INTAKE BINDER

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF NEW YORK

In re:

MIDTOWN ROCHESTER LLC,

Debtors.

CASE NO. 00-21486

DECISION & ORDER

BLACKACRE BRIDGE CAPITAL LLC,

Plaintiffs,

v.

AP #00-2145

MIDTOWN ROCHESTER LLC,

Defendants.

BACKGROUND

Those who will read this Decision & Order, the litigants, Midtown Rochester, LLC, (the "Debtor") and Blackacre Bridge Capital LLC ("Blackacre"), as well as the "Rochester Community," are very familiar with the history and current controversies surrounding Midtown Plaza, a one million square foot mixed use office and retail complex operated by the Debtor.

Midtown Plaza was built in the early 1960's and was the first indoor urban shopping mall in the United States. As a high school student working one summer at an upscale men's clothing store located on Main Street near the Plaza, I can remember spending many

lunch hours walking through the Plaza and observing tours of city planners from all over the world who were awed by what they saw.[1]

When Downtown Rochester was a vibrant retail and business center, Midtown Plaza, which is at the center of the business district, was its shining star. It remains a household word in the Rochester Community, forever in the memories and psyche of longtime Rochestarians.[2]

Today: (1) the principal Downtown retailers of the past that were located in or near Midtown Plaza (Sibley's, B. Forman, McCurdy's, Edward's, McFarlins and The National) are no longer in business; (2) as in other parts of the Northeast, many residents, law firms, accounting firms, insurance agencies, investment houses and retailers have left the central business district and relocated to the suburbs; and (3) although the City of Rochester seems to be doing everything that it can to "revitalize" Downtown, including its enthusiastic efforts to develop High Falls and that portion of the Genesee River near historic Corn Hill, it just has not happened yet.

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[1] Ironically, I was the Bankruptcy Attorney for McFarlins when it was liquidated in a Chapter 11 case in the 1980's.

[2] The New York City and Los Angeles attorneys for the litigants have expressed a certain amazement at the extent of the publicity that Midtown Plaza receives.

In November 1997, the Debtor acquired Midtown Plaza from the McCurdy family for $27,300,000.00. As part of the acquisition: (1) the Debtor obtained various loans from Blackacre that were secured by mortgages on the Plaza (the "Blackacre Mortgages"); (2) Blackacre obtained a guaranty (the "Guaranty") of the Debtor's obligations from its principal, Peter J. Arnold ("Arnold"); and (3) Blackacre obtained an option (the "Option") from 165 Madison Avenue, L.P., an entity also controlled by Arnold, ("165 Madison"), which owns and operates an office building in Memphis, Tennessee.[3]

Since the Debtor acquired Midtown Plaza: (1) Arnold and the Plaza have received a fair amount of negative publicity; (2) the McCurdy Building at the Plaza has been identified as a possible site for a performing arts center; (3) substantial disputes have arisen between the Debtor and Blackacre; (4) Blackacre started proceedings in New York State Supreme Court to foreclose on some of the Blackacre Mortgages (the "Foreclosure Proceeding"); and (5) the Debtor, 165 Madison, Arnold and several other entities controlled by Arnold have filed Chapter 11 cases.[4]

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[3] The nature and extent of the interest that Blackacre may have in the property owned by 165 Madison because of the Option is currently being litigated. Arnold and 165 Madison have alleged that the Option results at most in a $2,000,000.00 lien on the property.

[4] At this time, the Chapter 11 cases of Arnold and 165 Madison are pending before the United States Bankruptcy Court for the Central District of California, while the Debtor's Chapter 11 case is pending before this Court.

The parties have agreed that this Court's determination of the market value of Midtown Plaza is critical to: (1) a final determination of Blackacre's pending motion to have the automatic stay provided for by the Bankruptcy Code terminated, so that it can continue the Foreclosure Proceeding; (2) whether the Debtor will be able to successfully reorganize in Chapter 11; (3) the form that the Chapter 11 reorganization plans of the Debtor, 165 Madison and Arnold will take, since the determination will fix the deficiency, if any, owed to Blackacre on the Guaranty and the Option, to the extent that the Option is determined to be only a lien on the property owned by 165 Madison.

The parties and their appraisers have agreed that the Court is to determine the market value of Midtown Plaza by using the definition of market value (the "Market Value") contained in the Uniform Standards of Professional Appraisal Practice, which is as follows:

> The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
> 1. Buyer and seller are typically motivated;

> 2. Both parties are well informed or well advised, and acting in what they consider their best interests;
> 3. A reasonable time is allowed for exposure in the open market;
> 4. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
> 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

It is important to understand that the Market Value as determined by this Court is a theoretical one based upon the expert opinions of appraisers. It is not necessarily the actual value that Midtown Plaza might sell for if it were auctioned off by the Debtor, sold at a foreclosure sale, or otherwise disposed of by the Debtor under time pressure or other pressures to sell. It takes into account all of the problems that exist at the Plaza, but it assumes a theoretical seller without financial problems or other pressures to sell.

Prior to a three-day hearing conducted by the Court (the "Valuation Hearing"), the parties submitted written appraisal reports.[5] The Debtor obtained an appraisal prepared by Eric B.

