

1 DAVID B. GOLUBCHIK (State Bar No. 185520)
J.P. FRITZ (State Bar No. 245240)
2 LEVENE, NEALE, BENDER, YOO & BRILL L.L.P.
3 10250 Constellation Boulevard, Suite 1700
Los Angeles, California 90067
4 Telephone: (310) 229-1234
Facsimile: (310) 229-1244
5 Email: DBG@LNBYB.com; JPF@LNBYB.COM

6 Attorneys for Debtors and
7 Debtors in Possession

8 **UNITED STATES BANKRUPTCY COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA**
10 **LOS ANGELES DIVISION**

11 In re:) Lead Case No.: 2:14-bk-13028-RN
12)
13 COASTLINE INVESTMENTS LLC,) Jointly administered with:
14 Debtor and Debtor in Possession.) Case No. 2:14-bk-13030-RN
15) Chapter 11 Cases

16 In re:) **NOTICE OF MOTION AND MOTION**
DIAMOND WATERFALLS LLC,) **FOR ENTRY OF AN ORDER**
17 Debtor and Debtor in Possession.) **AUTHORIZING DEBTORS TO USE**
18) **CASH COLLATERAL ON A FINAL**
19) **BASIS; MEMORANDUM OF POINTS**
20) **AND AUTHORITIES IN SUPPORT**
21) **THEREOF; DECLARATION OF**
22) **VANESSA LAVENDERA IN SUPPORT**
23) **THEREOF**

24 Affects Both Debtors

25 Affects Coastline Investments LLC

26 Affects Diamond Waterfalls LLC

27) Hearing:
28) Date: August 7, 2014
Time: 10:00 a.m.
Place: Courtroom 1645
255 E. Temple Street
Los Angeles, CA 90012

1 **PLEASE TAKE NOTICE** that, on August 7, 2014, at 10:00 a.m. the Honorable Richard
2 M. Neiter United States Bankruptcy Judge for the Central District of California (the "Court"),
3 will hold a hearing (the "Hearing") on regular notice in Courtroom 1645 of the United States
4 Bankruptcy Courthouse located at 255 East Temple Street, Los Angeles, California to consider
5 this Notice of Motion (the "Notice") and Motion for Entry of an Order Authorizing Debtors to
6 Use Cash Collateral on a Final Basis (the "Motion"). This Motion is made pursuant to Rules
7 4001-2 and 9013-1 of the *Local Bankruptcy Rules of the United States Bankruptcy Court for the*
8 *Central District of California* (the "Local Rules"), 11 U.S.C. § 363(c), and Rules 4001 and 9014
9 of the *Federal Rules of Bankruptcy Procedure* (the "Bankruptcy Rules") by Coastline
10 Investments, LLC ("Coastline") and Diamond Waterfalls, LLC ("Diamond" and with Coastline,
11 collectively, the "Debtors") the debtors and debtors in possession in the above-captioned, jointly
12 administered chapter 11 bankruptcy cases. By way of the Motion, the Debtors respectfully
13 request that the Court enter an order authorizing the Debtors to use cash collateral on a final
14 basis in accordance with the Debtors' operating budgets (the "Budgets"), copies of which are
15 attached as **Exhibit "1"** to the declaration of Vanessa Lavendera (the "Lavendera Declaration")
16 annexed to the Motion. The relief requested in this Motion is based on this Notice, the Motion,
17 the memorandum of points and authorities annexed to the Motion, and the Lavendera
18 Declaration.

19 Pursuant to the Motion, the Debtors seek Court authority to use cash collateral in order to
20 pay the expenses of maintaining and operating the Hotels, as set forth in the Budgets. The Budgets
21 reflect the Hotels' ordinary and necessary operating expenses that must be paid postpetition to
22 preserve the Debtors' businesses. While the Budgets represent the Debtors' best estimates of such
23 expenses, the needs of the businesses may fluctuate. Thus, the Debtors seek authority to deviate
24 from the line items contained in the Budgets by no more than 15% on a line-item basis and no
25 more than 5% on a cumulative basis, (provided the Debtors do not pay expenses outside any of the
26 categories) without the need for further Court order. The Debtors are not seeking to use cash
27
28

1 collateral across estates; each of the Debtors has its own Budget and will use only its own cash
2 collateral therein.

3 The Debtors submit that secured creditors (consisting of the various taxing authorities
4 with real property tax claims, first deed of trust holders, and second deed of trust holders) are
5 adequately protected by the use of cash collateral. Additionally, the secured creditors are
6 protected by equity cushions as set forth in the memorandum of points and authorities.

7 If the Debtors are not permitted to use their cash collateral to maintain and operate the
8 Hotels, the Debtors will be unable to operate, existing guests will not receive services and will
9 depart, canceling existing charges. Moreover, without use of cash collateral, future reservations
10 will also be cancelled. If the Debtors do not have use of cash collateral for even a limited
11 period of time, the public perception associated with the foregoing will certainly hurt, if not
12 eviscerate, the Debtors' businesses, thereby reducing the value of the estates and potential
13 recovery to creditors.

14 **PLEASE TAKE FURTHER NOTICE** that this Motion is based upon Local Rules
15 4001-2, and 9013-1, 11 U.S.C. § 363(c), and Bankruptcy Rules 4001 and 9014, the supporting
16 Memorandum of Points and Authorities annexed hereto, the attached Lavendera Declaration, the
17 arguments and statements of counsel to be made at the hearing on the Motion, and other
18 admissible evidence properly brought before the Court.

19 As set forth in detail in the accompanying Memorandum of Points and Authorities, the
20 proposed use of cash collateral does (or does not) include any of the provisions set forth in
21 Bankruptcy Rule 4001(c)(1)(B)(i) – (xi) or Local Bankruptcy Rule 4001-2(b).

22 **PLEASE TAKE FURTHER NOTICE** that, pursuant to Local Rule 9013-1(f), any
23 opposition or response to the Motion must be filed with the Clerk of the United States Bankruptcy
24 Court and served upon the United States Trustee as well as counsel for the Debtors at the address
25 located in the upper left-hand corner of the first page of this Notice by no later than fourteen (14)
26 days before the hearing on the Motion. Pursuant to Local Rule 9013-1(h), failure to file a timely
27
28

1 opposition or response may be deemed by the Court to be consent to the granting of the relief
2 requested in the Motion.

3 **WHEREFORE**, the Debtors respectfully request that this Court enter an order:

4 (1) Affirming the adequacy of the Notice given herein;

5 (2) Granting the Motion on a final basis;

6 (3) Authorizing the Debtors to use cash collateral to pay all of the expenses set forth
7 in the Budgets, with authority to deviate from the line items contained in the Budgets by not
8 more than 15% on each line item and not more than 5% on a cumulative basis;

9 (4) Authorizing the Debtors to provide adequate protection as set forth in the Motion;
10 and

11 (5) Granting such other and further relief as the Court deems just and proper under
12 the circumstances.

13 Dated: July 8, 2014

COASTLINE INVESTMENTS LLC
DIAMOND WATERFALLS LLC

15

16

By: /s/ John-Patrick M. Fritz

17

DAVID B. GOLUBCHIK
JOHN-PATRICK M. FRITZ
LEVENE, NEALE, BENDER, YOO
& BRILL, L.L.P.

