

D-400

3/27/79

First Supplement to Memorandum 79-8

Subject: Study D-400 - Assignment for Benefit of Creditors

Attached to this supplementary memorandum are comments of Mr. David Blonder concerning assignments for the benefit of creditors, which we hope you will be able to read before the March 30 meeting.

Respectfully submitted,

Nathaniel Sterling
Assistant Executive Secretary

LAW OFFICES
DAVID BLONDER

DAVID BLONDER
ARTHUR LEVITAS
THOMAS H. HAUGHTON

SUITE 1130 ROOSEVELT BUILDING
727 WEST 7TH STREET
LOS ANGELES, CALIFORNIA 90017
(213) 622-1364

March 22, 1979

Mr. Nathaniel Sterling
Assistant Executive Secretary
California Law Revision Commission
Stanford Law School
Stanford, California 94305

Dear Mr. Sterling:

As I dicussed with you by telephone, I would appreciate being placed on your mailing list pertaining to the Law Revision Commission Study of Assignments for Benefit of Creditors.

I have recently obtained copies of the Initial Staff Memorandum and Draft Statute.

Because of previous committments I will not be able to attend the March 30, 1979 meeting.

I am of the opinion that the majority of Common Law Assignments in California are handled by the Credit Associations (particularly those in Los Angeles, San Diego or San Francisco) mentioned in Richard Kaufman's letter to you of November 11, 1977.

Other than the aforementioned Credit Associations, I believe that our law firm handles more Common Law Assignments than anyone else in California. We therefore have considerable interest in the proposed legislation.

I am in full accord with the suggestions and comments made by Richard Kaufman in his letter to you of November 11, 1977. I agree with Mr. Kaufman that there is really no need for any legislation pertaining to Common Law Assignments, except for the following:

(A) I believe it would be sensible to have a Statute giving an assignee the power to set aside a preferential transfer, just as a Bankruptcy Trustee has such power.

(B) I believe the present existing Statute which allows an assignee to set aside an attachment lien is excellent, but it should be supplemented by giving the assignee the power to set aside an execution lien as well.

Mr. Nathaniel Sterling
March 22, 1979
Page Two

However, since a Draft Statute has been prepared, I have taken the liberty of enclosing herewith suggestions and comments pertaining to such Draft Statute.

I have read with interest the letters sent to you dated January 12, 1978 and May 3, 1978 by Coskey/Boxer and make the following comments pertaining to them:

(1) In the many years that I have handled assignments and been involved in the insolvency field in the practice of law, I have never run into the situations described in Subparagraphs One and Two on Page Two of the Coskey/Boxer letter of January 12, 1978. In the first instance (where the debtor made an assignment to the law partner of the debtor's attorney) the Creditors could have easily filed an Involuntary Bankruptcy Petition and thus solved the situation. In the second situation, I do not know of any person or organization in the Los Angeles area who has ever handled an assignment and not ultimately closed the case.

(2) It appears that Coskey/Boxer are referring to my firm in their letter of May 3, 1978 where they enclose a partially obliterated Statement of Receipts and Disbursements from an assignee. This was a case handled by my firm. The case was an Assignment for Benefit of Creditors of Aspen Sports. I enclose herewith for your information a full set of all reports which were forwarded to Creditors in this matter, (marked Exhibit "A") which reports show the progress that has occurred in the handling of this assignment matter. I have the following observations to make pertaining to the case:

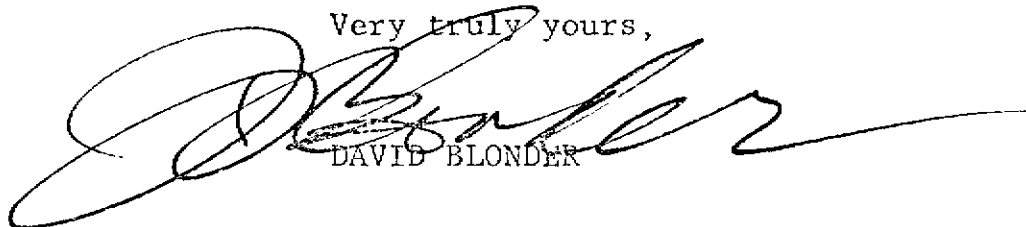
(a) While Coskey/Boxer complain about the expenses in the Aspen Sports matter, they had no hesitancy in participating in the receipt of \$2,000 from the assignment estate as attorney for the assignee. (See Exhibit "A", pg. 7-Disbursement Item: "Attorney for Assignee-Levitt & Lake and Coskey, Coskey & Boxer - \$2,000")

(b) The reserve of \$13,362.99 has been retained for the primary reason that Aspen Sports was a limited partnership with eight limited partners who have indicated that they are entitled to participate in the assignment as creditors and this is in dispute. In addition, there are substantial claims of creditors which are in dispute. These problems have not yet been resolved, but

Mr. Nathaniel Sterling
March 22, 1979
Page Three

this is the reason for the "reserve for disputed
claims."

