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6 Reorganized Debtor

7
8 **UNITED STATES BANKRUPTCY COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA**
10 **RIVERSIDE DIVISION**

11
12 In re

13 S.J. MEDICAL LLC,
14 a California Limited Liability Company,

15 Reorganized Debtor

Case No. 6:13-bk-25500 SC
Chapter 11 Case

MOTION FOR ENTRY OF ORDER:
(1) AUTHORIZING THE SALE OF REAL AND PERSONAL PROPERTY OF THE REORGANIZED DEBTOR FREE AND CLEAR OF LIENS, CLAIMS, ENCUMBRANCES AND INTERESTS;
(2) AUTHORIZING THE ASSIGNMENT OF UNEXPIRED REAL PROPERTY LEASES;
(3) AUTHORIZING THE PAYMENT OF CLAIMS PURSUANT TO THE PLAN;
(4) WAIVING 14-DAY STAY IMPOSED BY FRBP 6004(h); FRBP 6006(d); AND
(5) GRANTING RELATED RELIEF;

MEMORANDUM OF POINTS AND AUTHORITIES AND DECLARATIONS OF RICHARD ANTHONY AND PAMELA J. ZYLSTRA IN SUPPORT

21
22
23
24 Date: February 14, 2017
Time: 1:30 p.m.
25 Place: Video Hearing Courtroom 126
United States Bankruptcy Court
3420 Twelfth Street
26 Riverside, California 92501
27
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1 **TO THE HONORABLE SCOTT C. CLARKSON, UNITED STATES BANKRUPTCY**
2 **JUDGE; THE OFFICE OF THE UNITED STATES TRUSTEE; CREDITORS AND**
3 **THEIR ATTORNEYS, AND INTERESTED PARTIES:**

4 SJ Medical LLC, a California Limited Liability Company, (the “Reorganized Debtor”)
5 submits this Motion For Entry of Order: (A) Authorizing the Sale of Real and Personal Property
6 of the Reorganized Debtor Free and Clear of Liens, Claims, Encumbrances and Interests;
7 (B) Authorizing the Assignment of Real Property Leases; (C) Authorizing Distribution of Sale
8 Proceeds; (D) Waiving 14-Day Stay Imposed by FRBP 6004(h) and FRBP 6006(d); And
9 (E) Granting Related Relief (the “Motion”).

10 The assets to be sold are certain improved commercial real property commonly known as
11 1695 San Jacinto Ave., San Jacinto California 92583-5103 and certain personal property
12 consisting of office furniture (collectively the “Property”). The terms of the proposed sale are set
13 forth in the Standard Offer, Agreement and Escrow Instructions For Purchase of Real Property,
14 including the Revised Addendum, dated as of December 21, 2016, between the Reorganized
15 Debtor and Alfred and Barbara Santos Trust, dated February 12, 1979 (the “Buyer”)
16 (collectively, the “Agreement”). A true and correct copy of the Agreement is attached to the
17 appended Declaration of Richard Anthony (the “Anthony Declaration”) as Exhibit 1.

18 The proposed sale is subject to higher and better bids, as may be determined by the
19 Bankruptcy Court at the hearing on this Motion. The Court entered the Order Establishing
20 Bidding Procedures For Sale Of Real And Personal Property Of The Reorganized Debtor And
21 Setting Hearing For Motion For Order Authorizing Sale And Auction (the “Sale Procedures
22 Order”) on December 30, 2016 as ECF Docket No. 251. A true and correct copy of the Sale
23 Procedures Order is attached as Exhibit 2 to the Declaration of Pamela J. Zylstra (the “Zylstra
24 Declaration”). The approved procedures for the auction sale and bidding are attached to the Sale
25 Procedures Order as Exhibit 1. The proposed form of order granting the relief requested by the
26 Motion is attached as Exhibit 5 to the Zylstra Declaration.

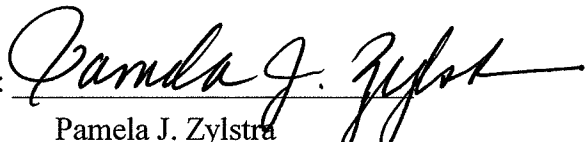
1 The sale will be free and clear of liens, claims, encumbrances and interests under
2 Sections 105 and 363 of the Bankruptcy Code and includes the assignment of certain leases of
3 the Property that were assumed pursuant to the Plan confirmed by the Court by order entered on
4 March 20, 2015.

5 By the Motion, the Reorganized Debtor requests that the Court enter an order granting to
6 the Reorganized Debtor the following relief:

- 7 1. Granting the Motion and such other relief as may be appropriate in this case;
- 8 2. Finding that the notice of the Motion was adequate and satisfied the requirements
9 of Federal and Local Bankruptcy Rules including LBR 6004-1;
- 10 3. Finding that the Buyer is a good faith purchaser for value and entitled to the
11 protections of Section 363(m);
- 12 4. Authorizing the Debtor to distribute the sale proceeds as requested;
- 13 5. Authorizing the assignment to the Buyer of the leases assumed pursuant to the
14 terms of the Plan;
- 15 6. Waiving the 14-day stay of an order authorizing the sale of property imposed by
16 Rule 6004(h) and of an order authorizing the assignment of unexpired leases
17 imposed by Rule 6006(d) of the Federal Rules of Bankruptcy Procedure; and
- 18 7. Granting related relief required to effectuate the sale of the Property and the
19 assignment of the Assumed Leases.

20 DATED: January 17, 2017

PAMELA JAN ZYLSTRA
A PROFESSIONAL CORPORATION

21
22 By: 
23 Pamela J. Zylstra
24 Attorneys for Reorganized Debtor, S.J. Medical,
25 LLC, a California Limited Liability Company
26
27
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1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 **I.**

3 **JURISDICTION AND VENUE**

4 The Court has jurisdiction over this matter pursuant to 28 U.S. C. §§ 157 and 1334. This
5 matter relates to the sale of property and the assignment of leases of property of the Reorganized
6 Debtor and, is, accordingly, a core proceeding pursuant to 28 U.S.C. §§ 157(2)(A), (M), and (O).
7 Venue of this case is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory
8 predicates for the relief requested in this Motion are Sections 105, 363 and 365 of the United
9 States Code (the “Bankruptcy Code”), and Rules 6004 and 6006 of the Federal Rules of
10 Bankruptcy Procedure.

11 By the Motion, the Reorganized Debtor requests entry of an order authorizing the sale of
12 substantially all the assets of the estate consisting of certain commercial real property, including
13 certain personal property identified as office furniture, the assignment of certain assumed leases,
14 and issuance of findings of fact related to that relief. The proposed sale will be free and clear of
15 liens, claims, encumbrances and interests. The proposed sale is subject to overbids pursuant to
16 the terms set by order of this Court.

17 **II.**

18 **STATEMENT OF FACTS**

19 The Reorganized Debtor owns improved commercial real estate in San Jacinto,
20 California. The real property consists of approximately .60 acres located at 1695 San Jacinto
21 Avenue, San Jacinto, California 92583-5103, APN 439-112-028 (the “Property”). The
22 Reorganized Debtor purchased the Property as vacant land and developed an approximately
23 28,124 square foot 2-story medical office building on the site with 18 medical office suites for
24 lease. The current occupancy rate for the Property is approximately 92%.

25 PFF Bank & Trust provided the financing for development of the Property. During the
26 financial crisis of 2008 to 2009, the Federal Deposit Insurance Corporation was appointed as the
27 receiver for PFF Bank & Trust. As of approximately April 2009, U.S. Bank National
28

1 Association (“U.S. Bank, N.A.”) was the successor in interest to the FDIC as receiver for PFF
2 Bank & Trust. The construction loan for development of the Property matured in 2012. The
3 Reorganized Debtor negotiated with U.S. Bank as well as other lenders to obtain permanent
4 financing to pay off the construction loan. All efforts to obtain financing were unsuccessful
5 primarily because of the credit history of Robert E. Osborne, Sr., a member of the Reorganized
6 Debtor. The Reorganized Debtor filed a voluntary Chapter 11 petition on September 16, 2013, to
7 stop the foreclosure sale scheduled by U.S. Bank.

8 On November 20, 2014, the Reorganized Debtor filed the Debtor’s Chapter 11
9 Liquidation Plan Dated November 20, 2014 as ECF Docket No. 175 (the “Plan”). The Plan
10 provides for the sale of the Property and the distribution of the sale proceeds to pay all “Allowed
11 Claims” as defined by the Plan. On March 20, 2015, the Order Confirming the Plan was entered
12 by the Bankruptcy Court as ECF Docket No. 223. The Reorganized Debtor proposes to sell the
13 Property to implement the terms of the Plan.

14 A. Terms of Sale of the Property.

15 On or about November 28, 2016, the Reorganized Debtor received the Standard Offer.
16 Agreement and Escrow Instructions For Purchase of Real Property from the Alfred and Barbara
17 Santos Trust dated February 12, 1979 (the “Buyer”) to purchase the Property for \$5,400,000.00.
18 Thereafter, the Reorganized Debtor and the Buyer engaged in negotiations regarding the terms
19 and conditions for the proposed sale, including the bidding procedures, overbid protection and
20 breakup fee for the sale. On December 14, 2016, the Reorganized Debtor and the Buyer
21 executed the Standard Offer, Agreement and Escrow Instructions For Purchase of Real Property,
22 including the Addendum thereto, (collectively, the “Agreement”). A true and correct copy of the
23 Agreement is attached as Exhibit 1 to the appended Anthony Declaration.

24 The Reorganized Debtor determined it was in the best interests of all creditors and the
25 estate to enter into the Agreement for the sale of the Property free and clear of liens, claims and
26 interests. Subject to the specific terms of the Agreement, the terms are summarized as follows:
27
28

1 1. Property. The sale of the Property represents a sale of substantially all the assets
2 of the estate as contemplated by the Plan. The sale includes the personal property of the
3 estate located at Suite G of the Property. See, Personal Property Inventory appended to
4 Agreement.

5 2. Leases. The sale of the Property includes the assignment of each lease of one or
6 more suites of the Property. A list of all the leases of the Property, including the original
7 lease date, lease extension date, and name and address of each tenant is attached as
8 Exhibit 3 to the appended Anthony Declaration.

9 3. No Contingencies. Subject only to obtaining Bankruptcy Court approval of the
10 sale, the Buyer acknowledges that there are no contingencies to the closing of the sale of
11 the Property under the Agreement.

12 4. No Broker Commissions. The Debtor is not represented by a real estate broker.
13 The Seller will pay directly to its real estate broker any commission for the sale and
14 purchase of the Property. No real estate broker's commission will be paid through the
15 escrow established for the sale of the Property.

16 5. Purchase Price. The purchase price of \$5,400,000.00 is to be paid by the Buyer to
17 Reorganized Debtor as follows:

18 a. Good Faith Deposit: The Buyer provided Reorganized Debtor with a good
19 faith deposit in the amount of One Hundred Thousand Dollars
20 (\$100,000.00) (the "Good Faith Deposit"). The Good Faith Deposit was
21 deposited in the client trust account of counsel for the Reorganized Debtor
22 until the sale of the Property is approved by the Bankruptcy Court.

23 b. Cash at Closing: Buyer will pay Reorganized Debtor Five Million Three
24 Hundred Thousand Dollars (\$5,300,00.00) at the Closing.

25 6. Free and Clear of Liens. The sale will be free and clear of all liens, claims and
26 encumbrances, as defined by the Agreement.

1 7. “AS IS” Sale. The sale of the Property is “AS IS” without any warranties,
2 expressed or implied, being given by the Reorganized Debtor

3 8. Bankruptcy Court Approval. The sale is subject to entry of an order by the U.S.
4 Bankruptcy Court authorizing the Reorganized Debtor to sell the Property.

5 9. Overbidding/Auction. The sale is subject to higher and better bids submitted at
6 the auction to be held concurrently with the hearing to approve the proposed sale of the
7 Property.

8 10. Bidding Procedures. The Agreement provides for specified bidding procedures
9 and bid protection provisions (the “Sale Procedures”). A copy of the Order Establishing
10 Bidding Procedures for Sale of Real and Personal Property of the Reorganized Debtor is
11 attached to the appended Zylstra Declaration as Exhibit 2. A copy of the Sale Procedures
12 is attached as an exhibit to the Sale Order and are summarized below.

13 11. Closing. The Agreement provides for the closing of the sale within 15 days after
14 entry of the order authorizing the Debtor to sell the Property, or such earlier date as
15 agreed by the parties in writing, subject to any applicable stay. The time for closing the
16 sale may also be extended by written agreement signed by all parties.

17 This is a summary only and is qualified in its entirety by the contents of the Agreement
18 and Sale Procedures Order which contain other provisions not described herein. All interested
19 parties are urged to review the specific terms of the Agreement that is attached as Exhibit 1 to the
20 Anthony Declaration and the Sale Procedures Order that is attached as Exhibit 2 to the appended
21 Zylstra Declaration.

22 B. Bidding Procedures.

23 The Court entered the Order Establishing Bidding Procedures For Sale Of Real And
24 Personal Property Of The Reorganized Debtor And Setting Hearing For Motion For Order
25 Authorizing Sale And Auction (the “Sale Procedures Order”) on December 30, 2016 as
26 ECF Docket No. 251. A true and correct copy of the Sale Procedures Order is appended to the
27
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1 Zylstra Declaration as Exhibit 2. The approved procedures for the auction sale and bidding are
2 attached to the Sale Procedures Order as Exhibit 1.

3 The Sale Procedures are summarized as follows:

- 4 1. Asset(s) To Be Sold. The “Property” is the primary asset of the Reorganized
5 Debtor’s estate and consists of real property commonly known as 1695 San
6 Jacinto Avenue, San Jacinto, California 92583-5103, APN 439-112-028 (the
7 “Property”). The Property is improved with a medical office building with 18
8 medical office suites for lease. The proposed sale of the Property includes the
9 personal property located in Suite G.
- 10 2. All Cash Overbids. All overbids must be all cash offers allowing the Reorganized
11 Debtor and the Court to compare all bids for the Property without any adjustment
12 for terms and conditions. The purchase price is \$5,400,000.00. The initial
13 overbid, if any, must be \$5,500,000.00. Each successive overbid must be at least
14 an additional \$50,000.00.
- 15 3. Auction. The auction sale (the “Auction”) will take place at the hearing on
16 approval of the sale, which is scheduled for February 14, 2017 at 1:30 p.m., before
17 the Honorable Scott C. Clarkson, United States Bankruptcy Judge, in
18 Courtroom 126, 3420 Twelfth Street, Riverside, California 92501.
- 19 4. Requirements for Qualified Bidders. To be eligible to participate as a bidder at
20 the Auction as a “Qualified Bidder” no less than seven (7) days before the
21 Auction, a prospective bidder must (a) deliver to Pamela Jan Zylstra, counsel for
22 the Reorganized Debtor, funds in an amount equal to Buyer’s Good Faith Deposit
23 of \$100,000.00., which funds (the “Bid Deposits”) will be held in trust in the
24 Pamela Jan Zylstra A Professional Corporation client trust account; and (b) file
25 evidence with the Bankruptcy Court demonstrating to the satisfaction of the
26 Bankruptcy Court that they qualify as good faith purchasers within the meaning of
27 Section 363(m) of the Bankruptcy Court and are financially capable of closing the
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1 sale of the Property under the terms and conditions of the Santos Agreement; and
2 (c) serve such evidence on counsel for the Reorganized Debtor, the Office of the
3 United States Trustee for Riverside Division, and deliver a copy to the Honorable
4 Scott C. Clarkson, 411 West Fourth Street, Fifth Floor Courtesy Box, Santa Ana,
5 California 92701.

6 5. Bids Nonrefundable If Approved Sale(s) Fails To Close. The amount of each of
7 the Bid Deposits will be non-refundable in favor of the Reorganized Debtor if the
8 bidder is the winning bidder at the Auction, its bid and the asset sale are approved
9 by the Bankruptcy Court, and fails to close its purchase of the Property within 15
10 days of the date of entry of the Sale Order.

11 6. Auction Procedures. If more than one Qualified Bidder satisfies the requirements
12 described above and appears at the Auction, the Court will randomly assign
13 bidding numbers to the bidders. The following is how the bidding will work by
14 example if there are three Qualified Bidders at the Auction. The bidder who is
15 assigned Bidder #1 will be required to submit the first bid, unless the Buyer is
16 assigned Bidder #1, in which case the bidder who is assigned Bidder #2 will be
17 required to submit the first bid. Any initial overbid must be in the total amount of
18 the Purchase Price plus no less than One Hundred Thousand Dollars
19 (\$100,000.00) (the "Minimum Overbid"). Once a bid equal to or greater than the
20 Minimum Overbid is received, that bid will be deemed a qualified bid and the
21 bidding will then proceed to the bidder with the next number in sequential order.
22 Additional bids must be in the amount of at least Fifty Thousand Dollars
23 (\$50,000.00). If the next bidder fails to submit a complying bid it will be
24 eliminated from the Auction and will not be permitted back into the Auction
25 thereafter. The bidding will then turn to the bidder with the next number in
26 sequential order and then return to Bidder #1 and continue, with the same
27 requirement for bids in the amount of at least \$50,000.00, until all bidders but one
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1 have dropped out of the Auction at which point the bidder who made the highest
2 bid will be deemed the highest bidder. The bidder who submitted the second
3 highest bid at the Auction will be deemed to constitute the winning backup
4 bidder. The Buyer may modify the Agreement as to the amount of the purchase
5 price in response to any overbid.

6 7. Determination of Highest Bid. The Reorganized Debtor will decide which bid
7 made at the Auction is the highest and best bid for the Property with any
8 disagreement to be resolved by the Bankruptcy Court.

9 8. Deadline to Close Sale of Property. Subject only to entry by the Bankruptcy
10 Court of the order, the winning bidder will have until the date which is fifteen (15)
11 days after the entry of the order approving the sale to consummate the sale. If the
12 winning bidder fails to close the sale timely, the winning bidder will be deemed to
13 have forfeited the non-refundable portion of its Bid Deposit unless the
14 Reorganized Debtor or the Bankruptcy Court grant the winning bidder an
15 extension of time to close. If the winning bidder fails to close and forfeits the
16 non-refundable portion of its Bid Deposit, the winning backup bidder will be
17 notified and will then have five (5) days to close its purchase of the Property or
18 will be deemed to have forfeited its Bid Deposit unless the Reorganized Debtor or
19 the Bankruptcy Court grant the winning backup bidder an extension of time to
20 close. The Bid Deposit of the backup bidder will be retained by the Reorganized
21 Debtor following the conclusion of the Auction and will be returned to the backup
22 bidder on the closing by the winning bidder of its purchase of the Property.

23 This is a summary only and is qualified in its entirety by the contents of the Sales
24 Procedure Order which contains other provisions not described herein. All interested parties are
25 urged to review the specific terms of the Sales Procedure Order that is attached as Exhibit 2 to
26 the appended Zylstra Declaration.

1 C. Breakup Fee

2 If Reorganized Debtor consummates a sale of the Property to a person or entity other than
3 Buyer, Reorganized Debtor shall pay Buyer at the closing of the transaction a break-up fee of
4 \$20,000.00 to cover its due diligence expenses including legal fees, appraisal fees, inspection
5 fees, interest on its Good Faith Deposit and related costs incurred by Buyer (the "Breakup Fee").

6 D. Liens Recorded Against Property.

7 First American Title Company prepared a Preliminary Report dated December 9, 2016 in
8 advance of issuing a title policy for the sale of the Property. A true and correct copy of the
9 Preliminary Report is attached as Exhibit 4 to the appended Zylstra Declaration.

10 The Preliminary Report lists two recorded liens of monetary obligations related to the
11 Property:

12 1. General and special taxes for the fiscal year 2016-2017 (real property taxes).

13 The first installment of \$31,646.35 was paid and the second installment of \$31,646.35,
14 which is not yet due, will be prorated between the Reorganized Debtor and the Buyer at
15 the closing of the sale of the Property.

16 2. Deed of Trust to secure an original indebtedness of \$4,410,000.00 to PFF Bank
17 & Trust recorded June 7, 20016 as Instrument No. 06-411378 of Official Records that
18 was assigned to U.S. Bank N.A. by assignment recorded February 3, 2010 as Instrument
19 No. 10-51537 of Official Records, as modified by document recorded April 19, 2012 as
20 Instrument No. 12-177459 of Official Records. As set forth below, the Reorganized
21 Debtor requests authority to disburse funds from the sale proceeds to pay this secured
22 claim in full.

23 E. Classes of Claims Paid Under the Plan.

24 The Plan provides that the proceeds of the sale of the Property will be sufficient to pay in
25 full the Allowed Claims of the following non-insider classes of creditors:

26 1. Administrative Claims. The only administrative claim of the Reorganized Debtor
27 held by former general insolvency counsel, Goe & Forsythe, LLP. The balance of
28

1 the Goe & Forsythe, LLP administrative claim as of January 1, 2017, is
2 approximately \$59,011.60 and will be paid in full.

- 3 2. Class 3 U.S. Bank Secured Claim. The secured claim of U.S. Bank in the
4 estimated amount of \$4,834,993.26. as of December 30, 2016, will be paid in full
5 from the proceeds of the sale of the Property.
- 6 3. Class 4 General Unsecured Claims (Non-insider). The allowed general unsecured
7 claim of Alfred Santos for \$400,000.00 will be paid in full from the proceeds of
8 the sale of the Property. There are no other allowed general unsecured claims in
9 this case.
- 10 4. Class 7 Tenant Security Deposit. The tenant deposits of approximately
11 \$55,892.57 as of January 1, 2017, will be given to Buyer as a credit to the cash
12 required of Buyer at the closing of the sale of the Property. *See*, Agreement,
13 para. 11.4.

14 By this motion, as set forth below, the Reorganized Debtor requests that the Bankruptcy
15 Court authorize the sale of the Property and the payment of the claims described above through
16 escrow from the sale proceeds.

17 F. Expenses To Be Paid Prior to Dismissal of Case.

18 The Reorganized Debtor will pay the following expenses of post-confirmation
19 administration before entry of a final decree in this case:

- 20 1. Quarterly Fees. The quarterly fees of the Reorganized Debtor for the first quarter
21 of 2017 will be \$13,000.00. The estimate is based on the distribution of
22 \$5,400,000.00 in sale proceeds during the first quarter. The quarterly fee schedule
23 published by the U.S. Department of Justice provides for a fee of \$13,000.00 for
24 total quarterly disbursements by debtors in chapter 11 cases of between
25 \$5,000,000.00 and \$14,999,999.99. The quarterly fees owed to the United States
26 Trustee will be paid prior to the entry of a final decree in this case.

1 2. Post-confirmation professional fees and costs. The Reorganized Debtor will pay
2 expenses in the ordinary course of business during the first quarter, including
3 professional fees and costs incurred to obtain approval of the proposed sale of the
4 Property, entry of related orders, and requesting entry of a final decree.

5 G. Claims That Will NOT Be Paid.

6 As set forth in the Plan, the Reorganized Debtor anticipates that the proceeds of the sale
7 of the Property will not be sufficient to pay the following classes of creditors and interest holders:

8 1. Class 5 Insider Unsecured Claims. There will be no payments to the holders of
9 the Class 5 claims of members for loans made to the Reorganized Debtor.

10 2. Class 6 Interests of Debtor. There will be no payments to the holders of Class 6
11 Interests, however, the Plan provides for the members of the Debtor to retain their
12 interests in the Debtor subject to claims each member may have against the other.

13 H. Tax Consequences of Proposed Sale of the Property.

14 As set forth in the Anthony Declaration, the Reorganized Debtor is a California Limited
15 Liability Company. All capital gains, losses and other tax consequences from the sale of the
16 Property will be reported in the individual income tax returns of the members of the corporate
17 entity. All tax consequences of the sale of the Property, if any, other than the proration of real
18 property taxes in the escrow at the closing of the sale, will be paid by the individual members
19 who hold interests in the Reorganized Debtor.

20 I. Marketing Efforts. The Anthony Declaration sets forth the efforts by the Reorganized
21 Debtor to market the Property for sale during the Chapter 11 case and after the Order confirming
22 the Plan was entered on March 20, 2015. The Reorganized Debtor received four inquiries from
23 parties interested in purchasing the Property but each potential purchaser withdrew its offer.

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III.

**THE COURT MAY AUTHORIZE THE REORGANIZED DEBTOR
TO SELL THE PROPERTY PURSUANT TO THE TERMS OF THE AGREEMENT**

Section 363(b) of the Bankruptcy Code provides that a trustee “after notice and a hearing, may use, sell or lease, other than in the ordinary course of business, property of the estate.” To approve a use, sale or lease of property other than in the ordinary course of business, the court must find “some articulated business justification.” See, e.g., In re Martin (Myers v. Martin), 91 F.3d 389, 395 (3d Cir. 1996) citing In re Schipper (Fulton State Bank v. Schipper), 933 F.2d 513, 515 (7th Cir. 1991); Comm. of Equity SEC Holders v. Lionel Corp. (In re Lionel Corp.), 722 F.2d 1063, 1070 (2d Cir. 1983); In re Abbotts Dairies of Pennsylvania, Inc., 788 F.2d 143 (3d Cir. 1986) (implicitly adopting the “sound business judgment” test of Lionel Corp. and requiring good faith); In re Delaware and Hudson Ry. Co., 124 B.R. 169 (D. Del. 1991) (concluding that the Third Circuit adopted the “sound business judgment” test in the Abbotts Dairies decision).