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[5] An appraised value represents the expert's opinion of the value of the property in question, recognizing that the appraised value is within a range of possible reasonable values for the property. Appraisers are often heard to say that arriving at an appraised value of income-producing real property is part science and part art. Only an arm's length sale establishes the actual value of the property.

Lewis ("Lewis") of Cushman & Wakefield, Inc. (the "C&W Appraisal"), which: (1) concluded that the highest and best use of the Plaza was the continued operation of the existing commercial office and retail complex with the exception of the B. Forman Building which should be demolished and the site used for on-site parking; and (2) determined the Market Value of the Plaza to be $23,900,000.00 under the Direct Capitalization Method by utilizing: (a) first-year net operating income of $3,285,336.00; (b) an eleven percent (11%) overall capitalization rate; and (c) a deduction of $6,000,000.00 for required capital expenditures. Blackacre obtained an appraisal prepared by Peter F. Korpacz ("Korpacz") and Mark I. Roth of PricewaterhouseCoopers LLP (the "PWC Appraisal"), which: (1) concluded that the highest and best use of the Plaza was the continued operation of the existing complex, with near term renovation, with the exception of: (a) the McCurdy Building which should be donated to the City of Rochester for demolition and redevelopment as a performing arts center; and (b) the B. Forman Building which should be demolished and the site offered to a suitable mini-anchor tenant; and (2) determined the Market Value of the Plaza to be $8,700,000.00 under the Direct Capitalization Method by utilizing: (a) first-year net operating income of $3,269,703.00; (b) a fourteen percent (14%) overall capitalization

rate; and (c) a deduction of $14,656,343.00 for required capital expenditures.[6]

At the Valuation Hearing, it was agreed that the Court would make its determination of Market Value by utilizing the Direct Capitalization Method and the following formula (the "Formula"):

PROJECTED FIRST-YEAR NET OPERATING INCOME	$_____
DIVIDED BY AN OVERALL CAPITALIZATION RATE OF	_____%
MINUS REQUIRED CAPITAL EXPENDITURES	($_____)
EQUALS	VALUATION CONCLUSION

Much of the testimony at the Valuation Hearing centered upon three key differences between the C&W and the PWC Appraisals and the expert opinions of Lewis and Korpacz as to the Market Value of Midtown Plaza. These are: (1) the highest and best use of the property, essentially whether a prospective buyer would continue to operate the McCurdy Building or donate it to the City of Rochester; (2) the overall capitalization rate a prospective buyer would be justified in utilizing under the Direct Capitalization Method; and

[6] The C&W and PWC Appraisals and the expert opinions of Lewis and Korpacz, whom both parties have acknowledged are experts, appear to establish the range of possible reasonable appraised Market Values for Midtown Plaza.

(3) what capital improvements a prospective buyer would require a credit for in connection with a purchase of the Plaza.

Regarding the issue of highest and best use, whether the McCurdy Building would be retained and operated by a prospective buyer for at least the remaining five years of a current lease with Chase Manhattan Bank (the "Chase Lease") could affect the Market Value of the Plaza when utilizing the Direct Capitalization Method because it might: (1) directly impact on the first-year projected net operating income; and (2) influence the choice of an overall capitalization rate because it could affect a prospective buyer's predictions regarding: (a) growth in projected net operating income; and (b) leasing risk considerations over the assumed ownership period (the "Holding Period"), which are the two factors considered when determining an overall capitalization rate.

Regarding the issue of the choice of an overall capitalization rate, during the Valuation Hearing it was established that: (1) Lewis and Korpacz agreed on the leasing risk considerations presented at Midtown Plaza over the Holding Period; and (2) the choice of an overall capitalization rate really came down to how optimistic or pessimistic each expert felt a buyer would be when predicting the prospects for growth in net operating income over the Holding Period. In simple terms, the more optimistic a prospective buyer and seller are about potential growth in income

and the realization of any upside in the investment, the lower will be their choice of an overall capitalization rate, and, under the Formula, this will result in a higher market value for the property. If they are more pessimistic, the overall capitalization rate used will be higher and the resulting value will be lower.

The most substantial disagreement between Lewis and Korpacz during the Valuation Hearing was their expert opinion as to what credits against the purchase price a prospective buyer of Midtown Plaza would demand for the capital improvements the buyer believed would be necessary to make owning and operating the Plaza a viable investment over the Holding Period.

DISCUSSION

I. SUMMARY OF DECISION

I find the Market Value of Midtown Plaza, utilizing the Direct Capitalization Method, to be $14,946,429.00, computed as follows:

PROJECTED FIRST-YEAR NET OPERATING INCOME	$3,269,754.00
DIVIDED BY AN OVERALL CAPITALIZATION RATE OF	13.1% = $24,959,954.00
MINUS REQUIRED CAPITAL EXPENDITURES	($10,013,525.00)
EQUALS	$14,946,429.00

II. HIGHEST AND BEST USE - THE MCCURDY BUILDING

The McCurdy Building has been identified as a possible site for a performing arts center, and by some accounts, it is the most desired potential site. However: (1) whether the McCurdy Building will ultimately be chosen as the site; (2) whether and when public and private funding could be secured to make the performing arts center a reality; and (3) when an actual transfer of the property would be required if the McCurdy Building were chosen and the funding obtained, are all speculative. Therefore, I believe that, provided the continued operation of the McCurdy Building would result in a positive cash flow,[7] a prospective buyer would continue to operate the McCurdy Building through the earlier of: (1) the remaining term of the Chase Lease; or (2) a transfer to the City of Rochester for a performing arts center which had become a reality, after a favorable termination of the Chase Lease was negotiated, if the transfer were required before the expiration of the Lease.