Very truly yours,

A large, stylized handwritten signature in black ink, appearing to read 'Blonder', is written over the typed name 'DAVID BLONDER'.

DAVID BLONDER

DB/msg
encls.

LAW OFFICES
DAVID BLONDER

DAVID BLONDER
ARTHUR LEVITAS
THOMAS H. HAUGHTON

SUITE 910 WM. FOX BUILDING
608 SOUTH HILL STREET
LOS ANGELES, CALIFORNIA 90014
MADISON 2-1364

August 3, 1976

REPORT NO. 1

To the Creditors of
ASPEN SPORTS, doing business as
ASPEN SKI & SPORTS
15960 Ventura Boulevard
Encino, California

Gentlemen:

The above-entitled debtor, because of financial difficulties has made a general assignment for the benefit of its creditors to this office as representative of said creditors.

Said general assignment was made on July 30, 1976.

The Assignee is in the process of preparing an inventory and financial statement for submission to the creditors at a meeting of creditors to be held on Friday, August 13, 1976 at 11:00 A.M. in the Directors Room of the Los Angeles Hilton, Wilshire and Figueroa Streets, Los Angeles.

You are invited to attend the above meeting.

Because of the high cost of rent accruing on the premises where the assets are located, the Assignee is moving forward to offer the assets for public sale as a whole.

The assets of the debtor consist of merchandise, fixtures and equipment.

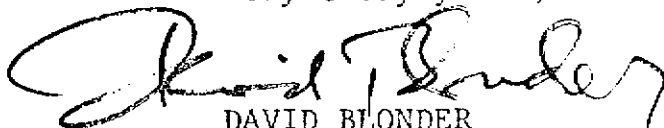
The merchandise amounts to approximately \$150,000 at retail and consists of athletic equipment of snow skis, snow ski bindings, water skis, ski boots, athletic shoes, jogging shoes, track shoes, tennis shoes, tennis rackets, back-packing equipment, mountain climbing equipment, mountain climbing boots, football and fishing equipment, snorkel equipment, camping equipment, men's, women's and children's ski clothing and tennis clothing, T-shirts, underwear, socks, pants, jackets, sport instruction books, etc.

There will also be offered for sale the fixtures and equipment of the debtor consisting of ski binding equipment, ski refinishing equipment, two tennis ball machines, showcases, office desks and machines, etc. The fixtures and equipment have been valued at approximately \$5,000.

Said assets will be offered for public sale as a whole on Thursday, August 19, 1976 at 3:00 P.M., at the former premises of the debtor, 15960 Ventura Boulevard, Encino, California. Said assets will be open for inspection by prospective purchasers on Wednesday, August 18, 1976 from 9:00 A.M. to 4:00 P.M. and on the date of the sale, August 19, 1976 from 9:00 A.M. to the time of sale at 3:00 P.M. You will be advised of the results of said sale.

Enclosed herewith is a Proof of Claim. Please execute this document as indicated and return to the undersigned so that the proper amount of your claim and consent to the assignment may be noted.

Very truly yours,

A handwritten signature in cursive script, appearing to read "David Blonder".

DAVID BLONDER
Assignee for the Benefit
of Creditors

DB:vbm
Enc.

Law Offices of
DAVID BLONDER
608 South Hill Street
Suite 910
Los Angeles, California 90014
MAdison 2-1364

PROOF OF CLAIM

TO WHOM IT MAY CONCERN:

We hereby file our claim in the Assignment and consent to the Assignment executed under date of July 30, 1976 by:

ASPEN SPORTS dba
ASPEN SKI & SPORTS
15960 Ventura Boulevard
Encino, California

to DAVID BLONDER, As assignee.

The amount of our claim is \$ _____,
for which we hereby attach an itemized statement.

By _____

Address _____

NOTE: Interest should not be computed on open account, unless you have a written agreement with debtor to that effect.

If you hold a promissory note, attach a copy. Compute interest up to, but not later than, the date of assignment.

Be sure to attach an itemized statement of your account if you have not already forwarded one.

DAVID BLONDER, Assignee
608 South Hill Street
Suite 910
Los Angeles, California 90014

LAW OFFICES

DAVID BLONDER

DAVID BLONDER
ARTHUR LEVITAS
THOMAS H. HAUGHTON

SUITE 910 WM. FOX BUILDING
608 SOUTH HILL STREET
LOS ANGELES, CALIFORNIA 90014
MADISON 2-1364

August 23, 1976

REPORT NO. 2

To the Creditors of
ASPEN SPORTS, doing business as
ASPEN SKI & SPORTS
Encino, California

Gentlemen:

The following is a report as to what occurred at the meeting of the creditors held on August 13, 1976 and the sale of the assets which was held on August 19, 1976.

At the meeting, the creditors were advised that Aspen Sports was a limited partnership, doing business as Aspen Ski & Sports.

Eugene Powert and Paul Hashida, the general partners, were present at the meeting with the attorney for the debtor, Mr. Hugh Slate of Slate & Leoni.

