ORIGINAL

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CLERK, U.S. BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA

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UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA

In re:
LUZVIMINDA REYES BRIMBUELA AKA LUCY R. BRIMBUELA; DBA CHAPMAN GUEST VILLAGE; DBA PALM GARDENS; FDBA WILSHIRE MANOR,
Debtor(s).

CASE NO.: **LA 03-21921 ER**
Chapter 11

NOTICE OF SALE OF ESTATE PROPERTY

Sale Date: **Hearing Date: May, 29, 2003**	Time: **10:00 A.M.**
Location: **U.S. Bankruptcy Court, Edward R. Roybal Federal Building and Courthouse, 255 East Temple Street, Los Angeles, California 90012**	

Type of Sale: ■ Public ☐ Private Last date to file objections: **May 15, 2003**

Description of Property to be Sold: The business known as Chapman Guest Village - see the attached Notice of Hearing on Debtor's Motion for Order Authorizing: (1) Sale of the Business Known as Chapman Guest Village Free and Clear of Liens; (2) Sale of the Business Known as Palm Gardens Free and Clear of Liens; (3) Approval of Overbid Procedures; and (4) Assumption and Assignment of Leases (the "Hearing Notice")

Terms and Conditions of Sale: See the attached Hearing Notice

Proposed Sale Price: See the attached Hearing Notice

Overbid Procedure (If Any): See the attached Hearing Notice

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

May 29, 2003 at 10:00 A.M., Courtroom 1568, U.S. Bankruptcy Court, Edward R. Roybal Federal Building and Courthouse, 255 East Temple Street, Los Angeles, California 90012

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

James C. Bastian, Jr., Esq.
Marshack Shulman Hodges & Bastian LLP
26632 Towne Centre Drive, Suite 300, Foothill Ranch, CA 92610
Telephone: (949) 340-3400; Facsimile:(949) 340-3000

Date: May 7, 2003

INTRODUCTION

Through the Sale Motion, the Debtor seeks approval of the sale of the businesses known as Chapman Guest Village and Palm Gardens (collectively, the "Businesses") to BMD Rescare, Inc. (which is owned by Michelle Domingo and Bernard Domingo) (the "Buyer") for a purchase price of $12,500.00 and $7,500.00, respectively. The sale transactions will be subject to certain overbid procedures described herein. Additionally, while the Debtor is not aware of any liens, out of an abundance of caution, each sale will be free and clear of liens pursuant to Bankruptcy Code Section 363(f) with liens not satisfied through the sale to attach to the proceeds of the sale in their same validity and priority as prior to the Petition Date.

All creditors and parties in interest should be aware that the proposed buyer herein is a corporation wholly owned by the Debtor's daughter and son-in-law. It should also be noted that the Debtor and the Buyer have met with the State of California – Department of Social Services Community Care Licensing ("Licensing") regarding the proposed sale of the Businesses. Licensing will allow the transfer of the requisite licenses to the Buyer upon Bankruptcy Court approval of the proposed sales.

It is anticipated that the sale of the Businesses will generate cash for possibly funding a plan of reorganization or other means of payment to creditors.

BACKGROUND INFORMATION

The Debtor filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Bankruptcy Code on May 1, 2003 (the "Petition Date") and has continued in the possession of her property and the management of her affairs. As sole proprietors, the Debtor and her husband of thirty-two (32) years, Paul B. Brimbuela ("Mr. Brimbuela"), operate and own three (3) assisted-care living facilities in Southern California known as Chapman Guest Village, Wilshire Manor and Palm Gardens. The Debtor's income has been derived from the operation of each facility wherein the Debtor was the administrator, in charge of the day-to-day operations of each facility. Mr. Brimbuela was the business manager, in charge of the financial operations of each facility. On or about January 30, 2002, Mr. Brimbuela left the Debtor and in so doing, left her with literally hundreds of thousands of dollars in debts of which she was largely previously unaware. Chapman Guest Village currently houses and provides care for forty-eight (48) residents. Palm Gardens currently houses and provides care for forty-two (42) residents. Since the departure of Mr. Brimbula, the Debtor's daughter, Michelle Domingo, has been employed as the administrator of Chapman Guest Village. The Debtor's son-in-law, Bernard Domingo, has been employed as the business manager for both Chapman Guest Village and Palm Gardens. The Debtor is the administrator of Palm Gardens. Only when finances would allow, Michelle Domingo and Bernard Domingo would receive a salary for the services they provided to the Debtor in the operation of Chapman Guest Village and Palm Gardens since the departure of Mr. Brimbuela in January 2002.

