

<p>Attorney or Party Name, Address, Telephone &amp; FAX Nos., State Bar No. &amp; Email Address</p> <p>STEVEN J. SCHWARTZ (State Bar No. 200586)  <i>sschwartz@dgd.com</i>                  DANNING, GILL, DIAMOND &amp; KOLLITZ, LLP                  1900 Avenue of the Stars, 11th Floor                  Los Angeles, CA 90067-4402                  Telephone: (310) 277-0077                  Facsimile: (310) 277-5735</p> <p><input type="checkbox"/></p> <p><input checked="" type="checkbox"/> Attorney for: Richard K. Diamond, Chapter 11 Trustee</p>	<p>FOR COURT USE ONLY</p>
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**UNITED STATES BANKRUPTCY COURT  
CENTRAL DISTRICT OF CALIFORNIA – LOS ANGELES DIVISION**

<p>In re</p> <p>CORONA CARE CONVALESCENT CORPORATION,</p> <p style="text-align: center;">Debtor.</p> <p><input checked="" type="checkbox"/> Affects All Debtors</p> <p><input type="checkbox"/> Affects Corona Care Convalescent Corporation Only</p> <p><input type="checkbox"/> Affects Corona Care Retirement, Inc.</p>	<p>CASE NO.: 2:13-bk-28497-RK CHAPTER: 7</p> <p style="text-align: center;"><b><u>AMENDED</u></b> <b>NOTICE OF SALE OF ESTATE PROPERTY</b></p>
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1265220.1

<p><b>Sale Date:</b> April 30, 2015</p>	<p><b>Time:</b> 1:30 p.m.</p>
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<p><b>Location:</b> Courtroom "1675" of the United States Bankruptcy Court, 255 E. Temple Street, Los Angeles, CA 90012</p>
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**Type of Sale:**  Public     Private    **Last date to file objections:** April 28, 2015

**Description of property to be sold:** See the Attached Notice.

**Terms and conditions of sale:** See the Attached Notice.

**Proposed sale price:** \$2,500,000

**Overbid procedure (if any):** See the Attached Notice.

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

April 30, 2015 at 1:30 p.m.  
Courtroom "1675"  
United States Bankruptcy Court  
255 E. Temple Street  
Los Angeles, California

**Contact person for potential bidders (include name, address, telephone, fax and/or email address):**

Steven J. Schwartz, Esq.  
Danning, Gill, Diamond & Kollitz, LLP  
1900 Avenue of the Stars, 11th Floor  
Los Angeles, CA 90067  
Telephone: (310) 277-0077  
Facsimile: (310) 277-5735  
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Date: April 17, 2015

1 STEVEN J. SCHWARTZ (State Bar No. 200586)  
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8 Attorneys for Richard K. Diamond,  
9 Chapter 11 Trustee

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12 **UNITED STATES BANKRUPTCY COURT**  
13 **CENTRAL DISTRICT OF CALIFORNIA**  
14 **LOS ANGELES DIVISION**

15 In re  
16 CORONA CARE CONVALESCENT  
17 CORPORATION, ET AL.,  
18 Debtors.

19 Case No.: 2:13-bk-28497-RK  
20 Jointly Administered with  
21 Case No.: 2:13-bk-28519-RK  
22 Chapter 11

23 **NOTICE OF HEARING OF CHAPTER 11**  
24 **TRUSTEE FOR ORDER (1) APPROVING**  
25 **THE SALE OF DEBTORS' ASSETS**  
26 **UNDER ASSET PURCHASE**  
27 **AGREEMENT FREE AND CLEAR OF**  
28 **LIENS, CLAIMS AND INTERESTS; (2)**  
**DETERMINING THAT BUYER IS A**  
**GOOD FAITH PURCHASER; (3)**  
**WAIVING THE FOURTEEN (14) DAY**  
**STAY PRESCRIBED BY RULES 6004(h)**  
**AND 6006(d) OF THE FEDERAL RULES**  
**OF BANKRUPTCY PROCEDURE; (4)**  
**APPROVING THE ASSUMPTION AND**  
**ASSIGNMENT OF CERTAIN**  
**EXECUTORY CONTRACTS AND**  
**UNEXPIRED LEASES; (5) APPROVING**  
**MANAGEMENT AND OPERATIONS**  
**TRANSFER AGREEMENT; AND (6)**  
**RELATED RELIEF**

- 29  Affects All Debtors  
30  Affects Corona Care Convalescent  
31 Corporation Only  
32  Affects Corona Care Retirement, Inc.

