Bob Knakal's REBNY

Most Ingenious Deal of the Year

Nominations

A message from **Bob**

If you are considering the sale of a property in New York City, you likely want to make sure you get the property sold at the best possible price and terms available. Since 1988, I have sold over 2,165 properties in NYC and **in each one of these transactions, we provided tremendous leverage for our clients, the sellers, so that they knew they had achieved the best result the market would bear.**
Transacting in the New York City commercial real estate market is not for the faint of heart. The most savvy and sophisticated real estate investors in the world are active here. **Having a trusted advisor in your corner,** who has consistently demonstrated the ability to protect your best interest, through implementing often creative techniques to create leverage for you, will allow you to navigate these shark infested waters.
Every year, the Real Estate Board of New York (REBNY) holds its Most Ingenious Deal of the Year Contest. This event is the equivalent of the Academy Awards of the New York real estate industry for commercial real estate brokers. This award seeks to recognize brokers who have demonstrated ingenuity in the performance of brokerage activities while creating the best results for their clients. Some of the traits that the winner of this award exhibit include creativity, cleverness, imaginativeness, originality, vision, shrewdness, cunning, astuteness and resourcefulness.
This brochure details the six transactions for which I have had the privilege of being nominated for the Most Ingenious Deal of the Year. Twice, I have had the great honor to receive the Robert T. Lawrence Award in this contest. **The material in this brochure will provide you a peak into the invaluable guidance that my team and I can provide to you as that trusted advisor.**
My six transactions which have been nominated include:

1) The assemblage of the early block front of Second Avenue between 54th and 55th Street. This transaction included 13 separate transactions including fee property sales, transferable development rights transactions and tenant buyouts. This transaction took 8 years and 11 months to complete. **Over this period the respective property owners were able to achieve a substantial appreciation in value of their assets they would have otherwise not experienced.** This was the first transaction for which I was the winner.
2) The sale of the Gotham Book Mart at 41 West 47th Street. This was our team's second win. We won the award for "the conception and implementation of a negotiating strategy that established leverage for the seller, which increased the selling price by 31% above the price obtained after the "highest, best and final" bidding round. **Our client was able to walk away from the closing table with more proceeds than they ever thought possible.** This was the second winning transaction.
3) The assemblage of the westerly block front of Avenue of the Americas between 30th and 31st Streets. In this transaction, my team and I formulated the application of a Wall Street technique of "put" and "call" options in the event of a casualty during the contract period. The casualty issue created an impasse in the transaction prior to the utilization of my team's imaginative solution. **Our client was able to maximize their sale price while simultaneously eliminating risk.**
4) The sale of 26 West 47th Street. In this transaction, my business partner, Jon Hageman, and I created leverage for the seller, and motivation for the obvious buyer to overpay substantially for the property, even though the buyer knew he was paying substantially more than anyone else. **Again, our client was able to walk away from the closing table with proceeds they never thought were possible.**
5) The land assemblage of the Virgin Hotel site consisting of the westerly block front of Broadway between 29th and 30th Streets and the simultaneous structuring of a joint venture agreement for the development of 846 Avenue of the Americas on a tax advantaged basis for one of the sellers. **Here, both sellers achieved their objectives. One received maximum proceeds and the other owns a retail condo in the new development via a 1031 structure.**
6) The sale of 2-33 50th Avenue in Long Island City was a complicated one given several aspects of the site, not the least of which was a century-old shallow subway tunnel which rendered the southern portion of the site unbuildable. **Maneuvering around BSA and encouraging the seller to do an extraordinary amount of pre-marketing due diligence made this process go much more smoothly than it might have gone otherwise.** We also used a bit of cunning to get retained in the first place.

During my 37-year career, my team and I have brokered the sale of over 2,165 properties in New York City, generally considered the highest total for any individual broker ever in New York. **The primary reason for this accomplishment is that we have always acted as an advisor to our clients, keeping their best interest as our primary objective and making sure we do everything possible to get the job done!**
We have successfully guided many hundreds of sellers through this process and are happy to provide you with their names and phone numbers. We will urge you to call these clients of ours and ask them one question: "When you left the closing table after Bob Knakal and his team represented you, did you feel highly confident that you received the best possible price and terms you could have received?" Invariably, the answer you receive will be a resounding, "Yes!"

Bob Knakal,
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Bob Knakal's REBNY

Most Ingenious Deal of the Year
Nominations

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2001 Winner

The Assemblage of

The Easterly Blockfront of Second Avenue between 54th & 55th Streets

Robert T. Lawrence
Memorial Award
2001

The Sales Brokers Committee of
The Real Estate Board
of New York Inc.
extends hearty felicitations to

Robert A. Knakal and
Mark J. Massey

On successfully negotiating the realty transaction that has been deemed worthy of recognition by five distinguished judges.

For their outstanding achievement in a field of keen competition and demonstrated ability in overcoming problems involved with

THE ASSEMBLAGE OF THE EASTERLY BLOCKFRONT OF SECOND AVENUE
BETWEEN 54TH STREET AND 55TH STREET

The winners have displayed a level of ingenuity, perseverance and professionalism, that sets an admirable standard for fellow Brokers and Salespersons; and have benefited both the real estate market and brokerage practice in New York City.

April 10-2002

JUDGES OF AWARD

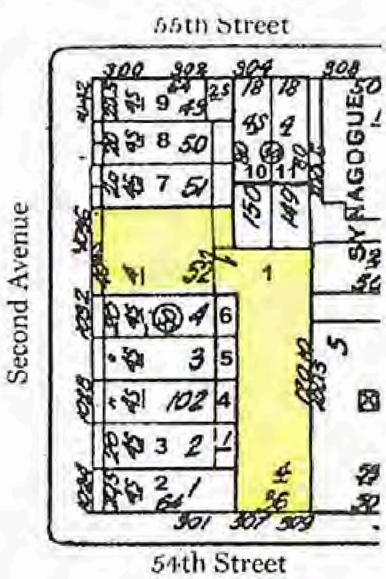
SALES BROKERS COMMITTEE
THE REAL ESTATE BOARD OF NEW YORK, INC.

CHAIRMAN

The story of the assemblage of the easterly blockfront of Second Avenue between 54th Street and 55th Street

Submitted to the Real Estate Board of New York's Sales Brokers Committee

From:



8 Years, 11 Months
13 Transactions

Approximately $30,350,000

To:

Submitted By:

Robert A. Knakal
Mark Massey

MASSEY KNAKAL
Realty Services, Inc.

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February 13, 2002

The Assemblage of the East Side of Second Avenue Between 54th and 55th Streets

In no more than 50 words, identify the ingenious aspect of the transaction and who was responsible for that ingenuity

The two ingenious aspects of this transaction were 1) convincing a 67 year old nightclub operator to purchase 1024 Second Avenue on speculation, which would, in the future, enable for the relocation of two holdout tenants, and 2) identifying that the northern end of the blockfront was the appropriate target for assemblage.

Brokers Responsible: Robert A. Knakal and Mark Massey

Briefly summarize the transaction

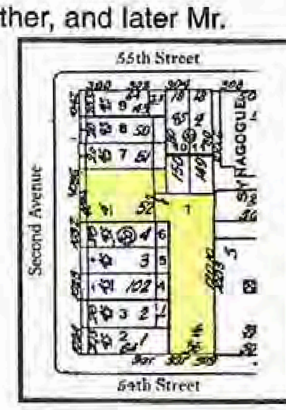
This transaction consisted of the assemblage of parcels on the easterly blockfront of Second Avenue between 54th and 55th Streets. Massey Knakal's involvement in this transaction began in September of 1992 when we were exclusively retained to sell the Club El Morocco building and ended in August of 2001 with the second sale of the building within that timeframe. At the conclusion of this project, there were 13 different transactions that allowed this assemblage to become a reality having an aggregate consideration of approximately $30,350,000. These transactions consisted of the sale of fee positions, the sale of transferable development rights, the relocation of tenants, the buyout of tenants, and a complicated property swap, which was the key to making the transaction happen. Currently, the site will allow for construction of approximately 210,000 square feet. We are currently working with the developer, Worldwide Holdings, Inc., to secure an offsite inclusionary housing property to allow even greater density. This aspect of the transaction is not required, as it is possible for inclusionary housing to be built on a portion of the existing site.

To consummate this transaction, the following brokerage skills were required:

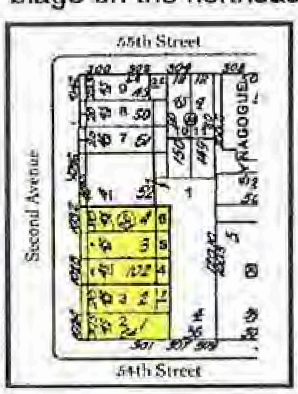
- Conceptualizing and marketing the transaction
- Negotiating with multiple owners, all of whom had independent objectives
- Convincing a nightclub owner to speculate on a real estate acquisition to enhance his existing property's value in the future
- Tracking down an unresponsive owner in Storrs, Connecticut.
- Explaining how transferable development rights work and how they are evaluated to three owners with no understanding of them
- Negotiating the buyout of a holdover tenant
- Strategizing and determining that the northern end of the block was a more likely target than the initially more obvious southern end of the block
- Overseeing the vacating of six commercial and seven residential tenants.

Describe the relevant parts of the process from your initial involvement to the consummation of the deal

This transaction started for Massey Knakal in September of 1992 when we were hired by Edward Perona to sell the building that once housed the famed El Morocco Nightclub. Mr. Perona's father, and later Mr. Perona himself, not only owned the property but were actually the club operators. This is an irregular, L-shaped property having 36 feet of frontage on 54th Street and 40 feet of frontage on Second Avenue (Parcel 1).



Given the size and location of the property, we believed, initially, that an assemblage on the northeast corner of Second Avenue and 54th Street would be an interesting development. Mark Massey and Bob Knakal then started to investigate the ownership of the five properties that could be added to the El Morocco building to create a development site (Parcels 2, 3, 4, 5 and 6.) During our investigation of these properties, we discovered the following:



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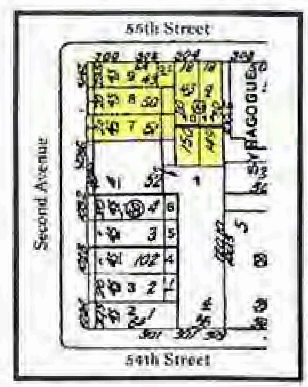
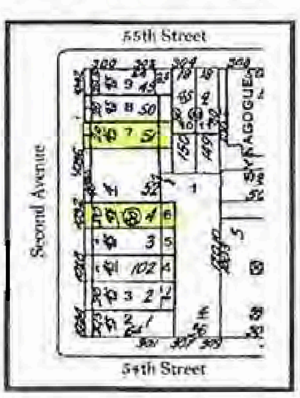
Address	Parcel #	Owner	Tenancy
1024 Second Avenue	2	Virginia Speiss	1 store, 1 office/apt., 5 occupied regulated apts.
1026 Second Avenue	3	Robert Tint	1 store, 6 occupied regulated apartments
1028 Second Avenue	4	Armand Rosenberg	1 store, 3 market apartments
1030 Second Avenue	5	Alan Goldman	1 store, 3 market apartments
1032 Second Avenue	6	Jane Moskowitz	1 store plus apartments w/net lease until 2016

Given the 11 rent regulated tenants in these five buildings, the long term lease on 1032 Second, and the fact that Alan Goldman owned a property right in the middle of this group of buildings, we felt the probability of assembling this portion of the block was extremely small. We then looked at the northern end of the block, which also consisted of five properties, three fronting on Second Avenue and two fronting on 55th Street. We discovered the following:



Address	Parcel #	Owner	Tenancy
1038 Second Avenue	7	Malpeli Family	1 store, 3 apts. (1 rent controlled)
1040 Second Avenue	8	Alex DiLorenzo	1 store, 1 office, 2 market apartments
1042 Second Avenue	9	Nick Issaris	1 store, 5 market apartments
304 East 55th Street	10	GM Communications	2 office floors, 2 market apartments
306 East 55th Street	11	Kahn/Stawski	1 store, 3 market apartments

Given the unusual shape of the El Morocco piece, we knew that we would need to have 304 and 306 East 55th Street included in this assemblage and a minimum of an additional 20 feet of frontage along Second Avenue. Initially, none of the owners wanted to sell and the two buildings adjacent to the Second Avenue frontage of the El Morocco property (Parcels 6 and 7) were both significantly encumbered. 1032 Second Avenue was subject to a long-term net lease to the ground floor tenant and 1038 Second was owned by the deli owner, which had operated there for years and claimed he would not sell under any circumstances, as selling the building would "put him out of business."



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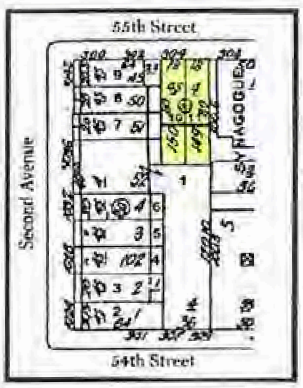
There was also a rent controlled tenant in 1038 that we assumed would cause problems. After meeting with each of the owners on the northern end of the block, we thought there was a chance that we could get the owners of 304 East 55th Street and 306 East 55th Street (Parcels 10, 11) to consider



sales of their properties. At this point in the marketing of the El Morocco property, we approached every developer that we were aware of and explained that we believed we could deliver 304 and 306 East 55th Street along with the El Morocco property. The developers that were interested all said that they would need at least one additional Second Avenue building adjacent to the El Morocco property, and possibly two additional buildings. Given the status of 1038 Second, it did not seem like this property would be a good possibility. Also the property at 1032 Second Avenue was not a likely candidate because, not only was there a long-term lease on the property, the owner had an unlisted phone number and, while we sent several letters to Mrs. Moskowitz, they were not returned to us and she never responded to them. Therefore, we were unable to contact her. We approached the tenant, the International Kennel Club, to see if they would give us contact information for the owner, and they were not helpful at all fearing that our interaction with the landlord might somehow affect their tenancy.

No development the first time around

After several months of trying to create a development opportunity it did not appear as if it were going to be possible, so the property was sold to Mr. Desmond Wootton in November of 1993 for $2.9 million. Mr. Wootton was a nightclub operator in Ireland and wanted to open up a nightclub in the property. He opened up the Night Owls Nightclub and began operation in mid-1994.

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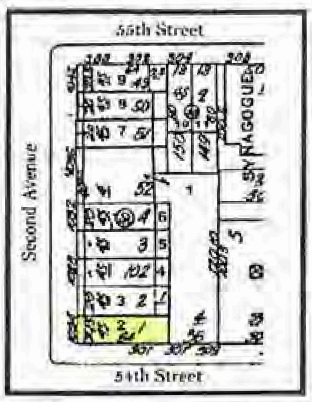
More business for Massey Knakal on the block

In September of 1996, Kenneth Kahn and Axel Stawski retainedMassey Knakal exclusively to market their building at 306 East 55th Street for sale. Shortly thereafter, Jack Bratman, the owner of GM Communications, exclusively retained us to market his building at 304 East 55th Street. Knowing that these two buildings were critical component parts of what could be an assemblage site, we approached Mr. Wootton to see if he was interested in selling the El Morocco property. He

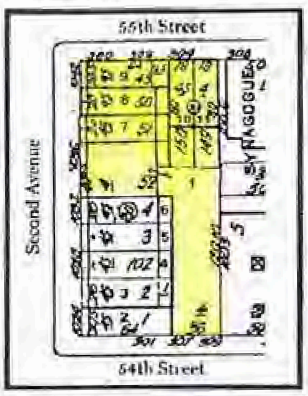


indicated that things at the club were going very well and he was not interested in selling at any price. In early 1997, Massey Knakal came to learn that the Estate of Virginia Speiss was interested in selling 1024 Second Avenue, which was the property at the northeast corner of 54th and Second (Parcel 2). We were successful in obtaining an exclusive agreement from the estate and knew what needed to happen. This is when we figured out that if an assemblage was ever going to occur, we needed to convince Mr. Wootton to acquire this building. The reason for this was that the ground floor of this property was delivered vacant and there was an apartment on the second floor that was rented to a commercial tenant on a revolving one-year lease basis. This property in and of itself would solve the problem we had with the Malpeli family at 1038 Second Avenue.

