

RON BENDER (SBN 143364)
J.P. FRITZ (SBN 245240)
LEVENE, NEALE, BENDER, YOO & BRILL L.L.P.
10250 Constellation Boulevard, Suite 1700
Los Angeles, California 90067
Telephone: (310) 229-1234; Facsimile: (310) 229-1244
Email: RB@LNBYB.COM; JPF@LNBYB.COM

**UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA**

In re:
SANFORD DEUTSCH,

CASE NO.: 1:12-bk-20070AA

Debtor(s).

NOTICE OF SALE OF ESTATE PROPERTY

Sale Date: November 27, 2013

Time: 10:00 a.m.

Location: U.S. Bankruptcy Courthouse, 3rd Floor, Courtroom 303; 21041 Burbank Blvd., Woodland Hills, CA 91367

Type of Sale: Public Private

Last date to file objections:
November 13, 2013

Description of Property to be Sold: Real Property: 5335 Laurel Canyon Blvd. & 12120 Chandler Blvd, North Hollywood, CA
Commercial real property at which a skilled nursing facility commonly known as Chandler Convalescent Hospital is located and
adjacent commercial real property at which a residential care facility for the elderly is located.

Terms and Conditions of Sale: \$14.75 million subject to terms in Buyer's letter of intent

Subject to right of first refusal by tenant

Pursuant to 363(f), the sale will be FREE AND CLEAR of all liens, claims, and interests

Please see notice, attached as Exhibit 1 hereto, and Buyer's letter of intent, attached as Exhibit 2 hereto, for more information.

Proposed Sale Price: \$14.75 million

Overbid Procedure (If Any): None

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):

Sale Hearing: November 27, 2013, at 10:00 a.m.

Courtroom 303, 21041 Burbank Blvd., Woodland Hills, CA

Date: 11/6/13

EXHIBIT "1"

1 RON BENDER (SBN 143364)
J.P. FRITZ (SBN 245240)
2 LEVENE, NEALE, BENDER, YOO & BRILL L.L.P.
10250 Constellation Blvd., Suite 1700
3 Los Angeles, California 90067
Telephone: (310) 229-1234
4 Facsimile: (310) 229-1244
5 Email: rb@lnbyb.com, jpf@lnbyb.com

6 Attorneys for Chapter 11 Debtor and Debtor in Possession

7 **UNITED STATES BANKRUPTCY COURT**
8 **CENTRAL DISTRICT OF CALIFORNIA**
9 **SAN FERNANDO VALLEY DIVISION**

9 In re:) Case No.: 1:12-bk-20070-AA
10)
SANFORD DEUTSCH.,) Chapter 11 Case
11)
Debtor and Debtor in Possession.) **NOTICE OF DEBTOR’S MOTION**
12) **FOR ENTRY OF AN ORDER: (1)**
13) **APPROVING SALE OF PROPERTY**
14) **FREE AND CLEAR OF ALL LIENS,**
15) **CLAIMS AND INTERESTS; (2)**
16) **APPROVING BREAK-UP FEE TO**
17) **STALKING HORSE BIDDER; AND (3)**
18) **GRANTING RELATED RELIEF**
19)
20) Hearing:
21) Date: November 27, 2013
22) Time: 10:00 a.m.
23) Place: Courtroom 303
24) 21041 Burbank Blvd.
25) Woodland Hills, CA 91367
26)
27)
28)

1 **PLEASE TAKE NOTICE** that on November 27, 2013, at 10:00 a.m., the Honorable
2 Alan M. Ahart, United States Bankruptcy Judge for the Central District of California (the
3 “Court”) will hold a hearing in Courtroom 303 of the United States Bankruptcy Courthouse
4 located at 21041 Burbank Blvd., Woodland Hills, California, on *Debtor’s Motion for Entry of an*
5 *Order: (1) Approving Sale of Property Free of All Liens, Claims, and Interests; (2) Approving*
6 *Break-Up Fee to Stalking Horse Bidder; and (3) Granting Related Relief* (the “Motion”) filed by
7 Sanford Deutsch, the chapter 11 debtor and debtor in possession in the above-captioned
8 bankruptcy case (the “Debtor”).

9 The Motion is made pursuant to 11 U.S.C. §§ 105, 363(b), 363(f), and 363(m), Rules
10 2002(a) and 6004 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and
11 Rules 6004-1 and 9013-1 of the Local Bankruptcy Rules of the United States Bankruptcy Court
12 for the Central District of California (the “Local Rules”). The bases of the Motion are this Notice,
13 the Motion, the memorandum of points and authorities annexed to the Motion, the separately and
14 concurrently filed declarations of Sanford Deutsch and Martin Cohan in support of the Motion,
15 the exhibits thereto, and the arguments of counsel to be made at the hearing on the Motion.

16 By way of the Motion, the Debtor seeks the entry of an order of the Court (A) approving
17 the Debtor’s free and clear sale of the real property that the Debtor owns, which is located at 5335
18 Laurel Canyon Boulevard, North Hollywood, California, at which a skilled nursing facility
19 commonly known as Chandler Convalescent Hospital is located, and the adjacent real property
20 that the Debtor owns, which is located at 12120 Chandler Boulevard, North Hollywood,
21 California, at which a residential care facility for the elderly is located (collectively, the “Chandler
22 Property”) to Peak Holdings, LLC or its Assignee (the “Buyer”) for \$14.75 million unless the
23 existing tenant of the Chandler Property (the “Tenant”) exercises its contractual Right of First
24 Refusal in accordance with the terms of an “Eligible Sale Offer” to be filed with the Court prior to
25 the hearing on the Motion; (B) approving the payment to the Buyer of a break-up fee in the
26 amount of \$368,750 if the Tenant exercises its contractual Right of First Refusal; and (C) granting
27 certain other related relief.