33 Date: April 30, 2015  
34 Time: 1:30 p.m.  
35 Place: Courtroom "1675"  
36 255 E. Temple St.  
37 Los Angeles, CA 90012

1           **TO THE HONORABLE ROBERT N. KWAN, UNITED STATES BANKRUPTCY**  
2 **JUDGE, ALL CREDITORS, THE DEBTORS' COUNSEL, PARTIES REQUESTING**  
3 **SPECIAL NOTICE, THE OFFICE OF THE UNITED STATES TRUSTEE AND TO**  
4 **OTHER INTERESTED PARTIES ENTITLED TO NOTICE OR AFFECTED BY THE**  
5 **REQUESTED RELIEF:**

6           **PLEASE TAKE NOTICE** that on April 30, 2015 at 1:30 p.m., in the above-referenced  
7 courtroom, Richard K. Diamond, the duly appointed and acting Chapter 11 Trustee (the "Trustee"  
8 or "Seller") of the jointly administered cases of Corona Care Convalescent Corporation and Corona  
9 Care Retirement, Inc. (collectively, the "Debtors") shall and hereby does move the Court for entry  
10 of an order:

11           1.       approving the sale of the Debtors' assets under the Asset Purchase Agreement (the  
12 "Agreement") attached to the Declaration of Richard K. Diamond (the "Trustee's Declaration"),  
13 marked as Exhibit "A" and incorporated herein by this reference, to Corona-Let, LLC, or to a  
14 qualified overbidder ("Purchaser");

15           2.       approving and directing the sale, transfer and conveyance of the Purchased Assets  
16 (as that term is defined in the Agreement) to Purchaser free and clear of all liens, claims and  
17 interests, including, without limitation, the QA Liability (defined below), except for the Assumed  
18 Liabilities (as that term is defined in the Agreement), pursuant to, *inter alia*, Sections 105(a),  
19 363(b), (f) and (m) of the Bankruptcy Code;

20           3.       authorizing the Trustee to enter into and perform his obligations under the  
21 Management and Operations Transfer Agreement ("MOTA");<sup>1</sup>

22           4.       approving and directing the Trustee's assumption and assignment to Purchaser of  
23 the lease ("Lease") for the 99-bed licensed skilled nursing facility and a 125-bed residential care  
24 \_\_\_\_\_

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26 <sup>1</sup> The Parties are still finalizing the documentation of the MOTA, which will be filed and served as  
a supplemental pleading.  
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1 facility (collectively, the “Facilities”), commonly known as Corona Care Convalescent, located at  
2 1400 Circle City Drive, Corona, CA 92879, as more fully described in the Lease (the “Premises”),  
3 together with all improvements and that certain personal property (furniture, fixtures, and  
4 equipment) located at the Premises (collectively, the “Leased Property”);

5 5. approving and directing the Trustee’s assumption and assignment to Purchaser of  
6 the Assumed Contracts (as defined in the Agreement) and determining cure amounts pursuant to  
7 Section 365 of the Bankruptcy Code;

8 6. directing that the Trustee and Purchaser consummate the transactions contemplated  
9 in this Agreement in accordance with the terms of the Agreement, including all payments required  
10 thereunder, on or before the Closing (as defined in the Agreement);

11 7. finding that Purchaser is a good faith purchaser pursuant to Section 363(m) of the  
12 Bankruptcy Code and entitled to all of the protections of Section 363(m) of the Bankruptcy Code;

13 8. finding that Purchaser is not deemed to be a successor to the Debtors; to have, *de*  
14 *facto* or otherwise, merged with or into the Debtors or to be a mere continuation of the Debtors; or  
15 to have any liability, including any successor liability, for any debt of Seller or the Debtors’  
16 bankruptcy estates except for the Assumed Liabilities (as defined in the Agreement);

17 9. waiving the fourteen (14) day stay periods set forth in Rules 6004(h) and 6006(d) of  
18 the Federal Rules of Bankruptcy Procedure;

19 10. finding that the Purchase Price (as defined in the Agreement or as determined at an  
20 auction) is a fair and reasonable price for the Purchased Assets, the MOTA, and other provisions of  
21 the Agreement;

22 11. finding that Purchaser has not and does not assume, and has no obligations, with  
23 respect to any QA Liability, and that neither Purchaser, nor Interim Operator nor Licensing  
24 Applying Party will be subject to any recoupment, setoffs or any other actions by the State of  
25 California and/or California Department of Health Care Services (“DHCS”) stemming from, or  
26 relating to, the QA Liability, including with respect to accounts receivable of the Debtors’ estates  
27 which are acquired by Purchaser as part of the Purchased Assets;

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1 12. finding that the Purchase Price was not controlled by an agreement among potential  
2 bidders of some or all of the Purchased Assets, the MOTA, and/or other provisions of this  
3 Agreement;

4 13. providing that, in the event of the conversion of the Bankruptcy Cases to Chapter 7  
5 cases, the Agreement, including all exhibits hereto, shall be binding on any Chapter 7 trustee(s)  
6 appointed in the Bankruptcy Cases;

7 14. confirming the adequacy of notice to all creditors and parties in interest;

8 15. authorizing the retention of jurisdiction by the Bankruptcy Court over matters  
9 relating to the transactions contemplated in the Agreement, including matters relating to title to the  
10 Purchased Assets and claims against the Purchased Assets which arose or were based on facts or  
11 occurrences prior to the Closing; and

12 16. authorizing the Trustee to pay from the sale proceeds, a commission to JCH  
13 Consulting Group (the "Broker") in the amount of five percent (5%) of the purchase price.

