

Q&A With Much Shelist's Harold Dembo

Law360, New York (December 15, 2011, 4:33 PM ET) -- Harold Dembo is a principal at Chicago-based Much Shelist and co-chairman of the firm's real estate practice group. He focuses his practice on representing lenders, real estate developers, contractors and restaurant owners engaged in the financing, acquisition, sale and leasing of real estate, as well as organization structuring and other business matters.

A graduate of the University of Illinois and Northwestern University School of Law, Dembo is also a certified public accountant.

Dembo has authored numerous articles on issues facing the commercial real estate industry, including "Challenges & Opportunities in Office Leasing in 2010" for "Northern Illinois Real Estate Magazine" and "The Forgotten Party in Lease Negotiations" for "National Real Estate Investor."

Q: What is the most challenging case or deal you have worked on and what made it challenging?

A: My most challenging deal was the \$178.3 million acquisition and financing of 32 buildings in New York, Ohio and Pennsylvania — with simultaneous closings. The matter, which involved numerous lenders, included the assumption of several loans, as well as the procurement of new loans for certain buildings.

We formed seven separate special-purpose, bankruptcy-remote entities to purchase individual buildings and groups of buildings. Each entity had to satisfy the specific requirements of the particular lenders. Each building also had its own distinct tenant, title and survey issues, which were addressed from the time due diligence began through the closing of the deal.

After the preliminary work was completed, I traveled from Chicago to New York with two other lawyers and a paralegal. Our team stayed at a hotel in Grand Central Station and worked out of a law firm's office that was connected to the train station. Once our work began on Sunday afternoon of the closing week, we did not see daylight for six days!

Our team arrived at the law firm's office each morning around 10 and never left before 10 each night. We lived on deli trays that were delivered for lunch and dinner, and got to know the night staff at the law firm quite well. Our paralegal, who did not anticipate having to stay in New York the entire week, actually ran out of clothes.

After a grueling week of constant negotiations and document preparation, we sent the recording documents overnight on Thursday to five separate title companies to be recorded once the funds moved on Friday morning.

Additionally, the securitized loans that were being paid off had to go through a defeasance process that began on Thursday and was completed on Friday — after the investment bankers purchased treasury securities in exchange for the release of the real estate collateral.

Once each separate transaction closed on Friday, our clients had successfully acquired the entire portfolio.

Q: What aspects of your practice area are in need of reform and why?

A: The banking industry needs further regulatory reform in order to enable U.S. investors and developers to get back into the business of doing deals. The banks and other financial institutions should be making it easier for manufacturing enterprises and real estate entrepreneurs to grow their businesses.

However, underwriting requirements, as well as capital requirements imposed on banks, have stifled the ability of many to procure financing. We will only increase employment if companies and entrepreneurs are able to expand, which will in turn create more consumer spending and stimulate housing demands.

Banks need to be given greater latitude to modify, write down or write off distressed loans in order to improve their financial position. Until that occurs, banks with troubled assets are prohibited from doing new business.

In addition, the government needs to act more expeditiously in order to permit stronger banks to acquire weaker banks and create a better environment for doing business.

Q: What is an important issue relevant to your practice area and why?

A: As a real estate lawyer, the growth of my practice hinges on the vitality of the commercial real estate industry. Therefore, I have had to reinvent myself in recent years by handling more workouts, note sales and foreclosures, which now far exceed the volume of traditional sale and loan transactions.

The sooner financial institutions deal with their troubled loans and the sooner bank regulations are changed to encourage rather than impede business, the sooner we can expect economic recovery in the real estate industry.

Q: Outside your own firm, name an attorney in your field who has impressed you and explain why.

A: Jay Stieber is general counsel at Lettuce Entertain You Enterprises Inc., a Chicago company that owns and operates more than 60 restaurants nationwide.

Jay has been able to blend his skills as a lawyer who negotiates contracts and leases with his understanding of the company's business operations. As a key member of the management team, he is the go-to person for everyone in the organization — whether it involves a legal issue or a business-related question.

As his outside counsel, I find it easy to work with Jay because he understands both the legal and practical ramifications of the issues his company faces on a daily basis.

Q: What is a mistake you made early in your career and what did you learn from it?

A: As a young associate, I represented a demanding client who expected immediate turnaround time on all of his matters. In fact, that client eventually took his business to another firm because he felt he was not getting the attention he deserved. I learned from that experience that many clients want to be treated like they are your only client.

As I have built my practice over the years, I have made it a personal policy to return every client call within 24 hours. After all, these are successful business leaders and in-house counsel who can easily take their legal work elsewhere if you aren't willing to devote the time and attention necessary to complete their matters within their timetables.

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