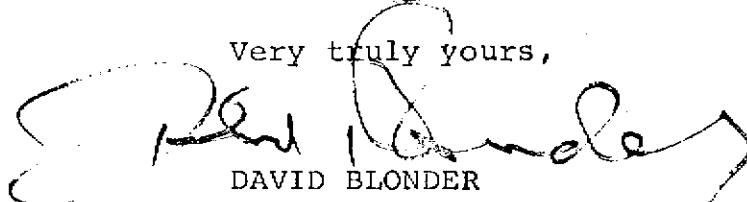
The Assignee submitted to the creditors a Statement of the debtor's assets and liabilities, a copy of which is enclosed for your information.

With reference to the item on the statement designated as "Loans Payable - Partners \$36,900.00", this appears to be based upon Promissory Notes which we have been advised the limited partners have which total said sum of \$36,900. An analysis of said Notes shows that they contain language which sets forth that said debts of the limited partners are subordinated to the amount due to general creditors. It is, therefore, the opinion of the Assignee that this item of \$36,900 is subordinated to the claims of other creditors of Aspen Sports.

With reference to the sale of the assets of Aspen Sports, as a whole, which was held on August 19, 1976, a large group of bidders was present at the sale. The high bid received for the merchandise and free and clear fixtures and the layaways was the sum of \$76,000.00. This high bid was approved by those creditors who were present at the sale and since this was the highest and best bid that was obtained, the sale was consummated to the high bidder who was David Weisz Company, 930 South Robertson Boulevard, Los Angeles, California.

You will be kept advised of further developments in this matter.

Very truly yours,



DAVID BLONDER

DB:vbm

David Blonder
Assignee for the Benefit of Creditors of
Aspen Sports, a partnership, dba Aspen Ski & Sports
Schedule of Assets and Liabilities
As At July 30, 1976

ASSETS

Assets

Cash from Assignor		\$ 24.35
Merchandise Inventory (at retail)		203,427.71
Fixtures and Equipment		13,615.00
Due from Partners		5,400.00
Accounts Receivable	\$ 1,491.92	
Less: Allowance for Doubtful Accounts	<u>372.98</u>	1,118.94
Layaways Receivable		458.00
Supplies		<u>550.00</u>
 <u>Total Assets</u>		 <u>\$224,594.00</u>

LIABILITIES

Priority Creditors

Federal Payroll Taxes	\$ 704.89	
California Payroll Taxes	600.69	
California Sales Tax	1,567.65	
L. A. County Personal Property Tax	4,492.56	
Labor Claims	<u>175.05</u>	
 Total Priority Creditors		 \$ 7,540.84

General Creditors

Accounts Payable	\$211,783.13	
Loans Payable - Partners	<u>36,900.00</u>	
 Total General Creditors		 <u>248,683.13</u>
 <u>Total Liabilities</u>		 <u>\$256,223.97</u>

LAW OFFICES
DAVID BLONDER

DAVID BLONDER
ARTHUR LEVITAS
THOMAS H. HAUGHTON

SUITE 1130 ROOSEVELT BUILDING
727 WEST 7TH STREET
LOS ANGELES, CALIFORNIA 90017
(213) 622-1364

March 13, 1978

REPORT NO. 3 - FINAL

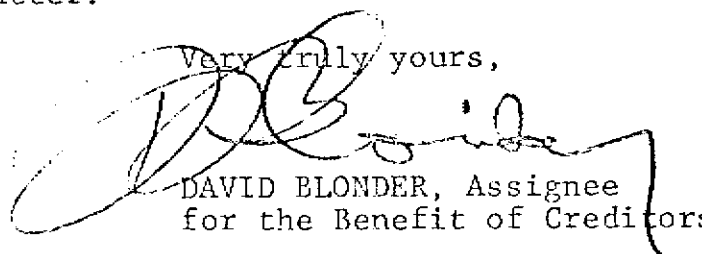
To the Creditors of
ASPEN SPORTS, doing business as
ASPEN SKI & SPORTS
Encino, California

Gentlemen:

Enclosed herewith is the dividend amounting to 13.833%
of your respective claims.

There is also enclosed a copy of the receipts and dis-
bursements in this matter.

Very truly yours,



DAVID BLONDER, Assignee
for the Benefit of Creditors

DB:vbm
Encs.

David Blonder
Assignee for the Benefit of Creditors of
Aspen Sports dba Aspen Ski & Sports
Statement of Receipts and Disbursements

RECEIPTS

Receipts

Sale of Assets	\$76,000.00
Cash from Assignor	337.53
Accounts Receivable Collected	1,618.85
Payroll Tax Refund	900.80
Postage Refund	<u>50.00</u>

