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UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

In Re

GRAND AVENUE DEVELOPMENT, a California General Partnership,

Debtor.

_______________________________/

Case No. 91-47725 IJ

Chapter 11

BALLOT ACCEPTING OR REJECTING PLAN

The Plan referred to in this Ballot can be confirmed by the Court and thereby made binding on you if it is accepted by the holders of two-thirds in amount and more than one-half in number of claims in each class and the holders of two-thirds in amount of any partnership interest in each class voting on the Plan. In the event the requisite acceptances are not obtained, the Court may nevertheless confirm the Plan if the Court finds that the Plan accords fair and equitable treatment to the class or classes rejecting it and otherwise satisfies the requirements of §1129(b) of the Code. To have your vote count, you must complete and return this ballot.

THE UNDERSIGNED ("CLAIMANT"):

_______ Accepts Debtor's First Amended Plan of Reorganization dated July 8, 1993.

_______ Rejects Debtor's First Amended Plan of Reorganization dated July 8, 1993.

CLAIMANT acknowledges receipt of a copy of Debtor's First Amended Disclosure Statement and First Amended Plan dated July 8, 1993.

CLAIMANT holds an (unsecured)(secured) claim in the principal amount of $_____________.

CLAIMANT holds the following partnership interest: _______________________________.

Dated: _______, 1993

Print or Type Name

____

Signed:_______________________________

Address:

____

____

____

____

Phone:_______________________________

Return this ballot on or before September 2, 1993 to:

Douglas G. Boven, Esq.
Crosby, Heafey, Roach & May
1999 Harrison Street
Oakland, CA 94612-3573
(510) 763-2000

Douglas G. Boven (CBN 47493)
Laury Miles Macauley (CBN 127117)
CROSBY, HEAFEY, ROACH & MAY
Professional Corporation
1999 Harrison Street
Oakland, CA 94612
Telephone: (510) 763-2000

R. KINGSBURY LANE CORPORATION
Robert K. Lane (CBN 51934)
One Kaiser Plaza
Ordway Building, Suite 301
Oakland, CA 94612
Telephone: (510) 465-1933

Attorneys for Debtor
Grand Avenue Development

ORIGINAL FILED
JUL 21 1993
BANKRUPTCY CO
OAKLAND, CALIF

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

In Re

GRAND AVENUE DEVELOPMENT, a California General Partnership,

Debtor.
_______________________________/

Case No. 91-47725 IJ

Chapter 11

Date: July 8, 1993
Time: 2:00 p.m.
Room: 215
1300 Clay Street
Oakland, CA

ORDER APPROVING GRAND AVENUE DEVELOPMENT'S DISCLOSURE STATEMENT RE FIRST AMENDED PLAN OF REORGANIZATION, SETTING HEARING ON CONFIRMATION OF GRAND AVENUE DEVELOPMENT'S FIRST AMENDED PLAN OF REORGANIZATION, SETTING DEADLINE FOR FILING ACCEPTANCES OR REJECTIONS OF PLAN, SETTING DEADLINE TO FILE AND SERVE OBJECTIONS TO CONFIRMATION, AND NOTICE THEREOF

The hearing for approval of the Disclosure Statement For First Amended Plan of Reorganization ("Disclosure Statement") filed by Grand Avenue Development, a California general partnership, Debtor and Debtor-in-Possession ("Grand Avenue") in the above-captioned Chapter 11 case, came on for hearing before the undersigned United States Bankruptcy Judge on April 15, 1993, at 9:30 a.m. in Courtroom 215 of the United States Bankruptcy Court for the Northern District of California, located at 1300 Clay Street, Oakland, California. Robert K. Lane of R. Kingsbury Lane Corporation and Douglas G. Boven of Crosby, Heafey, Roach & May Professional Corporation appeared on behalf of Grand Avenue and other appearances were made as are noted in the record of the hearing.

Based upon the Disclosure Statement, the pleadings and documents filed in support of the Disclosure Statement, the pleadings and documents filed in the case, the arguments and representations of counsel represented at the hearing, the corrections and clarifications specified on the record at the hearing and prior hearings to consider the Disclosure Statement, the Court's statement of reasons expressed in open Court; and it further appearing that notice of the hearing on the Disclosure Statement was appropriate under the circumstances presented; and the Court further finding that the Disclosure Statement contains adequate information as required by 11 U.S.C. Section 1125; and good cause appearing;

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//

IT IS HEREBY ORDERED AND NOTICE IS HEREBY GIVEN THAT:

1. The Disclosure Statement filed by Grand Avenue as corrected and clarified at the hearing and now designated the First Amended Disclosure Statement dated July 8, 1993 is approved.

2. The First Amended Plan and Disclosure Statement dated July 8, 1993, a copy of this Order, and a ballot conforming substantially to Official Form No. 14 shall be transmitted by mail to all known creditors, equity security holders, and other parties as provided in Bankruptcy Rule 3017(d) within seven (7) days after entry of this Order. Grand Avenue is authorized to reproduce and serve the Plan and Disclosure Statement single-spaced and double-sided.

3. This Order constitutes the form of notice of the hearing on confirmation of the Plan, notice of the time to file acceptances or rejections of the Plan, and notice of the time to file and serve written objections to the Plan which shall be mailed to all known creditors and equity security holders.

4. The deadline for submitting ballots, accepting or rejecting the Plan is fixed at 5:00 p.m. on September 2, 1993. In order for a ballot to be counted it must be received by 5:00 p.m. on September 2, 1993, by Crosby, Heafey, Roach & May,

Professional Corporation, 1999 Harrison Street, Oakland, California 94612, Attn: Jon Pingree, Legal Assistant.

5. The hearing on the confirmation of the Plan shall commence at 2:00 p.m. on September 9, 1993.

6. The deadline for filing and serving written objections to confirmation of the Plan is fixed at 5:00 p.m. on August 20, 1993. All written objections (including any memorandum and evidence in support of the objection) shall be served on counsel for Grand Avenue and the Office of the United States Trustee at the address indicated below, by hand delivery, and filed with the Bankruptcy Court so they are received by the aforementioned parties and the Bankruptcy Court on or before 5:00 p.m. on August 20, 1993.

<u>Grand Avenue's Counsel</u>:

Douglas G. Boven
CROSBY, HEAFEY, ROACH & MAY
Professional Corporation
1999 Harrison Street
Oakland, California 94612

<u>Office of the United States Trustee</u>:

Mark L. Pope, Esq.
Office of the U.S. Trustee
1401 Lakeside Drive
Suite 1260
Oakland, Ca 94612

DATED: ____________________

____
UNITED STATES BANKRUPTCY JUDGE

Douglas G. Bo[illegible]n (Bar No. 47493)
Laury Miles Macauley (Bar No. 127117)
CROSBY, HEAFEY, ROACH & MAY
Professional Corporation
1999 Harrison Street
Oakland, CA 94612-3573
Telephone: (510) 763-2000

R. Kingsbury, Lane Corporation
Robert K. Lane (Bar No. 51934)
One Kaiser Plaza, Suite 301
Oakland, California 94612-3573
Telephone: (510) 465-1933

Attorneys for Grand Avenue Development

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

In re GRAND AVENUE DEVELOPMENT, a California General Partnership, Debtor. ______________________________/	Case No. 91-47725 IJ Chapter 11

DEBTOR'S FIRST AMENDED PLAN OF REORGANIZATION

DATED JULY 8, 1993

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DEBTOR'S FIRST AMENDED PLAN OF REORGANIZATION

Grand Avenue Development, a California general partnership ("Grand Avenue" or "Debtor"), proposes this First Amended Plan of Reorganization ("Plan") under Chapter 11 of the United States Bankruptcy Code for the resolution and reorganization of the Debtor's financial affairs. You should refer to the Debtor's Statement and any amendment thereto ("Disclosure Statement") for a summary and analysis of this Plan. No solicitation materials, other than any Disclosure Statement and related materials transmitted therewith and approved by the Bankruptcy Court, have been authorized by the Bankruptcy Court for use in soliciting acceptances or rejections of the Plan.

