REAL ESTATE WEEKLY

NOVEMBER 19, 2014 - **DUVAL & STACHENFELD LLP** IN THE NEWS - TRANSACTIONS - In Print on Page B5

Bruce Stachenfeld, (center) managing partner, Duval & Stachenfeld LLP (center) joins some of the firm's partners, associates and colleagues following his speech, entitled "A Counterintuitive Strategy for Sourcing High-Margin Mezzanine Loans," which opened the 2014 IMN Borrower & Investor Conference at the Union League Club. Seated with him are: (l-r) Michael Estreicher, Associate; Brendan McCormick of Axonic Capital; Alan S. Cohen, Partner; and Randy Eckers, Partner.

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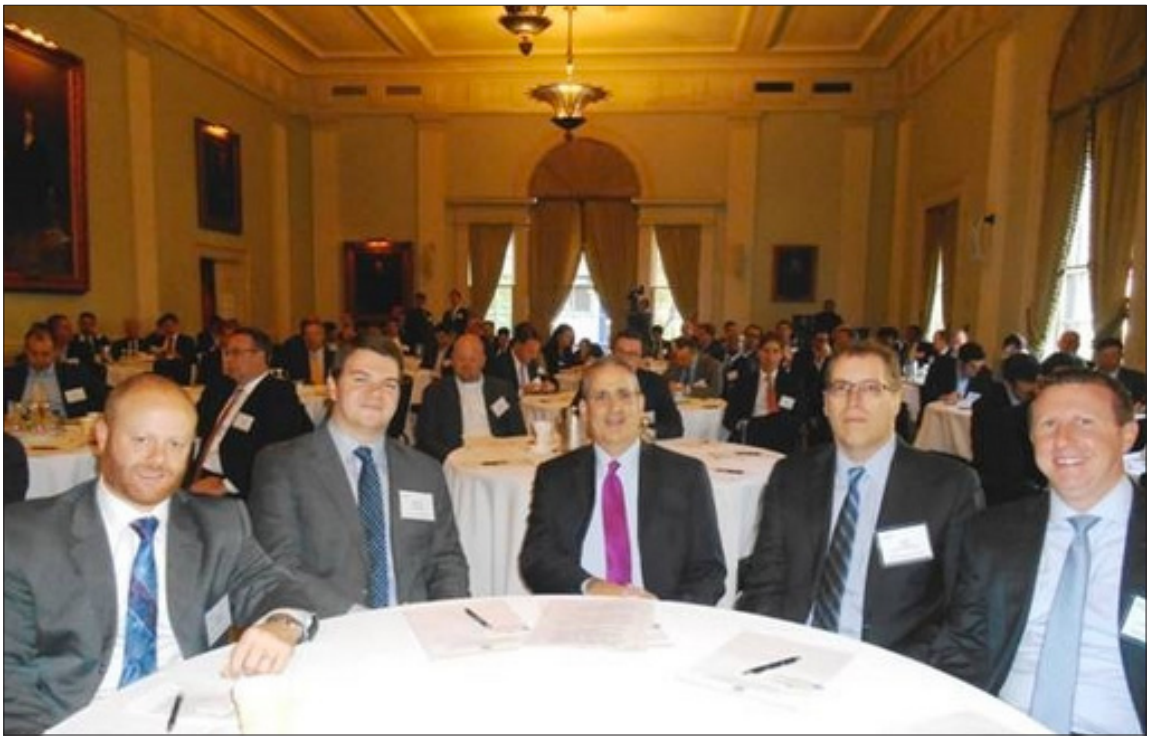
NOVEMBER 12, 2014 - **DUVAL & STACHENFELD LLP** IN THE NEWS - BUSINESS Section

Conference Chair Bruce Stachenfeld Opens 2014 IMN Borrower & Investor Forum



Bruce Stachenfeld, Managing Partner, Duval & Stachenfeld LLP (center) joins some of the firm's partners, associates and colleagues following his dynamic speech, entitled "A Counterintuitive Strategy for Sourcing High-Margin Mezzanine Loans," which opened the **2014 IMN Borrower & Investor Conference** at the Union League Club. Seated with him are: (l-r) **Michael Estreicher**, Associate;**Brendan McCormick** of Axonic Capital; **Alan S. Cohen**, Partner; and **Randy Eckers**, Partner.