18

19

Attorneys for Chapter 11 Debtors
and Debtors in Possession

20

21

22

23

24

25

26

27

28

1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 **I.**

3 **JURISDICTION AND VENUE**

4 Each of the Debtors commenced their bankruptcy cases by filing voluntary petitions under
5 chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") on February 18, 2014
6 (the "Petition Date"). The Debtors continue to operate their businesses and manage their
7 financial affairs as debtors in possession pursuant to 11 U.S.C. §§ 1107 and 1108.

8 This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This
9 matter relates to the administration of the Debtor's bankruptcy estate and is accordingly a core
10 proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (G), (M) and (O). Venue of this case is proper
11 in this Court pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicates for the relief
12 requested in this Motion are Section 363 of the Bankruptcy Code, and Rules 4001 and 9013 of
13 the Federal Rules of Bankruptcy Procedure ("FRBP").

14 **II.**

15 **FACTUAL BACKGROUND**

16 **A. Background**

17 Coastline is the owner of a hotel located at the top of a prominent hill with sweeping views
18 in Pomona, California (the "Hilltop Hotel"). The Hilltop Hotel consists of 130 suites located on
19 three acres of hilltop property by Interstates 10 and 57, Cal-Poly Tech University, and the Los
20 Angeles County fair grounds, Fairplex. The Hilltop Hotel has three hotel floors along with two
21 levels of parking and features an outdoor pool, spa, exercise fitness center, sauna, steam room and
22 a beautiful, full service restaurant, lounge, meeting spaces and a banquet ballroom to accommodate
23 approximately 300 guests.

24 Diamond is the owner of a 161 room hotel located in Pomona, California (the "Diamond
25 Hotel" and with the Hilltop Hotel, collectively, the "Hotels"). The Diamond Hotel is a full-service
26 hotel, which includes a business center, meeting facilities, pool, spa, fitness center, steam, sauna,
27 and offices. A restaurant is on the premises but has stopped food service for the time being.

28

1
2 The Debtors acquired both of the Hotels through voluntary chapter 11 bankruptcy court
3 363 sales. Coastline acquired the Hilltop Hotel from Shilo Inn, Pomona Hilltop, LLC, in case
4 number 2:11-bk-26270-VZ on April 30, 2012. Diamond acquired the Diamond Hotel from Shilo
5 Inn, Diamond Bar, LLC, in case number 2:10-bk-60884-VZ on March 23, 2012. The sales were
6 free and clear of liens, claims, and interests of the Shilo Inn debtors pursuant to 11 U.S.C. § 363(f),
7 and the orders approving the sales granted the benefits and protections of 11 U.S.C. § 363(m) to
8 the Debtors as good faith purchasers.

9 In connection with or shortly after acquiring the Hotels, the Debtors entered into financing
10 arrangements for the acquisitions. Each of the Debtors received a separate loan from First General
11 Bank (the "Bank"), each in the amount of \$5,250,000, and each separately pledging its hotel as
12 collateral. The loans from First General Bank are neither cross-collateralized nor cross-defaulted.

13 The Debtors also acquired financing from a pooled loan investor group (the "Investor
14 Group").¹ The total loan from the Investor Group to the Debtors is \$2,500,000 in the aggregate,
15 both Hotels serve as the collateral, and the loan is both cross-collateralized and cross-defaulted.

16 After the purchase of the Hotels from Shilo Inns, the flags of Shilo Inns were removed
17 and the Debtors operated unbranded. The Debtors contacted numerous franchisors to operate
18 under a franchisor's flag, which would include branding, marketing and reservation services.
19 During discussions with numerous franchisors, the Debtors were advised that, to proceed with
20 the process, the Debtors would be required to invest millions of dollars into improvements
21 (known as PIPs) to upgrade the Hotel. Unfortunately, the Debtors lacked sufficient resources in
22 order to make the necessary improvements. Without a known flag, substantial marketing, and a
23 reservation service, the operations dropped to the point where the Debtors were unable to meet
24 their obligations on a cash flow basis, although substantial equity remained on a balance sheet
25 basis. This resulted in failure to pay the monthly payments to the Investor Group as of October
26

27 ¹ The Investor Group is comprised of the Anna Hitter 1990 Trust, The 6950 Dume Trust,
28 Cwynar and Kohut Retirement Trust, and Mark Cwynar.

1 2013.

2 On October 25, 2013, the Investor Group caused a notice of default and election to sell
3 under deed of trust ("NOD") to be recorded in the Los Angeles County recorders' office against
4 the Hotels.

5 On December 18, 2013, on a motion by the Investor Group, the Los Angeles Superior
6 Court signed an order appointing a receiver (the "Receiver") over the Hotels. Shortly thereafter,
7 the Receiver took over possession, control, and management of the Hotels.

8 On January 29, 2014, the Investor Group caused a notice of trustee sale under deed of trust
9 ("Notice of Sale") to be issued and recorded in the Los Angeles County recorders' office against
10 the Hotels. The trustee sale was scheduled to take place on February 19, 2014. The instant
11 bankruptcy was filed to avoid the trustee's sale and to preserve the value of the Hotels for the
12 benefit of all creditors.

13 **B. Bankruptcy Developments**

14 After the commencement of this case, the Receiver continued to operate the Hotels. The
15 Debtors learned that the Receiver did not renew insurance coverage for the Hotels and, overall,
16 was not operating the Hotels as required. Eventually, the Receiver ceased operating the Hotels and
17 turned operations over to the Debtors in April 2014.

18 The Bank filed a motion to appoint a trustee or dismiss the cases, as well as a motion for
19 relief from stay. In connection with opposing the Motion, the Debtors' management company
20 procured the necessary insurance coverage through non-estate resources, and took over the
21 operation of the Hotels.

22 While the Debtors sought to employ CBRE as their real estate broker to market and sell the
23 Hotels for maximum value, several unsolicited offers were provided to the Debtors, all of which
24 were substantially below the Debtors' and CBRE's belief as to the value of the Hotels. West Coast
25 Asset Management ("WCAM") submitted numerous offers, the latest of which was in the amount
26 of \$8,250,000 for the Diamond Hotel, which somehow was provided to counsel for the Bank
27 without Diamond's knowledge. In response, the Bank demanded that Diamond immediately sell
28

1 the Diamond Hotel to WCAM since it would provide a quick payoff to the Bank. The Investor
2 Group joined in the Bank's demands.

3 In response to the secured creditors' pressure, at a hearing before this Court, the Debtors
4 advised the parties and the Court that the Debtors will consent to a sale process with WCAM as the
5 stalking horse bidder provided that certain parameters are achieved. At a hearing held on June 5,
6 2014, the Court approved bidding procedures for a sale of the Diamond Hotel with WCAM as a
7 stalking horse bidder and a sale hearing set for August 7, 2014.

8 **C. Asset Value and Secured Debt**

9 Coastline believes that the fair market value of the Coastline Hotel is approximately \$12
10 million. The primary secured debts include statutory property taxes in the approximate amount of
11 \$300,000, a first priority lien in favor of First General Bank to secure an obligation in the principal
12 amount of \$5,250,000, and a second priority lien in favor of the Investor Group to secure an
13 obligation in the principal amount of \$2,500,000, which obligation is also secured (cross-
14 collateralized) by the Coastline Hotel.

