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11 **UNITED STATES BANKRUPTCY COURT**
12 **CENTRAL DISTRICT OF CALIFORNIA**
13 **LOS ANGELES DIVISION**

14 In re) Chapter 11
)
15 LITTLE TOKYO PARTNERS, L.P.,) Case No. 2:10-_____-_____
a Delaware limited partnership,)
16) (Jointly administered)
Debtor.)

17) **EMERGENCY MOTION OF DEBTOR IN**
18) **POSSESSION FOR ORDERS:**
19) **(1) AUTHORIZING THE DEBTOR TO USE**
20) **CASH COLLATERAL AND PROVIDE**
21) **ADEQUATE PROTECTION TO FIRST**
22) **CITIZENS BANK AND TRUST COMPANY**
23) **AND EXCELL INVESTMENT GROUP,**
24) **LLC PURSUANT TO 11 U.S.C. §§ 361 AND**
25) **363; (2) SCHEDULING FINAL HEARING**
26) **ON CONTINUED USE OF CASH**
27) **COLLATERAL; AND (3) AUTHORIZING**
28) **CONTINUED USE OF CASH**
COLLATERAL

[Hearing to be set by Court]

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1 **TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE, THE OFFICE OF THE**
2 **UNITED STATES TRUSTEE, THE SECURED CREDITORS OF THE DEBTOR, THE**
3 **TWENTY LARGEST UNSECURED CREDITORS OF THE DEBTOR AND OTHER**
4 **PARTIES IN INTEREST:**

5 Little Tokyo Partners, L.P., the debtor and debtor in possession in the above
6 captioned case (the "Debtor"), hereby moves the Court for the entry of an interim order, substantially
7 in the form annexed hereto as Exhibit "1" (the "Interim Order"), approving the use of cash collateral
8 for approximately fifteen days, and, following a final hearing (the "Final Hearing"), the entry of a
9 final order authorizing the use of cash collateral through October 15, 2010.

10 The Debtor requests, pursuant to Local Bankruptcy Rules 2081-1(a) and 9075-1(a),
11 that the Court schedule a hearing on this Motion on less than 2 court days notice, upon timely notice
12 to the Office of the United States Trustee ("UST"), the Debtor's secured lenders, the twenty largest
13 unsecured creditors, and other interested parties, if any (collectively, the "Interested Parties"). A
14 copy of this Motion was served, concurrent with the filing hereof with the Court, on the Interested
15 Parties by courier or overnight delivery.

16 **RELIEF REQUESTED**

17 The Debtor requests that the Court enter orders:

18 a. authorizing the Debtor to use cash, negotiable instruments, deposit accounts,
19 and other cash equivalents within the scope of section 363(a) of the Bankruptcy Code, whenever
20 acquired, and wherever located, including cash and cash equivalents in escrow, in which the Debtor's
21 estate (the "Estate") and an entity other than the Estate have an interest ("Cash Collateral"), on an
22 interim basis for the period through the Final Hearing, to enable the Debtor to operate its businesses
23 so as to avoid immediate and irreparable harm pending the Final Hearing;

24 b. establishing the schedule, notice procedure, and response procedure for the
25 Final Hearing to consider the continued use of Cash Collateral; and

26 c. following the Final Hearing, authorizing the Debtor to use Cash Collateral in
27 the ordinary course of its business through October 15, 2010.
28

1 As set forth in further detail below, it is imperative that the Debtor maintain its
2 operations as a going concern to maximize the value of the Estate. The budget attached hereto as
3 Exhibit "2" (the "Budget") demonstrates that: (a) the Debtor cannot operate unless it is authorized to
4 use Cash Collateral; (b) can operate if it is granted authority to use Cash Collateral; and (c) the value
5 of the assets subject to claimed liens does not decrease during the period set forth in the Budget. The
6 terms of the proposed use of Cash Collateral are fair and reasonable, and adequately protect those
7 parties known to assert an interest in Cash Collateral. The Debtor reserves the right to seek to
8 modify the Budget and to seek authority to use Cash Collateral for periods extending beyond the
9 period covered by the Budget.

10 This Motion is based on the following memorandum of points and authorities, the
11 "Declaration Of David Goddard in Support of First Day Motions" (the "Goddard Declaration"), filed
12 concurrently herewith, the record in this case, and the arguments, evidence, and representations that
13 may be presented at or prior to the interim hearing on this Motion, if any, and the Final Hearing.

14 **PLEASE TAKE NOTICE THAT any response, written, or oral, to the Motion**
15 **may be presented at the time of the hearing on the Motion. See LRB 9075-1(a)(7).**

16 **WHEREFORE**, the Debtor respectfully requests that the Court enter the Interim
17 Order authorizing the use of Cash Collateral and, following the Final Hearing, enter a final order
18 authorizing such use.

19
20 DATED: July 15, 2010

21 /s/ Neeta Menon
22 JEFFREY C. KRAUSE,
23 CHRISTINE M. PAJAK and
24 NEETA MENON, Members of
25 STUTMAN, TREISTER & GLATT
26 PROFESSIONAL CORPORATION
27 [Proposed] Reorganization Counsel for Debtor and
28 Debtor in Possession

MEMORANDUM OF POINTS AND AUTHORITIES

I.

STATEMENT PURSUANT TO BANKRUPTCY RULE 4001(b)

By this Motion, the Debtor hereby requests that the Court to authorize the use of Cash Collateral under Bankruptcy Code section 363(c)(2)(B). As required by Bankruptcy Rule 4001(b), set forth below are the material provisions regarding the proposed use of Cash Collateral.

A. Entities With An Interest In Cash Collateral:¹

The entities with an interest in Cash Collateral are:

(1) First-Citizens Bank & Trust Company (the "Bank"), as successor in interest to First Regional Bank. The Bank is a beneficiary under:

(i) that certain Promissory Note ("Note 1")², dated as of August 10, 2007, in the principal amount of \$10,400,000, which it asserts is secured by a first priority lien on Weller Court ("Weller Court"), a mall located in the "Little Tokyo" area of Downtown Los Angeles. As of the Petition Date, the outstanding principal amount due and owing under Note 1 was \$10,400,000.