Events Leading to the Bankruptcy Filing

During the last twelve (12) months, each facility has been operating at best a break-even level and in fact, has been losing money in many months. Without the Debtor's knowledge, Mr. Brimbuela had been incurring debts on a personal basis to fund shortfalls in each of the businesses with the hope that they would turn to profitability. On or about January 30, 2002, Mr. Brimbuela unexpectedly, and without any warning, moved to the Philippines, and left the Debtor with alleged community property debts totaling in excess of $400,000. Subsequent to his departure, the Debtor was shocked to learn the extent of the debt that was incurred and the financial condition she was faced with. While the Debtor attempted to negotiate with her creditors, the personal events that took place put a massive strain on her ability to operate the businesses and creditors were not willing to accept significantly discounted payments, which resulted in the instant Chapter 11 proceeding.

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In addition to the sales set forth in this Sale Motion, the Debtor may later seek approval of the sale of certain non-exempt assets and use the proceeds from the sales to fund a plan of reorganization. Notwithstanding her diligent efforts to reorganize her financial affairs after Mr. Brimbuela's departure, the Debtor has exhausted all avenues for the reorganization of her business operations and has determined that it is not economically feasible for her to continue to operate the Businesses.

THE PROPOSED SALE – CHAPMAN GUEST VILLAGE

A true and correct copy of the proposed Agreement for Purchase and Sale of Business and Assets regarding the business known as Chapman Guest Village (the "Chapman Agreement") is attached to the Declaration of Luzviminda Reyes Brimbuela (the "Brimbuela Declaration"), filed in support of the Sale Motion, as Exhibit "1" and incorporated herein by this reference. The principal terms of the Chapman Agreement are as follows (to the extent there is any discrepancy between the terms set forth herein below and the terms of the Chapman Agreement, the terms of the Chapman Agreement shall control):

1. Purchase Price. The Buyer agrees to pay to the Debtor within five (5) business days of the date of entry of a Bankruptcy Court order approving the Chapman Agreement, the sum of Twelve Thousand Five Hundred Dollars ($12,500.00) (the "Chapman Purchase Price"), or an amount as increased by a successful overbid, for the purchase of the business known as Chapman Guest Village (the "Chapman Business") and the furniture, furnishings and equipment used in the daily care and needs of the Chapman Business (the "Chapman Assets") pursuant to the terms as set forth below. The Debtor agrees to transfer ownership of the Chapman Business upon closing to the Buyer. Closing shall occur at the end of the month in which the sale of the Chapman Business and the Chapman Assets is approved by a final order of the Bankruptcy Court and on the date which Licensing provides authority for the Buyer to operate the Chapman Business (the "Chapman Closing Date").

2. Transfer of the Chapman Business and the Chapman Assets. Subject to the terms and conditions of the Chapman Agreement, on the Chapman Closing Date, the Debtor shall sell, assign, transfer, convey and deliver to Buyer, and Buyer shall purchase, acquire and accept from the Debtor, all of the Debtor's right, title and interest in and to the Chapman Business and the Chapman Assets, as of the Chapman Closing Date, free and clear of all liens, charges, claims, security interests or other encumbrances of any nature whatsoever. A description of the Chapman Assets is attached as Exhibit "2" to the Brimbuela Declaration, filed in support of the Sale Motion, and incorporated herein by this reference. The sale of the Chapman Business and the Chapman Assets shall also include all of the Debtor's right, title and interest in and to the following:

a. All of the accounts receivable of the Chapman Business, together with any unpaid interest accrued thereon and any security or collateral therefor, including recoverable deposits.