The ground floor at the Speiss property would allow the Mapelis' to relocate their deli from 1038 to 1024 Second Avenue, which would give them a better retail location given that 1024 was a corner. This would eliminate their fear that if they sold their property, they would be out of business as they could to stay in the neighborhood. The apartment on the second floor also created a likely relocation apartment for the rent-controlled tenant in the Malpeli building. After we were exclusively retained by the Speiss Estate to market the building, we approached Mr. Wootton and explained to him that prior to his acquiring the El Morocco property, we tried very hard to put a development assemblage together and we were unsuccessful, primarily because we could not assemble enough frontage along Second Avenue. We explained the benefits that this corner building would have to the assemblage process, which would in turn add value to his property if he ever decided to sell it. Mr. Wootton's initial response to us was "I run nightclubs, I don't speculate on real estate." At this point, we were unable to convince him to buy the building. We then went through our typical marketing program and found several users that were interested in the building. This process lasted for almost a year and in early 1998 we had whittled our field of buyers down to the top three. Fortunately for us (and ironically fortunate for Mr. Wootton), during this period the nightclub operation at Night Owls had seen diminishing business, and Mr. Wootton was growing unhappy with the financial results of the operation. We had then identified a top bidder for the Speiss property and went to Mr. Wootton one more time to try to convince him to buy the building. Over drinks in the nightclub, we went over the whole development analysis again and convinced Mr. Wootton that acquiring 1024 Second Avenue would add significant value to his building. Mr. Wootton agreed and acquired the building in April of 1999.

Renewed efforts to assemble the site (Round 2)

Shortly after Mr. Wootton signed the contract to purchase the Speiss property, he exclusively hired Massey Knakal to market his buildings for sale. At this point, we were exclusively representing the El Morocco property plus 304 and 306 East 55th Street, which together formed a substantial portion of a development site, but was not enough to allow a developer to build. As soon as Mr. Wootton closed on 1024 Second, he added that property to the listing agreement and we aggressively pursued the Malpeli family to try to arrange a swap of their property at 1038 Second for 1024 Second Avenue. While the Malpelis' liked this idea, it was not something that Mr. Wootton wanted to do on an even-exchange basis, knowing that the corner building had more value than the mid-block building. We felt that the way to overcome this was to take the air rights from 1024 Second Avenue and merge them into the El Morocco piece and then do the swap. Mr. Wootton, however, felt that this was getting too complicated and risky and did not want to undertake this aspect of the transaction, particularly because if the site was not assembled he would have "worthless air rights." Knowing that a developer would feel more comfortable doing a transaction like this, we decided to discuss this strategy with the developers that were talking to.



Time to roll up the sleeves

During the period between our initial sale of the El Morocco piece to Mr. Wootton and "Round 2" of marketing the building, the property at 1040 Second Avenue (Parcel 8) had been acquired in a foreclosure package by Emmes & Company. We knew this building did not have any rent-regulated tenants and assumed, given Emmes's reputation as dealmakers that adding that property to the assemblage would not be problematic. In a conversation that we had with Larry Davis at Emmes, he indicated that for a high, but reasonable number, they would be willing to sell and deliver the property vacant. We then approached Nick Issaris, the owner of 1042 Second (Parcel 9), which is the southeast corner of 55th Street and Second Avenue. He indicated to us that he would consider a sale of the building, which would effectively put him out of business but that he was just about ready to retire anyway. He indicated that he would be looking for an exorbitant price; however, given the progress that had been made with the rest of the block we assumed a developer would pay a significant premium for this corner property.

Detective work in Connecticut

We then shifted our attention to acquiring air rights from the properties at the southern end of the blockfront. We were never able to speak to Jane Moskowitz, owner of 1032 Second Avenue because of her unlisted phone number and her being unresponsive to the many letters that we sent her. We then, over a three-week period, sent her two certified letters explaining what was going on and asking her to please contact us. We eventually recieved a hand written reponse. She indicated that a sale of the building was not something that she would consider. However, after a lengthy discussion of what air rights were, she agreed instead to consider a sale of these rights. We also had some success with the air rights from 1026 Second Avenue.

As we indicated earlier, the city records showed that Robert Tint was the owner of this property. As it turned out, Mr. Tint was only a minority owner and was unresponsive. After doing research at the Department of Finance we came to learn that Richard Arkin was the majority owner of the property. We had several meetings with Mr. Arkin and eventually he agreed to sell his air rights. We now felt that we had a significant site to market and went about meeting with and marketing the property to several developers. We narrowed the field down to three groups with Worldwide Holdings and Jeffrey Glick partnering up to form the most formidable of the three. We then began the process of essentially negotiating four transactions at once. We were negotiating the sale of the El Morocco property, the sales of 304 and 306 East 55th Street, and the swap of 1038 Second Avenue for 1024 Second Avenue with the air rights from 1024 Second Avenue being merged into the El Morocco property. During these negotiations an issue came up at 304 East 55th Street in that one of the residential tenants on the fourth floor claimed that they would not leave the building when Jack Bratman, the owner, gave them notice that they had to leave. The two residential tenants in the building had 90-day provisions in their leases stating that they were cancelable. Given the complexities that Worldwide saw with 1038 Second Avenue having to relocate the ground floor tenant and deal with a rent controlled tenant above, they did not want to have any possession issues whatsoever with 304 or 306 East 55th Street. WStreet. assisted Jack Bratman with the negotiations to buyout the fourth floor tenant so that the property could definitely be delivered vacant. At the point where we had reached verbal agreement on all the transactions, we shared all of our historical due diligence with Worldwide regarding all of the other properties on the northern end of the block and the status of the air rights from the properties at the southern end of the block.

A juggling act

Another complication to these transactions was the fact that neither of the owners of 304 nor 306 East 55th Street wanted to wait for a developer, given the fact that individual users were offering prices that were competitive with what Worldwide was offering for their buildings. At one point, a contract on 304 East 55th Street went out to another party, which forced Worldwide to sign contracts on both 304 and 306 East 55th Street putting up 10% non-refundable deposits on each prior to having an executable contract for the El Morocco property. If a deal could not be made for the El Morocco building, Worldwide would have either been left with two small 18-foot wide buildings for which they would have paid a user price or would have forfeited approximately $300,000 in contract deposits. They, however, decided to move forward and sign these contracts and were subsequently successful in signing the contract for the El Morocco property. We then began the complicated negotiations for the swap of 1038 Second Avenue for 1024 Second Avenue.

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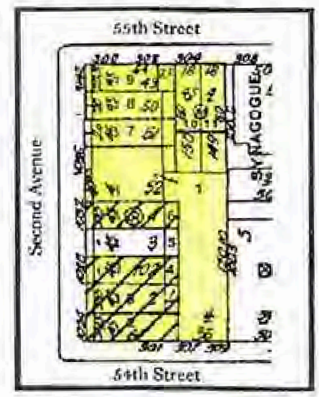
A happy ending to a very long story

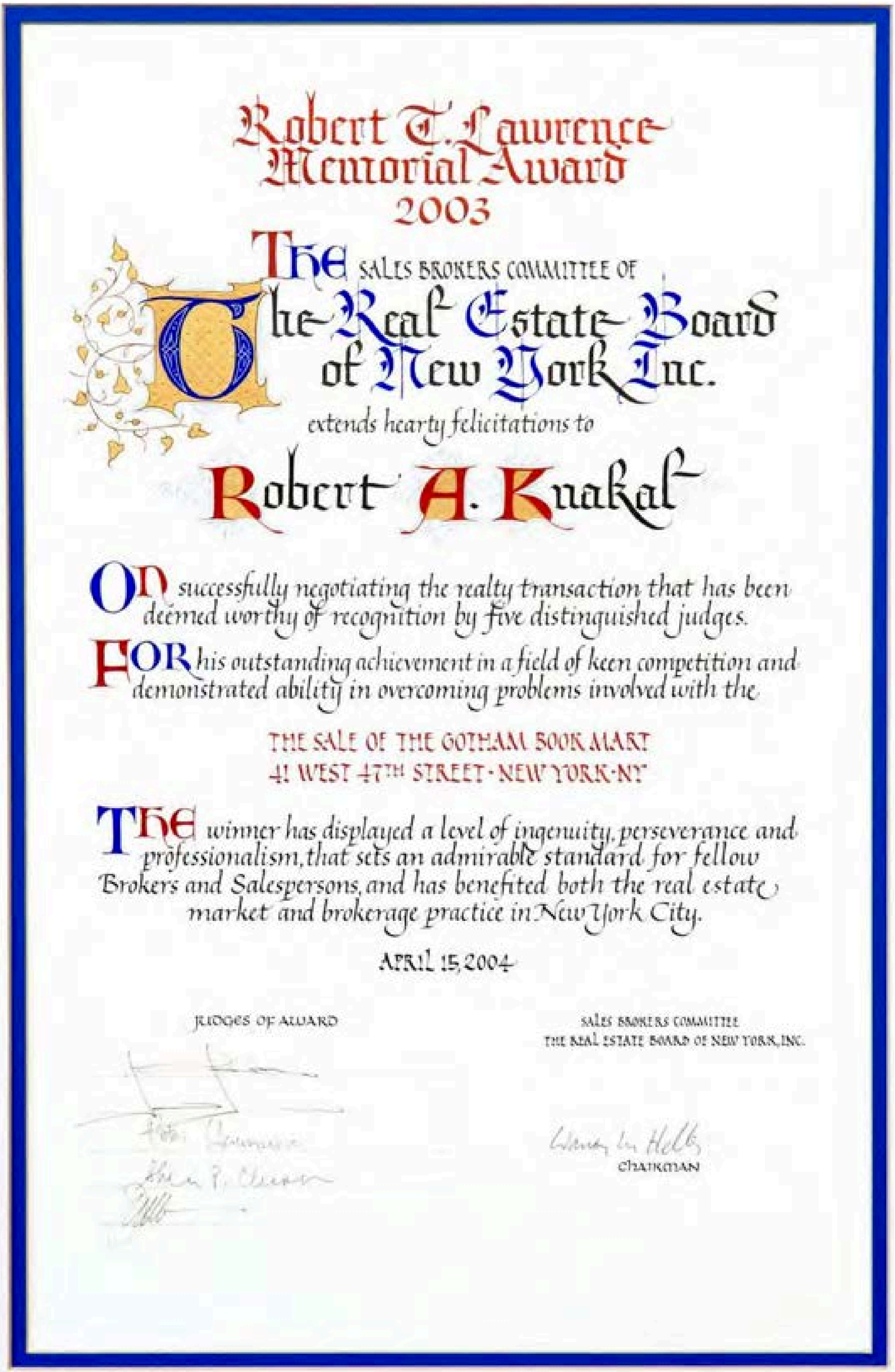
Ultimately, Worldwide closed on 304 East 55th Street in October of 2000 and 306 East 55th Street in January of 2001 and then in August of 2001, closed on the El Morocco property and 1024 Second Avenue. A swap was then effectuated with for 1038 Second Avenue being exchanged for 1024 Second Avenue with the air rights from 1024 being “sold” into the El Morocco property. Worldwide then proceeded to acquire 1040 Second Avenue from Emmes and 1042 Second Avenue from Nick Issaris. They also acquired the air rights from 1026, 1028, and 1032 Second Avenue.



From start to finish, Massey Knakal's involvement in this process lasted 8 years and 11 months. We were involved in 13 transactions having an aggregate consideration of approximately $30,350,000, which made this site possible. This was an extremely rewarding and fun project to work on and we can't wait to see a completed building on this site.

2003 Winner

41 West 47th Street aka Gotham Book Mart



Robert T. Lawrence Memorial Award
2003

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On successfully negotiating the realty transaction that has been deemed worthy of recognition by five distinguished judges.

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THE SALE OF THE GOTHAM BOOK MART
41 WEST 47TH STREET · NEW YORK · NY

The winner has displayed a level of ingenuity, perseverance and professionalism, that sets an admirable standard for fellow Brokers and Salespersons, and has benefited both the real estate market and brokerage practice in New York City.

APRIL 15, 2004

JUDGES OF AWARD

SALES BROKERS COMMITTEE
THE REAL ESTATE BOARD OF NEW YORK, INC.

CHAIRMAN

SUBMISSION TO SALES BROKERS
COMMITTEE OF THE REAL
ESTATE BOARD OF NEW YORK
2003 MOST INGENIOUS
DEAL OF THE YEAR AWARD

PROPERTY ADDRESS: 41 WEST 47TH STREET
AKA GOTHAM BOOK MART

SUBMITTED BY: ROBERT A. KNAKAL
CHAIRMAN
MASSEY KNAKAL REALTY SERVICES
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MASSEY KNAKAL Realty Services

2003 Most Ingenious Deal of the Year Award

SUBMISSION TO SALES BROKERS COMMITTEE OF THE REAL ESTATE BOARD OF NEW YORK 2003 MOST INGENIOUS DEAL OF THE YEAR AWARD

THE SALE OF THE:
GOTHAM BOOK MART
41 WEST 47TH STREET
NEW YORK, NEW YORK

1) In no more than 50 words, identify the ingenious aspect of the transaction and who is responsible for that ingenuity.

The ingenious aspect of this transaction was the conception and implementation of a negotiating strategy that established leverage for the seller and brought a sale price from a "highest, best and final" high bid of $5,500,000 to $7,200,000, a 31% increase. The strategy was necessitated by the indiscrete nature of the prospects bidding on the transaction. Robert A. Knakal conceived the strategy and implemented it.

2) Briefly summarize the transaction.

This transaction consisted of the sale of the Gotham Book Mart building located at 41 West 47th Street in Manhattan. The building is a five story, 25 foot wide, 9,000 square foot walk-up building located in the heart of the Jewelry District on 47th Street between Fifth and Sixth Avenues. The building was occupied entirely by the Book Mart and could have been delivered vacant at the time of sale. It is one of the few non-jewelry buildings on the block. The building was zoned C6-4.5 which carries a 12 FAR with it which would allow for approximately 30,000 buildable square feet. A lack of arms-length data for this particular sub-market's comparable sales made valuing the property very difficult. Given the uniqueness of this particular block, aggressive assumptions were made

in our analysis and while the majority of those in the brokerage industry felt the building had a value in the $5,000,000 range (as did the owner) we were able to achieve a significantly higher price by virtue of the strategy implemented.

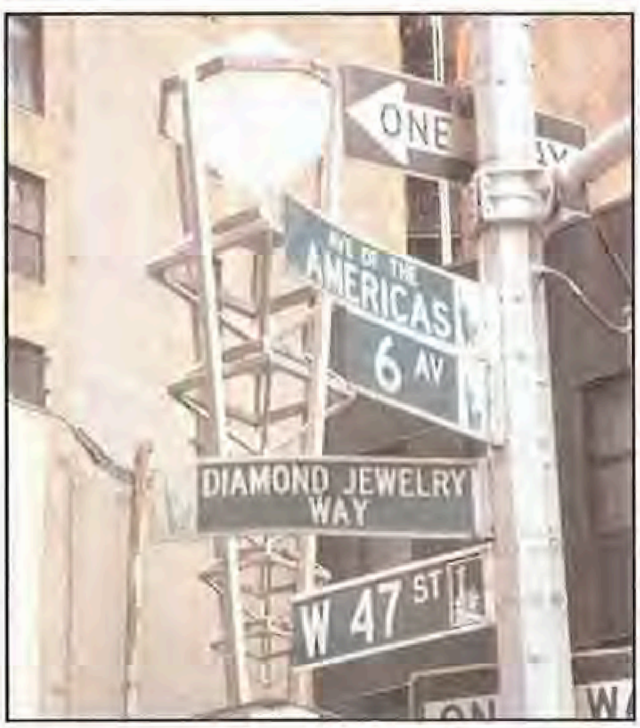
MASSEY KNAKAL Realty Services

2003 Most Ingenious Deal of the Year Award

3) Describe the relevant parts of the process from your initial involvement to the consummation of the deal.