14 The Motion is made on the grounds that: (1) the Assets should be sold to generate funds for  
15 creditors; and (2) that the purchase price is fair and reasonable and the sale is in the best interest of  
16 the creditors and the estate.

17 Pursuant to Local Bankruptcy Rule 6004-1(c)(3), the Trustee provides the following  
18 information:

19 **1. The date, time, and place of the hearing on the proposed sale.**

20 The hearing on the Motion and an auction, if necessary shall be held on April 30, 2015 at  
21 1:30 p.m. in Courtroom "1675" of the United States Bankruptcy Court for the Central District of  
22 California, Los Angeles Division, located at 255 East Temple Street, Los Angeles, California,  
23 90012.

24 **2. The name and address of the proposed buyer.**

25 The proposed buyer is Corona-Let, LLC (the "Purchaser"). The Purchaser's address is care  
26 of its legal counsel, Ronald Bender, Levene, Neale, Bender, Yoo & Brill, L.L.P.  
27 ("LNBYB"), 10250 Constellation Blvd., Suite 1700, Los Angeles, CA 90067.

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1           **3. A description of the property to be sold.**

2           The assets, properties and rights to be conveyed to Purchaser shall include all of Seller's  
3 right, title and interest in and to the following assets, properties and rights of Seller, on an "as is"  
4 and "where is" basis, but only to the extent transferable and only to the extent they relate to the  
5 Seller Businesses (the assets so included, the "Purchased Assets");<sup>2</sup>

6           a. all of Seller's and/or Debtors' rights under the Lease and all of the contracts  
7 listed on Schedules 2.01(a), if any, attached to the Agreement (collectively, the "Assumed  
8 Contracts");

9           b. all accounts receivable and any and all other amounts owed to the Debtors or  
10 Seller resulting from or related to the provision of goods and services by the Seller Businesses to  
11 any person, private individual, entity or governmental agency, and all refunds, defenses, Medicare  
12 and Medical appeal rights, recoupment and offsets resulting from or related to the provision of  
13 goods and services by the Seller Businesses;

14           c. all of Seller's inventory existing on the Closing Date and located at the  
15 Facilities, including all consumables, linens, housekeeping, nursing and food inventories and other  
16 miscellaneous consumable items of personal property (collectively, the "Inventory");

17           d. all Facility Records. The term "Facility Records" shall mean (i) all or any  
18 portion of the medical, clinical and other records directly or indirectly associated with the  
19 admission, care and treatment of patients by the Seller Businesses for periods ending on or prior to  
20 the Closing Date (the "Patient Records"); (ii) all or any portion of the financial, accounting and  
21 operating data, and other records and files of the Seller Businesses (including, but not limited to,

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24 <sup>2</sup> The following is a summary of some of the pertinent terms of the Agreement and is not intended  
25 to alter, amend or replace the Agreement in any capacity. Interested parties are encouraged to read  
26 the Agreement in its entirety. All capitalized terms used in this Notice and in the Motion which are  
27 not defined therein but which are defined in the Agreement shall have the same definitions as  
28 contained in the Agreement.

1 patient billing records and accounts receivable, general ledgers, financial statements, cost reports,  
2 all other books, records, notes, sales and sales promotional data, advertising materials, credit  
3 information, cost and pricing information, customer supplier lists, business plans, reference  
4 catalogs, payroll and personnel records to the extent allowed by law, other similar property rights  
5 and information, other financial and marketing information, and personnel records relating to  
6 current employees hired by Purchaser) for periods ending on or prior to the Closing Date (the  
7 “Business Records”); (iii) California Department of Public Health (“CDPH”) and other  
8 governmental inspection records relating to the Seller Businesses; and (iv) technical documents,  
9 surveys, reports and studies, including all environmental and planning or land use records, and  
10 blueprints relating to the Seller Businesses;

11 e. the rights to the current telephone numbers, email addresses, domain names  
12 and fax numbers of the Facilities;

13 f. all goodwill associated with the Seller Businesses and all other intangible  
14 assets or rights of any type whatsoever, including intellectual property rights which are owned or  
15 used by Seller and/or which relate to the operation of the Facilities or are associated with the Seller  
16 Businesses;

17 g. all agreements with governmental entities or private organizations relating to  
18 all licenses, permits, consents, authorizations, certificates, provider agreements, provider numbers,  
19 third-party payor agreements, accreditations and other rights of every kind, nature and character  
20 relating to the Facilities and of any regulatory, administrative or other governmental agency or  
21 body issued to or held by Seller necessary or incidental to the Facilities, to the extent that same are  
22 transferable;

23 h. all patient pre-paid revenues (private pay or share of cost) and deposits for  
24 services to be rendered after the Closing Date (collectively, “Pre-Paid Revenues and Deposits”)  
25 which Seller shall turn over to Purchaser at the Closing;