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NOVEMBER 4, 2014 - **DUVAL & STACHENFELD LLP** IN THE NEWS - EVENTS Section

IMN Borrower & Investor Forum on Real Estate Mezzanine Financing & Subordinated Debt

WHEN

Monday, November 10, 2014
8:45 a.m. - 9:00 a.m.

WHERE

Union League Club
38 East 37th Street
New York, NY 10016
Directions | Subway

Register

DESCRIPTION

Conference Chair Bruce Stachenfeld, Managing Partner of Duval & Stachenfeld LLP, will deliver the opening address, "A Counterintuitive Strategy for Sourcing High-Margin Mezzanine Loans" at IMN Borrower & Investor Forum.

PRICE

General Price: $1795.00

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CONTACT

IMN
mail@imn.org
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ONLINE REGISTRATION

Yes

INDUSTRY

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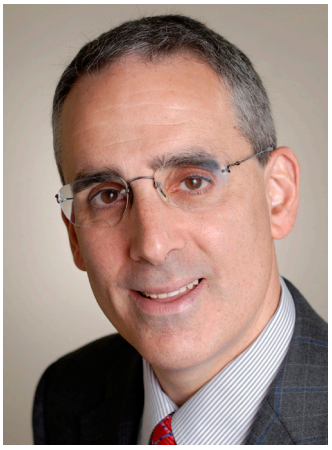
Conference Chair Bruce Stachenfeld to Open 2014 IMN Borrower & Investor Forum



Bruce Stachenfeld

Duval & Stachenfeld Conference Participation Continues with Tom O'Connor, Partner and Chair of Real Estate Finance Group, Moderating a Morning Session; and Randy Eckers, Real Estate Partner, on Afternoon Panel

Bruce Stachenfeld, Managing Partner of "pure play" real estate law firm, **Duval & Stachenfeld**, LLP and the **2014 Conference Chair** of the **IMN Borrower & Investor Forum** on **Real Estate Mezzanine Financing & Subordinated Debt** will present the forum's opening remarks at 8:45 a.m., Monday, November 10th, at the Union League Club, 38 East 37th Street.

Mr. Stachenfeld's speech, entitled "**A Counterintuitive Strategy for Sourcing High-Margin Mezzanine Loans**," is anticipated to set the tone for the gathering, which traditionally attracts an impressive and diverse group of attendees representing equity funds, REITs, Mortgage REITs, CMBS originators/issuers, various lenders, pension funds, family offices, sovereign wealth funds, large private owners, developers, owner-operators and high net-worth individuals. In addition, representatives from law firms, accounting firms and investment firms participate in the conference.

"I look forward to speaking at this upcoming conference," says Mr. Stachenfeld. "I try not to just say what everyone says, or expects. Instead, I go out on a limb and try to really provide something of value. I hope I can deliver that here."

Other members of Duval & Stachenfeld LLP participating in the conference, include Tom O'Connor, Partner and Chair of Real Estate Finance Group, who will be the moderator for "The Senior Debt Lender Viewpoint: Stepping Out of the Comfort Zone?" at 11:45 a.m.; and Randy Eckers, Real Estate Partner, serving as a panelist on the 3 p.m. session, "Preparing for the Coming Storm? What is the Latest in Protection Against Defaults on New Deals? Mezzanine Lender & Borrower Workouts and Inter-Creditor Agreements 2.0."

