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Chaos to Order

Lawyers at bankruptcy firm Nuti Hart each specialize to complement their partners' work.

By Malcolm MacLachlan
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OAKLAND — Few law firms can claim a bomb scare as part of their origin story. But that's how Greg C. Nuti and Chris H. Hart rekindled a partnership that eventually led to the founding of Nuti Hart LLP.

They worked together at a large firm in the 1990s before Nuti left to join a boutique. On Sept. 12, 2001, amidst the fear following the terrorist attacks the previous day, someone called in a fake bomb threat that evacuated the San Francisco high-rise where Hart still worked.

"I walked over to Greg's office to work that afternoon, and I'm not sure I ever went back to my old firm," Hart said.

It was an apt beginning, given bankruptcy law exists at the dividing line between order and chaos — both the chaos that can be uncovered when opening the books of a seemingly healthy business and the order that can be coaxed out a messy restructuring.

"Do not judge a book by its cover," Nuti said. "Until you open the pages and see what is actually in there, you have no idea. That goes with business and people's personal finances and anything else."

Nuti calls bankruptcy a "black hole," where the normal laws of physics sometimes don't apply. Hart described winning \$10 million plus punitive damages for a client, a car dealership stiffed by a manufacturer, only to watch a bankruptcy judge snatch away the entire amount months later.

The two principals and their senior attorneys, Kevin W. Coleman and Kim S. Fineman, have worked together in various combinations since the 1990s. In that time, they've seen several of the cycles that define the industry.

Coleman first met Nuti while doing rounds of interviews after he had "the crazy idea to become a bankruptcy attorney in 1995 in San Francisco." The technology boom was well underway, and it seemed to some like the good times would continue forever.

Of course, by 1999 many of those same



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From left, Greg C. Nuti, Chris H. Hart, Kevin W. Coleman and Kim S. Fineman of Nuti Hart LLP

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— Bradley D. Sharp

"dot-bombs" were failing. Fineman said she worked with one company that ended up shutting its doors days before it began a huge advertising campaign on CNN and MTV; the ads had already been paid for. Then there was the time she had to liquidate assets, including a VW microbus with the interior covered in shag carpet, used in a failed promotional campaign.

"And every single one of them had a foosball table," Coleman added.

Most of those cases were relatively simple. Companies would blow through a round or two of investor money then realize they didn't have a viable product or that some competitor beat them to the punch.

More complex was the less-noticed telecom crash that happened about the same time. The 1996 Telecommunications Act was designed

to open up the industry to innovation and new players.

But many different companies ended up financially leveraged and linked together by "messy contracts," Fineman said. Unlike the Bay Area-centered dot-com crash, this one was national. Fineman said she regularly traveled to other states, including Alabama, Ohio and Texas.

In 2007, Nuti, Hart and Coleman signed on to become part of the West Coast operations of Philadelphia-based firm Schnader Harrison Segal & Lewis LLP. A variety of factors, including the desire for more flexibility and the ability to work with smaller clients, inspired them to set out on their own in 2016. Fineman came aboard the next year.

While they overlap, each also has a specialty: Nuti in commercial law, Hart as the

litigator, and Coleman in general bankruptcy law. Fineman brought experience with contracts and other skills.

"Kim is an extremely quick study, and she's a really good writer," said Randy E. Michelson, a bankruptcy lawyer and mediator. "She has a nice touch at negotiation and analysis.

A big part of writing in bankruptcy law is "telling a good story," said Jennifer C. Hayes, principal at Finestone Hayes LLP. She often hired Fineman on a contract basis to write briefs in the period right before she joined Nuti Hart.

"She's masterful at setting forth the complex facts," Hayes said. "I was sad when she went there full-time."

"The biggest advantage they have now is that they've got that level of experience without the overhead that comes with a larger shop," said Bradley D. Sharp, a bankruptcy trustee and CEO of Development Specialists Inc. "That's very attractive to trustees."

Despite having just four attorneys, Nuti Hart now represents 16 public entities, including Butte County and the city of Paradise, in

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the Pacific Gas & Electric Co. bankruptcy.

"That's how bankruptcy works," said Jamie P. Dreher, a partner with Downey Brand LLP. "The boutique firms can handle the big cases if they have the background."

Nuti said many bankruptcies fit into one of several types, from the "flawed business models" of many dot-coms to previously successful business that got distracted with side projects or failed to anticipate changing market conditions. Among the bankruptcies of the 2008 financial crash were an entire wave of assisted living facilities that found themselves holding highly leveraged property.

But in 2009, Sharp and Dreher worked with the lawyers who would later form Nuti Hart on yet another kind of bankruptcy: an otherwise sound business almost brought down by criminal activity. SK Foods LP of Lemoore

was a major tomato processor founded in the early 1990s. CEO Scott Sayler was arrested for price fixing, bribes, product mislabeling and other crimes designed to squeeze more profits. He served three years in prison.

"He was an example of a guy who was born wealthy and was going to die wealthy and all he had to do between those two events was stay in his lane," Hart said.

The latest trend is a wave of retail bankruptcies among brick-and-mortar stores. Hart said Nuti Hart was hired on their very first day in business by a shoe store in Union Square that had seen their monthly rent balloon.

And yes, Hart added, after 20-plus years of seeing what can go wrong, people often ask them for investment advice.

"I say, 'No restaurants and no bars — and stay out of the winemaking business.'"