GOTHAM BOOK MART BACKGROUND

This transaction involves the sale of the Gotham Book Mart Headquarters at 41 West 47th Street. The building was of one of the few buildings on 47th Street between Fifth and Sixth Avenues that was not home to a jeweler or jewelry related tenant. Founded in 1920 by Frances Steloff, the Gotham Book Mart is the quintessential little book shop around the cor-



ner. In 1946, Mrs. Steloff purchased 41 West 47th Street from Columbia University for $65,000. Since its inception, the Gotham Book Mart has been a rich repository of literature, a place to locate new, old and out of print books, particularly fiction and poetry works by contemporary writers. In 1967 a clerk (Mr. Andreas Brown) at the Gotham Book Mart purchased the book shop from Mrs. Steloff as she was preparing to retire. Twenty years later, in 1987, Mr. Brown purchased the building from Mrs. Steloff for $1,000,000. After Mrs. Steloff died in 1989 at 101 years of age, Mr. Brown recalled that when he bought the book shop she told him "You are not the owner. You are the caretaker, the custodian". Given the longstanding history Mr. Brown had with the property, it was a painful realization that the building would have to be sold. Real estate taxes, insurance and other operating costs continued to climb, a hard money loan was obtained, and Gotham's business, while brisk for it's industry, would not support the costs associated with the operation of the building. In 1993 Mr. Brown converted the ownership entity from a C-Corporation to an S-Corporation which would enable him to sell the building with less tax exposure after the necessary ten year waiting period.

THE CAT WAS OUT OF THE BAG FAR TOO EARLY

Unfortunately, In 1993, Mr. Brown started to let people know he would be selling the building in 2003, after the S-Corp benefits

2003 Most Ingenious Deal of the Year Award

kicked in. For years he had potential purchasers coming into the shop trying to negotiate the sale of the property. Mr. Brown always told people to come back to him in 2003 but it did not dissuade potential buyers from repeatedly entering the shop. Given the nature of the potential purchasers, they tried to induce Mr. Brown to sell, before the S-Corp benefits kicked in, on a "tax advantaged" basis by paying with gold, diamonds, precious gems or cash in an overseas account. Naturally, Mr. Brown had no interest in this type of transaction. Given his strict dedication to his trade and the fact that his response to most people inquiring about the building was "I just sell books, leave me alone", Mr. Brown realized that he needed representation to deal with the onslaught of bidders that were sure to arrive. Massey Knakal's Chairman, Robert Knakal met with Mr. Brown and his attorney to discuss property value and marketing strategy in early 2001.

DIFFICULTIES WITH THE PROPERTY

While well located, the building itself was in very poor condition. To enter the retail space you have to step down two steps thus reducing its value. Some purchasers looked at the feasibility of raising the floor to be at grade but the low ceiling heights would not permit this without raising the second floor also. The upper floors of the building were historically used as a combination of residential and commercial by the owners. Therefore, it was one of the few buildings on the block that did not have an elevator. The structure was built in 1910 and after some upgrades in the 1950's, not

much had been done to the property. A gut rehabilitation would clearly be needed. These physical liabilities did not bode well for the value of the property.

DIFFICULTY WITH COMPARABLES

Because many of the transactions which occur on this block involve payments in forms other than recordable cash, it was very difficult to look at comparable sales to

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determine the value of the property. Moreover, sales occurring one block north, one block south, one block east or one block west were of no consequence as the subject block truly is a market unto itself. Using an income approach to value, a development approach to value and primarily a gut feel, our opinion of value report to Mr. Brown indicated the property was

worth $7,000,000. He had received two valuations from other brokers, both of which determined the value was in the $5,000,000 range. Mr. Brown was, at first, skeptical as our valuation of over $775 per square foot was something that he did not believe was achievable. The other valuations, at just over $550 per square foot were more in line with general market averages and on a development basis was approximately $166 per buildable foot, a very high but within the ballpark value at that time. We convinced Mr. Brown that our marketing strategy would produce a significantly high number of offers to ensure that a top of the market value was obtained. Part of this strategy was to physically visit and deliver marketing materials to every jewelry business or jewelry related business within a two block radius of the property. Mr. Brown liked the marketing strategy and retained Massey Knakal exclusively to represent him. Our asking price was $7,900,000.

RESISTANCE TO OUR PRICING

The marketing of the property met with significant demand from the purchasing community however, we were maligned for asking $7,900,000 for a 9,000 square foot walk-up building in poor condition. The front page of Real Estate Weekly quoted Richard Bronsky of Brown Harris Stevens as saying "I'd say the owner could get $4,500,000 for this building". The article went on to quote Gene Meer of NAI Lawrence Group as saying "I could see the owner selling this building for $5,000,000, his timing might be off since the market is so flat right now". The cover story in the Diamond District News quoted the owner of a popular jewelry exchange as "expecting the final deal will not be much higher than $5,000,000". Given the unique char-

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acteristics of the property and our strategy of hand delivering marketing packages (247 to jewelry and jewelry related businesses in the area) we obtained 114 offers for this property during the marketing campaign.

EVERYONE KNOWS EVERYTHING

Curiously, most prospects who were bidding seemed to be aware of what other prospects were bidding. We suspected that bidders were having brothers, cousins and other shills bid on the property a few hundred thousand dollars below where they were bidding to make their bids look better. Remarkably, all of the top prospects were aware of what other top prospects were bidding for the property. It wouldn't be unusual to have "Mr. Smith" call and say "I know "Mr. Jones" offered $4,500,000 so I will offer $4,600,000". The amazing thing was that "Mr. Smith" was almost always right about what "Mr. Jones" had bid. At the conclusion of our first phase of marketing, the 114 bids produced a high bid of $5,000,000. At this point Mr. Brown was intent on getting the $7,000,000 that we had promised and was feeling a little uneasy as all of his relocation options were analyzed assuming a $7,000,000 price would be obtained. We decided to implement the strategy of calling for "final, best and highest bids" from the top 15 potential purchasers. When the final bids came in, there were two offers at $5,500,000 and a few offers just beneath this level. One of the $5,500,000 bids was from the neighbor who consistently throughout the marketing period told us that no one would ever pay more than his $5,000,000 offer for the property.

DON'T TALK TOO LOUDLY AT THE DELI

The day final bids were due Mr. Brown went to the Bergers Deli, across the street from the building, for lunch and the cashier at the deli told him that he understood that

the high offer he was going to receive was $5,500,000. Everyone on the street was talking about this transaction and everyone seemed to know what was going on. Mr.

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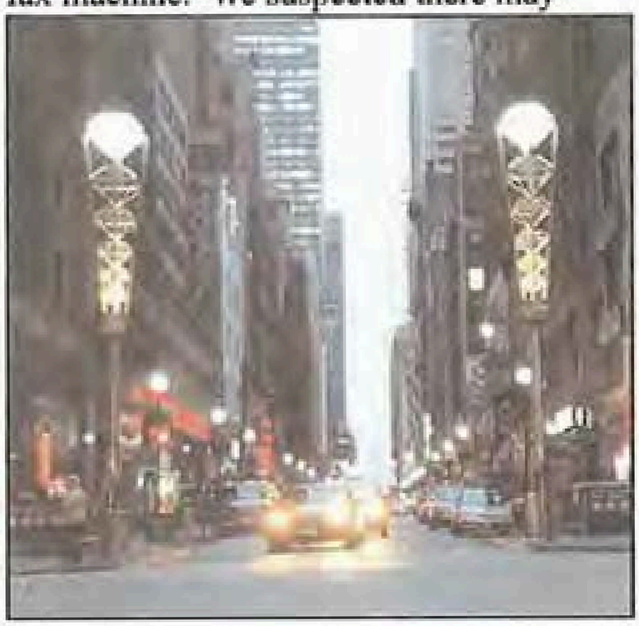
Brown, distraught by having the cashier disclose what offer he was about to receive (and actually did receive two hours later) requested that all correspondence between Massey Knakal and his office be via hand delivery only. We were no longer to use the fax machine. We suspected there may



have been a mole working in the bookstore. Based on the "incentives" that were offered directly to Mr. Brown and me, we believed that workers in the bookshop may have been approached about an incentive to relay information regarding the status of the transaction. On three occasions when I was meeting with potential buyers, I was offered a "bonus" if I could swing the deal to them. The bonuses consisted of a five carat diamond, $100,000 in cash and gold bars. Upon each offer, I relayed the conversations to Mr. Brown, who laughed and commented that that particular party had made similar offers to him. These offers were made to induce me to let them know exactly what the status of the bidding was.

WHAT TO DO NEXT?

So we were faced with having several offers for the property with everyone seeming to know what everyone else was bidding and very little control over the ability to create a fair, arms length, negotiation. **As the two highest offers were both $5,500,000, we came up with a strategy of going back to all 15 high bidders and telling them that they "were not *the* highest bid", that we were "going to be preparing a contract" and if the deal fell apart, we would get back to them.** With Mr. Brown's cooperation, we then decided not to speak to anyone for two weeks to see what would happen. During this time we instructed Mr. Brown's attorney to start drafting a contract that could ultimately be used for the transaction. During the first week we received no communication from anyone, then on the 8th day I received a call from one of the bidders, whom I informed accurately that "a contract was being prepared". In the days to follow, 9 of the prospects called asking what was going on. It seemed to be driving them crazy that no one in the market knew what was happening and they would ask me directly if so-and-so was the one getting the contract. My only comment to them was that a contract was being prepared and

2003 Most Ingenious Deal of the Year Award

I would let them know if things fell apart. One by one the bidders started to increase the level of their offer saying "If I raise my offer $300,000 or $400,000 would I get a contract"? We met with three different prospects to discuss the situation and in each case told people that we were negotiating with them on a "back-up basis". This strategy seemed to make each of the bidders frantic and with each successive conversation the offers were rising.
Ultimately, we negotiated a transaction with the next door neighbor at $7,200,000. Given the significant amount of leverage that we had, we were able to structure extremely advantageous deal terms for the seller providing him with the ability to stay in the building on essentially a rent-free basis for up to one year post-closing and to take the $1,200,000 contract deposit out of escrow and use the money immediately after contract execution. These funds would allow the Gotham Book Mart to operate, pay off the hard money loan and provide for relocation expenses and other costs to be incurred prior to closing. I believe the strategy used in the final phase of marketing enabled a significant premium to be obtained for the property and allowed us to obtain the proper price level for the building. The funds will allow a great New York institution to stay in business and continue to operate at a new location where their ongoing operation will be secure and permanent.

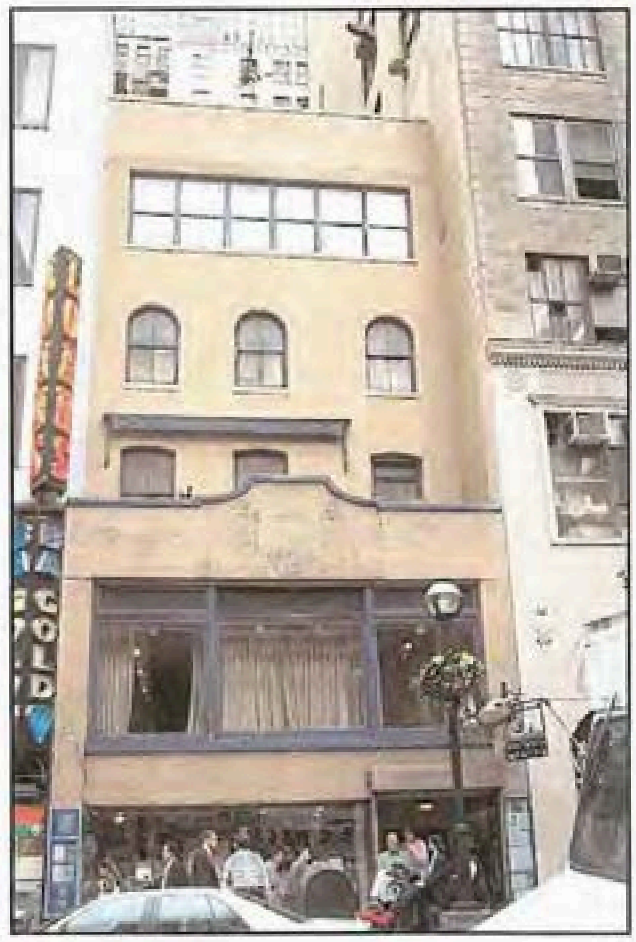
4) Highlight the distinctive characteristics that qualify the transaction for the award.

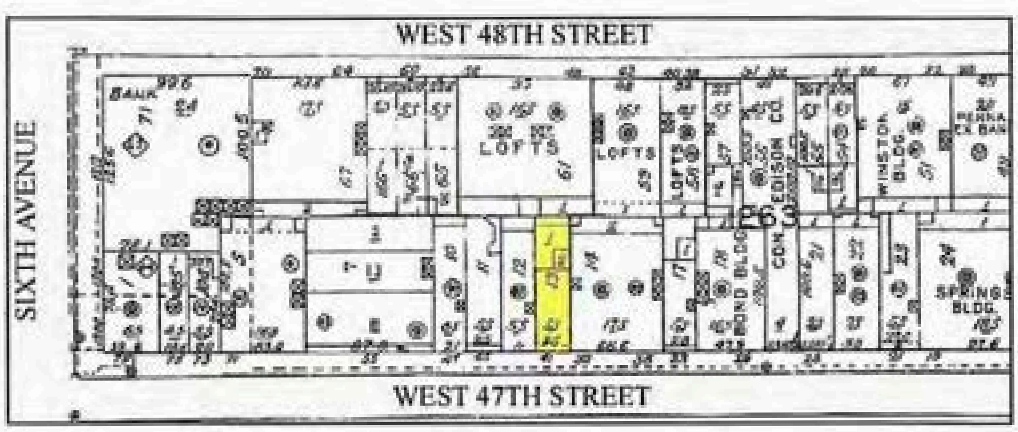
I believe that the reason this transaction qualifies for the award is that in the building sales business there are relatively few concepts that are truly ingenious. Short of coming up with the first cond-op, the first subordinated ground lease or the first air-rights transfer, the things that brokers do in the sales business are not necessarily

ingenious but sometimes are simply a matter of trying to maneuver around obstacles or creating leverage where none exists. In this case, everyone in the market knew that this building was going to be sold and it almost appeared as if the buyers were colluding to have the property trade at a lower than market value. Everyone knew what everyone else was bidding and even people not in the real estate or jewelry industries were aware of who the high bidders were and how much they had placed on the

2003 Most Ingenious Deal of the Year Award

table. Taking a position in which the owner had no leverage and creating a significant amount of leverage for him enabled the transaction to take place at a significantly higher price than would have otherwise been obtained. It also allowed for terms (A $1,200,000 contract deposit (17%), the ability to stay in the property for up to 12 months post-closing on a free rent basis and the release from escrow of the contract deposit) which were significantly better than market averages and enabled a New York institution to continue its operation on a profitable basis.



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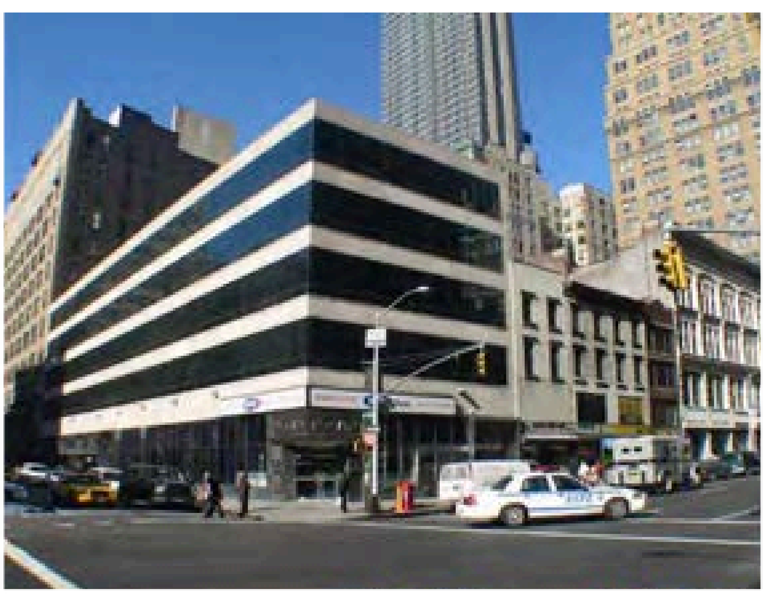
2006

The Assemblage of

The Westerly Blockfront of Avenue of the Americas between 30th & 31st Streets



SUBMISSION TO SALES BROKERS COMMITTEE
OFTHE REALESTATE BOARD OFNEWYORK
2006 MOSTINGENIOUS DEALOFTHE YEAR AWARD

The Assemblage of the Westerly Blockfront of
Avenue of the Americas between 30th and 31st Streets

PROPERTY ADDRESSES:

855 Avenue of the Americas
859 Avenue of the Americas
861 Avenue of the Americas
863 Avenue of the Americas
865 Avenue of the Americas
867-873 Avenue of the Americas
106-108 West 31st Street
New York, New York

SUBMITTED BY:

ROBERTA. Knakal
Chairman

JOHN F. Ciraulo
C.E.O.