I

DEFINITIONS

The following terms, when used in this Plan, shall, unless the context otherwise requires, have the following meanings:

A. "Allowed Claim" or "Allowed Interest" means a claim against or interest in the Debtor to the extent that:

(1) A proof of a claim or interest was --

(a) timely filed; or

(b) deemed filed under applicable law or by reason of an order of the Bankruptcy Court; and

(2) (a) the Debtor or other interested party does not file an objection thereto; or

(b) the claim or interest is allowed by a Final Order.

B. "Available Cash" means Net Cash Flow plus any New Funds available to Debtor to meet the payments referred under this Plan.

C. "Bankruptcy Code" means Title 11 of the United States Code, *as the same was in effect on* May 1, 1992, *as* amended by any amendments applicable to the Reorganization Case.

D. "Bankruptcy Court" means the United States Bankruptcy Court, for the Northern District of California, Oakland Division, or such other court or forum as may be vested with original jurisdiction over the Reorganization Case.

E. "Confirmation" means entry of an order of the Bankruptcy Court confirming this plan.

F. "Debtor" means Grand Avenue Development, a California general partnership, the Debtor and Debtor-in-Possession herein.

G. "Effective Date" means the effective date of the Plan, being the date upon which Debtor is able to make such payments as are required under this Plan. The Effective Date shall be a date selected by Debtor no later than 90 days after the entry of a final order confirming the Plan.

H. "Final Order" means an order or judgment of the Bankruptcy Court, or other court of appropriate jurisdiction, as to which any appeal that has been made or may be taken has been finally resolved or as to which the time for appeal has expired without any appeal having been taken.

I. "Great Western" shall mean Great Western Bank, formerly known as Great Western Savings Association, a federal savings bank, holder of the first deed of trust encumbering the Subject Property.

J. "Great Western Debt" means the Great Western adjustable rate promissory note dated May 5, 1989, and related loan documents secured by the first deed of trust encumbering the Subject Property recorded on or about May 15, 1989, evidencing a secured obligation in the approximate current amount of $1,900,000. A copy of the Note is attached to this Plan as Exhibit A.

K. "Lewis Construction" shall mean N.T. Lewis Construction Co., a California corporation, holder of the second priority deed of trust encumbering the Subject Property.

L. "Lewis Construction Debt" means the Lewis Construction promissory note dated May 11, 1989, secured by the

second deed of trust encumbering the Subject Property and recorded on or about May 16, 1989, as modified by the Lewis Settlement which was approved by the Court on October 1, 1992. As of March 3, 1993 the Lewis Construction Debt was $500,000.

M. "Lewis Settlement" shall mean the settlement agreement between Debtor and Lewis Construction as reflected in and approved by order entered in this Court on October 20, 1992. A copy of the Order is attached as Exhibit B and incorporated herein by reference.

N. "Kraft & Ellwood Debt" means the promissory note dated May 11, 1989, in the face amount of $260,000 principal plus interest, held by Patrick Ellwood and Leonard Kraft, general partners of Debtor which is secured by the third priority deed of trust encumbering the Subject Property.

O. "Net Cash Flow" shall mean the Debtor's share of the net funds available from the Property after payment of (i) the monthly amounts due on the Great Western Debt under the terms of this Plan, (ii) the amounts due on the Lewis Construction Debt, under the terms of this Plan, and (iii) sufficient funds to build up a continuing reserve in the amount of $20,000 for operating expenses including but not limited to taxes, insurance, utilities, maintenance, accounting and legal; and a reserve up to the amount of $10,000 to respond to a soil and water investigation initiated by the Alameda County Health Care Services agency.

P. "New Funds" means cash funas obtained from additional borrowings, credits, advances or refinancing.

Q. "Partnership Agreement" means the General Partnership Agreement of Debtor, dated May 11, 1986, as since amended.

R. "Petition" means the involuntary petition filed with the Court on December 5, 1991 to commence this Reorganization Case.

S. "Plan" means this Debtor's Plan of Reorganization.

T. "Reorganization Case" means the within case number 91-47725IJ pending before the Bankruptcy Court, for the reorganization of the Debtor under Chapter 11 of the Bankruptcy Code.

U. "Subject Property" means the Debtor's interest in real property in the City of Piedmont, County of Alameda, State of California, commonly known as the Kraft Building, 1345 Grand Avenue, Piedmont, California 64610. Debtor holds a two-thirds fee interest in the real property.

V. "Trust" means the Brockbank/Huish 1990 Trust. The Trust holds a one-third fee interest in the real property identified in Paragraph U above and is a co-obligor on the Great Western Debt.

Any term used in this Plan that is not defined in this Plan but is used in the Bankruptcy Code shall have the meaning assigned to that term in the Bankruptcy Code.

II

SUMMARY

The provisions of this Plan, if accepted by a sufficient number of creditors and equity interest holders, and confirmed by the Bankruptcy Court, will be binding on the Debtor and its creditors and interest holders. This Plan provides for the payment of all allowed claims in full. The Great Western Debt will be paid according to the terms of the existing note and deed of trust, as modified by this Plan. The Lewis Construction Debt will be paid according to the terms this Plan of the Court-approved Lewis Settlement. No payment will be made on any claims held by the partners or insiders, until all allowed unsecured claims are paid in full. Certain priority claims and expenses, unless extended or compromised by agreement, will be paid in full on or as soon as practicable after the effective date.

III

CLASSIFICATION OF CLAIMS AND INTERESTS

The following is a designation of the classes of claims and the class of interests herein. Administrative expenses and priority tax claims of the kind specified in Bankruptcy Code Sections 507(a)(1), 507(a)(2) and 507(a)(7), respectively, have not been classified and are excluded from the following classes, in accordance with the provisions of Section 1123(a)(1) of the Bankruptcy Code. A claim or interest shall be deemed classified in a particular class only to the extent that the claim or interest qualifies within the description of that class and shall be deemed classified in a different class to the extent that any remainder of the claim or interest qualifies within the description of such different class. A claim or interest is in a particular class only to the extent that the claim or interest is an allowed claim or allowed interest in that class, as the case may be.

A. PRIORITY CLAIMS

Class 1. Unsecured allowed priority claims under Sections 507(a)(3), (4), (5) and (6) of Bankruptcy Code. Debtor believes there are no claims in Class 1.

B. SECURED CLAIMS

Class 2. The secured claim of Great Western.

Class 3. The secured claim of Lewis Construction.

Class 4. The secured claim of Kraft & Ellwood

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Class 5. All other allowed claims secured by a lien, or claim of lien, upon the subject property of the Debtor. Debtor believes there are no valid claims in Class 5.

C. UNSECURED CLAIMS

Class 6A. All general unsecured claims not entitled to priority and not included within any other Class.

Class 6B. All subordinated unsecured claims. The subordinated unsecured claims shall consist of the following claims: all claims of insiders and Debtor's partners.

Class 6C. All claims of whatever nature of the Trust.

D. INTERESTS

Class 7. All interests of the partners of Debtor.

