

Bank Forecloses on Old Stock Exchange Building

Long Line of Liens Cleared, Trail of Debt Leads to Former Owner

by Dave McCombs

The National Bank of Long Beach has purchased the 60-year-old former Pacific Stock Exchange building. The building at 618 Spring St. closed earlier this year as a growing knot of creditors couldn't collect on outstanding loans and other debts.

At a recent foreclosure auction, National Bank of Long Beach, the property's first trust-deed holder, placed the only bid. Several prospective buyers are reportedly close to making offers to the bank for the historic art deco structure, which had been the location for a much-publicized nightclub and prior to that the Pacific Stock Exchange. The five-story, 68,000 square-foot structure includes an attached 13-story office tower.

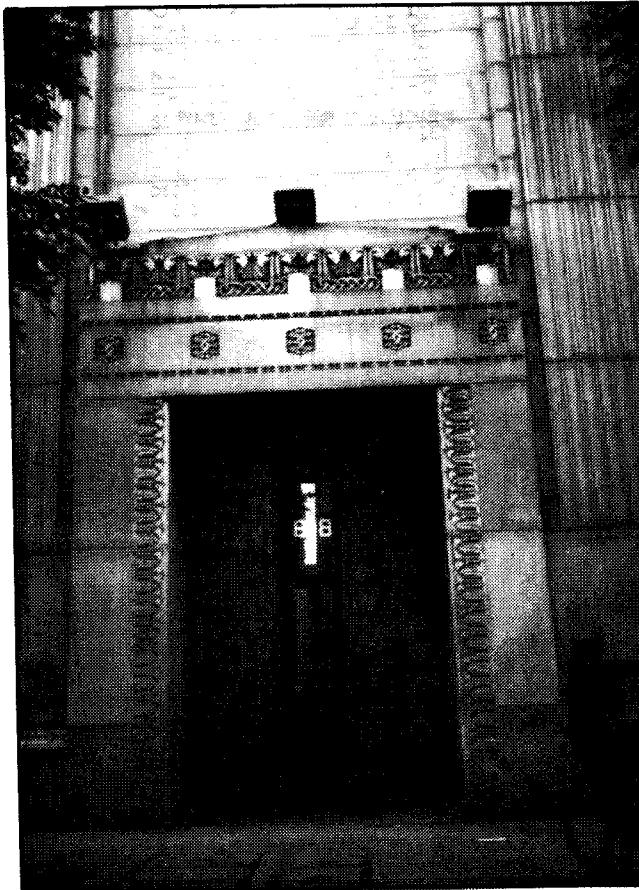
By the time the Stock Exchange nightclub closed its doors, a tangle of contractors, service providers and lenders, including the Community Redevelopment Agency (CRA), had filed suit against the owners, Los Angeles Stock

Exchange Associates Ltd. One Spring St. real estate broker who asked not to be named says the building has 11 junior notes behind the bank note and about 30 junior liens.

The Long Beach bank has cleared the way to sell the building by gaining relief from a series of bankruptcies filed by previous owners, eliminating all debts against the property, according to Terrence McCarthy, senior vice president and manager of the real estate finance group for the bank.

"There is no doubt that the amount of debt was one of the main obstacles preventing the former owner from selling the property," says McCarthy. "All debts and obligations that were subordinated to the property have been eliminated."

Several individuals formerly associated with the Stock Exchange nightclub say the trail of unpaid bills leads back to Brian Potashnik, who headed the now-defunct Los Angeles Stock Exchange Associates, which owned the building prior to the origi-



Will doors open soon at old Pacific Stock Exchange?

nal foreclosure by a fifth trust-deed holder earlier this year.

Potashnik opened the nightclub with much fanfare in 1986. It was widely viewed as a beachhead

for revitalization of rundown Spring Street. But as overflow weekend crowds and copious press coverage created the appearance of an overnight success, insiders say the

club was doomed from the start.

According to CRA officials, records show the club paid nothing on its \$250,000 renovation loan.

Special-event promoter Michael Reeve says he got the night spot off the ground only to be "forced out" by Potashnik. Reeve sued Los Angeles Stock Exchange Associates and settled out of court as the only creditor to yet collect, he says. Reeve refused to divulge the amount of the settlement, but sources familiar with the suit, which originally asked for \$20 million, say he was paid about \$240,000.

Reeve, who has sought to hold events at the Stock Exchange as recently as Sept. 22, says the group of investors he brought together sold the building in 1985 to Potashnik, whom he describes as "a 28-year-old kid who knew nothing about how to run a nightclub."

As the operator of the club, Reeve signed a lease with Potashnik in December 1986, before the Stock Exchange had opened. Reeve says Potashnik called him the next day.

"Potashnik knew he had signed a lease, but he just said, 'Sue me. I'll see you in court in five years,'" says Reeve. But Potashnik didn't know about Clyde Wallach, Reeve's

partner. Since Wallach was 70 years old, the partners' suit against Potashnik was rushed to court, and Potashnik settled.

Potashnik couldn't be reached for comment, and according to several of his former associates has "disappeared from public life."

Like many other buildings in Downtown's historic core district, the old Stock Exchange needs a seismic upgrade, asbestos

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removal and fire-safety sprinklers in order to meet current building codes. But the grandeur and elegance of its massive brass doors, marble floors, detailed friezes and its historic value continue to draw the interest of investors.