

COPY

Attorney or Party Name, Address, Telephone & FAX Numbers, and California State Bar Number Jay L. Michaelson – Bar No. 39774 Michaelson, Susi & Michaelson, P.C. 7 West Figueroa Street, 2nd Floor Santa Barbara, CA 93101 (805) 965-1011	FOR COURT USE ONLY FILED 04 AUG 25 PM 3:37 CLERK U.S. BANKRUPTCY COURT CENTRAL DISTRICT OF CALIFORNIA
UNITED STATES BANKRUPTCY COURT CENTRAL DISTRICT OF CALIFORNIA	
In re: L.A. WORKOUT-SFV, LLC <p style="text-align: center;">Debtor(s).</p>	BY _____ CASE NO.: ND 04-11272-RR — DEPUTY

NOTICE OF SALE OF ESTATE PROPERTY

Sale Date: 9/29/04	Time: 10:00 a.m.
Location: 1415 State Street, Courtroom 201, Santa Barbara, California	

Type of Sale: Public Private Last date to file objections: 9/14/04

Description of Property to be Sold: [SEE ATTACHED]

Terms and Conditions of Sale: [SEE ATTACHED]

Proposed Sale Price: [SEE ATTACHED]

Overbid Procedure (If Any): [SEE ATTACHED]

If property is to be sold free and clear of liens or other interests, list date, time and location of hearing:

Contact Person for Potential Bidders (include name, address, telephone, fax and/or e:mail address):

Jay L. Michaelson
 Michaelson, Susi & Michaelson
 7 West Figueroa Street, 2nd Floor
 Santa Barbara, CA 93101
 (805) 965-1011; (805) 965-7351(fax); jay@msmlaw.com

Date: 8/25/04

FILED

(SPACE BELOW FOR FILING STAMP ONLY)

04 AUG 23 PM 3:54

CLERK OF DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

1 MICHAELSON, SUSI & MICHAELSON

2 A Professional Corporation
3 ATTORNEYS AT LAW

4 SEVEN WEST FIGUEROA STREET, SECOND FLOOR
5 SANTA BARBARA, CALIFORNIA 93101-3191

6 Telephone: (805) 965-1011
7 Facsimile: (805) 965-7351

8 Jay L. Michaelson, Bar No. 39774

BY _____ DEPUTY

9 Attorneys for Debtor and Debtor-in-Possession

10 UNITED STATES BANKRUPTCY COURT

11 CENTRAL DISTRICT OF CALIFORNIA, NORTHERN DIVISION

12 In re

13 L.A. WORKOUT-SFV, LLC,

14 Debtor.

) BK No. ND 04-11272-RR

) Chapter 11

) DEBTOR AND DEBTOR-IN-
) POSSESSION'S NOTICE OF MOTION
) AND MOTION FOR AUTHORITY TO
) (1) SELL PERSONAL PROPERTY
) AND GENERAL INTANGIBLES
) PURSUANT TO 11 U.S.C.
) § 363(b) AND (2) TO ASSUME
) AND ASSIGN REAL PROPERTY
) LEASE PURSUANT TO 11 U.S.C.
) § 365(b)(1) AND (f)(2);
) DECLARATIONS OF JAMES E.
) BREWER AND JOHN W. MAHLI

) Date: September 29, 2004

) Time: 10:00 a.m.

) Place: 1415 State Street
) Courtroom 201
) Santa Barbara, CA

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24 TO THE UNITED STATES TRUSTEE, CREDITORS, ALL PARTIES
25 REQUESTING SPECIAL NOTICE, AND OTHER PARTIES IN INTEREST:

26 PLEASE TAKE NOTICE that at the time and place set forth
27 above, L.A. Workout-SFV, LLC, Debtor and Debtor-in-Possession
28 herein, will move the Honorable Robin Riblet for an order

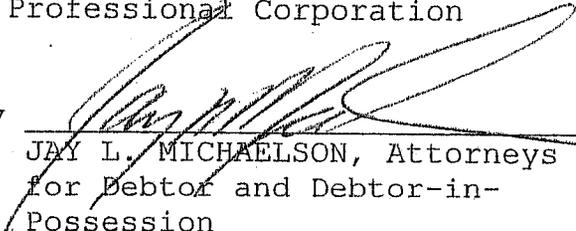
1 authorizing the Debtor and Debtor-in-Possession to sell
2 substantially all of the assets of this estate for \$725,000 to
3 Gold's Gym - Woodland Hills, Inc. and, in connection with said
4 sale, to assume and assign to Gold's Gym - Woodland Hills, Inc.
5 the real property lease for the premises upon which the Debtor
6 operates its business at 20971 Burbank Boulevard, Woodland
7 Hills, California.

8 This motion is made pursuant to the provisions of 11
9 U.S.C. §§ 363(b) and 365(b)(1) and (f)(2), and is based upon
10 this Notice of Motion and Motion and the Memorandum of Points
11 and Authorities in support of the Motion and the Declarations
12 of James E. Brewer and John W. Mahli.

13 PLEASE TAKE FURTHER NOTICE that any party in interest
14 wishing to oppose the Motion shall file a written objection
15 with the court and serve the undersigned at the address set
16 forth above at least fourteen (14) days prior to the date of
17 the hearing and shall otherwise comply with Rule 9013-1(a)(7)
18 of the Local Rules of the United States Bankruptcy Court for
19 the Central District of California.

20 DATED: August 23, 2004.

21
22 MICHAELSON, SUSI & MICHAELSON
23 A Professional Corporation

24 By 
25 JAY L. MICHAELSON, Attorneys
26 for Debtor and Debtor-in-
27 Possession
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1 MEMORANDUM OF POINTS AND AUTHORITIES

2 1. Movant, L.A. Workout-SFV, LLC, is the Debtor and
3 Debtor-in-Possession in this Chapter 11 bankruptcy case
4 commenced by the filing of a voluntary Petition pursuant to
5 Chapter 11 of the Bankruptcy Code on May 13, 2004.