In the Ninth Circuit, “cause” exists for authorizing a sale of estate assets if it is in the best interest of the estate, and a business justification exists for authorizing the sale. In re Huntington, Ltd., 654 F.2d 578 (9th Cir. 1981); Walter v. Sunwest Bank (In re Walter), 83 B.R. 14, 19-20 (9th Cir. B.A.P. 1988). The Ninth Circuit has also held that § 363 allows the sale of substantially all assets of a debtor’s bankruptcy estate after notice and a hearing. In re Qintex Entertainment, Inc., 950 F.2d 1492 (9th Cir. 1991).

In determining whether a sale satisfies the business judgment standard, courts have held that: (1) there be a sound business reason for the sale; (2) accurate and reasonable notice of the sale be given to interested persons; (3) the sale yield an adequate price (i.e., one that is fair and reasonable); and (4) the parties to the sale have acted in good faith. Titusville Country Club v. Pennbank (In re Titusville Country Club), 128 B.R. 396, 399 (Bankr. W.D. Pa. 1991); see also, In re Walter, 83 B.R. at 19-20).

1 1. Sound Business Purpose.

2 The Plan provides for the sale of the Property and the distribution of the sale proceeds to
3 pay the allowed non-insider claims of creditors in this case. The Plan provides that April 1, 2017
4 is the deadline for closing the sale. If the Property is not sold by that deadline, the secured
5 creditor, U.S. Bank, N.A., is authorized to proceed to foreclose its first priority security interest
6 in the Property. The sale of the Property to the Buyer as proposed implements the terms of the
7 Plan and prevents the liquidation of the Property solely for the benefit of the secured creditor.
8 For these reasons, the Debtor asserts that the sale of the Property to the Buyer is supported by
9 sound business judgment.

10 2. Accurate and Reasonable Notice.

11 In connection with a proposed sale under Section 363 of the Bankruptcy Code, “four
12 pieces of information must be presented to creditors. The notice should: place all parties on
13 notice that the debtor is selling its business, disclose accurately the full terms of the sale; explain
14 the effect of the sale as terminating the debtor’s ability to continue in business; and explain why
15 the proposed price is reasonable and why the sale is in the best interests of the estate.” In re
16 Delaware & Hudson Railway Co., 124 B.R. 169, 180 (D. Del. 1991). A notice is sufficient if it
17 includes the terms and conditions of the sale and if it states the time for filing objections. In re
18 Karpe, 84 B.R. 926, 930 (Bankr. M.D. Pa. 1988). The purpose of the notice is to provide an
19 opportunity for objections and hearing before the court if there are objections. *Id.*

20 Rule 6004(a) of the Federal Rules of Bankruptcy Procedure provides in pertinent part that
21 notice of a proposed sale not in the ordinary course of business must be given pursuant to Federal
22 Rule of Bankruptcy Procedure 2002(a)(3), (c)(1), (i), and (k), and, if applicable, in accordance
23 with Section 363(b)(2) of the Bankruptcy Code. Rule 2002(a)(2) requires at least 21 days’ notice
24 by mail of a proposed sale of property other than in the ordinary course of business, unless the
25 Court shortens the time or directs another method of giving notice. Rule 2002(c)(1) requires that
26 the notice of a proposed sale include the date, time and place of any public sale and the time
27 fixed for filing objections. Under Rule 2002(c)(1), the notice of sale is sufficient if it generally
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1 describes the property. Since there are no committees appointed in this case, the requirements of
2 Rule 2002(i) are not applicable. Finally, Rule 2002(k) requires that notice be given to the United
3 States Trustee.

4 Rule 6004(c) provides that a motion for authority to sell property free and clear of liens or
5 other interests must be made in accordance with Rule 9014 and must be served on the parties
6 who have liens or other interests in the property to be sold.

7 Rule 9013-1(d)(2) of the Local Rules of Bankruptcy Procedure require that a motion and
8 related notice be served at least 21 days before the hearing on the date specified in the notice.

9 In addition, under Rule 6007-1(f) of the Local Rules, an additional copy of the notice of
10 motion must be submitted to the Clerk of the Bankruptcy Court together with Official Form
11 6004-2 NOTICE.SALE at the time of filing for purposes of publication by the clerk on the
12 court's website.

13 The Reorganized Debtor has complied with the required provisions of the Bankruptcy
14 Code, Federal Bankruptcy Rules and Local Bankruptcy Rules identified above. The notice of the
15 Motion includes the required information regarding the date, time and place of the public sale
16 and the deadline for objecting to the sale. The Motion and notice have been timely filed and
17 served on January 17, 2017, providing 28 days notice of the hearing on February 14, 2017 to all
18 creditors and parties-in-interest. Creditors have 14 days notice of the January 31, 2017 deadline
19 to file opposition to the proposed sale. The Motion and notice of the hearing have been served
20 on all parties asserting a lien or interest in the Property. The notice and the required Form 6004-
21 2 have been filed with the Court. The Motion and notice were filed on "regular notice" and
22 served on all creditors, liens holders, parties-in-interest, and the United States Trustee. The
23 Reorganized Debtor submits it has complied with all filing deadlines and notice requirements.

24 3. Fair and Reasonable Price. Since the Reorganized Debtor began marketing the
25 Property for sale in 2013 through May 2015, there were letters of intent and expressions of
26 interest to purchase the Property for between \$5.0 million and \$6.3 million. The Agreement is
27 the only written and fully executed offer to purchase that the Reorganized Debtor has received
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1 since the marketing efforts commenced. The proposed purchase price of \$5.4 million will be
2 sufficient to pay the one secured claim of U.S. Bank, the one unsecured claim of Alfred Santos
3 (the Buyer), the administrative claim of former counsel to the Reorganized Debtor, Goe &
4 Forsythe, LLP, and the closing costs. The Reorganized Debtor will pay the quarterly fees that
5 will be owed to the Office of the United States Trustee for the first quarter of 2017 prior to entry
6 of a Final Decree in this case. If the Property is not sold, the only claim that will be paid is the
7 secured claim of U.S. Bank through a foreclosure proceeding. Under these circumstances, the
8 purchase price of \$5.4 million is a fair and reasonable price.

9 4. Good Faith. The Buyer holds an Allowed Unsecured Claim for \$400,000.00 in the
10 case. The Reorganized Debtor was in contact with Mr. Santos during the bankruptcy case
11 regarding the status of selling the Property. In October 2016, when all marketing efforts had
12 failed, the Reorganized Debtor called the Buyer to inquire regarding any interest he had in
13 purchasing the Property. In early November 2016, the real estate broker for the Buyer, Fred
14 Furey, confirmed the Buyer's interest in conducting due diligence before making an offer to
15 purchase the Property. The Reorganized Debtor provided copies of leases, rent rolls, and all
16 other information requested by Mr. Furey, as well as providing access to the Property for an
17 inspection(s) and appraisal of the Property.

18 In or about November 28, 2016, the Buyer submitted an offer to purchase the Property for
19 \$5,400,000.00. Thereafter, the Reorganized Debtor and Mr. Santos negotiated the additional
20 terms and conditions of the Addendum to the Agreement including the sale of the Property "AS
21 IS", the payment and terms for refund of the Good Faith Deposit, requirements for approval of
22 the sale by the Bankruptcy Court, including the bidding procedures for the auction of the
23 Property, and related provisions. The negotiations were handled at arms' length between counsel
24 for the Reorganized Debtor and the real estate broker for the Buyer.

25 As set forth in the Anthony Declaration, Fred Furey was retained by the Reorganized
26 Debtor during its chapter 11 case to provide services as a leasing agent. Mr. Furey represented
27 the Reorganized Debtor in seven (7) lease transactions in 2015. Mr. Furey was not retained to
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1 market the Property. The Agreement provides that no commissions will be paid to real estate
2 brokers in connection with the sale of the Property. Mr. Furey represents Mr. Santos as his real
3 estate broker in the proposed purchase of the Property, however, it was not Mr. Furey or any
4 other broker that contacted Mr. Santos regarding purchasing the Property. Mr. Anthony called
5 Mr. Santos to inquire about his interest in purchasing the Property as described above. Anthony
6 Declaration, p. 31, ¶16. It has been more than one year since Mr. Furey represented the
7 Reorganized Debtor in lease negotiations. Mr. Furey will receive no compensation from estate
8 for his services representing the Buyer. The Debtor asserts that Mr. Furey's familiarity with the
9 Property was a benefit in the negotiations and presented no conflict of interest.

10 The Buyer has not received any special treatment from the Reorganized Debtor during the
11 negotiation and sale process. No fraud, collusion or attempt to take unfair advantage of other
12 bidders has occurred in this negotiation and sale process. For these reasons, the Reorganized
13 Debtor asserts there is evidence to support a finding of good faith by both the Reorganized
14 Debtor and the Buyer in the negotiation and documentation of the Agreement as well as the sale
15 process.

16 The Plan provides for the sale of the Property and the distribution of the sale proceeds to
17 allowed claims in this case. The sale proceeds will pay all non-insider allowed claims in full.
18 The Reorganized Debtor has satisfied the standard set by the Bankruptcy Code for selling the
19 Property under Section 363(b). The sale may be approved by the Court in accord with the policy
20 and purpose of Section 363(b).

21 **IV.**

22 **REORGANIZED DEBTOR REQUESTS AUTHORITY**

23 **TO DISBURSE SALE PROCEEDS TO PAY ALLOWED CLAIMS.**

24 The Reorganized Debtor requests authority to sell the Property to the Buyer for
25 \$5,400,000.00 which sale proceeds are sufficient to pay the costs required to close the sale and
26 all non-insider Allowed Claims. To implement the terms of the Plan, the Reorganized Debtor
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1 requests authority to disburse the sale proceeds through escrow to pay in full the following costs,
2 expenses, and Allowed Claims:

3 A. Closing costs estimated by the escrow agent to be approximately \$10,000.00.

4 Payment of closing costs is an expense of the escrow and required to close the sale of the
5 Property.

6 B. The secured claim of U.S. Bank in the estimated amount of \$4,834,993.26. as of
7 December 30, 2016.

8 Payment of the secured Allowed Claim of U.S. Bank will be made as provided by the
9 Plan.

10 C. The administrative claim of the Goe & Forsythe, LLP in the amount of \$59,011.60
11 as of January 1, 2017.

12 Payment of the administrative claim of Goe & Forsythe, LLC will be made as provided
13 by the Plan and pursuant to the agreement of the parties.

14 D. The allowed general unsecured claim of Alfred Santos of \$400,000.00.

15 Payment of the Allowed Claim of Alfred Santos will be made as provided by the Plan.

16 E. The tenant deposits of approximately \$55,892.57 as of January 1, 2017, will be
17 given to Buyer as a credit to the cash required of Buyer at the closing of the sale of the
18 Property.

19 The allowance of the tenant deposits will be made as a customary and ordinary proration
20 expense of the escrow for the closing of the sale of the Property.

21 V.

22 **BANKRUPTCY CODE SECTION 363(F) PROVIDES FOR THE SALE OF ASSETS**

23 **FREE AND CLEAR OF LIENS, CLAIMS OR INTERESTS.**

24 Bankruptcy Code Section 363(f) provides that a trustee may sell property of the estate
25 “free and clear of any interest in such property” if:

- 26 (1) applicable non-bankruptcy law permits the sale of such property free and clear
27 of such interest;

- 1 (2) such entity consents;
- 2 (3) such interest is a lien and the price at which such property is to be sold is
- 3 greater than the aggregate value of all liens on such property;
- 4 (4) such interest is in bona fide dispute; or
- 5 (5) such entity could be compelled, in a legal or equitable proceeding, to accept a
- 6 money satisfaction of such interest.

7 11 U.S.C. § 363 (f). Because Section 363(f) is in the disjunctive, the Reorganized Debtor must
8 only meet one of the five subsections of Section 363(f) to sell the Property free and clear of all
9 liens, claims, interests and encumbrances. In re Whittemore, 37 B.R. 93, 94 (Bankr. D. Or.
10 1984).

11 The bankruptcy statute does not define “interest,” but courts have interpreted the term
12 broadly. See Precision Indus., Inc. v. Qualitech Steel SBQ, LLC, 327 F.3d 537, 545-46 (7th
13 Cir.2003) (leasehold); Compak Companies, LLC v. Johnson, 415 B.R. 334, 339 (N.D. Ill. 2009)
14 (license).

15 (1) The Sale May Be Approved Under 11 U.S.C. § 363(f)(1) As to Unsecured Claims.

16 The Property may be sold free of unsecured claims under applicable law. Claims which
17 assert rights to payment on an unsecured basis (whether or not disputed) are simply claims
18 against the Debtor and do not legally attach to the Property after sale. Given that such claims are
19 claims for monetary relief which do not attach to the Property, the Property may therefore be sold
20 free and clear of such claims. Moreover, the Reorganized Debtor proposes to pay the one
21 allowed general unsecured claim of \$400,000.00 in full.

22 (2) The Sale Should Be Approved Under 11 U.S.C. § 363 (f)(2).

23 Section § 363 (f)(2) of the Bankruptcy Code authorizes a sale to be free and clear of an
24 interest if the interest holder consents to the sale. The Reorganized believes that the benefits of
25 the Agreement are sufficiently clear that lien holders will not object. Any existing or potential
26 lien holder who does not object should be deemed to have consented to the sale pursuant to Local
27 Bankruptcy Rule 9013-1(h).

1 (3) The Sale May Be Approved Under 11 U.S.C. § 363(f)(3)

2 Even assuming that the reference in Section 363(f)(2) of the Bankruptcy Code to the
3 aggregate value of all liens refers to the amount of the lien and not the amount which may be
4 determined as secured based on the value of the property. See, Clear Channel Outdoor, Inc. v.
5 Knupfer (In re PW, LLC), 391 B.R. 25 (9th Cir. B.A.P. 2008) “Clear Channel”, the cash portion
6 of the sale price of \$5,400,000.00 exceeds the total of the allowed secured claim of U.S. Bank,
7 N.A. of approximately \$4,834,993.26. There are no unpaid real property taxes owed to the
8 County of Riverside and no other liens recorded against the Property. Accordingly, the purchase
9 price exceeds the total acknowledged liens against the Property.

10 VI.

11 CAUSE EXISTS TO FIND THE BUYER OR SUCCESSFUL BIDDER TO BE

12 A GOOD FAITH PURCHASER PURSUANT TO SECTION 363(m)

13 Section 363(m) of the Bankruptcy Code provides:

14 The reversal or modification on appeal of an authorization under subsection
15 (b) of (c) of this section of a sale or lease of property does not affect the
16 validity of a sale or lease under such authorization to an entity that
17 purchased or leased such property in good faith, whether or not such entity
18 knew of the pendency of the appeal, unless such authorization and such sale
19 or lease were stayed pending appeal.

20 11 U.S.C. § 363(m).

21 A good faith purchase under Section 363(m) is one who purchases for “value” and where
22 there is no fraud or collusion in the bidding process. In the case, In re Filtercorp., Inc., 163 F.3d
23 570 (9th Cir. 1998), the Ninth Circuit Court of Appeals evaluated Section 363(m) as follows:

24 . . . the bankruptcy court found that Gateway Lenders was a purchaser in
25 good faith for all purposes including 11 U.S.C. § 363(m). This finding is
26 not clearly erroneous. A “good faith buyer “is one who buys ‘in good
27 faith’ and ‘for value.’” Ewell v. Diebert (In re Ewell), 958 F.2d 276,281
28 (Ninth Cir. 1992)(citing In re Abbotts Dairies of Penns., Inc., 788 F.2d 143,
147 (3d. Cir. 1986)). “[L]ack of good faith is [typically]shown by ‘fraud,
collusion between the purchaser and other bidders or the trustee, or an
attempt to take grossly unfair advantage of other bidders.’” Id. (quoting

1 Cnty. Thrift & Loan v. Suchy (In re Suchy), 786 F.2d 900, 902 (9th Cir.
1985).

2 Id. at 577 (emphasis added).

3 In this case, the Buyer may be deemed a good faith purchaser pursuant to Section 363(m)
4 of the Bankruptcy Code. First, the Buyer will provide 'value' for the purchase of the Property.
5 The proposed purchase price of \$5,400,000.00 will yield sale proceeds sufficient to pay all non-
6 insider Allowed Claims under the Plan. Second, the Buyer, or any successful bidder, will be
7 neither an insider nor an affiliate of the Reorganized Debtor. There has been no fraud or
8 collusion with respect to the proposed sale of the Property or any manipulation regarding the
9 bidding or sale price. There will be no material impediments to bidding in this case, and the sale
10 and bidding procedures in this case are fair and have been approved by order of the Court. The
11 sale was negotiated at arms' length with the Buyer and the terms of the proposed sale have been
12 fully disclosed. The proposed sale, or any overbid by a qualified bidder must be approved by this
13 Court as a sale in the best interests of the creditors in this case. Accordingly, the Court may
14 determine properly that the Buyer, or any successful bidder, is a good faith purchase under
15 Section 363(m) of the Bankruptcy Code and entitled to the protections thereof.

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VII.

**THE COURT MAY AUTHORIZE THE ASSIGNMENT OF UNEXPIRED LEASES
TO THE BUYER AS PART OF THE SALE OF THE PROPERTY**

Subject to exceptions not relevant in this case, Section 365(a) of the Bankruptcy Code provides that a debtor “subject to the court’s approval, may assume or reject any contract or unexpired lease of the debtor.” 11 U.S.C. § 365(a). Under the terms of the Plan, the Reorganized Debtor assumed the unexpired real property leases in existence when the Plan was confirmed by Order entered March 20, 2015 (the “Assumed Leases”). A true and correct list of the Assumed Leases identifying each lease by the name and address of the tenant, the original lease execution date and the date of extension, if any, is attached as Exhibit 3 to the Anthony Declaration appended hereto.

The Reorganized Debtor requests authority to assign the Assumed Leases to the Buyer. To assign an unexpired lease, a debtor is required to provide adequate assurance of future performance under the lease(s) by the proposed assignee. 11 U.S.C. § 365(f)(2)(B). In this case, the Buyer has filed testimony and financial information in compliance with Section 365(f)(2)(B) and in support of the Motion as follows:

1. Current bank account and other financial account statements and a credit facilities commitment letter as evidence of the Buyer’s ability to consummate the Agreement to purchase the Property; and
2. Information, including the financial information described above, demonstrating the ability to provide, under Section 365 of the Bankruptcy Code, adequate assurance of future performance under all Assumed Leases.

The Reorganized Debtor will share with the tenants under the Assumed Leases the financial and other information regarding any qualified bidder that seeks to participate in the auction for the sale of the Property. The Reorganized Debtor will work with the tenant under an Assumed Lease to resolve any concerns that such parties may have regarding the assignment of the Assumed Leases to the Buyer.

1 The Debtor has satisfied the statutory requirements for assignment of the Assumed
2 Leases. The proposed assignment of the Assumed Leases to the Buyer is in the best interests of
3 the creditors and the Reorganized Debtor because the assignment of the Assumed Leases is an
4 integral component of the sale of the Property, and, therefore, will be essential to obtaining and
5 maximizing value from the sale of the Property.

6 **VIII.**

7 **REORGANIZED DEBTOR REQUESTS THE COURT EXERCISE**
8 **ITS DISCRETION AND WAIVE THE FOURTEEN-DAY PERIOD FOR**
9 **EFFECTIVENESS OF THE SALE ORDER**

10 Rule 6004(h) of the Federal Rules of Bankruptcy Procedure provides:

11 An order authorizing the use, sale, or lease of property other than cash
12 collateral is stayed until the expiration of 14 days after entry of the order,
13 unless the court orders otherwise.

14 Fed. R. Bankr. P. 6004(h).

15 The legislative history of Rule 6004(h) provides the following insight regarding the
16 discretion accorded the court in modifying the stay:

17 The court may, in its discretion, order that Rule 6004(g) [now Rule 6004(h)]
18 is not applicable so that the property may be used, sold, or leased
19 immediately in accordance with the order entered by the court.
20 Alternatively, the court may order that the stay under Rule 6004(g) is for a
21 fixed period less than 10 [now 14] days.

22 Rule 6006(d) of the Federal Rules of Bankruptcy Procedure provides:

23 An order authorizing the trustee to assign an executory contract or unexpired
24 lease under § 365(f) is stayed until the expiration of 14 days after the entry
25 of the order, unless the court order otherwise.

26 Fed. R. Bankr. P. 6006(d).

27 The facts in this case support a finding that time is of the essence and the sale of the
28 Property must close as soon as possible. The Reorganized Debtor must close the sale
expeditiously to meet the April 1, 2017 deadline set by the Forbearance Agreement and the Plan.

1 Waiver of the 14-day stay under Rule 6004(h), allows the Reorganized Debtor to close the sale,
2 implement the Plan, and proceed to request entry of a Final Decree. The Reorganized Debtor
3 requests that the Court exercise its discretion and order that the sale of the Property and the
4 assignment of the Assumed Leases may be effectuated immediately upon entry of the Sale Order.

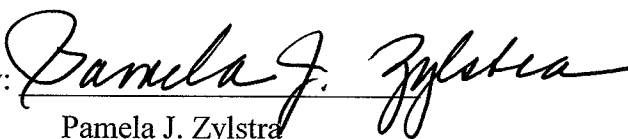
5 **IX.**

6 **CONCLUSION**

7 For the reasons stated above and based on the authorities cited herein, the Reorganized
8 Debtor submits that good cause exists for the Court to grant all relief requested by the
9 Reorganized Debtor under the Motion.

10 DATED: January 11, 2017

PAMELA JAN ZYLSTRA
A PROFESSIONAL CORPORATION

11
12 By: 

13 Pamela J. Zylstra
14 Attorneys for Reorganized Debtor, S.J. Medical,
15 LLC, a California Limited Liability Company
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DECLARATION OF RICHARD ANTHONY

1 I, Richard Anthony, declare as follows:

2 1. Oath. I am an adult over the age of 18 years. I am a managing member of S.J.
3 Medical, LLC a California Limited Liability Company, Reorganized Debtor in this Chapter 11
4 case (“Reorganized Debtor”). I am authorized by the Reorganized Debtor to testify with respect
5 to all matters related to the business and financial affairs of the Reorganized Debtor. The matters
6 set forth herein are of my own personal knowledge and, if called upon to do so, I could and
7 would competently testify to their truth.

8 2. Purpose. I make this declaration in support of the Reorganized Debtor’s Notice
9 Of Motion And Motion For Order: (1) Authorizing the Sale of Real and Personal Property of the
10 Reorganized Debtor Free and Clear of Liens, Claims, Encumbrances and Interests;
11 (2) Authorizing the Assignment of Real Property Leases; (3) Authorizing Distribution of Sale
12 Proceeds; (4) Waiving 14-Day Stay Imposed by FRBP 6004(h); And (5) Granting Related Relief
13 (the “Motion”).

14 3. The Property. The Reorganized Debtor owns improved commercial real estate in
15 San Jacinto, California. The real property consists of approximately .60 acres located at 1695
16 San Jacinto Avenue, San Jacinto, California 92583-5103, APN 439-112-028 (the “Property”).
17 The Reorganized Debtor purchased the Property as vacant land and developed an approximately
18 28,124 square foot 2-story medical office building on the site with 18 medical office suites for
19 lease. Current occupancy rate for the Property is approximately 92%.

20 4. Reason for Bankruptcy Filing. PFF Bank & Trust provided the financing for
21 development of the Property. During the financial crisis of 2008 to 2009, the Federal Deposit
22 Insurance Corporation was appointed as the receiver for PFF Bank & Trust. As of approximately
23 April 2009, U.S. Bank National Association was the successor in interest to the FDIC as receiver
24 for PFF Bank & Trust. The construction loan for development of the Property matured in 2012.
25 The Reorganized Debtor negotiated with U.S. Bank as well as other lenders to obtain permanent
26 financing to pay off the construction loan. All efforts to obtain financing were unsuccessful
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1 primarily because of the credit history of Robert E. Osborne, Sr., a member of the Reorganized
2 Debtor. The Reorganized Debtor filed a voluntary Chapter 11 petition to stop the foreclosure
3 sale scheduled by U.S. Bank.

4 5. Forbearance Agreement – April 1, 2017 Deadline to Sell Property. On
5 September 16, 2013, the Reorganized Debtor filed a voluntary petition seeking relief under
6 chapter 11 of Title 11 of the United States Bankruptcy Code as bankruptcy case number 6:13-bk-
7 25500 SC (the “Bankruptcy Case”). Prior to filing the Bankruptcy Case, a member of the
8 Reorganized Debtor, Robert E. Osborne, Sr., guaranteed the obligations of the Reorganized
9 Debtor under the Loan documents pursuant to that certain Commercial Guaranty dated June 1,
10 2006 (as reaffirmed, amended and assigned to U.S. Bank)(the “Osborne Guaranty”) and members
11 Richard and Marie Anthony guaranteed the same obligations under the Continuing Guaranty
12 dated January 7, 2011 (as reaffirmed, amended and assigned to U.S. Bank)(the “Anthony
13 Guaranty”)(collectively the “Guaranties”). The Guaranties are not secured. After extensive
14 negotiations, U.S. Bank and the Anthonys and the widow of Osborne, Kelly Osborne, entered
15 into the Forbearance Agreement and related documents. The Forbearance Agreement confirmed
16 the amount of the secured Allowed Claim of U.S. Bank and provided that U.S. Bank would
17 forbear from enforcing its rights and remedies under the Loan if the Loan is paid off prior to
18 April 1, 2017.