For purposes of the determination of the first-year projected net operating income under the Formula, whether the McCurdy Building is retained and operated or donated to the City of

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[7] It was the testimony of Lewis at the Valuation Hearing and in his post-Valuation Hearing affidavit (the "Lewis Affidavit") that there will be a positive cash flow from the operation of the McCurdy Building with the Chase Lease in place if the Peebles Department Store and WBBF Radio Station are relocated there from the B. Forman Building.

Rochester appears to be of minimal significance because the difference between the first-year net operating income as determined by Lewis in the Lewis Affidavit ($3,269,754.00) and by Korpacz in the PWC Appraisal ($3,269,703.00) is only $51.00. Because I believe that a prospective buyer would initially retain and operate the McCurdy Building, I have used the first-year net operating income projected by Lewis in determining Market Value.

III. OVERALL CAPITALIZATION RATE

I agree with Lewis that: (1) a prospective buyer of Midtown Plaza will not be an institutional buyer looking for a stable property with a predictable rent stream resulting in a reasonable rate of return on its investment, but will be a local or regional entrepreneurial real estate developer looking for an upside that can be realized through a combination of increased undermarket rental rates and the lease up of a significant portion of the Plaza's substantial vacancy; and (2) if the central business district is revitalized, Midtown Plaza is perfectly positioned to profit from it, because: (a) it is at the geographical center of the central business district; (b) it is at the center of the Skyway System that connects various key buildings located throughout the central business district; (c) it has significant name recognition and a once positive history for many Rochestarians; and (d) it has substantial vacancy.

However, as proud as I am to be a lifelong Rochestarian, and as much as I believe that the Rochester Metropolitan Area is one of the finest places in the United States to reside, as the trier of fact in this proceeding, I share much of the pessimism expressed by Korpacz for the short term economic revitalization of Downtown Rochester. In light of: (1) the announced departure from Midtown Plaza of the area's third largest law firm, Harter, Secrest & Emery, LLP ("Harter Secrest"), in the summer of 2001; (2) the less than positive news that the Rochester Community continues to receive about Eastman Kodak Company, Xerox Corporation and Bausch & Lomb, and its actual and potential impact upon employment in the Rochester Community; (3) the negative publicity that Midtown Plaza has had, which is not limited to the existence of these bankruptcy proceedings or the Debtor's disputes with Blackacre; (4) the announced departure of Harris, Beach & Wilcox LLP ("Harris Beach"), the area's second largest law firm, from the central business district to the suburbs; (5) the announced departure of Rotenberg & Co., LLP ("Rotenberg"), the area's sixth largest accounting firm, from the central business district to the suburbs; and (6) the perception that the revitalization of Downtown Rochester continues to be a long-term project, I believe that at this time a prospective buyer of Midtown Plaza would see the realization of any upside at the Plaza to also be a long-term project. Therefore, I

do not believe that such a prospective buyer would feel that it should or would have to pay significantly for any potential upside at this time. As a result, the prospective buyer would choose an overall capitalization during the negotiation of a final purchase price that would reflect a realistic pessimism that any significant increase in net operating income could be achieved over the Holding Period.

Korpacz, in a post-Valuation Hearing affidavit requested by the Court (the "Korpacz Affidavit"), attempted to "incrementalize" the difference between his choice of a fourteen percent (14%) overall capitalization rate and the choice by Lewis of an eleven percent (11%) rate, by tying it into their respective predictions of any increase in net operating income at Midtown Plaza over the Holding Period, with Korpacz predicting a two percent (2%) increase and Lewis predicting somewhere between a six and one half percent (6½%) and a seven percent (7%) increase.

That incrementalization model, which the Court agrees with, would result in a correlation between a projected rate of growth in net operating income and the choice of an overall capitalization rate which can be illustrated as follows:

Projected Percentage Increase in Net Operating Income	Overall Capitalization Rate
2.0	14.0
2.5	13.7
3.0	13.4
3.5	13.1
4.0	12.8
4.5	12.5
5.0	12.2
5.5	11.9
6.0	11.6
6.5	11.3
7.0	11.0

