

Greenberg Shines In Time-Crunched Waldorf, Baccarat Deals

By **Natalie Rodriguez**

Law360, New York (February 18, 2015, 8:58 PM ET) -- Among the threads connecting the groundbreaking sales of Manhattan's Waldorf-Astoria and Baccarat hotels to Chinese insurance companies was a well-oiled team of Greenberg Traurig LLP attorneys.

The blockbuster \$1.95 billion Waldorf-Astoria deal, which closed earlier this month, and the recently announced \$230 million Baccarat sale, which will set a new hotel room valuation record in the city, were both rife with challenges.

Each of the complex deals required a number of legal players, but Greenberg Traurig was the only firm tapped to handle a role in both — representing Waldorf-Astoria buyer Anbang Insurance Group Co. Ltd. in hotel management and labor matters and guiding seller Starwood Capital Group in the Baccarat deal with Sunshine Insurance Group Co. Ltd.

The assignments were a testament to — and a test of — the firm's burnished reputation in the hospitality industry, pushing even the most veteran group members to dig deep to ensure a smooth delivery of the rapid-fire deals.

With the Waldorf-Astoria deal, for example, "it was a marathon for two to three weeks, seven days a week working way past midnight, night after night," said Robert J. Ivanhoe, chair of Greenberg Traurig's global real estate practice. "It was one of the more grueling things that I've worked on in a long time, but the result was worth the effort."

Ivanhoe led both Greenberg Traurig teams, with significant support from hospitality co-chairs Nelson F. Migdal and Michael J. Sullivan, as well as a number of other attorneys like shareholder Samantha Ahuja.

Both deals involved navigating the largely uncharted territory of a major property being sold to a Chinese insurance company that has never done such a deal in the United States.

"In each case, neither one had bought anything in the U.S. and there is, understandably, a tremendous learning curve," Ivanhoe noted.

Other matters, like the first-of-its-kind 100-year management agreement that was at the center of the Waldorf-Astoria deal and the tough negotiations that came with selling the first-ever Baccarat hotel before it even opened, required tapping the team's deep well of experience and highlighted the

importance of having expert hospitality attorneys.

"It's not just being scriveners of a transaction," Migdal said. "It's being able to impart to our client at a negotiating session at 2 a.m. ... why things are important and what it means to us within the whole context of the relationship."

And there were many such late-night sessions with both deals, according to the Greenberg Traurig attorneys. Where most hotel management deals will be ironed out over the course of three to six months, both of the New York transactions came with a directive to get it done within two to three weeks.

First out of the gate was the Waldorf-Astoria deal, which also required a landmark, 100-year management agreement that is not terminable by either party. Among the trio of lead Greenberg Traurig attorneys, which together have about 100 years of pooled experience in the hospitality sector, none had ever seen a deal like it requested. It was an exciting challenge for the group, according to Migdal.

"This is Waldorf's flagship, so they felt they needed to maintain the operation of this property forever," Ivanhoe said. "And Anbang, by the same token, has a very long-term investment horizon and were ready to commit to a 100-year marriage as well. ... Their view of it is they'll still be the owner in 100 years when the contract is up for renewal."

Key to the deal's success is the "extraordinary, personal relationship" that formed between the chairmen of Anbang and The Blackstone Group LP, which backs seller Hilton Worldwide Holdings Inc., according to Ivanhoe

On the law firm's end, it also helped that the team was quite familiar with Hilton's management agreements, having done a number of other such deals in the past.

Even so, having to carefully balance the parties' needs — all in a tight time frame — taxed even the Greenberg Traurig team.

"It was one of the most challenging and unique hotel management agreements that anybody who worked on it has ever been through," Ivanhoe said.

The breadth of the team's experience, however, helped the firm to keep up with the client's tough timetable. "It allowed us to be able to move quickly through the documents because we understand where the pressure points are, whether it's an owner or a manager," Migdal said.

In general, the Waldorf-Astoria deal required careful juggling of a lot of moving parts as Greenberg Traurig was one of three firms serving as co-counsel for Anbang, which performed an extensive interview process of a short list before landing its legal team.

In addition to Greenberg Traurig, Fried Frank Harris Shriver & Jacobson LLP handled the land use and landmarks issues, as well as tax matters with Skadden Arps Slate Meagher & Flom LLP. Skadden also took the lead on the purchase and sales agreement, which was worked on by all of the firms, and advised on the Committee on Foreign Investment in the United States' review of the deal. On the other side, a Dentons and Simpson Thacher & Bartlett LLP team was put together for Hilton.

With both the Waldorf-Astoria deal and the Baccarat deal, where the team sat across from Holland & Knight LLP attorneys representing Sunshine, it helped that all the parties brought hospitality experts, according to Migdal.

"Neither deal could have been done without having real hotel lawyers at the table," Migdal said.

When it came time for longtime client Starwood to sell the Baccarat, the Greenberg Traurig team was in many ways already the prime candidate for the seller. The team has handled much of the hospitality giant's New York work over the years and has been involved with the Baccarat project's acquisition and financing from the beginning.

Still, coming off of the Waldorf-Astoria deal gave the attorneys another important edge.

"When I was on the other side of it on the Baccarat deal, I understood and I was able to explain to our client what to expect in how the other side was dealing with certain issues, how long it would take for them to respond, why certain things were hard for them to understand and how best to work through them," Ivanhoe said.

Among these issues, for example, is the delay that comes with moving large sums of money out of China, he noted. After having seen the process from Anbang's side in the Waldorf-Astoria deal, the Greenberg Traurig team was better able to advise and prepare Starwood for what to expect in the Baccarat sale.

Baccarat, however, came with its own unique challenges — largely due to the yet-unopened hotel project being the first attached to the luxury crystal name. The firm had to go the extra mile to ensure the buyer was comfortable and understood what it can expect from the hotel operations and standards even though there was no operating history to rely on, Ivanhoe noted.

Like the Waldorf-Astoria deal, the Baccarat deal required a high level of trust to be formed between the buyer and seller.

"With Baccarat, there you have somebody buying something largely on faith. The hotel wasn't fully completed nor opened. It had no performance history or track record," Ivanhoe noted. "They're paying a record price, and they have no idea what the performance of the hotel is going to be like. There's nothing to really compare it to other than looking at the other top luxury hotels in New York and seeing how they are doing."

He added, "Like with the Waldorf, it is a long-term view of an investment in the leading hotel and real estate market in the U.S. in a great asset in an incredible location, with a 250-year-old luxury brand and faith in its creator, Barry Sternlicht."

And the deals are unlikely to be the last time the group is tapped, as it's largely expected that Chinese insurance companies will continue to be attracted to U.S. assets.

"These insurance companies have a tremendous amount of capital that needs to find quality, long-term investments to provide stable, long-term returns for these insurance policies," Ivanhoe said.

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