6 2. The Debtor operates a health and fitness center on
7 leased premises located at 20971 Burbank Boulevard, Woodland
8 Hills, California.

9 3. The Debtor is a California limited liability company.
10 The members of the LLC are James E. Brewer, who is the managing
11 member, Jim Brown and Robert Scott.

12 4. The Schedules filed by the Debtor herein on June 11,
13 2004, reflect the following:

14 a. Schedule D:

15 *Creditors Holding Secured Claims* None

16 b. Schedule E:

17 *Creditors Holding Unsecured Priority Claims.*

18 (1) City of Los Angeles \$ 30,000.00

19 c. Schedule F:

20 *Creditors Holding Unsecured Non-Priority Claims.*

21 (1) Gerald E. Brewer \$125,000.00¹

22 (2) James and Sally Brewer 131,657.00

23 (3) Jim Brown 225,000.00

24 (4) Brandon Callahan 28,000.00

25 (5) CarrAmerica 40,000.00

26
27 ¹ This is the original balance of this obligation. The current balance is
28 approximately \$85,000.

1	(6) Golden Eagle Leasing LLC	852.00
2	(7) Chris Morales	20,000.00
3	(8) Sanjay Sachdeva	25,000.00
4	(9) Robert L. Scott	25,000.00
5	(10) Textron Financial Corporation	70,762.00
6	(11) Wells Fargo Bank	<u>25,000.00</u>
7	Total Claims:	<u>\$746,271.00</u>

8 Copies of Schedules D, E, and F are attached hereto
9 as Exhibit "A".

10 5. The managing member of the LLC, James E. Brewer,
11 believes that it is in the best interests of the Debtor, its
12 members, and its creditors that the assets of the Debtor be
13 liquidated.

14 6. The Debtor received three written offers for its
15 assets from well qualified buyers. After extensive negotiations
16 with the prospective purchasers, the Debtor accepted, subject to
17 bankruptcy court approval, an offer to purchase its assets from
18 Gold's Gym - Woodland Hills, Inc. ("Gold's Gym") for \$725,000.

19 7. The offer from Gold's Gym, a copy of which is
20 attached hereto as Exhibit "B", provides in part that:

21 a. Gold's Gym will purchase all of the tangible and
22 intangible assets of the Debtor, including goodwill, free and
23 clear of all liens and encumbrances for \$725,000.

24 b. The \$725,000 purchase price shall consist of
25 \$500,000 in cash and an assumption of the \$225,000 pre-petition
26 unsecured claim against the Debtor in favor of Jim Brown, a
27 member of the LLC.

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1 c. The sale is conditioned upon an assignment of the
2 lease for the property upon which the Debtor operates its
3 business at 20971 Burbank Boulevard, Woodland Hills,
4 California.

5 8. Based upon his experience in the health and fitness
6 club industry and his negotiations for the sale of the Debtor's
7 assets, James E. Brewer believes that the proposed purchase
8 price represents the fair market value of the assets.

9 9. The cash proceeds from the sale will be sufficient to
10 pay all creditors' claims in full. After deducting Jim Brown's
11 claim of \$225,000 and reducing Gerald Brewer's claim to reflect
12 the current balance of \$85,000 instead of \$125,000, the claims
13 against this estate total \$481,271.

14 10. The Debtor believes that it is improbable that the
15 income generated from its business will be sufficient to repay
16 creditors of this estate in full over any reasonable period of
17 time, and that the proposed sale ensures that all creditors of
18 this estate will be paid in full with all remaining funds
19 distributed to the members of the LLC.

20 11. Pursuant to the provisions of 11 U.S.C. § 363(b), the
21 court may authorize the Debtor-in-Possession, after notice and a
22 hearing, to sell property of the estate outside of the ordinary
23 course of its business. It is well settled that this authority
24 includes the ability to liquidate all, or substantially all, of
25 the estate's assets outside of a plan of reorganization if there
26 is a sound business reason for such a sale. See Committee of
27 Equity Security Holders v. Lionel Corp. (In re Lionel Corp.),
28 722 F.2d 1063, 1070-71 (2nd Cir. 1983); In re Weatherly Frozen

1 Food Group, Inc., 149 B.R. 480, 482-83 (Bankr. N.D. Ohio 1992);
2 See 3 J. Quennan, P. Hendel, and I. Hillinger, Chapter 11 Theory
3 in Practice, a Guide to Reorganization, § 20.18 at 20:45 (1994).
4 ("Chapter 11 Theory and Practice").

5 12. Here, the Debtor has determined that it is unlikely
6 that it will be able to repay the claims against this estate in
7 full over a reasonable period of time from the operation of its
8 business, that the proposed sale will ensure that the claims of
9 all creditors will be paid in full promptly, and that the
10 members of the LLC will realize the full going concern value of
11 the Debtor's business.

12 Assumption and Assignment of Lease

13 13. A condition of the proposed sale is that the
14 purchaser receive an assignment of the existing lease for the
15 premises on which the Debtor operates its business at 20971
16 Burbank Boulevard, Woodland Hills, California (the "leased
17 premises").

18 14. On January 31, 2001, CarrAmerica, as lessor, and L.A.
19 Workout, Inc., as lessee, entered into a lease for the leased
20 premises (the "Burbank Boulevard Lease").

21 15. From the inception of the Burbank Boulevard Lease
22 until October 2001, L.A. Workout, Inc. operated a health and
23 fitness center on the leased premises.

24 16. In October 2001, L.A. Workout, Inc., to enhance the
25 capitalization of its Woodland Hills facility, formed the Debtor
26 herein, L.A. Workout-SFV, LLC, and contributed the assets of the
27 health and fitness center operated on the leased premises to the
28 LLC.

1 17. On March 24, 2004, an order was entered in the L.A.
2 Workout, Inc. Chapter 11 case, ND 03-13374-RR, authorizing L.A.
3 Workout, Inc. to assume the Burbank Boulevard lease and to
4 assign the lease to the Debtor herein.