b. All of the Chapman Business' cash, depository accounts, bank balances, marketable securities and other liquid assets.

c. All rights and interests of the Debtor in and to the name "Chapman Guest Village."

d. All of the Debtor's rights under contracts, agreements, leases, licenses, arrangements and commitments of any kind which relate to the Chapman Business or the Chapman Assets including, without limitation, all maintenance and monitoring contracts between the Chapman Business and its vendors and the Debtor's rights under any executory contracts and unexpired leases pursuant to Section 365 of the Bankruptcy Code (collectively, the "Chapman Commitments").

e. All known and unknown, liquidated or unliquidated, contingent or fixed, claims, rights or causes of action which the Debtor (in doing business as Chapman Guest Village) or her estate may have against any third party, including, without limitation, any insurance claims and the proceeds thereof.

f. All federal, state or local governmental or regulatory permits, licenses, consents, authorizations, grants, approvals and franchises held by the Debtor in connection with the operation of the Chapman Business or the ownership of the Chapman Assets (collectively, the "Chapman Permits").

g. All telephone numbers of the Chapman Business.

h. All of the Debtor's inventory of advertising, sales and customer materials, forms, labels, promotional materials, manuals and supplies used in the operation of the Chapman Business.

i. All of the Debtor's books, records, files, documents, computer programs and records and data and proprietary information relating to the Chapman Business or to the Chapman Assets including, without limitation, accounting and financial books and records.

3. Assignment of the Chapman Permits. The Debtor shall use reasonable efforts to assign, transfer and convey to Buyer on the Chapman Closing Date without any expense to Buyer, the Chapman Permits which are held or used by the Debtor in connection with the Chapman Business.

4. Buyer's Nonassumption of Liabilities. Except as specifically provided to the contrary in the Chapman Agreement, the Buyer shall not assume or in any way be liable or responsible for any liabilities or obligations of the Debtor of any nature whatsoever, including, without limitation, any obligations of Debtor resulting from events which have occurred, or will occur, prior to the Chapman Closing Date. Except for as provided otherwise in the Chapman Agreement, the Debtor shall be liable and responsible for all its liabilities and obligations resulting from events which occur prior to the Chapman Closing Date. Without limiting the generality of the foregoing, except for as provided to the contrary in the Chapman Agreement, the Buyer shall not assume any of the following liabilities, obligations or commitments of the Debtor: (i) any tax liabilities or similar assessments arising from the conduct of the Chapman Business or from occurrences prior to the Chapman Closing Date; (ii) any liabilities for breach or default by the Debtor under any Chapman Commitment assigned to Buyer hereunder, the factual or causative basis of which occurred prior to the Chapman Closing Date; (iii) any liability with respect to any claim, suit, action or judicial or arbitration proceeding made or commenced against the Debtor at or prior to the Chapman Closing Date or made or commenced after the Chapman Closing Date, to the extent that such claim, suit, action or proceeding arises out of or relates to any action, omission or condition occurring or existing prior to the Chapman Closing Date; and (iv) any payroll liability, severance liability, worker's compensation, insurance or other liability to any employee or former employee of the Chapman Business, or any other liability in respect of any employee attributable to or in respect of any period prior to the Chapman Closing Date.

5. Good Faith of the Buyer. The Debtor is to seek and obtain a Court finding that the Buyer is in good faith pursuant to Bankruptcy Code Section 363(m).