26 i. all tangible assets, including, without limitation, machinery, equipment,  
27 furniture, fixtures, improvements, linens and all other tangible personal property of any nature used  
28 in connection with the operation of, or located at, the Facilities;

1 j. all rights, claims and actions resulting from or relating to any improper or  
2 unauthorized transfer or assignment of any portion of or any interest in the Lease, the Facilities or  
3 the Premises;

4 k. all rights to moneys and other sums due or to become due from any  
5 governmental or regulatory authority in respect of any cost report filed with respect to the Business  
6 for any period ended on or before the Closing Date, whether by reason of an adjustment in rates by  
7 such governmental or regulatory authority for any period ended on or before the Closing Date or  
8 otherwise, and all refunds or additional reimbursements for any period ended on or before the  
9 Closing Date, including refunds or additional reimbursements from the Medicare and Medicaid  
10 programs for any period ended before the Closing Date;

11 l. all rights to miscellaneous prepaid expenses, receipts and other items,  
12 including reimbursements related to workers' compensation insurance and dividends, utility  
13 accounts, prepaid real and personal property taxes, prepaid insurance premiums and insurance  
14 refunds, and rebates and refunds of any kind or nature related to the operation of the Seller  
15 Businesses by Seller before the Closing Date; and

16 m. all right title and interest in a certain bank account (but not the then existing  
17 cash in the bank account), which is the bank account into which, among others, Medicare and  
18 Medical payments are made.

19 All other assets owned or leased by Seller as of the Closing (as defined in Article VI of the  
20 Agreement), except the Purchased Assets, shall be retained by Seller and shall not be sold, assigned  
21 or transferred to Purchaser (the "Excluded Assets"). Notwithstanding the provisions of Section  
22 2.01 of the Agreement, the Purchased Assets shall not include any of the following assets,  
23 properties and/or rights of Seller, all of which shall be deemed Excluded Assets:

24 a. all of Seller's cash and cash equivalents on hand, in banks or otherwise on  
25 deposit, marketable securities and bonds at the time of the Closing (recognizing that any funds  
26 which come into the possession of Seller after the time of the Closing on account of, as a result of,  
27 or which relate to any of the Purchased Assets shall be immediately turned over to Purchaser);

28 b. all claims, choses in action and rights of recovery relating to the conduct of

1 the Seller Businesses prior to the Closing Date which are not included in the Purchased Assets,  
2 which include, but are not limited to, claims against principals, officers, directors, employees  
3 and/or affiliates of the Debtors (collectively, "Related Parties"), and against third parties for  
4 recovery on account of actions taken by Related Parties to the detriment of the Debtors' businesses  
5 other than as set forth in Section 2.01(j) of the Agreement;

6 c. the corporate or company seals, certificates of incorporation or organization,  
7 minute books, stock books, tax returns, books of account or other records having to do with the  
8 corporate or company organization of Seller, as applicable;

9 d. the rights to any of Seller's claims for any federal, state, local or foreign tax  
10 refunds or carry backs;

11 e. any contract, lease or agreement (including any purchasing or financing  
12 agreement, lease or arrangement) to which Seller and/or Debtors is/are a party, except the Assumed  
13 Contracts; and

14 f. except as they relate to any of the Purchased Assets, all suits, claims, choses  
15 in action, causes of action, judgments, damages, rights to payment, litigation rights of any kind or  
16 nature whatsoever (whether arising in contract, tort or otherwise), or any equitable remedy for  
17 breach of performance if such breach gives rise to a right to payment ("Claims"), or any interest in  
18 any of the following:

19 (i) those items which constitute part of the Excluded Assets pursuant to  
20 the provisions of Section 2.02 of the Agreement; and

21 (ii) all preference or avoidance claims and actions of the Seller,  
22 including, without limitation, any such claims and actions arising under Sections 544, 547, 548,  
23 549, and 550 of the Bankruptcy Code.

24 **4. The terms and conditions of the proposed sale, including the price and all**  
25 **contingencies.**