IV

IMPAIRMENT OF CLAIMS AND INTERESTS

Classes 1, 3, 5, 6C and 7 are not impaired under the Plan because the holders of allowed claims and interests in those classes will receive cash equal to the allowed amount of the claims will be reinstated and/or kept current, or such interests will be retained. Classes 2, 4, 6A and 6B are impaired under the Plan.

V

TREATMENT OF NON-CLASSIFIED CLAIMS

Each holder of an allowed claim of the kind specified in Sections 507(a)(1), 507(a)(2) or 507(a)(7) of the Bankruptcy Code shall receive on account of such claim cash equal to the allowed amount of such claim, unless such holder shall have agreed to a less favorable treatment of such claim. Payments on account of such claim shall be distributed on the later of the following dates: (1) The effective date, or on such later date as to which the holder may have consented; or (2) as soon as practicable after the order allowing the claim becomes a final order, if the claim is disputed or if applicable provisions of the Bankruptcy Code otherwise require Bankruptcy Court approval. In the event that any such claim is not paid pending Bankruptcy Court approval pursuant to the subprovision (2) hereinabove, the Debtor shall pay on or before the effective date into an interest-bearing reserve account, funds sufficient to pay such claim in full, and such claim shall be paid from such account together with accrued interest, upon such claim becoming a Final Order.

The Debtor does not anticipate any claims pursuant to Section 507(a)(2) or 507(a)(7) of the Bankruptcy Code. The claims anticipated by the Debtor under Section 507(a)(1) of the Bankruptcy Code, subject to Court approval, include the compensation and reimbursement of costs for attorneys and other professionals employed by Debtor during the reorganization case.

VI

TREATMENT OF UNIMPAIRED CLASSES

Classes 1, 3, 5, 6C and 7 are unimpaired. Each holder of an allowed claim within Class 1 shall receive on account of such claim cash equal to the allowed amount of such claim, together with interest to the extent provided for, unless such holder shall have agreed to a less favorable treatment of such claim. Where such claims consist of installment payments all arrearages shall be reinstated on the Effective Date, and all future installments kept current. Payment or payments on account of such claim shall be distributed on the latest of the following dates: (1) on the Effective Date, or on such later date as to which such holder may have consented; (2) as soon as practicable after the order allowing the claim becomes a final order, if the claim is disputed; or (3) when payment becomes due and owing under the terms of applicable contractual provisions. In the event that any such claim is not paid pending Court approval, pursuant to subprovision (2) hereinabove, the Debtor shall pay on the Effective Date into an interest bearing reserve account, funds sufficient to pay such claim, or an amount estimated by the Bankruptcy Court, and such claim shall be paid from such account, together with accrued interest, upon an order allowing such claim becoming a Final Order. Any liens currently securing such claims shall be retained.

Class 3 (Lewis Construction) is not impaired since payments will be made according to the Lewis Settlement.

According to the terms of the Lewis Settlement approved by the Court, by Order, a copy of which is attached as Exhibit B, Lewis Construction will be paid the sum of $550,000 as follows: (1) $50,000 within five days after Court approval of the compromise (which amount was timely paid), (2) $25,000 three months after the Effective Date of the Plan, (3) $25,000 15 months after the Effective Date of the Plan, (4) $25,000 30 months after the Effective Date, (5) $25,000 42 months after the Effective Date, and the (6) balance owed in full four years after the Effective Date of the Plan. In addition, Debtor shall pay the sum of $3,000 per month to Lewis Construction, commencing 30 days after the Effective Date of the Plan.

Class 5 (all other allowed secured claims) claims are not impaired since such claimants will retain their current lien(s) and receive cash payments totaling at least the allowed amount of such claims, of a value, of the Effective Date of the Plan, of at least the value of such claimant's interest in the estate's interest in such property.

Class 6C (Trust) is not impaired since the Trust, while a co-obligor, does not directly make payments on the Great Western Debt. The Trust has not and under the terms of the Plan will not be damaged. In fact, the Plan preserves and protects the Trust's interests.

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As of the effective date, all existing interests of partners of the Debtor shall revest and be deemed valid and existing interests.

VII

<u>TREATMENT OF IMPAIRED CLASSES</u>

<u>Section 7.0: Class 2 (Great Western)</u>:

7.0.1 Great Western's note dated May 5, 1989, in the face amount of $2,005,000, a copy of which is attached as Exhibit A, secured by a deed of trust dated May 5, 1989 and recorded on or about May 15, 1989, and related loan documents shall be modified as follows:

a. Debtor shall receive a credit against future amounts owed to Great Western, in the amount of all principal payments made, or to be made, on the Great Western Debt from June 1, 1992 through June 15, 1994. (As of February 1, 1993 the credit was $41,007.13. Since the Great Western Debt has a floating rate of interest, the amount of the credit accrued may vary from month to month.) Debtor shall apply the credit against monthly <u>principal and interest</u> payments otherwise owed to Great Western on or after April 1, 1993. The increased income to Debtor generated by the credit shall be disbursed to creditors according to the terms of this Plan.

b. Effective June 15, 1994 and terminating with the payment due May 15, 1996 Debtor's monthly payment shall be fixed at $15,039.02 per month irrespective of applicable monthly installment payment cap adjustment limitations, provided that there shall never be a negative amortization unless agreed to by Great Western and the Trust.

Section 7.1: Class 4 (Kraft & Ellwood Debt):

7.1.1 No payment shall be made on the Kraft and Ellwood Debt until all amounts due to creditors in Class 1, 3, 5, 6-A and 6-C have been paid in full. The Kraft and Ellwood Debt shall continue to be secured by the executing third deed of trust on the subject property. The Debt, which has matured, shall be paid from Available Cash.

Section 7.2: Class 6-A:

7.2.1 Allowed general unsecured claims shall be paid in full from Available Cash, pursuant to quarterly distributions commencing as soon as practicable after the Effective Date of the Plan, and continuing until all claims are paid in full. Any unpaid balance of such allowed claims shall be paid on or before

December 31, 1998. No interest shall accrue or be paid on unsecured claims.

Section 7.3: Class 6-B (Subordinated Claims)

7.3.1 Provided that all allowed non-classified claims and claims in Classes 1, 3, 5 and 6-A have been paid in full, and all payments due to Class 2 are current, Debtor may commence payments on Class 4 and Class 6-B subordinated claims.

VIII

FAILURE TO IMPLEMENT PLAN

8.1 Authorization to Foreclose. Great Western, Lewis Construction, or any Class 5 creditor may institute or continue foreclosure proceedings on the subject property, upon the occurrence of a default after the Effective Date of the Plan.

This Plan is subject to the Court's retained jurisdiction and equitable power to enjoin any foreclosure under 11 U.S.C. Section 105 upon good cause shown. Debtor may cure any default in this Plan and the Plan shall be reinstated if the act or condition upon which the default is predicated, is completed or satisfied prior to the completion of a foreclosure sale. No failure or delay by any secured creditor in pursuing foreclosure or other remedies upon the occurrence of any default shall be construed as a waiver.

IX

MEANS FOR IMPLEMENTATION OF THE PLAN

A. SOURCE OF FUNDS

All cash distributions under the Plan shall be made from Available Cash including funds held or acquired by the estate.

Cash distributions from the Available Cash shall be made to holders of non-classified claims and Class 1 claimants, if any, on the Effective Date. The disbursing agent will reserve from the Available Cash funds to pay unliquidated non-classified claims including professional fees and costs, and anticipated administrative costs and future payments to Class 1 claimants. The balance of Available Cash will be distributed to the holders of Class 6A claims on a pro rata basis, based on the allowed amount of their claims or the face amount of their claims if disputed, according to the terms of the Plan.