After: (1) reviewing the C&W and PWC Appraisals, including the information regarding projected growth rates in net operating income; (2) listening to the testimony of Lewis and Korpacz at the Valuation Hearing and evaluating their credibility; and (3) reviewing the post-Valuation Hearing submissions of the Debtor and Blackacre, I believe that a prospective buyer of Midtown Plaza would reasonably and realistically project an increase in net operating income over the Holding Period of no more than 3.5 percent. In making such a projection, I believe a prospective buyer would have given serious consideration to the following

factors: (1) returning Midtown Plaza to "pre-Arnold levels," as suggested by Mr. Lewis, will not be easy and will not be accomplished simply by removing Arnold from ownership and making a "statement" by completing some important and appropriate capital improvements; (2) the economy of the City of Rochester and much of the Northeast is at best stagnant; (3) the historical absorption rate for vacant space in Downtown Rochester indicates that, with: (a) the departure from Midtown Plaza of Harter Secrest and the resulting vacancy of approximately 67,000 square feet of space and loss of in excess of $1,000,000.00 of annual revenue; (b) the additional vacant office space that will become available in the central business district as a result of the relocation of Harris Beach and Rotenberg; and (c) the existing office and retail space vacancies in the central business district, a lease up of the Harter Secrest vacant space and some of the additional vacant space at the Plaza within the Holding Period is not probable; and (4) there is continued construction of new Class A office and retail space in the suburbs. As a result, in any analytical negotiations between a prospective buyer and the Debtor for the purchase of Midtown Plaza, any optimism about increased net operating income that the seller might have would not be easy to support.

Utilizing the Korpacz incrementalization model previously set forth, a 3.5 percent increase in projected net operating income

over the Holding Period results in a 13.1 percent overall capitalization rate.

IV. REQUIRED CAPITAL EXPENDITURES

The Debtor, Blackacre, Lewis and Korpacz have all agreed that substantial capital improvements are required at Midtown Plaza, and that a prospective buyer when negotiating a final purchase price for the Plaza utilizing the Direct Capitalization Method would require a credit against the purchase price for the capital improvements that it felt were necessary to make the Plaza a viable investment.

At the Valuation Hearing: (1) Lewis testified that, when he prepared the C&W Appraisal, he did not separately analyze and evaluate whether a prospective buyer would require a credit for a list of proposed capital improvements prepared by the Debtor, but accepted the Debtor's suggested improvements that would cost $6,000,000.00; and (2) the cost of the Debtor's suggested capital improvements, when broken down and detailed, increased to $7,945,646.00.

In Appendix A to its post-Valuation Hearing submission, Blackacre summarized what it believed were all of the potential capital improvements that a prospective buyer of Midtown Plaza might require a credit for in connection with the negotiation of a final purchase price by combining what it believed were the non-

overlapping improvements suggested by the parties. Appendix A sets forth potential capital improvements of $18,276,810.00.[8]

At the Valuation Hearing, the Debtor produced Exhibit 9A, entitled "Comparative Expenditure Recommendations [By Subcategory]," which sets forth all of the potential capital improvements suggested by the Debtor or Blackacre.[9]

The Debtor has asserted that a prospective buyer, in analyzing the capital improvements that would be required and could be justified as part of the negotiation process, would have to perform a cost-benefit analysis to determine which of the proposed capital improvements would reasonably be required in order to attract or maintain tenants.

I agree with the Debtor that a prospective buyer would perform a cost-benefit analysis because even if the buyer were able to negotiate a credit against the purchase price for a particular capital improvement, in order to complete the improvement the buyer would still be required to pay for the improvement or for the costs associated with financing it.

I also believe that, given the current actual and perceived status of the physical condition of Midtown Plaza, in performing

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[8] See Attachment 1.

[9] See Attachment 2.

any cost-benefit analysis, a prospective buyer would be looking to make a number of capital improvements as soon as reasonably possible in order to make a positive "statement" at the project. Therefore, during the negotiations for a final purchase price, the prospective buyer would assert that more capital improvements should be made than the current owner of the property might believe are required in order to continue to operate and lease up the Plaza. Once again, I believe that a prospective buyer would be in a strong negotiating position because of the actual and perceived physical condition of Midtown Plaza at this time.

After: (1) reviewing the C&W and PWC Appraisals; (2) listening to the testimony at the Valuation Hearing of Lewis, Korpacz, Eric Koch, the Leasing Manager for the Debtor, and the engineering experts that testified on behalf of the Debtor and Blackacre and evaluating their credibility; and (3) reviewing the post-Valuation Hearing submissions of the Debtor and Blackacre, I believe that a prospective buyer of Midtown Plaza would reasonably and realistically require a credit for the following capital improvements in arriving at a final acceptable purchase price for Midtown Plaza:

I. As suggested by the Debtor:

A.	Demolition of the B. Forman Building	$ 1,200,000.00
B.	Electric (Infrascan of Existing Wiring)	6,000.00
C.	Elevators	480,000.00
D.	Enhancements:	
	i. Plaza	
	a. Sibley Skybridge Arcade	300,000.00
	b. Install New Directories/Signage	75,000.00
	ii. Tower	
	a. New Mall Level Lobby	400,000.00
E.	Facade	640,450.00
F.	Grounds (Exterior Paving)	1,500.00
G.	HVAC	2,891,350.00
H.	Life Safety	30,575.00
I.	Restrooms	150,000.00
J.	Roof (less reroofing B. Forman Building)	646,000.00
K.	Vacant Space (McCurdy)	678,750.00
L.	Water	75,000.00
	Debtor Total	$ 7,574,625.00

II. As suggested by Blackacre:

A.	Enhancements:	
	i. Plaza	
	a. Reflooring	$ 1,888,000.00
	b. Ceiling & Lighting Upgrades	550,900.00
	Blackacre Total	$ 2,438,900.00

Total Capital Improvements[10]	**$10,013,525.00**

[10] I have attempted to deduct from the cost of capital improvements suggested by the Debtor certain improvements which would appear to be unnecessary if the included Blackacre Enhancements are completed.