1 The Debtor expects that the ultimate “Eligible Sale Offer” that the Debtor expects to file
2 with the Court prior to the hearing on the Motion will have terms that are identical or substantially
3 similar to the terms set forth in the Non-Binding Letter of Intent attached as exhibit “1” to the
4 concurrently filed Declaration of Sanford Deutsch (the “Buyer LOI”).

5 **BACKGROUND**

6 **PLEASE TAKE FURTHER NOTICE** that the Debtor commenced his bankruptcy case
7 by filing a voluntary petition under chapter 11 of title 11, sections 101 *et seq.* of the United States
8 Code (the “Bankruptcy Code”) on November 14, 2012. The Debtor continues to operate his
9 business, manage his financial affairs, and manage his bankruptcy estate as a debtor in possession
10 pursuant to sections 1107 and 1108 of the Bankruptcy Code.

11 Prepetition, and in the initial stages of the bankruptcy case, the Debtor was involved in a
12 significant dispute with the tenant of the Chandler Property (the “Tenant”), which Tenant also
13 owns through acquisition much of the senior secured debt against the Chandler Property, which
14 senior secured debt totals approximately \$9 million. It was the pre-petition efforts of the Tenant
15 to foreclose on the Chandler Property which prompted the Debtor’s bankruptcy filing in the first
16 place. The Tenant is the beneficiary of a contractual Right of First Refusal contained in the
17 Tenant’s lease of the Chandler Property (the “Chandler Lease”). There was no practical way for
18 the Debtor to sell the Chandler Property until the Debtor resolved his extensive disputes with the
19 Tenant – either through settlement or Court order. After exhaustive negotiations that took nearly
20 nine months to finalize, the Debtor and the Tenant were able to resolve all of their differences and
21 enter into a lengthy settlement agreement (the “Tenant Settlement Agreement”), which was
22 approved by the Court at a hearing held on September 11, 2013.

23 In accordance with an order of the Court entered on September 30, 2013, the Debtor
24 retained the well regarded real estate firm of Marcus & Millichap Real Estate Investment Services
25 (“M&M”) as the Debtor’s real estate broker for the purpose of marketing the Chandler Property
26 for sale and working with the Debtor to effectuate a sale closing. M&M embarked upon a wide
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1 ranging and broad marketing process in an effort to find the best buyer of the Chandler Property
2 for the highest price possible.

3 **PLEASE TAKE FURTHER NOTICE** that the executed Buyer LOI is attached as
4 Exhibit “1” to the concurrently filed Declaration of the Debtor. The following is a summary of
5 the most salient terms of the Buyer LOI:¹

6 1. **Non-Binding Nature of the Buyer LOI.** The Debtor and the Buyer understand
7 and agree that the Buyer LOI is not binding on either Party and will not become binding upon
8 either Party unless and until (i) the Buyer submits an “Eligible Sale Offer” (defined below) to the
9 Debtor, and (ii) the “Eligible Sale Offer” submitted by the Buyer to the Debtor has been approved
10 by the Bankruptcy Court. Unless and until both of the foregoing conditions have occurred,
11 neither of the Parties has any obligation to proceed with the Transaction, and either Party may
12 cancel and terminate the Buyer LOI at any time. Notwithstanding the foregoing, both the Debtor
13 and the Buyer agree to work with each other in good faith in an effort to facilitate the Buyer’s due
14 diligence of the Transaction with the expectation that unless Buyer cancel’s or terminates the
15 Buyer LOI on or prior to November 16, 2013, Buyer will present an “Eligible Sale Offer” to the
16 Debtor consistent with the economic terms of the Buyer LOI on or before November 17, 2013.

17 2. **Economic Terms of the Transaction.** The following sets forth the general
18 economic terms of the Transaction:

19 **Purchase Price** - \$14,750,000.

20 **Financing** – The Transaction is not contingent upon the Buyer obtaining financing so any
21 “Eligible Sale Offer” will not contain any financing contingency. The Buyer has proven cash
22 available to it in the amount of the Purchase Price.

23 **Contingency Period** – The Buyer shall have until November 25, 2013 to conduct its due
24 diligence related to the Chandler Property and the Transaction. During this Contingency Period,
25

26 _____
27 ¹ Any capitalized references herein which are not otherwise defined herein but which are defined in the
28 Buyer LOI shall have the same meaning ascribed to such terms in the Buyer LOI.

1 the Debtor will work with Buyer to facilitate any reasonable due diligence desired to be
2 conducted by the Buyer.

3 **Prorations** – Standard Prorations for Single Tenant, Net Leased Transaction. The Buyer shall
4 receive a credit for rents from the day of the Closing until the end of the month in which the
5 Closing takes place.

6 **Close of Escrow** – Escrow shall close on or before thirty (30) calendar days after the later of (i)
7 the date of submission of an “Eligible Sale Offer” by the Buyer to the Debtor (which date of
8 submission must not be later than November 17, 2013); (ii) the date of entry of an order of the
9 Bankruptcy Court approving of the Debtor’s sale of the Chandler Property to the Buyer in
10 accordance with the terms of the Eligible Sale Offer; and (iii) the last day for the Tenant of the
11 Chandler Property to exercise its Right of First Refusal in regards to the “Eligible Sale Offer”
12 submitted by Buyer.

13 **Escrow** – Commerce Escrow, 1545 Wilshire Blvd., #600, Los Angeles, California 90015 c/o
14 Robert Minsky, 213-484-0855 – rminsky@comescrow.com.