(ii) that certain Promissory Note ("Note 2"), dated as of November 25, 2009, in the principal amount of \$33,600,000, which it asserts is secured by a first priority lien on the Kyoto Grand Hotel and Gardens (the "Hotel"), also located in Little Tokyo. As of

¹ The Debtor has not completed analyzing the validity, perfection, avoidability, amount, extent, or priority of the Bank's claims or liens. Solely for the purposes of this Motion, the Debtor assumes, without conceding, that the Bank holds allowable claims not subject to subordination, and validly perfected and unavoidable security interests in the assets described in this Motion. The Debtor reserves all rights and defenses with respect to the Bank's claims, liens, and interests, and nothing contained in this Motion is intended or should be construed as: (a) an admission by the Debtor as to the nature, extent, amount, validity, perfection, or priority of the claims or liens of the Bank; (b) a waiver by the Bank of any rights, claims (including claims to avoid any such interests), or defenses it has or may have with respect to the claims, liens, and interests of the Bank, whether arising under the Bankruptcy Code or otherwise; or (c) a modification or reallocation of the burdens of proof assigned by Bankruptcy Code section 363(p).

² Note 1 was originally issued in the principal amount of \$44,000,000, but was subsequently amended and reduced to \$10,400,000, when the Debtor paid off \$33.6 million of the Original Loan in August 2009, as discussed in Section II.B.2 below.

1 the Petition Date, the outstanding principal amount due and owing under Note 2 was
2 \$33,580,415.83.

3 (2) Excell Investment Group, LLC ("Excell"). On July 14, 2010, Excell funded a
4 \$300,000 loan to the Debtor, pursuant to a secured loan transaction, in order to fund the
5 chapter 11 retainer payable to the Debtor's insolvency counsel. The Excell loan is secured by
6 a second priority deed of trust on the Hotel and Weller Court, which is subordinate to the
7 Bank's first priority deed of trust on the Hotel and Weller Court.

8 **B. Purpose:**

9 The Debtor seeks to use Cash Collateral to continue to market, lease, manage and
10 operate the Hotel and Weller Court (hereinafter, collectively referred to as the "Properties"), in the
11 ordinary course of business, to ensure that the transition into bankruptcy is seamless for the guests,
12 customers, employees and lessees of the Properties.

13 **C. Duration and Material Terms:**

14 The Debtor seeks to use Cash Collateral until the confirmation of its plan. However,
15 this Motion only seeks authority to use Cash Collateral on an interim basis, through the Final
16 Hearing and, following a Final Hearing, through October 15, 2010. If no agreement is reached with
17 the Bank and/or Excell, as described below, the Debtor intends to seek authorization to use Cash
18 Collateral under Bankruptcy Code § 363(c)(2)(B) for the entire period set forth in the Budget.

19 **D. Adequate Protection:**

20 The Bank's and Excell's lien interests will be adequately protected by: (1) the
21 maintenance and preservation of the going concern value of their respective collateral, as described
22 and discussed in section III-B-1 below; and (2) replacement liens in any proceeds generated from the
23 postpetition use of the Properties.

24 **II.**

25 **STATEMENT OF FACTS**

26 **A. Petition Date and Jurisdiction.**

27 On July 15, 2010 (the "Petition Date"), the Debtor commenced this chapter 11 case.
28

1 Pursuant to Bankruptcy Code sections 1107(a) and 1108, the Debtor is continuing to
2 manage its financial affairs as a debtor in possession.

3 This Court has jurisdiction over this chapter 11 case and this Motion pursuant to
4 28 U.S.C. §§ 1334 and 157(b), and venue is proper in this District pursuant to 28 U.S.C. §§ 1408 and
5 1409.

6 **B. General Background of the Debtor.**

7 **1. Business Operations.**

8 Little Tokyo Partners, L.P., a Delaware limited partnership (the "Debtor"), is a startup
9 company that owns the Hotel and Weller Court in the "Little Tokyo"³ area of Downtown Los
10 Angeles.

11 Built in 1977, the Hotel is the centerpiece building and the only large, full-service
12 hotel in Little Tokyo. The 21-story hotel was purchased by the Debtor in 2007 and features 434
13 guest rooms, meeting rooms and a hotel restaurant.

14 The Hotel is managed by Crestline Hotels & Resorts Inc. ("Crestline"), an
15 independent hospitality management company headquartered in Fairfax, Virginia. Crestline
16 provides hospitality management services to the Hotel through a management agreement with the
17 Debtor and is paid a monthly management fee of 2.5% of the Hotel's revenues. Under the
18 management agreement, Crestline is appointed as the Debtor's exclusive agent to supervise, direct,
19 and control the management and operation of the Hotel. As the Debtor's agent, Crestline contracts
20 with third party vendors on behalf of the Hotel, and the Hotel's pre-petition bank accounts were in
21 the name of Crestline. Notwithstanding that certain business transactions took place in the name of
22 Crestline, all obligations were incurred on behalf of the Hotel and all cash in the Hotel's bank
23 accounts constitutes revenue from the Hotel's business operations.

24 With respect to the Hotel, the Debtor has no employees of its own. The 175
25 employees who work at the Hotel (including full-time, part-time, and on-call employees) are all
26

27 ³ The Hotel is located at 204 East First Street, and Weller Court is located at 120 South
28 Los Angeles Street and 227 East Second Street (together, the "Subject Properties").

1 employees of Crestline. The Debtor reimburses Crestline for all services, wages, and benefits of
2 these employees on a bi-weekly basis. In addition to the services provided to the Hotel by Crestline,
3 the Hotel also subcontracts out with third parties for a variety of other services, including those
4 related to parking, security, and engineering.

5 Immediately adjacent to the Hotel is Weller Court, a three-story outdoor mall. Weller
6 Court has approximately 30 tenants, including retailers, restaurants, and a supermarket. Weller
7 Court is managed by Everest IV, LLC ("Everest IV"), an affiliated company that shares some of the
8 same ultimate equity investors as the Debtor, through a management agreement and is paid a
9 monthly fee of 5% of gross receipts, which is a fair market fee in the real property management
10 industry.