15 Diamond believes that the fair market value of the Diamond Hotel is approximately \$12
16 million. The primary secured debts include statutory property taxes in the approximate amount of
17 \$300,000, a first priority lien in favor of First General Bank to secure an obligation in the principal
18 amount of \$5,250,000, and a second priority lien in favor of the Investor Group to secure an
19 obligation in the principal amount of \$2,500,000, which obligation is also secured (cross-
20 collateralized) by the Coastline Hotel.

21 **D. Need for Use of Cash Collateral**

22 The Debtors seek Court authority to use cash collateral in order to pay the expenses of
23 maintaining and operating their businesses, as set forth in the Budgets, copies of which are
24 attached as **Exhibit "1"** to the Lavendera Declaration, through December 31, 2014. The Budgets
25 reflect the Debtors' ordinary and necessary operating expenses that must be paid postpetition to
26 preserve their businesses. While the Budgets represent the Debtors' best estimates of such
27 expenses, the needs of the businesses may fluctuate. Thus, the Debtors seek authority to deviate
28

1 from the total expenses contained in the Budgets by no more than 15% on a line-item basis and no
2 more than 5% on a cumulative basis without the need for further Court order. The Debtors are not
3 seeking to use cash collateral across estates; each of the Debtors has its own Budget and will use
4 only its own cash collateral therein.

5 The Debtors believe that the current valuation of the Hotels on a going-concern basis and
6 the continued operations of the Hotels provide adequate protection to the secured creditors.

7 On the other hand, if the Debtors are not permitted to use cash collateral to maintain and
8 operate the Hotels, it is a virtual certainty that these estates will be liquidated. Specifically, without
9 use of cash collateral and the ability to operate, existing guests will not receive services and will
10 depart, canceling existing charges. Moreover, without use of cash collateral, future reservations
11 will also be cancelled. If the Debtors are not allowed to use cash collateral for even a limited
12 period of time, the public perception associated with the foregoing will certainly hurt, if not
13 eviscerate, the Debtors' businesses, thereby reducing the value of the estates and potential recovery
14 to creditors.

15 **E. Compliance with Rule 4001(c) of the Federal Rules of Bankruptcy Procedure and**
16 **Local Bankruptcy Rule 4001-2.**

17 Pursuant to Rule 4001(c)(1)(B) of the Federal Rules of Bankruptcy Procedure
18 ("Bankruptcy Rules") and Local Bankruptcy Rule 4001-2(b) and (d), the Debtors submit that the
19 relief requested by the Debtors pertaining to the use of cash collateral does not contain any of the
20 following provisions, except as otherwise indicated below:

Provision	
Cross-collateralization clauses	No [except to the extent that the loans for the Investor Group were cross-collateralized pre-petition and, therefore, cash collateral is cross-collateralized as a result thereof]

1	Provision	
2	Provisions or findings of fact that bind the estate or all parties in interest with respect to the validity, perfection or amount of the secured party's pre-petition lien or debt or the waiver of claims against the secured creditor.	No
3		
4	Provisions or findings of fact that bind the estate or all parties in interest with respect to the relative priorities of the secured party's pre-petition lien.	No
5		
6	Provisions that operate, as a practical matter, to divest the Debtor of any discretion in the formulation of a plan or administration of the estate or to limit access to the court to seek any relief under other applicable provision of law.	No
7		
8	Waivers of 11 U.S.C. § 506(c), unless the waiver is effective only during the period in which the Debtor is authorized to use cash collateral or borrow funds.	No
9		
10	Releases of liability for the creditor's alleged prepetition torts or breaches of Contract.	No
11		
12	Waivers of avoidance actions arising under the Bankruptcy Code.	No
13		
14	Provisions that deem prepetition secured debt to be postpetition debt or that use postpetition loans from a prepetition secured creditor to pay part or all of that secured creditor's prepetition debt	No
15		
16	Provisions that prime any secured lien	No
17	Automatic relief from the automatic stay upon default, conversion to chapter 7, or appointment of a trustee.	No
18		
19	Waivers of procedural requirements, including those for foreclosure mandated under applicable non-bankruptcy law, and for perfection of replacement liens.	No
20		
21	Adequate protection provisions which create liens on claims for relief arising under 11 U.S.C. §§ 506(c), 544, 545, 547, 548 and 549.	No
22		
23	Waivers, effective on default or expiration, of the Debtor's right to move for a court order pursuant to 11 U.S.C. § 363(c)(2)(B) authorizing the use of cash collateral in the absence of the secured party's consent	No
24		
25	Provisions that grant a lien in an amount in excess of the dollar amount of cash collateral authorized under the applicable cash collateral order.	No
26		
27	Provisions providing for the paying down of prepetition principal owed to a creditor.	No
28		
	Findings of fact on matters extraneous to the approval process.	No

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

III.

DISCUSSION

A. The Debtors Must Be Authorized to Use Cash Collateral to Operate, Maintain and Preserve the Hotels in Accordance with the Budgets

A debtor's use of property of the estate is governed by Section 363 of the Bankruptcy Code. Section 363(c)(1) provides in pertinent part:

If the business of the debtor is authorized to be operated under section . . .1108. . . of this title and unless the court orders otherwise, the trustee may enter into transactions, including the sale or lease of property of the estate, in the ordinary course of business, without notice or a hearing, and may use property of the estate in the ordinary course of business without notice or a hearing.

11 U.S.C. § 363(c)(1). A debtor in possession has all of the rights and powers of a trustee with respect to property of the estate, including the right to use property of the estate in compliance with Section 363. See 11 U.S.C. §1107(a).

"Cash collateral" is defined as "cash, negotiable instruments, documents of title, securities, deposit accounts or other cash equivalents in which the estate and an entity other than the estate have an interest. . . ." 11 U.S.C. §363(a). Section 363(c)(2) establishes a special requirement with respect to "cash collateral," providing that the trustee or debtor in possession may use "cash collateral" under subsection (c)(1) if:

- (A) each entity that has an interest in such cash collateral consents; or
- (B) the court, after notice and a hearing, authorizes such use, sale or lease in accordance with the provisions of this section.

See 11 U. S.C. §363(c)(2)(A) and (B).

It is well settled that it is appropriate for a Chapter 11 debtor to use cash collateral for the purpose of maintaining and operating its property. 11 U.S.C. § 363(c)(2)(B); In re Oak Glen R-Vee, 8 B.R. 213, 216 (Bankr.C.D.Cal.1981); In re Tucson Industrial Partners, 129 B.R. 614 (9th Cir.B.A.P.1991). In addition, where the debtor is operating a business, it is extremely important that the access to cash collateral be allowed in order to facilitate the goal of reorganization: "the

1 purpose of Chapter 11 is to rehabilitate debtors and generally access to cash collateral is
2 necessary to operate a business.” In re Dynaco Corporation, 162 B.R. 389 (Bankr.D.N.H.1993),
3 quoting In re Stein, 19 B.R. 458, 459. (Bankr.E.D.Pa.1982).