Total Receipts

\$78,907.18

DISBURSEMENTS

Disbursements

Federal Payroll Taxes	\$ 756.52
California Payroll Taxes	774.79
California Sales Tax	2,704.56
L. A. County Personal Property Tax	4,492.56
Labor Claims	940.20
Inventory Taking	2,819.44
Inspection, Sale and Check-out to Purchaser	1,245.00
Adjustment on Sale of Assets	235.68
Assignee's Commission	7,890.00
Insurance on Assets	138.00
Accounting and Auditing	1,975.00
Utilities and Rent	244.88
Adjuster's Expense	780.00
Administrative Expense	2,367.00
Preparation of payroll and sales tax returns, audits by taxing agencies	878.00
Advertising Sale of Assets	681.37
Collection Expense	229.00
Packing, Transfer and Storage of records	369.48
Title Search on Assets	75.25
Review of Creditors Claims and Closing	985.00
Printing and Postage	606.43
Reserve for Disputed Claims	13,362.99
Attorney for Assignor (Hugh Slate)	3,500.00
Attorney for Assignee (Levitt & Lake and Coskey, Coskey & Boxer)	2,000.00
First and Final Dividend to Creditors of 13.833% on claims totaling \$208,602.33	<u>28,856.03</u>

Total Disbursements

\$78,907.18

Suggestions and Comments
Submitted by David Blonder
Pertaining to Draft Statute
Relating to Assignments For
The Benefit of Creditors
March 22, 1979

§ 3452. Discharge Provision

It should be kept in mind that most business enterprises are conducted as a corporation, and therefore most insolvents are corporations to whom a discharge is not important. It is a rare case where a business insolvency involves an individual as a sole proprietor.

This section is not clear and may lead to confusion. Your "Memorandum 79-8 - Subject: Study D-400" states on Page 11:

"The staff draft, while generally discouraging preferences in the assignment, recognizes preferences in the assignment for creditors who give the debtor a discharge."

Does this mean that if a creditor has received a preference prior to the assignment that the assignee is required to recognize the validity of the preference if that creditor grants to the debtor a discharge? If this is the case, creditors who do not receive preferences would immediately throw the matter into bankruptcy and defeat the purpose of an assignment.

I do not believe that there should be any State Law which grants a debtor a discharge through an assignment or any other proceeding; because, first, granting discharges to corporations is meaningless, and second, individuals who desire a discharge should seek the same in the Bankruptcy Court.

Also, under the Bankruptcy Law detailed grounds are set forth enabling creditors to object to a discharge. This is a highly complicated and detailed procedure. Nothing pertaining to discharge of a debtor should be incorporated into State law. If a debtor desires a discharge, he should be relegated to the Bankruptcy Court.

§ 3454. Interest on Claims

In a Bankruptcy proceeding, interest stops on claims of unsecured creditors on the date of the filing of a Bankruptcy Petition. This same provision should exist in the Draft Statute, that is, interest should stop on an unsecured claim on the date when the assignment is made. To allow interest to accrue after the date of the assignment will make more difficult and complicated the computation of dividends which are ultimately distributed to creditors.

§ 3455. Lists of Creditors, Debts, and Property

This proposed section provides that the debtor shall provide certain information to the assignee. It is impractical to provide that only the debtor shall provide the information in question. When a business "goes broke" this is not an overnight process. A failing business usually goes downhill for a period of time before the debtor reaches the decision that something should be done concerning the creditors, such as an informal meeting, an assignment, or some type of Bankruptcy proceeding. During this "downhill" period the debtor's records and operations frequently become a shambles; personnel are terminated; books and records are not kept up to date; records pertaining to accounts receivable and shipments are not kept current; etc. Thus, at the time that an assignment is taken, it is frequently impossible for the debtor, (whether a corporation, individual or partnership) to provide the information set forth in Section 3455. At that point it is the Assignee who takes the initiative and begins doing the various things set forth in Section 3455, such as (1) preparing a list of creditors and the amounts due to each; (2) preparing an inventory of the physical assets of the debtor; (3) preparing lists of accounts receivable, etc.

It is suggested therefore, that the "lists" required by the Draft Statute be prepared by the Assignee and that such information be made available to creditors.

I do not believe that any purpose would be served in attempting to obtain from the debtor a declaration under penalty of perjury that the lists are correct. It frequently takes a considerable length of time to develop accurate, exact information as to the amount owed to each creditor and as to the amounts claimed on accounts receivable. Thus, a debtor could not swear to such information until some later date after the Assignee has compiled the necessary lists.

§ 3461. Undertaking

There is no objection to this requirement. However, I have checked with Ron Medeiros of Fidelity and Deposit Company in Los Angeles (One Wilshire Building, Phone Number: (213)627-9641), and he advised that the premium on this type of undertaking would probably amount to \$10 per thousand per year. Thus, on property valued

at \$50,000 an undertaking of \$100,000 would be required and the premium on the same would be \$1,000 per year. This, of course, would add to the expense of the handling of the assignment.

§ 3462. Commission

This section is unsatisfactory because one of the results thereof would be that an assignee would receive no compensation for the handling of a case in which no dividend was distributed to creditors. Our firm frequently handles Assignments for Benefit of Creditors where there is no dividend to general, unsecured creditors. This is usually done at the request of creditors of a debtor who realize that the debtor is about to go out of business, and it is the desire of the creditors to crystalize the matter and have it taken over by a creditor representative and liquidated and concluded. By such procedure the creditors know that the matter is finished.