6. Purchase Without Warranties. The Buyer acknowledges that she is purchasing the Chapman Business and the Chapman Assets from the Debtor on an "as is" and "where is" basis without representations or warranties of any kind, express or implied, being given by the Debtor, concerning the value, condition or fitness of purpose for any use thereof. The Buyer represents and warrants that she is purchasing the Chapman Business and the Chapman Assets as a result of their own investigation and is not buying the Chapman Business and the Chapman Assets pursuant to any representations made by any broker, agent, accountant, attorney or employee acting at the direction or on behalf of the Debtor. The Buyer acknowledges that they have inspected the Chapman Business

and the Chapman Assets, and upon Bankruptcy Court approval of the Chapman Agreement, the Buyer forever waives, for themselves, and their successors and assigns, any and all claims against the Debtor, the Debtor's bankruptcy estate, and her attorneys, agents, and employees, arising or which might otherwise arise in the future concerning the Chapman Business and the Chapman Assets.

7. Assumption of the Chapman Lease. The Buyer shall assume and pay, perform and discharge as and when due only the liabilities and obligations of Debtor becoming due after the Chapman Closing Date as follows:

a. The liabilities and obligations of Debtor becoming due after the Chapman Closing Date under the Chapman Commitments to the extent any such Chapman Commitment is assigned to the Buyer by the Debtor.

b. The Debtor's obligations with respect to any licensing agreements as restructured or otherwise.

The Debtor believes that the sale of the Chapman Business and the Chapman Assets is at fair market value. Moreover, the Court approved overbid procedures will ensure that the Debtor obtains the most value for the sale of the Chapman Business and the Chapman Assets.

THE PROPOSED SALE – PALM GARDENS

A true and correct copy of the proposed Agreement for Purchase and Sale of Business and Assets regarding the business of Palm Gardens (the "Palm Agreement") is attached to the Brimbuela Declaration, filed in support of the Sale Motion, as Exhibit "3" and incorporated herein by this reference. The principal terms of the Palm Agreement are as follows (to the extent there is any discrepancy between the terms set forth herein below and the terms of the Palm Agreement, the terms of the Palm Agreement shall control):

1. Purchase Price. The Buyer agrees to pay to the Debtor within five (5) business days of the date of entry of a Bankruptcy Court order approving the Palm Agreement, the sum of Seven Thousand Five Hundred Dollars ($7,500.00) (the "Palm Purchase Price"), or an amount as increased by a successful overbid, for the purchase of the business known as Palm Gardens (the "Palm Business") and the furniture, furnishings and equipment used in the daily care and needs of the Palm Business (the "Palm Assets") pursuant to the terms as set forth below. The Debtor agrees to transfer ownership of the Palm Business upon closing to the Buyer. Closing shall occur upon the end of the month in which the sale of the Palm Business and the Palm Assets is approved by a final order of the Bankruptcy Court and on the date which Licensing provides authority for the Buyer to operate the Palm Business (the "Palm Closing Date").

2. Transfer of the Palm Business and the Palm Assets. Subject to the terms and conditions of the Palm Agreement, on the Palm Closing Date, the Debtor shall sell, assign, transfer, convey and deliver to Buyer, and Buyer shall purchase, acquire and accept from the Debtor, all of the Debtor's right, title and interest in and to the Palm Business and the Palm Assets, as of the Palm Closing Date, free and clear of all liens, charges, claims, security interests or other encumbrances of any nature whatsoever. A description of the Palm Assets is attached as Exhibit "4" to the Brimbuela Declaration, filed in support of the Sale Motion, and incorporated herein by this reference. The sale of the Palm Business and the Palm Assets shall also include all of the Debtor's right, title and interest in and to the following:

a. All of the accounts receivable of the Palm Business, together with any unpaid interest accrued thereon and any security or collateral therefor, including recoverable deposits.

b. All of the Palm Business' cash, depository accounts, bank balances, marketable securities and other liquid assets.

c. All rights and interests of the Debtor in and to the name "Palm Gardens."

d. All of the Debtor's rights under contracts, agreements, leases, licenses, arrangements and commitments of any kind which relate to the Palm Business or the Palm Assets including, without limitation, all maintenance and monitoring contracts between the Palm Business and its residents and the Debtor's rights under any executory contracts and unexpired leases pursuant to Section 365 of the Bankruptcy Code (collectively, the "Palm Commitments").