DAVIDA. Kalish
Director of Sales

MASSEY KNAKAL REALTY SERVICES
275 MADISONAVENUE, 3RDFLOOR
NEWYORK, NY10016
P: (212) 696-2500 F: (212) 696-0333

2006 MOST INGENIOUS DEAL OF THE YEAR AWARD

The Sale of 855-873 Avenue of the Americas New York, New York

1) In no more than 50 words, identify the ingenious aspect of the transaction and who is responsible forthat ingenu- ity.

In land assemblage, a casualty during the contract period is usually a good thing but not if a key seller would lose their motivation to sell air-rights in the event their tenanted building was destroyed, making it a development site on its own. In order to overcome a deadlocked impasse, Bob Knakal formulated the application of the Wall Street technique of a "put" and "call" option in the event of a casualty.

2) Briefly summarize the transaction.

This transaction began as the sale of a single building slated to be sold to an owner/user and eventually resulted in a land assemblage which took over 2 ½ years to complete and consisted of seven properties aggregating to approximately 333,806 buildable square feet which was sold at a total price of $117,500,000 or $352 per buildable square foot.

While there were a number of interesting component parts of this transaction, the obstacle that was most creatively overcome was the fact that a significant portion of the footage was in the form of air-rights from a fully occupied six-story office building which was owned by a real estate investor/developer. The issue of casualty came up during the contract negotiation and the seller said that in the event of a casualty he would absolutely not sell as he would then develop the property himself. The buyer would not sign the contract under this circumstance and a steadfast


867-869 AENUE OF THE AMERICAS

deadlock occurred. Massey Knakal origi- nated the idea of utilizing a Wall Street technique of a "put" / "call" option in the event of a casualty. The hurdles were twofold; first to get the parties to agree to the mechanism and then to set the price for the options. The parties liked the idea con- ceptually and, in a room filled with 7 prin- cipals and 7 attorneys, Massey Knakal

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2006 MOST INGENIOUS DEAL OF THE YEAR AWARD

106-108 West 31st Street
-Bernstein Family Parking Lot
and also loading dock access for
855 Avenuue of the Americas

The Component Pieces of the Site:

867-873 Avenue of the Americas
- Lavin Family building. The first
piece of the puzzle.

Fee Position owned by a trust.

855 Avenue of the Americas
- Bernstein Family multi-tenanted and fully occupied office building.

859, 861, 863, & 865
Avenue of the Americas
- Bernstein Family taxpayers
which were almost fully occupied.

MASSEY KNAKAL Realty Services

2006 MOST INGENIOUS DEAL OF THE YEAR AWARD

articulated the factors needed to be taken into consideration to establish pricing and then set the price for the options. Both parties agreed to the methodology and with the option pricing established by Massey Knakal. This mechanism served as a catalyst for Massey Knakal to convince the sellers to convert this transaction to an outright sale at the option price.

Below is a summary of the component parts of the transaction:

- Providing The Lavin Family ("LF") with a valuation ($18 million) of their building located at 867-873 Avenue of the Americas in the Fall of 2003.
- Advising LF to purchase the fee position under ½ of their building which was subject to a long term ground lease.
- Representing LF in the acquisition of the fee position ($2.6 million) under 867-869 Avenue of the Americas.
- Serving as exclusive agents for LF in the sale of their consolidated ownership of 867-873 Avenue of the Americas.
- Procuring a user buyer for the LF building at $17 million.
- Advising LF that a higher value (at least $20.6 million) could be obtained if the property could be positioned as a development site.
- Negotiating the buyout (confidential amount) of a tenant from the third and fourth floors of the LF building.
- Negotiating the buyout ($250,000) of a long term lease with a cellular telephone provider which had an antenna station on the roof.
- Procuring a developer to buy the LF property at $270 per buildable square foot.($22.27 million).
- Convincing the adjacent property owner, The Bernstein Family ("BF"), to market their parking lot at 106-108 West 31st Street along with their air-rights from the balance of the blockfront (5 properties at 855-865 Avenue of the Americas) along with the LF property to their mutual advan- tage.
- Assisting LF and BF in the determi- nation of the proper value allocation (con- fidential agreement) for the purposes of their joint venture marketing agreement.
- Representing the newly formed joint venture exclusively to market the new site having a total buildable footage of approximately 224,000 square feet.
- Procuring a developer willing to pay $306 per buildable square foot ($68.5 mil- lion).

855-873 AVENUE OF THE AMERICAS | Page 3

MASSEY KNAKAL Realty Services

2006 MOST INGENIOUS DEAL OF THE YEAR AWARD

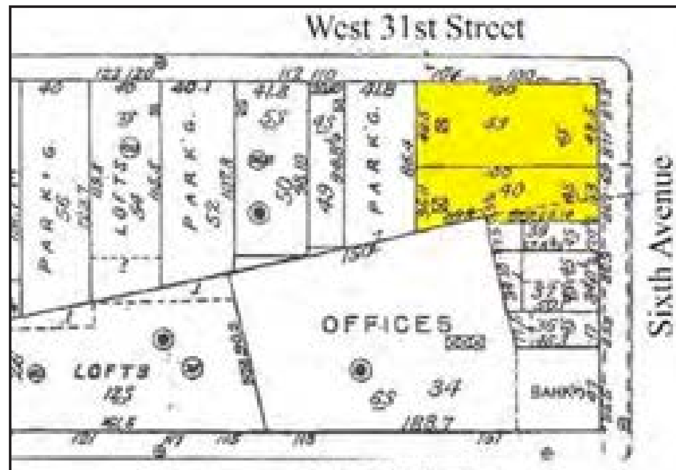
- Overcoming a deadlocked impasse regarding a casualty clause in the contract of sale by originating the idea of using a "put"/ "call" option and establishing the fair option price (a 15% premium or $352 per buildable square foot).

- Convincing BF to convert the transaction into an outright sale of their entire holdings on the block (when combined with the joint venture's site totaled over 333,000 buildable square feet) at the option price.

- Closing on the sale of all 7 component properties in February of 2006 for $117.5 million.

3)Describe the relevant parts of the process from yourinitial involvement to the consummation of the deal.

In the fall of 2003 Massey Knakal team of Bob Knakal, John Ciraulo, and Dave Kalish were contacted by The Lavin Brothers to sell a building they owned at 867-873 Avenue of the Americas located at the south west corner of 31st street and 6th Avenue. The building had 82 feet of frontage on 6th Avenue and 100 feet of frontage on 31st Street. The property was a four story commercial building which had only one tenant remaining on the top two floors with approximately four years remaining on their lease. There was also a cellular antenna station on the roof subject



FIRST BUILDING

to a long term lease. Their ownership was complicated because the property was situated on two tax lots, Lot 40 and Lot 43 and the family did not own the fee position under approximately ½ of the property (Lot 40) and merely had a long term ground lease. The previous owner had unsuccessfully tried for years to buy the fee which was owned by a trust that was never motivated to do anything. We explained to the Lavins that purchasing that fee would greatly enhance the value of their property. We assisted the Lavins with the negotiations and with a lot of persistence the fee was purchased in March of 2004. By the summer of 2004 the Lavins were ready to sell the property. We prepared an Opinion of Value and indicated that we felt the building was worth approximately $18 million based upon a retail user purchasing the property to occupy the basement and first two floors of the building. The Lavins were very happy with this valuation given their investment in the property was in the form of extending a

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$12 million mortgage to the prior owner which they foreclosed on. We were retained exclusively by the Lavins to sell this property and immediately contacted the neighbor (always a logical buyer) Asher Bernstein of Bernstein Realty to determine if he wanted to purchase it. Asher and his family owned the remainder of the block front consisting of four small taxpayers and a six story office building which had been in his family for over 50 years. Part of Asher's property also consisted of a parking lot which was directly west of and adjacent to the Lavin's property on 31st Street. Asher said he was, of course, interested in the property but not at the "crazy Massey Knakal price" of $21,000,000 which was our asking price. After months of marketing we procured a user buyer willing to pay $17 million for the property and sent a contract out to them.

ASHER'S ADJACENT PARKING LOT ON 31ST ST.

During this time period, the development market in the city was going crazy with what seemed like monthly increases in value per buildable square foot. At the $17 million price, we were achieving $205 per buildable square foot, well below the $250 we thought was the development value. The existing leases were an impediment to obtaining this value so we suggested to the Lavins that before we signed the contract with the user, we explore buyouts of the leases to determine if the development value could be realized. The tenant on the top two floors was not financially strong and had a fairly short lease term remaining. That buyout was relatively straightforward and formulaic. Dealing with Cingular was more difficult as it took quite a while just to figure out whom to speak to. We then assisted with the negotiations with Cingular and, while that negotiation consisted of not only cash but a requirement to relocate them within the neighborhood, a termination agreement was signed.

We withdrew the contract issued to the user and put the property on the market as a development site asking $24 million or about $290 per buildable square foot. Our first call was to Asher but this time we did not ask him if he was a potential buyer. We asked him if he would have interest in selling his properties or his air-rights and his answer was a firm NO! During the next several months we received considerable interest from developers, mainly in the

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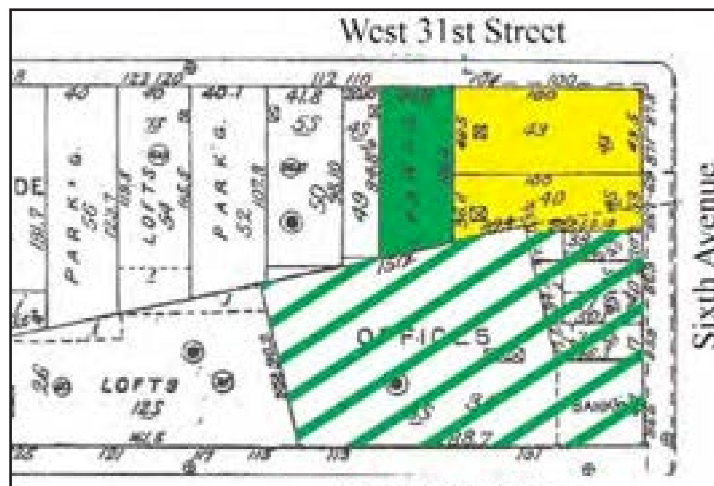
$250 range. The Lavins were thrilled as the pricing inched up to $270 or about $22.3 million. We again called Asher and told him that our activity was good although many developers said the site was on the small side at 82,500 buildable square feet. When we told Asher that we were achieving pricing of $270 he couldn't believe it. It was time for a meeting and we were going to try to convince him to let us add his air-rights and the parking lot to our offering (we did not ask him to include the fee positions to all of his properties as they were multi-tenanted with some relatively long term leases). We believed we could obtain the same $270 for his air-rights because adding the fee to his parking lot would substantially change our footprint and become much more appealing to a developer. He was intrigued by the price and agreed to team up with the Lavins to sell the new site which would have approximately 224,000 buildable square feet. We suggested that a formal joint venture marketing agreement be entered into by the families. We thought it would be best to formally establish their relationship before going to market to avoid allocation disputes when the money was on the table. At this point Massey Knakal got involved in the very delicate negotiation, trying to establish the percentage interests The Lavins and The Bernsteins would have in the joint venture. Bear in mind that Massey Knakal was The Lavin's exclusive agent at this time, but was yet to be retained by The Bernsteins, thus increasing the sensitivities. This new venture (which took months to formalize) signed a new exclusive with Massey Knakal in the spring of 2005.



NEWSITEW/ AIR-RIGHTS

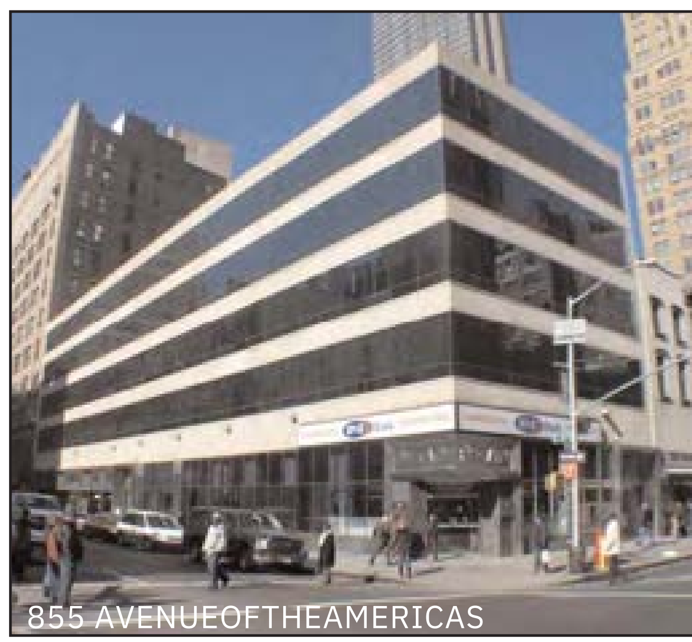
The development market continued to get stronger and stronger as time passed and by the time the new marketing package was ready we were going to ask $325 per buildable square foot or $72.8 million. As the marketing progressed, the activity was very good but there were two competing sites put on the market. Fortunately, the sellers of those sites did not retain exclusive brokers to sell them so their availability was not widely known. (Can you tell that we are brokers?) The blockfront immediately to the south was on the market asking $275 per buildable square foot with total possession possible and a site on the blockfront immediately to the north was available for $300. The development market was moving so rapidly that owners

2006 MOST INGENIOUS DEAL OF THE YEAR AWARD

who were not fully in the loop did not realize current value.

After months of marketing, we identified a 1031 tax deferred exchange buyer who, after winning a bidding war, agreed to pay $68.5 million for the site or about $306 per buildable square foot. The buyer was a longtime owner of rent regulated buildings and amazingly had never developed a building before. There was a dynamic in the market at this time of non-developers trying to get into the development busi- ness. He was in a bidding war with anoth- er first time developer. The experienced developers with track records were topping out at about $280 per buildable square foot. We agreed to make the deal with the buyer and after two months of contract negotiations a sit down signing was arranged. (During this two months the buyer switched his development partner from an experienced builder to someone claiming to have experience but who appeared to be about 25 years old!) Only a significant contract deposit of 10% incen- tivized the sellers to move forward with this buyer.

A meeting was arranged to sign contracts and there were approximately 16 people in the room. The Lavin family, their attor- neys, the Bernstein family and their attor- neys, the buyer and his two attorneys from two different law firms and the develop- ment partner and his attorney were all present along with Bob Knakal and John Ciraulo. After several hours of negotiating the contract, an issue came up regarding what would happen if there was a casualty during the contract period and Asher's office building at 855 Avenue of the Americas had a significant fire. The buyer said that he would be still willing to move forward with the transaction. However, Asher said that if there were a fire in the building, which would cause most or all of his tenants to leave, he would not sell the air rights as he would, in fact, develop this site himself.