26 The terms of the Purchase and Sale Agreement (the "Agreement") include, without  
27 limitation, the following:

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- 1           •     The purchase price for the Purchased Assets, the MOTA, and other provisions of  
2                     this Agreement shall be Two Million Five Hundred Thousand Dollars  
3                     (\$2,500,000.00) in good funds of the United States of America (the “Purchase  
4                     Price”).
- 5           •     Seller shall hold in escrow in a segregated trust account (the “Trust Account”) a  
6                     deposit from Purchaser in the amount of Two Million Five Hundred Thousand  
7                     Dollars (\$2,500,000) in cash (collectively, along with any interest from time to time  
8                     earned thereon, the "Deposit").
- 9           •     Seller shall be authorized, subject to Bankruptcy Court Order, to utilize up to  
10                    \$500,000 of the Deposit as a loan (the “Bridge Loan”)<sup>3</sup>, for which the Purchaser  
11                    shall receive a super-priority administrative claim against these bankruptcy estates  
12                    under Section 364(c) (1) of the Bankruptcy Code with priority over any and all  
13                    administrative expenses of any kind, including those specified in Sections 503(b) or  
14                    507(b) of the Bankruptcy Code and a secured claim under section 364 (c) and (d) of  
15                    the Bankruptcy Code secured by a lien against all assets of these estates with  
16                    priority over all other secured claims and liens (collectively, the “Purchaser Claim”).  
17                    Seller shall be authorized to use any portion of the Bridge Loan to repay the  
18                    outstanding post-petition loans obtained by Seller from the Landlord, which is  
19                    currently in the total amount of \$475,000 (the “Landlord Secured Loans”). Such  
20                    Purchaser Claim shall have priority over any and all administrative claims, secured  
21                    and unsecured claims against the Debtors or their estates, at any time existing or  
22                    arising, of any kind or nature whatsoever, including, without limitation,  
23                    administrative expenses of the kinds specified in or ordered pursuant to Bankruptcy

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26 <sup>3</sup> The Bridge Loan was approved by the Bankruptcy Court Order entered on or about April 16,  
27 2015 (Docket No. 218).  
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1 Code Sections 105, 326, 328, 330, 331, 365, 503(a), 503(b), 503(c), 507 (a), 507(b),  
2 546(c), 546(d), 726 (to the extent permitted by applicable law), 1113 and 1114, and  
3 any other provision of the Bankruptcy Code; as provided under Section 364(c)(1) of  
4 the bankruptcy Code, other than the \$475,000 secured loans obtained by Seller from  
5 the Landlord (to the extent such secured loans are not otherwise paid by the Seller as  
6 authorized above); and (ii) shall at all times be senior to the rights of the Debtors  
7 and their bankruptcy estates, Seller, and any successor trustee, including any  
8 Chapter 7 trustee(s) or other representative(s) of the bankruptcy estates. Also, no  
9 subsequent or future claim may be granted by Seller or the Debtors' bankruptcy  
10 estates, or any successor trustee, including any Chapter 7 trustee(s) or other  
11 representative(s) of the bankruptcy estates which is equal or senior in priority to the  
12 Purchaser Claim without the prior express written consent of Purchaser which may  
13 be withheld or denied for any reason by Purchaser. The Deposit shall become non-  
14 refundable upon the entry of the Sale Order by the Bankruptcy Court naming  
15 Purchaser as the winning bidder for the Purchased Assets, except as follows: the  
16 Deposit shall be fully and immediately refundable to Purchaser in the event that (i)  
17 the Seller materially breaches the Agreement, (ii) Seller is unable to deliver clean  
18 and marketable title to all of the Purchased Assets, and/or (iii) the Agreement is  
19 terminated for any reason pursuant to Article XIV below, except Section 14.02(e).  
20 On the Closing Date (as defined in Article VI hereof), and subject to the occurrence  
21 of the Closing (as defined in Article VI hereof), the Deposit shall be credited and  
22 applied toward payment of the Purchase Price. The interest rate for the Bridge Loan  
23 shall be 10% per annum.

- 24 • The balance of the Purchase Price, if any, shall be payable by Purchaser two (2)  
25 business days prior to the Closing, which shall be maintained in the Trust Account  
26 by Seller pending the Closing.

1           **5. Whether the proposed sale is free and clear of liens, claims or interests, or**  
2           **subject to them, and a description of all such liens, claims, or interests.**

3           The proposed sale is free and clear of all security interests, liens, claims, interests or  
4 encumbrances (collectively, “Liens, Claims and Interests”), other than the Assumed Liabilities (as  
5 defined in the Agreement). The Trustee is unaware of any secured claims against the Debtors other  
6 than the Landlord Secured Loans described above. As stated above, the Agreement contemplates  
7 that the Trustee will repay the Landlord Secured Loans from the Deposit or from the Purchase  
8 Price at closing.

9           **6. Whether the proposed sale is subject to higher and better bids.**

10          The proposed sale is subject to overbids and a break-up fee. On or about April 13, 2015, a  
11 hearing was held, at which the Court approved certain bidding procedures, which have been  
12 codified in an Order that was entered by the Court on or about April 16, 2015. The approved  
13 bidding procedures are as follows:

14           a.       The Trustee reserves the right to obtain a higher bid for the Purchased Assets  
15 pursuant to bidding procedures to be utilized by the Trustee in his discretion and in the exercise of  
16 his business judgment subject to the terms of the Agreement and provided that the overbid  
17 opportunity expire no later than **5:00 p.m. PST on April 28, 2015.**

18           b.       In order for any prospective overbidder to participate in any overbid process,  
19 such prospective overbidder will be required to submit an overbid which must, among other things:

20                   i.       be accompanied by a deposit in the form of cash or a cashier’s check  
21 in the amount of \$2,800,000 (the “Overbid Deposit”) received by the Trustee by no later than 5:00  
22 p.m. PST on April 28, 2015, with such Overbid Deposit to be non-refundable in the event that the  
23 Trustee accepts the overbid or any other bid submitted by the overbidder as the winning bid;