e. All known and unknown, liquidated or unliquidated, contingent or fixed, claims, rights or causes of action which the Debtor (in doing business as Palm Gardens) or her estate may have against any third party, including, without limitation, any insurance claims and the proceeds thereof.

f. All federal, state or local governmental or regulatory permits, licenses, consents, authorizations, grants, approvals and franchises held by the Debtor in connection with the operation of the Palm Business or the ownership of the Palm Assets (collectively, the "Palm Permits").

g. All telephone numbers of the Palm Business.

h. All of the Debtor's inventory of advertising, sales and customer materials, forms, labels, promotional materials, manuals and supplies used in the operation of the Palm Business.

i. All of the Debtor's books, records, files, documents, computer programs and records and data and proprietary information relating to the Palm Business or to the Palm Assets including, without limitation, accounting and financial books and records.

3. Assignment of the Palm Permits. The Debtor shall use reasonable efforts to assign, transfer and convey to Buyer on the Palm Closing Date without any expense to Buyer, the Palm Permits which are held or used by the Debtor in connection with the Palm Business.

4. Buyer's Nonassumption of Liabilities. Except as specifically provided to the contrary in the Palm Agreement, the Buyer shall not assume or in any way be liable or responsible for any liabilities or obligations of the Debtor of any nature whatsoever, including, without limitation, any obligations of Debtor resulting from events which have occurred, or will occur, prior to the Palm Closing Date. Except for as provided otherwise in the Palm Agreement, the Debtor shall be liable and responsible for all its liabilities and obligations resulting from events which occur prior to the Palm Closing Date. Without limiting the generality of the foregoing, except for as provided to the contrary in the Palm Agreement, the Buyer shall not assume any of the following liabilities, obligations or commitments of the Debtor: (i) any tax liabilities or similar assessments arising from the conduct of the Palm Business or from occurrences prior to the Palm Closing Date; (ii) any liabilities for breach or default by the Debtor under any Palm Commitment assigned to Buyer hereunder, the factual or causative basis of which occurred prior to the Palm Closing Date; (iii) any liability with respect to any claim, suit, action or judicial or arbitration proceeding made or commenced against the Debtor at or prior to the Palm Closing Date or made or commenced after the Palm Closing Date, to the extent that such claim, suit, action or proceeding arises out of or relates to any action, omission or condition occurring or existing prior to the Palm Closing Date; and (iv) any payroll liability, severance liability, worker's compensation, insurance or other liability to any employee or former employee of the Palm Business, or any other liability in respect of any employee attributable to or in respect of any period prior to the Palm Closing Date.

5. Good Faith of the Buyer. The Debtor is to seek and obtain a Court finding that the Buyer is in good faith pursuant to Bankruptcy Code Section 363(m).

6. Purchase Without Warranties. The Buyer acknowledges that she is purchasing the Palm Business and the Palm Assets from the Debtor on an "as is" and "where is" basis without representations or warranties of any kind, express or implied, being given by the Debtor, concerning the value, condition or fitness of purpose for any use thereof. The Buyer represents and warrants that she is purchasing the Palm Business and the Palm Assets as a result of their own investigation and is not buying the Palm Business and the Palm Assets pursuant to any representations made by any broker, agent, accountant, attorney or employee acting at the direction or on behalf of the Debtor. The Buyer acknowledges that they have inspected the Palm Business and the Palm Assets, and upon Bankruptcy Court approval of the Palm Agreement, the Buyer forever waives, for themselves, and their successors and assigns, any and all claims against the Debtor, the Debtor's bankruptcy estate, and her attorneys, agents, and employees, arising or which might otherwise arise in the future concerning the Palm Business and the Palm Assets.

7. Assumption of the Palm Lease. The Buyer shall assume and pay, perform and discharge as and when due only the liabilities and obligations of Debtor becoming due after the Palm Closing Date as follows:

a. The liabilities and obligations of Debtor becoming due after the Palm Closing Date under the Palm Commitments to the extent any such Palm Commitment is assigned to the Buyer by the Debtor.

b. The Debtor's obligations with respect to any licensing agreements as restructured or otherwise.

