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Jewish Museum Rightly Valued At \$66M, Judge Says

By **Rick Archer**

Law360 (April 6, 2021, 9:27 PM EDT) -- A Pennsylvania federal judge Tuesday ratified a bankruptcy court's finding that a bankrupt Philadelphia Jewish history museum's property is worth \$66 million, saying the museum management's \$10.5 million estimate doesn't factor its own intention to keep running the building as a museum.

In her order, U.S. District Judge Wendy Beetlestone said the bankruptcy court judge was right to accept the higher valuation proposed by the secured lenders for the downtown Philadelphia location of the National Museum of American Jewish History, saying as a legal standard the museum's intention to keep using the building means it can't be valued as if it were turned into office space.

The museum, the largest repository of Jewish Americana in the world, filed for **bankruptcy** in March 2020, saying it was unable to pay off the debt it incurred buying and building a new location on Philadelphia's Independence Mall in 2007.

The museum submitted a Chapter 11 plan in December under which it will continue to operate at the property, but faced opposition from secured lender Dime Community Bank and indenture agent UMB Bank, the agent for a group of secured bondholders.

UMB, which according to court papers filed a \$31 million claim secured by the property, disputed the \$10.5 million valuation proposed by the museum, instead producing an expert who put the value at \$66 million.

U.S. Bankruptcy Judge Magdeline Coleman sided with the lender's expert, saying he had valued the property based on its continued use as a museum, while the museum's expert based his valuation on the property reverting to its former use as an office building.

The museum appealed, arguing the lenders' expert "did not even attempt to determine fair market value" and that Judge Coleman had incorrectly found its own expert, Reaves Lukens, had not taken the property's use as a museum into account in his evaluation.

Judge Beetlestone, however, said Lukens testified that he had dismissed the property's continued use as a museum as a lesser result with a lower value and based his report solely on its use as office space.

"Indeed, Lukens testified that he never 'put a specific number in [his] analysis on what it would be worth as a museum,'" she said.

Judge Beetlestone said Judge Coleman did not err in choosing the bondholder's value over the museum's value because the Bankruptcy Code puts "paramount consideration" on a property's "proposed disposition or use" in determining value.

In a phone interview Tuesday UMB counsel Peter Meltzer said the museum's proposed valuation was "untethered" to its own intended future use of the property.

"It's got to be valued as if it's going to be used as a museum," he said.

Counsel for the other parties did not respond to requests for comment Tuesday.

The museum is represented by Lawrence G. McMichael, Peter C. Hughes and Yonit A. Caplow of

Dilworth Paxson LLP.

UMB is represented by Peter E. Meltzer of Weber Gallagher Simpson Stapleton Fires & Newby LLP.

Dime Community Bank is represented by Theresa A. Driscoll and Alexander D. Widell of Moritt Hock & Hamroff LLP.

The case is Museum of American Jewish History v. UMB Bank NA et. al., case number 20-06341, in the U.S. District Court for the Eastern District of Pennsylvania.

--Editing by Adam LoBelia.

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