

BRIAN L. BUDSBERG, WSBA#11225  
Brian L. Budsberg, P.L.L.C.  
P.O. Box 1489  
Olympia, WA 98507-1489  
Telephone: (360) 584-9093  
Facsimile: (360) 252-8333  
Attorney for Debtors

HONORABLE PAUL B. SNYDER  
Location Tacoma  
Chapter 11

FILED \_\_\_\_\_  
LODGED \_\_\_\_\_  
RECEIVED \_\_\_\_\_

MAR 30 2010

MARK L. Batcher  
CLERK U.S. BANKRUPTCY COURT  
WESTERN DISTRICT OF WASHINGTON  
AT TACOMA

DEPUTY

UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF WASHINGTON

In re  
LIQUIDATION OUTLET, INC.  
  
Debtor.

No. 10-42279  
INTERIM ORDER AUTHORIZING  
USE OF CASH COLLATERAL

THIS MATTER came before the Court on the Motion of Liquidation Outlet, Inc., debtor-in-possession herein ("Debtor"), for temporary authority to use cash collateral ("Motion"), and finding that such notice and opportunity for hearing as required under the circumstances has been given and that use of cash collateral as provided for under this order is necessary for debtor to avoid immediate and irreparable harm, it is

NOW THEREFORE, ORDERED, ADJUDGED AND DECREED AS FOLLOWS:

1. Authorization to Use Cash Collateral.

(a) Debtor is authorized to use the cash collateral (as defined at 11 U.S.C. § 363(a)) of U.S. Bank National Association ("U.S. Bank") only in accordance with the terms and conditions set forth herein. While this order is in effect, Debtor may only sell its inventory in the ordinary course of business.

INTERIM ORDER AUTHORIZING USE OF  
CASH COLLATERAL AND GRANTING  
ADEQUATE PROTECTION

1

BRIAN L. BUDSBERG, PLLC  
P.O. Box 1489  
Olympia, Washington 98507  
360-584-9093  
SEADOCs:418136.2

1 (b) U.S. Bank's Cash Collateral shall be used only for purposes and up to the  
2 amounts listed in the budget attached as Exhibit A (the "Approved Budget"); provided, however,  
3 that the Debtor's total expenditures may exceed the aggregate budgeted amount by up to ten  
4 (10%), and Debtor's expenditures for any line item may exceed the amount budgeted for that line  
5 item by up to twenty percent (20%) of the budgeted amount. Debtor's cumulative cash surplus  
6 shall not fall below 60% of the amount projected.  
7

8 (c) All existing Cash Collateral and all post-petition receipts constituting cash  
9 collateral shall be deposited in a segregated Debtor-in-Possession Cash Collateral Account to be  
10 established at U.S. Bank (the "Cash Collateral Account"). Debtor is authorized to draw upon or  
11 transfer funds from the Cash Collateral Accounts to a Debtor-in-Possession General Operating  
12 Account maintained at U.S. Bank. for use in accordance with the terms of this Order.  
13

14 (d) Use of Cash Collateral shall not exceed the amount of the U.S. Bank loan  
15 outstanding as of the date of the filing.  
16

17 2. Grant of Security Interest. As adequate protection for use of U.S. Bank's Cash  
18 Collateral pursuant to §§ 361(2) and 363(c)(1) and (2) of the United States Bankruptcy Code (the  
19 "Code"), U.S. Bank is hereby granted liens and security interests (as the case may be) upon all  
20 property of the estate as defined in § 541(a) of the Code, whether acquired by the Debtor pre-  
21 or post-petition, that is of the same or similar types as was subject to perfected and valid  
22 security interests in existence as of the Petition Date. The liens and security interests granted  
23 herein shall secure the impairment, if any, of U.S. Bank's secured claim, and will have the same  
24 relative priority as any valid and unavoidable liens held by U.S. Bank as of the Petition Date, but  
25 shall not be construed to enhance or improve the position of U.S. Bank as to its secured claim as  
26

1 of the petition date. The post-petition lien in favor of U.S. Bank will be governed by the security  
2 agreements executed before the Petition Date by Debtor in favor of U.S. Bank.

3 3. Order is Security Agreement. This Order shall be deemed to be and shall  
4 constitute a mortgage, security agreement, and assignment of rents under the applicable  
5 provisions of the Uniform Commercial Code ("UCC") and other applicable law in effect from  
6 time to time in the states in which Debtor (a) is domiciled, (b) operates its business, (c) maintains  
7 its principal place of business, and (d) owns real property. The liens and security interests created  
8 by this Order are perfected by operation of law upon entry of this Order by the Court. U.S. Bank  
9 shall not be required to file financing statements, mortgages, assignments of rents, or deeds of  
10 trust, or take any action to validate or perfect such liens and security interests. If U.S. Bank may  
11 choose to file financing statements or other documents or otherwise confirm perfections of such  
12 liens and interests, Debtor is hereby authorized and directed to execute any other security  
13 agreement, UCC-1 financing statements, and supporting documents as may be reasonably  
14 requested by U.S. Bank to document any adequate protection liens provided and permitted by  
15 this Order. Debtor shall cooperate with U.S. Bank in executing such other documentation as  
16 U.S. Bank shall deem reasonably necessary to effectuate the terms of this Order.