The Debtor believes that the sale of the Palm Business and the Palm Assets is at fair market value. Moreover, the Court approved overbid procedures will ensure that the Debtor obtains the most value for the sale of the Palm Business and the Palm Assets.

OVERBID PROCEDURE

In order to obtain the highest and best offer for the benefit of the creditors of this estate, the Debtor also seeks Court approval of overbid procedures. The Debtor has determined that it would benefit the estate by permitting all interested parties to receive information and bid for the Businesses and the Assets instead of selling to the Buyer on an exclusive basis. Through the Sale Motion, the Debtor requests that this Court approve the following overbid procedures (the "Overbid Procedures"):

1. Potential overbidders must bid an initial amount of at least One Thousand Dollars ($1,000.00) over the Purchase Price offered by the Buyer. Minimum bid increments thereafter shall also be One Thousand Dollars ($1,000.00).

2. Overbids must be in writing and be received by the Debtor's proposed counsel, Marshack Shulman Hodges & Bastian LLP to the attention of James C. Bastian, Jr., by no later than three (3) days prior to the hearing on the motion to the Bankruptcy Court seeking approval of the Chapman Agreement and the Palm Agreement.

3. Overbids must be accompanied by certified funds in an amount equal to ten percent (10%) of the overbid purchase price.

4. The overbidder must seek to acquire either the Chapman Business and the Chapman Assets or the Palm Business and the Palm Assets on terms and conditions not less favorable to the Debtor's bankruptcy estate than the terms and conditions to which the Buyer has agreed to purchase either the Chapman Business and the Chapman Assets or the Palm Business and the Palm Assets as set forth in the Chapman Agreement or the Palm Agreement and any competing bidder must be obligated to perform within the same time that the Buyer would be obligated to perform under the Chapman Agreement or the Palm Agreement.

5. If overbids are received, the final bidding round shall be held concurrent with the Bankruptcy Court hearing on the Debtor's motion for a Bankruptcy Court order approving the Chapman Agreement or the Palm Agreement in order to allow all potential bidders the opportunity to overbid and purchase the Chapman Business and the Chapman Assets or the Palm Business and the Palm Assets.

6. The overbidder's deposit shall be refunded within five (5) days of the final bidding round in the event that the overbidder is outbid.

The Debtor believes that the above overbid procedures represent a fair and reasonable method of realizing the highest and best price for the Businesses and the respective assets for the benefit of this estate's creditors.

Treatment of Unexpired Leases

The Debtor and Mr. Brimbuela are currently the lessees, and Mostafa Shirazi and Epifania Shirazi, DDS are the lessors, under that Lease Agreement for property located at 8912 Katella Avenue, Anaheim, California, whereat Chapman Guest Village is located (the "Chapman Lease"). A true and correct copy of the Chapman Lease is attached as Exhibit "5" to the Brimbuela Declaration, filed in support of the Sale Motion, and incorporated herein by this reference.

The Debtor and Mr. Brimbuela are currently the lessees, and Mostafa Shirazi and Epifania Shirazi, DDS are the lessors, under that Lease Agreement for property located at 13902 Clinton Street, Garden Grove, California, whereat Palm Gardens is located (the "Palm Lease"). A true and correct copy of the Palm Lease is attached as Exhibit "6" to the Brimbuela Declaration, filed in support of the Sale Motion, and incorporated herein by this reference.

Through the Sale Motion, the Debtor requests that the Court approve the assumption and assignment of the Chapman Lease and the Palm Lease as part of the sale of the respective business and the respective assets.

Good Cause Exists to Grant this Sale Motion

The Debtor has made a business decision that it is in the best interest of the creditors of this estate that this Sale Motion be approved. Due to the amount of liabilities and operating costs associated with the operation of the Businesses, the Debtor does not believe that the Businesses can be reorganized. Furthermore, if the Sale Motion is not approved, the Debtor may be unable to find another buyer for the Businesses and respective assets (that is willing to pay an equal or greater purchase price) and will likely be forced to close down the operations without no benefit to the estate. However, through this Sale Motion, the Debtor will preserve an opportunity for creditors to receive some value on account of their claims. Moreover, there exists additional reasons that the proposed sales are in the best interests of the estate.