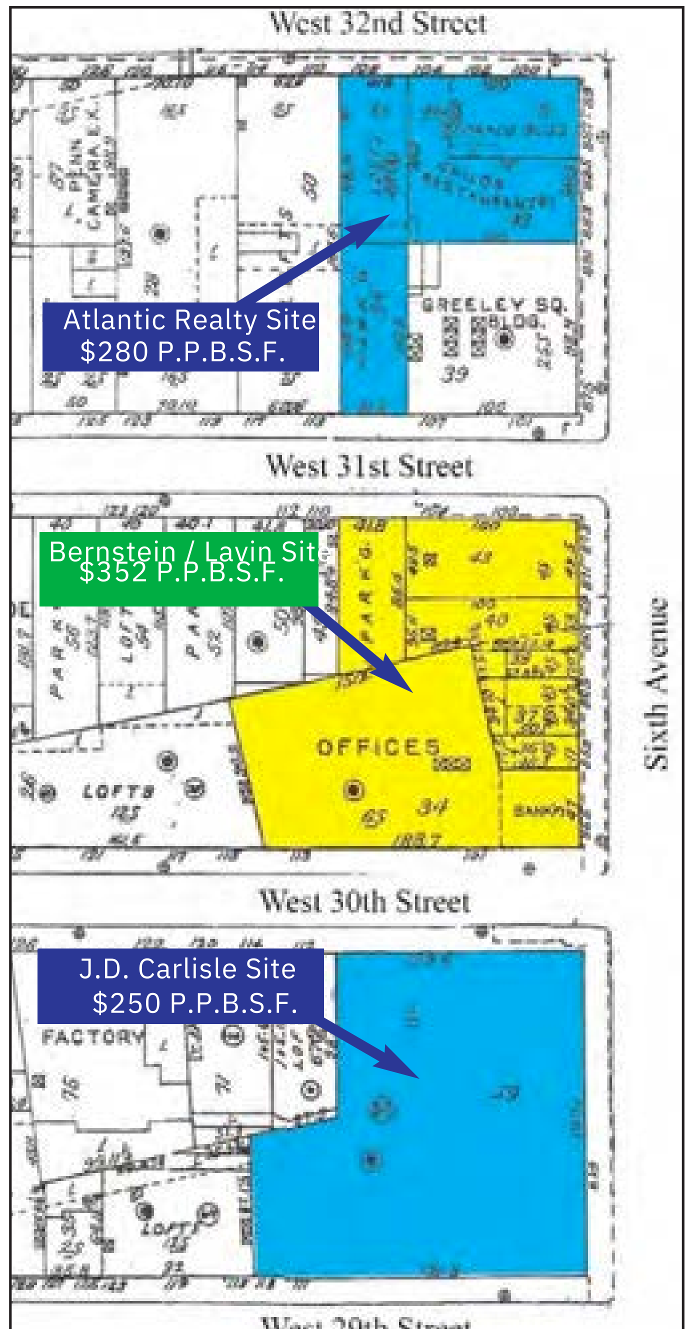

855 AVENUEOFTHEAMERICAS

We were at an impasse in the transaction and neither side would budge. The buyer really wanted to move forward and buy the Lavin's property, Asher's lot and Asher's air-rights in any case as a fire in 855 would not adversely affect his deal. Asher stated that a fire would have a positive effect on the development value of the site and he

2006 MOST INGENIOUS DEAL OF THE YEAR AWARD

would want to be compensated for losing that opportunity if his air-rights were sold. The Lavins were upset because Asher's problem was creating a road block to them closing their sale and, because their property was vacant, carrying costs were escalating.

Bob then suggested something that he felt would make sense to both parties utilizing a capital markets option mechanism. In the event of a casualty, Asher would have the option to "put" the property to the buyer at a higher price and simultaneously, the buyer would have a "call" option to purchase the property at the agreed upon higher price. Both parties liked the concept; the trick was to determine what that higher price would be. At this point all parties seemed motivated to complete this transaction. Asher then asked Bob what the appropriate price should be for the options. Bob, with all eyes intently on him, explained that the dynamics of the site in terms of layout, lot coverage issues, lack of a necessary easement (Asher's parking lot provided the only access to the loading docks at the rear of 855 which access would have to be provided by the contemplated new building on the northern half of the blockfront), and the appeal from a design perspective for the entire blockfront rather than 1/2 of the blockfront should add a 15% premium to the price. This would lead to an unheard of $352 per buildable square foot for the neighborhood (Jules Demchick paid a reported price of $250 for the site to the south and Atlantic Realty paid a reported price of $280 for the site to the north). Both parties agreed that this mechanism was acceptable and the meeting



COMPETING DEVELOPMENT SITE COMPARISON

2006 MOST INGENIOUS DEAL OF THE YEAR AWARD

was adjourned for the night to let the attorneys work on redrafting the contracts with the new provisions.

The next morning Bob called Asher and suggested to him that if he was willing to accept the buyer's "call" in the event of a casualty, why not just sell the property to him at that level. Asher agreed and so did the buyer. The next day the contracts were signed and the transaction closed on February 6, 2006.

The “put” / “call” mechanism not only solved the impasse that the negotiations had reached but we also established a new pricing threshold that was acceptable to both parties.

4) Highlight the distinctive characteristics that qualify the transaction forthe award.

In the building sales business there are very few concepts that are truly ingenious. These may consist of the first air-rights transaction, the first condop structure or the first ground lease. The Massey Knakal professionals who handled this transaction had vision and saw beyond the obvious. They exhibited hard work, stick-to-it-iveness and creativity by utilizing a mechanism to overcome the last significant hurdle in this transaction by utilizing an investment banking concept not normally adapted to real estate transactions. They represented the best interests of the two selling families that retained them and truly maximized the result for their clients. We believe that this transaction represents the essence of what a sales broker does. Over two and a half years there were several component actions, negotiations and deals that went into making this entire transaction a reality. These included site analysis, tenant buyouts, joint venture agreement negotiations, marketing (3 different offerings), sales negotiations, overcoming obstacles and all the while looking to maximize the results for their clients.

2006 MOST INGENIOUS DEAL OF THE YEAR AWARD

ENTIRE BLOCKFRONT PHOTO

AERIAL PHOTO OF ENTIRE SITE (SHADED GREEN)

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2009

26 West 47th Street

Submission to Sales Brokers Committee
of the Real Estate Board of New York
2009 Most Ingenious Deal of the Year Award

THE SALE OF

26 West 47 th street

NeW York, NY

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2009 Most INGeNIoUs DeAL oF the YeAr AWA r D

1) In no more than 50 words on page one, identify the ingenious aspect of the transaction and who was responsible for that ingenuity.

The ingenious aspect of this transaction was conceptualizing and utilizing a clever, cunning and imaginative solution to create motivation in a buyer who, while being the obvious choice, knew he was paying significantly more than anyone else. This tactic was conceptualized by Robert Knakal who implemented the tactic and the entire transaction side-by-side with Jonathan Hageman.

2) Briefly summarize the transaction.

The transaction consisted of the sale of a seven story office building which had it's air rights stripped off. The building, therefore, while in a high density zoning district, could only be sold to an investor or a user- buyer. The property was encumbered by a blanket mortgage and the lender set a very high release price forcing us to achieve atmospheric pricing in order to allow this transaction to move forward. We had an obvious buyer in hand (the retail tenant in the property) but that buyer was aware of the level of other offers and was dragging their feet for months after a contract had been sent to them. We needed to devise a strategy to induce the buyer to sign the contract and put up a substantial deposit while they knew they were paying significantly more

26 West 47th Street

than any one else would pay for the property (or at least so they thought, up to the point where the creative tactic came into play). Creating this incentive and motivation was the key to getting this transaction closed at the required price.

2009 Most INGeNIoUs DeAL oF the YeAr AWA r D

3)Describe the relevant parts of the process from your initial involvement to the consummation of the deal.

26 West 47th Street is a twenty foot-wide, seven story office building containing a total of 11,410 square feet. The building was 90 percent occupied by nine office tenants and a jewelry retailer on the ground floor. Based upon the zoning district, the property initially had 12,691 square feet of development rights above the existing building. The property is situated on the South side of West 47th Street between 5th and 6th Avenue on a street commonly referred to as "Diamond Way." Nearly all retail and office tenants on the block are in or related to the diamond and jewelry business. This street is truly a market unto itself as almost all the participants in the district not only know each other personally, but are also intimately familiar with each other's businesses

Massey Knakal's initial involvement with the property began in early 2007 when we were approached by the attorney for the Skrill Family which wished to sell this property along with another one of their holdings on West 46th Street. At the time they asked us to analyze the property we were aware that Extell Development was assembling many properties on the block for the construction of their Diamond Tower development (This is scheduled to be a 885,000 square foot commercial condominium building). Taking this into consideration, we knew we had to analyze the property from a

2009 Most INGeNIoUs DeAL oF the YeAr AWA r D

development perspective in addition to looking at it as an investment property and a potential user property.

Diamond Tower Development Site

Knowing that Extell would likely be the buyer, we assumed we would have to obtain some credible bids from users in order to achieve the highest possible price from Extell. We were able to procure two user buyers who pushed the bidding on the property and Extell ultimately prevailed with a $16 million dollar offer which closed on September 18, 2007. This price was approximately $1400 per square foot for the existing building, $664 per buildable square foot and, based on the property's income, was a 2.32% capitalization rate. From any perspective it was a very aggressive price.

We had discovered that Extell needed the property to serve as a conduit to transfer air-rights from the east, through the property. The amount of air that was going to be transferred through number 26 was undetermined at the time, therefore, it was impossible empirically calculate the value to Extell of this conduit role.

Fast forward to 2009: By the beginning of last year, Extell had completed the acquisition of all the properties that it could assemble for it's Diamond Tower development. There were three properties that they considered "excess real estate" from which Extell had stripped air-rights and could not incorporate the land under the three buildings into the plot for the Diamond Tower. We were approached by Extell at the beginning of 2009 to provide valuations and marketing proposals on three assets: 31 West 46th Street, 33 West 46th Street and 26 West 47th Street.

As is normally the case, and was here, the valuations we arrived at did not meet the seller's expectations. Notwithstanding this difference of opinion, we convinced Extell that we could maximize the sales prices and we were retained exclusively to market the three properties.

(While not part of this submission, it should be noted that in 2009 we did close on the sale of 31 West 46th Street for $2.85 million and also closed on the sale of 33 West 46th Street $11 million. These were relatively straight forward sales.)

The marketing of 26 West 47th Street was more difficult. It was challenging due to the

2009 Most INGeNIoUs DeAL oF the YeAr AWA r D

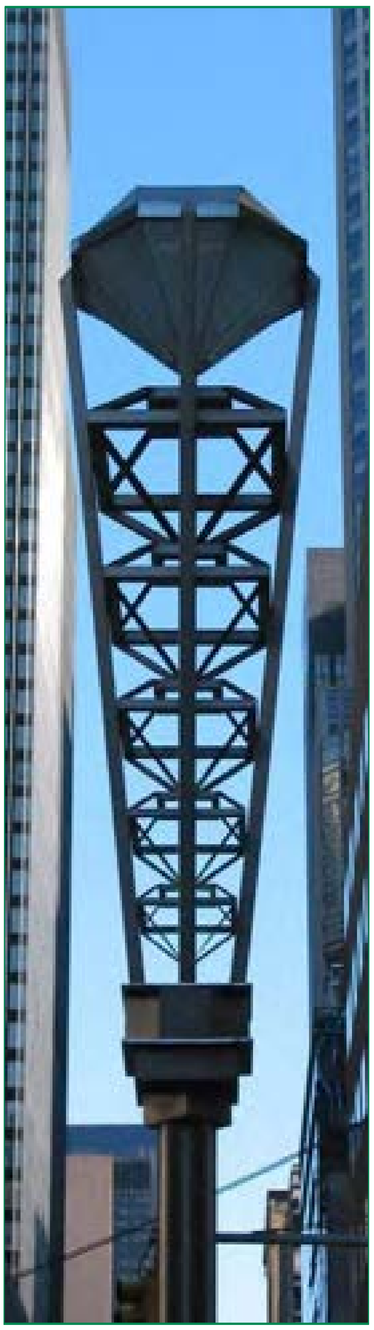
very unique nature of West 47th Street between Fifth and Sixth Avenues. Almost everyone in the Diamond District knows each other and gossip seems to be a favored pastime. I became acutely aware of this fact when I sold the Gotham Book Mart building at 41 West 47th Street several years ago.

At that time, the Book Mart building was one of the few buildings on the block that did not contain jewelry or jewelry-related tenants. We received over 50 offers for that property and, given the tremendous level of interest, decided to have third round bids delivered in a sealed bid fashion. We did this because people seemed to be aware of what everyone else was offering and whenever they would say to us, "I understand Mr. X. is going to offer $4 million, so I will offer $4.1," they were almost always correct. We had initially suspected a leak from an employee at the book mart who may have been telling people what the bids were (the seller's preferred method of receiving offers was via fax). We though the sealed bid nature of the third round of bidding would eliminate this problem. On the day that the final round of sealed bids were due, the owner of the building went to Berger's Deli (a 47th Street institution) for lunch and as he was paying his check the cashier said to him, "Mr. Brown, I understand that your bids are due today and that your high bid is going to be $5.5 million." Sure enough, even though the bids were not due until 5pm, the two high bids were both $5.5 million. I bring this up only to describe how incestuous business dealings on the block are.

So, when it came to marketing 26 West 47th Street, we knew that we had a difficult task in terms of trying to keep information relatively discreet about bidding activity. We went out to the entire market and initially identified the retailer in the ground floor (R&R Jewelers) as a logical buyer. As the property was stripped of its development rights, the buyer would either have to be an investor purchasing the property for cash flow or a user who could potentially use the ground floor of the property.

Diamond Tower rendering

2009 Most INGeNIoUs DeAL oF the YeAr AWA r D



Shortly after Extell bought the property in 2009, they signed a five-year lease with R&R. At the time the lease was signed, Extell did not know whether they would be able to successfully acquire enough properties to incorporate the land under 26 West 47th Street into their development site. So they negotiated a 4 month termination clause in the lease. This gave us the ability to offer the property to user buyers who could exercise the termination provision and take over the ground floor space. It also placed R&R in the difficult position of potentially having to move within 120 days.

We went to the market with a $10 million dollar asking price and, as expected, most of the offers were in the $6 million range with the top offers maxing out at $7 million. At this point, the property showed a net income, with projections for some vacant space, of $422,000. At our $10 million dollar asking price, the cap rate was only 4.22%. Based upon this relatively low cap, we were not surprised that offers were in the $6 to $7 million dollar range.

Considering that the market for similar properties in the area (but not on the block) were selling for about $300-$350 per square foot, we felt that our offers at $550-$675 per square foot were inclusive of a premium for the 47th Street location. The retail tenant expressed interest in the property and made an initial offer of $6 million dollars. This was eventually negotiated up to $9 million and Extell agreed to send R&R a contract of sale.

This was when the fun really began.

After the contract was delivered to R&R's attorney, we didn't hear back from R&R or their attorney for three weeks. In a yet another follow-up call to R&R, they indicated that they knew that the next highest bid we had was $7 million and why should they pay $9 million? We again indicated that $9 million was the bottom line and that the seller indicated they would not sell

26 WEST 47 TH STREET

MASSEY KNAKAL Realty Services

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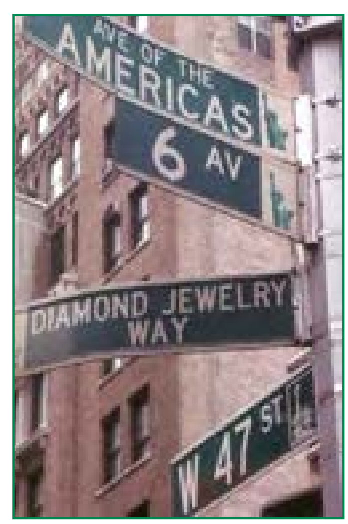
2009 MOST INGENIOUS DEAL OF THE YEAR AWARD

for anything less than that. We also had a constraint in that, the financing for the property was via a blanket mortgage on many of Extell's properties on the block. The release price that the bank established for the asset was $8 million, so we knew that if we did not achieve a price at that level or above, we would likely not be able to sell the property. We simply had to make a deal with this user. Six more weeks went by with little movement from R&R other than a few superficial calls from their attorney to Extell's attorney going over some contract points but they were clearly moving in a half-hearted way.

So these were the circumstances we were facing: 1) We needed to sell the property for at least $8 million and did not have any other buyers at or above that price level, 2) We had a user buyer who thought he knew that the next highest bid was $7 million (this was indeed the level of the 2nd place bid), 3) We had very little leverage other than to threaten to not sell the property to the buyer if he wouldn't pay the $9 million dollar price, 4) We also had very little tour activity at the property because many of the potential buyers were familiar with the property as they had done business with tenants in the building. For this reason, the owner of R&R (who was in the store most of the time) was aware that people were not coming to look at the building.



Somehow we had to convince him that there was a chance that another buyer would pay a higher price than he was willing to pay. After over two months of getting nowhere with the contract out to R&R, we decided it was time to take action.

One afternoon, my Sales Team Manager, Jon Hageman, walks into R&R and says to the owner, "I am here to meet 'the buyer', did he show up yet?" The tenant had a very puzzled expression on his face.

Enter: Elli, "The King of Broadway." →

26 WEST 47TH STREET

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2009 Most INGeNIoUs DeAL oF the YeAr AWA r D

Elli, "The King of Broadway"

26 WEST 47 TH STREET

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2009 Most INGeNIoUs DeAL oF the YeAr AWA r D

The definition of "ingenious" includes being characterized by cleverness, originality or resourcefulness. We needed to induce the tenant to execute the contract of sale without **lying or telling an untruth**. This was an extremely important component of our thought process. We needed to create the impression that there was significant other interest in the property and that there was a buyer willing to outbid R&R.