19 6. Recorded Liens Against the Property. First American Title Company prepared a
20 Preliminary Report dated December 9, 2016 in advance of issuing a title policy for the sale of the
21 Property. A true and correct copy of the Preliminary Report is attached hereto as Exhibit 4.

22 7. Chapter 11 Plan Confirmed. On November 20, 2014, the Reorganized Debtor
23 filed the Debtor’s Chapter 11 Liquidation Plan Dated November 20, 2014 as ECF Docket No.
24 175 (the “Plan”). The Plan provides for the sale of the Property and the distribution of the sale
25 proceeds to pay all “Allowed Claims” as defined by the Plan. On March 20, 2015, the Order
26 Confirming the Plan was entered by the Bankruptcy Court as ECF Docket No. 223. The
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1 Forbearance Agreement governs the obligations owed by the Reorganized Debtor to U.S. Bank,
2 including the payment deadline for the Allowed Secured Claim of U.S. Bank of April 1, 2017.

3 8. Classes of Claims Under the Plan That Will Be Paid. The Plan provides for the
4 payment of the Allowed Claims from the proceeds of the sale of the Property. The proceeds of
5 the sale of the Property will be sufficient to pay in full and the Reorganized Debtor requests
6 authority to disburse from the sale proceeds funds to pay the Allowed Claims of the following
7 non-insider classes of creditors:

8 a. Administrative Claims. The only administrative claim of the Reorganized
9 Debtor held by former general insolvency counsel, Goe & Forsythe, LLP.

10 The balance of the Goe & Forsythe, LLP administrative claim as of
11 January 1, 2017, is approximately \$59,011.60 and will be paid in full.

12 b. Class 3 U.S. Bank Secured Claim. The secured claim of U.S. Bank in the
13 estimated amount of \$4,834,993.26. as of December 30, 2016, will be
14 paid in full from the proceeds of the sale of the Property.

15 c. Class 4 General Unsecured Claims (Non-insider). The allowed general
16 unsecured claim of Alfred Santos for \$400,000.00 will be paid in full from
17 the proceeds of the sale of the Property. There are no other allowed
18 general unsecured claims in this case.

19 d. Class 7 Tenant Security Deposit. The tenant deposits of approximately
20 \$55,892.57 as of January 1, 2017, will be given to Buyer as a credit to the
21 cash required of Buyer at the closing of the sale of the Property.

22 9. Expenses to Be Paid Prior to Entry of a Final Decree. The Reorganized Debtor
23 will pay the following expenses of post-confirmation administration before entry of a Final
24 Decree:

25 a. Quarterly Fees. The quarterly fees of the Reorganized Debtor for the first
26 quarter of 2017 will be \$13,000.00. The estimate is based on the
27 distribution of \$5,400,000.00 in sale proceeds during the first quarter. The
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1 quarterly fee schedule published by the U.S. Department of Justice
2 provides for a fee of \$13,000.00 for total quarterly disbursements by
3 debtors in chapter 11 cases of between \$5,000,000.00 and \$14,999,999.99.
4 The quarterly fees owed to the United States Trustee will be paid prior to
5 the entry of a Final Decree in this case.

6 b. Post-confirmation professional fees and costs. The Reorganized Debtor
7 will pay expenses in the ordinary course of business during the first
8 quarter, including professional fees and costs incurred to obtain approval
9 of the proposed sale of the Property, entry of related orders, and requesting
10 entry of a Final Decree.

11 10. Classes of Claims Under the Plan That Will NOT Be Paid. As set forth in the
12 Plan, the Reorganized Debtor anticipates that the proceeds of the sale of the Property will not be
13 sufficient to pay the following classes of creditors and interest holders:

- 14 a. Class 5 Insider Unsecured Claims. The Class 5 claims of members for
15 loans made to the Debtor.
- 16 b. Class 6 Interests of Debtor. There will be no cash payments to the holders
17 of Class 6 Interests, however, the Plan provides for the members of the
18 Debtor to retain their interests in the Debtor subject to claims each
19 member may have against the other.

20 11. Marketing of the Property. The Reorganized Debtor has actively marketed the
21 Property for sale prior to filing the bankruptcy case and formally since May 2014, including the
22 employment of two (2) real estate brokers for that purpose. During the bankruptcy case, the
23 Reorganized Debtor received four (4) preliminary offers to purchase the Property and
24 participated in negotiations with several of the potential purchasers. All the preliminary offers
25 were withdrawn.

26 12. First Real Estate Broker. By motion filed March 24, 2014 (ECF Docket No. 74)
27 and order entered July 29, 2014 (ECF Docket No. 128), the Reorganized Debtor employed the
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1 real estate broker Newmark Grubb Knight Frank for the period from May 2014 to May 2015.
2 During that time, Newmark received three (3) offers to purchase the Property summarized as
3 follows.

- 4 a. Cypress West submitted a Letter of Intent dated May 10, 2014 to purchase
5 the Property for \$5.6 million. After approximately one month, Cypress
6 West withdrew the offer and bought another building.
- 7 b. UDC Health Development submitted a Letter of Intent dated
8 November 25, 2014 to purchase the Property for \$6,326,000.00. UDC
9 Health Development reviewed the rent roll, all leases and all financials for
10 the Property. After conducting due diligence, UDC Health Development
11 withdrew the offer and bought another building.
- 12 c. Christopher Hull submitted a Letter of Intent dated May 25, 2015 to
13 purchase the Property for \$5,870,000.00. Mr. Hull reviewed the rent roll,
14 all leases and all financials for the Property and visited the area and
15 conducted a physical inspection of the Property. Mr. Hull withdrew the
16 offer in the middle of conducting due diligence when one doctor gave
17 notice that he was not renewing his lease.

18 13. Efforts to Fully Lease Property. During the period from June 2015 through
19 March 2016, I actively worked to fully lease the Property to improve the potential to sell the
20 Property for the highest and best price.

21 14. Second Real Estate Broker. The Reorganized Debtor employed Healthwest Realty
22 Advisors to market the Property for sale during the period from March 1, 2016 through August 1,
23 2016. During that time, Healthwest received one (1) offer to purchase the Property. Level
24 Assets submitted a Letter of Intent dated June 28, 2016 to purchase the Property for \$6.3 million.
25 Level Assets reviewed the rent roll, all leases and all financials for the Property and physically
26 inspected the Property. After conducting due diligence, Level Assets reduced its offer to \$5.0

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1 million. The Reorganized Debtor did not accept the reduced offer because it would not generate
2 sufficient sale proceeds to pay all non-insider claims in full.

3 15. Disclosure re Broker Fred Furey. The Reorganized Debtor filed an application on
4 March 20, 2014 (ECF Docket No. 71) to employ Frederick F. Furey as leasing agent for the
5 medical building owned by the estate. The application was denied and a second application was
6 filed on April 29, 2014 (ECF Docket No. 87). The application was approved by a court order
7 entered May 21, 2014 (ECF Docket No. 98). Mr. Furey represented the Reorganized Debtor in
8 seven (7) lease transactions in 2015. Mr. Furey represents Mr. Santos as his real estate broker in
9 the proposed purchase of the Property. The Agreement provides that no commissions will be
10 paid to real estate brokers in connection with the sale of the Property. Also, it was not Mr. Furey
11 or any other broker that contacted Mr. Santos regarding purchasing the Property. I called Mr.
12 Santos to inquire about his interest in purchasing the Property as described below. As described
13 above, two unrelated real estate brokers were retained by the Reorganized Debtor to market the
14 Property for sale.

15 16. Contacting Creditor Alfred Santos. Alfred Santos holds an Allowed Unsecured
16 Claim for \$400,000.00 in the Bankruptcy Case (the "Santos Claim"). I was in contact with
17 Mr. Santos during the bankruptcy case regarding the status of selling the Property. Near the end
18 of October 2016, I called Mr. Santos to inquire if he had any interest in purchasing the Property.
19 In or about early November 2016, I received a telephone call from Mr. Santos' real estate broker,
20 Fred Furey, confirming that Mr. Santos was interested in conducting due diligence before making
21 an offer to purchase the Property. I provided copies of leases, rent rolls, and all other information
22 requested by Mr. Furey, as well as providing access to the Property for Mr. Santos to obtain an
23 appraisal and inspection(s) of the Property.

24 17. Offer by Alfred Santos. In or about November 28, 2016, Fred Furey submitted a
25 Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate (the
26 "Agreement") by the Alfred and Barbara Santos Trust, dated Feb 10, 1979 ("Santos Trust") for
27 \$5,400,000.00. Thereafter, the Reorganized Debtor and Mr. Santos negotiated the additional
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1 terms and conditions of the Addendum to the Agreement including the sale of the Property “AS
2 IS”, the payment and terms for refund of the Good Faith Deposit, requirements for approval of
3 the sale by the Bankruptcy Court, including the bidding procedures for the auction of the
4 Property, and related provisions. On December 14, 2016, the Agreement, as modified by the
5 Addendum, was executed by all parties. A true and correct copy of the Agreement (Standard
6 Offer, Agreement and Escrow Instructions For Purchase of Real Property, incorporating the
7 Addendum by reference, dated as of December 7, 2016, between the Reorganized Debtor and the
8 Alfred and Barbara Santos Trust, dated February 12, 1979 (the “Buyer”)) is attached hereto as
9 Exhibit 1 (the “Agreement”). A true and correct copy of the proposed Sale Procedures is
10 attached hereto as Exhibit 2.

11 18. Tax Consequences of the Sale of the Property. The Reorganized Debtor is a
12 Limited Liability Company. The tax liabilities, if any, from the sale of assets of the Reorganized
13 Debtor as a LLC “flow through” to the individual members of the LLC. Accordingly, the
14 Reorganized Debtor will not realize any tax consequences from the proposed sale of the
15 Property.

16 19. Sound Business Purpose. The Plan provides for the sale of the Property and the
17 distribution of the sale proceeds to pay the allowed non-insider claims of creditors in this case.
18 The Plan provides that April 1, 2017 is the deadline for closing the sale. If the Property is not
19 sold by that deadline, the secured creditor, U.S. Bank, N.A., is authorized to proceed to foreclose
20 its first priority security interest in the Property. The sale of the Property to the Buyer as
21 proposed implements the terms of the Plan and prevents the liquidation of the Property solely for
22 the benefit of the secured creditor. For these reasons, I believe that the sale of the Property to the
23 Buyer is supported by sound business judgment.


24 20. Fair and Reasonable Price. Since we began marketing the Property for sale in
25 2013, we have received letters of intent and expressions of interest to purchase the Property for
26 between \$5.0 million and \$6.3 million. The Agreement is the only written and fully executed
27 offer to purchase that we have received since we began our marketing efforts. The proposed
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1 purchase price of \$5.4 million will be sufficient to pay the one secured claim of U.S. Bank, the
2 one unsecured claim of Alfred Santos (the Buyer), the administrative claim of former counsel to
3 the Reorganized Debtor, Goe & Forsythe, LLP, and the quarterly fees that will be owed to the
4 Office of the United States Trustee for the first quarter of 2017. If the Property is not sold, the
5 only claim that will be paid is the secured claim of U.S. Bank through a foreclosure proceeding.
6 Under these circumstances, I believe that the purchase price of \$5.4 million is a fair and
7 reasonable price.

8 21. Statement of Disinterestedness. No insider of the Reorganized Debtor has any
9 interest in the Santos Trust or will be obtaining any payment or compensation from the Santos
10 Trust for the purchase of the Property. The Santos Trust is not an "insider" of the Reorganized
11 Debtor and no "insider" of the Reorganized Debtor has any ownership interest in the Santos
12 Trust. The Santos Trust has not received any special treatment from the Reorganized Debtor
13 during the negotiation and sale process. No fraud, collusion or attempt to take unfair advantage
14 of other bidders has occurred in this negotiation and sale process.

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

17 Executed this 16 day of January, 2017 at FALLBROOK California.

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19 RICHARD ANTHONY
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DECLARATION OF PAMELA J. ZYLSTRA

1 I, Pamela J. Zylstra, do hereby declare and state as follows:

2 1. Oath. The matters stated herein are true and correct and are within my personal
3 knowledge, and if called upon to testify as a witness, I could and would testify competently
4 thereto. I am an attorney duly admitted to practice before all the courts for the State of California
5 and for the Federal District Court for the Central District of California. I am the sole shareholder
6 of Pamela Jan Zylstra A Professional Corporation (“Firm”). The Firm is general insolvency
7 counsel for S.J. Medical LLC, a California Limited Liability Company, as the Reorganized
8 Debtor in the Chapter 11 case commenced on September 16, 2013. This declaration is made in
9 support of the motion for authority to sell real property of the estate, et al (the “Motion”). If
10 called as a witness, I could and would testify from personal knowledge to the matters stated
11 below.

12 2. Sale Procedures Order. The Court entered the Order Establishing Bidding
13 Procedures For Sale Of Real And Personal Property Of The Reorganized Debtor And Setting
14 Hearing For Motion For Order Authorizing Sale And Auction (the “Sale Procedures Order”) on
15 December 30, 2016 as ECF Docket No. 251. A true and correct copy of the Sale Procedures
16 Order is attached hereto as Exhibit 2. The approved procedures for the auction sale and bidding
17 are attached to the Sale Procedures Order as Exhibit 1.

18 3. Preliminary Title Report. First American Title Company prepared a Preliminary
19 Report dated December 9, 2016 in advance of issuing a title policy for the sale of the Property. A
20 true and correct copy of the Preliminary Report is attached hereto as Exhibit 4.

21 4. Draft Sale Order. The proposed form of order granting the relief requested by the
22 Motion is attached hereto as Exhibit 5. The form of order includes three (3) exhibits: (a) legal
23 description of the real property included in the sale; (b) list of Assumed Leases assigned to the
24 Buyer; and (c) list of personal property included in the sale.

25 5. Financial Ability to Close Purchase of Property. Buyer provided me with bank
26 account statements and other evidence of funding sources that total \$5,963,185.00 to pay the
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1 purchase price for the Property of \$5,4000,000.00. The evidence of the funding sources is
2 attached as exhibits to the Declaration of Alfred Santos. I confirm that on or about December 12,
3 2016, I received Exhibit 1 to the Santos Declaration identified as a “committed credit facilities”
4 letter dated December 9, 2016, addressed to me by David Perry, First Vice President of Cathay
5 Bank.

6 I declare under penalty of perjury under the laws of the State of California that the
7 foregoing is true and correct.

8 Executed this 17th day of January 2017 at San Jose, California.

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11 PAMELA J. ZYLSTRA

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EXHIBIT 1



STANDARD OFFER, AGREEMENT AND ESCROW
INSTRUCTIONS FOR PURCHASE OF REAL ESTATE
(Non-Residential)
AIR Commercial Real Estate Association

December 7, 2016
(Date for Reference Purposes)

1. Buyer.
1.1 ALFREDO AND BERENGA SANTIOS TRUST, DATED FEBRUARY 12, 1979, ("Buyer")
hereby offers to purchase the real property, hereinafter described, from the owner thereof ("Seller") (collectively, the "Parties" or individually,
a "Party"), through an escrow ("Escrow") to close 30 or _____ days after the waiver or expiration of the Buyer's Contingencies, ("Expected
Closing Date") to be held by _____ ("Escrow Holder") whose address is _____

Phone No: _____ Facsimile No: _____
upon the terms and conditions set forth in this agreement ("Agreement"). Buyer shall have the right to assign Buyer's rights hereunder, but any
such assignment shall not relieve Buyer of Buyer's obligations herein unless Seller expressly releases Buyer.

1.2 The term "Date of Agreement" as used herein shall be the date when by execution and delivery (as defined in paragraph 20.2) of
this document or a subsequent counteroffer thereto, Buyer and Seller have reached agreement in writing whereby Seller agrees to sell, and Buyer
agrees to purchase, the Property upon terms accepted by both Parties.

2. Property.
2.1 The real property ("Property") that is the subject of this offer consists of (insert a brief physical description) fee simple
interest of an approximately 28,124 SF 2-story multi-tenant office building situated upon
approximately .60 acre of land.
is located in the City of San Jacinto, County of Riverside, State of CA, is commonly known by
the street address of 1695 San Jacinto Ave, San Jacinto Ca 92583-5103
and is legally described as: _____

(APN: 439-112-028).
2.2 If the legal description of the Property is not complete or is inaccurate, this Agreement shall not be invalid and the legal description
shall be completed or corrected to meet the requirements of _____ ("Title Company"), which shall issue the title policy hereinafter described.

2.3 The Property includes, at no additional cost to Buyer, the permanent improvements thereon, including those items which pursuant to
applicable law are a part of the property, as well as the following items, if any, owned by Seller and at present located on the Property: electrical
distribution systems (power panel, bus ducting, conduits, disconnects, lighting fixtures); telephone distribution systems (lines, jacks and
connections only); space heaters; heating, ventilating, air conditioning equipment ("HVAC"); air lines; fire sprinkler systems; security and fire
detection systems; carpets; window coverings; wall coverings; and All furniture in Suite G. (see Exhibit 1 Personal
Property Inventory)

2.4 The fire sprinkler monitor: [X] is owned by Seller and included in the Purchase Price, [] is leased by Seller, and Buyer will need to
negotiate a new lease with the fire monitoring company, [] ownership will be determined during Escrow, or [] there is no fire sprinkler monitor.

2.5 Except as provided in Paragraph 2.3, the Purchase Price does not include Seller's personal property, furniture and furnishings, and
all of which shall be removed by Seller prior to Closing.

3. Purchase Price.
3.1 The purchase price ("Purchase Price") to be paid by Buyer to Seller for the Property shall be \$ 5,400,000.00, payable as
follows:

- (a) Cash down payment, including the Deposit as defined in paragraph 4.0 (or if an all-cash
transaction, the Purchase Price); \$ _____
(Strike if not applicable) (b) Amount of "New Loan" as defined in paragraph 5.1, if any; \$ _____
(c) Buyer shall take title to the Property subject to an/or assume the following existing deed(s) of
trust ("Existing Deed(s) of Trust") securing the existing promissory note(s) ("Existing Note(s)");

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(i) An Existing Note ("First Note") with an unpaid principal balance as of the Closing of approximately: \$ _____
 Said First Note is payable at \$ _____ per month;
 including interest at the rate of _____ % per annum until paid (and/or the
 entire unpaid balance is due on _____);

(Strike if not applicable)

(ii) An Existing Note ("Second Note") with an unpaid principal balance as of the Closing of approximately: \$ _____
 Said Second Note is payable at \$ _____ per month;
 including interest at the rate of _____ % per annum until paid (and/or the
 entire unpaid balance is due on _____);

(Strike if not applicable)

(d) Buyer shall give Seller a deed of trust ("Purchase Money Deed of Trust") on the property, to secure the promissory note of Buyer to Seller described in paragraph 6 ("Purchase Money Note") in the amount of: \$ _____

Total Purchase Price: \$ 5,400,000.00

3.2 If Buyer is taking title to the Property subject to, or assuming, an Existing Deed of Trust and such deed of trust permits the beneficiary to demand payment of fees including, but not limited to, points, processing fees, and appraisal fees as a condition to the transfer of the Property, Buyer agrees to pay such fees up to a maximum of 1.5% of the unpaid principal balance of the applicable Existing Note.

4. Deposits:

4.1 Buyer has delivered to Broker a check in the sum of \$ _____, payable to Escrow Holder, to be delivered by Broker to Escrow Holder within 2 or _____ business days after both Parties have executed this Agreement and the executed Agreement has been delivered to Escrow Holder, or within 2 or _____ business days after both Parties have executed this Agreement and the executed Agreement has been delivered to Escrow Holder. Buyer shall deliver to Escrow Holder a check in the sum of \$ _____ if said check is not received by Escrow Holder within said time period then Seller may elect to unilaterally terminate this transaction by giving written notice of such election to Escrow Holder whereupon neither Party shall have any further liability to the other under this Agreement. Should Buyer and Seller not enter into an agreement for purchase and sale, Buyer's check or funds shall, upon request by Buyer, be promptly returned to Buyer.

4.2 Additional deposits:

(a) Within 5 business days after the Date of Agreement, Buyer shall deposit with Escrow Holder the additional sum of \$ _____ to be applied to the Purchase Price at the Closing.

(b) Within 5 business days after the contingencies discussed in paragraph 0.1 (a) through (m) are approved or waived, Buyer shall deposit with Escrow Holder the additional sum of \$ _____ to be applied to the Purchase Price at the Closing.

(c) If an Additional Deposit is not received by Escrow Holder within the time period provided then Seller may notify Buyer, Escrow Holder, and Brokers, in writing that, unless the Additional Deposit is received by Escrow Holder within 2 business days following said notice, the Escrow shall be deemed terminated without further notice or instructions.

4.3 Escrow Holder shall deposit the funds deposited with it by Buyer pursuant to paragraphs 4.1 and 4.2 (collectively the "Deposit"), in a State or Federally chartered bank in an interest bearing account whose term is appropriate and consistent with the timing requirements of this transaction. The interest therefrom shall accrue to the benefit of Buyer, who hereby acknowledges that there may be penalties or interest forfeitures if the applicable instrument is redeemed prior to its specified maturity. Buyer's Federal Tax Identification Number is 556-62-1222. NOTE: Such interest bearing account cannot be opened until Buyer's Federal Tax Identification Number is provided.

4.4 Notwithstanding the foregoing, within 5 days after Escrow Holder receives the monies described in paragraph 4.1 above, Escrow Holder shall release \$100 of said monies to Seller as and for independent consideration for Seller's execution of this Agreement and the granting of the contingency period to Buyer as herein provided. Such independent consideration is non refundable to Buyer but shall be credited to the Purchase Price in the event that the purchase of the Property is completed.

4.5 Upon waiver of all of Buyer's contingencies the Deposit shall become non refundable but applicable to the Purchase Price except in the event of a Seller breach, or in the event that the Escrow is terminated pursuant to the provisions of Paragraph 0.1(n) (Destruction, Damage or Loss) or 0.1(o) (Material Change).

5. Financing Contingency. (Strike if not applicable)

5.1 This offer is contingent upon Buyer obtaining from an insurance company, financial institution or other lender, a commitment to lend to Buyer a sum equal to at least _____ % of the Purchase Price, on terms reasonably acceptable to Buyer. Such loan ("New Loan") shall be secured by a first deed of trust or mortgage on the Property. If this Agreement provides for Seller to carry back junior financing, then Seller shall have the right to approve the terms of the New Loan. Seller shall have 7 days from receipt of the commitment setting forth the proposed terms of the New Loan to approve or disapprove of such proposed terms. If Seller fails to notify Escrow Holder, in writing, of the disapproval within said 7 days it shall be conclusively presumed that Seller has approved the terms of the New Loan.

5.2 Buyer hereby agrees to diligently pursue obtaining the New Loan. If Buyer shall fail to notify its Broker, Escrow Holder and Seller, in writing within _____ days following the Date of Agreement, that the New Loan has not been obtained, it shall be conclusively presumed that Buyer has either obtained said New Loan or has waived this New Loan contingency.

5.3 If, after due diligence, Buyer shall notify its Broker, Escrow Holder and Seller, in writing, within the time specified in paragraph 5.2 hereof, that Buyer has not obtained said New Loan, this Agreement shall be terminated, and Buyer shall be entitled to the prompt return of the Deposit, plus any interest earned thereon, less only Escrow Holder and Title Company cancellation fees and costs, which Buyer shall pay.

6. Seller Financing (Purchase Money Note). (Strike if not applicable)

6.1 If Seller approves Buyer's financials (see paragraph 6.5) the Purchase Money Note shall provide for interest on unpaid principal at the rate of _____ % per annum, with principal and interest paid as follows: _____

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Exhibit 1
Page 43

The Purchase Money Note and Purchase Money Deed of Trust shall be on the current forms commonly used by Escrow Holder, and be junior and subordinate only to the Existing Note(s) and/or the New Loan expressly called for by this Agreement.

6.2 The Purchase Money Note and/or the Purchase Money Deed of Trust shall contain provisions regarding the following (see also paragraph 10.3 (b)):

(a) Prepayment Principal may be prepaid in whole or in part at any time without penalty, at the option of the Buyer.

(b) Late Charge. A late charge of 6% shall be payable with respect to any payment of principal, interest, or other charges, not made within 10 days after it is due.

(c) Due-On-Sale. In the event the Buyer sells or transfers title to the Property or any portion thereof, then the Seller may, at Seller's option, require the entire unpaid balance of said Note to be paid in full.

6.3 If the Purchase Money Deed of Trust is to be subordinate to other financing, Escrow Holder shall, at Buyer's expense prepare and record on Seller's behalf a request for notice of default and/or sale with regard to each mortgage or deed of trust to which it will be subordinate.

6.4 WARNING: CALIFORNIA LAW DOES NOT ALLOW DEFICIENCY JUDGEMENTS ON SELLER FINANCING. IF BUYER ULTIMATELY DEFAULTS ON THE LOAN, SELLER'S SOLE REMEDY IS TO FORECLOSE ON THE PROPERTY.