11 Weller Court's day-to-day operations are maintained by the services of two
12 employees, on a part-time basis, who provide basic janitorial and maintenance services. These
13 employees are employed and paid by Center Medical Building, LLC ("CMB").⁴ Although the
14 Debtor has not entered into any formal agreement with CMB, the Debtor has historically reimbursed
15 CMB for the Debtor's allocable share of the employment related expenses of these two employees,
16 based on the services that these employees provide to Weller Court. This is projected to be
17 approximately \$34,500 during the first 13 weeks of the case. The Debtor's monthly payroll
18 reimbursement expense for both the Hotel and Weller Court is approximately \$450,000.

19 **2. The Debtor's Secured Debt.**

20 Pursuant to that certain Business Loan Agreement dated as of August 10, 2007 (the
21 "Original Loan"), First Regional Bank ("FRB") loaned to the Debtor the original principal sum of
22 \$44,000,000. The Original Loan was secured by a deed of trust on both the Hotel and Weller Court,
23 which were part of a single legal lot at the time. The Original Loan was partially guaranteed by the
24 equity owners of the Debtor (the "Guaranty").

25
26
27

⁴ CMB and the Debtor share some of the same ultimate equity investors.
28

1 Under the terms of the Guaranty, the obligations thereunder would be released upon
2 the Hotel and Weller Court achieving a debt service coverage ratio of not less than 1.25 to 1.0 for
3 two consecutive quarters. The Debtor and the guarantors provided financial statements to FRB in
4 August 2008, demonstrating that the Debtor had met this ratio. FRB conducted four months of
5 analysis of the financial information, including dozens of emails exchanges between the FRB bank
6 officer in charge of the Original Loan and the Debtor's accounting staff. Ultimately, FRB agreed
7 that this ratio had been met and, in December 2008, FRB formally released all obligations under
8 each of the Guaranties. As discussed further below, FRB's successor seeks to evade this release and
9 resurrect and transform these Guaranties, but since December 2008 these Guaranties have not been
10 in existence.

11 In August 2009, the Debtor divided the Subject Properties into two legal lots—one
12 for the Hotel and one for Weller Court—and refinanced its loan obligations. In November 2009, the
13 Debtor entered into a new loan transaction with FRB under which the Debtor borrowed \$33,600,000
14 and granted FRB a deed of trust on the Hotel to secure the new loan (the "Hotel Loan"). The
15 proceeds of the Hotel Loan were paid to FRB in partial satisfaction of the Original Loan, and FRB
16 released the deed of trust on the Hotel which secured the Original Loan. The remaining balance
17 owing on the Original Loan in the amount of \$10,400,000 is, therefore, now secured only by the
18 Weller Court property. This reduced loan shall be referred to herein as the "Remaining Original
19 Loan." The two loans are not cross-collateralized but they do contain cross-default provisions.

20 On January 29, 2010, FRB was closed by the California Department of Institutions,
21 and the Federal Deposit Insurance Corporation (the "FDIC") was appointed receiver. The Debtor
22 has been informed that the Bank acquired a majority of the assets and assumed a majority of the
23 liabilities of FRB, including the Hotel Loan and Remaining Original Loan from the FDIC.

24 As of the Petition Date, the outstanding amount due and owing under the Remaining
25 Original Loan is \$10,400,000.00. Likewise, as of the Petition Date, the outstanding principal
26 amount due and owing under the Hotel Loan is \$33,580,415.83.

27 On July 14, 2010, Excell funded a \$300,000 loan to the Debtor, pursuant to a secured
28 loan transaction, in order to fund the chapter 11 retainer payable to the Debtor's insolvency counsel.

1 The Excell loan is secured by a second priority deed of trust on the Hotel and Weller Court, which is
2 subordinate to the Bank's first priority deed of trust on the Hotel and Weller Court.

3 **3. Events Leading To The Chapter 11 Filing.**

4 Starting in the last quarter of 2008, the Debtor's financial performance was materially
5 impacted by the continuing deterioration in the overall economy and the resulting decline in the
6 business and leisure travel market. The Hotel experienced a precipitous drop in revenue starting in
7 the last quarter of 2008, which continued throughout 2009.

8 As a result the Debtor defaulted under the Hotel Loan in January 2010. The Debtor,
9 however, has remained current on the Remaining Original Loan through the Petition Date.

10 The Bank commenced non-judicial foreclosure proceedings against both the Hotel
11 and Weller Court, relying on the cross-default provisions. The Bank also filed a complaint (the
12 "Complaint") seeking, among other things, the appointment of a receiver for both the Hotel and
13 Weller Court.⁵ The parties continued to negotiate in an effort to reach a consensual resolution. The
14 Bank scheduled a non-judicial foreclosure sale for the morning of July 16, 2010. On July 12, 2010,
15 the Bank informed the Debtor that the Bank would not continue the foreclosure sale of the Hotel and
16 Weller Court to give the parties additional time to reach a consensual resolution. The Debtor
17 commenced this chapter 11 case on July 15, 2010.

18 **C. The Debtor's Cash Needs.**

19 As set forth in the Goddard Declaration, the Debtor proposes to use approximately
20 \$271,508 during the approximately fifteen (15) days following the Petition Date for expenditures
21 necessary for the continued operation and management of Weller Court and the Hotel. During this
22 same period, it is estimated that the rents collected from Weller Court and revenues from the Hotel
23 will be approximately \$678,456. Accordingly, the use of Cash Collateral will enable the aggregate
24

25 _____
26 ⁵ The Complaint also seeks to void the releases of the Guarantors and to somehow transform those
27 guaranties into guaranties of the Hotel Loan (which was entered into only after the Guaranties
28 had been formally released). The Debtor and the Guarantors contend that the Bank's effort to
resuscitate the Guaranties and transform them into Guaranties of the Hotel Loan is entirely
unfounded.

1 value of the Bank's and Excell's collateral to increase during the first two weeks, and thereafter to
2 increase by approximately \$401,133 during the Budget period. *See* Exhibit "2".

3 Bankruptcy Rule 4001(b) and Bankruptcy Code section 363(c)(3) provide for the
4 Bankruptcy Court to hold a preliminary hearing on a motion to use cash collateral "scheduled in
5 accordance with the needs of the debtor" and to authorize the use of cash collateral as needed "to
6 avoid immediate and irreparable harm to the estate pending a final hearing."