B. APPOINTMENT OF DISBURSING AGENT

The confirmation order shall provide that the Debtor will act as disbursing agent under the Plan and will serve without bond. Upon confirmation, Debtor, Great Western, or the disbursing agent shall promptly establish an interest-bearing account identified as the Grand Avenue Unpaid Claims Reserve Account ("Unpaid Claims Reserve"). On or before the Effective

Date, Debtor will transfer or cause to be transferred to the Unpaid Claims Reserve sufficient cash to satisfy allowed claims in Class 1, the current portion of allowed claims in Class 2, 3 and 5, and any non-classified claims that are payable as of the Effective Date. Payments of non-classified claims allowed after the Effective Date will be paid from the funds reserved under Paragraph C below, which funds shall also be held in the Unpaid Claims Reserve.

C. UNPAID CLAIMS RESERVE

1. Following the Effective Date, Debtor shall accumulate and set aside in the Unpaid Claims Reserve cash equal to the amount of disputed non-classified and priority claims. In addition reserves for disputed Class 5, Class 6A and Class 6C claims shall be accumulated, at a rate of not less than the percentage of distributions to allowed Class 6A claims, or as required to satisfy U.S.C. 1129(b)(2)(A).

2. All cash held in the Unpaid Claims Reserve shall be invested in investments permitted under Section 345 of the Bankruptcy Code. The earnings in these investments shall be first applied to reimbursing the disbursing agent for its costs and expenses incurred in connection with the maintenance of the Unpaid Claims Reserve and the making of distributions subsequent to the Effective Date. All earnings in excess of those costs and expenses shall be held in trust in the Unpaid Claims Reserve and shall be distributed only in the manner set forth in this Plan.

3. When a disputed claim becomes an allowed claim, the distributions due on account of that allowed claim shall be released from the Unpaid Claims Reserve to the Debtor's operating account, and thereafter disbursed to the reserve claimant.

4. When all disputed claims are the subject of a final order, and all claims paid in full under this Plan the disbursing agent shall return any surplus cash from the Unpaid Claims Reserve to the Debtor.

D. UNCLAIMED PROPERTY

The disbursing agent shall deposit unclaimed property in the Unpaid Claims Reserve to be held in trust for the benefit of the claimants. For a period of six months following the date of distribution, unclaimed property shall be held in the Unpaid Claims Reserve solely for the benefit of the claimants that have failed to claim such property. Upon the later of December 31, 1998 or six months after the date of distribution, the claimants entitled to unclaimed property shall cease to be so entitled, and the unclaimed property shall be returned to the Debtor.

E. INTERIM DISTRIBUTIONS

The disbursing agent shall make distributions due the claimants or interest holders on a periodic basis according to the terms of the Plan until all disputed claims are the subject

of a final order and all claims paid fully. The disbursing agent shall release from the Unpaid Claims Reserve surplus funds that are not necessary to pay claimants that have failed to claim their distributions, and shall distribute the surplus funds in the same manner as unclaimed property.

F. PRE-PAYMENT

Nothing in this Plan shall prohibit early distribution on account of allowed claims or allowed interest; such distributions may be made at the option of the Debtor without penalty.

G. DE MINIMIS DISTRIBUTIONS

Notwithstanding anything to the contrary in the Plan, the disbursing agent shall not transmit cash to the holders of an allowed claim if the amount cash due is less than five dollars ($5). All cash not so distributed shall be deposited in the Unpaid Claims Reserve and distributed in the same manner as surplus property.

X

RETENTION, ENFORCEMENT AND WAIVER OF CLAIMS

Debtor shall retain and may enforce claims held by it or its estate except such claims which have been waived, relinquished, or released in accordance with this plan. Any objection to the allowance of any interest shall be brought within 30 days of confirmation or be forever barred.

XI

EXECUTORY CONTRACTS

All executory contracts to which the Debtor is a party will be deemed assumed as of the effective date, pursuant to the provisions of the Bankruptcy Code Section 365, other than those contracts that have previously been expressly rejected or assumed pursuant to an order of the Bankruptcy Court, and other than those set forth in a list of rejected executory contracts filed with the Bankruptcy Court and served upon effected parties on or before the Effective Date. Debtor will continue to own and operate the Subject Property subsequent to the Effective Date, utilizing all existing and subsequently acquired entitlements and development rights.

XII

DISCHARGE AND REVESTING

Except as otherwise provided in the Plan or the confirmation order, the confirmation will be a discharge, effective as of the Effective Date, and pursuant to Section 1141(d)(1) of the Bankruptcy Code, of any and all debts of the Debtor that arose at any time before confirmation. The discharge shall be effective as to each claim, regardless of whether a proof of claim therefor

was filed, whether the claim is an allowed claim, or whether the holder thereof votes to accept the Plan.

Except as provided in the Plan, or in the confirmation order, on the Effective Date the Debtor shall be vested with all the property of its estate, free and clear of all claims, liens, charges, and other interests of creditors arising prior to the filing date, except for security interests in and liens upon property securing allowed claims in Class 2, 3, 4 and 5 and the unpaid claims reserve. Upon confirmation, the Debtor shall operate its business free of any restrictions of the Bankruptcy Code or the Bankruptcy Court. Following confirmation, the Partnership Agreement will continue in full force and effect, modified only to the extent necessary to be consistent with the terms of the plan.

XIII

RETENTION OF JURISDICTION

Until the Reorganization Case is closed, the Court shall retain such jurisdiction as is legally permissible. Without in any manner limiting the scope of the foregoing, the Bankruptcy Court shall obtain jurisdiction to carry out the provisions, purpose, and intent of the Plan or any modification thereof, including the following: (a) determination of the allowed amounts of claims and request for payment of administrative expenses; (b) resolution of disputes, by motion practice, regarding interpretation and consummation of this Plan; (c) adju-

DEBTOR'S FIRST AMENDED PLAN OF REORGANIZATION

dication of a[illegible] controversies including c[illegible]ims for relief, regarding property of the estate or Debtor; (d) enforcement or implementation of the provisions of the Plan and entry of order aiding the consummation of the Plan, including without limitation appropriate orders to protect the Debtor from improper creditor action; (e) modification of the Plan pursuant to Section 1127 of the Bankruptcy Code subject to the written approval of Union Bank, which approval shall not be unreasonably withheld; (f) adjudication of all controversies arising out of provisions of Section 362 of the Bankruptcy Code with respect to properties that remain property of the estate; (g) entry of a final decree.

DATED: July 8, 1993

GRAND AVENUE DEVELOPMENT,
a California general partnership

By:____________________
Patrick Ellwood
Managing General Partner

APPROVED AS TO FORM:

CROSBY, HEAFEY, ROACH & MAY
Professional Corporation

By:____________________
Douglas G. Boven
Attorneys for Debtor

Robert K. Lane (CBN 51934)
R. KINGSBURY LANE, INC
One Kaiser Plaza - Suite 301
Oakland, CA 94612-3603
(510) 465-1933

Douglas G Boven (CBN 47493)
CROSBY, HEAFEY, ROACH & MAY
Professional Corporation
1999 Harrison Street
Oakland, CA 94612
(510) 763-2000

ATTORNEYS FOR DEBTOR

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

In Re

GRAND AVENUE DEVELOPMENT,
a California General Partnership,

Debtor

Case No. 91-47725 IJ

Chapter 11

DISCLOSURE STATEMENT FOR FIRST AMENDED PLAN OF REORGANIZATION DATED JULY 8, 1993

Date:
Time:
Room:

_____________________________/

I. INTRODUCTION

This Disclosure Statement ("Disclosure Statement") has been prepared by Grand Avenue Development, a California general partnership ("Debtor"), and is being distributed to creditors and partners of Debtor for the purpose of providing background and voting information concerning Debtor's First Amended Plan of

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Reorganization ("the Plan") The Disclosure Statement is intended to provide the holders of claims against ("Creditors") or interests in the Debtor ("Holders") with adequate information regarding the Plan consistent with Bankruptcy Code Section 1125 to the extent applicable. Any questions concerning the Disclosure Statement may be directed to Robert K. Lane, One Kaiser Plaza, Suite 301, Oakland California 94612 or Douglas G Boven at Crosby, Heafey, Roach & May, 1999 Harrison Street, Oakland, California 94612.