First, the Debtor believes that the proposed sale of the Chapman Business and the Palm Business as set forth herein provides the maximum possible value in that the Buyer has offered to purchase the Businesses and the respective assets for a purchase price which the Debtor believes far exceeds the value of each business as a going concern. Specifically, during the last twelve (12) months, the Businesses have been operating at a break-even basis and sometimes at a loss. In this respect, the Businesses more likely constitute a liability rather than an asset. The Chapman Assets which will be included in the sale have a value of approximately $4,237.50 (forced liquidation value) or $8,175.50 (in-plant value). The Palm Assets which will be included in the sale have a value of approximately $2,000.00 (forced liquidation value) or approximately $4,000.00 (in plant value). Notwithstanding these facts, the Buyer has offered to purchase the Chapman Business and the Chapman Assets for $12,500.00 and the Palm Business and the Palm Assets for $7,500.00. These prices not only exceed the value of each business and the respective assets combined, but also exceeds any offer the Debtor can realistically hope to receive from another party.

Second, the Debtor believes that the sale of the Businesses and the respective assets to the Buyer will also benefit the estate in light of the good will that the Buyer has already cultivated with the existing residents at the Chapman Business and the Palm Business. This good will allows the purchase and sale of the Businesses to be consummated without any disruption in the continuity of care provided to the residents. This good will is frankly not transferable to anyone other than the Buyer, as the Buyer's principals have worked at the facilities and are very familiar with the Debtor's operations.

Third, the County of Orange-Health Care Agency – Behavioral Health Services (the "Agency") will allow the Debtor to assume and assign the contracts which allow the Debtor to provide rehabilitation services to the residents of Chapman Guest Village and Palm Gardens. Without these contracts, the Businesses could not be operated and would be closed as a significant amount of income received is through the contracts with the Agency. With the current budget crisis in the State of California, it may be difficult, if not impossible for an applicant to obtain a new contract with the Agency which would allow for the continued operation of the Businesses.

Fourth, the Buyer's principals have agreed to waive their claims for unpaid wages which total in excess of $69,000.00 (of which approximately $9,300.00 would be entitled to priority status), if the Sale Motion is approved. Such waiver would provide additional consideration and benefit to the estate by virtue of the fact that priority claims would be eliminated and general unsecured claims would be reduced by approximately $59,700.00.

Finally, the sale of the Businesses and the respective assets as a going concern rather than a sale by a Chapter 7 trustee (in the event the case was converted to Chapter 7) is the best means for obtaining the most value for the Businesses and the respective assets. Due to the nature of the Debtor's business operations and the regulatory approvals connected therewith, converting the Debtor's case to a Chapter 7 would likely cause a shutdown of the Businesses and a substantially lower selling price, if any.

Accordingly, the Debtor has concluded that the best available option to preserve value for creditors is to consent to sell the Businesses and the respective assets on terms at least equal to those set forth herein and create the opportunity for overbids through this procedure. The Debtor has concluded that reorganization of her affairs related to the operation of the Businesses is impossible without additional funding which she does not desire to secure at this time in light of the events that have recently occurred. As a result, the sale of the Businesses and the respective assets through the Chapter 11 process and the protections accorded under Bankruptcy Code Section 363 is the best and only means to maximize recovery for creditors of this estate.

For further information, please see the Motion for Order Authorizing: (1) Sale of the Business Known as Chapman Guest Village Free and Clear of Liens; (2) Sale of the Business Known as Palm Gardens Free and Clear of Liens; (3) Approval of Overbid Procedures; and (4) Assumption and Assignment of Leases; Memorandum of Points and Authorities; Declaration of Luzviminda Reyes Brimbuela in Support Thereof on file with the Clerk of the above-entitled Court which may be reviewed on Monday through Friday from 9:00 a.m. to 4:00 p.m. A copy of the Sale Motion may be obtained by written request to the Debtor's proposed counsel, Marshack Shulman Hodges & Bastian LLP to the attention of James C. Bastian, Jr. at the address indicated above.