7 The Debtor would suffer immediate and irreparable harm absent the interim relief
8 requested by this Motion. Without the use of the Cash Collateral, the Debtor will not be able to
9 continue to operate the Hotel or Weller Court, as the Debtor will have no money to pay management
10 fees or other essential operating costs of either of the Properties. Any interruption in the Debtor's
11 access to cash will prevent the Debtor from being able to provide the multitude of services to which
12 the Hotel guests are accustomed. As result, the Debtor would be forced to close the Hotel, thereby
13 displacing both current Hotel guests as well as guests who have not yet arrived (some of whom have
14 prepaid for their stay), and losing all of its revenue sources. Moreover, without the use of Cash
15 Collateral, the Debtor will be unable to provide the management, security, utilities, maintenance, and
16 other services for which the tenants at Weller Court have paid and require in order to continue
17 operating their businesses. If the Debtor breaches its landlord obligations under the Weller Court
18 leases, many of the tenants may seek early termination of their leases. Accordingly, if the Debtor is
19 not allowed to use the Cash Collateral, a further decline in the necessary cash flows will result, the
20 value of both Properties will suffer, and both businesses will be irreparably harmed. However, by
21 continuing to operate the Properties, the Debtor will be able to operate on a cash flow positive basis
22 to preserve the value of both of the Properties.

23 As with most debtors whose primary assets are subject to liens, the Debtor in the
24 present case has an exigent and compelling need to use Cash Collateral. As noted by the court in
25 *Chrysler Credit Corp. v. Ruggiere (In re George Ruggiere Chrysler-Plymouth, Inc.)*, 727 F.2d 1017
26 (11th Cir. 1984):

27 A debtor, attempting to reorganize a business under Chapter 11,
28 clearly has a compelling need to use "cash collateral" in its effort to
rebuild. Without the availability of cash to meet daily operating

1 expenses such as rent, payroll, utilities, etc., the congressional policy
2 favoring rehabilitation over economic failure would be frustrated.

3 *Id.* at 1019 (citation omitted)(upholding lower court's finding that, where secured lender's collateral
4 was worth less than the amount of the secured lender's claims, lender would nevertheless be
5 adequately protected even if debtor used gross profits obtained in the sale of debtor's vehicles for the
6 operation of its business so long as debtor remitted the wholesale value of the vehicles to the lender,
7 as the wholesale value is the amount lender would receive in an orderly disposition of its collateral).

8 III.

9 ARGUMENT

10 Excell has consented to the Debtor's use of Cash Collateral but, to date, the Bank has
11 not consented. However, the Debtor contends that the Bank's interest in the Cash Collateral extends
12 only to the net proceeds of the rents the Debtor will collect postpetition, after operating expenses are
13 paid. Moreover, the Bank is adequately protected in at least the following ways:

- 14 • The use of Cash Collateral will preserve the going concern value of the
15 Properties, which will inure to the benefit of all parties in interest, including the
16 Bank and Excell.
- 17 • The Debtor will provide both the Bank and Excell (collectively, the "Secured
18 Lenders"), with replacement liens, as described in the Interim Order.

19 A. **The Secured Lenders' Security Interests Do Not Extend To The Rents The Debtor Seeks To Use.**

20 The threshold issue in determining whether the Secured Lenders have an interest in
21 the cash that the Debtor seeks to use is whether their security documents, as interpreted in
22 accordance with California law, provide the Secured Lenders with a security interest in that cash.
23 Pursuant to this Motion, the Debtor seeks to use only those rents from the Properties that are
24 necessary to preserve, operate and maintain the Properties. The Secured Lenders' security interests
25 extend only to the net rents remaining after the satisfaction of such necessary amounts, so they have
26 no interest in the rents the Debtor seeks to use.

27 Under California law, the term "rents, issues, and profits" refers to net rents only.

28 *See, e.g., Superior Motels, Inc. v. Rinn Motor Hotels, Inc.*, 195 Cal. App. 3d 1032, 1069-70 (1987);

1 *Estate of Toler*, 174 Cal. App. 2d 764, 772 (1959) ("In our opinion, the terms 'rents, issues and
2 profits' . . . is substantially synonymous with the word 'income' . . . [which] has been construed to
3 mean the difference between gross operative income and gross operative expense."); *People v.*
4 *Gustafson*, 53 Cal. App. 2d 230, 239 (1942); *see also Santa Fe Fed. Sav. & Loan Ass'n. v. Oak Glen*
5 *R-Vee (In re Oak Glen R-Vee)*, 8 B.R. 213, 216 n.4 (Bankr. C.D. Cal. 1981) (secured lender entitled
6 to net rents only). As applied to an assignment of rents, issues, and profits, this conclusion is
7 reinforced by the fact that under California law, a mortgagee's rights in rents are limited by its duty
8 as a mortgagee in possession to care for and preserve the property, *see, e.g.*, 4 B. E. Witkin,
9 *Summary of California Law*, § 102 (10th ed. 2008), and to make reasonable efforts to produce rental
10 profits. *See Murdoch v. Clarke*, 90 Cal. 427, 438-39 (1891).

11 Indeed, the Bank's deeds of trust themselves recognizes that only those rents
12 remaining after paying expenses of operating the Properties may be applied to payment of the Bank's
13 debt. Specifically, the deeds of trust securing Note 1 and Note 2 both provide that, after an event of
14 default, the Bank "shall have the right . . . to take possession of and manage the Property and collect
15 Rents . . . and apply the net proceeds, over and above Lender's costs, against the Indebtedness." *See*
16 *Deed of Trust*, dated August 10, 2007, at pages 8-9, and *Deed of Trust*, dated November 25, 2009, at
17 page 9 (attached as Exhibits "1" and "2", respectively, to the Goddard Declaration). Accordingly,
18 the Secured Lenders are only entitled to adequate protection for the net portion of the rents and
19 profits collected from the Properties, after the operating expenses are paid.