The Disclosure Statement describes the business background and operating history of the Debtor, and the significant events leading up to the filing of a Chapter 11 case It also summarizes the terms of the Plan, which divides Creditors and Holders into classes and provides for payment in cash over time of 100 percent of the principal amount (with interest) of Allowed Claims. Holders will retain their partnership interests.

If the Plan is confirmed, it will be binding on all Creditors and Holders of Debtor.

II. DEFINITIONS

All capitalized words not defined in this Disclosure Statement are defined in the Plan. As used in this Disclosure Statement, the term "Court" means the United States Bankruptcy Court of the Northern District of California, and the term "Code" means the United States Bankruptcy Code.

III. BACKGROUND OF DEBTOR

A. History of the Partnership and Operations: Grand Avenue Development (hereinafter "GAD") is a General Partnership formed in 1985 between Leonard and Lorraine Kraft and Patrick Ellwood. Tom Lewis was subsequently added as a partner in 1987

The primary objective of the partnership was to build, own and operate a multi-use commercial facility on one parcel of land owned by the Krafts and another contiguous parcel owned by a third party and later acquired by GAD, both located on Grand Avenue in the City of Piedmont.

GAD obtained all governmental approvals in 1986. Demolition of the two existing service stations occurred in 1986. GAD obtained a loan commitment from Civic Bank of Commerce in 1986. Civic Bank subsequently backed out of their commitment under the stated premise of concern about lender liability regarding potential toxic waste due to the uncertain status of lenders prior to a legislative clarification regarding State Proposition 95.

GAD subsequently obtained a loan commitment from First Interstate Mortgage. It took approximately 6 months to finalize the new loan. This six month delay cost approximately $50,000.00 in holding costs. The new loan commitment was for $170,000.00 less than the original Civic Bank loan. The loan fees cost GAD approximately $40,000 00 more than the Civic Bank loan would have.

A condition of the First Interstate loan was that GAD brought in another financial partner, namely Mr. Tom Lewis, the contractor of the project Mr Lewis

agreed to be a partner, however, only on his condition that he receive a 12 5% partnership interest for a $50,000.00 reduction in the contract price of the construction cost of the project which would represent his partnership contribution. This represented a more than "par" value for his partnership contribution. Mr. Lewis's rationale for this more than par value for his partnership contribution was that, due to his strong financial statement relative to the other partners, he would bear the brunt of any financial demands on the project beyond the available loan funds

Based upon the proforma cost estimates for the project, it was known by all of the partners at the time Mr. Lewis became a partner that the project was under capitalized by approximately $300,000.00. It was the partners perception that this shortfall would be made up by a combination of additional financing to be obtained upon the completion of the project and certain cost saving changes in the construction of the project. An additional partner(s) was also considered to be a viable option in the shortfall of project capitalization since GAD had several prospective tenants express serious interest in becoming tenant partners

However, as it turned out, the project capital shortfall was exacerbated due to Mr. Lewis's construction company's protracted construction schedule. The construction contract required that Mr Lewis's construction company complete the first phase of the project in 6 months. It ultimately took 15 months to complete the first phase of the construction project. This protracted construction schedule cost the partnership approximately $150,000.00 in loss of rent and/or additional construction loan interest

The City of Piedmont ultimately rejected GAD's request to defer or eliminate certain cost saving project features such as the trellis, masonry planters, gates, etc. These additional costs amounted to approximately $100,000 00

The obtaining of additional partner(s) as a means of meeting the project capital requirements initially failed when Mr. Lewis refused to subordinate his construction company's mechanic lien on the project The partnership was ultimately able to negotiate a complex tenancy-in-common arrangement with the partner/tenant, with Mr Lewis releasing a portion of the property that secured his construction company's mechanic lien, however, it took approximately one year to negotiate this arrangement with Mr. Lewis at a cost to the partnership of approximately $100,000.00 in loss of rent and approximately $25,000.00 in legal fees

The project shortfall costs were funded in large part by Mr. Lewis's construction company. Partner's Kraft and Ellwood also contributed in excess of $350,000 00 in additional capital to the project. Mr Lewis refused to allow any portion of his additional construction costs advance by his construction company to be cast as partnership capital despite a partnership agreement obligation to pay his share of partnership costs.

While the protracted and elaborate process through which the parties had gone to properly determine what Mr. Lewis's construction company was owed in order to release the mechanic lien filed by Mr. Lewis's construction company so as to allow the sale of the one-third interest in the project to the third party tenant/tenant-in-common (The Brockbank/Huish 1990 Trust, hereinafter "Trust"), Mr Lewis

pressed for a settlement from GAD that was for in excess of $200,000.00 more than a third party consultant had determined was actually owed to Mr Lewis's construction company. GAD had no option but to agree to Mr. Lewis' demands since Mr. Lewis, as a principal of the Partnership had to agree to the sale to the tenant to become partner, and would not do so unless his demands were met Without that sale, the project would not have been finished nor produce a break-even or better. The settlement included a payment structure that was known, or should have been known, by all the parties to be not achievable

GAD reluctantly agreed to the settlement in order to get the project completed and a major tenant in place; and GAD felt that Lewis would reconsider the settlement after he saw the completion of the project and he realized that cooperating with GAD was better than trying to force compliance with a settlement which GAD would not be able to perform In the absence of a renegotiation of the settlement agreement with Mr. Lewis, GAD was forced to seek the protection of the Bankruptcy laws, since the alternative was to lose the project to Lewis by way of non-judicial foreclosure.

It is GAD's desire to pay its creditors any sum legally due them and to protect the security of the partner's principal asset and source of repayment of GAD's obligations. With the assistance of Judge Jellen and Judge Newsome, a compromise and settlement of the Lewis matter has been agreed to by the parties.

IV. FINANCIAL CONDITION OF DEBTOR

A. **Debtor's Assets:** The Debtor's principal asset is a highly improved commercial real property located at 1345-75 Grand Avenue, Piedmont, California. The Debtor has a 66 66% undivided tenancy-in-common interest in that real property The remaining 33 33% interest is owned by the Trust. The subject property is currently 100% leased The subject property was appraised in 1991 by The O'Brien company, for $3,250,000.00. The O'Brien Company is a fully licensed and qualified appraisal company The Debtor's interest represents 66.66% of that amount, or approximately $2,167,000.00 (rounded).

The Debtor has approximately $23,000.00 in cash in the Debtor's bank account and will keep a continuing reserve for periodic operating expenses, including taxes and insurance in the sum of $30,000 00. This reserve also addresses the implementation of a Soil and Water Investigation requested by Alameda County.