4 The only current source of revenue available to the Debtors to use to maintain and
5 operate the Hotels are the revenues being generated from the Hotels’ rooms and related
6 amenities. If the Debtors are not permitted to use cash collateral to maintain and operate the
7 Hotels, it is a virtual certainty that these estates will be liquidated. Specifically, without use of
8 cash collateral and the ability to operate, existing guests will not receive services and will depart,
9 canceling existing charges. Moreover, without use of cash collateral, future reservations will
10 also be cancelled. Even if the Debtors are deprived use of cash collateral on a limited time
11 basis, the public perception associated with the foregoing will certainly hurt, if not eviscerate, the
12 Debtors’ businesses, thereby reducing the value of the estates and potential recovery to creditors.

13 The operating expenses that the Debtors must be able to pay during the pendency of these
14 cases are set forth in the Budgets. The Budgets reflect the Debtors’ ordinary and necessary
15 operating expenses that must be paid postpetition to preserve the Debtors’ businesses. While the
16 Budgets represent the Debtors’ best estimates of such expenses, the needs of the businesses may
17 fluctuate. Thus, the Debtors seek authority to deviate from the total expenses contained in the
18 Budgets by no more than 15% on a line-item basis and no more than 5% on a cumulative basis
19 without the need for further Court order. The Debtors are not seeking to use cash collateral across
20 estates; each of the Debtors has its own Budget and will use only its own cash collateral therein.

21 **B. Secured Creditors Are Adequately Protected**

22 To the extent that an entity has a valid security interest in the revenues generated by
23 property, those revenues constitute “cash collateral” under Section 363(a) of the Bankruptcy
24 Code. Pursuant to Section 363(c)(2), the Court may authorize the debtor to use a secured
25 creditor’s cash collateral if the secured creditor is adequately protected. In re Mellor, 734 F.2d
26 1396, 1400 (9th Cir.1984). See also In re O’Connor, 808 F.2d 1393, 1398 (10th Cir.1987); In re
27 McCombs Properties VI, Ltd., 88 B.R. 261, 265 (Bankr.C.D.Cal.1988) (“McCombs”).

1 Pursuant to the Supreme Court case of United Savings Association v. Timbers of Inwood
2 Forest Associates, 108 S.Ct. 626, 629 (1988) and subsequent case law, the property interest that a
3 debtor must adequately protect pursuant to Sections 361(1) and (2) of the Bankruptcy Code is
4 only the value of the lien that secures the creditor's claim. 108 S.Ct. at 630. See also McCombs,
5 Id., at 266. Section 506(a) "limit[s] the secured status of a creditor (*i.e.*, the secured creditor's
6 claim) to the lesser of the [allowed amount of the] claim or the value of the collateral."
7 McCombs, Id., at 266.

8 In the case of an oversecured creditor, Section 506(a) and Timbers mandate that "there is
9 no lack of adequate protection [even where there is] a decline in collateral value" provided the
10 secured creditor remains oversecured. McCombs, Id., at 266; In re Chauncy Street Assoc. Ltd.
11 Partnership, 107 B.R. 7, 8 (Bankr.D.Mass.1989). In these cases, the secured creditors are
12 adequately protected by a substantial equity cushion, replacement lien, and by the continued
13 operation of the Debtors' businesses.

14 **1. The Secured Creditors Will Be Adequately Protected by Substantial Equity**
15 **Cushions**

16 As noted above, to the extent that an entity, other than the Debtors, has a valid security
17 interest in the revenues generated by the operation of the Debtors' businesses, those revenues
18 constitute "cash collateral" under Section 363(a) of the Bankruptcy Code. 11 U.S.C. §363(a).
19 Pursuant to Section 363(c)(2), the Court may authorize the Debtors to use a secured creditor's
20 cash collateral if the secured creditor is adequately protected. In re Mellor at 1400. See also In
21 re O'Connor at 1398; In re McCombs at 265.

22 It is well established that the existence of an equity cushion alone can constitute adequate
23 protection to a secured creditor when a debtor seeks to use cash collateral. In re Mellor, 734
24 F.2d 1396 (9th Cir. 1984). In Mellor, the Ninth Circuit held that a 20% equity cushion
25 constituted adequate protection as a matter of law. Id. at 140-01. The Ninth Circuit indicated
26 that a cushion of less than 20% could also constitute adequate protection and cited with approval
27 decisions holding that equity cushions of between 10% and 20% constituted adequate protection.
28 Id., (citing In re McGowan, 6 B.R. 241, 243 (Bankr.E.D.Pa.1980) (holding that a 10% cushion is

1 adequate protection); In re Rogers Development Corp., 2 B.R. 679, 685 (Bankr.E.D.Va.1980)
2 (equity cushion of approximately 15% to 20% was adequate protection notwithstanding that the
3 debtors had no equity in the property); see also, In re Hawaiian Pacific Industries, 17 B.R. 670,
4 673 (Bankr.D. Hawaii 1982) (15% cushion constituted adequate protection).

5 Regarding Coastline, the Coastline Hotel has a value of \$12,000,000. The property taxes
6 owed are approximately \$300,000, which renders an equity cushion of \$11,700,000 and equity
7 cushion percentage of 3,900% for the statutory secured tax claim. The first deed of trust in favor
8 of the Bank is \$5,250,000, which renders an equity cushion of \$6,450,000 and equity cushion
9 percentage of 122.86%. The second deed of trust in favor of the Investor Group is \$2,500,000,
10 which renders an equity cushion of \$3,950,000 and an equity cushion percentage of 158%.
11 Therefore, all of the secured creditors of Coastline are adequately protected by substantial equity
12 cushions.

13 Regarding Diamond, the Diamond Hotel has a value of \$12,000,000. The property taxes
14 owed are approximately \$300,000, which renders an equity cushion of \$11,700,000 and equity
15 cushion percentage of 3,900% for the statutory secured tax claim. The first deed of trust in favor
16 of the Bank is \$5,250,000, which renders an equity cushion of \$6,450,000 and equity cushion
17 percentage of 122.86%. The second deed of trust in favor of the Investor Group is \$2,500,000,
18 which renders an equity cushion of \$3,950,000 and an equity cushion percentage of 158%.
19 Therefore, all of the secured creditors of Diamond are adequately protected by substantial equity
20 cushions.

21
22 **2. The Secured Creditors Will Be Further Adequately Protected by the
23 Continued Operation of the Debtors' Businesses**

24 The preservation of the value of a secured creditor's lien is sufficient to provide adequate
25 protection to a secured creditor when a debtor seeks to use cash collateral. In re Triplett, 87 B.R.
26 25 (Bankr.W.D.Tex.1988). See also In re Stein, 19 B.R. 458 (Bankr.E.D.Pa.1982). The Stein
27 Court determined that the use of cash collateral was necessary to the continued operations of the
28 debtor, and that the creditor's secured position could only be enhanced by the continued

1 operation of the debtor's business. See also, In re McCombs, supra, where the court determined
2 that the debtor's use of cash collateral for needed repairs, renovations and operating expenses
3 eliminated the risk of diminution in the creditor's interest in the cash collateral and such use
4 would more likely increase cash collateral.

5 As reflected in the Budgets, the Debtors' continued operation and maintenance of the
6 Hotels will adequately protect the secured creditors because the Debtors will continue to
7 generate revenue and preserve the value of the Hotels. Other Courts have determined that a
8 debtor's continued business operations can constitute the adequate protection of a secured
9 creditor. See Matter of Pursuit Athletic Footwear, Inc., 193 B.R. 713 (Bankr.D.Del.1996); In re
10 Newark Airport/Hotel Ltd. Partnership, 156 B.R. 444, 450 (Bankr.D.N.J.1993); In re Dynaco,
11 162 B.R. 389, 394-5 (Bankr.D.N.H.1993); In re Immenhausen Corp., 164 B.R. 347, 352
12 (Bankr.M.D.Fla.1994).