20 **B. The Secured Lenders' Liens Are Adequately Protected.**

21 A debtor's use of estate property is governed by Bankruptcy Code section 363.
22 Section 363(c)(2) permits a debtor to use, sell, or lease cash collateral only if the entity with an
23 interest in the cash collateral consents or the Court authorizes such use. Excell has consented to the
24 Debtor's use of Cash Collateral. Although the Bank has not consented to the Debtor's use of Cash
25 Collateral, the use of Cash Collateral should be permitted because the Bank's liens are adequately
26 protected. *See, e.g., Security Leasing Partners, LP v. ProAlert, LLC (In re ProAlert, LLC)*, 314 B.R.
27 436, 444 (B.A.P. 9th Cir. 2004) ("The plain language of § 363 allows a debtor to use cash collateral if
28

1 the secured creditor's interest is adequately protected . . ."). As described below, both the Bank's and
2 Excell's liens are adequately protected.

3 **1. The Secured Lenders' Liens Are Adequately Protected By The**
4 **Preservation Of The Debtor's Going Concern Value.**

5 As noted above, any effort by the Secured Lenders to advocate foreclosure value or
6 bulk sale liquidation value as an appropriate method for determining adequate protection should be
7 rejected. However, any such argument would highlight the fact that the use of Cash Collateral for
8 continued operations maintains and increases the value of the Secured Lenders' collateral. In short,
9 allowing the use of Cash Collateral itself provides adequate protection.

10 As a preliminary matter, it is well established that a Bankruptcy Court, where
11 possible, should resolve issues in favor of reorganization:

12 Because the ultimate benefit to be achieved by a successful
13 reorganization inures to all the creditors of the estate, a fair
14 opportunity must be given to the Debtors to achieve that end. Thus,
15 while interests of the secured creditor . . . are of concern to the court,
the interests of all other creditors also have bearing upon the question
of whether use of Cash Collateral shall be permitted during the early
stages of administration.

16 The first effort of the court must be to insure the value of the
17 collateral will be preserved. Yet, prior to confirmation of a plan of
18 reorganization, the test of that protection is not by the same
19 measurements applied to the treatment of a secured creditor in a
proposed plan. In order to encourage the Debtors' efforts in the
formative period prior to the proposal of a reorganization, the court
must be flexible in applying the adequate protection standard.

20 *Mbank Dallas, N.A. v. O'Connor (In re O'Connor)*, 808 F.2d 1393, 1397-98 (10th Cir. 1987) (citation
21 omitted); *accord In re Dynaco Corp.*, 162 B.R. at 395 (cash collateral motion); *In re Heatron Inc.*, 6
22 B.R. 493, 496 (Bankr. W.D. Mo. 1980) (cash collateral motion). As the *Heatron* court noted in
23 granting a debtor's motion to use cash collateral:

24 At the beginning of the reorganization process, the Court must work
25 with less evidence than might be desirable and should resolve issues in
favor of the reorganization, where the evidence is conflicting.

26 *Id.* at 496.

27 Courts have routinely allowed the use of cash collateral to enhance or preserve the
28 debtor's going concern value, even where the secured creditor was undersecured. For example, in

1 *Stein v. United States Farmers Home Admin. (In re Stein)*, 19 B.R. 458, 460 (Bankr. E.D. Pa. 1982),
2 the court allowed a debtor to use cash collateral where the secured party was undersecured, finding
3 that the use of cash collateral was necessary to the debtor's continued operations and the creditor's
4 "secured position can only be enhanced by the continued operation of the [the debtors' business]";
5 *see also In re Dynaco Corp.*, 162 B.R. at 396 (finding that the alternative to the debtor's use of cash
6 collateral, termination of its business, would doom reorganization and any chance to maximize value
7 for all creditors); *In re Cann & Saul Steel Co.*, 76 B.R. 479, 487 (Bankr. E.D. Pa. 1987) (debtor
8 entitled to use cash collateral even though the creditor was undersecured and there was no value
9 cushion because there was "cautious optimism that the Debtor will be able to present a confirmable
10 Plan which will result in a betterment of the financial status of all of its creditors . . .").

11 Moreover, if the value of secured creditor's collateral is expected to remain relatively
12 constant, the secured creditor is deemed to be adequately protected. *See, e.g., Orix Credit Alliance,*
13 *Inc. v. Delta Resources, Inc. (In re Delta Resources, Inc.)*, 54 F.3d 722, 730 (11th Cir. 1995)
14 (payment of "interest" not required); *Federal Nat'l Mortgage Assoc. v. Dacon Bolingbrook Assoc.*
15 *Ltd. Partnership*, 153 B.R. 204, 210 (Bankr. N.D. Ill. 1993) (upholding bankruptcy court's allowance
16 of use of cash collateral despite findings that the "small amount of oversecurity, which was not
17 'obviously not enough in itself to provide any adequate protection for any substantial decline in the
18 value of the property'", where the bankruptcy court determined that the property value of debtor's
19 apartment building would not further decline during period in question); *Westchase I Assoc. L.P. v.*
20 *Lincoln Nat'l Life Ins. Co.*, 126 B.R. 692, 694 (Bankr. D.N.C. 1991). This proposition of law is no
21 less true where the collateral to be used by the debtor in possession is comprised of cash or other
22 "soft" assets. *See, e.g., Dynaco*, 162 B.R. at 394; *McCombs Properties VI*, 88 B.R. at 267.

23 Where, as in the present case, the continuation of a debtor's business achieves the
24 realization of the full value of the collateral, the debtor's continued operations constitute adequate
25 protection of the secured creditor's interests in that collateral. *See, e.g., In re Coody*, 59 B.R. 164,
26 167 (Bankr. M.D. Ga. 1986).

1 **2. The Secured Lenders's Liens Are Adequately Protected By**
2 **Replacement Liens.**

3 Bankruptcy Code section 361(2) specifically contemplates that adequate protection
4 may be provided by way of additional or replacement liens to the extent that the use of property
5 results in a decrease in the value of an entity's interest. Replacement liens are a judicially recognized
6 form of adequate protection. *See, e.g., In re Senior Care Properties*, 137 B.R. at 520 ("The
7 replacement lien on all of the furniture, fixtures, and equipment at the facility is sufficient protection
8 of NBD's interests.").