Two examples of such "no dividend" cases are the following:

Seasons, Inc. (Exhibit "B", attached hereto) You will note in this case that liquidation of the assets produced the sum of \$5500.00. You will note also from the statement of assets and liabilities attached (Exhibit "B", pg. 3) that priority tax claims amount to the sum of \$10,409.99. It is obvious, therefore, that since taxes have priority in payment, there would be no monies available for distribution to general unsecured creditors. Under Section 3462, the assignee would receive no compensation.

Goldfield's, Inc. (Exhibit "C", attached hereto) In this case the total monies produced from liquidation of the assets was \$4450.00. Priority tax claims amounted to the sum of \$27,359.79. (Exhibit "C", pg. 5) No dividends would be paid to general unsecured creditors, and thus there would be no compensation to the assignee under Section 3462.

I believe that the various Credit Associations would probably refuse to handle the aforementioned type of small case because they probably would not care to handle a case which does not pay a dividend to general unsecured creditors. If, however, a small case is not handled as an assignment (or a bankruptcy), the assets (even though small) would be dissipated by a debtor and not even the tax agencies would benefit therefrom.

Further, limitation of 10% based upon dividends distributed is not feasible even in many larger cases. For example, suppose a case where liquidation of assets produces the sum of \$50,000, but there exists in the case large, priority tax claims amounting, for

example, to \$30,000; and, suppose there are large expense items over which the Assignee has no control (such as rent on the premises where the assets are located amounting to \$5,000 per month, etc.) In such case, it might well be that the ultimate distribution to creditors (after paying for all expenses, including inventory expenses, insurance on assets, bookkeeping expenses, etc.) might amount to only \$10,000. If in this type of case the Assignee would receive a 10% fee based only on the \$10,000 distributed, I am of the opinion that there will in the future exist many cases of this type which Assignees will refuse to handle. Here again, then if no bankruptcy petition is instituted by either the debtor or creditors, the assets will ultimately be dissipated, and there will be no benefit whatsoever to either the priority tax agencies or creditors.

In view of the above, therefore, I feel that it is a mistake to relate the assignee's commission to the total dividend distributed to creditors. I have no objection to there being a limit of ten percent as a commission, but I believe that it should be based on the total estate realized, and not on the amount of dividends distributed. In this respect, I have, on many occasions, been questioned by creditors at the first meeting of creditors as to what my commission would be, and have had discussions with creditors as to the amount of the commission. I generally charge ten percent of the total estate, but I have also adjusted my commission downward on several occasions after discussion with creditors at the first meeting of creditors and after discussions with creditors committees. On several occasions I have charged no commissions on monies which have come into an estate as a result of substantial tax refunds. Thus, if creditors are dissatisfied with the amount being charged by an assignee the same can be negotiated or if creditors are still dissatisfied, they can always place the matter into a Bankruptcy proceeding and allow a Bankruptcy Court to determine the matter of fees for all parties concerned.

Your attention is invited to the fact that under the Bankruptcy Act the compensation of a Bankruptcy Trustee is based upon the gross proceeds which he handles in the Bankruptcy Estate. It is not based upon the distribution to creditors.

§ 3468. Power to Avoid Preferential Transfers

I believe that it would be appropriate to allow an assignee to have the power to set aside preferential transfers. I do believe however, that this power should be set out in detail in the Statute just as it is set out in detail in the Bankruptcy Act. I believe the present wording of Section 3468 is too vague.

§ 3470. Notice to Creditors

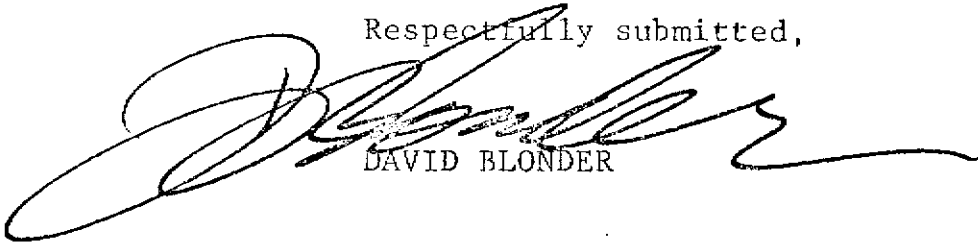
I have no objections to the provisions of Section 3470, but am of the opinion that subdivision (b) serves no purpose. The requirement that the assignee shall publish a notice in a newspaper of general circulation will really not give any actual notice to creditors. If the debtor is in the city of Los Angeles, for example, and if such a notice is published in the legal newspapers (Los Angeles Daily Journal or Metropolitan News), these newspapers contain such a plethora of notices, legal information, etc. that no one, creditor or otherwise, would necessarily learn about the assignment by virtue of the fact that the notice was published in a "newspaper of general circulation."