In addition, the real property currently generates for Debtor approximately $3,000.00 per month in cash flow which under the Plan will be approximately $5,000.00 The Debtor has an account receivable of approximately $8,000.00 from the law office of Robert Curatto, a former tenant. There is a dispute with Mr Curatto which is now in litigation; however, trial is not set until 1994

B. Debtor's Liabilities: The following are the principal liabilities of the Debtor

Administrative Expense	approx	$ 60,000.00
Secured:		
Great Western Bank		$1,940,000.00
N T Lewis Construction [1]		550,000 00

Unsecured:	
David E. Arnold & Associates [2]	$ 51,496.03
Thomas P. Christian	9,046 07
McShane & Felson	8,264.30
Ellwood Commercial Real Estate [3]	54,166.65
Patrick Ellwood [3]	60,000 00
Hallenbeck & Associates [2]	19,000.00
Johnson & Sons	85.00
Karl Kardel Co.	2,144 50
KCA Civil Engineers	14,543 23
C. W Kraft	206,722.67
O'Brien Appraisal	833.75
Small & Mighty Masonry [2]	17,625.00
D K.S Associates	5,784.03
Alameda County Health Services [2]	Unknown
Secured but Subordinated:	
Leonard/Lorraine Kraft (Partner) and Patrick Ellwood (Partner) [3]	206,000.00

All of the creditors will be paid in full based upon the amount determined to be actually owed after resolution of any disputes concerning the amount owed ("allowed claims").

The Great Western debt will be paid as follows Debtor shall receive a credit from Great Western, against future amounts owed to Great Western, in the amount of all principal payments made, or to be made, on the Great Western Debt from June 1, 1992 through June 14, 1994. (As of February 1, 1993 the credit was $41,007 13 Since the Great Western Debt has a floating rate of interest, the amount of the principal payment may vary from month to month.) Debtor may apply the credit against the monthly interest payments otherwise owed to Great Western on or after April 1, 1993, effectively making the payments from June 1, 1992 through June 15, 1994 all interest only payments All such credits shall accrue to the Debtor only Effective June 15, 1994 and terminating with the payment due May 15, 1996 the monthly payment shall be fixed at $15,039 02 per month irrespective of the monthly installment payment cap adjustment limitations, provided that there shall never be a negative amortization unless agreed to by Great Western and the Trust (who is joint and severally liable under the Great Western note and deed of trust) The Lewis Construction debt will remain secured and will be paid in accordance with the terms of the Order Approving Compromise and Settlement dated October 20, 1992 Essentially the terms are as follows

(a) $50,000.00 payable within five days after the Final Order Approving Compromise and Settlement This has been paid already.

(b) $25,000.00 payable not later than three months after the effective date of the Plan. $25,000.00 payable each anniversary thereafter with the balance of all remaining principal and interest on or before the end of the 48th month after the effective date of the Plan

(c) A flat payment of $3,000.00 per month commencing not later than 30

days after the effective date of the Plan

The unsecured creditors will be repaid from the Available Cash after payments to the secured creditors, the continuing reserve, and all administrative expenses.

The debts to the partners will be paid after all of the other creditors have been paid.

C. **Debtor's Partnership Structure:** The Debtor is a general partnership. As a part of the Order Approving Compromise and Settlement, Mr. Tom Lewis was released from his 12.5% partnership interest The remaining partnership ownership percentages are as follows:

Leonard and Lorraine Kraft	50%
Patrick Ellwood	50%
Total	100%

Patrick Ellwood, operating as Patrick Ellwood Development Company Incorporated, doing business as Ellwood Commercial Real Estate, under a management agreement with Grand Avenue Development and the Brockbank/Huish Trust, will continue to manage the day to day operations of GAD Patrick Ellwood, as an individual partner of the Debtor, will be the Administrator of the Plan.

V. CURRENT OPERATIONS OF DEBTOR

The principal asset of the Debtor is an improved commercial property. The property is a combination of office uses, service commercial uses and an automotive repair garage. One of the office suites and the automotive repair garage are occupied by partners of the Debtor.

The property is currently 100% leased and construction substantially completed. All of the tenants are current in their rent payments. There are no anticipated major expenditures or contingencies except those expenses required to re-let the unleased space which expenses routinely include construction of Tenant Improvement and administrative expenses now payable and also accruing as a result of the Chapter 11.

VI. THE PLAN AND THE ALTERNATIVE TO THE PLAN

A. Plan Objectives: The objective of the Plan is to ensure the repayment of 100% of all allowed claims to the creditors while allowing the Debtor to continue with the day to day operations of the enterprise and protecting the equity of the partners that comprise the Debtor.

B. Classification and Treatment of Claims and Interests: The Plan divides the allowed claims of creditors and interest holders as follows:

Unclassified: Consists of certain tax claims and administrative claims for costs and expenses of administration of the bankruptcy case, including the claims of the Debtor's attorneys and accountants and any tax liabilities incurred after the commencement of the case. These claims will be paid in full, in cash, on the later of the Effective Date of the Plan (as defined in the Plan), the date when payment becomes due in the ordinary course of business, the next day after the claim becomes an Allowed Claim (as defined in the Plan), or at such other time as may be agreed upon

Class 1 (priority claims): Consists of those claims entitled to priority

under the Bankruptcy Code (other than the unclassified above) including claims for unpaid taxes accrued prior to the commencement of the Chapter 11 case. It is believed that there are no such claims.

Class 2 (secured claim): The secured claim of Great Western.

Class 3 (secured claim): The secured claim of Lewis Construction.

Class 4 (secured claim). The secured claim of Kraft & Ellwood, which shall be subordinated and treated as a class 6B claim.

Class 5: All other allowed claims secured by a lien, or claim of lien, upon the subject property of the Debtor Debtor believes there are no valid claims in Class 5.

Class 6A: All alleged general unsecured claims not entitled to priority and not included within any other Class

Class 6B All subordinated unsecured claims. The subordinated unsecured claims shall consist of the following claims All claims of Debtor's partners and insiders.

Class 6C: Any and all claims of whatever nature of the Trust.

C. Comparison of Plan to Liquidation Under Chapter 7: The Plan provides that creditors will receive payments equal to or greater than the amount they would receive on liquidation of Debtor Non-subordinated allowed unsecured creditors will receive full payment of the principal amounts of their claims without interest, and all subordinated creditors will receive full payment of the principal amounts of their subordinated claims without interest after all senior allowed claims are paid in full. All partners will retain their partnership interests Allowed non-subordinated unsecured creditors shall be paid from Available Cash after provision is made for all Great Western payments, all N.T. Lewis payments, the Debtor's continuing reserve, and the payment of Administrative Expenses. The Plan calls for unsecured claims to be paid in full by December 31, 1998. Although the exact timing of the payments to the allowed non-subordinated insecured creditors cannot be fixed due to the nature of the commercial real estate leasing market, it is the Debtor's estimate that there will be Available Cash to service the allowed non-subordinated unsecured creditors prior to December 31, 1998. However, in the event that there is insufficient Available Cash from the operation of the property, the Debtor will raise cash for such purpose by refinancing its property. As the prospects appear favorable that the allowed non-subordinated unsecured creditors will get paid in full under the Plain, it is Debtor's belief that the Plan is superior to Chapter 7 liquidation in that the Debtor believes that the unsecured creditors would likely receive nothing on the liquidation of the Debtor.