9 In the present case, and as reflected in the Interim Order, the Debtor proposes that the
10 Secured Lenders be granted replacement liens, subject to the same defenses and rights of avoidance
11 as their liens in Cash Collateral, on any cash, receivables, or other rights created postpetition relating
12 to the Properties, including all postpetition improvements to Secured Lenders's real property
13 collateral, which replacement liens will be limited to any decrease in value caused by the Debtor's
14 use of Cash Collateral. This grant of replacement liens is without prejudice to the Debtor's ability to
15 seek to use any Cash Collateral subject to such replacement liens, or to surcharge such collateral
16 under Bankruptcy Code section 506(c). Secured Lenders are not automatically entitled to a lien on
17 such improvements and proceeds. As discussed in section III-C below, to the extent the Secured
18 Lenders might claim a lien on postpetition improvements to their collateral or sale proceeds under
19 Bankruptcy Code section 552(b)(1), such liens could and should be limited under Bankruptcy Code
20 section 552(b)(2).

21 **C. The Debtor Should Be Authorized To Use Cash Collateral Because The**
22 **Costs And Expenses Of Operating and Maintaining The Secured**
23 **Lenders' Collateral Are Chargeable To The Collateral Under**
24 **Bankruptcy Code Section 506(c).**

25 The costs and expenses associated with operating the Properties is absolutely
26 necessary to preserve the value of the Secured Lenders' collateral. Therefore, independent of its
27 right to use Cash Collateral under Bankruptcy Code section 363, the Debtor should be entitled under
28 Bankruptcy Code section 506(c) to use Cash Collateral to pay the costs of operating and maintaining
the Properties.

1 Section 506(c) provides that a debtor "may recover from property securing an
2 allowed secured claim the reasonable, necessary costs and expenses of preserving, or disposing of,
3 such property to the extent of any benefit to the holder of such claim." This is true "even if the
4 trustee's use of collateral results in a diminution in value of the collateral." 5 *Collier on Bankruptcy*,
5 ¶ 552.02[5][a], at 552-14 (15th ed. Rev. 1997).

6 The legislative history of section 506(c) clearly demonstrates that Congress
7 specifically intended that a debtor may use cash collateral to pay the operating expenses incident to
8 improving and disposing of a secured creditor's collateral: "[T]he reference to section 506(c)
9 permits broad categories of operating expenses – such as the cost of cleaning and repair services,
10 utilities, employee payroll and the like -- to be charged against pledged revenues." H.R. 5116, 103rd
11 Cong., 2d Sess., 140 Cong. Rec. H10768 (daily ed. Oct. 4, 1994).

12 Courts have authorized the use of cash collateral for a wide variety of direct or
13 indirect expenses under section 506(c). *See, e.g. Federal Nat'l Mortgage Assoc. v. Dacon*
14 *Bolingbrook Assoc. Ltd. Partnership*, 153 B.R. 204, 214 (Bankr. N.D. Ill. 1993) (expenses of
15 operation, maintenance and repair of apartment complex authorized to be paid from rents collected,
16 despite debtor's inability to provide adequate protection for the rents); *Equitable Gas Co. v.*
17 *Equibank N.A. (In re McKeesport Steel Castings Co.)*, 799 F.2d 91, 94 (3d Cir. 1986) (payment to
18 utility for postpetition gas services was an expense of preserving going concern value that directly
19 benefited secured creditor whose collateral was surcharged); *In re AFCO Enters., Inc.*, 35 B.R. 512,
20 515 (Bankr. D. Utah 1983) (expenses of maintaining a resort property authorized to be paid from the
21 receipts generated on that property because preserving the resort's going-concern value benefited the
22 secured creditor); *Ford Motor Credit Co. v. Jim Kelly Ford, Ltd. (In re Jim Kelly Ford, Ltd.)*, 14
23 B.R. 812, 816-817 (N.D. Ill. 1980) (overhead and operating expenses recoverable from proceeds of
24 creditor's collateral because the expenses facilitated sale of the inventory).

25 The Debtor's use of Cash Collateral to pay the costs of managing, maintaining and
26 marketing the Properties preserves the going concern value of the Secured Lenders' respective
27 collateral. If the Debtor is unable to pay these expenses on a regular, uninterrupted basis, then the
28 panoply of functions performed by the Debtor would have to be fulfilled by another person, no doubt

1 at an increased cost. The Debtor's use of Cash Collateral benefits the Secured Lenders' respective
2 collateral by not only preserving, but increasing the value of the collateral as the Properties will
3 continue to increase in value with time if Weller Court is properly maintained, marketed and leased
4 and the Hotel is properly marketed and operated. The Debtor is therefore entitled to recover
5 expenses of such development under Bankruptcy Code section 506(c) without regard to whether the
6 Debtor can otherwise use Cash Collateral under section 363(c)(2). *See, e.g., Travelers Ins. Co. v.*
7 *River Oaks Ltd. Partnership (In re River Oaks Ltd. Partnership)*, 166 B.R. 94, 100 (E.D. Mich.
8 1994)(a debtor may use cash collateral under section 506(c) even though the debtor failed to met its
9 burden under section 363); *cf. In re ProAlert*, 314 B.R. at 444-45 (a debtor may use cash collateral to
10 pay professional fees if the secured creditor is adequately protected, without regard to the
11 requirements of section 506(c)).

12 **D. The Debtor Should Be Authorized To Use Cash Collateral To Operate And**
13 **Maintain The Properties Based Upon The Equities Of This Case.**

14 Under Bankruptcy Code section 552(b), a lender's security interest does not extend to
15 postpetition property if the Court so orders "based on the equities of the case." In determining the
16 equities of the case, the Court has "broad discretion to balance the protection of secured creditors . . .
17 against the strong public policies favoring continuation of jobs, preservation of going concern values
18 and rehabilitation of distressed debtors, generally." H.R. 5116, 103rd Cong., 2nd Sess., 140 Cong.
19 Rec. H10768 (1994).

20 In *United Virginia Bank v. Slab Fork Coal Co. (In re Slab Fork Coal Co.)*, 784 F.2d
21 1188 (4th Cir. 1986), the court remanded the case to the bankruptcy court with instructions to
22 consider the application of section 552(b) and made the following observation:

23 [I]t should be noted that § 552(b) gives the bankruptcy court
24 considerable latitude in applying pre-petition security interests to post-
25 petition proceeds. As evidenced by the final clause in § 552(b), a
26 bankruptcy court may choose not to apply a pre-petition security
27 interest to post-petition proceeds "based on the equities of the case." It
28 appears clear from the legislative history related to § 552 that
Congress undertook in that section to find an appropriate balance
between the rights of secured creditors and the rehabilitative purposes
of the Bankruptcy Code. The latitude afforded to the bankruptcy court
seems to this court to indicate that such a balancing of interests was
intended in the framing of § 552.