17  
18  
19 4. Administrative Expense Claim. To the extent the adequate protection provided to  
20 U.S. Bank in the form of the security interest and liens granted pursuant to this Order proves to  
21 be inadequate, U.S. Bank shall, pursuant to §507(b) of the Code, be entitled to an administrative  
22 expense claim under Code §§ 503(b) and 507(a)(2). Further, U.S. Bank's rights under Code  
23 §507(b) are reserved.

24 5. Survival. The provisions of this Order shall be binding upon and inure to the  
25 benefit of Debtor, U.S. Bank, and their respective successors and assigns.  
26

INTERIM ORDER AUTHORIZING USE OF  
CASH COLLATERAL AND GRANTING  
ADEQUATE PROTECTION

3

BRIAN L. BUDSBERG, PLLC  
P.O. Box 1489  
Olympia, Washington 98507  
360-584-9093  
SEADOCs:418136.2

1           6.     Insurance and Audits. Debtor shall insure the collateral securing the obligations  
2 of U.S. Bank in accordance with the underlying Loan Documents. Debtor will provide U.S.  
3 Bank with certificates of insurance evidencing Debtor's compliance with the insurance  
4 requirements herein provided.

5           7.     Additional Duties of Debtor. Debtor is hereby directed to deliver to U.S. Bank  
6 such financial and other information concerning the business and affairs of Debtor and any of the  
7 Pre-Petition Collateral and Adequate Protection Collateral as Bank shall reasonably request from  
8 time to time. Without limiting the foregoing, on a weekly basis Debtor will provide U.S. Bank  
9 with a report setting forth cash income and expenditures for the prior week by budget line items  
10 and for the period since the Petition Date; a statement of all account payables accrued after the  
11 Petition Date as of the end of the prior week as it pertains to the buildings in which U.S. Bank  
12 has an interest; and a copy of its check registers, showing all checks written by debtor during the  
13 prior week with each check written by Debtor during the week ending on the preceding Friday  
14 listed in such register, shall be identified by check number, date, payee, amount, and budget  
15 category.  
16

17           8.     Events of Default. Each of the following shall be an Event of Default under this  
18 Order: (a) spending other than as allowed in the Budget and in this Order unless agreed by Bank  
19 in writing; (b) failure to comply with any of the obligations imposed by this Order; (c)  
20 appointment of a Chapter 11 trustee; (d) conversion of this case to a case under a Chapter 7 of  
21 the Code; and (e) dismissal of this case.  
22

23           9.     Termination Date and Enforcement of Event of Default. Unless terminated  
24 earlier, Debtor's authority to use the Cash Collateral shall be granted on a temporary basis for  
25 thirty (30) days from the date of this order. At the end of such time the court shall conduct a  
26

1 hearing to determine the Debtor's authority to use Cash Collateral of the U.S. Bank on a final  
2 basis. Notwithstanding the foregoing, Debtor's right to use Cash Collateral in the case of an  
3 Event of Default specified above in paragraph 8 shall terminate at the end of the fifth business  
4 day following delivery of service in accordance with the ECF rules of this Court by U.S.  
5 Bank to Debtor, its counsel, the United States Trustee, and counsel to any official committees  
6 in the case of a notice of default. Debtor's authority to use the Cash Collateral shall cease  
7 without further action unless U.S. Bank has acknowledged within said 5-day period that the  
8 specified event of default has been cured or the Court orders otherwise. Nothing herein shall  
9 constitute waiver of the Debtor's right to move for a court order pursuant to 11 U.S.C. §  
10 363(c)(2)(B) authorizing the use of cash collateral in the absence of U.S. Bank's consent.  
11

12 10. Validity of Liens. All liens and priorities granted to U.S. Bank hereunder shall be  
13 valid and enforceable obligations of Debtor against any subsequent Chapter 11 or Chapter 7  
14 trustee. The obligations and rights of Debtor and U.S. Bank under this Order, and any  
15 documents executed pursuant to paragraph 3 hereof, and the priorities, liens, and perfected  
16 security interests granted herein, shall remain unimpaired and unaffected by any modification,  
17 reversal, or vacation of this Order on appeal, or by any termination or any curtailment of  
18 lending hereunder. Nothing contained herein, however, shall serve to adjudicate the validity,  
19 perfection, attachment, priority, or enforceability, or improve the position of, any of the Existing  
20 Indebtedness under the Loan Documents or the Existing Liens.  
21

22 11. Amendments. Nothing herein shall prohibit Debtor and U.S. Bank from  
23 amending the terms of the use of Cash Collateral authorized hereby by mutual agreement and  
24 further order of the Court after notice and hearing.  
25

26 12. Miscellaneous Provisions.