13 In determining adequate protection, Courts have stressed the importance of promoting a
14 debtor's reorganization.

15 In In re O'Connor, supra, the Tenth Circuit stated:

16 "In this case, Debtors, in the midst of a Chapter 11 proceeding, have proposed
17 to deal with cash collateral for the purpose of enhancing the prospects of
18 reorganization. This quest is the ultimate goal of Chapter 11. Hence, the
19 Debtor's efforts are not only to be encouraged, but also their efforts during the
20 administration of the proceeding are to be measured in light of that quest.
21 Because the ultimate benefit to be achieved by a successful reorganization
22 inures to all the creditors of the estate, a fair opportunity must be given to the
23 Debtors to achieve that end. Thus, while interests of the secured creditor whose
24 property rights are of concern to the court, the interests of all other creditors
25 also have bearing upon the question of whether use of cash collateral shall be
26 permitted during the early stages of administration."

27 808 F.2d at 1937.

28 The use of cash collateral is critical to the Debtors' ability to implement an effective
reorganization strategy for the benefit of all creditors. As demonstrated herein, the use of the
Debtors' cash collateral, in accordance with the Budgets, will preserve and maximize the
Debtors' assets for the benefit of the estates and all creditors. If the Debtors are not permitted to

1 use cash collateral to maintain and operate the Hotels, it is a virtual certainty that these estates
2 will be liquidated. Specifically, without use of cash collateral and the ability to operate, existing
3 guests will not receive services and will depart, canceling existing charges. Moreover, without
4 use of cash collateral, future reservations will also be cancelled. Even if the Debtors do not
5 have use of cash collateral on a limited time basis, the public perception associated with the
6 foregoing will certainly hurt, if not eviscerate, the Debtors' businesses, thereby reducing the
7 value of the estates and potential recovery to creditors.

8 If the Debtors are authorized to use cash collateral, then they will be able to continue
9 maintaining the Hotels and generating cash flow so that they can simultaneously pursue longer
10 term strategies for the restructuring of their financial affairs. Thus, the use of cash collateral will
11 only enhance the prospect of the Debtors' reorganization and improve the sale prices for pending
12 sales as a going concern business.

13 **3. Additional Adequate Protection**

14 Additionally, the Debtors' propose that the secured creditors be afforded replacement
15 liens on the postpetition rents, revenues, issues and profits of each of the Debtors, with such
16 replacement liens to have the same extent, validity, scope, and priority as the prepetition liens
17 held by the secured creditors. The Debtors submit that the secured creditors are adequately
18 protected by the combination of equity cushion, continued operations of the business, and post-
19 petition replacement liens.

20 **C. Compliance with Rule 4001 of the Federal Rules of Bankruptcy Procedure and** 21 **Local Bankruptcy Rule 4001-2.**

22 Pursuant to Rule 4001(c)(1)(B) of the Federal Rules of Bankruptcy Procedure
23 ("Bankruptcy Rules") and Local Bankruptcy Rule 4001-2(b) and (d), the Debtors submit that the
24 relief requested by the Debtors pertaining to the use of cash collateral does not contain any of the
25 following provisions, except as otherwise indicated below:

Provision	
Cross-collateralization clauses	No [except to the extent that the

1	Provision	
2		loans were cross-
3		collateralized pre-
4		petition for the
5		Investor Group
6		and, therefore,
		cash collateral
		may be cross-
		collateralized as a
		result thereof]
7	Provisions or findings of fact that bind the estate or all parties in	No
8	interest with respect to the validity, perfection or amount of the secured	
9	party's pre-petition lien or debt or the waiver of claims against the	
	secured creditor.	
10	Provisions or findings of fact that bind the estate or all parties in	No
11	interest with respect to the relative priorities of the secured party's pre-	
	petition lien.	
12	Provisions that operate, as a practical matter, to divest the Debtor of	No
13	any discretion in the formulation of a plan or administration of the	
	estate or to limit access to the court to seek any relief under other	
	applicable provision of law.	
14	Waivers of 11 U.S.C. § 506(c), unless the waiver is effective only	No
15	during the period in which the Debtor is authorized to use cash	
	collateral or borrow funds.	
16	Releases of liability for the creditor's alleged prepetition torts or	No
17	breaches of Contract.	
18	Waivers of avoidance actions arising under the Bankruptcy Code.	No
19	Provisions that deem prepetition secured debt to be postpetition debt or	No
20	that use postpetition loans from a prepetition secured creditor to pay	
	part or all of that secured creditor's prepetition debt	
21	Provisions that prime any secured lien	No
22	Automatic relief from the automatic stay upon default, conversion to	No
	chapter 7, or appointment of a trustee.	
23	Waivers of procedural requirements, including those for foreclosure	No
24	mandated under applicable non-bankruptcy law, and for perfection of	
	replacement liens.	
25	Adequate protection provisions which create liens on claims for relief	No
26	arising under 11 U.S.C. §§ 506(c), 544, 545, 547, 548 and 549.	
27	Waivers, effective on default or expiration, of the Debtor's right to	No
28	move for a court order pursuant to 11 U.S.C. § 363(c)(2)(B)	

1	<u>Provision</u>	
2	authorizing the use of cash collateral in the absence of the secured party's consent	
3	Provisions that grant a lien in an amount in excess of the dollar amount of cash collateral authorized under the applicable cash collateral order.	No
4		
5	Provisions providing for the paying down of prepetition principal owed to a creditor.	No
6		
7	Findings of fact on matters extraneous to the approval process.	No

8 Pursuant to Bankruptcy Rule 4001(b)(1)(C), the Debtors are required to serve a copy of
9 the Motion on any entity with an interest in the Debtors' cash collateral, the 20 largest unsecured
10 creditors, and any other entity that the Court directs. The Debtors have complied with the
11 foregoing by serving a copy of the Notice, the Motion, and the Lavendera Declaration by email
12 and/or U.S. mail on the secured creditors, the 20 largest unsecured creditors, the United States
13 Trustee, and parties requesting special notice in each of the Debtors' cases.

14 **IV.**

15 **CONCLUSION**

16 Based on the foregoing, the Debtors submit that approval by this Court of the Motion is
17 in the best interest of the Debtors' estates and respectfully request that the Court enter an order:

- 18 (1) Affirming the adequacy of the Notice given herein;
- 19 (2) Granting the Motion on a final basis;
- 20 (3) Authorizing the Debtors to use cash collateral to pay all of the expenses set forth
21 in the Budgets, with authority to deviate from the line items contained in the Budgets by not
22 more than 15% on each line item and not more than 5% on a cumulative basis;
- 23 (4) Authorizing the Debtors to provide adequate protection as set forth in the Motion;

24 and

25 ///

26 ///

27 ///

28 ///

1 (5) Granting such other and further relief as the Court deems just and proper under
2 the circumstances.