5 18. Pursuant to the order referred to in the paragraph
6 immediately above, L.A. Workout, Inc. cured all of the pre-
7 petition monetary defaults. The Burbank Boulevard Lease is in
8 the process of being assigned to the Debtor herein.

9 19. As of the commencement of this bankruptcy case, the
10 Debtor was delinquent in the payment of rent due under the terms
11 of the Burbank Boulevard lease for the month of May 2004 in the
12 approximate amount of \$40,000.

13 20. Debtor has performed all of the post-petition
14 obligations imposed on it by the Burbank Boulevard Lease,
15 including the payment of all post-petition rent and other
16 charges.

17 21. Pursuant to the provisions of 11 U.S.C. § 365(b) and
18 (f)(1) and (2), the Debtor seeks an order authorizing it to
19 assume the Burbank Boulevard Lease and immediately assign the
20 lease to the proposed purchaser of its assets, Gold's Gym -
21 Woodland Hills, Inc.

22 22. As required by the provisions of 11 U.S.C. § 365(b),
23 the Debtor, upon consummation of the sale of its assets, will
24 cure all monetary defaults and compensate the lessor for any
25 actual pecuniary loss resulting from the Debtor's default. The
26 cash proceeds from the sale of the Debtor's assets will be
27 sufficient to make these payments.

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1 23. The proposed assignee, Gold's Gym - Woodland Hills,
2 Inc., is an entity formed for the transaction described above.
3 In his declaration filed in support of this motion, John W.
4 Mahli, the president and sole shareholder of Gold's Gym -
5 Woodland Hills, Inc., declares that:

6 a. He is the managing and sole member of Gold's Gym
7 Northridge, LLC, which operates a health and fitness center in
8 Northridge, California under a franchise agreement with Gold's
9 Gym, International, and that he has been involved in the
10 ownership and management of the Northridge facility since 1999.

11 b. In July 2004, Gold's Gym Northridge, Inc.,
12 entered into an Area Development Agreement with Gold's Gym,
13 International, whereby Gold's Gym, International, as franchisor,
14 granted to Gold's Gym Northridge, Inc., as franchisee, the
15 exclusive right to develop four Gold's Gym locations in the West
16 San Fernando Valley. He is the president and sole shareholder
17 of Gold's Gym Northridge, Inc.

18 c. Pursuant to the Area Development Agreement
19 referred to above, he formed Gold's Gym - Woodland Hills, Inc.
20 to purchase the health and fitness club operated by L.A.
21 Workout-SFV, LLC, at 20971 Burbank Boulevard, Woodland Hills,
22 California.

23 24. It is in the best interests of this bankruptcy estate
24 and its creditors that the Debtor be authorized to assume and
25 assign the Burbank Boulevard Lease to Gold's Gym - Woodland
26 Hills, Inc. in that it will enable the Debtor to complete the
27 sale of its assets which, in turn, will ensure that all of the
28

1 creditors of this estate are paid in full and the Debtor's
2 remaining assets distributed to its members.

3 WHEREFORE, Debtor and Debtor-in-Possession pray for an
4 order of this court:

5 1. Authorizing them to consummate the sale of the
6 Debtor's assets to Gold's Gym - Woodland Hills, Inc. pursuant to
7 the agreement attached as Exhibit "B" to the Motion.

8 2. Authorizing them to assume the Burbank Boulevard
9 Lease and to assign the Burbank Boulevard Lease to Gold's Gym -
10 Woodland Hills, Inc. in connection with the sale of its assets,
11 subject to curing all monetary defaults and compensating the
12 lessor for any actual pecuniary loss resulting from any pre-
13 petition defaults; and

14 3. For all other proper relief.

15 DATED: August 23, 2004.

17 MICHAELSON, SUSI & MICHAELSON
18 A Professional Corporation

19 By 
20 JAY L. MICHAELSON, Attorneys
21 for Debtor and Debtor-in-
22 Possession
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1 8. The cash proceeds from the sale will be sufficient to
2 pay all creditors' claims in full. After deducting Jim Brown's
3 claim of \$225,000 and reducing Gerald Brewer's claim to reflect
4 the current balance of \$85,000 instead of \$125,000, the claims
5 against this estate total \$481,271.

6 9. I believe that it is improbable that the income
7 generated from the Debtor's business will be sufficient to
8 repay creditors of this estate in full over any reasonable
9 period of time, and that the proposed sale ensures that all
10 creditors of this estate will be paid in full with all
11 remaining funds distributed to the members of the LLC.

12 10. A condition of the proposed sale is that the
13 purchaser receive an assignment of the existing lease for the
14 premises on which the Debtor operates its business at 20971
15 Burbank Boulevard, Woodland Hills, California (the "leased
16 premises").

17 11. On January 31, 2001, CarrAmerica, as lessor, and L.A.
18 Workout, Inc., as lessee, entered into a lease for the leased
19 premises (the "Burbank Boulevard Lease").

20 12. From the inception of the Burbank Boulevard Lease
21 until October 2001, L.A. Workout, Inc. operated a health and
22 fitness center on the leased premises.

23 13. In October 2001, L.A. Workout, Inc., to enhance the
24 capitalization of its Woodland Hills facility, formed the
25 Debtor herein, L.A. Workout-SFV, LLC, and contributed the
26 assets of the health and fitness center operated on the leased
27 premises to the LLC.

28

1 14. On March 24, 2004, an order was entered in the L.A.
2 Workout, Inc. Chapter 11 case, ND 03-13374-RR, authorizing L.A.
3 Workout, Inc. to assume the Burbank Boulevard lease and to
4 assign the lease to the Debtor herein.

5 15. Pursuant to the order referred to in the paragraph
6 immediately above, L.A. Workout, Inc. cured all of the pre-
7 petition monetary defaults. The Burbank Boulevard Lease is in
8 the process of being assigned to the Debtor herein.