To create that impression, I had my assistant, Erin Mitchell, get on the internet to Google "Actors – New York City."

Yes, Elli, the self-proclaimed "King of Broadway" is a character actor that was obtained online. His list of roles is extensive having been on shows like *The Sopranos* and many other well known T.V. shows, movies and Broadway plays (A copy of his resume is at the back of this submission). Clearly, from the picture on the previous page, you see that Elli looks very much like he could be a jeweler on 47th Street. He was, however, a "jeweler" that no one on the block knew.

Jonathan and I arranged to meet Elli at the southwest corner of 47th Street and Fifth Avenue at 3 p.m. one afternoon, knowing that the owner of R&R would be in the store. We explained to Elli what the circumstances were and that we simply needed him to go into the space on the ground floor, walk around and act as if it was the perfect space for his jewelry business.

2009 Most INGeNIoUs DeAL oF the YeAr AWArD

Jonathan went into the space alone at first and asked if the "buyer" had shown up yet. He then came outside and the three of us entered the store. As we entered the space, the owner of R&R immediately called me over to speak with him. Clearly, the tenant was disturbed. He said to me, "What is going on here? I have a deal with Extell and I am buying the building."

I told the tenant that, as far as we were concerned, we didn't think he was sincere and that we were going to have to "move in another direction." I explained that the contract had been out to him for over two months and his responses were not indicative of a serious buyer. He was obviously agitated and then Elli went into a wonderful performance of inspecting every square foot of the ground floor exclaiming that his watches would look great over here and he would put his engagement rings over there and, all the while, nodding his head with an ear to ear grin on his face. "This is perfect for me," he said. He then turns to me and says, "You're sure the asking price is only $10 million?" It was absolutely perfect.

After a few minutes of looking at the space, Jonathan, Elli and I went out in front of the building and stood on the sidewalk looking up at the façade. Elli was pointing to different parts of the front of the building showing where he would put his signage etc. We could see the tenant through the front window. As soon as we left the space, he was on the phone, I'm sure either calling Extell or his attorney. The next day the contract was executed and a $2 million contract deposit was delivered.

The transaction closed in December of 2009. We accomplished our objectives without lying and without telling any untruth. We simply created an illusion that produced tremendous motivation for a buyer to act. A $200 dollar investment in an actor produced a $9 million transaction. Long live "The King of Broadway."

4) Highlight the distinctive characteristics that qualify the transaction for the award.

If you go to a thesaurus and look up "ingenious," you see a list of words that include: imaginative, resourceful, cunning, skillful, shrewd, sly, original, crafty, clever and innovative. While not a tactic we have ever used before, it was exactly what we needed to get the sale closed. We hope you think this conceived strategy lives up to the words above.

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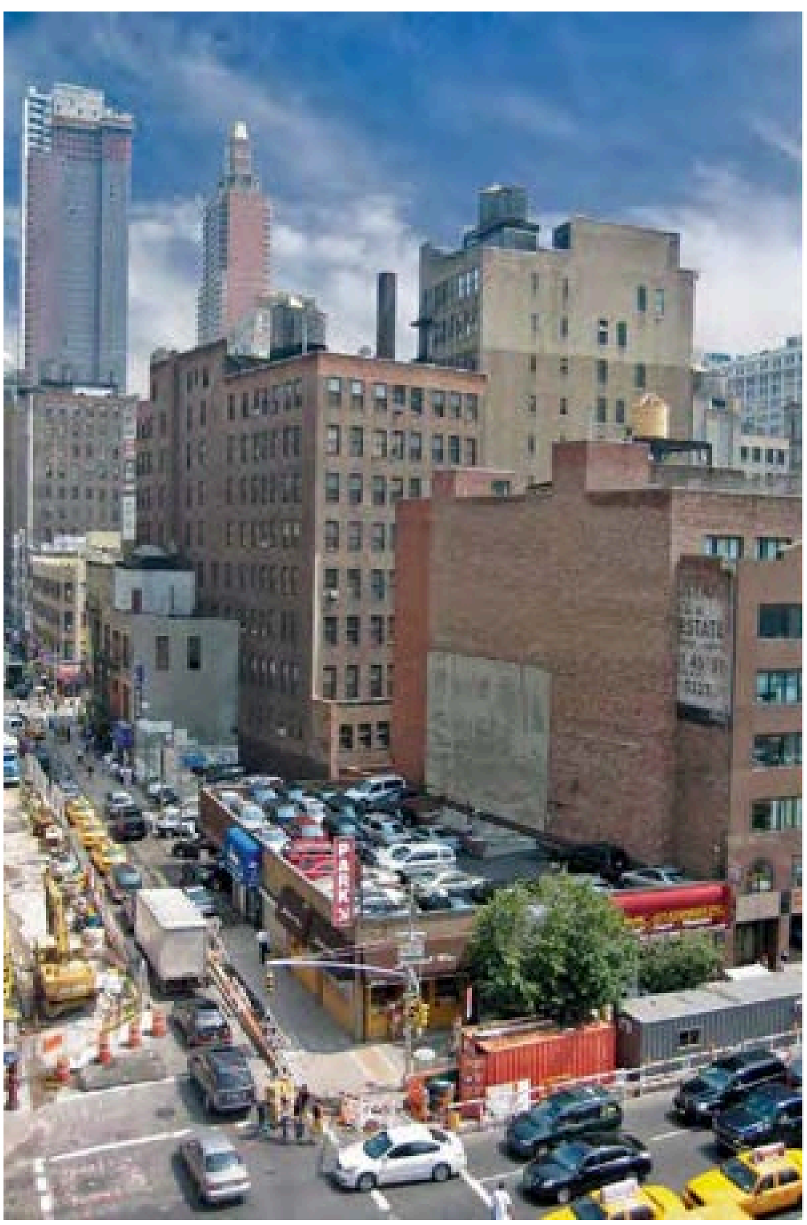
DIAMOND JEWELRY
WAY
W 47 ST

2014

The Eight Year Land Assemblage for

The Virgin Hotel &
The 846 Ave of the Americas Residential Condominium



REBNY Sales Brokers Committee

MOST INGENIOUS DEAL OF THE YEAR 2014

The Transactions for the Assemblage and Sale of
1205, 1225 & 1227 Broadway and 846 Avenue of the Americas

The Eight Year Land Assemblage for the Virgin Hotel and the 846 Avenue of the Americas Residential Condominium

Submitted by:

Robert Knakal
Chairman
Massey Knakal Realty Services

John Ciraulo
Vice Chairman
Massey Knakal Realty Services

THE EIGHT YEAR LAND ASSEMBLAGE FOR THE VIRGIN HOTEL AND THE 846 AVENUE OF THE AMERICAS RESIDENTIAL CONDOMINIUM

846 Avenue of the Americas Tax Map and 1227 Broadway Tax Map

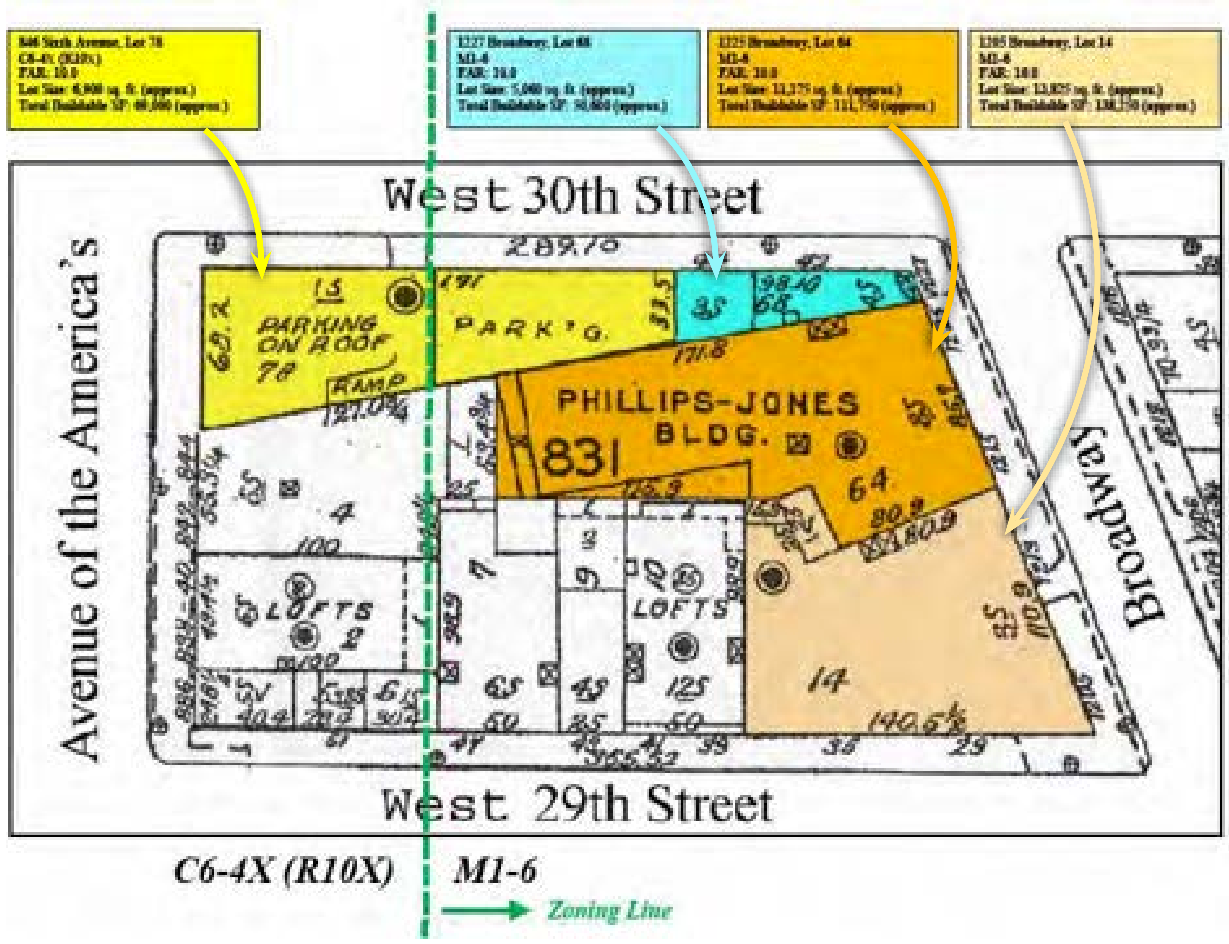
846 Avenue of the Americas

1) In no more than 50 words, identify the ingenious aspect of the transaction and who is responsible for that ingenuity.

In land assemblage, the whole is usually worth more than the sum of its parts. In this transaction, due to an unusually shaped property, and different zoning districts, the sum of the parts were worth more than the whole. Suggesting a tax lot sub-division, and a joint venture development strategy leaving one of the obstructionist sellers with a retail condo interest, were the keys to maximizing value. Bob Knakal conceived of this strategy.

2) Briefly summarize the transaction:

This was a multiple property land assemblage transaction which involved four properties, two ownership groups (one of which was at odds) a lot subdivision and the negotiation of a joint venture development agreement. One of the ownership groups owned two adjacent, end-to-end, properties which created an extremely odd, triangular shaped property with 68.2 feet of frontage on Avenue of the Americas, 290 feet of frontage on West 30th Street and just 15 feet of frontage on Broadway. The other ownership group owned two buildings which were class C office buildings occupied mainly by tenants that produced and sold counterfeit handbags and accessories. It was clear that the highest and best use of these properties were as development sites but how to get there was the question. This process started in 2006 and the last piece of the puzzle closed in 2014. 1205 & 1225 Broadway were sold to a developer. In order to complete the blockfront assemblage on Broadway, a sub-division of an Avenue of the Americas property had to be undertaken. The remainder of the Avenue of the Americas property had one of three partners who was a reluctant seller. A joint venture agreement was negotiated to buy out the willing sellers and leave the reluctant seller with a fee interest in the retail condo in a new development there. These efforts resulted in four separate transactions, the result of which will produce the new Virgin Hotel on the entire blockfront on the west side of Broadway between 29th and 30th Streets and a new residential condominium project at the southeast corner of Avenue of the Americas and 30th Street.



3) Describe the relevant parts of the process from your initial involvement to the consummation of the deal.

In early 2006, with the development market in full stride, a long-time Massey Knakal client decided to sell 1227 Broadway and 846 Avenue of the Americas. These were two adjacent properties making up the entire southerly blockfront of West 30th St. between Avenue of the Americas and Broadway. The ownership group was named Pater . Their two properties formed a very unusual triangular shaped property with 68.2 feet of frontage on

THE EIGHT YEAR LAND ASSEMBLAGE FOR THE VIRGIN HOTEL AND THE 846 AVENUE OF THE AMERICAS RESIDENTIAL CONDOMINIUM

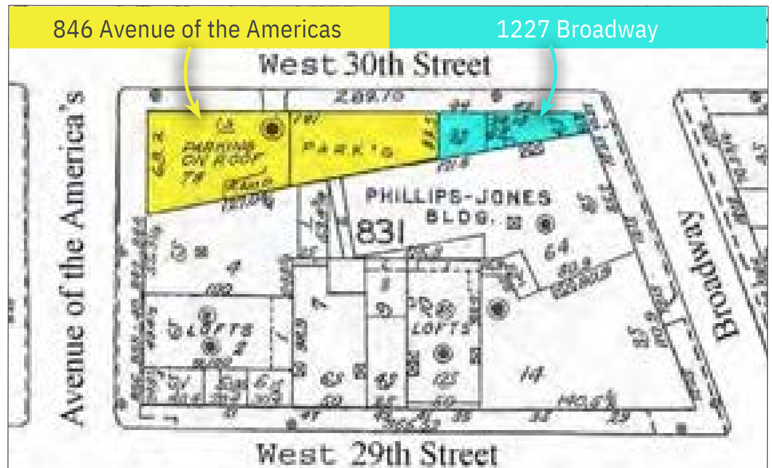
1205 and 1225 Broadway

Avenue of the Americas, 290 feet of frontage on West 31st St., and 15 feet of frontage on Broadway. Given the unusual shape of the property, it would be very difficult to find a developer to mass a building on the site given contextual requirements, particularly given that the properties were in two different zoning districts. The Avenue of the Americas frontage could accommodate a residential and retail property but the "tail" of the property was not worth much to the Avenue of the Americas potential. Actually, 1227 Broadway was fully in the M1 – 6 zoning district while 846 Avenue of the Americas was partially in the C6 – 4X zone and partially in the M1-6 zone. The MK team was retained exclusively to represent Pater. The total buildable footage of the two properties was about 120,000 square feet. We anticipated a price of about $400 per buildable square foot for the 69,000 square feet, which was in the residential zone, and about $300 per buildable square foot for the 50,600 commercial square feet.

Given these realities of the Pater properties, and the difficulties that this would create for a developer of these two properties independently, the MK team approached the owner of the adjacent properties located at 1205 & 1225 Broadway. The owner of these properties was Mocal Enterprises. These were two commercial buildings occupied by short-term office tenants (one-year maximum term) with short-term retail tenants (three-year maximum terms) on the ground level. The MK team suggested to Mocal that by putting the properties on the market, they could take advantage of the strong development market and, with the potential to join forces with

THE EIGHT YEAR LAND ASSEMBLAGE FOR THE VIRGIN HOTEL AND THE 846 AVENUE OF THE AMERICAS RESIDENTIAL CONDOMINIUM

the neighbor to the north, could deliver the entire block front on Broadway between 29th and 30th Streets to a developer. Mocal agreed to retain the MK team exclusively to market the two buildings. Now the MK team was able to offer the entire blockfront to developers. A couple of months after going to market with both offerings (two properties each), the owners of the Pater parcels had a falling out and decided to withdraw their property from the market. The marketing of 1205 and 1225, however, was progressing well so Mocal decided to stay the course.