Other sessions planned throughout the course of the day, comprise "Is this the New Normal? Assessing the State of the CRE Finance Market," which immediately follows Mr. Stachenfeld's introductory speech at 9 a.m.; "Mezzanine Originator Panel: The Hunt for Yield at Any Cost?" from 9:45 a.m.; the keynote panel, "Is the NYC CRE Market Bubble About to Burst?: NYC Owner/Investor Power Panel," at 11 a.m.; Mr. O'Connor's panel at 11:45; followed by "Borrower Perspective: Deal Flow & Securing Financing in Today's Market," at 12:30 p.m.; "Preferred Equity Vs. Mezzanine Finance: Which Way to Go On a Deal in Today's Climate?" at 2:15 p.m. The 3 p.m. panel with Mr. Eckers is next, after which follows "Crowdfunding? EB-5? Foreign Capital Markets? Assessing Alternative Sources of Debt Finance for New Acquisitions and Refinancings," at 4 p.m.; and the final panel, "Secondary vs. Tertiary Markets & Around the Asset Classes in 45 Minutes," at 4:45 p.m.

In addition to a 15-minute refreshment and networking break scheduled between 3:45- and 4 p.m., there will be a final networking reception from 5:30 p.m. to 6 p.m. Event and registration information may be found at http://www.imn.org/real-estate/conference/Borrower-Investor-Real-Estate-Mezzanine-Financing-Subordinated-Debt/Agenda.html.

About Duval & Stachenfeld, LLP

Duval & Stachenfeld ("D&S") is a Pure Play in the practice of high-quality real estate law and has one of the most highly regarded real estate practices in the U.S. Since the firm's inception almost 16 years ago, the Real Estate Practice Group has distinguished itself by creating a practice focused on complex, sophisticated transactional work. With approximately 50 attorneys, the Duval & Stachenfeld Real Estate Practice Group has one of the largest real estate legal teams in New York City. For more information, please visit www.dsllp.com.

The New York Times

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NOVEMBER 2, 2014 - **DUVAL & STACHENFELD** IN THE NEWS - VOWS - In Print on Page 17

Eric Menkes, Sean Davis

Eric Gerald Menkes and Sean Lyons Davis were married Saturday at Perry St., a restaurant in New York. Geoffrey A. Blatt, who became a Universal Life minister for the occasion, officiated.

Mr. Menkes (left), 55, is a partner in the New York law firm Duval & Stachenfeld, where he works in commercial leasing, sales, acquisitions and financing. He graduated cum laude from Wesleyan University and received a law degree from the Benjamin N. Cardozo School of Law at Yeshiva University.

He is a son of Joan C. Slevin of Wellington, Fla., and Joseph D. Menkes of Boynton Beach, Fla.

Mr. Davis, 47, is an owner of Tosler Davis Salon in New York, where he is a colorist. He graduated from Vanderbilt University.

He is the son of Gung J. Luste of Columbia, S.C.

Mr. Davis's first marriage ended in divorce.

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OCTOBER 28, 2014 ISSUE - **DUVAL & STACHENFELD LLP** IN THE NEWS - Women in Real Estate - In Print on Page 10C

Adler of Duval & Stachenfeld discusses greatest accomplishment

Terri Adler,
Duval & Stachenfeld LLP

Name: Terri Adler

Title: Chair of Real Estate Department

Company Name: Duval & Stachenfeld LLP

Years in Commercial Real Estate: 18

In the last 12 months, which project, transaction, honor or accomplishment are you most proud of and why?

My greatest accomplishment has been participating in the growth and development of our clients and our attorneys on some very innovative deals like NorthStar's investment in RXR Realty, the Angelo Gordon/Extell Carlton House deal and the Halpern Realty Varick Street assemblage. Each deal required intensive collaboration between the lawyers and clients on unique and complex issues and structures with tight time frames. That being said, teaching my kids to ride their bikes was probably as challenging (and rewarding) as closing any $2 billion deal.

Who are three women- living or dead - that you would like to have drinks with and why?

Eleanor of Aquitaine: she was a force to be reckoned with and a power player in a time when women were not power players.

