

New Jersey Powerhouse: Cole Schotz

By Joshua Alston

Law360, New York (June 18, 2014, 5:19 PM ET) -- A single strand doesn't look like much, but when it comes to strength under pressure, silk is virtually peerless. It's fitting, then, that silk is tightly woven into the history of Cole Schotz Meisel Forman & Leonard PA, which began more than 80 years ago as an unassuming labor-focused firm in the New Jersey town casually known as "Silk City" and has since grown into one of the state's largest, most formidable law firms.

Law360's list of New Jersey Powerhouses would have been incomplete without Cole Schotz, which boasts 85 attorneys in a vast array of practice areas and handles some of the state's most complex and challenging bankruptcies and real estate transactions.

The firm that would eventually become Cole Schotz was founded in 1928, by a group of Harvard Law School-educated lawyers including David L. Cole, whose father was a silk manufacturer in Paterson, New Jersey's booming textile industry. Cole found his sea legs as an attorney around the time the organized labor movement approached its tipping point, and he focused the firm's energy on labor matters, eventually serving as an adviser to U.S. presidents Harry S. Truman, Dwight D. Eisenhower and Richard M. Nixon as they navigated national labor issues.

With its labor law bona fides proven, the firm started to broaden its focus, but it was in 1982 that the Cole Schotz of today began to coalesce, after Cole Berman & Belsky merged with Shavick Schotz Nadler & Conner. Edward Schotz was a skilled real estate attorney, and when he combined his legal expertise with Cole's, the firm began building momentum — and hasn't stopped since.

Now headquartered in Hackensack, New Jersey, the firm is anchored by its 11-member bankruptcy practice, which recently handled several high-profile cases including for an Atlantic City casino and a New Jersey-based women's apparel chain.

The firm handled the Chapter 11 restructuring of The Atlantic Club Casino Hotel in November 2013, helping the beleaguered casino coordinate an expedited sale while continuing to operate its business as usual. In its voluntary petition for Chapter 11 protection, the casino's previous owner RIH Propco NJ LLC listed both assets and liabilities of less than \$50,000.

Caesars Entertainment Corp. later purchased the property at auction for \$15 million, according to a filing with the U.S. Securities and Exchange Commission, and sold it to Florida-based hotel operator TJM Properties Inc. in May.

In April, Cole Schotz guided plus-sized women's retailer Ashley Stewart Holdings Inc. through its sale, canceling a scheduled Chapter 11 auction and accepting an \$18 million stalking horse bid from a unit of private equity firm Clearlake Capital Group LP. The Secaucus, New Jersey-based chain had entered court protection in March without a buyer in place, but subsequently lined up Clearlake vehicle Butterfly Acquisition Co. Inc. to serve as an \$18 million stalking horse.

The accepted offer provided Ashley Stewart \$18 million in cash plus the assumption of certain liabilities, with the final sale price subject to adjustment based on the value of inventory, accounts receivables and store-level cash, according to court documents. Butterfly acquired Ashley Stewart as a going concern but streamlined it during the Chapter 11 restructuring.

According to Glenn Kazlow, a 30-year Cole Schotz veteran and a member of its executive board, the bankruptcy practice is able to obtain positive results for clients because its attorneys are as adept at advising clients as they are equipped for a courtroom battle should the situation demand it. The litigation chops gives Cole Schotz an advantage over other Jersey firms, Kazlow said.

"Our bankruptcy guys are not only counselors on restructuring, they're also trial lawyers," Kazlow said. "Not a lot of firms can tout that, and that becomes a big deal in these contested Chapter 11 cases and adversary proceedings. Our lawyers are roll-up-the-sleeves lawyers. They are not just sitting around creating strategies. They are out in the trenches, trying cases and putting on witnesses in contested hearings."

But while Kazlow describes Cole Schotz's New Jersey group as the state's "premiere bankruptcy practice," the firm also boasts a strong real estate practice, which boasts 15 attorneys and handles leases, acquisitions, financing and other real estate transactions for retail giants such as Vitamin Shoppe Industries Inc., Home Depot USA Inc., Toys R Us Inc. and Bed Bath & Beyond Inc.

The firm has also played a key role in shaping New Jersey's Hudson Waterfront, a stretch of the Hudson River's western shore that's known as the state's "Gold Coast" and is widely coveted by developers because of its panoramic views of the Manhattan skyline. In April, the firm represented the seller of Jersey City's 350 Warren St., a 500,000-square-foot historical building that sold for \$38 million to a developer that's planning a 377-unit residential building with space for retail and art galleries.

Among the secrets to Cole Schotz's success in real estate law is its deep bench in environmental law. With eight attorneys, the firm's environmental practice is one of the largest in New Jersey. Given that the state has more than 100 federal Superfund sites and the Passaic River is widely considered one of the country's most polluted rivers, New Jersey legislators and regulators seldom lose site of environmental issues, and Cole Schotz has a full complement of attorneys in place to advise on the issues affecting the firm's real estate clients.

Co-managing shareholder Samuel Weiner says the environmental practice is key to making Cole Schotz truly function as a full-service firm.

"Especially in a state like New Jersey, where there's so much environmental legislation, it's an absolute necessity for us," Weiner said. "To conduct our real estate practice and our business practice, almost every transaction requires environmental expertise. We don't like to go outside for that kind of advice if we can avoid it."

Cole Schotz hasn't lost sight of its roots in labor disputes, and its litigation department — the firm's

largest practice group with 20 attorneys in Hackensack — handles high-stakes employment suits, including its recent representation of Marcal Paper Mills Inc. and its former owner Highland Capital Management LP, which were sued by Marcal's former CEO.

Former CEO Tim Spring claimed that even though he performed his duties in an exemplary manner — earning awards, helping to generate millions of dollars in profits for the company and initiating several cost reduction programs — he was terminated without cause, with the company providing no good reason or advance notice. In a breach of contract claim, Spring said the companies had failed to make payments including corporate equity, severance compensation, continuing family health benefits, supplemental compensation due from 2009, prorated supplemental compensation for 2010, and salary continuation.

After two years of litigation, Cole Schotz obtained dismissals for all the claims against Highland and all but one of the claims against Marcal.

While Cole Schotz has spread out nationally, with offices in New York City; Baltimore; and Wilmington, Delaware, and a recently opened branch in Fort Worth, Texas, the firm isn't done deepening its New Jersey footprint. Kazlow says the firm is considering more New Jersey offices but will approach that decision in the same deliberate, measured manner it has always used.

"We only expand when we find the right people," Kazlow said. "We're really not into expanding just for the sake of expanding and rolling our dice with the people. We aren't just looking for numbers; it's always strategic based on their talent and sharing our values. We zealously protect what we have, so we don't let just anyone under the tent."

The caution is warranted, given that reputation is everything in the legal world.

"We're well-known by the courts, and that gives us a leg up because when we stand before a judge, we announce our name and the firm that we're with, and it's instant credibility," Kazlow said. "You can see the judges are taking us seriously. We take pride in the papers we submit to the court, and they know that we're fair, well-reasoned, and while they may not always agree with us, they know our work product can be relied on."

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