3
4 Dated: July 8, 2014

COASTLINE INVESTMENTS LLC
DIAMOND WATERFALLS LLC

5
6 By: /s/ John-Patrick M. Fritz
7 DAVID B. GOLUBCHIK
8 JOHN-PATRICK M. FRITZ
9 LEVENE, NEALE, BENDER, YOO
& BRILL, L.L.P.
10 Attorneys for Chapter 11 Debtors
and Debtors in Possession
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

DECLARATION OF VANESSA LAVENDERA

I, Vanessa Lavendera, hereby declare as follows:

1. I am over 18 years of age. I have personal knowledge of the facts set forth below and, if called to testify, would and could competently testify thereto.

2. I am the Operations Manager of Coastline Investments LLC (the "Coastline") and Diamond Waterfalls LLC ("Debtor" and collectively with Coastline, the "Debtors"). I have reviewed and am familiar with and am knowledgeable about the books and records of the Debtors, which books and records are made in the regular practice of business, kept in the regular course of business, made by a person with knowledge of the events and information related thereto, and made at or near the time of events and information recorded.

3. I make this declaration in support of the Debtors' motion for use of cash collateral.

4. Coastline is the owner of a hotel located at the top of a prominent hill with sweeping views in Pomona, California (the "Hilltop Hotel"). The Hilltop Hotel consists of 130 suites located on three acres of hilltop property by Interstates 10 and 57, Cal-Poly Tech University, and the Los Angeles County fairgrounds, Fairplex. The Hilltop Hotel has three hotel floors along with two levels of parking and features an outdoor pool, spa, exercise fitness center, sauna, steam room and a beautiful, full service restaurant, lounge, meeting spaces and a banquet ballroom to accommodate approximately 300 guests.

5. Diamond is the owner of a 161 room hotel located in Pomona, California (the "Diamond Hotel") and with the Hilltop Hotel, collectively, the "Hotels"). The Diamond Hotel is a full-service hotel, which includes a business center, meeting facilities, pool, spa, fitness center, steam, sauna, and offices. A restaurant is on the premises but has stopped food service for the time being.

6. The Debtors acquired both of the Hotels through voluntary chapter 11 bankruptcy court 363 sales. Coastline acquired the Hilltop Hotel from Shilo Inn, Pomona Hilltop, LLC, in case number 2:11-bk-26270-VZ on April 30, 2012. Diamond acquired the Diamond Hotel from

1 Shilo Inn, Diamond Bar, LLC, in case number 2:10-bk-60884-VZ on March 23, 2012. The sales
2 were free and clear of liens, claims, and interests of the Shilo Inn debtors pursuant to 11 U.S.C. §
3 363(f), and the orders approving the sales granted the benefits and protections of 11 U.S.C. §
4 363(m) to the Debtors as good faith purchasers.

5 7. In connection with or shortly after acquiring the Hotels, the Debtors entered into
6 financing arrangements for the acquisitions. Each of the Debtors received a separate loan from
7 First General Bank (the "Bank"), each in the amount of \$5,250,000, and each separately pledging
8 its hotel as collateral. The loans from First General Bank are neither cross-collateralized nor cross-
9 defaulted.

10 8. The Debtors also acquired financing from a pooled loan investor group (the
11 "Investor Group").² The total loan from the Investor Group to the Debtors is \$2,500,000 in the
12 aggregate, both Hotels serve as the collateral, and the loan is both cross-collateralized and cross-
13 defaulted.

14 9. After the purchase of the Hotels from Shilo Inns, the flags of Shilo Inns were
15 removed and the Debtors operated unbranded. The Debtors contacted numerous franchisors to
16 operate under a franchisor's flag, which would include branding, marketing and reservation
17 services. During discussions with numerous franchisors, the Debtors were advised that, to
18 proceed with the process, the Debtors would be required to invest millions of dollars into
19 improvements (known as PIPs) to upgrade the Hotel. Unfortunately, the Debtors lacked
20 sufficient resources in order to make the necessary improvements. Without a known flag,
21 substantial marketing, and a reservation service, the operations dropped to the point where the
22 Debtors were unable to meet their obligations on a cash flow basis, although substantial equity
23 remained on a balance sheet basis. This resulted in failure to pay the monthly payments to the
24 Investor Group as of October 2013.

25

26

27 ² The Investor Group is comprised of the Anna Hitter 1990 Trust, The 6950 Dume Trust,
28 Cwynar and Kohut Retirement Trust, and Mark Cwynar.

1 10. On October 25, 2013, the Investor Group caused a notice of default and election to
2 sell under deed of trust ("NOD") to be recorded in the Los Angeles County recorders' office
3 against the Hotels.

4 11. On December 18, 2013, on a motion by the Investor Group, the Los Angeles
5 Superior Court signed an order appointing a receiver (the "Receiver") over the Hotels. Shortly
6 thereafter, the Receiver took over possession, control, and management of the Hotels.

7 12. On January 29, 2014, the Investor Group caused a notice of trustee sale under deed
8 of trust ("Notice of Sale") to be issued and recorded in the Los Angeles County recorders' office
9 against the Hotels. The trustee sale was scheduled to take place on February 19, 2014. The instant
10 bankruptcy was filed to avoid the trustee's sale and to preserve the value of the Hotels for the
11 benefit of all creditors.

12 13. After the commencement of this case, the Receiver continued to operate the Hotels.
13 The Debtors learned that the Receiver did not renew insurance coverage for the Hotels and,
14 overall, was not operating the Hotels as required. Eventually, the Receiver ceased operating the
15 Hotels and turned operations over to the Debtors in April 2014.

16 14. The Bank filed a motion to appoint a trustee or dismiss the cases, as well as a
17 motion for relief from stay. In connection with opposing the Motion, the Debtors' management
18 company procured the necessary insurance coverage through non-estate resources, and took over
19 the operation of the Hotels.

20 15. While the Debtors sought to employ CBRE as their real estate broker to market and
21 sell the Hotels for maximum value, several unsolicited offers were provided to the Debtors, all of
22 which were substantially below the Debtors' and CBRE's belief as to the value of the Hotels.
23 West Coast Asset Management ("WCAM") submitted numerous offers, the latest of which was in
24 the amount of \$8,250,000 for the Diamond Hotel, which somehow was provided to counsel for the
25 Bank without Diamond's knowledge. In response, the Bank demanded that Diamond immediately
26 sell the Diamond Hotel to WCAM since it would provide a quick payoff to the Bank. The Investor
27 Group joined in the Bank's demands.

28

1 16. In response to the secured creditors' pressure, at a hearing before this Court, the
2 Debtors advised the parties and the Court that the Debtors will consent to a sale process with
3 WCAM as the stalking horse bidder provided that certain parameters are achieved. At a hearing
4 held on June 5, 2014, the Court approved bidding procedures for a sale of the Diamond Hotel with
5 WCAM as a stalking horse bidder and a sale hearing set for August 7, 2014.

6 17. Coastline believes that the fair market value of the Coastline Hotel is approximately
7 \$12 million. The primary secured debts include statutory property taxes in the approximate
8 amount of \$300,000, a first priority lien in favor of First General Bank to secure an obligation in
9 the principal amount of \$5,250,000, and a second priority lien in favor of the Investor Group to
10 secure an obligation in the principal amount of \$2,500,000, which obligation is also secured (cross-
11 collateralized) by the Coastline Hotel.