The Debtor owns a 66.66% fractional interest of the principal asset of the Debtor, the commercial real property at 1345-75 Grand Avenue, Piedmont, California If this case were converted to Chapter 7, the trustee, after first obtaining authorization of the Court pursuant to Bankruptcy Code § 363(h),

would likely seek to sell the entire fee interest, thereby attempting to maximize the return to the Chapter 7 estate However, the Debtor believes it is unlikely that the unsecured creditors would realize as much from the sale as the Plan provides since such a sale would essentially be a distressed sale, which typically realizes substantially less, particularly in today's depressed real estate market. Further, the fact that approximately 30% of the real property asset is leased to partners of the Debtor would also cause concern for a potential third party purchaser since, presumably, the Debtor partner/tenants could not be relied on to continue as tenants once the real property asset were sold and/or the leases expire. However, under § 723 of the Bankruptcy Code, the General Partners of Debtor would remain liable for any deficiency pursuant to the language of the Code:

> "If there is a deficiency of property of the estate to pay in full all claims which are allowed in a case under this chapter concerning a partnership and with respect to which a general partner of the partnership is personally liable, the trustee shall have a claim against such general partner for the full amount of the deficiency "

If the Trustee in a Chapter 7 were not successful in attempting to sell the entire fee, or believed that it would be better to sell only the fractional interest, the Trustee could attempt the sale of the 66.66% debtor owned fractional interest; however, such a sale to a third party would not be expected to draw much interest since most real estate investors want to own 100% of a real property asset. The logical purchaser would be the other fractional tenancy-in-common interest currently owned by the Brockbank/Huish 1990 Trust, but the Trust is not interested in purchasing any more of this asset than is currently owned by the Trust.

Due to the uncertain value of the fractional interest of the Debtor in the real property asset or the entire asset being sold in the hands of a trustee, a Chapter 7 liquidation would likely yield a loss to the secured creditors and would wipe out the unsecured creditors.

An analysis of the property from the perspective of the appraisal leads to the same conclusion: The Debtor's fractional interest in the appraisal value is $2,167,000 00. It must be noted that since that appraisal (1991) the market has softened rather dramatically, some 20% at least. Thus, even from an optimist's standpoint, the Debtor's interest may have a value of $1,733,600.00 The Great Western loan allocable to Debtor is $1,293,333.00, although Debtor is liable for it's entirety The remaining Lewis debt is $500,000.00 leaving a negative number for the unsecured creditors. This analysis assumes no reduction in value for a liquidation sale of fractional interest or at the hands of a trustee, which assumptions are highly suspect.

Thus, under either analysis the allowed unsecured creditors would receive nothing while under the Plan they will receive their full principal amount of their allowed claims.

Similarly, the likelihood of full recovery of any deficiency, after the Partnership's liquidation, from the General Partners is suspect. Mr. and Mrs. Kraft are currently going through a divorce with the attendant property disputes and added attorney's fees. Mr. Kraft is a tenant in the building and arguably holding up the ability of the Partnership to comply with the Plan. Mr. Ellwood's company similarly is a tenant in the building Mr Ellwood and the Krafts'

financial information is attached hereto as **Exhibits A and B** and are incorporated herein by this reference. Their net worths, individually or collectively, before or after the exemptions which appear to be available are illiquid and subject to further diminution if sales under distressed conditions were to occur. A trustee in Chapter 7 may realize some deficiency recovery from the General Partners but it is the Debtor's opinion that if the creditors or trustee in Chapter 7 sought to recover from the General Partners, it could result in the filing of some Chapter proceeding by either Ellwood, Kraft or both, and that even in the absence of such filing(s), the potential return to the creditors/trustee would be less productive and subject to greater fees, costs, and time allowances than reliance on the known, current cash flow of the Partnership's real property assets which makes the Debtor's Plan of Reorganization most conducive to a full payment of all creditors.

D. Feasibility: The Debtor's Plan relies on two primary requisites. Firstly, it relies on sufficient cash flow from the real property asset to service the secured debt and the unsecured debt. The cash flow is reliant on the tenants continuing to pay rent as scheduled. There is no specific concern about any of the tenants at this time; however, in a soft economy, it is a possibility that a problem could develop during the term of the Plan which could interrupt the scheduled cash flow. It should also be noted that several of the current leases expire during the term of the Plan All of the businesses appear to be viable and have good prospects for continuing. Thus, there is sufficient cash flow to fund the Plan Please see the attached Exhibit C, a pro forma budget for the operation of the property for the year 1994.

The current cash flow is taxed by the large $25,000 00 principal sums being paid to N. T. Lewis Construction as stipulated in the Order Approving Compromise and Settlement. These annual payments are in addition to $3,000 00 per month payments to N T. Lewis Construction The $3,000.00 payments are consistent with GAD retaining a reserve for the cyclical operating expenses, and other contingencies. Under the Plan as the timing is proposed, these $25,000.00 payments are obligations that can be met. It is the intent of the Debtor to refinance the property on or before December 31, 1998 and thereby payoff Lewis in full and generate proceeds to pay any balance then owed to the allowed non-subordinated unsecured creditors

Secondly, The Plan is reliant on Great Western's loan being paid interest only retroactively from June 1, 1992 through June 14, 1994 and thereafter the monthly payment will be fixed until the payment due June 15, 1996 which payment will be consistent with the original payment terms of the Great Western Promissory Note and Deed of Trust. These adjustments are consistent with the Debtor being able to meet all demands under the Plan in a timely fashion

Great Western is aware of the proposed adjustments and the Trust, although joint and severally, liable on the Great Western note, will suffer no impairment since the Trust will receive and/or pay no less and no more than prior to the Plan.

In further corroboration of feasibility, the Debtor, a partner of which is a seasoned commercial real estate broker, is confident that the current real estate

slump is at or near bottom and that the market will improve over the next few years Thus, rental demand should improve and rental rates improve to assist in the over-all viability of the Plan

VII. CONFIRMATION OF THE PLAN

A. Voting: In order to confirm the Plan, two-thirds in an amount and a majority in a number of allowed claims in each impaired class or claims and two-thirds in amount of allowed interests in each impaired class of interests must vote in favor of the Plan. If the claims of a class are not impaired, the class does not vote The impaired classes of claims of creditors under the Plan are classes 2, 4, and 6A. The impaired claims consist of the secured claims of Great Western, Kraft and Ellwood; and the general unsecured and subordinated unsecured creditors. There are no impaired classes of interests in the Plan. The represented majorities are determined based on the ballots actually received and only allowed claims and allowed interest will be counted unless the Court orders otherwise Ballots that are signed but do not designate acceptance or rejection of the Plan will be deemed acceptance of the Plan Ballots that are not signed will not be counted.

If a class which is impaired under the Plan does not vote in favor of the Plan, the Plan proponents may seek confirmation under Section 1129(b) of the Code.

An acceptance or rejection of the Plan may be voted by completing and signing the ballot which accompanies the disclosure statement and the Plan and delivering it to Debtor, c/o Crosby, Heafey, Roach & May, 1999 Harrison Street, Oakland, California 94612, attention: Douglas G. Boven.

B. Modification of the Plan: As proponents of the Plan, Debtor may, subject to the express written consent of Great Western, modify the Plan as provided as provided under Section 1127 of the Code. After the Plan has been accepted by impaired classes but before confirmation, modifications that do not adversely affect impaired classes are permitted without a new solicitation of votes, subject to Court approval.

VIII. CONCLUSION

A. Effect of Confirmed Plan· If a Plan is confirmed, its terms and conditions will be binding on all creditors and interest holders of Debtor Debtor will be discharged from all liabilities except as expressly provided in the Plan, and the discharge will be effective as to every claim, whether the claim is ultimately allowed by the Court, or whether the Holder of the claim voted to accept the Plan.

B. Post-Confirmation Events: Debtor discloses that Patrick Ellwood will serve as the managing general partner of Debtor and be responsible for implementation and administration of the Plan.

C. Recommendation: This Disclosure Statement has been presented for the purpose of enabling you to make an informed judgment to accept or reject the Plan. You are urged to read the Plan in full and consult with counsel if you have any questions.