§ 3473. Payment of Dividends

Section 3473 (a) provides that 90 days after liquidation of the assets, "and as soon as practical" the assignee shall distribute dividends. It is true that the phrase "as soon as practical" may give to the assignee an indefinite period of time in which to close a case. I do not believe that there should be any time period designated for an assignee to distribute dividends. One of the problems that exists in the handling of assignments is the fact that it is practically impossible to obtain the claims of tax agencies quickly. Obviously, no assignment case can be closed until a final claim has been obtained from the tax agencies (Federal, State, County and City) which have priority in payment. In my handling of assignments, all the tax agencies are notified immediately upon the assignment being made. However, it is frequently many months before the tax agencies file their final claims with the assignee. In fact, in some cases certain tax agencies (such as Internal Revenue Service and Board of Equalization) desire to make an audit of debtor's records before they submit their final claim. When this occurs, an extremely long period of time elapses before the final tax claims come in.

I suggest, therefore, that there be no time limit on the assignee for the distribution of dividends or the closing of a case.

Respectfully submitted,



DAVID BLONDER

DB/msg
encls.

LAW OFFICES
DAVID BLONDER

DAVID BLONDER
ARTHUR LEVITAS
THOMAS H. HAUGHTON

SUITE 1130 ROOSEVELT BUILDING
727 WEST 7TH STREET
LOS ANGELES, CALIFORNIA 90017
(213) 622-1364

March 27, 1978

REPORT NO. 1

To the Creditors of
SEASONS, INC., a corporation
127 East 9th Street
Los Angeles, California

Gentlemen:

The above-named debtor, because of financial difficulties has made a general assignment for the benefit of its creditors to this office as a representative of said creditors.

Said general assignment was made on March 9, 1978.

The debtor was in the business of manufacturing ladies' ready-to-wear.

The principals of the debtor corporation were: President, Louis Berger; Secretary, George Rojo.

The Directors were: Louis Berger, George Rojo and Mark Betterman.

The capital stock of the corporation was owned 100% by Louis Berger, George Rojo and Mark Betterman.

Upon taking the Assignment for Benefit of Creditors, the Assignee found that there was only a small amount of assets in the place of business.

The Assignee prepared an inventory of the physical assets of the debtor which consisted of the following:

Office and Plant Fixtures	\$2,840
Finished Inventory	2,694
Yardage and Trimmings	<u>1,100</u>
Total Inventory	<u>\$6,634</u>

The Assignee has also prepared a Statement of the Debtor's Assets and Liabilities, a copy of which is attached hereto for your information.

Upon taking the Assignment, the Assignee was advised that there was a new tenant in the Harris Newmark Building (where the debtor was located) who was interested in taking over the debtor's place of business. In order to facilitate such take-over, the new tenant

offered to the Assignee the sum of \$3,500 for the office and plant fixtures (inventoried at \$2,840) and for the trimmings (inventoried at \$100); and for such property the Assignee accepted the offer of \$3,500. This offer of \$3,500 was an excellent offer for the property involved. Also, the making of the sale by the Assignee obviated the necessity of the Assignee taking over the premises of the debtor on which rent would accrue to the Assignee at the rate of \$768 per month.

In view of the foregoing, therefore, the Assignee did sell the aforementioned assets for \$3,500 to the new tenants who were Norman Cypers and David Hayes, 127 East 9th Street, Los Angeles.

After disposing of the aforementioned fixtures, equipment and trimmings, the Assignee still had in his possession a small quantity of finished inventory (inventoried at \$2,694) and yardage (inventoried at \$1,000). The Assignee has disposed of said merchandise and yardage for the sum of \$3,000 which has been paid to him by Paul Hersch of 111 California Street, San Francisco, California.

With reference to the accounts receivable of Seasons, Inc., these were factored by Walter E. Heller & Co. The Assignee has had discussions with the factoring firm and has been advised that as of the present time there exists a deficiency balance of over \$11,000. The factor is of the opinion that such deficiency will increase by reason of the fact that it appears that there may be numerous chargebacks in the future. This means that the factor will be a creditor for whatever amount it is ultimately determined to be the final deficiency balance.

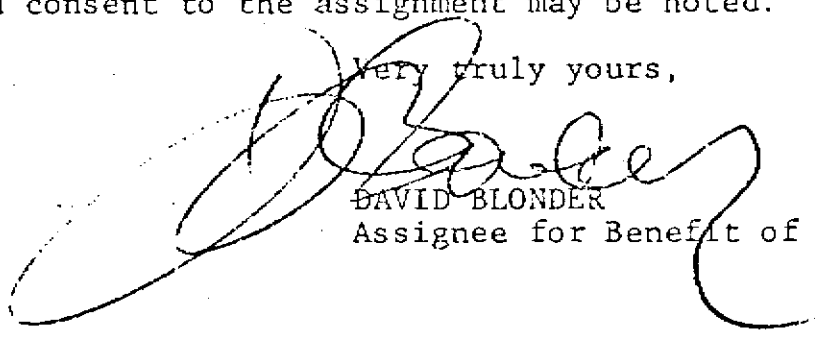
The above has set forth the situation as it exists pertaining to Seasons, Inc.

You will note from the enclosed Statement that taxes in this matter have been estimated as \$5,879.32 due on Federal taxes and \$3,917.13 due on State taxes. Since tax claims take a priority position in involvency matters, and the recovery from the assets has totaled a gross of \$5,500 (hereinabove set forth), it would appear in this case that there will be no recovery for general creditors.