1 784 F.2d at 1191. *See also In re Lawrence*, 41 B.R. 36, 38 (Bankr. D. Minn. 1984) (in applying
2 section 552(b), "the court evaluates the expenditures of time, labor, and funds relating to the
3 collateral, the relative position of the secured party, and the overall rehabilitative theme of
4 bankruptcy law"), *aff'd*, 56 B.R. 727 (D. Minn. 1984).

5 In the present case, the continued operation of the Properties will require the use of
6 the rents collected and the efforts of the Debtor. Under those circumstances, limiting any lien on
7 revenues generated postpetition would be appropriate under section 552(b). As was stated by the
8 court in *In re Cafeteria Operators, L.P.*, 299 B.R. 400 (Bankr. N.D. Tex. 2003):

9 [T]he Court finds that the equities of this case warrant a finding that the
10 Bank Group's security interest does not flow to all cash generated by
11 Debtors, since all the cash is not proceeds of Bank Group's secured
12 interest in inventory, but instead represents, in large part, the proceeds of
13 Debtors' post-petition toil and effort. Bank Group's pre-petition security
14 interest continues in any cash realized by Debtors as the result of the sale
15 of the inventory, but, based on this record, only to that extent. To grant
16 Bank Group a blanket lien on all of Debtors' cash generated post-petition
17 would represent a windfall to Bank Group, in the face of Debtors'
18 utilization of estate resources, *i.e.* the services of their employees, to
19 increase the value of Bank Group's collateral, and would unfairly deplete
20 the funds available for general unsecured creditors.

21 *Id.* at 410.

22 The Court need not at this point make any determination with respect to the
23 applicability of section 552(b) in the present case. Nonetheless, because this case exemplifies a
24 situation in which a creditor's collateral can be surcharged under section 506(c) and the equities
25 permit a restriction on the creditor's liens under section 552(b), the use of Cash Collateral is clearly
26 appropriate.
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IV.

CONCLUSION

WHEREFORE, the Debtor respectfully moves the Court for entry of orders granting the relief requested herein and such other relief as the Court deems just and proper.

DATED: July 15, 2010

/s/ Neeta Menon

JEFFREY C. KRAUSE,
CHRISTINE M. PAJAK and
NEETA MENON, Members of
STUTMAN, TREISTER & GLATT
PROFESSIONAL CORPORATION

[Proposed] Reorganization Counsel for Debtor and
Debtor in Possession

EXHIBIT "1"

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For Debtor and Debtor in Possession

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11 **UNITED STATES BANKRUPTCY COURT**
12 **CENTRAL DISTRICT OF CALIFORNIA**
13 **LOS ANGELES DIVISION**

14 In re)
15 LITTLE TOKYO PARTNERS, L.P.,)
a Delaware limited partnership,)
16 Debtor.)

Case No. 2:10-_____ -__

Chapter 11

17 **[PROPOSED] ORDER (1) AUTHORIZING**
18 **THE DEBTOR TO USE CASH**
19 **COLLATERAL AND PROVIDE**
20 **ADEQUATE PROTECTION TO FIRST**
21 **CITIZENS BANK AND TRUST COMPANY**
22 **AND EXCELL INVESTMENT GROUP,**
23 **LLC PURSUANT TO 11 U.S.C. §§ 361 AND**
24 **363; AND (2) SCHEDULING FINAL**
25 **HEARING ON CONTINUED USE OF**
26 **CASH COLLATERAL**

Hearing

25 Date:
26 Time:
27 Ctrm: Courtroom ____
28 255 E. Temple St.
Los Angeles, CA 90012

1 The "**Emergency Motion For Order (1) Authorizing The Debtor To Use Cash**
2 **Collateral And Provide Adequate Protection To First Citizens Bank And Trust Company and**
3 **Excell Investment Group, LLC Pursuant To 11 U.S.C. §§ 361 And 363; (2) Scheduling Final**
4 **Hearing On Continued Use Of Cash Collateral, And (3) Authorizing Continued Use Of Cash**
5 **Collateral**" (the "Emergency Cash Collateral Motion") came on for hearing before the undersigned
6 bankruptcy judge's Courtroom ____, ___ Floor, 255 East Temple Street, Los Angeles, California
7 90012, at __:___.m. on July __, 2010. Jeffrey C. Krause and Christine M. Pajak, members of
8 Stutman, Treister & Glatt Professional Corporation, appeared on behalf of Little Tokyo, L.P., debtor
9 and debtor in possession in the above-captioned chapter 11 case (the "Debtor"). Other appearances
10 are as reflected in the record.

11 Having reviewed the Emergency Cash Collateral Motion, the Declaration of David
12 Goddard in Support of Emergency First Day Motions, and all matters brought to the Court's
13 attention at the hearing on July __, 2010, pursuant to Bankruptcy Rules 4001(b)(2) and (c)(2), and
14 after due deliberation and consideration, the Court makes the following findings of fact and
15 conclusions of law:

16 **THE COURT HEREBY FINDS AND DETERMINES AS FOLLOWS:**

17 A. On July __, 2010 (the "Petition Date") the Debtor filed a voluntary petition
18 with this Court for relief under chapter 11 of the Bankruptcy Code commencing the above-captioned
19 chapter 11 case (the "Chapter 11 Case").

20 B. The Debtor has retained possession of its property, and continues the
21 operation and management of its business as debtor in possession pursuant to Bankruptcy Code
22 §§ 1107 and 1108. No trustee, examiner, Official Committee of Unsecured Creditors or any other
23 committee has been appointed in the Chapter 11 Case.

24 C. The Court has jurisdiction over the Chapter 11 Case, the parties and the
25 Debtor's property pursuant to 28 U.S.C. §§ 157(b) and 1334. This is a core proceeding pursuant to
26 28 U.S.C. § 157(b)(2). Venue for the Chapter 11 Case and the Emergency Cash Collateral Motion is
27 proper under 28 U.S.C. §§ 1408 and 1409.