15 **Title** – North American Title c/o Debi Kroman, 818-240-4912 – dkroman@nat.com.

16 **Reserve** – any “Eligible Sale Offer” from the Buyer will contain a provision providing for
17 \$1,000,000 of the sales proceeds from the Transaction to be held in trust by Escrow (or a different
18 trust account agreed to by Buyer and the Debtor) for a period of one (1) year following the
19 Closing to be used to offset any rental obligation of the Tenant to the Buyer as the owner of the
20 Chandler Property which is withheld or offset by Tenant pursuant to Section 2.3 of the Lease on
21 account of any pre-commencement liabilities (i.e., liabilities arising as a result of the Debtor’s or
22 the Debtor’s affiliate’s operation of the Facilities at the Chandler Property before the Tenant
23 became the owner and operator of the Facilities). Any funds remaining in the Reserve at the end
24 of such one-year period shall become the sole property of the Debtor. The Buyer understands and
25 recognizes that the Reserve is not intended to protect the Buyer against any disputes which may
26 arise between the Buyer, as the owner of the Chandler Property, and the Tenant on account of or
27 resulting from the Tenant’s operation of the skilled nursing facility or the residential care facility

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1 located on the Chandler Property after the Tenant became the Tenant of the Chandler Property
2 (recognizing that the Debtor is not aware of the existence of any such outstanding disputes).

3 **Buyer's Broker** – None. Nothing contained in the Buyer LOI shall create any obligation on the
4 part of the Buyer or the Debtor to pay any commission to Buyer's broker. Only a written
5 agreement signed by both of the Parties shall create any such obligation of any kind.

6 3. **Eligible Sale Offer**. The Buyer shall have until November 17, 2013 to present the
7 Debtor with an "**Eligible Sale Offer**", which shall mean presenting the Debtor with a definitive
8 written purchase agreement for the Chandler Property (x) with economic terms consistent with
9 those set forth in section 2 of the Buyer LOI, (y) having no Buyer conditions precedent to Closing
10 other than the non-exercise by the Tenant of the Tenant's Right of First Refusal (described more
11 below), the delivery of instruments of conveyance and other customary documents at the Closing,
12 and entry of a free and clear sale order by the Bankruptcy Court approving of the Debtor's sale of
13 the Chandler Property to the Buyer consistent with the economic terms set forth in section 2 of the
14 Buyer LOI ("**Bankruptcy Sale Order**"), except as to the Tenant's existing lease of the Chandler
15 Property (the "**Lease**"), which the Debtor and the Buyer agree shall remain in effect, which
16 contains usual and customary protections for the Buyer, including title insurance, and (z) pursuant
17 to which the Buyer has made an earnest money deposit into a segregated trust account (the "**Trust**
18 **Account**") maintained by the Debtor's bankruptcy counsel, Levene, Neale, Bender, Yoo & Brill
19 L.L.P. ("**LNBYB**") of 10% of the Purchase Price (i.e., \$1,475,000) (the "**Deposit**"), which
20 Deposit shall be non-refundable, pursuant to a liquidated damage clause, if the Debtor is able to
21 deliver the Chandler Property to the Buyer pursuant to the terms of the Eligible Sale Offer,
22 including obtaining entry of the Bankruptcy Sale Order, and the Buyer fails to close. If the Buyer
23 does not present the Debtor with an Eligible Sale Offer consistent with the Buyer LOI by
24 November 17, 2013, including placing the 10% Deposit into the Trust Account by November 17,
25 2013, then the Buyer LOI shall be automatically deemed null and void and the Buyer and the
26 Debtor shall have no further obligation to each other. From the date of the Buyer LOI through
27 November 16, 2013 (unless the Buyer cancels the Buyer LOI prior to November 16, 2013), the
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1 Debtor shall not enter into any letter of intent with any other prospective buyer of the Chandler
2 Property. Any and all obligations of the Debtor to the Buyer shall automatically cease and
3 terminate if the Buyer fails to present an Eligible Sale Offer to the Debtor by November 16, 2013.

4 4. **Bankruptcy Court Approval of the Eligible Sale Offer and Buyer Protections.**

5 At a Bankruptcy Court hearing (the "Sale Hearing") currently scheduled to be held on November
6 27, 2013 (or such later date selected by the Debtor but in no event later than December 31, 2013),
7 the Debtor will request the Bankruptcy Court to approve of the Debtor's sale of the Chandler
8 Property to the Buyer consistent with the economic terms of the Buyer LOI and the Eligible Sale
9 Offer to be presented by the Buyer to the Debtor provided the Buyer presents such an Eligible
10 Sale Offer to the Debtor by November 17, 2013. The effectiveness of the Buyer LOI and the
11 Eligible Sale Offer is expressly subject to the approval of the Eligible Sale Offer by the
12 Bankruptcy Court at the Sale Hearing. If the Eligible Sale Offer is not approved by the
13 Bankruptcy Court at the Sale Hearing, then (i) the Buyer LOI and any Eligible Sale Offer shall be
14 deemed null and void and of no further force or effect, (ii) the Buyer and the Debtor shall have no
15 further obligations to each other, and (iii) the Buyer shall be entitled to the immediate refund of
16 its Deposit from the Trust Account. The Buyer understands and recognizes that the Tenant has a
17 Right of First Refusal pursuant to Section 26.15 of the Lease and that any Bankruptcy Sale Order
18 approving of the Debtor's sale of the Chandler Property to the Buyer pursuant to the terms of the
19 Eligible Sale Offer will be subject to a Right of First Refusal by the Tenant. Pursuant to the terms
20 of the Tenant Settlement Agreement, the Tenant shall have until the later of (i) thirty days after
21 Tenant's receipt of a notice from the Debtor of Buyer having submitted an Eligible Sale Offer to
22 the Debtor, or (ii) fifteen days following the date of entry of the Bankruptcy Sale Order to
23 exercise the Tenant's Right of First Refusal and to purchase the Chandler Property on the same
24 terms as set forth in the Eligible Sale Offer submitted by Buyer to the Debtor by November 17,
25 2013. The Bankruptcy Sale Order shall provide that if the Tenant timely exercises the Tenant's
26 Right of First Refusal, then (i) the Buyer shall be entitled to the immediate refund of its Deposit
27 from the Trust Account, and (ii) the Buyer shall be paid a break-up fee equal to 2.5% of the
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1 Purchase Price (i.e., \$368,750) out of the purchase price paid by the Tenant at the closing of the
2 Debtor's sale of the Chandler Property to the Tenant. The Bankruptcy Sale Order shall further
3 provide that if the Tenant does not timely exercise the Tenant's Right of First Refusal, then
4 LNBYB shall deliver the Deposit to Escrow and the Buyer shall be required to close its purchase
5 of the Chandler Property by the Close of Escrow date described in paragraph 2 of the Buyer LOI
6 or be deemed to have forfeited the Deposit to the Debtor as the Debtor's liquidated damages.