If there is any further information which you desire, please communicate with us.

Enclosed herewith is a Proof of Claim. Please execute this document as indicated and return to the undersigned so that the proper amount of your claim and consent to the assignment may be noted.

Very truly yours,


DAVID BLONDER
Assignee for Benefit of Creditors

DB: vbm
Encs. (2)

David Blonder
Assignee for the Benefit of Creditors of
Seasons, Inc.
Schedule of Assets and Liabilities
As At March 9, 1978

ASSETS

Assets

Finished Inventory	\$ 2,694.00	
Yardage and Trimming	1,100.00	
Office and Plant Fixtures and Equipment	2,840.00	
Due from Stockholders	<u>4,711.80</u>	
<u>Total Assets</u>		<u>\$ 11,345.80</u>

LIABILITIES

Priority Creditors

Federal Payroll Taxes	\$ 5,879.32	
California Payroll Taxes	3,917.13	
L.A. County Personal Property Tax - Estimated	172.00	
L.A. City License Tax	<u>441.54</u>	
Total Priority Creditors		\$ 10,409.99

General Creditors

Accounts Payable	\$165,523.04	
Loans Payable - Stockholders	<u>103,500.00</u>	
Total General Creditors		<u>\$269,023.04</u>
<u>Total Liabilities</u>		<u>\$279,433.03</u>

Law Offices of
DAVID BLONDER
727 West Seventh Street, Suite 1130
Los Angeles, California 90017
(213) 622-1364

PROOF OF CLAIM

TO WHOM IT MAY CONCERN:

We hereby file our claim in the Assignment and consent to the Assignment executed under date of March 9, 1978 by:

SEASONS, INC.
a corporation
127 East 9th Street
Los Angeles, California

to DAVID BLONDER, as Assignee.

The amount of our claim is \$ _____,
for which we hereby attach an itemized statement.

DATED: _____

BY _____

ADDRESS: _____

NOTE: Interest should not be computed on open account, unless you have a written agreement with debtor to that effect.

If you hold a promissory note, attach a copy. Compute interest up to, but not later than, the date of Assignment.

Be sure to attach an itemized statement of your account if you have not already forwarded one.

DAVID BLONDER, Assignee
727 West Seventh Street, Suite 1130
Los Angeles, California 90017

LAW OFFICES
DAVID BLONDER

DAVID BLONDER
ARTHUR LEVITAS
THOMAS H. HAUGHTON

SUITE 1130 ROOSEVELT BUILDING
727 WEST 7TH STREET
LOS ANGELES, CALIFORNIA 90017
(213) 622-1364

January 8, 1979

REPORT NO. 1

To the Creditors of
GOLDFIELD'S, INC.
3220 Industry Drive
Signal Hill, CA

Gentlemen:

The above-named debtor, because of financial difficulties has made a general assignment for the benefit of its creditors to this office as a representative of said creditors.

This debtor was in the business of manufacturing hair curling irons and beauty aids.

Said general assignment was made on December 29, 1978.

The Assignee is in the process of preparing an inventory and financial statement for submission to the creditors at a meeting of creditors to be held on Friday, January 19, 1979, at 11:00 A.M. in the Washington Room of the Los Angeles Hilton, Wilshire and Figueroa Streets, Los Angeles.

You are invited to attend the above meeting.

You are advised that the assets of the above-named debtor will be offered for public sale on Monday, January 22, 1979 at 3:00 P.M. at the debtor's former place of business, 3220 Industry Drive, Signal Hill.

The assets will be available for inspection by prospective purchasers at the former location of the debtor, 3220 Industry Drive, Signal Hill, on Monday, January 22, 1979 from 9:00 A.M. until the time of sale at 3:00 P.M.

The assets which will be offered for sale, as aforesaid, consist generally of the following:

Report to Creditors
GOLDFIELD'S, INC.
Page 2

Machinery and equipment consisting of eyeletting machine, conveyors, hot stamping machine, compressor, punch presses, etc., approximately \$10,000.

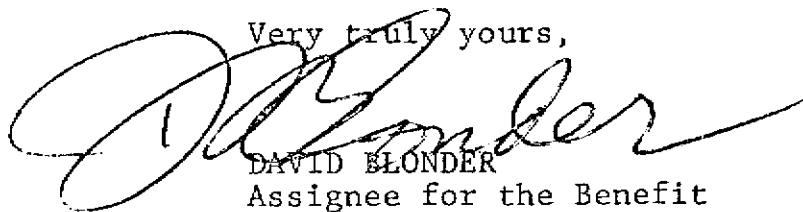
Merchandise inventory consisting of raw materials, electric prefabricated parts for the manufacture of make-up mirrors, hair dryers, curling irons, beauty aids, approximately \$11,000.

Office furniture and fixtures, approximately \$900.

You will be advised of the results of said sale.