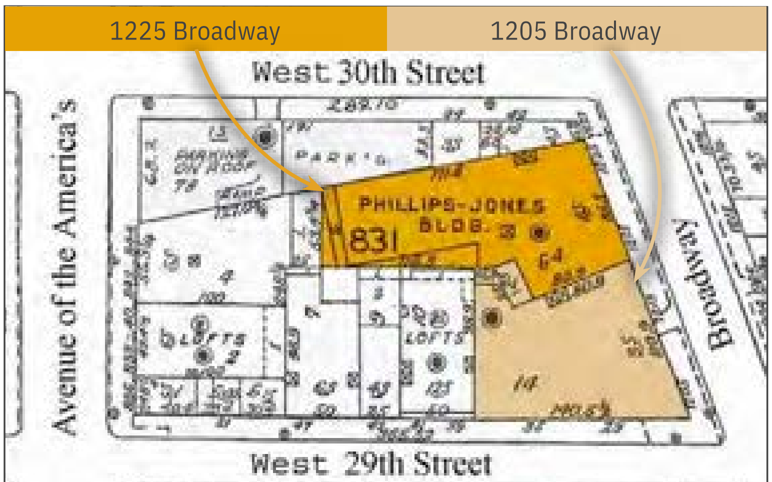
846 Avenue of the Americas Tax Map and 1227 Broadway Tax Map

There were complications involved in offering the Mocal properties due to the nature of many of the tenants in the office spaces. In the mid-2000s, counterfeit handbags, belts and shoes were a big business and seemed to be headquartered in this immediate neighborhood. Although the city was constantly raiding these buildings to evict counterfeiters, the property owner had difficulty removing these tenants from the properties. Additionally, liability was potentially falling on property owners that harbored such tenants. A combination of these factors created some hesitation on the part of many developers from making an aggressive offer on the buildings. Notwithstanding these difficulties, the marketing program produced a buyer that was willing to wait for tenancies to expire and would deal with the potential liability. A contract was signed in mid-2007.

Although the buyer was willing to close within 60 to 90 days, Mocal requested a nine-month closing period in order to provide more flexibility to effectuate a 1031 tax-free exchange. The contract price was $92 million, or $368 per buildable square foot, an enormous price at the time for an M-zoned piece of land. The buyer put up a $9.2 million contract deposit which he agreed to release from escrow. The release was required by the seller as Mocal did not trust the buyer due to constant renegotiation tactics the buyer utilized. A couple of months before the closing was scheduled, the contract vendee approached the MK team to see if they could shake the Pater properties loose. The Pater partners had no interest in selling at that time.

Two weeks later, the Pater partners called to say they changed their minds (something that would happen over and over again with these guys) and would now consider a sale. Negotiations began and the contract vendee was aggressively pursuing the Pater parcels. However, the closing date was rapidly approaching and the contract vendee on the Mocal properties asked Mocal for an extension of the closing date for 90 days. Given the perspective Mocal had towards the vendee, they seller declined to extend the closing. The negotiations for Pater

THE EIGHT YEAR LAND ASSEMBLAGE FOR THE VIRGIN HOTEL AND THE 846 AVENUE OF THE AMERICAS RESIDENTIAL CONDOMINIUM



1205 and 1225 Broadway Tax Map

had caused the vendee to take his eyes off the ball and the seller was holding him to the time-of –the-essence closing. The vendee defaulted and lost the $9.2 million deposit. The vendee sued Mocal for the return of the deposit. This attempt was unsuccessful but caused an almost 2 year delay in the sales process. After Mocal won the litigation, they decided to sit on the asset until the market improved.

By early 2011, the market was improving. The MK team approached Mocal to see if they were interested in putting the property back on the market. They were and the MK team was exclusively retained again to market the property again. Being gluttons for punishment, the MK team approached the Pater partners to see if they would have any interest in joining the sales process. We explained that Mocal retained us to sell their properties and that it would make sense to try to sell their unusually shaped property with the adjacent balance of the Broadway block front. They were not ready to go back to the market at this time.

The interest in the Mocal property was very significant as the development market had started to recover significantly. Most of the prospects who were interested in the Mocal property wanted the Peter properties also. While those properties were not on the market, most prospects made unsolicited offers through the MK team to the Pater partners. None of these buyers were allocating a significant enough value to the Pater properties to compel the partners to sell them. Pater was not on the market actively but buyers for Mocal all knew that the Pater properties were previously available and asked us to make bids on their behalf. After weeding through several of the top bidders, the Lam Group was identified as the top bidder for the Mocal properties. They were not concerned about the tenancies and signed a contract in the spring of 2011. That sale, now at $71.9 million, ($287 per buildable square foot) closed in August of 2011.

Now that Mocal was sold, the owners of Pater were somewhat at the mercy of Lam as they controlled the balance of the blockfront on Broadway. As such, they were able to potentially attribute the highest value to the Pater property. Unfortunately, Lam was not willing to pay an acceptable price for the Pater properties because they were going to build a hotel on the site. The value of Pater was significantly higher because of the residential zoning that existed on the western part of the Pater site. Lam had no interest in any of the residential air-rights as they are only hotel developers. After months of trying to negotiate an acceptable transaction between the two parties, it became clear that Lam was just not willing to purchase the Pater properties at an acceptable level.

THE EIGHT YEAR LAND ASSEMBLAGE FOR THE VIRGIN HOTEL AND THE 846 AVENUE OF THE AMERICAS RESIDENTIAL CONDOMINIUM

1205-1225 Broadway

Feeling that they may have missed an opportunity, the Pater partners retained the MK team once again exclusively to market their properties. In order to sell the property, the MK team had to figure out how to deal with the awkward shape of the combined lots.

The Pater properties were two separate tax lots. Lot 78 (846 Avenue of the Americas) extended east from Avenue of the Americas 191 feet along 30th Street. Lot 68 (1227 Broadway) extended West from Broadway by 98'10" along 30th Street. The property at 1225 Broadway had 171 feet of depth on Broadway so selling just lot 68 to Lam would help him by having the whole blockfront on Broadway but wouldn't be the most efficient transaction for the Pater owners. It would also leave the owners of the Pater properties with an irregularly shaped parcel which was in two different zoning districts. Bob Knakal suggested to the owners of the Pater properties that they subdivide lot 78 along the zoning district boundary such that the eastern part of the site, which was entirely in the commercial district, could be sold to Lam along with lot 68 which had Broadway frontage. They loved the idea. The MK team floated this past Lam and they loved the idea as well. This approach would also leave a more reasonable development site, fully in the residential zone, to be sold to a residential developer as the MK team knew that Lam had no interest in that residential footage.

The MK team negotiated an acceptable contract between the parties to sell the eastern sub-division of lot 78 along with lot 68 to Lam for $16,000,000, or $316 per buildable square foot, a higher price than Lam paid for the

THE EIGHT YEAR LAND ASSEMBLAGE FOR THE VIRGIN HOTEL AND THE 846 AVENUE OF THE AMERICAS RESIDENTIAL CONDOMINIUM

Mocal properties. This contract was contingent upon Pater completing the sub-division. This transaction closed in November 2012.

Now the question was what to do with the balance of the Pater site. This property was now put on the market at an asking price of $400 per buildable square foot, or $27,600,000. After months of marketing and negotiating with several prospects, and coming close to a deal, the sellers once again changed their minds about selling and decided to withdraw the property from the market. We were very disappointed, not surprised, and determined to figure out what the heck was going on with these guys. We found out that there were three families involved in the ownership of Pater, not two which is what we thought. To protect the guilty, let's call them Family 1, Family 2 and Family 3.

846 Avenue of the Americas & 1227 Broadway

Families 2 and 3 were unified and wanted out of the property immediately. Unfortunately, their interests in the property totaled just 37%. Family 1, the majority owner with 63%, did not want to sell. During our marketing, Ken Horn from Alchemy emerged as the most interested party. We then convinced Family 1 that they could satisfy their partners by having them bought out and could do a joint venture with Alchemy to develop the property and could end up with a fee interest in the retail condo on a tax efficient basis. (The MK team had nothing to do with the tax structure of this transaction). The parties all agreed and a deal was successfully negotiated to have Alchemy buy-out Family 2 and Family 3. This transaction would insert Alchemy into the existing entity that owned the property. Through the process of liquidating distribution, the venture would then divide their interests with Family 1 obtaining the retail condo, consisting of two stories of retail space plus basement, and Alchemy owning the rights to the residential space above the retail. The MK team did a tremendous amount of work to demonstrate to Family 1 that the space they were getting was worth approximately what their share of the purchase price would have been.

So the parties agreed to this complex structure. Unfortunately, the number of people working on this complex transaction was very large and the documents very voluminous. As the documents were just about ready to

THE EIGHT YEAR LAND ASSEMBLAGE FOR THE VIRGIN HOTEL AND THE 846 AVENUE OF THE AMERICAS RESIDENTIAL CONDOMINIUM

Rendering of Virgin Hotel at 1205-1227 Broadway

be finalized, Alchemy reached agreement with a private equity fund to provide equity for the venture. Unfortunately, the fund required several changes to the documents. This process was a very lengthy one to get down on paper. Meanwhile, the market was continuing to improve at a rapid rate and after several months of negotiating the documents, Family 2 and Family 3 were no longer interested in making a deal at $27.6 million ($387 per buildable square foot).

Bordering on massive bad faith, they asked the MK team to go back to Alchemy and ask them if they would increase the price to $450 per square foot. Alchemy reluctantly agreed. Several additional months then passed as the parties tried to get the documentation finished. Amazingly, Family 2 and Family 3 renegotiated once again. This time they want to the price to be increased to $500 per foot. After much back and forth, kicking and screaming, Alchemy agreed to this new price once again. Families 2 and 3 also stated that they would not sign a contract to sell their minority interests until Family 1 had finalized their venture agreement with Alchemy. This was a complicated negotiation due to all of the tax input that was required. Essentially, Alchemy was buying into the existing ownership entity through the acquisition of the minority owners' interests. This required amending and restating the operating agreements. Upon Department of Buildings approval, two condo units will be created with Alchemy's interest in the entity being liquidated via a conversion of his interest into fee ownership in the residential condo and Family 1 getting title to the retail condo. With additional time passing as the lawyers and tax experts continued to work on structuring and papering this deal, Family 2 and Family 3 came back to the MK team once again asking to raise the price to $550 per buildable square foot. This was too much for Alchemy to swallow so the MK team suggested an all hands on deck meeting. At this meeting we agreed on a final price of $36,808,610 or $533 per buildable square foot. All documents were signed shortly thereafter.

The sale of the minority interests and the joint venture transaction were closed in July of 2014 concluding what was a very complicated process that evolved over an eight-year period.

4) Highlight the distinctive characteristics that qualified the transaction for the award.

Subdividing lot 78 (846 Avenue of the Americas) and formulating the joint venture strategy is what allowed these four transactions to occur. There were many different objectives among all of the players and the strategies implemented here allowed all of these objectives to be met. On the Broadway frontage the new Virgin Hotel will be constructed. On the subdivided lot 78 on Avenue of the Americas, a new residential condominium building will rise and Family 1 will have a fee interest in the retail condominium. The total consideration for the four transactions was $124,708,610.

Rendering of Virgin Hotel at 1205-1227 Broadway

2021

Sale of a

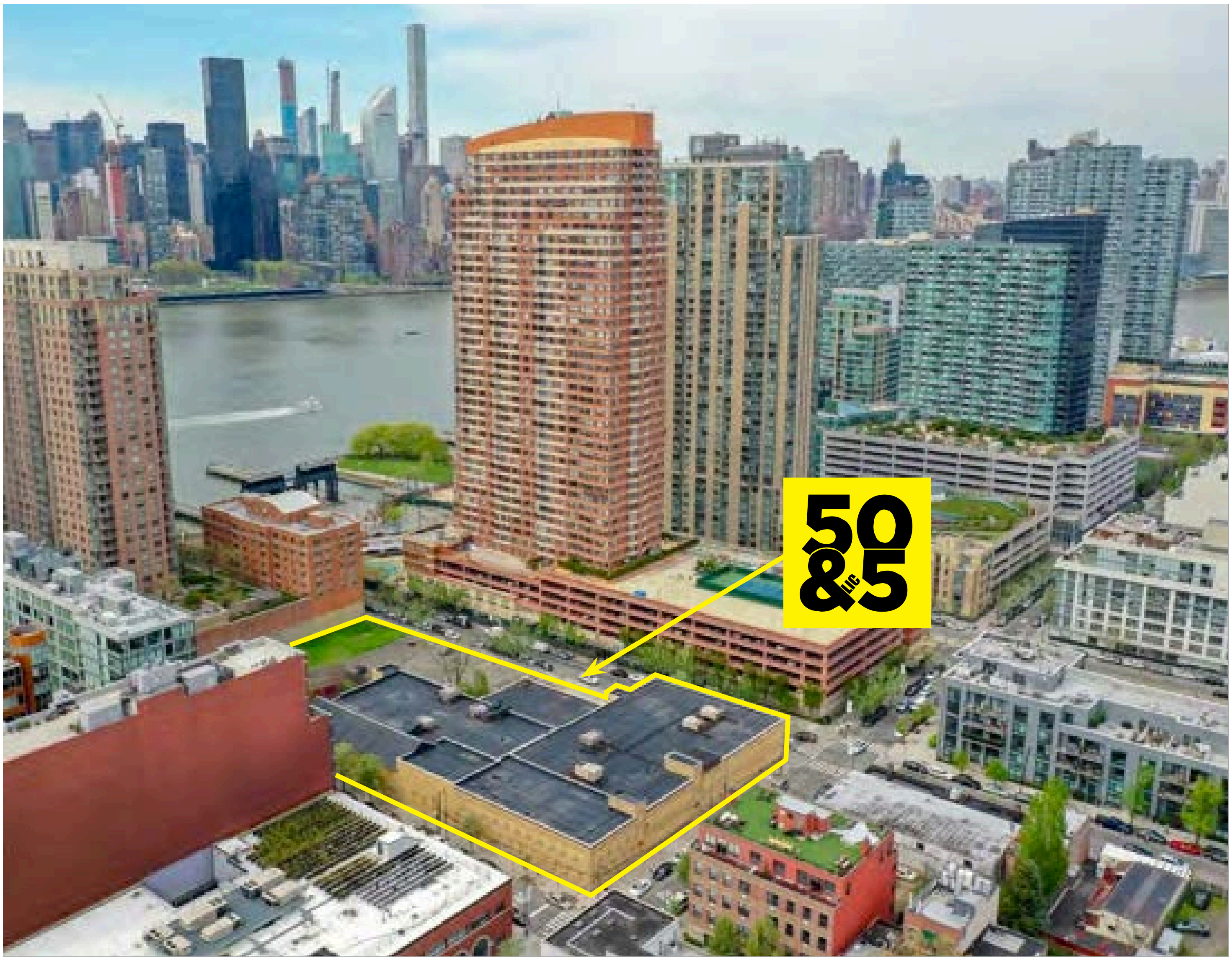
Long Island City Development Site

REBNY Sales Brokers Committee

MOST INGENIOUS DEAL OF THE YEAR 2021

Sale of a Long Island City Development Site

Submitted by:
BOB KNAKAL

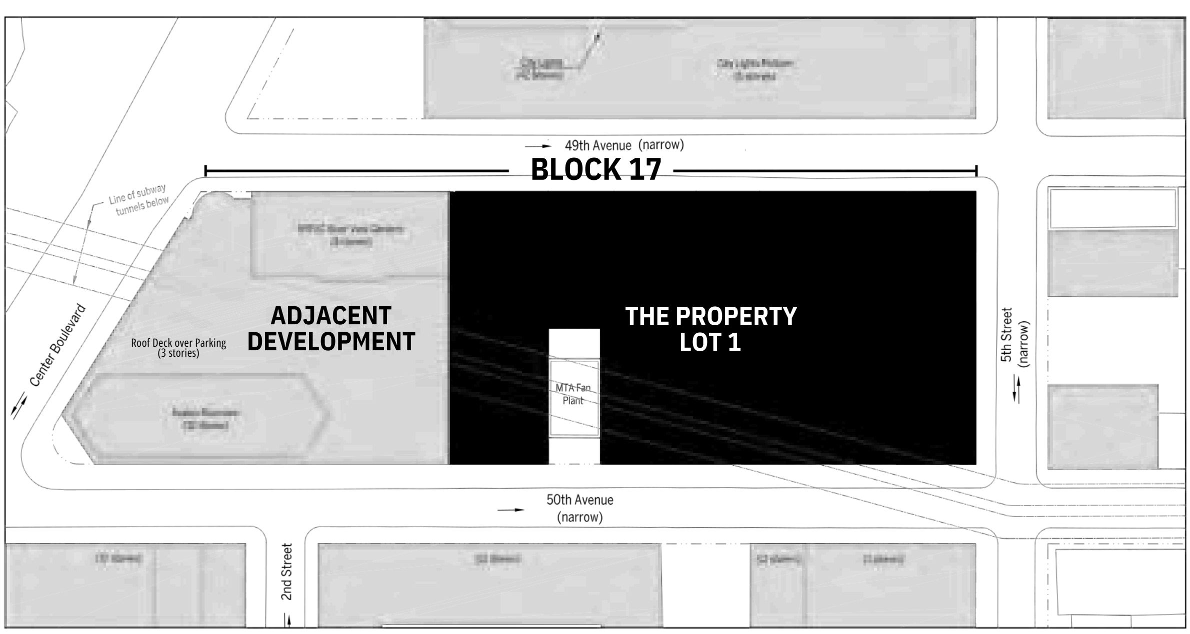


1)In no more than 50 words on page one, identify the ingenious aspects of the transaction and who was responsible for that ingenuity.