7 5. **Communication Between the Buyer and Tenant.** Neither the Buyer nor any
8 owner, principal or affiliate of Buyer, nor any person or professional acting on Buyer's behalf or
9 at Buyer's request (a "Buyer Related Party") may knowingly have any contact or communication
10 whatsoever prior to the Closing with the Tenant or with any owner, principal or affiliate of the
11 Tenant or any person or professional acting on the Tenant's behalf (a "Tenant Related Party")
12 without the prior written consent of the Debtor. If any Tenant Related Party contacts or attempts
13 to contact any Buyer Related Party, the Buyer Related Party shall tell the Tenant Related Party
14 that they are not permitted to speak with any Tenant Related Party without the prior written
15 consent of the Debtor.

16 **PLEASE TAKE FURTHER NOTICE** that, the sale will be free and clear of liens,
17 claims, and interests. As was previously described by the Debtor in the Debtor's motion to
18 approve the Tenant Settlement Agreement, which was approved by the Court at a hearing held on
19 September 11, 2013, there are a total of eleven known liens which are or were asserted against the
20 Chandler Property as follows:

21 1. Of the five most senior liens, the four large ones are what comprise the Tenant
22 Secured Debt, which is owed to affiliates of the Tenant who bought this secured debt from the
23 original debt holders and which the parties agreed in the Tenant Settlement Agreement equates to
24 a total of \$8,514,603.04.

25 2. The other lien included within the five most senior liens (which comprises the third
26 priority lien) is a judgment lien in favor of Mizrahi Tefahot Bank, which has asserted a claim in
27 the amount of \$48,836.72 in a filed proof of claim. However, this lien also constituted a lien
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1 against a residential property in Hancock Park (previously referred to in this case as the June
2 Street Property) which was previously owned by the Debtor and sold pursuant to an order of this
3 Court. In connection with that sale closing, this lien was paid in full and is no longer owing by
4 the Debtor.

5 3. Far East National Bank is the beneficiary of a sixth priority lien against the
6 Chandler Property arising from a judgment lien and has asserted a disputed secured claim in the
7 amount of \$440,552.61. This lien is also recorded against the Debtor's other properties.

8 4. The Internal Revenue Service is the beneficiary of a seventh priority lien against
9 the Chandler Property arising from an asserted tax lien in the amount of \$1,227,276.33 per a filed
10 proof of claim. This lien is also recorded against the Debtor's other properties.

11 5. Comerica Bank is the beneficiary of an eighth priority lien against the Chandler
12 Property arising from a judgment lien and has asserted a claim in the amount of \$545,280 per the
13 Debtor's bankruptcy schedules. This lien is also recorded against the Debtor's other properties.

14 6. Los Angeles County is the beneficiary of a ninth priority lien (by order of
15 recording date) against the Chandler Property arising from an asserted tax lien in the amount of
16 \$5,019.45 per a filed proof of claim. This lien is also recorded against the Debtor's other
17 properties.

18 7. Mission Valley Bank is the beneficiary of a tenth priority lien against the Chandler
19 Property arising from a judgment lien and has asserted a claim in the amount of \$470,620 per the
20 Debtor's bankruptcy schedules. This lien is also recorded against the Debtor's other properties.

21 8. Finally, Tri-State Surgical is the beneficiary of an eleventh priority lien against the
22 Chandler Property. However, in accordance with the terms of the Tenant Settlement Agreement
23 and a separate settlement agreement that was negotiated by the Tenant with Tri-State Surgical,
24 this lien was paid in full by the Tenant following this Court's approval of the Tenant Settlement
25 Agreement and then deducted from the settlement amount which was subsequently paid by the
26 Tenant to the Debtor.

1 Based upon the foregoing, there are a total of approximately \$11,203,350 of liens asserted
2 against the Chandler Property.

3 **PLEASE TAKE FURTHER NOTICE** that, higher and better bids for the sale are
4 possible, but due to the challenges of the Tenant's Right of First Refusal and the Tenant
5 Settlement Agreement, the Debtor has already agreed with the Buyer not to seek any higher
6 purchase price for the Chandler Property unless and until the Buyer fails to present the Debtor
7 with a timely "Eligible Sale Offer" in accordance with the terms of the Buyer LOI.