I do not believe that it is necessary for me to go into great detail as to why I have agreed that a prospective buyer would require a credit against the purchase price for all of the capital improvements that were suggested by the Debtor. At the Valuation Hearing, Blackacre and Korpacz agreed that a prospective buyer would require a credit for the Debtor's suggested capital improvements. Therefore, there is no dispute about those improvements.

I will, however, briefly discuss three of the proposed capital improvements that I believe a prospective buyer of Midtown Plaza would: (1) require a credit for in connection with the purchase; and (2) actually complete when it acquired the project. These improvements, which the parties and their experts vigorously disagree about, are: (1) replacement of the flooring, ceiling and ceiling lighting at the Midtown Plaza Mall; (2) recladding of the Tower with a glass and steel curtain wall; and (3) replacement of certain roofs.

The common areas of the Midtown Plaza Mall are old, worn and outdated, the flooring is a patchwork of repaired, outdated tile, and the existing ceilings and lighting add to its old, worn and outdated appearance. Expensive as it may seem,[11] I believe that

[11] Neither the parties nor their experts disagree that the actual costs proposed by Korpacz, as estimated by Merrit-Harris,

part of the "statement" that a prospective buyer would feel that it needed to make in order to move the project forward and make its investment a viable one, would be to replace the flooring, ceilings and ceiling lighting at the Plaza Mall. This would bring it current and make it the kind of mall that its users, Rochestarians, Convention Center visitors and other visitors, expect of a shopping mall. Eric Koch's notion that a prospective buyer would want to preserve the historical appearance of the Mall, in the absence of some "old town" or historical district theme within the City of Rochester, is simply not credible.

There is no question that the exterior appearance of the Tower is problematic. However, the experts did not provide the Court with many options for the improvement of the external appearance of the Tower. It appears that the options are either: (1) the continuing repair and replacement of spalling bricks; or (2) erecting a steel and glass curtain wall that would cost in excess of $5,000,000.00.[12] Since I do not believe that any prospective buyer of Midtown Plaza would expend in excess of $5,000,000.00 to complete such a recladding, I have not included this Korpacz

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are unreasonable.

[12] I cannot conclude from the evidence presented that recladding the Tower with EIFS, a multi-layered material which has as its principal component what most would describe as Styrofoam, is a reasonable option that a prospective buyer would pursue.

proposed capital improvement. Perhaps in some other city recladding with a steel and glass curtain wall would be an appropriate and economically viable option, but I do not believe that it is in this market.

Korpacz included the reroofing of portions of Midtown Plaza in his list of potential capital improvements because: (1) even though the roofs are not leaking or otherwise exhibiting problems that would require reroofing, the warranties for those roofs will expire in the early years of the Holding Period; and (2) if a buyer were going to replace the ceilings and lighting at the Midtown Plaza Mall, reroofing would be highly recommended, since: (a) any leaks could damage the upgrades; and (b) these improvements are traditionally done together. Once again, in part because of the other credits a buyer would be looking for, I do not believe that any prospective buyer would be justified in the negotiations for a final purchase price of Midtown Plaza in requesting a credit for the replacement of roofs that are not exhibiting any problems simply because the warranty period has expired or it is often done when completing ceiling and lighting upgrades. Furthermore, I do not believe that any prospective buyer, once it acquired Midtown Plaza, would in fact expend funds to replace those roofs for those reasons.

CONCLUSION

The Court finds that the Market Value of Midtown Plaza is $14,946,429.00.[13]

IT IS SO ORDERED.

/S/

HON. JOHN C. NINFO, II
CHIEF U.S. BANKRUPTCY JUDGE

Dated: November 27, 2000

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[13] I have determined the Market Value of Midtown Plaza, as I must in order to maintain the integrity of the Federal Court System and this Bankruptcy Court, without regard to the consequences of the determination to the parties or the Rochester Community.

ATTACHMENT 1

APPENDIX A

Total Menu of Capital Expenditures
(List of Unique Items and Highest Value Category Items)

Capital Expenditures	Amount	Source
PwC Ceiling & Lighting	$ 550,900.00	(Blackacre Exhibit 5; Tr. 103)
PwC Façade	$ 5,918,720.00	(Blackacre Exhibit 5; Tr. 114)
Debtor Demolition & Remediation	$ 1,200,000.00	(Blackacre Exhibit 7 & Debtor Exhibit 9)
PwC Floors	$ 1,888,000.00	(Blackacre Exhibit 5; Tr. 98)
Debtor HVAC	$ 2,891,350.00	(Debtor Exhibit 9)
PwC Restrooms	$ 537,700.00	(Blackacre Exhibit 5; Tr. 112)
PwC Roofing	$ 1,006,085.00	(Blackacre Exhibit 5)
PwC Elevators	$ 1,695,000.00	(Blackacre Exhibit 5; Tr. 106)
PwC Various	$ 371,470.00	(Blackacre Exhibit 5)
Debtor New Sibley Arcade	$ 300,000.00	(Blackacre Exhibit 7)
Debtor New Tower Level Lobby	$ 400,000.00	(Blackacre Exhibit 7)
Debtor Various	$ 838,835.00	(Blackacre Exhibit 7)
Debtor Tenant Relocation	$ 678,750.00	(Blackacre Exhibit 7)
Total	$ 18,276,810.00	