The ingenuity within this deal revolved around convincing the seller to retain JLL based upon intimate knowledge of the Board of Standards and Appeals and convincing the seller to perform an extraordinary amount of up front due diligence to make the property more marketable based upon a unique characteristic of the property. Bob Knakal and Jon Hageman were responsible for these actions.

2)Briefly summarize the transaction.

This transaction involved the sale of a 76,000 square foot development site in Long Island City with 444,000 buildable square feet. The site had a subway tunnel under the site which created a significant obstacle as a portion of the site could not be economically developed upon, creating a circumstance under which the full ZFA could not be massed under the height restriction in the zoning district. To effectively market the asset, a comprehensive case would have to be made as to how a developer could prove this condition was a hardship and convince the Board of Standards and Appeals to grant a variance to exceed the height restrictions. This would enable the full ZFA to be used. Bob and Jon were able to help the seller craft a case for the hardship by enlisting the help of several third party professionals who made compelling arguments for the variance. Given the competition that the seller put the brokerage community through, getting retained was a key part of this transaction and being able to obtain key information from BSA and using that information to their maximum advantage helped secure the exclusive listing for JLL from the seller. The genesis of this transaction began in 2018, saw Amazon come and go, had to get through the pandemic and, like most transactions, had its share of twists and turns. For most transactions, the key moments are near the end of the process. In this transaction, many of the key moments were towards the beginning.



3)Describe the relevant parts of the process from your initial involvement to the consummation of the deal.

In September of 2018, the owner of a development site at 2-33 50th Avenue in Long Island City called Bob Knakal to suggest that the ownership of the property (a "Private Family" located out of state), which had operated a business out of the property for decades, were considering a sale of the property. The family was shutting down the art storage business that was operating out of the property and had the ability to deliver the property vacant to a developer. The site makes up the entire westerly blockfront on 5th Street between 49th and 50th Avenues. It was a 76,000 square foot lot which was in a split zone with 56,000 square feet in an M1-5/R8A zone and 20,000 square feet in an M1-4/R7A zone. This site had a maximum zoning floor area of 444,000 square feet.

On the first call, Bob thought the caller was a different investor who had a similar name to the owner. That investor who had a similar sounding last name was a pain in the neck and had recently wasted a tremendous amount of Bob's time bidding on another property Bob was marketing and that investor continued to change his offer, ask for the same information over and over and rarely gave Bob and his team straightforward answers to basic questions. So when Bob heard that the head of the Private Family was calling, mistakenly thinking it was the pain in the neck, waste of time, investor he told his assistant to take a message. When Bob saw the written message and saw that the call was about "a property in Long Island City that the caller wanted to sell", it was clear it was not the pain in the neck investor and the call was returned immediately.

When Bob spoke to the seller, the seller said, "I own the best development site in NYC and want to interview you to sell it for me". They discussed the site and he told Bob that he would be coming to New York to interview "several firms" and set up a time for an initial interview. In October of 2018, JLL assembled a team, analyzed the site and prepared a valuation and marketing presentation. The initial interview was set up and Bob, Jon and their team reviewed the valuation and proposed marketing program with the head of the Private Family, his wife and son. The meeting seemed to go well and the JLL team was feeling confident based upon how the meeting went. The JLL valuation at that time was a range of about $80 to $90 million. Then the seller told the JLL team that they were interviewing 7 other firms in their initial round. Ugh!

Weeks later, on November 4, 2018, Amazon announces that New York City is among the final – final contenders for its HQ2. On November 13th, 2018, Amazon makes it official stating that Long Island City would be the location of HQ2.

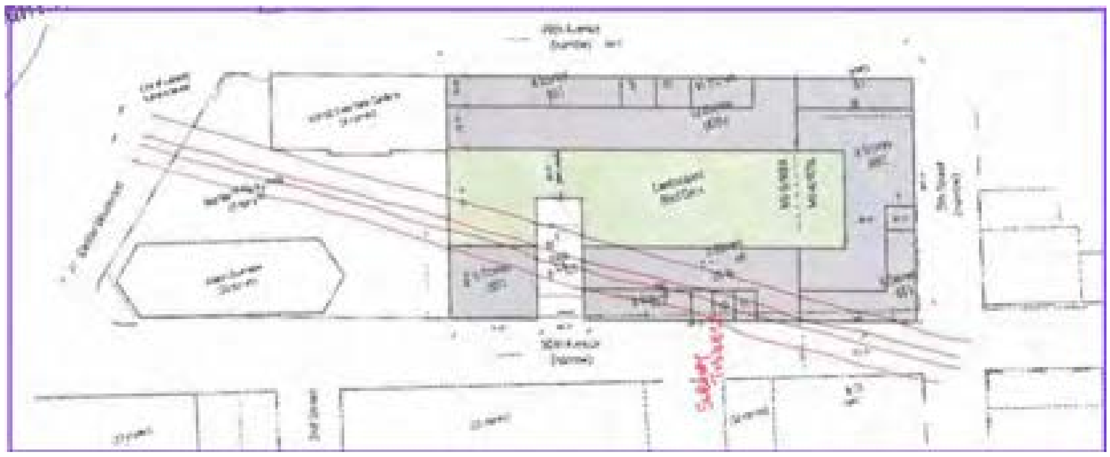
The Private Family feels like they hit the lottery as their site is only a few blocks away from the new HQ2.

On Friday, November 23rd, the seller sent an email to the JLL team informing them that they would be considered a "finalist" and wanted a written proposal submitted by the following Thursday, November 29th at noon. However, they had some additional information that they wanted the finalists to consider. This information, of course, included the impact of Amazon's new HQ2 on the valuation.

And then they revealed a key component and potential hurdle to maximizing this site's value:

"The 7 train tunnel (Steinway Tunnel) a 1915 vintage, unreinforced concrete structure beneath the site, creates a hardship that **probably** makes it financially infeasible to develop a building, which fully utilizes the permitted zoning square footage under current zoning regulations, directly above it. The orientation of the tunnel beneath the southern half of the site means that no footings for a building can be situated there and cantilevering a building directly above the path of the tunnel would **likely** be financially prohibitive. Accordingly, the hardship offers developers a high degree of likelihood for achieving a height variance, which permits construction of a taller structure with far better views than the sites as of right massing allows."

It turned out that the tunnel was not in great shape given its vintage, unreinforced nature, and the fact that it was a shallow tunnel not too deep below grade.



JLL had less than one week to research the issues. Bob immediately called the Private Family to get as much information as possible. It was clear that the seller was open to suggestions about how to best position the property for the market and the seller was also asking many questions about the Board of Standards and Appeals, the variance process and the likelihood of being able to get the height variance waived such that the full ZFA could be massed on the site.

In the submission to the seller, JLL:

•Addressed the perceived impact on value the Amazon announcement would have on the market value of the site.

– This was done using residential rental values and condo values in areas where major new developments / rezonings were announced.

– The JLL team used value trends in the Hudson Yards district within the years after the rezoning was announced.

– The JLL team used value trends in the Atlantic Yards district within the years after the rezoning was announced.

– The JLL team used value trends in Williamsburg within the years after the rezoning was announced.

•Encouraged the Private Family retain a geotechnical engineer to fully diligence the below grade conditions around the subway tunnel and the impact of the water table in LIC.

•Encouraged the Private Family retain a supportive excavation engineering firm to fully diligence the below grade conditions around the subway tunnel.

•Encouraged the Private Family retain a foundation structural engineer to determine the foundational requirements to cantilever the foundation over the tunnel.

•Encouraged the Private Family retain a superstructure engineering firm to determine what additional costs would be incurred based upon the subsurface conditions.

•Investigated several of the hardship applications for height restriction variances in NYC. •Spoke to the BSA commissioner to get some insight into how BSA would view the variance application.

All of this was done to help build a case to convince developers that the all-important variance was possible.

The submission was provided to the seller and a subsequent meeting was set up as the seller wanted to come into NYC to meet with the finalists one more time. The seller called Bob to ask for recommendations for each of the third party vendors and was particularly interested in "who is the best?" He wanted to know what JLL knew about the variance process and who the best attorneys were. The Private Family was obsessed with wanting to know who the best of the best were as they wanted to do everything possible to get the best result possible.

Knowing how important the variance was on the value of the property, Bob reached out to Margery Perlmutter who was the commission of the BSA at that time. Bob had worked with Margery, when she was a practicing attorney, on arbitration work and they had a good relationship. In the conversation with the seller after the November 23rd email was delivered, the seller asked several questions about Margery and how the BSA operates. "I heard she is really a tough cookie and hard to get to," the seller said. Bob mentioned that he knew Margery and that he would try to get some insight.

In the subsequent days, Bob reached out to Margery and was able to get a complete breakdown of how BSA would look at the hardship issue, which lawyers knew the ins and outs the best and who made the best presentations to the BSA and were the most successful in obtaining variances. Had it not been for Bob's relationship with Margery, the detail with which she conveyed information would not have been possible.

A final face-to-face meeting was scheduled with the members of the Private Family. In that meeting, JLL reviewed all of the data points that could be extrapolated to estimate the impact on the site's value that Amazon moving into the neighborhood would have. JLL also reviewed all of the data that would be helpful in demonstrating the hardship created by having to "build around" the subway tunnel which would be the rationale for BSA approving the variance to build above the height restriction.

After an exhaustive discussion about all of the what-ifs, the conversation turned to the likelihood of getting the BSA variance. The seller was of the opinion that they would go through the BSA process themselves and deliver the site to the market with the variance in place. **I then told the Private Family that I had a comprehensive conversation with Margery Perlmutter and knew exactly what she was looking for in a presentation to obtain the variance and who her "favorite" attorney was that presented in front of the Board.**

At that point the patriarch of the Private Family, his wife and son all moved to the edges of their seats, leaned forward and asked who that attorney was and what components of the presentation were the most important. Bob replied, "Hire me as your exclusive agent and I will tell you". Everyone in the room laughed but Bob didn't say another word. Later that day, the seller called Bob and told him that the Private Family was going to retain JLL to represent them.

In early January of 2019, JLL was retained and the marketing materials were put together. Based upon the Amazon effect, the pricing guidance was going to be $120 million, up significantly from the $80 - $90 million that was estimated to be the pre-Amazon value.

In late January of 2019, the marketing campaign was launched and the property was very well received.

On February 14, 2019 Amazon announced that it was pulling out of the LIC location due to the political pushback it had received. The seller's lottery ticket disappeared. The seller believed that the Amazon withdrawal was a negotiating tactic and needed time to let the reality kick in that they weren't coming back.

The property was removed from the market for a period of time as the third party reports were completed and the seller allowed the dust to settle from the Amazon fallout. During that time, the seller decided that they would not go through the process of getting the variance themselves and would provide all of the information to the buyers and have the buyers assess their chances of getting the variance and being able to build the full 444,000 square feet.

The information obtained from the third party professionals made a very compelling case that the subway tunnel created a hardship. The reports showed that cantilevering over the tunnel would be necessary and over 20 times the amount of concrete normally used would be required. Bob and Jon also conveyed the details of the conversation with the BSA commissioner to the top prospects. A combination of these factors left many of the developers confident that the variance would be obtained and massing the full 444,000 square feet on the site would not be a problem.

A contract of sale was signed with a buyer which provided time for the buyer to get well into the variance process. The contract was not contingent upon getting the variance and there was significant hard money deposited on the contract. The significant hard deposit was critically important as when the pandemic kicked in during March of 2020, many contracts were defaulted on and this transaction was not immune from negative impacts, but with minor modifications, mainly impacting timing, the transaction stayed on track. The transaction closed on September 20, 2021 at a price of $88.5 million.

4)Highlight the distinctive characteristics that qualify the transaction for the award.

Positioning an asset for the market can be just as important, or even more important, than the closing of the transaction. In this case, given all of the complexities and potential obstacles that this site faced, positioning the asset for the market was a key component to getting a great result for the seller. Convincing the seller that JLL was the best choice to represent them based upon track record and, importantly, knowledge of the BSA process and BSA preferences, and using that knowledge to maximum advantage, was the first component that was distinctive. The second was convincing the seller to undertake the extraordinary amount of due diligence that was done which enabled the brokers to make a compelling argument to potential buyers that the zoning variance, that was critical, was likely to be obtained.

Testimonial From "L & S" (The Private Family Seller of the Property)

"Dear Bob,

I am writing to thank you for the outstanding results that you created for my wife and me in connection with the sale of our Long Island City property during the past thirty months - in the midst of one of the most draconian real estate environments in memory.

Our site had two major, but opposing characteristics: a) it benefitted from having arguably the best remaining location in Long Island City, only a block from the 7 train, and a block from the East River with fabulous views of Manhattan; and b) it was challenged because a section of the property was directly above the 7 train tunnel.

You helped us meet the best land-use lawyer in New York, to help us navigate the complex issues involved with the subway, with the potential of obtaining a variance, and the various ways to market our property with maximum effect. No one could imagine the extremely difficult market conditions that ensued right after we signed our agreement with you. Amazon would announce a site only three blocks from ours, as its major new business hub in the eastern United States, and then would retract that decision all within a few months of our going to market. That reversal was greatly compounded by the overarching start of the pandemic in March of 2020 that shut down New York business entirely. You brought us one buyer during the Amazon period, who fell away when Amazon left; then you brought us another buyer who was on the verge of finalizing the PSA when his own real estate properties went into a Covid related tailspin.

In the face of all that, and going through the debilitating experience of having Covid yourself when so little was understood about it, you were undaunted. Each time, you and we had to pick ourselves up and start the marketing process all over again - no small undertaking. One finds out what a person is made of during times of adversity, and you deserve highest praise for your actions. You never wavered, and kept us informed during our weekly meetings about the opportunities that you unearthed during that exceptionally difficult environment, and how to interpret and act upon their multiple nuances.

The third time was a charm. Remarkably during a long and complex negotiating process, you were still able to attract a buyer to pay a record price per square foot of land area. Now the market has changed for the better. New clients should know how good you are in the toughest of times, which informs them of how good you really are. These times as the market is rebounding, are a cakewalk in comparison.

My wife and I are eternally grateful for the professionalism that you and your team consistently demonstrated through this drawn out transaction. The closing is complete. Success is finally at hand. Through all of that, you are now a friend, far beyond the great work that you did for us."

- **L & S, Sellers - 2-33 50th Avenue**

Bob Knakal

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Bob is Founder of BKREA in New York City. Bob was Former Head of the NY Private Capital Group within JLL Capital Markets in New York City as well as Chairman and Founding Partner of Massey Knakal Realty Services, New York’s #1 building sales firm. He started his real estate career in 1984 at CB Richard Ellis where he met Paul J. Massey Jr. They both left CB in 1988 to form Massey Knakal.

From 1988 through 2014, Massey Knakal closed over 6,000 transactions with an aggregate value in excess of $23 billion. To date, Bob has been personally responsible for the sale of over 2,330 buildings (generally considered to be the highest total ever for a single broker in New York) and over $22 billion in sales.

With respect to development sites, Bob has personally handled the sale of over 250 development site transactions totaling over $7 billion in sales.

In 2014, Cushman & Wakefield acquired Massey Knakal. At Cushman & Wakefield, Bob served as Chairman of New York Investment Sales. He was ranked the top originating investment sales broker at Cushman & Wakefield, globally, in 2014, 2015 and 2016. Bob joined JLL in September of 2018 as Chairman – NY Investment Sales.

Since 2009, Bob has written a regular column on the New York City Real Estate Market called Concrete Thoughts for the Commercial Observer.

What’s your property worth?

If you are considering the sale of a property this year,
please call for an opinion of value +1 917 509 9501

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