8 The Buyer's address is care of its counsel, Friedman Law Group, P.C., 1900 Avenue of
9 the Stars, 11th Floor, Los Angeles, CA 90067, attention J. Bennet Friedman, Esq.

10 In accordance with the M&M employment application and Court order thereon, M&M
11 will be paid its commission from the sale proceeds without the need for a fee application, and the
12 total commission shall be \$175,000 plus 25% of the extent to which the purchase price is greater
13 than \$13,500,000 (which is calculated to be \$312,000), for a total commission of \$487,000.

14 After payment of the break-up fee and M&M's commission the Debtor expects the estate
15 to receive approximately \$13,887,500 in sale proceeds before payment of the secured debt
16 described above.

17 **PLEASE TAKE FURTHER NOTICE** that parties wishing to receive a complete copy
18 of the Motion, memorandum of points and authorities, declarations of Sanford Deutsch and
19 Martin Cohan, the Buyer LOI attached as Exhibit "1" to the declaration of Sanford Deutsch, and
20 other exhibits to the declarations, may do so by sending a written request to Debtor's counsel,
21 Levene, Neale, Bender, Yoo & Brill L.L.P, attention J.P. Fritz, Esq., 10250 Constellation Blvd.,
22 Suite 1700, Los Angeles, CA 90067; facsimile number 310-229-1244, email
23 JPF@LNBYB.COM.

24 **PLEASE TAKE FURTHER NOTICE** that, pursuant to Local Rule 9013-1(f) any
25 response or opposition to the Motion must be made in writing and filed with the Court and served
26 on the United States Trustee and counsel for the Debtor by no later than 14 days prior to the date
27 of the hearing on the Motion.

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EXHIBIT "2"

NON-BINDING LETTER OF INTENT

This Non-Binding Letter of Intent ("**LOI**") is hereby entered into on this 6th day of November, 2013 by and between Sanford Deutsch ("**SD**") on behalf of himself and The Deutsch Family Trust, dated December 18, 1996 ("**Seller**"), and Peak Holdings, LLC, or its assignee ("**Buyer**") with reference to the following (each party herein shall be singularly referred to as a "**Party**" and all parties herein shall be collectively referred to as the "**Parties**"):

A. SD is the Debtor and Debtor-In-Possession in a pending chapter 11 bankruptcy case (the "**Bankruptcy Case**"), which SD commenced on November 14, 2012 with the filing of a voluntary petition under chapter 11 of the Bankruptcy Code. The Bankruptcy Case is pending before the United States Bankruptcy Court, Central District of California, San Fernando Valley Division (the "**Bankruptcy Court**").

B. SD is the owner of the real property located at 5335 Laurel Canyon Boulevard, North Hollywood, CA 91607, with the Assessor's Parcel Number being 2347-017-04, at which a skilled nursing facility commonly known as Chandler Convalescent Hospital is located and the real property located at 12120 Chandler Boulevard, North Hollywood, CA 91607 at which a residential care facility for the elderly is located (collectively, the "**Chandler Property**").

C. Subject to the completion of Buyer's due diligence, Buyer desires to purchase the Chandler Property from Seller, and Seller desires to sell the Chandler Property to Buyer under the terms and conditions contained in this LOI.

NOW, THEREFORE, Seller and Buyer hereby enter into this non-binding LOI which sets forth the terms and conditions under which Seller will sell the Chandler Property to Buyer, and Buyer will purchase the Chandler Property from Seller (the "**Transaction**").

1. **Non-Binding Nature of this LOI.** Seller and Buyer understand and agree that this LOI is not binding on either Party and will not become binding upon either Party unless and until (i) Buyer submits an "Eligible Sale Offer" (defined below) to Seller, and (ii) the "Eligible Sale Offer" submitted by Buyer to Seller has been approved by the Bankruptcy Court. Unless and until both of the foregoing conditions have occurred, neither of the Parties has any obligation to proceed with the Transaction, and either Party may cancel and terminate this LOI at any time. Notwithstanding the foregoing, both Seller and Buyer agree to work with each other in good faith in an

effort to facilitate Buyer's due diligence of the Transaction with the expectation that unless Buyer cancel's or terminates this LOI on or prior to November 16, 2013, Buyer will present an "Eligible Sale Offer" to Seller consistent with the economic terms of this LOI on or before November 17, 2013.

2. **Economic Terms of the Transaction.** The following sets forth the general economic terms of the Transaction:

Purchase Price - \$14,750,000.

Financing - The Transaction is not contingent upon Buyer obtaining financing so any "Eligible Sale Offer" will not contain any financing contingency. Buyer has proven cash available to it in the amount of the Purchase Price.

Contingency Period - Buyer shall have until November 25, 2013 to conduct its due diligence related to the Chandler Property and the Transaction. During this Contingency Period, Seller will work with Buyer to facilitate any reasonable due diligence desired to be conducted by Buyer, including the delivery of all documents and information requested by Buyer during this Contingency Period. Buyer may, in its sole and absolute discretion, terminate this LOI on or before November 25, 2013.

Prorations - Standard Prorations for Single Tenant, Net Leased Transaction. Buyer shall receive a credit for rents from the day of the Closing until the end of the month in which the Closing takes place.

Close of Escrow - Escrow shall close on or before thirty (30) calendar days after the later of (i) the date of submission of an "Eligible Sale Offer" by Buyer to Seller (which date of submission must not be later than November 17, 2013); (ii) the date of entry of an order of the Bankruptcy Court approving of Seller's sale of the Chandler Property to Buyer in accordance with the terms of the Eligible Sale Offer; and (iii) the last day for the Tenant of the Chandler Property to exercise its Right of First Refusal in regards to the "Eligible Sale Offer" submitted by Buyer.