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Debtor believes that acceptance of the Plan by creditors and interest holders is in the best interest of all parties and the confirmation of the Plan will provide the best recovery for creditors and interest holders.

Dated: July 8, 1993

GRAND AVENUE DEVELOPMENT
a California general partnership

By: ______________________
Patrick Ellwood
Managing General Partner

Dated: July 8, 1993

R KINGSBURY LANE, INC

By ______________________
Robert K. Lane
Attorney for Debtor

1 Fifty Thousand already paid under a Court sanctioned settlement on or about November 5, 1992
2 Disputed
3. Subordinated under the plan to unsecured creditors

PATRICK ELLWOOD PERSONAL FINANCIAL STATEMENT

June 1993

		ASSETS	LIABILITIES
CASH:		$ 2,000	
BUSINESS:	PEDC, Inc	$ 594,811	$ 572,935
REAL ESTATE PARTNERSHIPS:			
	Antioch St. Ltd. @ 13.47%	$ 164,288	$ 270,192
	Grand Ave. Dev. @ 50%	$1,020,085	$1,103,005
	College Sq. Assoc. @ 13.0%	$ 200,763	$ 146,979
PERSONAL PROPERTY:		$ 5,000	
NOTES:			
	Notes Receivable	$ 51,554	
		$ 130,000	
		$ 11,800	
	Notes Payable		$ 130,000
TOTAL ASSETS:		**$2,180,301**	
TOTAL LIABILITIES:			**$2,223,111**
TOTAL NET WORTH BEFORE EXEMPTIONS:		**($ 42,810)**	
POTENTIAL EXEMPTIONS; including, but not limited to:			
	Automobile: CCP Sec. 704.010		$ 1,200
	Fur., Furngs, Jewelry: CCP Secs. 704.020, 040		$ 12,000
NET WORTH AFTER EXEMPTIONS: POTENTIALLY SUBJECT TO CREDITORS		**($ 56,010)**	

Note: See Accompanying Footnotes Attached

Accompanying Footnotes to

PATRICK ELLWOOD FINANCIAL STATEMENT

1. The assets and liabilities noted for PEDC, Inc. are the 1992 year end book values as taken from the 1992 Federal Income Tax Return. This stock is unlisted.

2. The assets and liabilities noted for the Antioch Street Limited Partnership are the 1992 year end book values as taken from the 1992 Federal Income Tax Return. The assets and liabilities shown reflect Ellwood's percentage relative percentage of the Antioch Street Limited's total assets and liabilities.

3. The assets and liabilities noted for the Grand Avenue Partnership are the 1992 year end book values as taken from the 1992 Federal Income Tax Return. The assets and liabilities shown reflect Ellwood's percentage relative percentage of the total Grand Avenue Development assets and liabilities.

4. The assets and liabilities noted for the College Square Partnership are the 1992 year end book values as taken from the 1992 year end accounting records. The assets and liabilities shown reflect Ellwood's percentage relative percentage of the total College Square Associates assets and liabilities.

5. The payee on the notes receivable is Grand Avenue Development, currently in Chapter 11.

6. This Financial Statement does not reflect the contingent tax liability on any assets that may be liquidated.

7. This Financial Statement has not been prepared by an accountant and is unaudited.

8. The Assets of Patrick Ellwood may be subject to the Community Property Interest of Denise Ellwood.

PERSONAL FINANCIAL STATEMENT

LEONARD KRAFT and LORRAINE KRAFT

June 1993

		ASSETS	LIABILITIES
CASH:		$ 875	
REAL ESTATE:		$ 500,000	
			$ 30,000
			$ 192,000
RL EST PRTNRSHP:	Grand Ave. Dev. - 50% -	$1,020,085	$1,103,005
BUSINESS:	Kraft Automotive	$ 48,000	$ 24,000
STOCK:	Kraftile	$ 43,493	
OTHER:	Credit Cards		$ 614
	Notes Pybl		$ 130,000
	Notes Recvbl	$ 130,000	
	Automobiles	$ 1,500	
	Furniture, etc.	$ 12,000	
TOTAL ASSETS:		**$1,755,953**	
TOTAL LIABILITIES:			**$1,479,619**
TOTAL NET WORTH BEFORE EXEMPTIONS:		**$ 276,334**	
POTENTIAL EXEMPTIONS; including, but not limited to:			
	Homestead Exemption		$ 75,000
	Business: CCP Sec. 704.060		$ 5,000
	Automobile: CCP Sec. 704.010		$ 1,200
	Fur., Furngs, Jewelery: CCP Secs. 704.020, 040		$ 12,000
NET WORTH POTENTIALLY SUBJECT TO CREDITORS:		**$ 183,134**	

Note: See Accompanying Footnotes Attached

Accompanying Footnotes to

Leonard and Lorraine Kraft

Personal Financial Statement

1. Leonard and Lorraine Kraft are currently divorced but have not entered into a property settlement. This financial statement reflects the combined assets and liabilities of Leonard and Lorraine Kraft except as specifically noted.

2. The value of the residence at 56 Monticello Avenue, Piedmont is the estimated market value.

3. The assets and liabilities noted for the Grand Avenue Partnership are the 1992 year end book values as taken from the 1992 Federal Income Tax Return. The assets and liabilities shown reflect Kraft's percentage relative percentage of the total Grand Avenue Development assets and liabilities.

4. The assets and liabilities noted for Kraft Automotive are 1992 year end figures. Kraft Automotive is a sole proprietorship.

5. The Kraftile stock is the book value of this unlisted stock. This stock is Leonard Kraft's sole and separate property.

6. The $130,000 note receivable is Leonard Kraft's sole and separate property. The payee on this note is Grand Avenue Development, currently in Chapter 11.

7. The $130,000 note payable is Leonard Kraft's sole obligation.

8. This Financial Statement does not reflect the contingent tax liability on any assets that may be liquidated.

9. This Financial Statement has not been prepared by an accountant and is unaudited.

GRAND AVENUE DEVELOPMENT/BROCKBANK-HUISH TRUST

1994 PROFORMA INCOME AND EXPENSE STATEMENT

PROFORMA ANNUAL SCHEDULED INCOME

Total Monthly Gross Scheduled Income		$355,000.00

PROFORMA ANNUAL OPERATING EXPENSES

Property Taxes	$30,000.00	
City of Piedmont Tax	$ 2,500.00	
Insurance	$ 4,000.00	
Gardening	$ 3,000.00	
Exterior/Common Area Janitorial	$ 3,500.00	
Water	$ 5,000.00	
Garbage	$ 2,000.00	
Common Area Electricity	$ 3,000.00	
HVAC Repair/Maintenance	$ 4,000.00	
Legal/Acctg.	$ 6,000.00	
Miscellaneous	$ 3,000.00	
Property Management	$12,000.00	
Less Total Annual Proforma Operating Expenses	$78,000.00	($ 78,000.00)
Less Approximate Great Western Payment (1)		($138,000.00)
Net GAD/BHT Cash Flow		$ 139,000.00
Less BHT 33.33% Distribution		($ 46,000.00)
Gross GAD Cash Flow		$ 93,000.00
Less Lewis Payment		($ 61,000.00)
Net Cash Flow (2)		$ 32,000.00

(1) The Great Western loan interest rate changes monthly. The monthly payment stated is computed at approximately 7% based upon an approximate 6-15-92 $1,975,000 loan balance.

(2) *Net cash flow prior to vacancy and credit* losses, *re-let* expenses, payment of administrative expenses, compliance with toxic regulations, waterproofing, reserve and unsecured creditors payments.

Exhibit "C"