24                   ii.      provide evidence satisfactory to the Trustee of the proposed buyer  
25 having sufficient specifically committed funds to complete the transaction or a non-contingent  
26 lending commitment for the full bid amount and such other documentation relevant to the bidder’s  
27 ability to qualify as the purchaser of the Purchased Assets and ability to close the sale and  
28 immediately and unconditionally pay the full amount of the purchase price at the closing;

1                   iii.     provide admissible evidence of the proposed buyer's ability to  
2 provide adequate assurance of future performance under the Lease and all of the Assumed  
3 Contracts;

4                   iv.     seek to acquire the Purchased Assets on terms and conditions not less  
5 favorable to the estates than the terms and conditions to which the Purchaser has agreed under the  
6 Agreement;

7                   v.     contain no financing or due diligence contingency and be a binding  
8 bid subject only to acceptance of the bid by the Trustee and approval by the Bankruptcy Court;

9                   vi.     provide admissible evidence that at the time of the closing of  
10 proposed buyer's purchase of the Purchased Assets, the proposed buyer will have the legally  
11 required forty-five days of working capital; and

12                  vii.    be accompanied by any proposed changes that the proposed buyer  
13 has to the Agreement.

14                  c.     Any overbid must be at least \$300,000 in cash higher than the \$2,500,000  
15 purchase price offered by the Purchaser (i.e., must be for a purchase price of at least \$2,800,000).  
16 After the first overbid all subsequent overbids shall be in increments of at least \$50,000.

17                  d.     In the event that any overbidder (and not the Purchaser) is selected by the  
18 Trustee and approved by the Bankruptcy Court as the successful bidder for the purchase of the  
19 Purchased Assets, the Purchaser shall be entitled to fees and expenses associated with the sale of  
20 the Purchased Assets in an amount of the Purchaser's fees and expenses, agreed by the parties to be  
21 \$250,000 ("Break-Up Fee") to be paid to Purchaser by the Trustee out of the Overbid Deposit  
22 immediately following the conclusion of the Sale Hearing. The Break-Up Fee, until paid by the  
23 Trustee, shall constitute a super-priority administrative expense of the Trustee and these  
24 bankruptcy estates under Section 364(c) (1) of the Bankruptcy Code with priority over any and all  
25 administrative expenses of any kind, including those specified in Sections 503(b) or 507(b) of the  
26 Bankruptcy Code. Purchaser shall be allowed to credit bid the Break-Up Fee in any overbid(s) that  
27 Purchaser may elect to make with respect to the Purchased Assets.

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1 e. The Overbid Deposit shall be nonrefundable in the event that the Court  
2 confirms the sale to that party but, for any reason whatsoever, the party fails to close the sale timely  
3 and in accordance with the terms of the Agreement or such other terms to which the Trustee has  
4 agreed (the "Overbid Agreement"), which Overbid Deposit amount shall be considered to be  
5 liquidated damages in favor of the Debtors' estates. The overbidding party will be bound by all of  
6 the terms of the Agreement (or, to the extent applicable, the Overbid Agreement) except as to price  
7 and the name of the overbidder, without contingencies, and be required to close its purchase of the  
8 Purchased Assets not later than one business day following entry of the Sale Order (unless the Sale  
9 Order is stayed pending appeal), in which event the closing date shall occur on the first business  
10 day after the stay is no longer in effect) (the "Closing"). The sale is on an "as is" and "where is"  
11 basis, without warranty or recourse.

12 f. Subject to the obligation of prospective overbidders complying with all of  
13 the overbid requirements set forth in this Order as a condition to participating in the Auction, the  
14 Trustee holds sole discretion in accepting and rejecting all overbids, including, without limitation,  
15 taking into account such non-monetary factors or other consideration that might be relevant to the  
16 sale to a particular buyer; however, the Trustee shall disclose to the Court any overbids so rejected.

17 g. If qualified bids are received and accepted by the Trustee, an auction will be  
18 held for the Purchased Assets in the Court on **April 30, 2015 at 1:30 p.m.** (the "Auction"). The  
19 Auction shall take place concurrently with the Sale Hearing.

20 h. The Court may confirm a back-up buyer so that, in the event that the  
21 successful bidder at the Auction does not timely close, the Trustee may sell the Purchased Assets to  
22 the back-up buyer for an amount mutually agreed to by the Trustee and the back-up buyer. The  
23 Trustee is authorized to hold a deposit from the back-up buyer in an amount mutually agreed to by  
24 the Trustee and the back-up buyer (the "Back-Up Buyer's Deposit"), with the balance of the  
25 purchase price mutually agreed to by the Trustee and the back-up buyer to be delivered by the  
26 back-up buyer to the Trustee within five days of the back-up buyer being notified in writing by the  
27 Trustee that the successful bidder did not timely close. No party, including the Purchaser, is  
28 required to serve as a back-up bidder. In the event of a successful overbid, the Purchaser shall have

1 the full right not to serve as a back-up bidder and to require the Trustee to do all of the following  
2 immediately following the conclusion of the Sale Hearing: (i) return to Purchaser the entire amount  
3 of the Purchaser's Deposit (other than the amount borrowed by the Trustee from the Purchaser  
4 Bridge Loan), (ii) repay to Purchaser out of the Overbid Deposit the entire amount of the Purchaser  
5 Bridge Loan along with all accrued interest thereon, and (iii) pay to Purchaser the Break-Up Fee  
6 out of the Overbid Deposit.