Escrow - Commerce Escrow, 1545 Wilshire Blvd., #600, Los Angeles, California 90015 c/o Robert Minsky, 213-484-0855 - rminsky@comescrow.com.

Title - North American Title c/o Debi Kroman, 818-240-4912 - dkroman@nat.com.

Reserve – any “Eligible Sale Offer” from Buyer will contain a provision providing for \$1,000,000 of the sales proceeds from the Transaction to be held in trust by Escrow (or a different trust account agreed to by Buyer and Seller) for a period of one (1) year following the Closing to be used by Buyer, in its sole and absolute discretion and direction, to offset any rental obligation of the Tenant to Buyer as the owner of the Chandler Property which is withheld or offset by Tenant pursuant to Section 2.3 of the Lease on account of any pre-commencement liabilities (i.e., liabilities arising as a result of Seller’s or Seller’s affiliate’s operation of the Facilities at the Chandler Property before the Tenant became the owner and operator of the Facilities). Any funds remaining in the Reserve at the end of such one-year period shall become the sole property of Seller. Buyer understands and recognizes that the Reserve is not intended to protect Buyer against any disputes which may arise between Buyer, as the owner of the Chandler Property, and the Tenant on account of or resulting from the Tenant’s operation of the skilled nursing facility or the residential care facility located on the Chandler Property after the Bankruptcy Sale Order becomes final (recognizing that Seller is not aware of the existence of any such outstanding disputes).

Buyer’s Broker – None. Nothing contained herein shall create any obligation on the part of Buyer or Seller to pay any commission to Buyer’s broker. Only a written agreement signed by both of the Parties shall create any such obligation of any kind.

3. **Eligible Sale Offer.** Buyer shall have until November 17, 2013 to present Seller with an “**Eligible Sale Offer**”, which shall mean presenting Seller with a definitive written purchase agreement for the Chandler Property (x) with economic terms consistent with those set forth in section 2 above, (y) having no Buyer conditions precedent to Closing other than (1) the non-exercise by the existing tenant of the Chandler Property (the “**Tenant**”) of the Tenant’s Right of First Refusal (described more below), (2) the delivery of instruments of conveyance and other customary documents at the Closing, (3) the entry of a final, non-appealable 363 sale order by the Bankruptcy Court approving of Seller’s sale of the Chandler Property to Buyer free and clear of all liens, claims and encumbrances, consistent with the economic terms set forth in section 2 above (“**Bankruptcy Sale Order**”) and containing a finding under section 363(m), except as to the Tenant’s existing lease of the Chandler Property (the “**Lease**”), which Seller and Buyer agree shall remain in effect, which contains usual and customary protections for Buyer, including title insurance, and (z) pursuant to which Buyer has made an earnest money deposit into a segregated trust account (the “**Trust Account**”) maintained by Seller’s bankruptcy counsel, Levene, Neale, Bender, Yoo & Brill L.L.P. (“**LNBYB**”) of 10% of the Purchase Price

(i.e., \$1,475,000) (the "**Deposit**"), which Deposit shall be non-refundable, pursuant to a liquidated damage clause, if Seller is able to deliver the Chandler Property to Buyer pursuant to the terms of the Eligible Sale Offer, including obtaining entry of the Bankruptcy Sale Order, and Buyer fails to close. If Buyer does not present Seller with an Eligible Sale Offer consistent with this LOI by November 17, 2013, including placing the 10% Deposit into the Trust Account by November 17, 2013, then this LOI shall be automatically deemed null and void and Buyer and Seller shall have no further obligation to each other. From the date of this LOI through November 16, 2013 (unless Buyer cancels this LOI prior to November 16, 2013), Seller shall not enter into any letter of intent with any other prospective buyer of the Chandler Property. Any and all obligations of Seller to Buyer shall automatically cease and terminate if Buyer fails to present an Eligible Sale Offer to Seller by November 17, 2013.

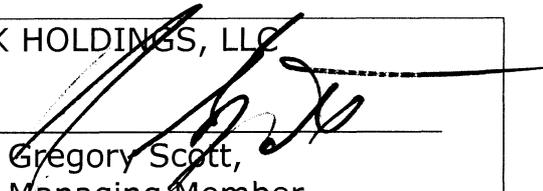
4. **Bankruptcy Court Approval of the Eligible Sale Offer and Buyer Protections.** At a Bankruptcy Court hearing (the "**Sale Hearing**") currently scheduled to be held on November 27, 2013 (or such later date selected by Seller but in no event later than December 31, 2013), Seller will request the Bankruptcy Court to approve of Seller's sale of the Chandler Property to Buyer consistent with the economic terms of this LOI and the Eligible Sale Offer to be presented by Buyer to Seller provided Buyer presents such an Eligible Sale Offer to Seller by November 17, 2013. The effectiveness of this LOI and the Eligible Sale Offer is expressly subject to the approval of the Eligible Sale Offer by the Bankruptcy Court at the Sale Hearing. If the Eligible Sale Offer is not approved by the Bankruptcy Court at the Sale Hearing, then (i) this LOI and any Eligible Sale Offer shall be deemed null and void and of no further force or effect, (ii) Buyer and Seller shall have no further obligations to each other, and (iii) Buyer shall be entitled to the immediate refund of its Deposit from the Trust Account. Buyer understands and recognizes that the Tenant has a Right of First Refusal pursuant to Section 26.15 of the Lease and that any Bankruptcy Sale Order approving of Seller's sale of the Chandler Property to Buyer pursuant to the terms of the Eligible Sale Offer will be subject to a Right of First Refusal by the Tenant. The Tenant shall have until the later of (i) thirty days after Tenant's receipt of a notice from Seller of Buyer having submitted an Eligible Sale Offer to Seller, or (ii) fifteen days following the date of entry of the Bankruptcy Sale Order to exercise the Tenant's Right of First Refusal and to purchase the Chandler Property on the same terms as set forth in the Eligible Sale Offer submitted by Buyer to Seller by November 17, 2013. The Bankruptcy Sale Order shall provide that if the Tenant timely exercises the Tenant's Right of First Refusal, then (i) Buyer shall be entitled to the immediate refund of its Deposit from the Trust Account, and (ii) Buyer shall be paid a break-up fee equal to 2.5% of the Purchase Price (i.e., \$368,750)