INTERIM ORDER AUTHORIZING USE OF  
CASH COLLATERAL AND GRANTING  
ADEQUATE PROTECTION

5

BRIAN L. BUDSBERG, PLLC  
P.O. Box 1489  
Olympia, Washington 98507  
360-584-9093  
SEADOCs:418136.2

1 (a) Modification of Stay. The automatic stay of Code §362 is hereby  
2 modified with respect to Bank to the extent necessary to effectuate the provisions of this Order.

3 (b) Financial Information; Insurance. Debtor is directed to allow U.S. Bank  
4 access to its collateral for the purpose of enabling it to inspect and audit the collateral and the  
5 books and records of Debtor. Such access for such purpose shall be permitted during normal  
6 business hours and upon reasonable notice.

7 (c) No Waiver. Nothing contained in this Order shall constitute a waiver by  
8 U.S. Bank of any of its rights under the Loan Documents, the Code, or other applicable law,  
9 including without limitation: (1) its rights to later assert that, notwithstanding the terms and  
10 provisions of this Order, any of its interests in collateral lacks adequate protection within the  
11 meaning of Code §§ 362(d) or 363(e), or (2) its rights, if any, to later assert a claim under §§ 503  
12 and 507 of the Code. The failure of U.S. Bank, at any time or times hereafter, to require strict  
13 performance by Debtor (or by any Trustee) of any provision of this Order shall not waive, affect  
14 or diminish any right of U.S. Bank to demand strict compliance and performance therewith. No  
15 delay on the part of the U.S. Bank in the exercise of any right or remedy under this Order shall  
16 preclude any other or further exercise of any such right or remedy or exercise of any other right  
17 or remedy. None of the rights or remedies of U.S. Bank under this Order shall be deemed to have  
18 suspended or waived by U.S. Bank unless such suspension or waiver is in writing, signed by a  
19 duly authorized officer of U.S. Bank, and directed to Debtor specifying such suspension or  
20 waiver. Likewise, nothing contained in this Order shall constitute a waiver by Debtor, or any  
21 subsequent Chapter 11 or Chapter 7 trustee, or any of their respective rights under the Loan  
22 Documents, the Code, or other applicable law, at law or in equity, including without limitation,  
23 the right to assert any claim, demand, or cause of action, whether in contract, tort, or otherwise,  
24  
25  
26

1 that they had as of the Petition Date, or that debtor or such trustee now has, or in the future may  
2 have, against U.S. Bank. Debtor's or a trustee's failure, at any time or times hereafter, require  
3 strict performance by U.S. Bank of any provision of this Order shall not waive, affect or  
4 diminish any right of Debtor or the trustee to demand strict compliance and performance  
5 therewith. No delay on the part of Debtor or the trustee in the exercise of any right or remedy  
6 under this Order shall preclude any other or further exercise of any such right or remedy or the  
7 exercise of any right or remedy or the exercise of any other right or remedy. None of the rights or  
8 remedies of debtor or the trustee under this Order shall be deemed to have been suspended or  
9 waived by Debtor or trustee unless such suspension or waiver is in writing, signed by Debtor or  
10 the trustee, as the case may be, directed to U.S. Bank specifying such suspension or waiver, and  
11 approved by the Court.  
12

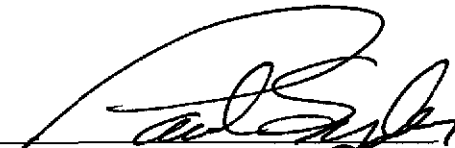
13 Nothing contained in this Order or in Debtor's or U.S. Bank's agreement to the terms  
14 hereof shall (1) be deemed to be a consent by U.S. Bank to any extension of the term of this  
15 Order or the entry of a final order authorizing the use of cash collateral, or (2) waive any of the  
16 Debtor's, a trustee's, or U.S. Bank's rights or remedies in this case or any superseding case under  
17 the Code, including the right to seek conversion or dismissal, or (3) impose on Debtor, a trustee,  
18 or U.S. Bank any liability or responsibility to any third party.  
19

20 (d) Compliance with Local Rules. The Motion and this Order is in compliance  
21 with Local Bankruptcy Rule 4001-2 for use of Cash Collateral and Appendix A of said local  
22 rules.  
23