6.5 Seller's obligation to provide financing is contingent upon Seller's reasonable approval of Buyer's financial condition. Buyer to provide a current financial statement and copies of its Federal tax returns for the last 3 years to Seller within 10 days following the Date of Agreement. Seller has 10 days following receipt of such documentation to satisfy itself with regard to Buyer's financial condition and to notify Escrow Holder as to whether or not Buyer's financial condition is acceptable. If Seller fails to notify Escrow Holder, in writing, of the disapproval of this contingency within said time period, it shall be conclusively presumed that Seller has approved Buyer's financial condition. If Seller is not satisfied with Buyer's financial condition or if Buyer fails to deliver the required documentation then Seller may notify Escrow Holder in writing that Seller Financing will not be available, and Buyer shall have the option, within 10 days of the receipt of such notice, to either terminate this transaction or to purchase the Property without Seller financing. If Buyer fails to notify Escrow Holder within said time period of its election to terminate this transaction then Buyer shall be conclusively presumed to have elected to purchase the Property without Seller financing. If Buyer elects to terminate, Buyer's Deposit shall be refunded less Title Company and Escrow Holder cancellation fees and costs, all of which shall be Buyer's obligation.

7. Real Estate Brokers.

7.1 The following real estate broker(s) ("Brokers") and brokerage relationships exist in this transaction and are consented to by the Parties (check the applicable boxes):

- checkbox represents Seller exclusively ("Seller's Broker");
checkbox represents Buyer exclusively ("Buyer's Broker"); or
checkbox represents both Seller and Buyer ("Dual Agency").

The Parties acknowledge that other than the Brokers listed above, there are no other brokers representing the Parties or due any fees and/or commissions under this Agreement. See paragraph 24 regarding the nature of a real estate agency relationship. Buyer shall use the services of Buyer's Broker exclusively in connection with any and all negotiations and offers with respect to the Property for a period of 1 year from the date inserted for reference purposes at the top of page 4.

7.2 Buyer and Seller each represent and warrant to the other that he/she/it has had no dealings with any person, firm, broker or finder in connection with the negotiation of this Agreement and/or the consummation of the purchase and sale contemplated herein, other than the Brokers named in paragraph 7.1, and no broker or other person, firm or entity, other than said Brokers is/are entitled to any commission or finder's fee in connection with this transaction as the result of any dealings or acts of such Party. Buyer and Seller do each hereby agree to indemnify, defend, protect and hold the other harmless from and against any costs, expenses or liability for compensation, commission or charges which may be claimed by any broker, finder or other similar party, other than said named Brokers by reason of any dealings or act of the indemnifying Party.

8. Escrow and Closing.

8.1 Upon acceptance hereof by Seller, this Agreement, including any counteroffers incorporated herein by the Parties, shall constitute not only the agreement of purchase and sale between Buyer and Seller, but also instructions to Escrow Holder for the consummation of the Agreement through the Escrow. Escrow Holder shall not prepare any further escrow instructions restating or amending the Agreement unless specifically so instructed by the Parties or a Broker herein. Subject to the reasonable approval of the Parties, Escrow Holder may, however, include its standard general escrow provisions. In the event that there is any conflict between the provisions of the Agreement and the provisions of any additional escrow instructions the provisions of the Agreement shall prevail as to the Parties and the Escrow Holder.

8.2 As soon as practical after the receipt of this Agreement and any relevant counteroffers, Escrow Holder shall ascertain the Date of Agreement as defined in paragraphs 1.2 and 20.2 and advise the Parties and Brokers, in writing, of the date ascertained.

8.3 Escrow Holder is hereby authorized and instructed to conduct the Escrow in accordance with this Agreement, applicable law and custom and practice of the community in which Escrow Holder is located, including any reporting requirements of the Internal Revenue Code. In the event of a conflict between the law of the state where the Property is located and the law of the state where the Escrow Holder is located, the law of the state where the Property is located shall prevail.

8.4 Subject to satisfaction of the contingencies herein described, Escrow Holder shall close this escrow (the "Closing") by recording a general warranty deed (a grant deed in California) and the other documents required to be recorded, and by disbursing the funds and documents in accordance with this Agreement.

8.5 Buyer and Seller shall each pay one-half of the Escrow Holder's charges and Seller shall pay the usual recording fees and any required documentary transfer taxes. Seller shall pay the premium for a standard coverage owner's or joint protection policy of title insurance. (See also paragraph 11)

8.6 Escrow Holder shall verify that all of Buyer's contingencies have been satisfied or waived prior to Closing. The matters contained in paragraphs 9.1 subparagraphs (b), (c), (d), (e), (g), (h), (i), (m), and (o), 9.4, 9.5, 12, 13, 14, 16, 18, 20, 21, 22, and 24 are, however, matters of agreement between the Parties only and are not instructions to Escrow Holder.

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8.7 If this transaction is terminated for non-satisfaction and non-waiver of a Buyer's Contingency, as defined in paragraph 8.2, then neither of the Parties shall thereafter have any liability to the other under this Agreement, except to the extent of a breach of any affirmative covenant or warranty in this Agreement. In the event of such termination, Buyer shall, subject to the provisions of paragraph 8.10, be promptly refunded all funds deposited by Buyer with Escrow Holder, less only the \$100 provided for in paragraph 4.4 and the Title Company and Escrow Holder cancellation fees and costs, all of which shall be Buyer's obligation. If this transaction is terminated as a result of Seller's breach of this Agreement then Seller shall pay the Title Company and Escrow Holder cancellation fees and costs.

8.8 The Closing shall occur on the Expected Closing Date, or as soon thereafter as the Escrow is in condition for Closing; provided, however, that if the Closing does not occur by the Expected Closing Date and said Date is not extended by mutual instructions of the Parties, a Party not then in default under this Agreement may notify the other Party, Escrow Holder, and Brokers, in writing that, unless the Closing occurs within 5 business days following said notice, the Escrow shall be deemed terminated without further notice or instructions.

8.9 Except as otherwise provided herein, the termination of Escrow shall not relieve or release either Party from any obligation to pay Escrow Holder's fees and costs or constitute a waiver, release or discharge of any breach or default that has occurred in the performance of the obligations, agreements, covenants or warranties contained therein.

8.10 If this sale of the Property is not consummated for any reason other than Seller's breach or default, then at Seller's request, and as a condition to any obligation to return Buyer's deposit (see paragraph 21), Buyer shall within 5 days after written request deliver to Seller, at no charge, copies of all surveys, engineering studies, soil reports, maps, master plans, feasibility studies and other similar items prepared by or for Buyer that pertain to the Property. Provided, however, that Buyer shall not be required to deliver any such report if the written contract which Buyer entered into with the consultant who prepared such report specifically forbids the dissemination of the report to others.

9. Contingencies to Closing.

9.1 The Closing of this transaction is contingent upon the satisfaction or waiver of the following contingencies. ~~IF BUYER FAILS TO NOTIFY ESCROW HOLDER, IN WRITING, OF THE DISAPPROVAL OF ANY OF SAID CONTINGENCIES WITHIN THE TIME SPECIFIED THEREIN, IT SHALL BE CONCLUSIVELY PRESUMED THAT BUYER HAS APPROVED SUCH ITEM, MATTER OR DOCUMENT.~~ Buyer's conditional approval shall constitute disapproval, unless provision is made by the Seller within the time specified therefore by the Buyer in such conditional approval or by this Agreement, whichever is later, for the satisfaction of the condition imposed by the Buyer. Escrow Holder shall promptly provide all Parties with copies of any written disapproval or conditional approval which it receives. With regard to subparagraphs (a) through (m) the pre-printed time periods shall control unless a different number of days is inserted in the spaces provided.

(a) ~~Disclosure.~~ Seller shall make to Buyer, through Escrow, all of the applicable disclosures required by law (See AIR Commercial Real Estate Association ("AIR") standard form entitled "Seller's Mandatory Disclosure Statement") and provide Buyer with a completed Property Information Sheet ("Property Information Sheet") concerning the Property, duly executed by or on behalf of Seller in the current form or equivalent to that published by the AIR within 10 or _____ days following the Date of Agreement. Buyer has 10 days from the receipt of said disclosures to approve or disapprove the matters disclosed.

(b) ~~Physical Inspection.~~ Buyer has 10 or _____ 0 days following the receipt of the Property Information Sheet or the Date of Agreement, whichever is later, to satisfy itself with regard to the physical aspects and size of the Property.

(c) ~~Hazardous Substance Conditions Report.~~ Buyer has 30 or _____ 0 days following the receipt of the Property Information Sheet or the Date of Agreement, whichever is later, to satisfy itself with regard to the environmental aspects of the Property. Seller recommends that Buyer obtain a Hazardous Substance Conditions Report concerning the Property and relevant adjoining properties. Any such report shall be paid for by Buyer. A "Hazardous Substance" for purposes of this Agreement is defined as any substance whose nature and/or quantity of existence, use, manufacture, disposal or effect, render it subject to Federal, state or local regulation, investigation, remediation or removal as potentially injurious to public health or welfare. A "Hazardous Substance Condition" for purposes of this Agreement is defined as the existence on, under or relevantly adjacent to the Property of a Hazardous Substance that would require remediation and/or removal under applicable Federal, state or local law.

(d) ~~Soil Inspection.~~ Buyer has 30 or _____ 0 days following the receipt of the Property Information Sheet or the Date of Agreement, whichever is later, to satisfy itself with regard to the condition of the soils on the Property. Seller recommends that Buyer obtain a soil test report. Any such report shall be paid for by Buyer. Seller shall provide Buyer copies of any soils report that Seller may have within 10 days of the Date of Agreement.

(e) ~~Governmental Approvals.~~ Buyer has 30 or _____ 0 days following the Date of Agreement to satisfy itself with regard to approvals and permits from governmental agencies or departments which have or may have jurisdiction over the Property and which Buyer deems necessary or desirable in connection with its intended use of the Property, including, but not limited to, permits and approvals required with respect to zoning, planning, building and safety, fire, police, handicapped and Americans with Disabilities Act requirements, transportation and environmental matters.

(f) ~~Conditions of Title.~~ Escrow Holder shall cause a current commitment for title insurance ("Title Commitment") concerning the Property issued by the Title Company, as well as legible copies of all documents referred to in the Title Commitment ("Underlying Documents"), and a sealed and dimensioned plot showing the location of any easements to be delivered to Buyer within 10 or _____ days following the Date of Agreement. Buyer has 10 days from the receipt of the Title Commitment, the Underlying Documents and the plot plan to satisfy itself with regard to the condition of title. The disapproval by Buyer of any monetary encumbrance, which by the terms of this Agreement is not to remain against the Property after the Closing, shall not be considered a failure of this contingency, as Seller shall have the obligation, at Seller's expense, to satisfy and remove such disapproved monetary encumbrance at or before the Closing.

(g) ~~Survey.~~ Buyer has 30 or _____ days following the receipt of the Title Commitment and Underlying Documents to satisfy itself with regard to any ALTA title supplement based upon a survey prepared to American Land Title Association ("ALTA") standards for an owner's policy by a licensed surveyor, showing the legal description and boundary lines of the Property, any easements of record, and any improvements, poles, structures and things located within 10 feet of either side of the Property boundary lines. Any such survey shall be prepared at Buyer's direction and expense. If Buyer has obtained a survey and approved the ALTA title supplement, Buyer may elect within the period allowed for Buyer's approval of a survey to have an ALTA extended coverage owner's form of title policy, in which event Buyer shall pay any additional premium attributable thereto.

(h) ~~Existing Leases and Tenancy Statements.~~ Seller shall within 10 or _____ days following the Date of Agreement provide both

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Buyer and Escrow Holder with legible copies of all leases, subleases or rental arrangements (collectively, "Existing Leases") affecting the Property, and with a tenancy statement ("Estoppel Certificate") in the latest form or equivalent to that published by the AIR, executed by Seller and/or each tenant and subtenant of the Property. Seller shall use its best efforts to have each tenant complete and execute an Estoppel Certificate. If any tenant fails or refuses to provide an Estoppel Certificate then Seller shall complete and execute an Estoppel Certificate for that tenancy. Buyer has 10 days from the receipt of said Existing Leases and Estoppel Certificates to satisfy itself with regard to the Existing Leases and any other tenancy issues.

(f) *Owner's Association.* Seller shall within 10 or _____ days following the Date of Agreement provide Buyer with a statement and transfer package from any owner's association servicing the Property. Such transfer package shall at a minimum include: copies of the association's bylaws, articles of incorporation, current budget and financial statement. Buyer has 10 days from the receipt of such documents to satisfy itself with regard to the association.

(g) *Other Agreements.* Seller shall within 10 or _____ days following the Date of Agreement provide Buyer with legible copies of all other agreements ("Other Agreements") known to Seller that will affect the Property after Closing. Buyer has 10 days from the receipt of said Other Agreements to satisfy itself with regard to such Agreements.

(h) *Financing.* If paragraph 5 hereof dealing with a financing contingency has not been stricken, the satisfaction or waiver of such New Loan contingency.

(i) *Existing Notes.* If paragraph 3.1(e) has not been stricken, Seller shall within 10 or _____ days following the Date of Agreement provide Buyer with legible copies of the Existing Notes, Existing Deeds of Trust and related agreements (collectively, "Loan Documents") to which the Property will remain subject after the Closing. Escrow Holder shall promptly request from the holders of the Existing Notes a beneficiary statement ("Beneficiary Statement") confirming: (1) the amount of the unpaid principal balance, the current interest rate, and the date to which interest is paid, and (2) the nature and amount of any impounds held by the beneficiary in connection with such loan. Buyer has 10 or _____ days following the receipt of the Loan Documents and Beneficiary Statements to satisfy itself with regard to such financing. Buyer's obligation to close is conditioned upon Buyer being able to purchase the Property without acceleration or change in the terms of any Existing Notes or charges to Buyer except as otherwise provided in this Agreement or approved by Buyer, provided, however, Buyer shall pay the transfer fee referred to in paragraph 3.2 hereof. Likewise if Seller is to carry back a Purchase Money Note then Seller shall within 10 or _____ days following the Date of Agreement provide Buyer with a copy of the proposed Purchase Money Note and Purchase Money Deed of Trust. Buyer has 10 or _____ days from the receipt of such documents to satisfy itself with regard to the form and content thereof.

(j) *Personal Property.* In the event that any personal property is included in the Purchase Price, Buyer has 10 or _____ days following the Date of Agreement to satisfy itself with regard to the title condition of such personal property. Seller recommends that Buyer obtain a UCC-1 report. Any such report shall be paid for by Buyer. Seller shall provide Buyer copies of any liens or encumbrances affecting such personal property that it is aware of within 10 or _____ days following the Date of Agreement.

(k) *Destruction, Damage or Loss.* Subsequent to the Date of Agreement and prior to Closing there shall not have occurred a destruction, or damage or loss to, the Property or any portion thereof, from any cause whatsoever, which would cost more than \$10,000.00 to repair or cure. If the cost of repair or cure is \$10,000.00 or less, Seller shall repair or cure the loss prior to the Closing. Buyer shall have the option, within 10 days after receipt of written notice of a loss exceeding more than \$10,000.00 to repair or cure, to either terminate this Agreement or to purchase the Property notwithstanding such loss, but without deduction or offset against the Purchase Price. If the cost to repair or cure is more than \$10,000.00, and Buyer does not elect to terminate this Agreement, Buyer shall be entitled to any insurance proceeds applicable to such loss. Unless otherwise notified in writing, Escrow Holder shall assume no such destruction, damage or loss has occurred prior to Closing.

(l) *Material Change.* Buyer shall have 10 days following receipt of written notice of a Material Change within which to satisfy itself with regard to such change. "Material Change" shall mean a substantial adverse change in the use, occupancy, tenants, title, or condition of the Property that occurs after the date of this offer and prior to the Closing. Unless otherwise notified in writing, Escrow Holder shall assume that no Material Change has occurred prior to the Closing.

(m) *Seller Performance.* The delivery of all documents and the due performance by Seller of each and every undertaking and agreement to be performed by Seller under this Agreement.

(n) *Brokerage Fee.* Payment at the Closing of such brokerage fee as is specified in this Agreement or later written instructions to Escrow Holder executed by Seller and Brokers ("Brokerage Fee"). It is agreed by the Parties and Escrow Holder that Brokers are a third party beneficiary of this Agreement insofar as the Brokerage Fee is concerned, and that no change shall be made with respect to the payment of the Brokerage Fee specified in this Agreement, without the written consent of Brokers.

0.2 All of the contingencies specified in subparagraphs (a) through (m) of paragraph 0.1 are for the benefit of, and may be waived by, Buyer, and may be elsewhere herein referred to as "Buyer's Contingencies."

0.3 If any of Buyer's Contingencies or any other matter subject to Buyer's approval is disapproved as provided for herein in a timely manner ("Disapproved Item"), Seller shall have the right within 10 days following the receipt of notice of Buyer's disapproval to elect to cure such Disapproved Item prior to the Expected Closing Date ("Seller's Election"). Seller's failure to give to Buyer within such period, written notice of Seller's commitment to cure such Disapproved Item on or before the Expected Closing Date shall be conclusively presumed to be Seller's Election not to cure such Disapproved Item. If Seller elects, either by written notice or failure to give written notice, not to cure a Disapproved Item, Buyer shall have the right, within 10 days after Seller's Election to either accept title to the Property subject to such Disapproved Item, or to terminate this Agreement. Buyer's failure to notify Seller in writing of Buyer's election to accept title to the Property subject to the Disapproved Item without deduction or offset shall constitute Buyer's election to terminate this Agreement. Unless expressly provided otherwise herein, Seller's right to cure shall not apply to the remediation of Hazardous Substance Conditions or to the Financing Contingency. Unless the Parties mutually instruct otherwise, if the time periods for the satisfaction of contingencies or for Seller's and Buyer's elections would expire on a date after the Expected Closing Date, the Expected Closing Date shall be deemed extended for 3 business days following the expiration of: (a) the applicable contingency period(s), (b) the period within which the Seller may elect to cure the Disapproved Item, or (c) if Seller elects not to cure, the period within which Buyer may elect to proceed with this transaction, whichever is later.


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~~9.4 The Parties acknowledge that extensive local, state and Federal legislation establish broad liability upon owners and/or users of real property for the investigation and remediation of Hazardous Substances. The determination of the existence of a Hazardous Substance Condition and the evaluation of the impact of such a condition are highly technical and beyond the expertise of Brokers. The Parties acknowledge that they have been advised by Brokers to consult their own technical and legal experts with respect to the possible presence of Hazardous Substances on the Property or adjoining properties, and Buyer and Seller are not relying upon any investigation by or statement of Brokers with respect thereto. The Parties hereby assume all responsibility for the impact of such Hazardous Substances upon their respective interests herein.~~

10. Documents Required at or Before Closing:

10.1 Five days prior to the Closing date Escrow Holder shall obtain an updated Title Commitment concerning the Property from the Title Company and provide copies thereof to each of the Parties.

10.2 Seller shall deliver to Escrow Holder in time for delivery to Buyer at the Closing:

(a) Grant or general warranty deed, duly executed and in recordable form, conveying fee title to the Property to Buyer.

(b) If applicable, the Beneficiary Statements concerning Existing Note(s).

(c) If applicable, the Existing Leases and Other Agreements together with duly executed assignments thereof by Seller and Buyer.

~~The assignment of Existing Leases shall be on the most recent Assignment and Assumption of Lessor's Interest in Lease form published by the AIR or its equivalent.~~

(d) If applicable, Estoppel Certificates executed by Seller and/or the tenant(s) of the Property.

(e) An affidavit executed by Seller to the effect that Seller is not a "foreign person" within the meaning of Internal Revenue Code Section 1445 or successor statutes. If Seller does not provide such affidavit in form reasonably satisfactory to Buyer at least 3 business days prior to the Closing, Escrow Holder shall at the Closing deduct from Seller's proceeds and remit to the Internal Revenue Service such sum as is required by applicable Federal law with respect to purchases from foreign sellers.

(f) If the Property is located in California, an affidavit executed by Seller to the effect that Seller is not a "nonresident" within the meaning of California Revenue and Tax Code Section 18662 or successor statutes. If Seller does not provide such affidavit in form reasonably satisfactory to Buyer at least 3 business days prior to the Closing, Escrow Holder shall at the Closing deduct from Seller's proceeds and remit to the Franchise Tax Board such sum as is required by such statute.

(g) If applicable, a bill of sale, duly executed, conveying title to any Included personal property to Buyer.

(h) If the Seller is a corporation, a duly executed corporate resolution authorizing the execution of this Agreement and the sale of the Property.

10.3 Buyer shall deliver to Seller through Escrow:

(a) The cash portion of the Purchase Price and such additional sums as are required of Buyer under this Agreement shall be deposited by Buyer with Escrow Holder, by federal funds wire transfer, or any other method acceptable to Escrow Holder in immediately collectable funds, no later than 2:00 P.M. on the business day prior to the Expected Closing Date provided, however, that Buyer shall not be required to deposit such monies into Escrow if at the time set for the deposit of such monies Seller is in default or has indicated that it will not perform any of its obligations hereunder. Instead, in such circumstances in order to reserve its rights to proceed Buyer need only provide Escrow with evidence establishing that the required monies were available.

(b) If a Purchase Money Note and Purchase Money Deed of Trust are called for by this Agreement, the duly executed originals of these documents, the Purchase Money Deed of Trust being in recordable form, together with evidence of fire insurance on the improvements in the amount of the full replacement cost naming Seller as a mortgagee-less payee, and a real estate tax service contract (at Buyer's expense), assuring Seller of notice of the status of payment of real property taxes during the life of the Purchase Money Note.

(c) The Assignment and Assumption of Lessor's Interest in Lease form specified in paragraph 10.2(c) above, duly executed by Buyer.

(d) Assumptions duly executed by Buyer of the obligations of Seller that accrue after Closing under any Other Agreements.

(e) If applicable, a written assumption duly executed by Buyer of the loan documents with respect to Existing Notes.

(f) If the Buyer is a corporation, a duly executed corporate resolution authorizing the execution of this Agreement and the purchase of the Property.

10.4 At Closing, Escrow Holder shall cause to be issued to Buyer a standard coverage (or ALTA extended, if elected pursuant to 9.1(g)) owner's form policy of title insurance effective as of the Closing, issued by the Title Company in the full amount of the Purchase Price, insuring title to the Property vested in Buyer, subject only to the exceptions approved by Buyer. ~~In the event there is a Purchase Money Deed of Trust in this transaction, the policy of title insurance shall be a joint protection policy insuring both Buyer and Seller.~~

IMPORTANT: IN A PURCHASE OR EXCHANGE OF REAL PROPERTY, IT MAY BE ADVISABLE TO OBTAIN TITLE INSURANCE IN CONNECTION WITH THE CLOSE OF ESCROW SINCE THERE MAY BE PRIOR RECORDED LIENS AND ENCUMBRANCES WHICH AFFECT YOUR INTEREST IN THE PROPERTY BEING ACQUIRED. A NEW POLICY OF TITLE INSURANCE SHOULD BE OBTAINED IN ORDER TO ENSURE YOUR INTEREST IN THE PROPERTY THAT YOU ARE ACQUIRING.

11. Prorations and Adjustments.

11.1 **Taxes.** Applicable real property taxes and special assessment bonds shall be prorated through Escrow as of the date of the Closing, based upon the latest tax bill available. The Parties agree to prorate as of the Closing any taxes assessed against the Property by supplemental bill levied by reason of events occurring prior to the Closing. Payment of the prorated amount shall be made promptly in cash upon receipt of a copy of any supplemental bill.

11.2 **Insurance.** **WARNING:** Any insurance which Seller may have maintained will terminate on the Closing. Buyer is advised to obtain appropriate insurance to cover the Property.

11.3 **Rentals, Interest and Expenses.** Scheduled rentals, interest on Existing Notes, utilities, and operating expenses shall be prorated as of the date of Closing. The Parties agree to promptly adjust between themselves outside of Escrow any rents received after the Closing.

11.4 **Security Deposit.** Security Deposits held by Seller shall be given to Buyer as a credit to the cash required of Buyer at the Closing.


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11.5 *Post Closing Matters.* Any item to be prorated that is not determined or determinable at the Closing shall be promptly adjusted by the Parties by appropriate cash payment outside of the Escrow when the amount due is determined.

11.6 *Variations in Existing Note Balances.* In the event that Buyer is purchasing the Property subject to an Existing Deed of Trust(s), and in the event that a Beneficiary Statement as to the applicable Existing Note(s) discloses that the unpaid principal balance of such Existing Note(s) at the closing will be more or less than the amount set forth in paragraph 3.1(e) hereof ("Existing Note Variation"), then the Purchase Money Note(s) shall be reduced or increased by an amount equal to such Existing Note Variation. If there is to be no Purchase Money Note, the cash required at the Closing per paragraph 3.1(e) shall be reduced or increased by the amount of such Existing Note Variation.

11.7 *Variations in New Loan Balance.* In the event Buyer is obtaining a New Loan and the amount ultimately obtained exceeds the amount set forth in paragraph 5.1, then the amount of the Purchase Money Note, if any, shall be reduced by the amount of such excess.

11.8 *Owner's Association Fees.* Escrow Holder shall: (i) bring Seller's account with the association current and pay any delinquencies or transfer fees from Seller's proceeds, and (ii) pay any up front fees required by the association from Buyer's funds.