9 16. As of the commencement of this bankruptcy case, the
10 Debtor was delinquent in the payment of rent due under the
11 terms of the Burbank Boulevard lease for the month of May 2004
12 in the approximate amount of \$40,000.

13 17. Debtor has performed all of the post-petition
14 obligations imposed on it by the Burbank Boulevard Lease,
15 including the payment of all post-petition rent and other
16 charges.

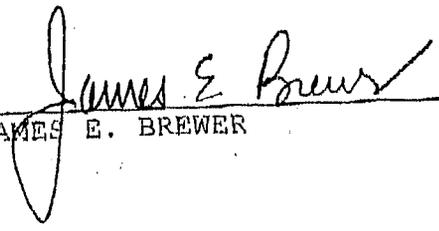
17 18. It is in the best interests of this bankruptcy estate
18 and its creditors that the Debtor be authorized to assume and
19 assign the Burbank Boulevard Lease to Gold's Gym - Woodland
20 Hills, Inc. in that it will enable the Debtor to complete the
21 sale of its assets which, in turn, will ensure that all of the

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1 creditors of this estate are paid in full and the Debtor's
 2 assets distributed to its members.

3 I declare under penalty of perjury that the foregoing is
 4 true and correct.

5 Executed this 23rd day of August, 2004, at Camarillo,
 6 California.

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 8 _____
 9 JAMES E. BREWER

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SCHEDULE D (CREDITORS HOLDING SECURED CLAIMS)

Check this box if debtor has no creditors holding secured claims to report on Schedule D.

CREDITOR'S NAME AND MAILING ADDRESS INCLUDING ZIP CODE	COURT	DATE CLAIM WAS INCURRED NATURE OF LIEN AND DESCRIPTION AND MARKET VALUE OF PROPERTY SUBJECT TO LIEN	CONTINGENT	DISPUTED	AMOUNT OF CLAIM WITHOUT DEDUCTING VALUE OF COLLATERAL	UNSECURED PORTION, IF ANY
Total for this Page (Subtotal) >					\$0:00	\$0:00
Running Total >					\$0:00	\$0:00

No continuation sheets attached

EXHIBIT "A"

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
NORTHERN DIVISION

IN RE: LA Workout-SFV, LLC

CASE NO ND 04-11272-RR

CHAPTER 11

SCHEDULE E (CREDITORS HOLDING UNSECURED PRIORITY CLAIMS)

Check this box if debtor has no creditors holding unsecured priority claims to report on Schedule E.

TYPES OF PRIORITY CLAIMS (Check the appropriate box(es) if claims in that category are listed on the attached sheets)

- Extensions of credit in an involuntary case**
Claims arising in the ordinary course of the debtor's business or financial affairs after the commencement of the case but before the earlier of the appointment of a trustee or the order for relief. 11 U.S.C. Sec. 507(a)(2).
- Wages, salaries, and commissions**
Wages, salaries, and commissions, including vacation, severance, and sick leave pay owing to employees, up to a maximum of \$4,650 per employee, earned within 90 days immediately preceding the filing of the original petition, or the cessation of business, whichever occurred first, to the extent provided by 11 U.S.C. Sec. 507(a)(3).*
- Contributions to employee benefit plans**
Money owed to employee benefit plans for services rendered within 180 days immediately preceding the filing of the original petition, or the cessation of business, whichever occurred first, to the extent provided in 11 U.S.C. Sec. 507(a)(4).
- Certain farmers and fishermen**
Claims of certain farmers and fishermen, up to a maximum of \$4,650 per farmer or fisherman, against the debtor, as provided in 11 U.S.C. Sec. 507(a)(5).*
- Deposits by individuals**
Claims of individuals up to a maximum of \$2,100 for deposits for the purchase, lease or rental of property or services for personal, family, or household use, that were not delivered or provided. 11 U.S.C. Sec. 507(a)(6).*
- Alimony, Maintenance, or Support**
Claims of a spouse, former spouse, or child of the debtor for alimony, maintenance, or support, to the extent provided in 11 U.S.C. Sec. 507(a)(7).
- Taxes and certain other debts owed to governmental units**
Taxes, customs duties, and penalties owing to federal, state, and local government units as set forth in 11 U.S.C. Sec. 507(a)(8).
- Commitments to Maintain the Capital of an Insured Depository Institution**
Claims based on commitments to the FDIC, RTC, Director of the Office of Thrift Supervision, Comptroller of the Currency, or Board of Governors of the Federal Reserve System, or their predecessors or successors, to maintain the capital of an insured depository institution. 11 U.S.C. Sec. 507(a)(9).
- Administrative allowances under 11 U.S.C. Sec. 330**
Claims based on services rendered by the trustee, examiner, professional person, or attorney and by any paraprofessional person employed by such person as approved by the court and/or in accordance with 11 U.S.C. Secs. 326, 328, 329 and 330.

* Amounts are subject to adjustment on April 1, 1998, and every three years thereafter with respect to cases commenced on or after the date of adjustment. The amounts shown above were effective beginning April 1, 2001.

1 continuation sheets attached

SCHEDULE F (CREDITORS HOLDING UNSECURED NONPRIORITY CLAIMS)

Check this box if debtor has no creditors holding unsecured nonpriority claims to report on Schedule F.