ATTACHMENT 2

EXHIBIT
MT 9A
8-30-00

Comparative Expenditure Recommendations (By Sub-Category)

Building	Project	Merrit-Harris	PWC	Midtown Roch	Comments
Contingency					
Site	Contingencies for Common Area Improvements	$0.00	$0.00	$89,000.00	
Site	Additional Unspecified Contingencies	$0.00	$0.00	$10,425.00	
Site	Contingency for Immediate Maintenance Items	$0.00	$0.00	$88,386.00	
Contingency (3 detail records)		**$0.00**	**$0.00**	**$187,811.00**	
Demolition					
B.Forman	Demolition	$0.00	$550,000.00	$670,000.00	
B.Forman	ACM	$0.00	$321,828.00	$0.00	
B.Forman	Build new wall on Mall	$0.00	$0.00	$430,000.00	
B.Forman	Pave and stripe vacant site for parking	$0.00	$0.00	$100,000.00	
Demolition (4 detail records)		**$0.00**	**$871,828.00**	**$1,200,000.00**	
Electric					
B.Forman	Electric - New Service to Floors 3/4	$312,620.00	$0.00	$0.00	
Site	Infrascan of Existing Wiring	$0.00	$0.00	$6,000.00	
Electric (2 detail records)		**$312,620.00**	**$0.00**	**$6,000.00**	
Elevators					
B.Forman	Elevators - Mechanical Upgrades (3 Elevators)	$300,000.00	$0.00	$0.00	
B.Forman	Elevators - Cab Finish (1 Freight)	$10,000.00	$0.00	$0.00	
B.Forman	Elevators - Cab Finish (3 Store Elevators)	$45,000.00	$0.00	$0.00	
B.Forman	Elevators - Mechancial (1 Freight)	$40,000.00	$0.00	$0.00	
Euclid	Elevators - Cab Finish (2 Elevators)	$30,000.00	$30,000.00	$0.00	
Euclid	Elevators - Mechanical Upgrades (2 Elevators)	$200,000.00	$200,000.00	$25,000.00	
McCurdy	Elevators - Cab Finish (6 Elevators)	$90,000.00	$0.00	$0.00	
McCurdy	Elevators - Cab Finish (3 Freight)	$30,000.00	$0.00	$0.00	

Building	Project	Merrit-Harris	PWC	Midtown Roch	Comments
McCurdy	Elevators - Mechanical Upgrades (6 Elevators)	$720,000.00	$0.00	$45,000.00	
McCurdy	Elevators - Mechancial (3 Freight)	$210,000.00	$0.00	$10,000.00	
Plaza	Elevators - Cab Finish (2 Freight)	$20,000.00	$0.00	$0.00	
Plaza	Elevators - Mechancial (2 Freight)	$100,000.00	$0.00	$0.00	
Seneca	Elevators - Cab Finish (1 Freight)	$10,000.00	$0.00	$0.00	
Seneca	Elevators - Cab Finish (4 Elevators)	$60,000.00	$60,000.00	$0.00	
Seneca	Elevators - Mechanical Upgrades (4 Elevators)	$460,000.00	$460,000.00	$30,000.00	
Seneca	Elevators - Mechanical Upgrades (1 Frieght)	$75,000.00	$0.00	$10,000.00	
Tower	Elevators - Mechancial (1 Freight)	$120,000.00	$0.00	$20,000.00	
Tower	Elevators - Mechanical Upgrades (7 Elevators	$840,000.00	$840,000.00	$140,000.00	
Tower	Elevators - Cab Finish (1 Freight)	$10,000.00	$0.00	$0.00	
Tower	Elevators - Cab Finish (7 Elevators)	$105,000.00	$105,000.00	$200,000.00	
Elevators (20 detail records)		**$3,475,000.00**	**$1,695,000.00**	**$480,000.00**	
Enhancements					
Plaza	Construct New Sibley Skybridge Arcade	$0.00	$0.00	$300,000.00	
Plaza	Install New Directories/Signage	$0.00	$0.00	$75,000.00	
Plaza	Replace Main Street Arcade Flooring	$0.00	$0.00	$15,000.00	
Plaza	Reflooring	$1,888,000.00	$1,888,000.00	$0.00	
Plaza	Painting	$0.00	$0.00	$100,000.00	
Plaza	Ceiling & Lighting Upgrades	$550,900.00	$550,900.00	$0.00	
Tower	Construct new Mall Level Lobby	$0.00	$0.00	$400,000.00	
Enhancements (7 detail records)		**$2,438,900.00**	**$2,438,900.00**	**$890,000.00**	
Façade					
B.Forman	Structural - Façade Masonry/Window Repairs	$1,404,000.00	$0.00	$0.00	
Euclid	Structural - Windows Sealing	$74,800.00	$74,800.00	$0.00	
Euclid	Structural - Façade Repair	$5,000.00	$5,000.00	$5,000.00	