12. Representations and Warranties of Seller and Disclaimers.

12.1 Seller's warranties and representations shall survive the Closing and delivery of the deed for a period of 3 years, and any lawsuit or action based upon them must be commenced within such time period. Seller's warranties and representations are true, material and relied upon by Buyer and Brokers in all respects. Seller hereby makes the following warranties and representations to Buyer and Brokers:

(a) *Authority of Seller.* Seller is the owner of the Property and/or has the full right, power and authority to sell, convey and transfer the Property to Buyer as provided herein, and to perform Seller's obligations hereunder.

(b) *Maintenance During Escrow and Equipment Condition At Closing.* Except as otherwise provided in paragraph 9.1(n) hereof, Seller shall maintain the Property until the Closing in its present condition, ordinary wear and tear excepted.

(c) *Hazardous Substances/Storage Tanks.* Seller has no knowledge, except as otherwise disclosed to Buyer in writing, of the existence or prior existence on the Property of any Hazardous Substance, nor of the existence or prior existence of any above or below ground storage tank.

(d) *Compliance.* Seller has no knowledge of any aspect or condition of the Property which violates applicable laws, rules, regulations, codes or covenants, conditions or restrictions, or of improvements or alterations made to the Property without a permit where one was required, or of any unfulfilled order or directive of any applicable governmental agency or casualty insurance company requiring any investigation, remediation, repair, maintenance or improvement be performed on the Property.

(e) *Changes in Agreements.* Prior to the Closing, Seller will not violate or modify any Existing Lease or Other Agreement, or create any new leases or other agreements affecting the Property, without Buyer's written approval, which approval will not be unreasonably withheld.

(f) *Possessory Rights.* Seller has no knowledge that anyone will, at the Closing, have any right to possession of the Property, except as disclosed by this Agreement or otherwise in writing to Buyer.

(g) *Mechanics' Liens.* There are no unsatisfied mechanics' or materialmen's lien rights concerning the Property.

(h) *Actions, Suits or Proceedings.* Seller has no knowledge of any actions, suits or proceedings pending or threatened before any commission, board, bureau, agency, arbitrator, court or tribunal that would affect the Property or the right to occupy or utilize same.

(i) *Notice of Changes.* Seller will promptly notify Buyer and Brokers in writing of any Material Change (see paragraph 9.1(e)) affecting the Property that becomes known to Seller prior to the Closing.

(j) *No Tenant Bankruptcy Proceedings.* Seller has no notice or knowledge that any tenant of the Property is the subject of a bankruptcy or insolvency proceeding.

(k) *No Seller Bankruptcy Proceedings.* Seller is not the subject of a bankruptcy, insolvency or probate proceeding.

(l) *Personal Property.* Seller has no knowledge that anyone will, at the Closing, have any right to possession of any personal property included in the Purchase Price nor knowledge of any liens or encumbrances affecting such personal property, except as disclosed by this Agreement or otherwise in writing to Buyer.

12.2 Buyer hereby acknowledges that, except as otherwise stated in this Agreement, Buyer is purchasing the Property in its existing condition and will, by the time called for herein, make or have waived all inspections of the Property Buyer believes are necessary to protect its own interest in, and its contemplated use of, the Property. The Parties acknowledge that, except as otherwise stated in this Agreement, no representations, inducements, promises, agreements, assurances, oral or written, concerning the Property, or any aspect of the occupational safety and health laws, Hazardous Substance laws, or any other act, ordinance or law, have been made by either Party or Brokers, or relied upon by either Party hereto.

12.3 In the event that Buyer learns that a Seller representation or warranty might be untrue prior to the Closing, and Buyer elects to purchase the Property anyway then, and in that event, Buyer waives any right that it may have to bring an action or proceeding against Seller or Brokers regarding said representation or warranty.

12.4 Any environmental reports, soil reports, surveys, and other similar documents which were prepared by third party consultants and provided to Buyer by Seller or Seller's representatives, have been delivered as an accommodation to Buyer and without any representation or warranty as to the sufficiency, accuracy, completeness, and/or validity of said documents, all of which Buyer relies on at its own risk. Seller believes said documents to be accurate, but Buyer is advised to retain appropriate consultants to review said documents and investigate the Property.

13. Possession.

Possession of the Property shall be given to Buyer at the Closing subject to the rights of tenants under Existing Leases.

14. Buyer's Entry.

At any time during the Escrow period, Buyer, and its agents and representatives, shall have the right at reasonable times and subject to rights of tenants, to enter upon the Property for the purpose of making inspections and tests specified in this Agreement. No destructive testing shall be conducted, however, without Seller's prior approval which shall not be unreasonably withheld. Following any such entry or work, unless otherwise directed in writing by Seller, Buyer shall return the Property to the condition it was in prior to such entry or work, including the recompaction or removal of any disrupted soil or material as Seller may reasonably direct. All such inspections and tests and any other work conducted or


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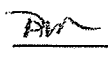

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materials furnished with respect to the Property by or for Buyer shall be paid for by Buyer as and when due and Buyer shall indemnify, defend, protect and hold harmless Seller and the Property of and from any and all claims, liabilities, losses, expenses (including reasonable attorneys' fees), damages, including those for injury to person or property, arising out of or relating to any such work or materials or the acts or omissions of Buyer, its agents or employees in connection therewith.

15. Further Documents and Assurances.

The Parties shall each, diligently and in good faith, undertake all actions and procedures reasonably required to place the Escrow in condition for Closing as and when required by this Agreement. The Parties agree to provide all further information, and to execute and deliver all further documents, reasonably required by Escrow Holder or the Title Company.

16. Attorneys' Fees.

If any Party or Broker brings an action or proceeding (including arbitration) involving the Property whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term "Prevailing Party" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred.

17. Prior Agreements/Amendments.

17.1 This Agreement supersedes any and all prior agreements between Seller and Buyer regarding the Property.

17.2 Amendments to this Agreement are effective only if made in writing and executed by Buyer and Seller.

18. Broker's Rights.

18.1 If this sale is not consummated due to the default of either the Buyer or Seller, the defaulting Party shall be liable to and shall pay to Brokers the Brokerage Fee that Brokers would have received had the sale been consummated. If Buyer is the defaulting party, payment of said Brokerage Fee is in addition to any obligation with respect to liquidated or other damages.

18.2 Upon the Closing, Brokers are authorized to publicize the facts of this transaction.

19. Notices.

19.1 Whenever any Party, Escrow Holder or Brokers herein shall desire to give or serve any notice, demand, request, approval, disapproval or other communication, each such communication shall be in writing and shall be delivered personally, by messenger or by mail, postage prepaid, to the address set forth in this Agreement or by facsimile transmission, electronic signature, digital signature, or email.

19.2 Service of any such communication shall be deemed made on the date of actual receipt if personally delivered, or transmitted by facsimile transmission, electronic signature, digital signature, or email. Any such communication sent by regular mail shall be deemed given 48 hours after the same is mailed. Communications sent by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed delivered 24 hours after delivery of the same to the Postal Service or courier. If such communication is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

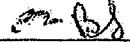
19.3 Any Party or Broker hereto may from time to time, by notice in writing, designate a different address to which, or a different person or additional persons to whom, all communications are thereafter to be made.

20. Duration of Offer.

20.1 If this offer is not accepted by Seller on or before 5:00 P.M. according to the time standard applicable to the city of _____ on the date of _____, it shall be deemed automatically revoked.

20.2 The acceptance of this offer, or of any subsequent counteroffer hereto, that creates an agreement between the Parties as described in paragraph 1.2, shall be deemed made upon delivery to the other Party or either Broker herein of a duly executed writing unconditionally accepting the last outstanding offer or counteroffer.

21. LIQUIDATED DAMAGES. ~~(This Liquidated Damages paragraph is applicable only if initialed by both Parties.)~~
~~THE PARTIES AGREE THAT IT WOULD BE IMPRACTICABLE OR EXTREMELY DIFFICULT TO FIX, PRIOR TO SIGNING THIS AGREEMENT, THE ACTUAL DAMAGES WHICH WOULD BE SUFFERED BY SELLER IF BUYER FAILS TO PERFORM ITS OBLIGATIONS UNDER THIS AGREEMENT. THEREFORE, IF, AFTER THE SATISFACTION OR WAIVER OF ALL CONTINGENCIES PROVIDED FOR THE BUYER'S BENEFIT, BUYER BREACHES THIS AGREEMENT, SELLER SHALL BE ENTITLED TO LIQUIDATED DAMAGES IN THE AMOUNT OF _____ UPON PAYMENT OF SAID SUM TO SELLER, BUYER SHALL BE RELEASED FROM ANY FURTHER LIABILITY TO SELLER, AND ANY ESCROW CANCELLATION FEES AND TITLE COMPANY CHARGES SHALL BE PAID BY SELLER.~~



Buyer Initials



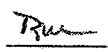
Seller Initials

22. ARBITRATION OF DISPUTES. ~~(This Arbitration of Disputes paragraph is applicable only if initialed by both Parties.)~~

~~22.1 ANY CONTROVERSY AS TO WHETHER SELLER IS ENTITLED TO THE LIQUIDATED DAMAGES AND/OR BUYER IS ENTITLED TO THE RETURN OF DEPOSIT MONEY, SHALL BE DETERMINED BY BINDING ARBITRATION BY, AND UNDER THE COMMERCIAL RULES OF THE AMERICAN ARBITRATION ASSOCIATION ("COMMERCIAL RULES"). ARBITRATION HEARINGS SHALL BE HELD IN THE COUNTY WHERE THE PROPERTY IS LOCATED. ANY SUCH CONTROVERSY SHALL BE ARBITRATED BY 3 ARBITRATORS WHO SHALL BE IMPARTIAL REAL ESTATE BROKERS WITH AT LEAST 5 YEARS OF FULL TIME EXPERIENCE IN BOTH THE AREA WHERE THE PROPERTY IS LOCATED AND THE TYPE OF REAL ESTATE THAT IS THE SUBJECT OF THIS AGREEMENT. THEY SHALL BE APPOINTED UNDER THE COMMERCIAL RULES. THE ARBITRATORS SHALL HEAR AND DETERMINE SAID CONTROVERSY IN ACCORDANCE WITH APPLICABLE LAW, THE INTENTION OF THE PARTIES AS EXPRESSED IN THIS AGREEMENT AND ANY AMENDMENTS THERETO, AND UPON THE EVIDENCE PRODUCED AT AN ARBITRATION HEARING. PRE ARBITRATION DISCOVERY~~



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~~SHALL BE PERMITTED IN ACCORDANCE WITH THE COMMERCIAL RULES OR STATE LAW APPLICABLE TO ARBITRATION PROCEEDINGS. THE AWARD SHALL BE EXECUTED BY AT LEAST 2 OF THE 3 ARBITRATORS, BE RENDERED WITHIN 30 DAYS AFTER THE CONCLUSION OF THE HEARING, AND MAY INCLUDE ATTORNEYS' FEES AND COSTS TO THE PREVAILING PARTY PER PARAGRAPH 16 HEREOF. JUDGMENT MAY BE ENTERED ON THE AWARD IN ANY COURT OF COMPETENT JURISDICTION NOTWITHSTANDING THE FAILURE OF A PARTY DULY NOTIFIED OF THE ARBITRATION HEARING TO APPEAR THEREAT.~~

~~22.2 BUYER'S RESORT TO OR PARTICIPATION IN SUCH ARBITRATION PROCEEDINGS SHALL NOT BAR SUIT IN A COURT OF COMPETENT JURISDICTION BY THE BUYER FOR DAMAGES AND/OR SPECIFIC PERFORMANCE UNLESS AND UNTIL THE ARBITRATION RESULTS IN AN AWARD TO THE SELLER OF LIQUIDATED DAMAGES, IN WHICH EVENT SUCH AWARD SHALL ACT AS A BAR AGAINST ANY ACTION BY BUYER FOR DAMAGES AND/OR SPECIFIC PERFORMANCE.~~

~~22.3 NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS SUCH RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.~~

~~WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.~~


Buyer Initials


Seller Initials

23. Miscellaneous.

23.1 ~~Binding Effect.~~ This Agreement shall be binding on the Parties without regard to whether or not paragraphs 21 and 22 are initiated by both of the Parties. Paragraphs 21 and 22 are each incorporated into this Agreement only if initiated by both Parties at the time that the Agreement is executed.

23.2 ~~Applicable Law.~~ This Agreement shall be governed by, and paragraph 22.3 is amended to refer to, the laws of the state in which the Property is located. Any litigation or arbitration between the Parties hereto concerning this Agreement shall be initiated in the county in which the Property is located.

23.3 ~~Time of Essence.~~ Time is of the essence of this Agreement.

23.4 ~~Counterparts.~~ This Agreement may be executed by Buyer and Seller in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. Escrow Holder, after verifying that the counterparts are identical except for the signatures, is authorized and instructed to combine the signed signature pages on one of the counterparts, which shall then constitute the Agreement.

23.5 ~~Waiver of Jury Trial.~~ THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING INVOLVING THE PROPERTY OR ARISING OUT OF THIS AGREEMENT.

23.6 ~~Conflict.~~ Any conflict between the printed provisions of this Agreement and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions. Seller and Buyer must initial any and all handwritten provisions.

23.7 ~~1031 Exchange.~~ Both Seller and Buyer agree to cooperate with each other in the event that either or both wish to participate in a 1031 exchange. Any party initiating an exchange shall bear all costs of such exchange. The cooperating Party shall not have any liability (special or otherwise) for damages to the exchanging Party in the event that the sale is delayed and/or that the sale otherwise fails to qualify as a 1031 exchange.

23.8 ~~Days.~~ Unless otherwise specifically indicated to the contrary, the word "days" as used in this Agreement shall mean and refer to calendar days.

24. Disclosures Regarding The Nature of a Real Estate Agency Relationship.

24.1 ~~The Parties and Brokers agree that their relationship(s) shall be governed by the principles set forth in the applicable sections of the California Civil Code, as summarized in paragraph 24.2.~~

24.2 ~~When entering into a discussion with a real estate agent regarding a real estate transaction, a Buyer or Seller should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Buyer and Seller acknowledge being advised by the Brokers in this transaction, as follows:~~

(a) ~~Seller's Agent.~~ A Seller's agent under a listing agreement with the Seller acts as the agent for the Seller only. A Seller's agent or subagent has the following affirmative obligations: (1) ~~To the Seller.~~ A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Seller. (2) ~~To the Buyer and the Seller.~~ a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(b) ~~Buyer's Agent.~~ A selling agent can, with a Buyer's consent, agree to act as agent for the Buyer only. In these situations, the agent is not the Seller's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Seller. An agent acting only for a Buyer has the following affirmative obligations. (1) ~~To the Buyer.~~ A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Buyer. (2) ~~To the Buyer and the Seller.~~ a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(c) ~~Agent Representing Both Seller and Buyer.~~ A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Seller and the Buyer in a transaction, but only with the knowledge and consent of both the Seller and the


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Buyer. (1) In a dual agency situation, the agent has the following affirmative obligations to both the Seller and the Buyer: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Seller or the Buyer. b. Other duties to the Seller and the Buyer as stated above in their respective sections (a) or (b) of this paragraph 24.2. (2) In representing both Seller and Buyer, the agent may not without the express permission of the respective Party, disclose to the other Party that the Seller will accept a price less than the listing price or that the Buyer will pay a price greater than the price offered. (3) The above duties of the agent in a real estate transaction do not relieve a Seller or Buyer from the responsibility to protect their own interests. Buyer and Seller should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(d) ~~Further Disclosures.~~ Throughout this transaction Buyer and Seller may receive more than one disclosure, depending upon the number of agents assisting in the transaction. ~~Buyer and Seller should each read its contents each time it is presented, considering the relationship between them and the real estate agent in this transaction and that disclosure.~~ Buyer and Seller each acknowledge receipt of a disclosure of the possibility of multiple representation by the Broker representing that principal. This disclosure may be part of a listing agreement, buyer representation agreement or separate document. Buyer understands that Broker representing Buyer may also represent other potential buyers, who may consider, make offers on or ultimately acquire the Property. Seller understands that Broker representing Seller may also represent other sellers with competing properties that may be of interest to this Buyer. Brokers have no responsibility with respect to any default or breach hereof by either Party. The Parties agree that no lawsuit or other legal proceeding involving any breach of duty, error or omission relating to this transaction may be brought against Broker more than one year after the Date of Agreement and that the liability (including court costs and attorneys' fees), of any Broker with respect to any breach of duty, error or omission relating to this Agreement shall not exceed the fee received by such Broker pursuant to this Agreement; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

24.3 ~~Confidential Information:~~ Buyer and Seller agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

25. ~~Construction of Agreement.~~ In construing this Agreement, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Agreement. Whenever required by the context, the singular shall include the plural and vice versa. This Agreement shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

26. **Additional Provisions:**

Additional provisions of this offer, if any, are as follows or are attached hereto by an addendum or addenda consisting of paragraphs A-C through AND 1-16. (If there are no additional provisions write "NONE".)

The "Addendum To Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate" dated 12-7-2016 is incorporated herein in full by reference.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AIR COMMERCIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS AGREEMENT OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS AGREEMENT.
2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PROPERTY. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PROPERTY, THE INTEGRITY AND CONDITION OF ANY STRUCTURES AND OPERATING SYSTEMS, AND THE SUITABILITY OF THE PROPERTY FOR BUYER'S INTENDED USE.


WARNING: IF THE PROPERTY IS LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THIS AGREEMENT MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PROPERTY IS LOCATED.

NOTE:

1. THIS FORM IS NOT FOR USE IN CONNECTION WITH THE SALE OF RESIDENTIAL PROPERTY.
2. IF EITHER PARTY IS A CORPORATION, IT IS RECOMMENDED THAT THIS AGREEMENT BE SIGNED BY TWO CORPORATE OFFICERS.


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FORM OFA-18-05/16E
VALLEY

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The undersigned Buyer offers and agrees to buy the Property on the terms and conditions stated and acknowledges receipt of a copy hereof.

BROKER:	BUYER:
_____	Alfred and Barbara Santos Trust, dated Feb 10, 1979
_____	Alfred Santos, Trustee / Barbara Santos, Trustee
Attn: _____	By: <u>Alfred Santos</u>
Title: _____	Date: <u>December 7, 2016</u>
Address: _____	Name Printed: <u>ALFRED SANTOS</u>
_____	Title: <u>TRUSTEE</u>
Telephone: _____	Telephone: <u>(562) 254-3733</u>
Facsimile: _____	Facsimile: _____
Email: _____	Email: _____
Federal ID No. _____	By: <u>Barbara Santos</u>
Broker/Agent BRE License #: _____	Date: <u>December 7, 2016</u>
_____	Name Printed: <u>BARBARA SANTOS</u>
_____	Title: <u>TRUSTEE</u>
_____	Address: <u>3114 PAYNE RANCH RD, CHINO HILLS CA</u>
_____	Telephone: _____
_____	Facsimile: _____
_____	Email: _____
_____	Federal ID No. <u>556-62-1222</u>

27. Acceptance.

27.1 Seller accepts the foregoing offer to purchase the Property and hereby agrees to sell the Property to Buyer on the terms and conditions therein specified.

27.2 In consideration of real estate brokerage service rendered by Brokers, Seller agrees to pay Brokers a real estate Brokerage Fee in a sum equal to _____ % of the Purchase Price to be divided between the Brokers as follows: Seller's Broker _____ % and Buyer's Broker _____ %. This Agreement shall serve as an irrevocable instruction to Escrow Holder to pay such Brokerage Fee to Brokers out of the proceeds accruing to the account of Seller at the Closing.

27.3 Seller acknowledges receipt of a copy hereof and authorizes Brokers to deliver a signed copy to Buyer.

NOTE: A PROPERTY INFORMATION SHEET IS REQUIRED TO BE DELIVERED TO BUYER BY SELLER UNDER THIS AGREEMENT.

BROKER:	SELLER:
_____	SJ MEDICAL, LLC
Attn: _____	By: <u>Richard Anthony</u>
Title: _____	Date: <u>DECEMBER 14, 2016</u>
Address: _____	Name Printed: <u>Rich Anthony</u>
_____	Title: <u>SJ MEDICAL, LLC MANAGING MEMBER</u>
Telephone: _____	Telephone: <u>(49) 697-1433</u>
Facsimile: _____	Facsimile: <u>(760) 731-1185</u>
Email: _____	Email: _____
Federal ID No. _____	By: _____
Broker/Agent BRE License #: _____	Date: _____
_____	Name Printed: _____
_____	Title: _____
_____	Address: _____
_____	Telephone: _____
_____	Facsimile: _____
_____	Email: _____
_____	Federal ID No. _____

NOTICE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AIR Commercial Real Estate Association, 500 N Brand Blvd, Suite 900, Glendale, CA 91203. Telephone No. (213) 687-8777. Fax No.: (213) 687-8616.

Exhibit 1
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S.J. MEDICAL LLC
PERSONAL PROPERTY INVENTORY
(Located at 1695 San Jacinto Ave.,
San Jacinto, CA Suite G)

1 Leather Couch

1 Conference Table with 4 chairs

1 Desk with 2 chairs

1 End Table

Items were purchase by S.J. Medical LLC in 2007 for approximately \$2,300.00.

EXHIBIT 1

Exhibit 1
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REVISED ADDENDUM TO STANDARD OFFER, AGREEMENT AND ESCROW INSTRUCTIONS FOR PURCHASE OF REAL ESTATE

This Addendum (the "Addendum") to Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate (the "Agreement") is entered into on 21st day of December, 2016, by and between Alfred and Barbara Santos Trust, dated Feb 10, 1979 (the "Buyer"), and S J Medical, LLC, a California Limited Liability Company, as the Reorganized Debtor in chapter 11 case number 6:13-bk-25500 SC (the "Seller" or "Reorganized Debtor") pursuant to the terms and conditions as follows:

RECITALS

- A. The Reorganized Debtor is the owner of record of real property commonly known as 1695 San Jacinto Avenue, San Jacinto, California 92583-5103, APN 439-112-028 (the "Property").
- B. On September 16, 2013, the Reorganized Debtor filed a voluntary petition seeking relief under chapter 11 of Title 11 of the United States Bankruptcy Code as bankruptcy case number 6:13-bk-25500 SC (the "Bankruptcy Case").
- C. On November 20, 2014, the Reorganized Debtor filed the Debtor's Chapter 11 Liquidation Plan Dated November 20, 2014 as ECF Docket No. 175 (the "Plan"). The Plan provides for the sale of the Property and the distribution of the sale proceeds to pay all "Allowed Claims" as defined by the Plan.
- D. On March 20, 2015, the Order Confirming the Plan was entered by the Bankruptcy Court as ECF Docket No. 223.
- E. In November 2016, the Buyer expressed interest in purchasing the Property, including certain personal property located in Suite G of the Property. The Reorganized Debtor provided information requested by the Buyer, including copies of all leases for the Property. The Buyer obtained an appraisal and conducted physical inspection(s) of the Property and completed its due diligence investigation.
- F. On or about December 21, 2016, the Buyer delivered the Agreement to the Reorganized Debtor.
- G. As required by Section 363 of the Bankruptcy Code, the Reorganized Debtor will request, subject to overbids, entry of an order by the U.S. Bankruptcy Court authorizing the sale of the Property including certain personal property identified in the Agreement.

CONDITIONS OF SALE

- 1. **Purchase Price.** The purchase price of \$5,400,000.00 is to be paid by the Buyer to Reorganized Debtor as follows:
 - a. **Good Faith Deposit:** Upon execution of this Agreement by all parties, Buyer shall provide Reorganized Debtor with a good faith deposit in the amount of One Hundred Thousand Dollars (\$100,000.00) (the "**Good Faith Deposit**") made payable as instructed in writing by Reorganized Debtor. The Good Faith Deposit will be held in the client trust account of counsel for the Reorganized Debtor until the sale of the Property is approved by the Bankruptcy Court.
 - b. **Cash at Closing:** Buyer will pay Reorganized Debtor Five Million Three Hundred Thousand Dollars (\$5,300,00.00) at the Closing.
- 2. **U.S. Bankruptcy Court Approval, Sale Order, Bidding Procedures Order.** The Buyer acknowledges that the sale of the Property under the Agreement is subject to Bankruptcy Court approval and to higher and better overbids by qualified bidders, and that the Property will be sold to the highest and best bidder at an auction to be conducted at the time of the Bankruptcy Court hearing on the motion for authority to sell the Property (the "**Auction**"). The Reorganized Debtor shall file promptly in the Bankruptcy Case one or more motions, notices and proposed orders, together with all necessary related pleadings, including a motion seeking entry of an order authorizing the sale of the Property under Sections 105, 363 and 365 of the Bankruptcy Code (the "Sale Order") and a motion seeking

entry of an order approving bidding procedures (the "Bidding Procedures Order") requiring that: (i) bids be all cash; (ii) any initial overbid be in the total amount of the Purchase Price plus no less than One Hundred Thousand Dollars (\$100,000.00), (iii) additional bid increments shall be in the amount of at least \$50,000.00, and (iv) Buyer shall be provided the opportunity to amend, supplement or otherwise modify its offer in response to any overbid at the Auction. If the highest and best offer, as determined by Reorganized Debtor in its sole discretion, is submitted at the Auction by a purchaser other than the Buyer, the Reorganized Debtor shall, upon approval of the Bankruptcy Court of a Sale Order naming such other purchaser as the buyer, be entitled to close a sale pursuant to such other offer. If Reorganized Debtor consummates a sale of the Property to a person or entity other than Buyer, Reorganized Debtor shall pay Buyer at the closing of the transaction a break-up fee of \$20,000.00 to cover its due diligence expenses including legal fees, appraisal fees, inspection fees, interest on its Good Faith Deposit and related costs incurred by Buyer (the "Breakup Fee"). Upon entry of the Sale Order authorizing a sale of the Property to a purchaser other than the Buyer, the Reorganized Debtor shall return the Good Faith Deposit to the Buyer; provided, however, if the Buyer has been designated by the Reorganized Debtor as the "back-up bidder", the Buyer shall return the Good Faith Deposit to the Buyer upon the earlier of closing of the sale to the highest bidder or termination of the period in which Buyer was required to serve as the back-up bidder.