12 18. Diamond believes that the fair market value of the Diamond Hotel is approximately
13 \$12 million. The primary secured debts include statutory property taxes in the approximate
14 amount of \$300,000, a first priority lien in favor of First General Bank to secure an obligation in
15 the principal amount of \$5,250,000, and a second priority lien in favor of the Investor Group to
16 secure an obligation in the principal amount of \$2,500,000, which obligation is also secured (cross-
17 collateralized) by the Coastline Hotel.

18 19. The Debtors seek Court authority to use cash collateral in order to pay the expenses
19 of maintaining and operating their businesses, as set forth in the Budgets, copies of which are
20 attached as **Exhibit "1"** to this declaration, through December 31, 2014. The Budgets reflect the
21 Debtors' ordinary and necessary operating expenses that must be paid postpetition to preserve their
22 businesses. While the Budgets represent the Debtors' best estimates of such expenses, the needs of
23 the businesses may fluctuate. Thus, the Debtors seek authority to deviate from the total expenses
24 contained in the Budgets by no more than 15% on a line-item basis and no more than 5% on a
25 cumulative basis without the need for further Court order. The Debtors are not seeking to use cash
26 collateral across estates; each of the Debtors has its own Budget and will use only its own cash
27 collateral therein.

28

1 20. The Debtors believe that the current valuation of the Hotels on a going-concern
2 basis and the continued operations of the Hotels provide adequate protection to the secured
3 creditors.

4 21. On the other hand, if the Debtors are not permitted to use cash collateral to maintain
5 and operate the Hotels, it is a virtual certainty that these estates will be liquidated. Specifically,
6 without use of cash collateral and the ability to operate, existing guests will not receive services
7 and will depart, canceling existing charges. Moreover, without use of cash collateral, future
8 reservations will also be cancelled. If the Debtors are not allowed to use cash collateral for even a
9 limited period of time, the public perception associated with the foregoing will certainly hurt, if not
10 eviscerate, the Debtors' businesses, thereby reducing the value of the estates and potential recovery
11 to creditors.

12 22. The Debtors submit that the relief requested by the Debtors pertaining to the use of
13 cash collateral does not contain any of the following provisions, except as otherwise indicated
14 below:

Provision	
Cross-collateralization clauses	No [except to the extent that the loans were cross-collateralized pre-petition for the Investor Group and, therefore, cash collateral may be cross-collateralized as a result thereof]
Provisions or findings of fact that bind the estate or all parties in interest with respect to the validity, perfection or amount of the secured party's pre-petition lien or debt or the waiver of claims against the secured creditor.	No
Provisions or findings of fact that bind the estate or all parties in interest with respect to the relative priorities of the secured party's pre-petition lien.	No
Provisions that operate, as a practical matter, to divest the Debtor of any discretion in the formulation of a plan or administration of the estate or to limit access to the court to seek any relief under other	No

1	Provision	
2	applicable provision of law.	
3	Waivers of 11 U.S.C. § 506(c), unless the waiver is effective only during the period in which the Debtor is authorized to use cash collateral or borrow funds.	No
4		
5	Releases of liability for the creditor's alleged prepetition torts or breaches of Contract.	No
6		
7	Waivers of avoidance actions arising under the Bankruptcy Code.	No
8	Provisions that deem prepetition secured debt to be postpetition debt or that use postpetition loans from a prepetition secured creditor to pay part or all of that secured creditor's prepetition debt	No
9		
10	Provisions that prime any secured lien	No
11	Automatic relief from the automatic stay upon default, conversion to chapter 7, or appointment of a trustee.	No
12	Waivers of procedural requirements, including those for foreclosure mandated under applicable non-bankruptcy law, and for perfection of replacement liens.	No
13		
14	Adequate protection provisions which create liens on claims for relief arising under 11 U.S.C. §§ 506(c), 544, 545, 547, 548 and 549.	No
15		
16	Waivers, effective on default or expiration, of the Debtor's right to move for a court order pursuant to 11 U.S.C. § 363(c)(2)(B) authorizing the use of cash collateral in the absence of the secured party's consent	No
17		
18	Provisions that grant a lien in an amount in excess of the dollar amount of cash collateral authorized under the applicable cash collateral order.	No
19		
20	Provisions providing for the paying down of prepetition principal owed to a creditor.	No
21	Findings of fact on matters extraneous to the approval process.	No

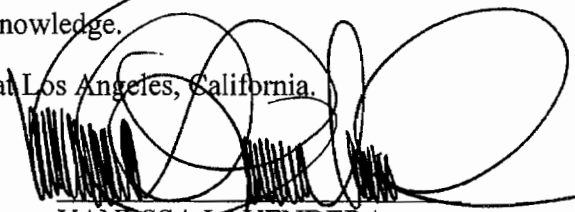
22 23. Based on all of the foregoing, and exercising my reasonable business judgment,
23 I believe that approval of the Motion and Budget is appropriate.

24 ///
25 ///
26 ///
27 ///

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct to the best of my knowledge.

Executed on this 3rd day of July 2014, at Los Angeles, California.

A handwritten signature in black ink, consisting of several large, overlapping loops and a dense, scribbled base.

VANESSA LAVENDERA

Exhibit 1

Profit & Loss Proforma

Projection Only/No Guarantees Given nor Implied

	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Total
Diamond Bar									
Total Revenue	\$ 110,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 96,000.00	\$ 96,000.00	\$ 798,000.00
Merchant Account Fees	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 900.00	\$ 900.00	\$ 7,700.00
Payroll Expense	\$ 35,000.00	\$ 35,000.00	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	\$ 38,000.00	\$ 38,000.00	\$ 304,000.00
Security Services	\$ 3,460.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 24,460.00
Telephone/Internet	\$ 1,400.00	\$ 1,400.00	\$ 1,400.00	\$ 1,400.00	\$ 1,400.00	\$ 1,400.00	\$ 1,400.00	\$ 1,400.00	\$ 11,200.00
Electricity	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 40,000.00
Water	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 24,000.00
TV Program	\$ 800.00	\$ 800.00	\$ 800.00	\$ 800.00	\$ 800.00	\$ 800.00	\$ 800.00	\$ 800.00	\$ 6,400.00
Trash	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 4,000.00
Pest Control	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 1,600.00
Gas	\$ 1,100.00	\$ 1,100.00	\$ 1,100.00	\$ 1,100.00	\$ 1,100.00	\$ 1,100.00	\$ 1,100.00	\$ 1,100.00	\$ 8,800.00
Food	\$ 12,000.00	\$ 12,000.00	\$ 12,000.00	\$ 12,000.00	\$ 12,000.00	\$ 12,000.00	\$ 10,000.00	\$ 10,000.00	\$ 90,000.00
Advertising	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 12,000.00
Guest Supplies	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 24,000.00
Swimming Pool Maintenance	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 2,800.00
Elevator Service	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 4,000.00
Maintenance & Repair	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 12,000.00
WC Insurance	\$ 4,880.80	\$ 4,880.80	\$ 4,880.80	\$ 4,880.80	\$ 4,880.80	\$ 4,880.80	\$ 4,880.80	\$ 4,880.80	\$ 39,046.40
TOT	\$ 9,500.00	\$ 9,500.00	\$ 9,500.00	\$ 9,500.00	\$ 9,500.00	\$ 9,500.00	\$ 9,000.00	\$ 9,000.00	\$ 74,500.00
Net Income	\$ 25,309.20	\$ 15,769.20	\$ 10,769.20	\$ 10,769.20	\$ 10,769.20	\$ 10,769.20	\$ 11,369.20	\$ 11,369.20	\$ 107,493.60