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PLEASE TAKE FURTHER NOTICE, that objections, if any, shall be filed with the Clerk of the above Court and a copy served upon Marshack Shulman Hodges & Bastian LLP to the attention of James C. Bastian, Jr., 26632 Towne Centre Drive, Suite 300, Foothill Ranch, California 92610 and the Office of the United States Trustee, 725 South Figueroa Street, 26th Floor, Los Angeles, California 90017, no later than fourteen (14) days prior to the scheduled hearing. Failure to file a timely response may be deemed as consent to the relief requested in the Sale Motion. **SEE, LOCAL BANKRUPTCY RULE 9013-1(a)(7).**

MARSHACK SHULMAN HODGES & BASTIAN LLP

Dated: May 5, 2003

James C. Bastian, Jr.
Proposed Attorneys for Luzviminda Reyes Brimbuela aka Lucy R. Brimbuela; dba Chapman Guest Village; dba Palm Gardens; fdba Wilshire Manor, Debtor and Debtor in Possession

PROOF OF SERVICE

STATE OF CALIFORNIA, COUNTY OF ORANGE

I am employed in the City of Foothill Ranch, County of Orange, State of California. I am over the age of 18 years and not a party to the within action. My business address is 26632 Towne Centre Drive, Suite 300, Foothill Ranch, California 92610.

On **May 5, 2003**, I served the documents named below on the parties in this Action as follows:

DOCUMENT(S) SERVED:	**NOTICE OF HEARING ON DEBTOR'S MOTION FOR ORDER AUTHORIZING: (1) SALE OF THE BUSINESS KNOWN AS CHAPMAN GUEST VILLAGE FREE AND CLEAR OF LIENS; (2) SALE OF THE BUSINESS KNOWN AS PALM GARDENS FREE AND CLEAR OF LIENS; (3) APPROVAL OF OVERBID PROCEDURES; AND (4) ASSUMPTION AND ASSIGNMENT OF LEASES**
SERVED UPON:	**SEE THE ATTACHED SERVICE LIST**

[X] **(BY MAIL)** I caused each such envelope, with postage thereon fully prepaid, to be placed in the United States mail at Foothill Ranch, California. I am readily familiar with the practice of Marshack Shulman Hodges & Bastian LLP for collection and processing of correspondence for mailing, said practice being that in the ordinary course of business, mail is deposited in the United States Postal Service the same day as it is placed for collection. I am aware that on motion of party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after deposit for mailing in affidavit.

[ ] **(BY FACSIMILE)** The above-referenced document was transmitted by facsimile transmission and the transmission was reported as completed and without error. Pursuant to C.R.C. 2009(i), I either caused, or had someone cause, the transmitting machine to properly transmit the attached documents to the facsimile numbers shown on the service list.

[ ] **(BY OVERNIGHT DELIVERY)** I am readily familiar with the practice of Marshack Shulman Hodges & Bastian LLP for collection and processing of documents for overnight delivery and know that the document(s) described herein will be deposited in a box or other facility regularly maintained by Federal Express for overnight delivery or for overnight delivery by Express Mail via the United States Postal Service.

[ ] **(BY PERSONAL SERVICE)** I delivered to an authorized courier or driver authorized by ASAP Corporate Services, Inc. to receive documents to be delivered on the same date. A proof of service signed by the authorized courier shall be filed upon receipt from ASAP Corporate Services, Inc.

[ ] **(STATE)** I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

[X] **(FEDERAL)** I declare that I am employed in the office of a member of the bar of this court, at whose direction this service was made.

Executed on **May 5, 2003**, at Foothill Ranch, California.

Erlanna L. Lohayza