CREDITOR'S NAME AND MAILING ADDRESS INCLUDING ZIP CODE	CREDITOR	DATE CLAIM WAS INCURRED AND CONSIDERATION FOR CLAIM, IF CLAIM IS SUBJECT TO SETOFF, SO STATE	CONINGENT	UNLIQUIDATED	DISPUTED	AMOUNT OF CLAIM
ACCT #: Gerald E Brewer 322 Zorn Avenue 2B Louisville, KY 40206		DATE INCURRED: CONSIDERATION: Unsecured loan REMARKS:				\$125,000.00
ACCT #: James and Sally Brewer 732 Sterling Hills Drive Camarillo, CA 93010		DATE INCURRED: CONSIDERATION: Money loaned REMARKS:				\$131,657.00
ACCT #: Jim Brown 5851 Lancefield Drive Huntington Beach, CA 92649		DATE INCURRED: CONSIDERATION: Unsecured loan REMARKS:				\$225,000.00
ACCT #: Brandon Callahan c/o Daniel Palay Esq 1484 E Main Street 2nd Floor Ventura, CA 93001		DATE INCURRED: CONSIDERATION: Judgment REMARKS:				\$28,000.00
ACCT #: CarrAmerica 5550 Topanga Canyon Blvd No 130 Woodland Hills, CA 91367		DATE INCURRED: CONSIDERATION: Lease REMARKS:				\$40,000.00
ACCT #: Golden Eagle Leasing LLC 132 West 31st Street 14th Floor New York, NY 10001-3405		DATE INCURRED: CONSIDERATION: Lease REMARKS:				\$852.00
ACCT #: Chris Morales c/o Daniel Palay Esq 1484 E Main Street 2nd Floor Ventura, CA 93001		DATE INCURRED: CONSIDERATION: Judgment REMARKS:				\$20,000.00

1 continuation sheets attached

Total for this Page (Subtotal) >

Running Total >

\$570,509.00
\$570,509.00

SCHEDULE F (CREDITORS HOLDING UNSECURED NONPRIORITY CLAIMS)

Continuation Sheet No. 1

CREDITOR'S NAME AND MAILING ADDRESS INCLUDING ZIP CODE	COURT	DATE CLAIM WAS INCURRED AND CONSIDERATION FOR CLAIM IF CLAIM IS SUBJECT TO SETOFF SO STATE	STATUS		AMOUNT OF CLAIM
			CONTINGENT	UNLIQUIDATED DISPUTED	
ACCT #: Sanjay Sachdeva 22614 Mobile Street West Hills, CA 91307		DATE INCURRED: CONSIDERATION: Nota REMARKS:			\$25,000.00
ACCT #: Robert L Scott 7406 Jason Avenue West Hills, CA 91307		DATE INCURRED: CONSIDERATION: Lawsuit REMARKS:	X	X X	\$25,000.00
ACCT #: Textron Financial Corporation Dept LA 21121 Pasadena, CA 91185-0001		DATE INCURRED: CONSIDERATION: Lease REMARKS:			\$70,762.00
ACCT #: Wells Fargo Bank PO Box 54349 Los Angeles, CA 90054-0349		DATE INCURRED: CONSIDERATION: Credit Card REMARKS:			\$25,000.00

Total for this Page (Subtotal) >
Running Total >

\$145,762.00
\$716,271.00

Robert D. Dennis

7521 Esfera Street
Carlsbad, CA 92009

760-419-7766

760-436-3190, fax

Robertddennis@aol.com

August 16, 2004

Sent Via E-mail

jim@laworkout.com

&

midawege@aol.com

Jim Brewer
And
Gen Lesniak

SUBJECT: L A Work-Out Woodland Hills

Dear Gentlemen:

Please find below a slightly revised but final proposal for acquiring the above named gym in Woodland Hills, California.

1. **SELLER:**
LA WORKOUT SFV, LLC
2. **BUYER:**
Gold's Gym-Woodland Hills, Inc. a newly formed company (dba "Gold's Gym"), which principals include John W. Mahli (the Gold's Northridge franchisee) and Jim Brown (a current shareholder of the Seller).
3. **PREMISES:**
Approximately 18,880 square foot operating gym in Woodland Hills to be assigned to Buyer together with all improvements therein.
5. **PRIMARY LEASE TERM:**
The Primary Term remaining on the Lease.
6. **MINIMUM ANNUAL RENT:**
The Base Monthly Rent for the Premises is \$22,784.30.
7. **EFT:**
The EFT shall be a minimum of \$65,000 (+/- 2%) per month at closing, verified by Buyer prior thereto. As of 7/31/04 the EFT was \$65,626.28.
8. **EQUIPMENT and INVENTORY:**
All the inventory (food, supplements, and clothing), office and fitness equipment and improvements in the Premises at the time of Buyer's inspection on August 3, 2004 are included in the purchase price and are to be delivered with a free and clear title. The complete inventory list is attached hereto as Exhibit "A".
9. **LIENS:**
There are to be no outstanding liens, loans or accounts payable to be transferred to Buyer and all UCC filings will be removed.

EXHIBIT " B "

10. **SECURITY DEPOSITS:**

Any and all security deposits (Premises, Equipment and Utilities) in the approximate amount of \$30,000 are to be returned to Seller.

11. **DUE DILIGENCE:**

Seller has provided documentation to the Buyer and will continue to cooperate in providing such additional information as is reasonably requested up until the time of closing.

12. **PURCHASE PRICE:**

Buyer shall pay Seller the amount of \$725,000 as follows: a cashiers check at the time of closing in the amount of \$500,000 (less any amounts paid from the Escrow deposit and less the hold back noted below to pay accounts up and to the closing date) plus Buyer shall assume Jim Brown's note in the amount of \$225,000 on such terms and conditions as have been agreed upon between the parties. Within 10 days following the mutual execution of this document, Buyer shall open an escrow account and deposit the sum of \$50,000 as a good faith deposit, to be applied towards the purchase price and as evidence of Buyer's intent and ability to close in a timely manner subject to the approval of the Bankruptcy Court and the other conditions listed herein. In the event the Escrow does not close, Buyer shall receive back the deposit with interest and Seller shall have no further interest therein.

13. **NON COMPETE AGREEMENT:**

With the close of Escrow on this asset purchase Jim Brewer shall enter into a non-compete agreement not to open or be involved in any fitness or exercise facility business within five miles of the Premises for a period of three years.

14. **MANAGEMENT:**

Buyer shall have the option to retain the current staff of the facility or to dismiss one or more at its discretion.