3. Escrow Instructions. The Agreement, the Addendum, and the Sale Order shall collectively constitute the instructions to Escrow for the closing of the sale of the Property (the "Closing"). Any further instructions to Escrow must be in writing signed by all parties to the Agreement.
4. Closing Date. The Closing shall take place on (a) the date which is fourteen (14) days after the later of (i) the date the Sale Order is entered, or, (ii) the date on which no stay of the Sale Order is then in effect, or (b) such earlier date as agreed to by the Parties ("Closing Date").
5. No Pest Control Report or Work. Reorganized Debtor will not provide a pest control report and will not pay for any corrective work. Buyer will receive no credit for any corrective work to the Property.
6. Buyer Has No Contingencies. Buyer acknowledges that it has NO contingencies to the closing of the sale of the Property under the Agreement, including, but not limited to, no contingency to obtain financing, no contingency for obtaining an appraisal, no contingency for physical inspections, etc. Reorganized Debtor will use its best efforts to obtain Estoppel Certificates from lessees under current leases of the Property, however, the provision of Estoppel Certificates is NOT a contingency to the closing of the sale of the Property under the Agreement.
7. Refund of Good Faith Deposit. The \$100,000.00 Good Faith Deposit is refundable only if:
 - a. The Bankruptcy Court does not enter a Sale Order approving the Agreement; or
 - b. The Buyer submits neither the highest bid nor the second highest bid to purchase the Property as approved by the Sale Order; or
 - c. The Buyer submits the second highest bid to purchase the Property as approved by the Sale Order and the escrow for the sale of the Property to the highest bidder as approved by the Sale Order closes; or
 - d. Reorganized Debtor cannot deliver good and marketable title to the Property as set forth in Paragraph 11.

8. Real Estate Broker's Commission. The Debtor is not represented by a real estate broker. The Seller will pay directly to its real estate broker any commission for the sale and purchase of the Property. No real estate broker's commission will be paid through the escrow established for the sale of the Property.
9. No Assignment. The Agreement is between Reorganized Debtor and Buyer. Buyer shall have no right to assign the escrow, the Agreement, or transfer the Property concurrently with closing without consent of Reorganized Debtor.
10. Title Insurance. The title insurance policy shall be subject only to liens, encumbrances, clouds and other matters as may appear on the preliminary title report, that are not to be removed at the close of Escrow, and have not been objected to by Buyer. Should Reorganized Debtor be unwilling or unable to eliminate those title matters disapproved by Buyer as above, Reorganized Debtor may terminate this Agreement or; should Reorganized Debtor fail to deliver good and marketable title as provided above, Reorganized Debtor or Buyer may terminate this Agreement. In either case, the Good Faith Deposit shall be returned to Buyer, and Buyer shall have no recourse against Reorganized Debtor or any attorney involved in this transaction.
11. Limitations of Sale. The parties acknowledge that due to the unique role of the Reorganized Debtor as the Seller of the Property for the benefit of all creditors holding Allowed Claims under the Plan, there are limitations as to the extent, type and character of the Agreement under which the Reorganized Debtor will convey the Property. Reorganized Debtor proposes to sell the Property subject to certain limitations. The parties acknowledge that they understand the terms under which the Property is to be conveyed may vary substantially from the normal customs and trade within the real estate industry. Except where expressly mandated by operation of law, the Buyer consents to any such modifications and amendments.
12. Purchase Without Warranties. Buyer acknowledges that it is purchasing the Property from Reorganized Debtor "AS IS" without warranties of any kind, expressed or implied, being given by Reorganized Debtor, concerning the condition of the Property or the quality of the title thereto, or any other matters relating to the Property. Buyer represents and warrants that it is purchasing the Property based on its own investigations and is not buying the Property pursuant to any representations made by any broker, agent, accountant, attorney, employee, managing member, or other person or professional acting at the direction, or on behalf of Reorganized Debtor. Buyer acknowledges that Buyer has inspected the Property, and upon closing of Escrow governed by this Agreement, Buyer forever waives for itself, its heirs, successors and assigns, all claims against the Reorganized Debtor, its attorneys, agents, employees, and managing members, arising or which might arise in the future concerning the Property.
13. Hold Harmless. Buyer understands the terms of the Agreement and holds the Reorganized Debtor, its agents, managing members, and attorneys harmless from any liabilities arising from this Agreement. All parties further agree, jointly and severally, to pay on demand as well as to indemnify and hold Escrow harmless from and against all costs, damages, judgments, attorney's fees, expenses, obligations and liabilities of any kind or nature which in good faith, Escrow may incur or sustain in connection with or arising out of this Escrow and Escrow is hereby given a lien upon all the rights, titles and interest of each of the undersigned in all escrow papers and other property and monies deposited in this escrow, to protect the rights of escrow and to indemnify and reimburse Escrow under this Agreement. In the event this Escrow is not completed for any reason,

Escrow is authorized to deduct and pay its fee, plus costs incurred from any funds on deposit.

14. Resolution of Disputes. All disputes arising from this Agreement or relating in any way to the Property shall be resolved on in the United States Bankruptcy Court for the Central District of California, Riverside Division.

BUYER: I, the Buyer herein, have reviewed the Agreement referenced above and this Addendum and understand the terms and conditions set forth therein, and further agree to purchase the Property pursuant to said terms and conditions.

DATE: 12-21-16

Alfred and Barbara Santos Trust, dated Feb 10, 1979

By: Alfred Santos
Its: _____

DATE: 12-21-16

By: Barbara Santos
Its: _____

SELLER: The Reorganized Debtor agrees to sell the Property pursuant to the terms and conditions set forth herein and subject to the approval of the Bankruptcy Court.

S J Medical, LLC, a California Limited Liability Company

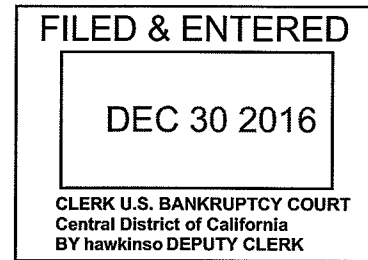
DATE: 12/22/16

By: Richard Anthony
Rich Anthony
Its: Managing Member

EXHIBIT 2

1 PAMELA J. ZYLSTRA – State Bar No. 147977
 2 PAMELA JAN ZYLSTRA
 3 A PROFESSIONAL CORPORATION
 4 18111 Von Karman, Suite 460
 5 Irvine CA 92612
 6 Telephone: (949) 222-2000
 7 Facsimile: (949) 222-2022
 8 email: *zylstralaw@gmail.com*

9 Counsel for S.J. Medical LLC,
 10 Reorganized Debtor



11 UNITED STATES BANKRUPTCY COURT

12 CENTRAL DISTRICT OF CALIFORNIA

13 RIVERSIDE DIVISION

14 In re

15 S.J. MEDICAL LLC,
 16 a California Limited Liability Company,

17 Reorganized Debtor

18 Case No. 6:13-bk-25500 SC
 19 Chapter 11 Case

20 **ORDER ESTABLISHING BIDDING
 21 PROCEDURES FOR SALE OF REAL
 22 AND PERSONAL PROPERTY OF THE
 23 REORGANIZED DEBTOR AND
 24 SETTING HEARING FOR MOTION
 25 FOR ORDER AUTHORIZING SALE
 26 AND AUCTION
 27 [ECF Docket No. 243]**

28 Date: December 22, 2016
 Time: 9:00 a.m.
 Ctrm: Video Courtroom 225
 United States Bankruptcy Court
 3420 Twelfth Street
 Riverside, California 92501-3819

**[SPECIALLY SET BEFORE THE
 HONORABLE MARK S. WALLACE]**

1 The *NOTICE OF MOTION AND MOTION FOR ORDER ESTABLISHING BIDDING*
2 *PROCEDURES FOR SALE OF REORGANIZED DEBTOR'S REAL PROPERTY;*
3 *MEMORANDUM OF POINTS AND AUTHORITIES AND DECLARATION OF RICHARD*
4 *ANTHONY IN SUPPORT* filed as ECF Docket No. 243 (the "Motion") was specially set and
5 came on for hearing before the Honorable United States Bankruptcy Judge Mark S. Wallace on
6 December 22, 2016 at 9:00 a.m. in Video Courtroom 225 in the United States Bankruptcy Court,
7 Riverside Division and in Courtroom 6C in the United States Bankruptcy Court, Santa Ana
8 Division. Mohammad V. Tehrani, Esq. appeared on behalf of the United States Trustee.
9 Cristina E. Bautista, Esq., of Katten Muchin Rosenman LLP, appeared telephonically on behalf
10 of U.S. Bank N.A. Marc C. Forsythe, Esq. appeared telephonically on behalf of Forsythe & Goe
11 LLP. Pamela J. Zylstra, Esq. of Pamela Jan Zylstra A Professional Corporation appeared on
12 behalf of S.J. Medical, LLC, the Reorganized Debtor. There were no other appearances at the
13 hearing.

14 This Court having considered the Motion and pleadings filed in support of and in
15 response to the Motion, including the Limited Objection to Motion filed by the Office of the
16 United States Trustee [ECF Docket No. 245], the Statement of Position of U.S. Bank N.A. in
17 Response to the Motion [ECF Docket No. 246], and the Declaration of Pamela J. Zylstra filed in
18 Response thereto [ECF Docket No. 248], and having considered the statements, arguments and
19 representations of counsel made at the hearing and the entire record and finding that all
20 objections to the Motion were resolved, and good cause appearing,

21 THIS COURT FINDS AS FOLLOWS:


- 22 A. The Motion is granted;
- 23 B. The offer for the Property is \$5,400,000.00 all cash;
- 24 C. The initial overbid for the Property will be \$5,500,000, with each incremental bid
25 thereafter to be at least an additional \$50,000.00;
- 26 D. Procedures for the auction sale and bidding are approved in the form attached
27 hereto as Exhibit "1" (the "Sale Procedures"); and

28

1 E. A hearing on the proposed sale will be held on February 14, 2017, at 1:30 p.m.
2 before the Honorable Scott C. Clarkson in Video Courtroom 126, 3420 Twelfth St., Riverside,
3 California 92501, at which time the auction bidding will take place in open court in accord with
4 the approved Sale Procedures.

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26 Date: December 30, 2016



Mark S. Wallace
United States Bankruptcy Judge

EXHIBIT 1

Exhibit 7
Page 62

Sale Procedures
In re S.J. Medical, LLC, a California Limited Liability Company

1. Asset(s) To Be Sold. The "Property" is the primary asset of the Reorganized Debtor's estate and consists of real property commonly known as 1695 San Jacinto Avenue, San Jacinto, California 92583-5103, APN 439-112-028 (the "Property"). The Property is improved with a medical office building with 18 medical office suites for lease. The proposed sale of the Property includes the personal property located in Suite G.
2. Santos Offer. Subject to submission of overbids, the Reorganized Debtor will request Bankruptcy Court approval to close the sale of the Property to Alfred and Barbara Santos Trust, dated February 10, 1979 (the "Buyer") pursuant to the Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate (the "Agreement") executed on December 21, 2016 (the "Santos Agreement").
3. Continued Marketing of Property. The Property including the personal property located in Suite G is available for purchase free and clear of liens, claims and interests. The Reorganized Debtor will continue to seek and to respond to interested purchases based on the information previously assembled, including the rent roll and copies of the leases of the medical office suites. The Reorganized Debtor will share this information, and such other information as may reasonably be requested, with any prospective buyer who executes a confidentiality agreement and who demonstrates to the Reorganized Debtor that the prospective buyer has the reasonable financial ability to participate in an auction sale process within the required time frame.
4. Auction. The auction sale (the "Auction") will take place at the hearing on approval of the sale, which is scheduled for February, 14, 2017 at 1:30 p.m., before the Honorable Scott C. Clarkson, United States Bankruptcy Judge, in Courtroom 126, 3420 Twelfth Street, Riverside, California 92501.
5. Requirements for Qualified Bidders. To be eligible to participate as a bidder at the Auction as a "Qualified Bidder" no less than seven (7) days before the Auction, a prospective bidder must (a) deliver to Pamela Jan Zylstra, counsel for the Reorganized Debtor, funds in an amount equal to Buyer's Good Faith Deposit of \$100,000.00., which funds (the "Bid Deposits") will be held in trust in the Pamela Jan Zylstra A Professional Corporation client trust account; and (b) file evidence with the Bankruptcy Court demonstrating to the satisfaction of the Bankruptcy Court that they qualify as good faith purchasers within the meaning of Section 363(m) of the Bankruptcy Court and are financially capable of closing the sale of the Property under the terms and conditions of the Santos Agreement; and (c) serve such evidence on counsel for the Reorganized Debtor, the Office of the United States Trustee for Riverside Division, and deliver a copy to the Honorable Scott C. Clarkson, 411 West Fourth Street, Fifth Floor Courtesy Box, Santa Ana, California 92701.
6. Bids Nonrefundable If Approved Sale(s) Fails To Close. The amount of each of the Bid Deposits will be non-refundable in favor of the Reorganized Debtor if the bidder is the winning bidder at the Auction, its bid and the asset sale are approved by the Bankruptcy Court, and fails to close its purchase of the Property within 15 days of the date of entry of the Sale Order.
7. Santos Agreement Binding. A Qualified Bidder will be deemed to have submitted its all-cash bid based on the terms of the Santos Agreement and to have signed the Santos Agreement, subject to modification of the amount of the purchase price.

8. Auction Procedures. If more than one Qualified Bidder satisfies the requirements described above and appears at the Auction, the Court will randomly assign bidding numbers to the bidders. The following is how the bidding will work by example if there are three Qualified Bidders at the Auction. The bidder who is assigned Bidder #1 will be required to submit the first bid, unless the Buyer is assigned Bidder #1, in which case the bidder who is assigned Bidder #2 will be required to submit the first bid. Any initial overbid must be in the total amount of the Purchase Price plus no less than One Hundred Thousand Dollars (\$100,000.00)(the "Minimum Overbid"). Once a bid equal to or greater than the Minimum Overbid is received, that bid will be deemed a qualified bid and the bidding will then proceed to the bidder with the next number in sequential order. Additional bids must be in the amount of at least Fifty Thousand Dollars (\$50,000.00). If the next bidder fails to submit a complying bid it will be eliminated from the Auction and will not be permitted back into the Auction thereafter. The bidding will then turn to the bidder with the next number in sequential order and then return to Bidder #1 and continue, with the same requirement for bids in the amount of at least \$50,000.00, until all bidders but one have dropped out of the Auction at which point the bidder who made the highest bid will be deemed the highest bidder. The bidder who submitted the second highest bid at the Auction will be deemed to constitute the winning backup bidder. The Buyer may modify the Santos Offer as to the amount of the purchase price in response to any overbid.

9. Determination of Highest Bid. The Reorganized Debtor will decide which bid made at the Auction is the highest and best bid for the Property with any disagreement to be resolved by the Bankruptcy Court.

10. Motion for Approval of Sale of Property. The date and time of the hearing for the Bankruptcy Court to consider approval of the sale of assets to the winning bidder at the Auction will be February 14, 2017 at 1:30 p.m.

11. Deadline to Close Sale of Property. Subject only to entry by the Bankruptcy Court of the order, the winning bidder will have until the date which is fifteen (15) days after the entry of the order approving the sale to consummate the sale. If the winning bidder fails to close the sale timely, the winning bidder will be deemed to have forfeited the non-refundable portion of its Bid Deposit unless the Reorganized Debtor or the Bankruptcy Court grant the winning bidder an extension of time to close. If the winning bidder fails to close and forfeits the non-refundable portion of its Bid Deposit, the winning backup bidder will be notified and will then have five (5) days to close its purchase of the Property or will be deemed to have forfeited its Bid Deposit unless the Reorganized Debtor or the Bankruptcy Court grant the winning backup bidder an extension of time to close. The Bid Deposit of the backup bidder will be retained by the Reorganized Debtor following the conclusion of the Auction and will be returned to the backup bidder on the closing by the winning bidder of its purchase of the Property.

12. Good Faith Deposit. If the Buyer is not the winning bidder, the Good Faith Deposit of the Buyer will be returned to the Buyer as provided in the Santos Agreement.

13. Jurisdiction of Bankruptcy Court. All Qualified Bidders will be deemed to have consented to the core jurisdiction of the Bankruptcy Court and to have waived any right to a jury trial about any disputes related to the Auction or the motion for approval of the sale of the Property. The Santos Agreement and all modifications to said agreement regarding purchase price and identification of buyer shall be governed by and construed under the laws of the State of California. All Qualified Bidders will be bound by their bids until conclusion of the Auction.

14. Modification of Bidding Procedures. All bidding procedures set forth above, other than the provisions governing the breakup fee and bid increments, may be modified by the Bankruptcy court at the Auction.

EXHIBIT 3

SUITE	TENANT	ORIGINGAL LEASE DATE	LEASE EXTENSION DATE
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LEASES ASSUMED PER PLAN CONFIRMATION

A	AK MANAGEMENT	4/1/2011	1/1/2014
B&F	RADNET MANAGEMENT	4/30/2011	NOT EXPIRED
C D & E	RANCHO PYSCIAL THERAPY	7/1/2013	NOT EXPIRED
G	VACANT		
H	VACANT		
I	DR ASHOK	4/23/2011	3/4/2014
L	DR. BROWN	5/26/2010	3/6/2014
O	DR. GUADAMUZ	6/1/2013	NOT EXPIRED
Q	AGHAPY PHARMACY	1/3/2011	3/4/2014

LEASES SIGNED AFTER PLAN CONFIRMATION

J	LAB CORP OF AMERICA	6/16/2009	10/15/2016
K M N & I.1	HEALTHMEDICA	5/1/2016	NOT EXPIRED
P	UNITED HEALT CARE	3/1/2009	8/1/2016

TENANT ADDRESSES

A	DR. KOKA 1695 S. San Jacinto Ave., Suite A San Jacinto, CA. 92583 Attn: Mr. Koka lkoka@aol.com
B&F	RANDNET MANAGEMENT, INC. 1508 Cotner Ave. Los Angeles, CA. 90025 Attn: Jeffrey Linden jlinden@radnet.com
C D & E	Rancho Physical Therapy 24630 Washington Ave., Suite 200 Murrieta, CA. 92562 Attn: Scott Schroeder sschroeder@optimiscorp.com
G	VACANT

H VACANT

I Dr. Nagasamudra S. Ashok
1695 S. San Jacinto Ave., Suite I
San Jacinto, CA. 92583
Attn: Dr. Ashok
email: trinitytransport03@gmail.com

J Laboratory Corporation of America
13112 Evening Creek Drive South
San Diego, CA. 92128
Attn: Aaron Serber
email: serbera@labcorp.com

K M N & I.1 Healthmedica, Inc.
22 Battery Street, Suite 510
San Francisco, CA. 94111
Attn: Nathan Sassover
nsassover@healthmedica.com

L Martha Izvemari & Dr. Thomas Brown
1695 S. San Jacinto Ave., Suite L
San Jacinto, CA. 92583
Attn: Martha Brown
marthaizv@hotmail.com

O Dr. Roberto J. Guadamuz
1695 S. San Jacinto Ave., Suite O
San Jacinto, CA. 92583
Attn: Dr. Guadamuz
doctorchiro@msn.com

P United Health Care Services, Inc.
9900 Bren Road East, MN008-W310
Minnetonka, MN. 55343
Attn: Adam Wilford, Director
email: matt.perrigue@am.jll.com

Q Aghapy Pharmacy
Sam Bishay
1610 S. Wabash Ave.
Redlands, CA. 92373
Attn: Sam Bishay
aghapyrx@yahoo.com

EXHIBIT 4

CLTA Preliminary Report Form
(Rev. 11/06)

Order Number: O-SA-5357850
Page Number: 1



First American Title

First American Title Company

**4 First American Way
Santa Ana, CA 92707**

California Department of Insurance License No. 151

Sandy Cordova
Paramount Escrow Services, Inc.
101 East Lincoln Avenue, Suite 220
Anaheim, CA 92805
Phone:
Fax:

Customer Reference: Valley Medical Building

Order Number: O-SA-5357850 (dt)

Title Officer: Debbie Tognetti
Phone: (714)250-8579
Fax No.: (714)481-2956
E-Mail: octitle3@firstam.com
Property: 1695 South San Jacinto Avenue
San Jacinto, CA 92583

PRELIMINARY REPORT

In response to the above referenced application for a policy of title insurance, this company hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception below or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said policy or policies are set forth in Exhibit A attached. *The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties.* Limitations on Covered Risks applicable to the CLTA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Exhibit A. Copies of the policy forms should be read. They are available from the office which issued this report.

Please read the exceptions shown or referred to below and the exceptions and exclusions set forth in Exhibit A of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

Order Number: O-SA-5357850
Page Number: 2

Dated as of December 09, 2016 at 7:30 A.M.

The form of Policy of title insurance contemplated by this report is:

To Be Determined

A specific request should be made if another form or additional coverage is desired.

Title to said estate or interest at the date hereof is vested in:

S.J. Medical, LLC, a California limited liability company,

The estate or interest in the land hereinafter described or referred to covered by this Report is:

A FEE AS TO PARCEL 1, AN EASEMENT AS TO PARCEL 2

The Land referred to herein is described as follows:

(See attached Legal Description)

At the date hereof exceptions to coverage in addition to the printed Exceptions and Exclusions in said policy form would be as follows:

1. General and special taxes and assessments for the fiscal year 2016-2017.

First Installment:	\$31,646.35, PAID
Penalty:	\$0.00
Second Installment:	\$31,646.35, OPEN
Penalty:	\$0.00
Tax Rate Area:	010-000
A. P. No.:	439-112-028-8

2. Assessment liens, if applicable, collected with the general and special taxes, including but not limited to those disclosed by the reflection of the following on the tax roll:

Community Facilities District SAN JACINTO CFD 2003-1.

3. The lien of special tax assessed pursuant to Chapter 2.5 commencing with Section 53311 of the California Government Code for Community Facilities District No. 2003-01, as disclosed by Notice of Special Tax Lien recorded April 08, 2004 as Instrument No. 2004-0252264 of Official Records .

Document(s) declaring modifications thereof recorded July 15, 2004 as Instrument No. 2004-0549099 of Official Records.

Document(s) declaring modifications thereof recorded July 15, 2004 as Instrument No. 2004-0549100 of Official Records.

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Document(s) declaring modifications thereof recorded July 30, 2004 as Instrument No. 2004-0596184 of Official Records.

Document(s) declaring modifications thereof recorded November 01, 2004 as Instrument No. 2004-0865936 of Official Records.

Document(s) declaring modifications thereof recorded December 02, 2004 as Instrument No. 2004-0959792 of Official Records.

Document(s) declaring modifications thereof recorded December 02, 2004 as Instrument No. 2004-0959815 of Official Records.

Document(s) declaring modifications thereof recorded January 12, 2005 as Instrument No. 2005-0032436 of Official Records.

Document(s) declaring modifications thereof recorded February 16, 2005 as Instrument No. 2005-0128394 of Official Records.

Document(s) declaring modifications thereof recorded March 10, 2005 as Instrument No. 2005-0191921 of Official Records.

Document(s) declaring modifications thereof recorded October 21, 2005 as Instrument No. 2005-0869628 of Official Records.

Document(s) declaring modifications thereof recorded January 24, 2006 as Instrument No. 2006-0053424 of Official Records.

Document(s) declaring modifications thereof recorded September 21, 2006 as Instrument No. 2006-0697305 of Official Records.

Document(s) declaring modifications thereof recorded August 22, 2014 as Instrument No. 2014-0320845 of Official Records.

Document(s) declaring modifications thereof recorded January 14, 2015 as Instrument No. 2015-0014654 of Official Records.

4. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.
5. An easement for pipelines and incidental purposes, recorded June 16, 1953 as Instrument No. 29737 of Official Records.
In Favor of: Fruitvale Mutual Water Company, now Eastern Municipal Water District
Affects: as described therein
6. An easement for public utilities and incidental purposes, recorded May 29, 1957 as Instrument No. 39599 of Official Records.
In Favor of: California Electric Power Company and California Water and Telephone Company, a corporation
Affects: as described therein

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7. The fact that the land lies within the boundaries of the San Jacinto Redevelopment Project Area, as disclosed by the document recorded July 13, 1983 as Instrument No. 83-139722 of Official Records.
8. An easement for public utilities and pipelines and incidental purposes, recorded May 14, 1996 as Instrument No. 96-177005 of Official Records.
In Favor of: Eastern Municipal Water District
Affects: as described therein
9. Covenants, conditions, restrictions and easements in the document recorded June 28, 2005 as Instrument No. 05-509756 of Official Records, which provide that a violation thereof shall not defeat or render invalid the lien of any first mortgage or deed of trust made in good faith and for value, but deleting any covenant, condition, or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, sexual orientation, familial status, disability, handicap, national origin, genetic information, gender, gender identity, gender expression, source of income (as defined in California Government Code § 12955(p)) or ancestry, to the extent such covenants, conditions or restrictions violation 42 U.S.C. § 3604(c) or California Government Code § 12955. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.
10. The terms and provisions contained in the document entitled "Disposition and Development Agreement" recorded June 28, 2005 as Instrument No. 05-509757 of Official Records.
11. The Terms, Provisions and Easement(s) contained in the document entitled "Reciprocal Access and Parking Easement Agreement and Grant of Easement" recorded June 28, 2005 as Instrument No. 05-509758 of Official Records.
12. The effect of a deed of trust to secure an original indebtedness of \$ 4,410,000.00 recorded June 07, 2006 as Instrument No. 06-411378 of Official Records.
Dated: June 01, 2006
Trustor: S J Medical LLC, a California limited liability company
Trustee: Pomona Financial Services, Inc., a California corporation
Lender: PFF Bank & Trust

The above deed of trust contains an erroneous or no legal description.

The above deed of trust states that it is a construction deed of trust.

A document disclosing an additional advance in the amount of \$120,000.00, recorded April 14, 2008 as Instrument No. 08-184013 of Official Records.

A document recorded April 03, 2009 as Instrument No. 09-162887 of Official Records provides that the deed of trust or the obligation secured thereby has been modified.

According to the public records, the beneficial interest under the deed of trust was assigned to U.S. Bank National Association by assignment recorded February 03, 2010 as Instrument No. 10-51537 of Official Records.

A document recorded April 19, 2012 as Instrument No. 12-177459 of Official Records provides that the deed of trust or the obligation secured thereby has been modified.

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A document recorded July 30, 2012 as Instrument No. 12-354915 of Official Records provides that First American Title Insurance Company was substituted as trustee under the deed of trust.

The terms and provisions contained in the document entitled "Memorandum of Forbearance Agreement" recorded June 20, 2014 as Instrument No. 2014-0227861 of Official Records.

13. Any statutory lien for labor or materials arising by reason of a work of improvement, as disclosed by a document recorded June 07, 2006 as Instrument No. 06-411378 of Official Records.
14. Covenants, conditions, restrictions and easements in the document recorded December 29, 2006 as Instrument No. 06-954844 of Official Records, but deleting any covenant, condition, or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, sexual orientation, familial status, disability, handicap, national origin, genetic information, gender, gender identity, gender expression, source of income (as defined in California Government Code § 12955(p)) or ancestry, to the extent such covenants, conditions or restrictions violation 42 U.S.C. § 3604(c) or California Government Code § 12955. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

An easement as contained in the above document.

For: Pipelines for water and reclaimed water transmission and distribution, as well as sewage transmission and collection facilities and incidental purposes.

15. The terms and provisions contained in the document entitled "Hold Harmless Agreement for Water" recorded July 30, 2007 as Instrument No. 07-491649 of Official Records.
16. An easement for transmission of electric or other forms of energy for communications and incidental purposes, recorded June 12, 2008 as Instrument No. 08-320232 of Official Records.
In Favor of: Verizon California, Inc., a corporation
Affects: as described therein
17. Proceedings pending in the Bankruptcy Court of the Central District of the U.S. District Court, California, entitled in re: S J Medical LLC, a California Limited Liability Company, debtor, Case No. 6:13-bk-25500-SC, wherein a petition for relief was filed under Chapter 11 on September 16, 2013.
18. Any right of the United States to recover funds from the owner or from any transferee of the land, or of any portion thereof, by reason of advances of federal funds, including but not limited to those authorized under the Hill-Burton Act or similar acts or statutes.
19. Any easements and/or servitudes affecting easement parcel(s) 2 herein described.
20. Any right of the United States to recover funds from the owner or from any transferee of the land, or of any portion thereof, by reason of advances of federal funds, including but not limited to those authorized under the Hill-Burton Act or similar acts or statutes.
21. Any facts, rights, interests or claims which would be disclosed by a correct ALTA/NSPS survey.
22. Water rights, claims or title to water, whether or not shown by the public records.

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23. Rights of parties in possession.

Prior to the issuance of a 2006 ALTA Extended Owner's Policy of Title without Western Regional Exceptions, The Company will require:

24. An ALTA/NSPS survey of recent date which complies with the current minimum standard detail requirements for ALTA/NSPS land title surveys.

25. A copy of the written consent given by the Attorney General to the contemplated transaction, pursuant to Chapter 9 of Part 2 of Division 2 of Title 1 of the California Corporations Code.

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INFORMATIONAL NOTES

Note: The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than the certain dollar amount set forth in any applicable arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. If you desire to review the terms of the policy, including any arbitration clause that may be included, contact the office that issued this Commitment or Report to obtain a sample of the policy jacket for the policy that is to be issued in connection with your transaction.

1. According to the latest available equalized assessment roll in the office of the county tax assessor, there is located on the land a(n) COMMERCIAL STRUCTURE known as 1695 SOUTH SAN JACINTO AVENUE, SAN JACINTO, CALIFORNIA.
2. According to the public records, there has been no conveyance of the land within a period of twenty-four months prior to the date of this report, except as follows:

None
3. It appears that a work of improvement is in progress or recently completed on the land. The Company will require various documents and information, including but not limited to a completed mechanics' lien risk analysis, construction contract(s), lien waivers, loan agreement, disbursement information, executed indemnity agreement and current financial information from proposed indemnitors, in order to determine whether mechanics' lien insurance can be issued. Other requirements may be made following the review of such documents and information.

The map attached, if any, may or may not be a survey of the land depicted hereon. First American expressly disclaims any liability for loss or damage which may result from reliance on this map except to the extent coverage for such loss or damage is expressly provided by the terms and provisions of the title insurance policy, if any, to which this map is attached.

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LEGAL DESCRIPTION

Real property in the City of San Jacinto, County of Riverside, State of California, described as follows:

PARCEL 1:

THAT PORTION OF THE NORTHERLY RECTANGULAR 1/2 OF FARM LOT 78 OF THE LANDS OF THE SAN JACINTO LAND ASSOCIATION, IN THE CITY OF SAN JACINTO, AS SHOWN BY MAP ON FILE IN BOOK 8, PAGE 357 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF RIVERSIDE COUNTY, CALIFORNIA, DESCRIBED AS FOLLOWS:

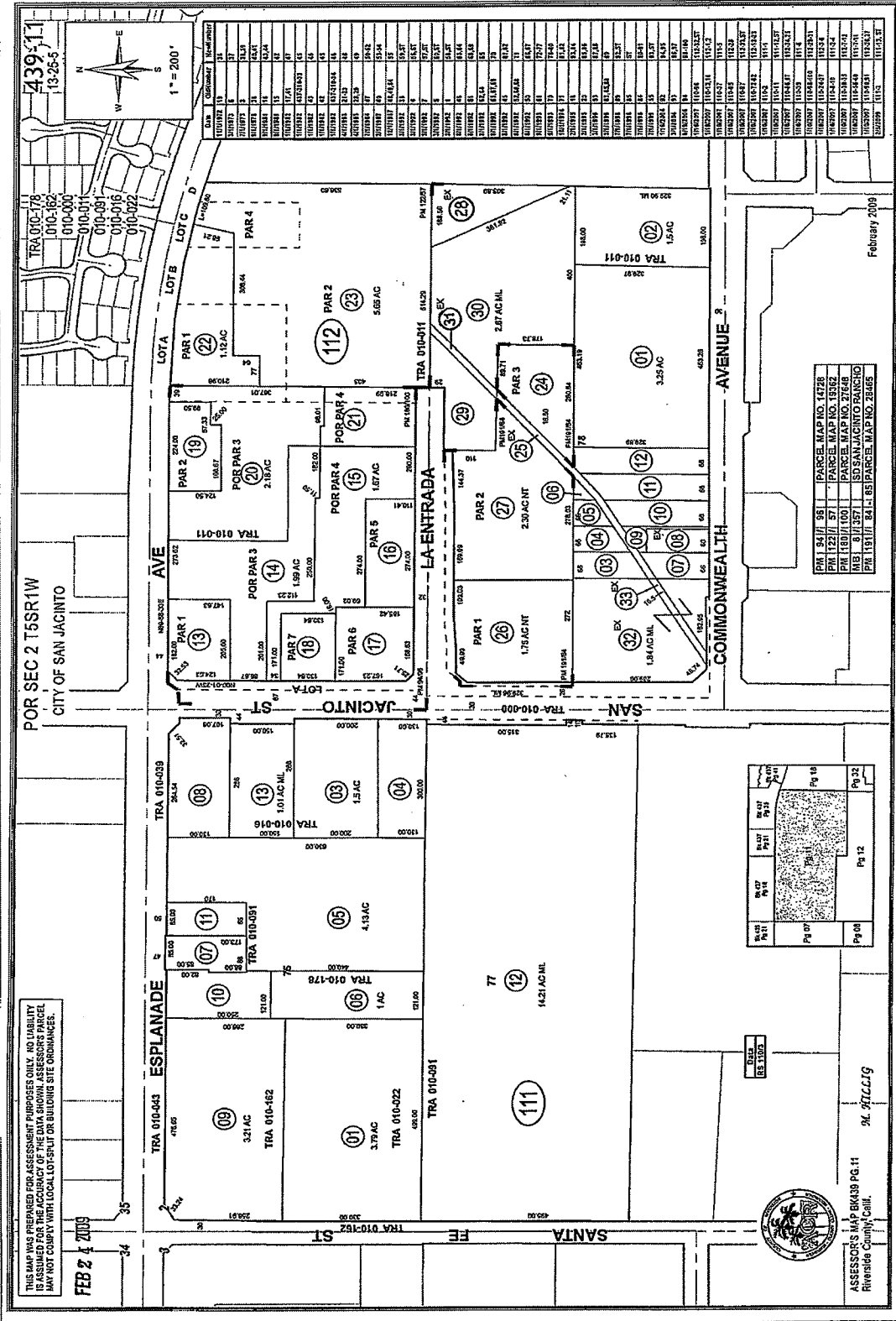
BEGINNING AT THE SOUTHEAST CORNER OF SAID PARCEL 2 OF PARCEL MAP NO. 19362, RECORDED IN BOOK 122, PAGES 57 AND 58 OF THE COUNTY RECORDER, SAID POINT ALSO BEING THE NORTHEAST CORNER OF SAID FARM LOT 78; THENCE SOUTH 89° 59' 04" WEST, 188.56 FEET ALONG THE SOUTH LINE OF PARCEL 2 OF SAID PARCEL MAP NO. 19362; THENCE SOUTH 31° 27' 08" EAST, 361.92 FEET TO THE EAST LINE OF THE NORTHERLY RECTANGULAR 1/2 OF SAID FARM LOT 78, SAID POINT ALSO BEING DISTANT NORTH 00° 03' 08" WEST, 21.11 FEET FROM THE SOUTH LINE OF THE NORTHERLY RECTANGULAR 1/2 OF SAID FARM LOT 78; THENCE NORTH 00° 03' 08" WEST, 308.80 FEET ALONG SAID EAST LINE TO THE POINT OF BEGINNING.

PARCEL 2:

ACCESS EASEMENT AS SET FORTH IN DOCUMENT ENTITLED "RECIPROCAL ACCESS AND PARKING EASEMENT AGREEMENT AND GRANT OF EASEMENT" RECORDED JUNE 28, 2005 AS INSTRUMENT NO. 2005-0509758, OFFICIAL RECORDS OF RIVERSIDE COUNTY.

APN: 439-112-028-8

Order Number: O-SA-5357850
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THIS MAP WAS PREPARED FOR ASSESSMENT PURPOSES ONLY. NO LIABILITY IS ASSUMED FOR THE ACCURACY OF THE DATA SHOWN. ASSESSOR'S PARCEL MAP NOT TO BE USED FOR LOCAL LOT SPLIT OR BUILDING SITE ORDINANCES.

FEB 24 2009

PAR 1	3.21 AC	TRA 010-043
PAR 2	3.79 AC	TRA 010-022
PAR 3	1.01 AC	TRA 010-178
PAR 4	4.13 AC	TRA 010-091
PAR 5	1.78 AC	TRA 010-000
PAR 6	1.78 AC	TRA 010-000
PAR 7	1.78 AC	TRA 010-000
PAR 8	1.78 AC	TRA 010-000
PAR 9	1.78 AC	TRA 010-000
PAR 10	1.78 AC	TRA 010-000
PAR 11	1.78 AC	TRA 010-000
PAR 12	1.78 AC	TRA 010-000
PAR 13	1.78 AC	TRA 010-000
PAR 14	1.78 AC	TRA 010-000
PAR 15	1.78 AC	TRA 010-000
PAR 16	1.78 AC	TRA 010-000
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PAR 24	1.78 AC	TRA 010-000
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PAR 26	1.78 AC	TRA 010-000
PAR 27	1.78 AC	TRA 010-000
PAR 28	1.78 AC	TRA 010-000
PAR 29	1.78 AC	TRA 010-000
PAR 30	1.78 AC	TRA 010-000
PAR 31	1.78 AC	TRA 010-000
PAR 32	1.78 AC	TRA 010-000
PAR 33	1.78 AC	TRA 010-000

ASSESSOR'S MAP #14309 PG.11
 Riverside County Calif.
 94. JILL CIG

Order Number: **O-SA-5357850**
Page Number: 10

NOTICE

Section 12413.1 of the California Insurance Code, effective January 1, 1990, requires that any title insurance company, underwritten title company, or controlled escrow company handling funds in an escrow or sub-escrow capacity, wait a specified number of days after depositing funds, before recording any documents in connection with the transaction or disbursing funds. This statute allows for funds deposited by wire transfer to be disbursed the same day as deposit. In the case of cashier's checks or certified checks, funds may be disbursed the next day after deposit. In order to avoid unnecessary delays of three to seven days, or more, please use wire transfer, cashier's checks, or certified checks whenever possible.

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First American Title

First American Title Company
4 First American Way
Santa Ana, CA 92707
(714)250-3000

Order Number: O-SA-5357850
Page Number: 12

WIRE INSTRUCTIONS

for

**First American Title Company, Demand/Draft Sub-Escrow Deposits
Orange County, California**

PAYABLE TO: First American Title Company

BANK: **First American Trust, FSB**

ADDRESS: 5 First American Way, Santa Ana, CA 92707

ACCOUNT NO: 3012500000

ROUTING NUMBER: 122241255

PLEASE REFERENCE THE FOLLOWING:

PROPERTY: 1695 South San Jacinto Avenue, San Jacinto, CA 92583

FILE NUMBER: O-SA-5357850 (dt)

PLEASE USE THE ABOVE INFORMATION WHEN WIRING FUNDS TO **First American Title Company. FUNDS MUST BE WIRED FROM A BANK WITHIN THE UNITED STATES.** PLEASE NOTIFY **Debbie Tognetti AT (714)250-8579** OR **octitle3@firstam.com** WHEN YOU HAVE TRANSMITTED YOUR WIRE.

IF YOUR FUNDS ARE BEING WIRED FROM A NON-U.S. BANK, ADDITIONAL CHARGES MAY APPLY. PLEASE CONTACT YOUR ESCROW OFFICER/CLOSER FOR INTERNATIONAL WIRING INSTRUCTIONS.

AN ACH TRANSFER CANNOT BE ACCEPTED FOR CLOSING, BECAUSE IT IS NOT THE SAME AS A WIRE AND REQUIRES ADDITIONAL TIME FOR CLEARANCE.

FIRST AMERICAN TRUST CONTACT INFO: Banking Services 1-877-600-9473

ALL WIRES WILL BE RETURNED IF THE FILE NUMBER AND/OR PROPERTY REFERENCE ARE NOT INCLUDED

With cyber crimes on the increase, it is important to be ever vigilant. If you receive an e-mail or any other communication that appears to be generated from a First American employee that contains new, revised or altered bank wire instructions, consider it suspect and call our office at a number you trust. Our bank wire instructions seldom change.

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EXHIBIT A
LIST OF PRINTED EXCEPTIONS AND EXCLUSIONS (BY POLICY TYPE)

CLTA STANDARD COVERAGE POLICY – 1990

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building or zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien, or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
 - (a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy; or
 - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage or for the estate or interest insured by this policy.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with the applicable doing business laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any claim, which arises out of the transaction vesting in the insured the estate of interest insured by this policy or the transaction creating the interest of the insured lender, by reason of the operation of federal bankruptcy, state insolvency or similar creditors' rights laws.

EXCEPTIONS FROM COVERAGE - SCHEDULE B, PART I

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public, records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

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CLTA/ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE (12-02-13)
EXCLUSIONS

In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of those portions of any law or government regulation concerning:
 - a. building;
 - b. zoning;
 - c. land use;
 - d. improvements on the Land;
 - e. land division; and
 - f. environmental protection.

This Exclusion does not limit the coverage described in Covered Risk 8.a., 14, 15, 16, 18, 19, 20, 23 or 27.
2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not limit the coverage described in Covered Risk 14 or 15.
3. The right to take the Land by condemning it. This Exclusion does not limit the coverage described in Covered Risk 17.
4. Risks:
 - a. that are created, allowed, or agreed to by You, whether or not they are recorded in the Public Records;
 - b. that are Known to You at the Policy Date, but not to Us, unless they are recorded in the Public Records at the Policy Date;
 - c. that result in no loss to You; or
 - d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.e., 25, 26, 27 or 28.
5. Failure to pay value for Your Title.
6. Lack of a right:
 - a. to any land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
 - b. in streets, alleys, or waterways that touch the Land.

This Exclusion does not limit the coverage described in Covered Risk 11 or 21.
7. The transfer of the Title to You is invalid as a preferential transfer or as a fraudulent transfer or conveyance under federal bankruptcy, state insolvency, or similar creditors' rights laws.
8. Contamination, explosion, fire, flooding, vibration, fracturing, earthquake, or subsidence.
9. Negligence by a person or an Entity exercising a right to extract or develop minerals, water, or any other substances.

LIMITATIONS ON COVERED RISKS

Your insurance for the following Covered Risks is limited on the Owner's Coverage Statement as follows:

For Covered Risk 16, 18, 19, and 21 Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A. The deductible amounts and maximum dollar limits shown on Schedule A are as follows:

	<u>Your Deductible Amount</u>	<u>Our Maximum Dollar Limit of Liability</u>
Covered Risk 16:	1% of Policy Amount Shown in Schedule A or \$2,500 (whichever is less)	\$10,000
Covered Risk 18:	1% of Policy Amount Shown in Schedule A or \$5,000 (whichever is less)	\$25,000
Covered Risk 19:	1% of Policy Amount Shown in Schedule A or \$5,000 (whichever is less)	\$25,000
Covered Risk 21:	1% of Policy Amount Shown in Schedule A or \$2,500 (whichever is less)	\$5,000

2006 ALTA LOAN POLICY (06-17-06)
EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;

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- (ii) the character, dimensions, or location of any improvement erected on the Land;
- (iii) the subdivision of land; or
- (iv) environmental protection;

or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.

(b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.

2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

[Except as provided in Schedule B - Part II, [t[or T]his policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees or expenses, that arise by reason of:

[PART I

[The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the Issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.]

PART II

In addition to the matters set forth in Part I of this Schedule, the Title is subject to the following matters, and the Company insures against loss or damage sustained in the event that they are not subordinate to the lien of the Insured Mortgage:]

2006 ALTA OWNER'S POLICY (06-17-06)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or

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(iv) environmental protection;

or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.

(b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.

2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 9 or 10); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.
4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction vesting the Title as shown in Schedule A, is
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 9 of this policy.
5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees or expenses, that arise by reason of:

[The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the Public Records.
7. [Variable exceptions such as taxes, easements, CC&R's, etc. shown here.]

ALTA EXPANDED COVERAGE RESIDENTIAL LOAN POLICY (12-02-13)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;

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- or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
 3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 16, 17, 18, 19, 20, 21, 22, 23, 24, 27 or 28); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
 4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
 5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law. This Exclusion does not modify or limit the coverage provided in Covered Risk 26.
 6. Any claim of invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as to Advances or modifications made after the Insured has Knowledge that the vestee shown in Schedule A is no longer the owner of the estate or interest covered by this policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11.
 7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching subsequent to Date of Policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11(b) or 25.
 8. The failure of the residential structure, or any portion of it, to have been constructed before, on or after Date of Policy in accordance with applicable building codes. This Exclusion does not modify or limit the coverage provided in Covered Risk 5 or 6.
 9. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 27(b) of this policy.
 10. Contamination, explosion, fire, flooding, vibration, fracturing, earthquake, or subsidence.
 11. Negligence by a person or an Entity exercising a right to extract or develop minerals, water, or any other substances.



First American Title

Privacy Information

We Are Committed to Safeguarding Customer Information

In order to better serve your needs now and in the future, we may ask you to provide us with certain information. We understand that you may be concerned about what we will do with such information - particularly any personal or financial information. We agree that you have a right to know how we will utilize the personal information you provide to us. Therefore, together with our subsidiaries we have adopted this Privacy Policy to govern the use and handling of your personal information.

Applicability

This Privacy Policy governs our use of the information that you provide to us. It does not govern the manner in which we may use information we have obtained from any other source, such as information obtained from a public record or from another person or entity. First American has also adopted broader guidelines that govern our use of personal information regardless of its source. First American calls these guidelines its Fair Information Values.

Types of Information

Depending upon which of our services you are utilizing, the types of nonpublic personal information that we may collect include:

- Information we receive from you on applications, forms and in other communications to us, whether in writing, in person, by telephone or any other means;
- Information about your transactions with us, our affiliated companies, or others; and
- Information we receive from a consumer reporting agency.

Use of Information

We request information from you for our own legitimate business purposes and not for the benefit of any nonaffiliated party. Therefore, we will not release your information to nonaffiliated parties except: (1) as necessary for us to provide the product or service you have requested of us; or (2) as permitted by law. We may, however, store such information indefinitely, including the period after which any customer relationship has ceased. Such information may be used for any internal purpose, such as quality control efforts or customer analysis. We may also provide all of the types of nonpublic personal information listed above to one or more of our affiliated companies. Such affiliated companies include financial service providers, such as title insurers, property and casualty insurers, and trust and investment advisory companies, or companies involved in real estate services, such as appraisal companies, home warranty companies and escrow companies. Furthermore, we may also provide all the information we collect, as described above, to companies that perform marketing services on our behalf, on behalf of our affiliated companies or to other financial institutions with whom we or our affiliated companies have joint marketing agreements.

Former Customers

Even if you are no longer our customer, our Privacy Policy will continue to apply to you.

Confidentiality and Security

We will use our best efforts to ensure that no unauthorized parties have access to any of your information. We restrict access to nonpublic personal information about you to those individuals and entities who need to know that information to provide products or services to you. We will use our best efforts to train and oversee our employees and agents to ensure that your information will be handled responsibly and in accordance with this Privacy Policy and First American's Fair Information Values. We currently maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

Information Obtained Through Our Web Site

First American Financial Corporation is sensitive to privacy issues on the Internet. We believe it is important you know how we treat the information about you we receive on the Internet. In general, you can visit First American or its affiliates' Web sites on the World Wide Web without telling us who you are or revealing any information about yourself. Our Web servers collect the domain names, not the e-mail addresses, of visitors. This information is aggregated to measure the number of visits, average time spent on the site, pages viewed and similar information. First American uses this information to measure the use of our site and to develop ideas to improve the content of our site. There are times, however, when we may need information from you, such as your name and email address. When information is needed, we will use our best efforts to let you know at the time of collection how we will use the personal information. Usually, the personal information we collect is used only by us to respond to your inquiry, process an order or allow you to access specific account/profile information. If you choose to share any personal information with us, we will only use it in accordance with the policies outlined above.

Business Relationships

First American Financial Corporation's site and its affiliates' sites may contain links to other Web sites. While we try to link only to sites that share our high standards and respect for privacy, we are not responsible for the content or the privacy practices employed by other sites.

Cookies

Some of First American's Web sites may make use of "cookie" technology to measure site activity and to customize information to your personal tastes. A cookie is an element of data that a Web site can send to your browser, which may then store the cookie on your hard drive. FirstAm.com uses stored cookies. The goal of this technology is to better serve you when visiting our site, save you time when you are here and to provide you with a more meaningful and productive Web site experience.

Fair Information Values

Fairness We consider consumer expectations about their privacy in all our businesses. We only offer products and services that assure a favorable balance between consumer benefits and consumer privacy.

Public Record We believe that an open public record creates significant value for society, enhances consumer choice and creates consumer opportunity. We actively support an open public record and emphasize its importance and contribution to our economy.

Use We believe we should behave responsibly when we use information about a consumer in our business. We will obey the laws governing the collection, use and dissemination of data.

Accuracy We will take reasonable steps to help assure the accuracy of the data we collect, use and disseminate. Where possible, we will take reasonable steps to correct inaccurate information. When, as with the public record, we cannot correct inaccurate information, we will take all reasonable steps to assist consumers in identifying the source of the erroneous data so that the consumer can secure the required corrections.

Education We endeavor to educate the users of our products and services, our employees and others in our industry about the importance of consumer privacy. We will instruct our employees on our fair information values and on the responsible collection and use of data. We will encourage others in our industry to collect and use information in a responsible manner.