Virginia Woolf : she was a trailblazer not only as a woman but as a writer - she was innovative, intellectual, creative, complex, and tortured.

Artemesia Gentileschi: she was a brilliant artist who followed her dreams and whose art reflected empowerment of women in a time when women were not empowered.

What was your first job and what did you learn from it?

My first job was working at a fast food chain in Sandy, Utah. I learned that everybody you attend high school with wants free food; minimum wage is not enough to do much of anything with (even in 1984); and not everyone believes that if you take a job, you are expected to do that job to the best of your ability.

What is your favorite quote?

"And those who were seen dancing were thought to be insane by those who could not hear the music." Friedrich Nietzsche

MORTGAGE OBSERVER

NOVEMBER 2014 ISSUE - **DUVAL & STACHENFELD LLP** IN THE NEWS - On Page 8 - By Bruce Stachenfeld

Gorging on Leverage—Always a Dumb Idea?

by Bruce Stachenfeld

Heresy according to the dictionary means "any belief or theory that is strongly at variance with established beliefs, customs, etc."

These days, I would argue, it is considered heresy to advocate a lot of leverage, at least for "conservative investors" in investment funds. Nonetheless, I am going to do exactly that.

Let's say you bought a property about three years ago for $50 million and it is now worth $75 million. When you bought it, you took out "conservative" 60 percent leverage of $30 million, i.e., you wrote a check for $20 million. And let's also say the property is a stable type of asset—e.g. multifamily—where the cash flow is unlikely to be lumpy over a long period of time. Your intention is to hold onto the property for roughly five to seven years and hope for additional appreciation.

Let's also imagine that there is long-term debt (e.g. between 10 and 30 years) available at historically low fixed interest rates and that in some instances 85 percent (and maybe even 90 percent!) leverage is also available.

But as a conservative investor, perhaps you think that 60 percent leverage should be the max? In this instance, I think that conclusion should be challenged. Instead, consider the risk/reward of the following analysis:

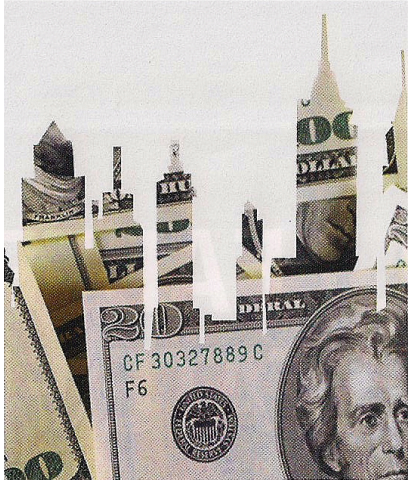
Consider leveraging up the investment to 85 percent. This returns to you $63.75 million, less the $30 million you borrowed, giving you $33.75 million.

You invested $20 million at the beginning so you now have all your capital back plus $13.75 million.

You now still own the asset, albeit with high leverage on it, but at a low interest rate and your debt doesn't come due for a long time. My belief is that for an asset without lumpy cash flow, lower leverage with a shorter maturity is actually riskier than higher leverage with a longer maturity.

You could even argue that you've lowered your risk by foregoing action. But either way, this is relatively moot since you just took out all the money you invested anyway.

Of course, there are legitimate concerns, such as prepayment penalties for long-term debt. But if interest rates rise, the prepayment penalty risk is not really that big a concern, and if interest rates



fall, then there is likely more upside from property appreciation than loss from a prepayment penalty. In addition, prepayment risk may be mitigated by negotiating assumability for the loan and the ability for the buyer to put mezz debt or preferred equity (admittedly, difficult to negotiate at times) on the properties—so hopefully there will not be a need to prepay in the first place.

If all this can be done, then isn't this too good to be true? Shouldn't you in fact take the long-term cheap money and the highest leverage possible as long as this market anomaly exists, i.e., interest rates below long-term norms?