Hilltop	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Total
Total Revenue	\$ 40,000.00	\$ 35,000.00	\$ 35,000.00	\$ 35,000.00	\$ 35,000.00	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 270,000.00
Merchant Account Fees	\$ 400.00	\$ 400.00	\$ 400.00	\$ 400.00	\$ 400.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 2,900.00
Payroll Expense	\$ 9,000.00	\$ 9,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 9,000.00	\$ 9,000.00	\$ 9,000.00	\$ 75,000.00
Security Services	\$ 3,460.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 24,460.00
Telephone/Internet	\$ 900.00	\$ 900.00	\$ 900.00	\$ 900.00	\$ 900.00	\$ 900.00	\$ 900.00	\$ 900.00	\$ 7,200.00
Electricity	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 24,000.00
Water	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 12,000.00
TV Program	\$ 1,600.00	\$ 1,600.00	\$ 1,600.00	\$ 1,600.00	\$ 1,600.00	\$ 1,600.00	\$ 1,600.00	\$ 1,600.00	\$ 12,800.00
Trash	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 4,000.00
Pest Control	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 1,600.00
Gas	\$ 600.00	\$ 600.00	\$ 600.00	\$ 600.00	\$ 600.00	\$ 600.00	\$ 600.00	\$ 600.00	\$ 4,800.00
Food	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 800.00	\$ 800.00	\$ 800.00	\$ 8,400.00
Advertising/Marketing	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 8,000.00
Guest Supplies	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 16,000.00
Swimming Pool Maintenance	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 2,800.00
Elevator Service	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 4,000.00
Maintenance & Repair	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 8,000.00
WC Insurance	\$ 1,220.20	\$ 1,220.20	\$ 1,220.20	\$ 1,220.20	\$ 1,220.20	\$ 1,220.20	\$ 1,220.20	\$ 1,220.20	\$ 9,761.60
TOT	\$ 3,500.00	\$ 3,500.00	\$ 3,500.00	\$ 3,500.00	\$ 3,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 25,000.00
Net Income	\$ 8,069.80	\$ 3,529.80	\$ 2,529.80	\$ 2,529.80	\$ 2,529.80	\$ 29.80	\$ 29.80	\$ 29.80	\$ 19,278.40

PROOF OF SERVICE OF DOCUMENT

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

10250 Constellation Blvd., Suite 1700, Los Angeles, CA 90067

A true and correct copy of the foregoing document entitled (*specify*): **NOTICE OF MOTION AND MOTION FOR ENTRY OF AN ORDER AUTHORIZING DEBTORS TO USE CASH COLLATERAL ON A FINAL BASIS; MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT THEREOF; DECLARATION OF VANESSA LAVENDERA IN SUPPORT THEREOF** 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 July 8, 2014, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:

On July 8, 2014 I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

Service information continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (*state method for each person or entity served*): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on July 8, 2014 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.

Via attorney service

The Honorable Richard Neiter
U.S. Bankruptcy Court
255 E. Temple Street
Los Angeles, CA 90012

Service information continued on attached page

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

July 8, 2014

Jason Klassi

/s/ Jason Klassi

Date

Printed Name

Signature

Coastline Investments, LLC

2:14-bk-13028-RN Notice will be electronically mailed to:

Andrew K Alper on behalf of Creditor Diamond Waterfalls LLC
aalper@frandzel.com, efiling@frandzel.com;ekidder@frandzel.com

Andrew K Alper on behalf of Creditor First General Bank
aalper@frandzel.com, efiling@frandzel.com;ekidder@frandzel.com

John-Patrick M Fritz on behalf of Debtor Coastline Investments LLC
jpf@lnbrb.com

John-Patrick M Fritz on behalf of Debtor Diamond Waterfalls LLC
jpf@lnbrb.com

Thomas M Geher on behalf of Creditor Investor Capital Group
tmg@jmbm.com, we1@jmbm.com;fc3@jmbm.com;tmg@ecf.inforuptcy.com

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

David B Golubchik on behalf of Debtor Coastline Investments LLC
dbg@lnbyb.com, dbg@ecf.inforuptcy.com;stephanie@lnbyb.com

David B Golubchik on behalf of Debtor Diamond Waterfalls LLC
dbg@lnbyb.com, dbg@ecf.inforuptcy.com;stephanie@lnbyb.com

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

Hatty K Yip on behalf of U.S. Trustee United States Trustee (LA)
hatty.yip@usdoj.gov,
Kenneth.G.Lau@usdoj.gov,dare.law@usdoj.gov,queenie.k.ng@usdoj.gov,alvin.p.mar@usdoj.gov,kelly.l.morris
on@usdoj.gov,melanie.green@usdoj.gov

Coastline Investments, LLC

Frist General Bank - RSN
c/o Frandzel Robins Bloom & Casto
6500 Wilshire Blvd., 17th Floor
Los Angeles, CA 90049
Attn: Andrew K. Alper

Top 20

Southern California Edison
P.O. Box 800
Rosemead, CA 91770

RYS Architects
10 Monterey Blvd.
San Francisco CA 94131

US Foods US Foods 9,643.21
File 6993 File 6993
Los Angeles CA 90074

Sequoia Insurance Co.
Dept. #33765 P.O. Box 39000
San Francisco CA 94139

Liberty Capital Management
Corp.
3218 E. Holt Avenue
West Covina CA 91791

Sysco Guest Supply
P.O. Box 1508
Walnut, CA 91788-1508

Franchise Tax Board
Special Procedures -
Insolvency
P.O. Box 2952
Sacramento, CA 95812-2952

Verizon
P.O. Box 920041
Dallas TX 75392-0041

Southern California Edison
P.O. Box 800
Rosemead CA 91770

City Of Pomona (Water)
505 South Garey Avenue
Pomona CA 91766

KellyPools Inc.
P.O. Box 3367
San Dimas, CA 91773

BP&G, LLC.
23881 Larkwood Lane
Lake Forest, CA 91768

M3 Accounting Services Inc.
340 Jesse Jewell PkWy S.E.
Ste.600
Gainesville, GA 30501

UltraServ
2973 Harbor Blvd. #302
Costa Mesa CA 92626

American Express
P.O. Box 360001
Ft. Lauderdale, FL
33336-0001

The Gas Company
P.O. Box C
Monterey Park, CA
91756-5111

World Cinema
9801 Westheimer #409
Houston TX 77042-3953

The Gas Company
P.O. BoxC
Monterey Park, CA
91756-5111

DTS Environmental
419 North Raymond Avenue
Pasadena CA 91103

Secured

First General Bank
1744 Nogales Street
Rowland Heights, CA 91748

Investor Capital Group
3500 W. Olive Avenue, Suite 1190
Burbank, CA 91505

Christina L. GeraCi, Esq.
Geraci Law Firm
2302 Martin Street, Suite 410
Irvine, CA 92612

Los Angeles County Tax Collector
P.O. Box 54018
Los Angeles, CA 90054-0018