15. **UTILITIES and ACCOUNTS PAYABLE:**

Seller shall pay all rents, taxes, utilities and accounts payable to the date of closing.

19. **MAINTENANCE AND REPAIR:**

Seller shall maintain the Premises, equipment and inventory in good condition and repair up and until the date of transfer and is responsible for the safe delivery to Buyer at the close of Escrow.

20. **ASSIGNMENT:**

This asset purchase is subject to an Assignment of the Premises Lease to Buyer on such terms as are acceptable to Buyer. Buyer has contacted Landlord who expressed a willingness to enter into a Lease assignment with it. Following the opening of Escrow, Buyer shall negotiate the Lease Assignment with the Landlord, subject to the close of Escrow.

21. **PERMITTED USES:**

Buyer shall occupy the Premises for the operation of an exercise studio/health facility and for other related purposes thereto which shall include but not be limited to aerobics, nutritional guidance and supplements sales, and related retail sales, babysitting and all other uses consistent with a modern Gold's Gym fitness center operation. Buyer shall have the exclusive right in the Center for the operation of a fitness workout facility.

22. **TENANT'S SIGNAGE:**

On the exterior of Tenant's Premises, facing both streets fronting the Premises Tenant shall have the right, at Tenant's expense, subject to the approval of the City and Landlord to install the maximum allowable signage. Landlord shall not build any structure that blocks the visibility of the Premises. Buyer also shall have the current monument signage.

25. **REPRESENTATIONS:**

Seller represents and warrants, to the best of its knowledge, that the Premises is free of hazardous materials and that the Premise is in compliance with ADA requirements. Seller represents and warrants that there are no known city or county violations or pending actions against the fitness center or the Premises and Seller further represents and warrants that all building systems are working in good conditions and that Seller knows of no latent or patent defects in the Premises.

26. **EXPIRATION:**

This offer expires on August 23rd, 2004. Should this offer to purchase be accepted by the Seller, the both parties shall work together to prepare the documents at Seller's and Buyer's expense (divided equally 50/50) incorporating the provisions herein and other such provisions acceptable to both parties.

27. **BROKERS:**

Robert Dennis represents the Buyer and shall be entitled to a fee paid by the Buyer as documented in a separate agreement between the parties. Buyer shall not be required to pay any other broker or agent in connection with this transaction.

28. **CONTINGENCIES:**

This purchase shall be contingent upon the following:

- A. Assignment document from the Premises Landlord be agreeable to both parties.
- B. Due Diligence being completed as outlined above.
- C. Approval of the Bankruptcy Court, as required.
- D. Delivery of free and clear title to all fitness and office equipment and other inventory and products, and all other accounts paid to date and brought current.

29. **ESCROW FORMS:**

Standard Escrow forms shall be used.

Jim Brewer
And
Gene Lesniak
August 16, 2004
Page 4

BUYER AND SELL ACKNOWLEDGE THAT THIS PROPOSAL IS NOT A SALE AND THAT IT IS INTENDED AS THE BASIS FOR PREPARATION OF A DOCUMENTS BY THE PARTIES. ONLY FULLY EXECUTED DOCUMENTS SHALL CONSTITUTE AN AGREEMENT.

If the above conditions meet with your approval, please signify your acceptance by signing below and returning a copy of this letter to me.

Sincerely,

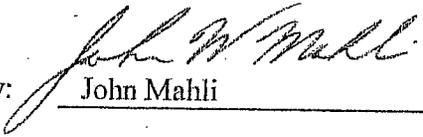
Robert D. Dennis

AGREED AND ACCEPTED:

SELLER
LA Workout SFV, LLC

BUYER:
Gold's Gym-Woodland Hills, Inc.

By: James E. Brewer

By:  John Mahli

Title: President

Title: President

Date: _____

Date: 8-16-04

**Exhibit "A"
Inventory List**

LA Workout - Woodland Hills

Equipment List

DATE	DESCRIPTION	QTY	AMOUNT	EXTENDED AMOUNT
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ICARIAN Machines

3/14/2001	204 Chamber Curl	1	\$2,385.00	\$2,385.00
3/14/2001	210 Seated Tricep-Flat	1	\$2,425.00	\$2,425.00
3/14/2001	310 Seated Row	1	\$2,585.00	\$2,585.00
3/14/2001	313 Low Back	1	\$2,785.00	\$2,785.00
3/14/2001	404 Vertical Press	1	\$2,685.00	\$2,685.00
3/14/2001	405 Vertical Pec Deck	1	\$2,725.00	\$2,725.00
3/14/2001	500 Shoulder Press	1	\$2,625.00	\$2,625.00
3/14/2001	504 Lateral Raise	1	\$2,625.00	\$2,625.00
3/14/2001	505 Rear Delt/Pec Fly	1	\$2,725.00	\$2,725.00
3/14/2001	602 Leg Sled-Horizontal	1	\$4,785.00	\$4,785.00
3/14/2001	602B Leg Sled-Seated	1	\$4,785.00	\$4,785.00
3/14/2001	605RM Leg Extension	1	\$2,825.00	\$2,825.00
3/14/2001	606 Prone Leg Curl	1	\$2,425.00	\$2,425.00
3/14/2001	612 Angled Standing Calf	1	\$2,485.00	\$2,485.00
3/14/2001	615 Donkey Calf	1	\$2,685.00	\$2,685.00
3/14/2001	619RM Seated Leg Curl	1	\$2,825.00	\$2,825.00
3/14/2001	620S Adductor Ft. Stack w/Shroud	1	\$2,710.00	\$2,710.00
3/14/2001	621S Abductor Ft. Stack w/Shroud	1	\$2,610.00	\$2,610.00
3/14/2001	712 Abdominal Isolator	1	\$2,585.00	\$2,585.00
TOTAL:			\$54,285.00	\$54,285.00

ICARIAN Modular Components

Frames:

3/14/2001	1000M Standard Cross-Strut w/dbl Chin Bar	2	\$325.00	\$650.00
3/14/2001	1002M 4 Stack Modular Core-2:Model "E" 2: Model "M"	4	\$585.00	\$2,340.00

End Units:

3/14/2001	212E Pushdown End Unit	2	\$1,385.00	\$2,770.00
3/14/2001	302E Longull End Unit	2	\$1,585.00	\$3,170.00
3/14/2001	304E Pulldown End Unit	4	\$1,485.00	\$5,940.00

Modular Units:

3/14/2001	320M Dip Chin Assist Modular	2	\$2,285.00	\$4,570.00
3/14/2001	905M Adj Hi/Low Pulley Modular	6	\$1,385.00	\$8,310.00
TOTAL:			\$9,035.00	\$27,750.00

ICARIAN Plateload

3/14/2001	311 Incline Lever Row	1	\$650.00	\$650.00
3/14/2001	601 Angled Leg Press	1	\$2,485.00	\$2,485.00
3/14/2001	601WH Weight Holder Add-on	1	\$150.00	\$150.00
3/14/2001	603 Hackslide	1	\$2,485.00	\$2,485.00
3/14/2001	616 Seated Calf	1	\$685.00	\$685.00
3/14/2001	802 Smith Machine	2	\$2,525.00	\$5,050.00
TOTAL:			\$8,980.00	\$11,505.00

EXHIBIT " A "

ICARIAN Benches & Racks

3/14/2001	101 Flat Bench	2	\$295.00	\$590.00
3/14/2001	107 Adjustable Seated Incline	2	\$495.00	\$990.00
3/14/2001	113 Adjustable Decline Bench	1	\$525.00	\$525.00
3/14/2001	116 Multi Purpose Bench	1	\$295.00	\$295.00
3/14/2001	119 Superbench	3	\$695.00	\$2,085.00
3/14/2001	202 Seat Preacher Curl	1	\$525.00	\$525.00
3/14/2001	312 Back Extension	2	\$575.00	\$1,150.00
3/14/2001	408 Olympic Bench	3	\$525.00	\$1,575.00
3/14/2001	410 Olympic Incline Bench	1	\$650.00	\$650.00
3/14/2001	411 Olympic Decline Bench	1	\$685.00	\$685.00
3/14/2001	608 Squat Rack	2	\$885.00	\$1,770.00
3/14/2001	610 Power Cage	1	\$925.00	\$925.00
3/14/2001	702 Vertical Knee Up/Dip	2	\$785.00	\$1,570.00
3/14/2001	704 Decline Roman Chair	1	\$425.00	\$425.00
3/14/2001	708 adjustable Ab Bench	1	\$525.00	\$525.00
3/14/2001	808 Barbell Rack-10 bars	2	\$550.00	\$1,100.00
3/14/2001	812 Dumbbell Rack 10	4	595.00	\$2,380.00
3/14/2001	813 Beautybell Rack 10 pair	1	525.00	\$525.00
3/14/2001	816 Vertical Plate Tree	6	250.00	\$1,500.00
3/14/2001	818 Handle Rack with Shields	1	575.00	\$575.00
TOTAL:			\$11,305.00	\$20,365.00

GRAND TOTAL - ICARIAN:

\$83,605.00 \$113,905.00

JADE Plates, Bars & Dumbbells

Dumbbells: JADE Machined Steel:

3/14/2001	DB5 Jade Steel Gray/Black rubber end cap - 5lb. Pair	2	\$70.00	\$140.00
3/14/2001	DB10 " " - 10lb. Pair	2	\$80.00	\$160.00
3/14/2001	DB15 " " - 15lb. Pair	2	\$90.00	\$180.00
3/14/2001	DB20 " " - 20lb. Pair	2	\$100.00	\$200.00
3/14/2001	DB25 " " - 25lb. Pair	2	\$115.00	\$230.00
3/14/2001	DB30 " " - 30lb. Pair	3	\$130.00	\$390.00
3/14/2001	DB35 " " - 35lb. Pair	2	\$140.00	\$280.00
3/14/2001	DB40 " " - 40lb. Pair	3	\$155.00	\$465.00
3/14/2001	DB45 " " - 45lb. Pair	2	\$155.00	\$310.00
3/14/2001	DB50 " " - 50lb. Pair	2	\$165.00	\$330.00
3/14/2001	DB55 " " - 55lb. Pair	1	\$180.00	\$180.00
3/14/2001	DB60 " " - 60lb. Pair	1	\$190.00	\$190.00
3/14/2001	DB65 " " - 65lb. Pair	1	\$200.00	\$200.00
3/14/2001	DB70 " " - 70lb. Pair	1	\$210.00	\$210.00
3/14/2001	DB75 " " - 75lb. Pair	1	\$225.00	\$225.00
3/14/2001	DB80 " " - 80lb. Pair	1	\$230.00	\$230.00
3/14/2001	DB85 " " - 85lb. Pair	1	\$240.00	\$240.00
3/14/2001	DB90 " " - 90lb. Pair	1	\$255.00	\$255.00
TOTAL:			\$2,930.00	\$4,415.00

Beauty Bells:JADE Chrome:

3/14/2001	BB1 JADE 3-35lb. - 10 pair set	1	\$665.00	\$665.00
TOTAL:			\$665.00	\$665.00

Fixed Barbells:JADE Machined:

3/14/2001	CB6 JADE Camber 25-65lb Black rubber end cap - 5 bar set	1	\$560.00	\$560.00
3/14/2001	CB8 JADE Camber 75-115lb Black rubber end cap - 5 bar set	1	\$845.00	\$845.00
TOTAL:			\$1,405.00	\$1,405.00

JADE Olympic Bars & Collars:

3/14/2001	OLY7B 7' Olympic Power Bar - (Black Oxide)	8	\$235.00	\$1,880.00
3/14/2001	OLYCB Olympic Curl Bar - (Black Oxide)	1	\$125.00	\$125.00
TOTAL:			\$360.00	\$2,005.00