24 (e) Order. This Order shall be binding on all parties in interest in this case and  
25 their respective successors and assigns, including, without limitation, any Chapter 11 or 7  
26 trustee. If any or all of the provisions of this Order are hereafter modified, vacated, or stayed by

1 subsequent order, such action shall not affect the priority, validity, enforceability or effectiveness  
2 of any lien, security interest, or priority authorized hereby with respect to the use of Cash  
3 Collateral prior to the effective date of such subsequent order (and all such liens, security  
4 interests, priorities and other benefits shall be governed by the original provisions of this Order).  
5 Except as otherwise explicitly set forth in this Order, no third parties intended to be or shall be  
6 deemed to be third party beneficiaries of this Order.  
7

8 Dated 30 March, 2010

9   
10 HONORABLE PAUL B. SNYDER  
11 United States Bankruptcy Judge

12 PRESENTED BY:

13  
14  
15 BRIAN L. BUDSBERG, P.L.L.C.

16  
17  
18 By: Brian L. Budsberg  
19 Brian L. Budsberg, WSBA#11225  
20 Attorney for Debtor

21 MILLER NASH LLP

22 By: /s/ Geoffrey Groshong  
23 Geoffrey Groshong, WSBA#6124  
24 Attorney for U.S. Bank  
25  
26

INTERIM ORDER AUTHORIZING USE OF  
CASH COLLATERAL AND GRANTING  
ADEQUATE PROTECTION

8

BRIAN L. BUDSBERG, PLLC  
P.O. Box 1489  
Olympia, Washington 98507  
360-584-9093  
SEADOCs:418136.2



**EXHIBIT A**

4 Week Cash Flow Summary					
<b>Week Beginning</b>	<b>3/21/10</b>	<b>3/28/10</b>	<b>4/4/10</b>	<b>4/11/10</b>	<b>4 Week</b>
<b>Week Ending</b>	<b>3/27/10</b>	<b>4/3/10</b>	<b>4/10/10</b>	<b>4/19/10</b>	<b>Total</b>
<i>Charlie's Produce</i>	(40,000)	(40,000)	(40,000)	(40,000)	(160,000)
<i>Liberty Dairy &amp; Others</i>		(12,800)			(12,800)
<i>Pepsico</i>		(17,000)			(17,000)
<i>Soil Conditioners</i>	(1,335)	(1,335)	(1,335)	(1,335)	(5,340)
<i>Imports</i>		(6,246)		(30,106)	(36,352)
<i>Domestic</i>		(32,086)	(148,076)	(123,205)	(303,367)
<i>Total Merchandise Needed</i>	(41,335)	(109,467)	(189,411)	(194,646)	(534,859)
<b>Cash from Operations</b>	202,957	725	3,468	228,320	435,470
<b>Cash Available for Merch. Purchasing</b>	161,622	(108,742)	(185,943)	33,674	(99,389)

Budget					
<b>Week Beginning</b>	<b>3/21/10</b>	<b>3/28/10</b>	<b>4/4/10</b>	<b>4/11/10</b>	<b>4 Week</b>
<b>Week Ending</b>	<b>3/27/10</b>	<b>4/3/10</b>	<b>4/10/10</b>	<b>4/19/10</b>	<b>Total</b>
<i>Total Revenue</i>	335,000	333,000	357,000	367,000	1,392,000
<i>Less: Credit Card fees</i>	(2,345)	(2,331)	(2,499)	(2,569)	(9,744)
<i>Net Revenue</i>	332,655	330,669	354,501	364,431	1,382,256
<i>Labor</i>	(60,812)	(60,449)	(64,805)	(66,621)	(252,687)
<i>Warehouse Labor</i>	(30,327)	(30,327)	(30,327)	(30,327)	(121,308)
<i>Admin Labor</i>	(6,318)	(6,280)	(6,733)	(6,922)	(26,253)
<i>Rent</i>		(208,926)	(208,926)		(417,852)
<i>Utilities</i>	(20,700)	(20,700)	(20,700)	(20,700)	(82,800)
<i>Arco Fuel</i>	(1,600)	(1,600)	(1,600)	(1,600)	(6,400)
<i>Vehicle Repair</i>	(808)		(808)	(808)	(2,424)
<i>Supplies</i>	(1,666)		(1,667)	(1,667)	(5,000)
<i>Repairs</i>		(1,500)			(1,500)
<i>Janatorial</i>			(8,000)		(8,000)
<i>OR DOT</i>		(162)			(162)
<i>Advertising</i>	(7,467)		(7,467)	(7,466)	(22,400)
<i>Operating Expenses</i>	(129,698)	(329,944)	(351,033)	(136,111)	(946,786)
<b>NOI</b>	202,957	725	3,569	228,320	435,470