Of course, these numbers are made up. But even if the numbers are a lot worse, it would seem that if your asset is of the type that permits long-term leverage on these terms you might consider the above proposition and run the numbers. I believe that in most cases the foregoing will enhance your IRR in almost all possible future scenarios.

But there are subtler reasons to favor high leverage as well. Let's continue to assume that you are a "conservative" investor, which generally indicates you don't use a lot of leverage. But in the not-so-recent-any-more global financial crisis, what happened? My view is the following: those who were conservative in the years leading up to the crisis did worse than those who were aggressive. This is because those who were aggressive (obtaining, say, 90 percent leverage) by definition made more upside as the market rose than those who were conservative (obtaining, say, 65 percent leverage).

When the financial crisis hit, property values dropped in the short run approximately 35 percent or even more. This means both the conservative guy and risk-prone gunslinger were wiped out. Sadly, in the end there was no reward given to those who were more conservative. Each ended up with nothing.

But there are two words in the preceding paragraph that are critical to focus on: "short run." What happened after the short run ended? Prices bounced right back, and in only a few years prices for many of the asset classes had risen to the same or even higher levels than before the crisis.

What does this tell us? It tells us that for non-lumpy cash flow assets there is a lot more "risk" in short-term debt than there is in high loan to value ratios. Those who had long-term debt in place before the meltdown had only "paper losses," and, if they waited a year (or two or three) they were just fine. Those who had short-term debt and unforgiving lenders faced disaster.

So it looks to me that investors looking to manage their risk in the context of leverage should be looking at maturity at least as much—and maybe more—than loan to value.

To conclude, if you own significantly appreciated property with smooth-ish cash flow and with high leverage available that can be long-term in nature, then it may make sense to take out as much leverage as you can. Just be sure to negotiate to preserve your ability to: (1) transfer the property subject to the debt and (2) put mezzanine debt or preferred equity in place.

And if you are buying new property (again, one with steady cash flow) instead of always following the conservative leverage dogma, consider raising the percentage of leverage and lengthening the maturity, while, of course, negotiating to preserve your ability to transfer it and to take out subordinate debt on it.

Of course, none of us has a crystal ball. My sense is that the above outlined courses of action are destined to increase your likelihood of higher IRR's in markets that go up and down with frequency—as ours has and will. MO

Bruce Stachenfeld is a managing partner at Duval & Stachenfeld LLP.

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Daniel Wolins

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CHRIS BRAGG | OCT 26, 2014 12:01 A.M.

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New York Law Journal

APRIL 21, 2014 - **DUVAL & STACHENFELD** IN THE NEWS - By Christine Simmons

Midsize Real Estate Firm to Offer Big Law Salaries

Terri Adler and Bruce Stachenfeld of Duval & Stachenfeld
NYLJ/Rick Kopstein

Duval & Stachenfeld, a 66-attorney real estate firm, is more than doubling its salary for starting associates to $175,000—above the large law firm standard—to compete with its rivals in attracting and retaining top talent.

The firm says it is not planning to raise associate billing rates to make up for the extra cost.

Co-founder Bruce Stachenfeld said his firm represents the same clients and handles the same work as large New York firms. Meanwhile, firms and recruiters are relentlessly calling his firm's associates, he said.

"We put a lot of effort into our people. It's not only attracting, it's retaining them. So I don't necessarily want to have a salary differential when big law firms call our people," he said. "We have the same client base. If we're doing the same work with the same level of people, then we should be paying the same amount."

But, he said, "I don't like to kid myself. [We] don't have the brand name" of firms such as Skadden, Arps, Slate, Meagher & Flom or Cravath Swaine & Moore. Offering a higher salary than large firms will make "an appropriate statement," he said.

Generally, offering starting salaries above top law firms standards is unusual, said Ward Bower, an Altman Weil consultant, while boutiques that pay top dollar for associates are mostly in litigation or securities.

