

Investor Claims Being Locked Out of Hotel Sale

HOSPITALITY: 4 Corners' suit alleges self-dealing by hotelier Sam Nazarian.

By **HENRY MEIER** Staff Reporter

Hotelier and nightclub impresario **Sam Nazarian** is heading toward trial next month in a dispute with a former investor that claims the **SBE Entertainment Group** chief executive bilked them out of millions when he sold the SLS Hotel South Beach for \$125 million in 2015.

Plaintiff **4 Corners Holdings** of Century City alleges earlier dealings between Nazarian and **CIM Group**, another partner on the project, were tantamount to self-dealing. While the case has been pared down since it was filed in April 2015, several "triable issues of material fact" remain, according to a Los Angeles Superior Court judge's Nov. 30 ruling. The case was initially set for trial on Jan. 17, but that date was pushed into February.

The crux of the suit revolves around accusations that SBE and Nazarian breached their fiduciary duty to 4 Corners and gave favorable terms to L.A.-based CIM in exchange for lucrative hotel management contracts at Hollywood's Redbury Hotel, which was sold by CIM in June. Both Nazarian and SBE are named as defendants.

While several breach-of-contract claims and other related allegations have been stripped from the case, the plaintiff's attorney, **Scott Gizer** of **Early Sullivan Wright Gizer & McRae** in Mid-Wilshire, said its primary allegations remain intact.

"The core of this lawsuit is intact and going to trial," Gizer said. "The case is about the defendant breaching his fiduciary duty and misrepresenting how much my clients would make (on the SLS deal). We are very confident that at trial our claims will be borne out."

Nazarian could not be reached for comment. His lawyer, **Alex Weingarten** of Century City's **Venable**, said the allegations leveled by 4 Corners are baseless and that the plaintiff's case had already been crippled.

"We've taken a hatchet to their case," Weingarten said. "They're limping into trial."



RINGO H.W. CHIU/LABJ

Nightlife Maven: SBE Entertainment Group's Sam Nazarian, in a May 2015 photo, has been sued over a hotel sale in 2015.

The conflict stretches back to 2008, when 4 Corners sunk \$8 million into Nazarian's SLS South Beach project on what it claims was the assurance it would see a 10 percent preferred return on investment with the hotel valued at more than \$200 million. When the real estate market soured in the wake of the Great Recession, 4 Corners, along with another group of investors, agreed to reduce its equity stake from a total of \$28 million to \$4 million in 2010. That arrangement was part of a deal that also brought in \$25 million from CIM to help finish the project. In addition, SBE took

a write down as part of the deal, but 4 Corners alleges that it did so as part of broader negotiations that helped it secure the management contract at the Redbury. The plaintiff alleges that it received no money from the 2015 sale of the property to U.K.-based **GoldenPeaks Capital Real Estate**, and asked for \$15 million in damages in its lawsuit.

Nazarian and SBE deny that a sweetheart deal took place, but Judge **Marc Marmaro**'s ruling said there is evidence that SBE materially benefited from the Redbury deal, which could be construed by a jury as a failure to

represent the fiduciary interests of 4 Corners.

"These negotiations occurred at more or less the same time, and the parties continued dealing with each other thereafter," Marmaro's ruling reads. "There is sufficient evidence from which a reasonable trier of fact could infer that Defendants engaged in self-dealing for their own benefit and at the (plaintiffs') expense." ?

SBE closed a deal last month to purchase New York-based **Morgans Hotel Group** with billionaire **Ron Burkle**'s **Yucaipa Cos.** of West Hollywood for \$805 million.

Artists, Buyers Will Hang Together at Exhibition

ART: Annual fair positions some purchasers to frame acquisitions as investment.

By **HELEN ZHAO** Staff Reporter

A number of L.A. art galleries and investors will be among the more than 16,000 estimated attendees at this year's Art Los Angeles Contemporary fair at Santa Monica's Barker Hangar from Jan. 26 to 29.

Sixty-four exhibitors from Los Angeles and around the world will be showcasing what's new for 2017 in the contemporary art scene.

"It's often one of the first fairs of the year, so basically it's a good litmus test for how the market is doing — how people are buying, what people are buying," said **Darius Sabbaghzadeh**, a spokesman for Art Los Angeles Contemporary, now in its eighth year. "It's also a lot about how art itself is evolving, too."

Demand could be strong, according to some familiar with the market.

Michelle Black, head of wealth advisory services at downtown's **Capital Group**, said art investing appears to be on the rise among wealthy residents in Los Angeles.

"Nearly 30 percent of high-net-worth investors in Los Angeles plan to purchase art as a passion investment in the next 12 months,"



Market Gauge: Attendees at 2015's Art Los Angeles Contemporary in Santa Monica.

she said, referring to a recent survey of the firm's clients.

Attendees of the event, produced by **Fair Grounds Associates** of Hollywood, a production company founded by **Tim Fleming**, can

expect to find exhibitors displaying pieces by emerging local artists such as **Jesse Stecklow**, whose work will be presented by L.A.'s **M+B** gallery, and **Jibade-Khalil Huffman**, whose work will be exhibited by the **Anat Ebgi** gal-

lery, also of Los Angeles.

Prices at the show for emerging artists typically range between \$5,000 and \$12,000, according to Sabbaghzadeh, though more expensive works will also be on display from established artists.

"The entertainment community comes out in droves," he added, noting Hollywood producers, actors, and agents have frequented the event in previous years looking for pieces to enrich their collections.

Andrea Feldman Falcione, an independent L.A. art adviser and consultant, said Art Los Angeles Contemporary is a good event for new collectors to enter the market.

"Prices tend to be more in the range of what they're looking for," she said.

Sabbaghzadeh added that the event feels different than shows in other cities because the local market has taken on a different character.

"The way people buy art in Los Angeles is quite different," he said. "People like to see artists' careers developing. There's more of an artist focus than simply making sales."

Black said her clients turn to passion investments such as art, wine, and even collectable cards when they want to diversify beyond stocks and bonds.

"Art doesn't generate any cash flow and you can't use art to supplement your living expenses," she said. "We really think about it in terms of an overall wealth strategy."