7 i. The Back-Up Buyer's Deposit shall be nonrefundable in the event that the  
8 original buyer defaults but, for any reason whatsoever, the back-up buyer fails to close the back-up  
9 sale timely and in accordance with the terms mutually agreed to by the Trustee and the back-up  
10 buyer.

11 j. Nothing in the Sale Procedures Order shall limit, or in any way adversely  
12 affect, Landlord's rights under section 365(b)(1)(C) of the Bankruptcy Code regarding its ability to  
13 evaluate, and if it deems necessary to object to, the Trustee's assumption and assignment of the  
14 Lease to any overbidder based upon that overbidder's inability to provide Landlord with adequate  
15 assurance of future performance of the overbidder's obligations under the Lease. All overbidders  
16 are required to provide any and all financial information reasonably requested by Landlord to  
17 evaluate the overbidder's ability to provide adequate assurance of future performance of the terms  
18 of the Lease, including, but not limited to: a current financial statement, a credit report and a list of  
19 all facilities owned by, operated or controlled by the overbidder.

20 **7. The consideration to be received by the estate, including estimated**  
21 **commissions, fees, and other costs of sale.**

22 The Trustee estimates that, if there are no overbids, the Debtors will receive \$2,500,000,  
23 from which the Debtors will pay secured claims of the Purchaser and/or the Landlord (which  
24 presently total \$475,000 (but the Trustee is authorized to borrow up to \$675,000)).

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26 ///

27 ///

28 ///

1 In addition, by virtue of an agreement in principle reached with California Department of  
2 Health Care Services (“DHCS”), \$1,000,000 of the sale proceeds will go to pay the Debtors’  
3 outstanding Quality Assurance Fee which is estimated to be at least \$3.1 Million, including at least  
4 \$833,242.92 accrued post-petition.<sup>4</sup>

5 **8 If authorization is sought to pay a commission, the identity of the auctioneer,**  
6 **broker, or sales agent and the amount or percentage of the proposed commission to be paid.**

7 JCH Consulting Group (the “Broker”) was employed as the Trustee’s broker with regard to  
8 this sale, by Order entered on or about March 17, 2015 (Docket No. 187). Broker shall earn a  
9 commission of five percent of the purchase price, which shall be \$125,000, if there are no overbids.

10 **9. A description of the estimated or possible tax consequences to the estate, if**  
11 **known, and how any tax liability generated by the sale of the property will be paid.**

12 The full tax consequences to the estate are presently unknown. However, the Trustee is  
13 advised that the Debtors are “S” corporations. Accordingly, income, losses, deductions, credits and  
14 other tax attributes of sale will pass through to the equity holders.

15 **PLEASE TAKE FURTHER NOTICE** that the Motion is based on this Notice and  
16 Motion, the attached Memorandum of Points and Authorities, the Declarations of Richard K.  
17 Diamond, Chapter 11 Trustee (the “Trustee’s Declaration”) and Shlomo Rechnitz and Shep  
18 Roylance filed in support of the Motion, the arguments of counsel and other admissible evidence  
19 properly brought before the Court at or before the hearing on this Motion. In addition, the Trustee  
20 requests that the Court take judicial notice of all documents filed with the Court in this case.

21 **PLEASE TAKE FURTHER NOTICE** that any opposition or objection to the Motion  
22 must be filed with the Court and served on proposed counsel for the Trustee at the above address

23 ///

24 \_\_\_\_\_

25  
26 <sup>4</sup> Pursuant to said agreement, DHCS will also receive 50% of the purchase price in excess of  
27 \$3,500,000 in the event of overbids that reach that amount, up to \$7,700,000.  
28

1 by no later than April 28, 2015. Your failure to timely object may be deemed by the Court to  
2 constitute consent to the relief requested herein.

3 **PLEASE TAKE FURTHER NOTICE** that the Trustee will serve the Notice portion of  
4 this pleading on all creditors and the Notice of Motion, the Motion and the attached Memorandum  
5 of Points and Authorities and Declarations on: (1) the Office of the United States Trustee, (2) the  
6 Official Committee of Unsecured Creditors (the "Committee"), (3) parties that file with the Court  
7 requests for notice of all matters in accordance with Bankruptcy Rule 2002(i), and (4) those other  
8 government agencies and parties that might be affected by the requested relief. To the extent  
9 necessary, the Trustee requests that the Court waive compliance with Local Bankruptcy Rule 9075-  
10 1 and approve service (in addition to the means of service set forth in such Local Bankruptcy Rule)  
11 by overnight delivery or via e-mail. In the event that the Court grants the relief requested by the  
12 Motion, the Trustee shall provide notice of the entry of the order granting such relief upon each of  
13 the foregoing parties and any other parties-in-interest as the Court directs. The Trustee submits that  
14 such notice is sufficient and that no other or further notice be given.