Security We will maintain appropriate facilities and systems to protect against unauthorized access to and corruption of the data we maintain.

Exhibit 4
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EXHIBIT 5

1 PAMELA J. ZYLSTRA – State Bar No. 147977
PAMELA JAN ZYLSTRA
2 A PROFESSIONAL CORPORATION
18111 Von Karman Avenue, Suite 460
3 Irvine, CA 92612-7152
Telephone: (949) 222-2000
4 Facsimile: (949) 222-2022
email: *zylstralaw@gmail.com*

5 Counsel for Reorganized Debtor,
6 S.J. Medical, LLC

PROPOSED FORM OF ORDER

7
8
9 **UNITED STATES BANKRUPTCY COURT**
10 **CENTRAL DISTRICT OF CALIFORNIA**
11 **RIVERSIDE DIVISION**

12
13 In re
S.J. MEDICAL, LLC,
14 a California Limited Liability Company

15 Reorganized Debtor.
16
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Case No. 6:13-bk-25500 SC

Chapter 11 Case

ORDER GRANTING MOTION FOR ORDER:

- (1) AUTHORIZING THE SALE OF REAL AND PERSONAL PROPERTY OF THE REORGANIZED DEBTOR FREE AND CLEAR OF LIENS, CLAIMS, ENCUMBRANCES AND INTERESTS;
- (2) AUTHORIZING THE ASSIGNMENT OF UNEXPIRED REAL PROPERTY LEASES;
- (3) AUTHORIZING THE DISTRIBUTION OF SALE PROCEEDS;
- (4) WAIVING RULE 6004(h) STAY OF ORDER AUTHORIZING SALE OF PROPERTY; AND
- (5) GRANTING RELATED RELIEF [ECF Docket No. ____]

[1695 San Jacinto Ave., San Jacinto CA]

Date: February 14, 2017

Time: 1:30 p.m.

Ctrm: Video Courtroom 126

United States Bankruptcy Court

3420 Twelfth Street

Riverside, California 92501-3819

24
25
26
27
28 Exhibit 5
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1 The *NOTICE OF MOTION AND MOTION FOR ORDER: (1) AUTHORIZING THE*
2 *SALE OF REAL AND PERSONAL PROPERTY OF THE REORGANIZED DEBTOR FREE AND*
3 *CLEAR OF LIENS, CLAIMS, ENCUMBRANCES AND INTERESTS;*(2) *AUTHORIZING THE*
4 *ASSIGNMENT OF UNEXPIRED REAL PROPERTY LEASES;* (3) *AUTHORIZING THE*
5 *DISTRIBUTION OF SALE PROCEEDS;* (4) *WAIVING THE RULE 6004(h) STAY OF ORDER*
6 *AUTHORIZING SALE OF PROPERTY; AND (5) GRANTING RELATED RELIEF;*
7 *MEMORANDUM OF POINTS AND AUTHORITIES; AND DECLARATIONS OF RICHARD*
8 *ANTHONY; ALFRED SANTOS AND PAMELA ZYLSTRA IN SUPPORT* filed as ECF Docket
9 No. ___ (the “Motion”) came on for hearing before the Honorable United States Bankruptcy
10 Judge Scott C. Clarkson on February 14, 2017 at 1:30 p.m. in Video Courtroom 126 in the
11 United States Bankruptcy Court, Riverside Division and in Courtroom 6C in the United States
12 Bankruptcy Court, Santa Ana Division. Mohammad V. Tehrani, Esq. appeared on behalf of the
13 United States Trustee. Cristina E. Bautista, Esq., of Katten Muchin Rosenman LLP, appeared on
14 behalf of U.S. Bank N.A. Marc C. Forsythe, Esq. appeared on behalf of Forsythe & Goe LLP.
15 Pamela J. Zylstra, Esq. of Pamela Jan Zylstra A Professional Corporation appeared on behalf of
16 S.J. Medical, LLC, the Reorganized Debtor. All other appearances are included in the court’s
17 record of the hearing.

18 The Court, having considered the Motion and all pleadings filed in support of and in
19 response to the Motion, and the statement, arguments and representations of the parties made at
20 the hearing on the Motion, and good cause appearing,

21 THIS COURT MAKES THE FOLLOWING FINDINGS:

22 A. The Reorganized Debtor filed a voluntary petition under chapter 11 of title 11,
23 sections 101 *et seq.* of the United States Bankruptcy Code on September 16, 2013.

24 B. The Reorganized Debtor owns improved commercial real estate in San Jacinto,
25 California. The real property consists of approximately .60 acres located at 1695 San Jacinto
26 Avenue, San Jacinto, California 92583-5103, APN 439-112-028 (the “Property”). The legal
27 description of the Property is attached hereto as Exhibit 1.

28

1 C. On November 20, 2014, the Reorganized Debtor filed the Debtor's Chapter 11
2 Liquidation Plan Dated November 20, 2014 as ECF Docket No. 175 (the "Plan"). The Plan
3 provides for the sale of the Property and the distribution of the sale proceeds to pay all "Allowed
4 Claims" as defined by the Plan. Under the Plan, the Reorganized Debtor assumed all unexpired
5 leases in effect 30 days after entry of the Order Confirming the Plan (the "Assumed Leases"). A
6 summary of the Assumed Leases is attached hereto as Exhibit 2. On March 20, 2015, the Order
7 Confirming the Plan was entered by the Bankruptcy Court as ECF Docket No. 223.

8 D. The Reorganized Debtor has actively marketed the Property for sale prior to filing
9 the bankruptcy case and formally since May 2014, including the employment of two (2) real
10 estate brokers for that purpose. During the bankruptcy case, the Reorganized Debtor received
11 four (4) preliminary offers to purchase the Property and participated in negotiations with several
12 of the potential purchasers. All the preliminary offers were withdrawn.

13 E. The Standard Offer, Agreement and Escrow Instructions For Purchase of Real
14 Property, including the Addendum, dated as of December 7, 2016, (collectively, the
15 "Agreement"), between the Reorganized Debtor and Alfred and Barbara Santos Trust, dated
16 February 12, 1979 (the "Buyer") is the highest and best executed offer received by the
17 Reorganized Debtor for the Property. The Agreement includes the purchase of the personal
18 property located in Suite G of the Property. An inventory of the personal property to be sold to
19 Buyer and included in the definition of "Property" is attached hereto as Exhibit 3. The
20 Reorganized Debtor submitted evidence that the personal property was purchased in 2007 for a
21 total of \$2,300.00 and that a separate sale of the personal property would yield minimal net
22 benefit to the estate. The Reorganized Debtor filed the Motion requesting authority to sell the
23 Property to the Buyer.

24 F. The sale of the Property was subject to higher bids. If the Court conducted an
25 auction sale of the Property which modified the terms of the sale to Buyer, such modified terms
26 are described below.

1 G. The Court has concluded that the Reorganized Debtor's sale of the Property to
2 Buyer in accordance with the Agreement is the optimal result for the Reorganized Debtor's
3 estate.

4 H. No insider of the Debtor has any interest in Buyer or will be obtaining any
5 payment or compensation from Buyer for the Debtor's sale of the Property to Buyer or
6 otherwise. Buyer is not an "insider" of the Reorganized Debtor, and no "insider" of the
7 Reorganized Debtor has any ownership interest in Buyer. Buyer has not received any special
8 treatment from the Reorganized Debtor in this sale process. No fraud, collusion or attempt to
9 take unfair advantage of other bidders occurred in this sale process.

10 I. This Court has jurisdiction over the Motion pursuant to 28 U.S.C. §§ 1334 and
11 157. This is a core proceeding. Venue of this case and the Motion in this district is proper
12 pursuant to 28 U.S.C. §§ 1408 and 1409.

13 J. The statutory predicates for the relief sought in the Motion and the basis for the
14 approvals and authorizations contained in this Order are (i) Sections 105(a), 363, and 365 of the
15 Bankruptcy Code and (ii) Bankruptcy Rules 2002, 6004, 6006 and 9014.

16 K. Proper, timely, adequate, and sufficient notice of the Motion and the hearing have
17 been provided in accordance with the Bankruptcy Code, the Bankruptcy Rules and the local rules
18 of this Court. No other or further notice of the Motion, the hearing, or of the entry of this Order
19 is necessary or shall be required.

20 L. A reasonable opportunity to object or be heard regarding the relief requested in
21 the Motion has been afforded to all interested parties.

22 M. The Reorganized Debtor has demonstrated a sufficient basis to sell the Property to
23 Buyer and such actions are appropriate exercises of the Reorganized Debtor's business
24 judgment, implement the terms of the Plan and are in the best interests of the estate.

25 N. The Reorganized Debtor has submitted the testimony of the proposed assignee,
26 the Buyer, regarding its future performance under the Assumed Leases sufficient to satisfy the
27 statutory requirement for authorizing the assignment of the Assumed Leases.

1 O. The consideration being offered by Buyer for the Property in the Agreement (i) is
2 the highest and best offer received by the Reorganized Debtor; (ii) is fair and reasonable; (iii) is
3 in the best interests of the Reorganized Debtor's estate; (iv) constitutes full and adequate
4 consideration and reasonably equivalent value for the Property; and (v) will provide a greater
5 recovery for the Debtor's estate than would be provided by any other practically available
6 alternative.

7 P. Buyer has acted in good faith and is therefore a buyer in good faith, as that term is
8 used in the Bankruptcy Code and as interpreted by Courts regarding the meaning of 11 U.S.C. §
9 363(m). The Agreement was made in good faith and without collusion or fraud of any kind.
10 Neither the Reorganized Debtor nor Buyer has engaged in any conduct that would prevent the
11 application of Section 363(m) of the Bankruptcy Code or cause the application of or implicate
12 Section 363(n) of the Bankruptcy Code to the consummation of the transactions provided for in
13 the Agreement. Buyer is therefore entitled to the protections of Section 363(m) of the
14 Bankruptcy Code with respect to the sale of the Property.

15 Q. The Property shall be sold free and clear of all liens, claims and encumbrances
16 with all liens, claims and encumbrances to attach to and shall be promptly paid from the
17 proceeds of sale of the Property upon the close of escrow as set forth below.

18 R. The Reorganized Debtor is authorized to sell the Property to Buyer free and clear
19 of all liens, claims and encumbrances because, in each case, one or more of the standards set
20 forth in section 363(f) of the Bankruptcy Code has been satisfied. Not selling the Property free
21 and clear of all liens, claims and encumbrances would adversely impact the Debtor's estate.

22 S. Buyer would not have entered into the Agreement and would not consummate the
23 transactions if the sale to Buyer was not free and clear of all liens, claims and encumbrances.

24 T. All objections filed or asserted to the Motion have been resolved, withdrawn or
25 overruled.

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1 Based upon the foregoing findings and conclusions, and upon the record made before set
2 forth above, and upon the record made before this Court, and good and sufficient cause
3 appearing therefor,

4 IT IS HEREBY ORDERED AS FOLLOWS:

5 1. The Motion is granted, subject to the terms and conditions set forth in this Order.
6 The findings of this Court, as stated herein above, are adopted by this Court and made a part of
7 this Order.

8 2. The Reorganized Debtor is authorized to assign to the Buyer the Assumed Leases.
9 The Assumed Leases are summarized in the list attached hereto as Exhibit 2.

10 3. All objections and responses to the Motion are resolved in accordance with the
11 terms of this Order and as set forth on the record of the hearing. If any such objection or
12 response was not otherwise withdrawn, waived or settled, it, and all reservations of rights
13 contained therein, is overruled and denied.

14 4. Notice of the hearing was fair and appropriate under the circumstances and
15 complied in all respects with the Bankruptcy Code, Bankruptcy Rules and the local rules of this
16 Court.

17 5. The sale of the Property, the terms and conditions of the Agreement, and the
18 transaction contemplated thereby are approved in all respects.

19 6. The sale of the Property to Buyer and the consideration to be provided by Buyer
20 under the Agreement are fair and reasonable and shall be deemed for all purposes to constitute a
21 transfer for reasonably equivalent value and fair consideration under the Bankruptcy Code and
22 any other applicable law.

23 7. The transaction contemplated by the Agreement is undertaken by the Buyer
24 without collusion and in good faith, and, accordingly, the reversal or modification on appeal of
25 the authorization provided herein to consummate the transactions shall not affect the validity of
26 such sale, unless such authorization and consummation of the sale are duly and properly stayed
27 pending such appeal. Purchaser is a good faith buyer within the meaning of section 363(m) of
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1 the Bankruptcy Code and, as such, is entitled to the full protections of section 363(m) of the
2 Bankruptcy Code. Buyer will be acting in good faith within the meaning of section 363(m) in
3 closing the transactions contemplated by the Agreement and at any time after the entry of this
4 Order.

5 8. The Reorganized Debtor is authorized to execute and enter into the Agreement
6 and to fully assume, perform under, consummate, and implement the terms of the Agreement
7 together with any and all additional instruments and documents that may be reasonably
8 necessary or desirable to implement and effectuate the terms of the Agreement and this Order
9 and the sale of the Property contemplated thereby including, without limitation, instruments of
10 transfer, and to take all further actions as may reasonably be requested by Buyer for the purpose
11 of assigning, transferring, granting, conveying, and conferring to Purchaser title to and
12 possession of the Property as may be necessary or appropriate to the performance of the
13 Reorganized Debtor's obligations as contemplated by the Agreement, without any further Court
14 order.

15 9. Effective as of the Closing, the sale of the Property to Buyer shall constitute a
16 legal, valid, and effective transfer of the Reorganized Debtor's right, title and interest in the
17 Property, and shall vest Buyer with all right, title and interest of the Reorganized Debtor in and
18 to the Property, free and clear of all liens, claims and encumbrances of any kind pursuant to
19 sections 363(f) and (b) of the Bankruptcy Code. All liens, claims and encumbrances shall attach
20 to and shall be paid from the proceeds of the sale of the Property upon the close of escrow (after
21 the payment of closing costs as set forth in the Motion) in the order of recorded priority as
22 follows:

23 a. First Deed of Trust in favor of US Bank, N.A. successor in interest to PFF
24 Bank & Trust recorded February 3, 2010 as Instrument No. 10-51537 of
25 Official Records. The outstanding balance is approximately
26 \$4,834,993.26 as of December 30, 2016.

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1 10. The Reorganized Debtor is authorized, pursuant to the terms of the Plan, to pay
2 the following allowed administrative claim from the proceeds of the sale of the Property:

3 a. The administrative claim of Goe & Forsythe, LLC in the estimated
4 amount of \$59,011.60 as of January 1, 2017.

5 11. The Reorganized Debtor is authorized, pursuant to the terms of the Plan, to pay
6 the following allowed Class 4 general unsecured claim from the proceeds of the sale of the
7 Property:

8 a. The allowed general unsecured claim of Alfred Santos in the amount of
9 \$400,000.00.

10 12. The sale of the Property to Buyer is not subject to avoidance pursuant to
11 section 363(n) of the Bankruptcy Code.

12 13. The failure to specifically include any particular provision of the Agreement or
13 any related agreements in this Order shall not diminish or impair the effectiveness of such
14 provision. It is the intent of this Court, the Reorganized Debtor and Buyer that the Agreement
15 and any agreement related thereto are authorized and approved in this entirety, with such
16 amendments thereto as may be made by the parties in accordance with this Order.

17 14. This Order and the Agreement shall be binding on and govern the acts of all
18 persons and entities, including, without limitation, the Reorganized Debtor, Buyer and their
19 respective successors and permitted assigns, including, without limitation, any chapter 11 or
20 chapter 7 trustee hereinafter appointed for the Reorganized Debtor's estate.

21 15. Notwithstanding Bankruptcy Rules 6004, 6006, 7062 and 9021, this Order shall
22 be effective and enforceable immediately upon entry and its provisions shall be self-executing.
23 Accordingly, the 14-day stay imposed by Bankruptcy Rules 6004 and 6006 is hereby waived.
24 The Reorganized Debtor and Purchaser are authorized and directed to close the sale under and in
25 accordance with the Agreement , subject to the terms of the Agreement and this Order.

26 16. This Court shall retain exclusive jurisdiction to enforce the terms and provisions
27 of this Order and the Agreement in all respects and to decide any disputes concerning this Order,
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1 the Agreement, or the rights and duties of the parties hereunder or thereunder or any issues
2 relating to the Agreement and this Order. This Court shall be the sole forum to resolve any
3 disputes between Buyer and Reorganized Debtor.

4 17. The findings and conclusions of law set forth herein constitute this Court's
5 findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to
6 this proceeding pursuant to Bankruptcy rule 9014. To the extent any of the foregoing findings of
7 fact constitute conclusions of law, they are adopted as such. To the extent any of the foregoing
8 conclusions of law constitute findings of fact, they are adopted as such.

9 18. To the extent that any provisions of this Order shall be or are inconsistent with the
10 provisions in the Agreement, or any prior order of this Court, the terms of this Order shall
11 control.

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EXHIBIT 1

Exhibit 5
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LEGAL DESCRIPTION

Real property in the City of San Jacinto, County of Riverside, State of California, described as follows:

PARCEL 1:

THAT PORTION OF THE NORTHERLY RECTANGULAR 1/2 OF FARM LOT 78 OF THE LANDS OF THE SAN JACINTO LAND ASSOCIATION, IN THE CITY OF SAN JACINTO, AS SHOWN BY MAP ON FILE IN BOOK 8, PAGE 357 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF RIVERSIDE COUNTY, CALIFORNIA, DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHEAST CORNER OF SAID PARCEL 2 OF PARCEL MAP NO. 19362, RECORDED IN BOOK 122, PAGES 57 AND 58 OF THE COUNTY RECORDER, SAID POINT ALSO BEING THE NORTHEAST CORNER OF SAID FARM LOT 78; THENCE SOUTH 89° 59' 04" WEST, 188.56 FEET ALONG THE SOUTH LINE OF PARCEL 2 OF SAID PARCEL MAP NO. 19362; THENCE SOUTH 31° 27' 08" EAST, 361.92 FEET TO THE EAST LINE OF THE NORTHERLY RECTANGULAR 1/2 OF SAID FARM LOT 78, SAID POINT ALSO BEING DISTANT NORTH 00° 03' 08" WEST, 21.11 FEET FROM THE SOUTH LINE OF THE NORTHERLY RECTANGULAR 1/2 OF SAID FARM LOT 78; THENCE NORTH 00° 03' 08" WEST, 308.80 FEET ALONG SAID EAST LINE TO THE POINT OF BEGINNING.

PARCEL 2:

ACCESS EASEMENT AS SET FORTH IN DOCUMENT ENTITLED "RECIPROCAL ACCESS AND PARKING EASEMENT AGREEMENT AND GRANT OF EASEMENT" RECORDED JUNE 28, 2005 AS INSTRUMENT NO. 2005-0509758, OFFICIAL RECORDS OF RIVERSIDE COUNTY.

APN: 439-112-028-8

EXHIBIT 2

Exhibit 5
Page 100

**ASSUMED REAL PROPERTY LEASES
ASSIGNED TO BUYER**

**In re SJ Medical LLC
[1695 San Jacinto Ave., San Jacinto CA]**

<u>Suite</u>	<u>TENANT NAME</u>	<u>Lease Date</u>	<u>Extension executed</u>
A	AK MANAGEMENT	4/1/2011	1/1/2014
B&F	RADNET MANAGEMENT	4/30/2011	NOT EXPIRED
C D & E	RANCHO PYSCIAL THERAPY	7/1/2013	NOT EXPIRED
G	VACANT		
H	VACANT		
I	DR ASHOK	4/23/2011	3/4/2014
L	DR. BROWN	5/26/2010	3/6/2014
O	DR. GUADAMUZ	6/1/2013	NOT EXPIRED
Q	AGHAPY PHARMACY	1/3/2011	3/4/2014

EXHIBIT 3

Exhibit 5
Page 102

S.J. MEDICAL LLC
PERSONAL PROPERTY INVENTORY
(Located at 1695 San Jacinto Ave.,
San Jacinto, CA Suite G)

1 Leather Couch

1 Conference Table with 4 chairs

1 Desk with 2 chairs

1 End Table

Items were purchase by S.J. Medical LLC in 2007 for approximately \$2,300.00.

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: 18111 Von Karman, Suite 460, Irvine, California 92612-7152.

A true and correct copy of the foregoing document entitled (*specify*): **MOTION FOR ENTRY OF ORDER:(1) AUTHORIZING THE SALE OF REAL AND PERSONAL PROPERTY OF THE REORGANIZED DEBTOR FREE AND CLEAR OF LIENS, CLAIMS, ENCUMBRANCES AND INTERESTS;(2) AUTHORIZING THE ASSIGNMENT OF UNEXPIRED REAL PROPERTY LEASES; (3) AUTHORIZING THE PAYMENT OF CLAIMS PURSUANT TO THE PLAN; (4) WAIVING 14-DAY STAY IMPOSED BY FRBP 6004(h); FRBP 6006(d); AND(5) GRANTING RELATED RELIEF; MEMORANDUM OF POINTS AND AUTHORITIES AND DECLARATIONS OF RICHARD ANTHONY AND PAMELA J. ZYLSTRA IN SUPPORT** 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*) January 17, 2017, 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:

- **Franklin C Adams** franklin.adams@bbklaw.com, arthur.johnston@bbklaw.com;lisa.spencer@bbklaw.com
FORMER COUNSEL TO MR. AND MRS. ANTHONY
- **Cristina E Bautista** cristina.bautista@kattenlaw.com, ecf.lax.docket@kattenlaw.com,
nicole.jones@kattenlaw.com COUNSEL TO CREDITOR U.S. BANK
- **Michael J Bujold** Michael.J.Bujold@usdoj.gov OFFICE OF UNITED STATES TRUSTEE
- **Abram Feuerstein** abram.s.feuerstein@usdoj.gov OFFICE OF UNITED STATES TRUSTEE
- **Marc C Forsythe** kmurphy@goeforlaw.com, mforsythe@goeforlaw.com;goeforecf@gmail.com
FORMER COUNSEL TO LIQUIDATING DEBTOR
- **Jessica Mickelsen Simon** jessica.mickelsensimon@kattenlaw.com COUNSEL TO CREDITOR U.S. BANK
- **Jason K Schrader** jason.K.Schrader@usdoj.gov OFFICE OF UNITED STATES TRUSTEE
- **Mohammad Tehrani** Mohammad.V.Tehrani@usdoj.gov OFFICE OF UNITED STATES TRUSTEE
- **United States Trustee (RS)** ustpreion16.rs.ecf@usdoj.gov OFFICE OF UNITED STATES TRUSTEE
- **Pamela J Zylstra** zylstralaw@gmail.com COUNSEL FOR REORGANIZED DEBTOR

Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:

On (*date*) January 17, 2017, 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.

The Honorable Scott Clarkson, 411 W. Fourth St., Suite 5130, Santa Ana, Ca 92701-4593
Office of United States Trustee, 3801 University Ave., Suite 720, Riverside, CA 92501-3200 Attn: Mohammad V. Tehrani, Esq
Office of the Treasurer/Tax Collector, County of Riverside 4080 Lemon St., Riverside, CA 92501

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*) January 17, 2017, 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.

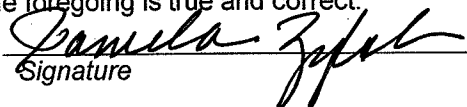
Served by Email - see attached list

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.

1/17/2017

Pamela Zylstra



Date

Printed Name

Signature

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

Service By Email:
In re SJ Medical LLC
6:13-bk-25500 SC

LIQUIDATING DEBTOR
S J Medical, LLC
Rich Anthony

UNSECURED CREDITOR
Alfred Santos
5217 Industry Ave.
Pico Rivera, CA 90660
daniels@kbs8.com

Rich_Anthony@hotmail.com

MEMBER
Patricia Osborne
Richard Osborne, Sr.
26752 Pariso Dr..
Mission Viejo, CA 92691-5708
RETURNED MAIL 11/19/16

MEMBER
John Kelly
jkelly@hitachi-aloka.com

MANAGING MEMBERS
Richard and Marie Anthony
Rich_Anthony@hotmail.com

ATTORNEY FOR OSBORNES
William B. Hanley, Esq.

INTERESTED PARTY
Frederick F Furey

facaj@sbcglobal.net

wbh@hanley-law.com

TENANT ADDRESSES:

Rancho Physical Therapy
24630 Washington Ave., Suite 200
Murrieta, CA. 92562
Attn: Scott Schroeder
sschroeder@optimiscorp.com

Healthmedica, Inc.
22 Battery Street, Suite 510
San Francisco, CA. 94111
Attn: Nathan Sassoover
nsassoover@healthmedica.com

United Health Care Services, Inc.
9900 Bren Road East, MN008-W310
Minnetonka, MN. 55343
Attn: Adam Wilford, Director
matt.perrigue@am.jll.com

DR. KOKA
1695 S. San Jacinto Ave., Suite A
San Jacinto, CA. 92583
Attn: Mr. Koka
lkoka@aol.com

Dr. Nagasamudra S. Ashok
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Attn: Dr. Ashok
trinitytransport03@gmail.com

Martha Izvemari Dr. Thomas Brown
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aghapyrx@yahoo.com

RANDNET MANAGEMENT, INC.
1508 Cotner Ave.
Los Angeles, CA. 90025
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jlinden@radnet.com

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San Diego, CA. 92128
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Dr. Roberto J. Guadamuz
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doctorchiro@msn.com