out of the purchase price paid by the Tenant at the closing of Seller's sale of the Chandler Property to the Tenant. The Bankruptcy Sale Order shall further provide that if the Tenant does not timely exercise the Tenant's Right of First Refusal, then LNBYB shall deliver the Deposit to Escrow and Buyer shall be required to close its purchase of the Chandler Property by the Close of Escrow date described in paragraph 2 above or be deemed to have forfeited the Deposit to Seller as Seller's liquidated damages.

5. **Communication Between Buyer and Tenant.** Neither Buyer nor any owner, principal or affiliate of Buyer, nor any person or professional acting on Buyer's behalf or at Buyer's request (a "**Buyer Related Party**") may knowingly have any contact or communication whatsoever prior to the Closing with Tenant or with any owner, principal or affiliate of Tenant or any person or professional acting on Tenant's behalf (a "**Tenant Related Party**") without the prior written consent of Seller. If any Tenant Related Party contacts or attempts to contact any Buyer Related Party, the Buyer Related Party shall tell the Tenant Related Party that they are not permitted to speak with any Tenant Related Party without the prior written consent of Seller.

6. **Counterpart Signatures.** This LOI may be executed in one or more counterparts, each of which shall be deemed an original, but all of which, together, shall constitute one and the same instrument. Facsimile or electronically transmitted signatures to this LOI shall be deemed to have the same force and effect as original signatures.

IN WITNESS WHEREOF, this LOI has been executed by the undersigned as of the date first above written.

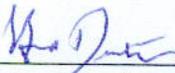
<p>SANFORD DEUTSCH</p> <p>By _____ Sanford Deutsch, an Individual</p>	<p>PEAK HOLDINGS, LLC</p> <p>By:  _____ Gregory Scott, Managing Member</p>
<p>_____ Sanford Deutsch as Trustee of the Deutsch Family Trust dated December 18, 1996</p>	

out of the purchase price paid by the Tenant at the closing of Seller's sale of the Chandler Property to the Tenant. The Bankruptcy Sale Order shall further provide that if the Tenant does not timely exercise the Tenant's Right of First Refusal, then LNBYB shall deliver the Deposit to Escrow and Buyer shall be required to close its purchase of the Chandler Property by the Close of Escrow date described in paragraph 2 above or be deemed to have forfeited the Deposit to Seller as Seller's liquidated damages.

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IN WITNESS WHEREOF, this LOI has been executed by the undersigned as of the date first above written.

SANFORD DEUTSCH By <u></u> Sanford Deutsch, an Individual	PEAK HOLDINGS, LLC By: _____ Gregory Scott, Managing Member
<u></u> Sanford Deutsch as Trustee of the Deutsch Family Trust dated December 18, 1996	

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:
10250 Constellation Boulevard, Suite 1700, Los Angeles, California 90067

A true and correct copy of the foregoing document entitled (*specify*): **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*) **November 6, 2013**, 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*) **November 6, 2013**, 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*) **November 6, 2013**, 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
Hon. Alan Ahart
U.S. Bankruptcy Court
21041 Burbank Blvd., Ctrm 303
Woodland Hills, CA 91367

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.

November 6, 2013
Date

Lourdes Cruz
Printed Name

/s/ Lourdes Cruz
Signature

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF):

Ron Bender on behalf of Debtor Sanford Deutsch
rb@Inbyb.com

Steve Burnell on behalf of Creditor JPMORGAN CHASE BANK, N.A.
sburnell@frankel-tennant.com

Irwin Chasalow on behalf of Debtor Sanford Deutsch
chipchaz@aol.com

Alan J Cohen on behalf of Interested Party Courtesy NEF
acohen@cohenlawla.com

Leslie A Cohen on behalf of Creditor Ethan Christopher LLC
leslie@lesliecohenlaw.com, jaime@lesliecohenlaw.com;Brian@lesliecohenlaw.com

Leslie A Cohen on behalf of Interested Party Courtesy NEF
leslie@lesliecohenlaw.com, jaime@lesliecohenlaw.com;Brian@lesliecohenlaw.com

Christopher D Crowell on behalf of Interested Party Courtesy NEF
ccrowell@frandzel.com, efiling@frandzel.com;shom@frandzel.com

Joseph A Eisenberg on behalf of Interested Party Courtesy NEF
jae@jmbm.com, vr@jmbm.com;tgeher@jmbm.com;bt@jmbm.com;as5@jmbm.com

Lisa Hill Fenning on behalf of Creditor Mizrahi Tefahot Bank, Ltd.
Lisa.Fenning@aporter.com, Jean.Kellett@aporter.com

Mark C Fields on behalf of Creditor Sam and Margarita Weiss
fields@markfieldslaw.com

Jessica E Flynn on behalf of Creditor NISSAN-INFINITI LT.
jflynnc@vandc.net

Anthony A Friedman on behalf of Debtor Sanford Deutsch
aaf@Inbyb.com

Anthony A Friedman on behalf of Interested Party Courtesy NEF
aaf@Inbyb.com

John-patrick M Fritz on behalf of Debtor Sanford Deutsch
jpf@Inbrb.com

Dolores Garcia on behalf of Creditor PRA Receivables Management, LLC
dgarcia@portfoliorecovery.com