15  
16 DATED: April 20, 2015

DANNING, GILL, DIAMOND & KOLLITZ, LLP

17  
18  
19 /s/ Steven J. Schwartz

STEVEN J. SCHWARTZ

Attorneys for Richard K. Diamond, Chapter 11  
Trustee

## PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:

1900 Avenue of the Stars, 11th Floor  
Los Angeles, CA 90067

A true and correct copy of the foregoing document entitled: **NOTICE OF SALE OF ESTATE PROPERTY** will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner stated below:

**1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF):** Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On *(date)* April 20, 2015, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

Service information continued on attached page

**2. SERVED BY UNITED STATES MAIL:**

On *(date)* \_\_\_\_\_, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

Service information continued on attached page

**3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL** *(state method for each person or entity served):* Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on *(date)* April 20, 2015, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

Served by Personal Delivery to be delivered by April 20, 2015

Hon. Robert Kwan  
U.S. Bankruptcy Court  
255 E. Temple Street, Bin outside of Suite 1682  
Los Angeles, CA 90012

Service information continued on attached page

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

April 20, 2015  
Date

Cheryl Caldwell  
Printed Name

/s/ Cheryl Caldwell  
Signature

ADDITIONAL SERVICE INFORMATION (if needed):

**1. SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (“NEF”)**

Eugene S Alkana on behalf of Interested Party Courtesy NEF  
eugenealkana@mindspring.com, kathy.wilber@yahoo.com

Ron Bender on behalf of Interested Party Courtesy NEF  
rb@lnbyb.com

Michael Jay Berger on behalf of Debtor Corona Care Convalescent Corporation  
michael.berger@bankruptcypower.com, yathida.nipha@bankruptcypower.com; michael.berger@ecf.inforuptcy.com

Richard K Diamond (TR) jlv@dgdgk.com, rdiamond@ecf.epiqsystems.com; DanningGill@Gmail.com

M Douglas Flahaut on behalf of Interested Party Felicidad Ferrer  
flahaut.douglas@arentfox.com

M Douglas Flahaut on behalf of Interested Party Monella Ferrer  
flahaut.douglas@arentfox.com

M Douglas Flahaut on behalf of Interested Party Renato Ferrer  
flahaut.douglas@arentfox.com

Gavin L Greene on behalf of Creditor UNITED STATES OF AMERICA on behalf of the INTERNAL REVENUE SERVICE  
gavin.greene@usdoj.gov

Michael S Greger on behalf of Interested Party Courtesy NEF  
mgreger@allenmatkins.com

M Jonathan Hayes on behalf of Debtor Corona Care Convalescent Corporation  
jhayes@srhlawfirm.com, roksana@srhlawfirm.com; matthew@srhlawfirm.com; rosarioz@srhlawfirm.com;  
jfisher@srhlawfirm.com; maria@srhlawfirm.com; staci@srhlawfirm.com; jhayesecf@gmail.com; sevan@srhlawfirm.com

Jeffrey Kagan on behalf of Creditor HCF Insurance Services  
kagan.j@wsslip.com, javaheri.s@wsslip.com

Yale K Kim on behalf of Creditor HCF Insurance Agency  
ykim@allenmatkins.com, lpanderson@allenmatkins.com

K Kenneth Kotler on behalf of Interested Party Courtesy NEF  
kotler@kenkotler.com, zoe@kenkotler.com

Alvin Mar on behalf of U.S. Trustee United States Trustee (LA)  
alvin.mar@usdoj.gov

Aram Ordubegian on behalf of Interested Party Courtesy NEF  
ordubegian.aram@arentfox.com

Joseph Rodrigues joseph.rodrigues@aging.ca.gov

Lorraine M Sarles on behalf of Interested Party Courtesy NEF  
lorraine.sarles@alston.com

Steven J Schwartz on behalf of Interested Party Courtesy NEF  
sschwartz@dgdk.com, DanningGill@gmail.com;sschwartz@ecf.inforuptcy.com

Jeffrey S Shinbrot on behalf of Interested Party Antony and Prema Thekkek  
jeffrey@shinbrotfirm.com, sandra@shinbrotfirm.com

John S Spears on behalf of Interested Party Courtesy NEF  
john.spears@alston.com, leslie.salcedo@alston.com

Diane C Stanfield on behalf of Creditor Committee Official Committee of Unsecured Creditors  
diane.stanfield@alston.com

United States Trustee (LA)  
ustpregion16.la.ecf@usdoj.gov

Bradley J Yourist on behalf of Interested Party Bradley J Yourist  
byourist@gmail.com, djy@youristlaw.com;atroy@youristlaw.com