Enclosed herewith is a Proof of Claim and Consent to Assignment. Please execute this document as indicated and return to the undersigned so that the proper amount of your claim and consent to the Assignment may be noted.

Very truly yours,



DAVID BLONDER
Assignee for the Benefit
of Creditors

DB:vbm
Encs.

Law Offices of
DAVID BLONDER
727 West Seventh Street, Suite 1130
Los Angeles, California 90017
(213) 622-1364

PROOF OF CLAIM
CONSENT TO ASSIGNMENT

TO WHOM IT MAY CONCERN:

We hereby file our claim in the Assignment and consent to the Assignment executed under date of December 29, 1978 by

GOLDFIELD'S, INC.
3220 Industry Drive
Signal Hill, CA

to DAVID BLONDER, as Assignee.

The amount of our claim is \$ _____
for which we hereby attach an itemized statement.

DATED: _____

BY _____

ADDRESS: _____

If you hold a promissory note, attach a copy. Compute interest up to, but not later than, the date of Assignment.

Be sure to attach an itemized statement of your account if you have not already forwarded one.

DAVID BLONDER, Assignee
727 West Seventh Street, Suite 1130
Los Angeles, California 90017

LAW OFFICES
DAVID BLONDER

DAVID BLONDER
ARTHUR LEVITAS
THOMAS H. HAUGHTON

January 25, 1979

REPORT NO. 2

SUITE 1130 ROOSEVELT BUILDING
727 WEST 7TH STREET
LOS ANGELES, CALIFORNIA 90017
(213) 622-1364

To the Creditors of
GOLDFIELD'S, INC.
Signal Hill, CA

Gentlemen:

The following is a current report in the above-entitled matter.

At the meeting of the creditors held on January 19, 1978, Dan Kinda and Richard McKee, the principals of the debtor corporation were present with their attorney, Mr. James Turner.

The Assignee submitted to the creditors a Statement of the debtor's Assets and Liabilities, a copy of which is enclosed for your information.

The Assignee advised that upon taking the Assignment for Benefit of Creditors, he found that the assets of the debtor at the debtor's place of business, consisting of equipment and inventory, appeared to be covered by a security interest in favor of Business Loans, Inc. Negotiations were entered into with Business Loans, Inc. who then agreed to release the said equipment and inventory from their claimed security interest. As a result of such transaction, the Assignee was in a position to move forward to sell the said equipment and inventory.

Discussion was had at the meeting concerning the business affairs of the debtor.

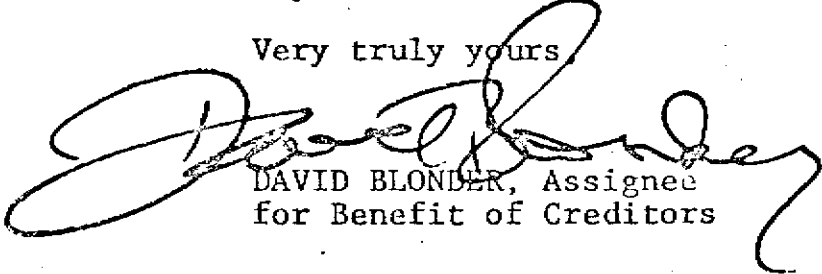
The Assignee was authorized to proceed with the sale of the assets which had been scheduled.

At the sale of the assets, as a whole, on January 22, 1979, a considerable group of bidders was present. The high bid that was received for the equipment and inventory which was offered for sale was the sum of \$4,450. This high bid was made by American Electric Corp., 9937 West Jefferson Boulevard, Culver City, CA.

Since this was the best bid that could be obtained, the sale to said high bidder was consummated.

You will be kept advised of further developments in this matter.

Very truly yours,


DAVID BLONDER, Assignee
for Benefit of Creditors

DB:vbm
Enc.

David Blonder
Assignee for the Benefit of Creditors of
Goldfield's, Inc.
Schedule of Assets and Liabilities
As At December 29, 1978

ASSETS

Assets

Cash from Assignor		\$ 6,776.01
Accounts Receivable	\$ 23,248.78	
Less: Allowance for Doubtful Accounts	<u>22,198.05</u>	1,050.73
Merchandise Inventory, Work in Process, Supplies		11,000.00
Shop Equipment		9,967.00
Office Furniture and Equipment		<u>860.00</u>
 <u>Total Assets</u>		 <u>\$ 29,653.74</u>

LIABILITIES

Priority Creditors

Federal Payroll Taxes	\$ 20,715.95	
California Payroll Taxes	2,532.72	
California Franchise Tax	200.00	
California Litter Assessment	1,110.00	
L. A. County Personal Property Tax	<u>2,801.12</u>	
 Total Priority Creditors		 \$ 27,359.79

General Creditors

Accounts Payable		\$154,609.99
Notes and Loans Payable		
Harbor Bank	\$ 19,142.98	
Business Loans, Inc.	23,721.80	
Daniel Kinda	<u>5,000.00</u>	<u>47,864.78</u>
 Total General Creditors		 <u>202,474.77</u>
 <u>Total Liabilities</u>		 <u>\$229,834.56</u>