"For typical mid-market midsize firms, it would be insanity to do that," Bower said. "Unless you're going for top lawyers from top law schools, you can probably hire them for a lot less than $175,000."

"That's a bold statement," Bower said. "That's coming out of partners' pockets."

Still, he said, "it's going to give them access to a talent pool that they otherwise wouldn't get."

Duval & Stachenfeld formed in 1997 with five lawyers, including partners Patrick Duval and Stachenfeld, who met while practicing at Latham & Watkins, and then-associate Terri Adler, now a partner.

Like any real estate firm, it suffered during the recession. But it managed to grow its head count in the last five years, and in 2013 handled more than 200 real estate transactions, such as acquisitions, recapitalizations, restructurings and debt originations, according to the firm.

Last year, Duval & Stachenfeld represented New York-based property investment company NorthStar Realty Finance Corp. in the closing of a $340 million investment in RXR Realty, a large developer and owner.

The firm is responsible for leasing Pier 57, which is in redevelopment, and leasing the 6-million-square-foot Industry City project in Sunset Park, Brooklyn.

Stachenfeld listed Fried, Frank, Harris, Shriver & Jacobson and Greenberg Traurig as some of his firm's chief rivals. "We do seek to compete with every firm in real estate," he said.

Under its previous associate program, Duval & Stachenfeld paid first-years $70,000, and after one year, $100,000. If they entered a third year, their pay would catch up to compensation levels for large firm associates, he said.

Those steps were based on the firm's belief that it could not compete with large firms for law graduates from so-called "tier one" schools and sought highly-skilled graduates from "tier two" law schools instead.

Continued on page 2

New York Law Journal

Midsize Real Estate Firm to Offer Big Law Salaries

Under the old system, the lower associate salary reduced billing rates while bringing in lawyers who are now star junior partners, Stachenfeld said.

But that system is outdated, he said, because the firm is well known and its associates are just as skilled as those at large firms. “As one of the top players in the real estate world, we can compete for the top talent at the top law schools,” he said.

Duval & Stachenfeld will pay all first-year associates $175,000 by summer 2015, he said, while the firm will start recruiting from law schools this summer.

Stachenfeld said the firm likely won’t change how many first-year associates are hired—usually about six each year—and won’t change its $228 hourly billing rates for first-year associates in real estate.

The firm will continue paying $15,000 above large firm salaries for the next two years. By the associate’s fourth year, the salaries will level out to roughly equal those at large firms. Bonuses will be separate and likely comparable to the scale set by Cravath each year, he said.

Stachenfeld said the firm will consider recruiting from New York University School of Law, Columbia Law School, Cornell Law School, Georgetown Law, George Washington University Law, University of Pennsylvania and Harvard Law School, as well as Fordham Law School and other New York City law schools.

Stachenfeld brushed off questions on how the firm could finance an additional $600,000 or more in salaries for a first year class of six associates.

“We’re not passing it on to our clients,” Stachenfeld said, adding the firm has low overhead in other areas.

“Paying more to first years will likely reduce the profitability of the firm, but we think it’s a price well worth paying, [to reduce] the risk of losing our talent,” he said. “We are protecting the talent that we buy and train and put our hearts into.”

“We also hope it enhances our brand and builds the reputation of the firm,” he added.

Stachenfeld said his firm, with 22 equity partners, is as profitable as the bulk of the Am Law 100 but declined to offer details.

In New York, 75 percent of firms with more than 250 lawyers pay $160,000 for first year associates, according to a September 2013 report by NALP. The median starting salary for firms nationwide with 51 to 100 lawyers was $100,000.

Real estate attorneys at all levels are hearing calls from recruiters. With a recent upturn in the New York real estate market, “all of a sudden [real estate practices] are in high demand,” said Sharon Mahn, principal of legal recruiting firm Mahn Consulting.

Duval & Stachenfeld’s salary increases “will help because they can attract star quality real estate attorneys from big firms,” Mahn said. “Overall, that will help their brand. Money talks, especially at the associate level.”