Building	Project	Merrit-Harris	PWC	Midtown Roch	Comments
Euclid	Maintenance - Power wash & caulk exterior	$0.00	$0.00	$8,000.00	
McCurdy	Structural - Façade Masonry/New Windows	$2,779,920.00	$0.00	$20,000.00	
Plaza	Replace Missing Storm Windows - SW Corner Terrace	$0.00	$0.00	$4,000.00	
Plaza	Repair Atlas Street Canopy	$0.00	$0.00	$7,500.00	
Plaza	Repaint Area Around P.O. & Truck Tunnel	$0.00	$0.00	$1,000.00	
Plaza	Structural - Façade Repairs	$27,000.00	$27,000.00	$27,000.00	
Plaza	Repair Bus Canopy	$0.00	$0.00	$5,000.00	
Seneca	Structural - Curtain Wall Improvements	$44,880.00	$44,880.00	$13,450.00	
Seneca	Structural - Brick Façade Repair	$196,000.00	$196,000.00	$206,000.00	
Seneca	Structural - Immediate Masonry Repairs	$0.00	$0.00	$50,000.00	
Tower	Temporary Short--term Repairs	$0.00	$0.00	$7,500.00	
Tower	Structural - Metal Façade Repair	$1,905,120.00	$1,905,120.00	$80,000.00	
Tower	Structural - Brick Façade Repair	$3,785,600.00	$3,785,600.00	$200,000.00	
Tower	Paint & Prime 3rd Floor Exterior Metal Siding	$0.00	$0.00	$6,000.00	
Façade (17 detail records)		**$10,222,320.00**	**$6,038,400.00**	**$640,450.00**	
Grounds					
Site	Exterior - Sidewalks	$6,390.00	$6,390.00	$0.00	
Site	Exterior - Paving	$5,250.00	$5,250.00	$1,500.00	
Grounds (2 detail records)		**$11,640.00**	**$11,640.00**	**$1,500.00**	
HVAC					
B.Forman	HVAC - Pumps	$12,900.00	$0.00	$0.00	
B.Forman	HVAC - Fans	$14,350.00	$0.00	$0.00	
B.Forman	HVAC - Air Handling Units	$139,840.00	$0.00	$0.00	
Euclid	HVAC - Air Handling Units	$49,650.00	$49,650.00	$40,000.00	
Euclid	HVAC - Steam Convertors	$15,000.00	$15,000.00	$15,000.00	
Euclid	HVAC - Fans	$13,240.00	$13,240.00	$13,000.00	

Building	Project	Merrit-Harris	PWC	Midtown Roch	Comments
Euclid	HVAC - Pumps	$31,700.00	$31,700.00	$32,000.00	
McCurdy	HVAC - Air Handling Units	$344,680.00	$0.00	$0.00	
McCurdy	HVAC - Pumps	$135,780.00	$0.00	$0.00	
McCurdy	HVAC - Fans	$85,960.00	$0.00	$0.00	
McCurdy	HVAC - Tower	$121,500.00	$0.00	$0.00	
McCurdy	HVAC - Chillers	$551,500.00	$0.00	$0.00	
McCurdy	HVAC - Steam Unit Heaters	$2,580.00	$0.00	$0.00	
McCurdy	HVAC - Ejectors	$7,600.00	$0.00	$0.00	
Plaza	HVAC - Fans	$11,400.00	$11,400.00	$0.00	
Plaza	Install new Broad Street Loading Dock Exhaust Fan	$0.00	$0.00	$10,000.00	
Plaza	HVAC - Air Handling Units	$61,700.00	$61,700.00	$0.00	
Plaza	HVAC - 5 ton Rooftop	$5,575.00	$5,575.00	$0.00	
Seneca	HVAC - Fans	$21,000.00	$21,000.00	$0.00	
Seneca	HVAC - Steam Convertors	$8,000.00	$8,000.00	$0.00	
Seneca	HVAC - Air Handling	$80,000.00	$80,000.00	$0.00	
Seneca	HVAC - Cooling Tower	$138,000.00	$138,000.00	$194,605.00	
Seneca	HVAC - Chiller	$203,500.00	$203,500.00	$880,046.00	
Seneca	HVAC - Pumps	$96,600.00	$96,600.00	$125,349.00	
Tower	HVAC - Steam Convertors	$15,000.00	$15,000.00	$0.00	
Tower	HVAC - Steam Heaters	$5,625.00	$5,625.00	$0.00	
Tower	Upgrade power	$0.00	$0.00	$150,000.00	
Tower	HVAC - Recip Chiller	$80,000.00	$80,000.00	$0.00	
Tower	HVAC - Fans	$38,000.00	$38,000.00	$10,000.00	
Tower	HVAC - Boiler	$8,700.00	$8,700.00	$0.00	
Tower	HVAC - Air Handling Units	$285,000.00	$285,000.00	$0.00	
Tower	HVAC - Cooling Tower Decks	$21,000.00	$21,000.00	$21,350.00	
Tower	HVAC - Cooling Tower	$19,200.00	$19,200.00	$210,500.00	