JADE Steel Olympic Plates (price per plate):

3/14/2001	OLYP501 2.5LB Olympic Plate-JADE Steel Gray	30	\$2.75	\$82.50
3/14/2001	OLYP502 5LB "	30	\$5.50	\$165.00
3/14/2001	OLYP503 10LB "	30	\$11.00	\$330.00
3/14/2001	OLYP504 25LB "	40	\$27.50	\$1,100.00
3/14/2001	OLYP505 35LB "	30	\$38.50	\$1,155.00
3/14/2001	OLYP506 45LB "	65	\$49.50	\$3,217.50
TOTAL:			\$134.75	\$6,050.00

GRAND TOTAL - JADE:

\$5,494.75	\$14,540.00
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Icarian: \$113,905.00

Jade: \$14,540.00

Subtotal: \$128,445.00

StarTrac

3/25/2001	Treadmills	15	\$3,550.00	\$53,250.00
3/25/2001	Upright Bikes	5	\$1,995.00	\$9,975.00
3/25/2001	Recumbent Bikes	8	\$2,095.00	\$16,760.00
3/25/2001	Ellipticals	8	\$2,995.00	\$23,960.00
				\$103,945.00

Total New Equipment Purchased Since Acquisition

\$232,390.00

StairMaster

1/1/2000	Steppers	8	\$2,349.00	\$18,792.00
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Cybex

1/1/2000	Tricep Machine	1	\$1,995.00	\$1,995.00
1/1/2000	Chest Press	1	\$2,495.00	\$2,495.00
1/1/2000	Butt Blaster	1	\$2,495.00	\$2,495.00
				\$6,985.00

Hammer Strenght

1/1/1998	Incline Press	1	\$2,995.00	\$2,995.00
1/1/1998	Decline Press	1	\$2,995.00	\$2,995.00
1/1/1998	Wide Chest	1	\$2,995.00	\$2,995.00
1/1/1998	Front Military Press	1	\$2,995.00	\$2,995.00
1/1/1998	Seated / Standing Shrug	1	\$2,095.00	\$2,095.00
1/1/1998	Bench Press	1	\$2,095.00	\$2,095.00
1/1/1998	Shoulder Shrug	1	\$1,995.00	\$1,995.00
				\$18,165.00

Equipment Acquired in the Acquisition

\$43,942.00

Total Equipment

\$276,332.00

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DECLARATION OF SERVICE

[U.S. Bankruptcy Court, Central District, Local Rule 7004-1(b)

CHERYL NICCOLI, the undersigned, hereby declares:

Declarant is a citizen of the United States and is employed by the law firm of Michaelson, Susi & Michaelson, a Professional Corporation, Seven West Figueroa Street, Santa Barbara, CA 93101. Declarant is over the age of 18 years and is not a party to the within action.

On the 23rd day of August, 2004, at the direction of JAY L. MICHAELSON of said firm and a Member of the Bar of the United States District Court for the Central District of California, I served the:

DEBTOR AND DEBTOR-IN-POSSESSION'S NOTICE OF MOTION AND MOTION FOR AUTHORITY TO (1) SELL PERSONAL PROPERTY AND GENERAL INTANGIBLES PURSUANT TO 11 U.S.C. § 363(b) AND (2) TO ASSUME AND ASSIGN REAL PROPERTY LEASE PURSUANT TO 11 U.S.C. § 365(b)(1) AND (f)(2); DECLARATIONS OF JAMES E. BREWER AND JOHN W. MAHLI

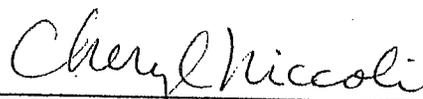
on the interested parties in this matter by:

(X) mailing, with postage thereon fully prepaid; () personally delivering; () sending via FAX transmission to the individuals at the FAX numbers listed on the attached list; or () sending via overnight carrier, a true copy thereof, to said party at his, her, or their known address, to wit:

-SEE ATTACHED LIST-

I declare under penalty of perjury that the foregoing is true and correct.

Executed at Santa Barbara, California, on the 23rd day of August, 2004



CHERYL NICCOLI, Declarant

L.A. Workout-SFV Service List

Office of the U.S. Trustee
21051 Warner Center Lane, Suite 115
Woodland Hills, CA 91367

Creditors

Gerald E Brewer
322 Zorn Avenue 2B
Louisville, KY 40206

James and Sally Brewer
732 Sterling Hills Drive
Camarillo, CA 93010

Jim Brown
5851 Lancefield Drive
Huntington Beach, CA 92649

Brandon Callahan
c/o Daniel Palay, Esq.
1484 E. Main Street, 2nd Floor
Ventura, CA 93001

CarrAmerica
5550 Topanga Canyon Blvd No 130
Woodland Hills, CA 91367

City of Los Angeles
6262 Van Nuys Blvd No 110
Van Nuys, CA 91401

Golden Eagle Leasing LLC
132 West 31st Street 14th Floor
New York, NY 10001-3405

McTague and Palay
1484 E Main Street 2nd Floor
Ventura, CA 93001

Chris Morales
c/o Daniel Palay, Esq.
1484 E. Main Street, 2nd Floor
Ventura, CA 93001

Sanjay Sachdeva
22614 Mobile Street
West Hills, CA 91307

Robert L Scott
7406 Jason Avenue
West Hills, CA 91307

Textron Financial Corporation
Dept LA 21121
Pasadena, CA 91185-0001

Wells Fargo Bank
PO Box 54349
Los Angeles, CA 90054-0349

Requests for Special Notice

Robert L. Scott
Scott & Associates
23679 Calabasas Road, #507
Calabasas, CA 91302

Patricia E. Rademacher
Craig M. Sandberg
Coston & Lichtman
407 E. Dearborn, Suite 600
Chicago, IL 60605