with financing or a troubled project," Ebert said.

The Sheppard Mullin team in this instance leaned on one of its ADA experts in San Diego to work on specific issues in the hotel sale, she said.

"There are many people within Sheppard's hospitality group with expertise in different practice areas that I can call for assistance with specific issues that typically come up with hotel-type properties," Ebert said. "And we can tap on many different types of resources very easily."

--Additional reporting by Brian Mahoney. Editing by Richard McVay.