Thomas M Geher on behalf of Interested Party Courtesy NEF
tmg@jmbm.com, we1@jmbm.com;fc3@jmbm.com

Michelle S Grimberg on behalf of Interested Party Courtesy NEF
msg@Inbrb.com, angela@Inbrb.com

David S Hagen on behalf of Creditor Tri-State Surgical Supplies, Inc.
go4broq@earthlink.net

Asa S Hami on behalf of Creditor Committee Official Committee Of Unsecured Creditors
ahami@sulmeyerlaw.com

Asa S Hami on behalf of Interested Party Courtesy NEF
ahami@sulmeyerlaw.com

Harry D. Hochman on behalf of Interested Party Courtesy NEF
hhochman@pszjlaw.com, hhochman@pszjlaw.com

Lawrence M Jacobson on behalf of Attorney Glickfeld, Fields & Jacobson
lmj@gfjlawfirm.com

Elizabeth Jiang on behalf of Creditor Committee Official Committee Of Unsecured Creditors
ejiang@sulmeyerlaw.com, elizabeth.z.jiang@gmail.com, ppenn@sulmeyerlaw.com

Alan J Kornfeld on behalf of Interested Party Courtesy NEF
akornfeld@pszjlaw.com, akornfeld@pszjlaw.com

John P Kreis on behalf of Creditor Nelson & Nelson, APC
jkreis@kreislaw.com, j.kreis@ca.rr.com

John P Kreis on behalf of Interested Party JOHN P KREIS
jkreis@kreislaw.com, j.kreis@ca.rr.com

John P Kreis on behalf of Plaintiff Nelson & Nelson, APC
jkreis@kreislaw.com, j.kreis@ca.rr.com

Jeffrey A Krieger on behalf of Interested Party Courtesy NEF
jkrieger@ggfirm.com,
kwoodson@greenbergglusker.com;calendar@greenbergglusker.com;pporooshani@greenbergglusker.com

David S Kupetz on behalf of Interested Party Courtesy NEF
dkupetz@sulmeyerlaw.com, dperez@sulmeyerlaw.com

Lewis R Landau on behalf of Creditor Ellen Copeland
LLandau@HorganRosen.com

Lewis R Landau on behalf of Creditor William Kelly, Trustee
LLandau@HorganRosen.com

Lewis R Landau on behalf of Interested Party Courtesy NEF
LLandau@HorganRosen.com

Lewis R Landau on behalf of Interested Party Ellen Copeland
LLandau@HorganRosen.com

Lewis R Landau on behalf of Plaintiff Ellen Copeland
LLandau@HorganRosen.com

Lewis R Landau on behalf of Plaintiff William Kelly, Trustee
LLandau@HorganRosen.com

Mary D Lane on behalf of Interested Party Courtesy NEF
mal@msk.com, mec@msk.com

Ann G Lee on behalf of Creditor Verdugo Plaza Pharmacy, Inc.
alee@grahamvaagelaw.com

This form is mandatory. It has been approved for use by the United States Bankruptcy Court for the Central District of California.

Ann G Lee on behalf of Plaintiff Verdugo Plaza Pharmacy, Inc.
alee@grahamvaagelaw.com

Seth H Lieberman on behalf of Interested Party Courtesy NEF
slieberman@pryorcashman.com

Elissa Miller on behalf of Creditor Committee Official Committee Of Unsecured Creditors
emiller@sulmeyerlaw.com, asokolowski@sulmeyerlaw.com;atty_walker@bluestylus.com

Elissa Miller on behalf of Interested Party Courtesy NEF
emiller@sulmeyerlaw.com, asokolowski@sulmeyerlaw.com;atty_walker@bluestylus.com

Byron Z Moldo on behalf of Interested Party Courtesy NEF
bmoldo@ecjlaw.com, lpekru@ecjlaw.com

Tom Roddy Normandin on behalf of Interested Party Courtesy NEF
tnormandin@pnbd.com, nwong@pnbd.com

Kelly M Raftery on behalf of Creditor Nationstar Mortgage LLC, its assignees and/or successors
bknotice@mccarthyholthus.com

Cassandra J Richey on behalf of Interested Party Courtesy NEF
cmartin@pralc.com

S Margaux Ross on behalf of U.S. Trustee United States Trustee (SV)
margaux.ross@usdoj.gov

Jaime K Shean on behalf of Creditor Far East National Bank
efilings@amlegalgroup.com

Douglas G Tennant on behalf of Creditor JPMORGAN CHASE BANK, N.A.
dtennant@frankel-tennant.com

Douglas G Tennant on behalf of Creditor JPMorgan Chase Bank, N.A., its successors and/or assigns
dtennant@frankel-tennant.com

Eric J Testan on behalf of Creditor JPMORGAN CHASE BANK, N.A.
etestan@frankel-tennant.com

Michael D Testan on behalf of Creditor JPMORGAN CHASE BANK, N.A.
mtestan@frankel-tennant.com

United States Trustee (SV)
ustpreion16.wh.ecf@usdoj.gov

Susan L Vaage on behalf of Creditor VPP LLC
svaage@grahamvaagelaw.com

Michael D Vanlochem on behalf of Creditor NISSAN-INFINITI LT.
janguiano@vandc.net

Craig A Welin on behalf of Interested Party Courtesy NEF
cwelin@frandzel.com, efiling@frandzel.com;bwilson@frandzel.com