Building	Project	Merrit-Harris	PWC	Midtown Roch	Comments
Tower	HVAC - Pumps	$224,750.00	$224,750.00	$253,944.00	
Tower	HVAC - Chillers	$384,000.00	$384,000.00	$935,556.00	
HVAC (35 detail records)		**$3,233,330.00**	**$1,816,640.00**	**$2,891,350.00**	
Life Safety					
B.Forman	LS - Fire Escape Replacement	$16,750.00	$0.00	$16,750.00	
Euclid	LS - New Exit Signs	$400.00	$400.00	$0.00	
Euclid	LS - Sprinklers (Floors 2,3 &4)	$101,304.00	$0.00	$0.00	
McCurdy	LS - Smoke Detector (Mech. Room)	$325.00	$0.00	$325.00	
Seneca	LS - Sprinklers	$346,000.00	$0.00	$0.00	
Site	LS - Central Fire Alarm	$150,000.00	$150,000.00	$0.00	
Tower	LS - Omega Replacement	$3,000.00	$3,000.00	$3,000.00	
Tower	LS - Lobby Smoke Detectors	$5,850.00	$5,850.00	$6,000.00	
Tower	LS - Sprinklers (Tenant Spaces)	$358,980.00	$0.00	$0.00	
Tower	LS - Closet Smoke Detectors	$4,500.00	$4,500.00	$4,500.00	
Tower	LS - New Exit Signs	$1,400.00	$1,400.00	$0.00	
Life Safety (11 detail records)		**$988,509.00**	**$165,150.00**	**$30,575.00**	
Restrooms					
B.Forman	Restroom Upgrades	$60,600.00	$0.00	$0.00	
Euclid	Restroom Upgrades	$90,000.00	$90,000.00	$0.00	
McCurdy	Restroom Upgrades	$90,000.00	$0.00	$0.00	
Plaza	Restroom - Relocation to Food Court	$75,000.00	$75,000.00	$0.00	
Plaza	Restroom Upgrades	$25,300.00	$25,300.00	$50,000.00	
Tower	Restroom Upgrades	$422,400.00	$422,400.00	$100,000.00	
Restrooms (6 detail records)		**$763,300.00**	**$612,700.00**	**$150,000.00**	
Roof					
B.Forman	Roof - Repairs & Replacement	$329,940.00	$0.00	$68,210.00	

Building	Project	Merrit-Harris	PWC	Midtown Roch	Comments
Euclid	Roof - Repairs & Replacement	$3,085.00	$3,085.00	$3,000.00	
McCurdy	Roof - Repairs & Replacement	$12,954.00	$0.00	$5,000.00	
Plaza	Roof - Repairs & Replacement	$428,200.00	$428,200.00	$63,000.00	
Seneca	Roof - Repairs & Replacement	$306,000.00	$306,000.00	$306,000.00	
Tower	Roof - Repairs & Replacement (Halo)	$66,000.00	$66,000.00	$66,000.00	
Tower	Roof - Repairs & Replacement (14th Floor)	$70,800.00	$70,800.00	$70,800.00	
Tower	Roof - Repairs & Replacement (Penthouse)	$21,600.00	$21,600.00	$21,600.00	
Tower	Roof - Repairs & Replacement (17th Floor)	$110,400.00	$110,400.00	$110,600.00	
Roof (9 detail records)		**$1,348,979.00**	**$1,006,085.00**	**$714,210.00**	
Vacant Space					
B.Forman	TIs - Vacant Space Demolition	$924,801.00	$0.00	$0.00	
Euclid	Tis - Vacant Space Improvements (2nd Floor)	$160,003.00	$0.00	$0.00	
Euclid	Tis - Vacant Space Improvements (Floors 3 &4)	$468,240.00	$0.00	$0.00	
McCurdy	Tis - Vacant Space Improvements (ACM)	$2,103,675.00	$0.00	$678,750.00	
McCurdy	Tis - Vacant Space Improvements (Non ACM)	$1,544,498.00	$0.00	$0.00	
Plaza	Tis - Vacant Space Improvements (ACM)	$3,037,335.00	$0.00	$0.00	
Seneca	Tis - Vacant Space Improvements (Part ACM)	$84,170.00	$0.00	$0.00	
Seneca	Tis - Vacant Space Improvements (ACM)	$3,385,815.00	$0.00	$0.00	
Tower	Tis - Vacant Space Improvements (ACM)	$2,692,350.00	$0.00	$0.00	
Vacant Space (9 detail records)		**$14,400,887.00**	**$0.00**	**$678,750.00**	
Water					
B.Forman	Domestic Water - Pipe Testing	$2,500.00	$0.00	$0.00	
Euclid	Domestic Water - Pipe Testing	$2,500.00	$0.00	$0.00	
McCurdy	Domestic Water - Pipe Testing	$2,500.00	$0.00	$0.00	
Seneca	Domestic Water - Pipe Testing	$2,500.00	$0.00	$0.00	
Tower	Replace domestic water line	$0.00	$0.00	$75,000.00	

Building	Project	Merrit-Harris	PWC	Midtown Roch	Comments
Tower	Domestic Water - Pipe Testing	$2,500.00	$0.00	$0.00	
Water (6 detail records)		**$12,500.00**	**$0.00**	**$75,000.00**	
Grand Total		**$37,207,985.00**	**$14,656,343.00**	**$7,945,646.00**	