28

1 D. Prior to the Petition Date, First Citizens Bank And Trust Company (the
2 "Bank") and Excell Investment Group, LLC ("Excell") both became secured creditors of the Debtor
3 with potential interest in cash generated from the Debtor's operations.

4 E. The Debtor owns the Kyoto Grand Hotel and Gardens (the "Hotel") and
5 Weller Court ("Weller Court") in Downtown Los Angeles.

6 F. Pursuant to that certain Business Loan Agreement dated as of August 10,
7 2007 (the "Original Loan"), First Regional Bank ("FRB") loaned to the Debtor the original principal
8 sum of \$44,000,000. The Original Loan was secured by a deed of trust on both the Hotel and Weller
9 Court, which were part of a single legal lot at the time.

10 G. In August 2009, the Debtor divided the Subject Properties into two legal
11 lots—one for the Hotel and one for Weller Court—and refinanced its loan obligations. In November
12 2009, the Debtor entered into a new loan transaction with FRB under which the Debtor borrowed
13 \$33,600,000 and granted FRB a deed of trust on the Hotel to secure the new loan (the "Hotel Loan").
14 The proceeds of the Hotel Loan were paid to FRB in partial satisfaction of the Original Loan, and
15 FRB released the deed of trust on the Hotel which secured the Original Loan. The remaining
16 balance owing on the Original Loan in the amount of approximately \$10,400,000 is, therefore, now
17 secured only by the Weller Court property. This reduced loan shall be referred to herein as the
18 "Remaining Original Loan" and all of the operative documents with respect to both the Hotel Loan
19 and the Remaining Original Loan shall be referred to herein as the "Pre-Petition Loan Documents."

20 H. On January 29, 2010, FRB was closed by the California Department of
21 Institutions, and the Federal Deposit Insurance Corporation (the "FDIC") was appointed receiver.
22 The Bank contends that it acquired from the FDIC the Hotel Loan and Remaining Original Loan.

23 I. Without prejudice to the rights of any party to challenge the validity, amount
24 or priority of the Bank's claims or liens under the Pre-Petition Loan Documents, the Bank contends
25 that the following facts are true:

26 (1) As of the close of business on the day before the Petition Date, the
27 Debtor was indebted to the Bank under the Hotel Note in the amount of approximately
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1 \$33.6 million and under the Remaining Original Loan in the amount of approximately
2 \$10.4 million (the "Pre-Petition Debt").

3 (2) As security for the Hotel Loan, the Bank asserts a first priority lien on
4 the Hotel, all personal property used at the Hotel and the rents generated by the Hotel (the
5 "Bank's Hotel Collateral"). As security for the Remaining Original Loan, the Bank asserts a
6 first priority lien on Weller Court, the personal property used at Weller Court and the rents
7 generated by Weller Court (the Weller Court collateral and the Bank's Hotel Collateral are
8 hereinafter collectively referred to as the "Bank's Collateral"). The Hotel Loan and the
9 Remaining Original Loan are not cross-collateralized.

10 J. The Debtor is not aware of any liens or security interests having priority over
11 the Bank's liens on the Bank's Collateral (the "Bank's Liens"). On July 14, 2010, Excell funded a
12 \$300,000 loan to the Debtor, pursuant to a secured loan transaction, in order to fund the chapter 11
13 retainer payable to the Debtor's insolvency counsel. The Excell loan is secured by a second priority
14 deed of trust on the Hotel and Weller Court ("Excell's Collateral"), which is subordinate to the
15 Bank's first priority deed of trust on the Hotel and Weller Court.

16 K. An immediate and ongoing need exists for the Debtor to obtain authority to
17 use the Cash Collateral, to continue the operation of its business as debtor-in-possession under
18 chapter 11 of the Bankruptcy Code, to minimize the disruption of its operations as a "going
19 concern," and to reassure its vendors, customers, the employees who operate the Hotel and other
20 constituents of the Debtor's continued viability until such time as the Final Hearing (as defined in the
21 Emergency Cash Collateral Motion) may be conducted.

22 L. As a result of Debtor's use of Cash Collateral (as hereinafter defined) pursuant
23 to Bankruptcy Code § 363(c) and the imposition of the automatic stay pursuant to Bankruptcy Code
24 § 362(a), the Bank and Excell are entitled to adequate protection for any diminution in value of their
25 respective interests in the their collateral.

26 M. A copy of the Emergency Cash Collateral Motion was served by electronic
27 mail, fax, overnight courier, hand delivery or U.S. first-class mail upon: (i) the United States Trustee
28 ("U.S. Trustee"); (ii) counsel for the Bank; (iii) the twenty (20) largest unsecured creditors of Debtor

1 for which Debtor has contact information; and (iv) all entities with liens or security interests of
2 record on the Debtor's property, including Excell (collectively, the "Noticed Parties"). In light of the
3 emergency nature of the relief granted in this Interim Cash Collateral Order pending the Final
4 Hearing (the "Interim Period"), under the circumstances, the notice provided complies with
5 Bankruptcy Code § 102(1), Bankruptcy Rules 2002, 4001(b), 4001(c) and 4001(d), and Local
6 Bankruptcy Rules 2081-1(9) and 9013-1, all as required by Bankruptcy Code § 363.

7 N. To adequately protect the Bank's Liens and Excell's liens on Excell's
8 Collateral ("Excell's Liens") (assuming, without deciding, that the Bank's Liens are valid, first
9 priority, unavoidable encumbrances on the Bank's Collateral and Excell's Liens are valid, second
10 priority, unavoidable encumbrances on Excell's Collateral) the Debtor proposes (1) to grant the Bank
11 replacement liens on the Bank Replacement Collateral, as defined in Paragraph 2 of this Order,
12 solely to the extent of any decline in the value of the Bank's interest in the Bank's Collateral, and (2)
13 to grant the Excell replacement liens on the Excell Replacement Collateral, as defined in Paragraph 3
14 of this Order, solely to the extent of any decline in the value of the Excell's interest in the Excell
15 Collateral. The Debtor's projections attached to the Goddard Declaration show that the Cash
16 Collateral will not decline during the Projection Period and it appears that the value of the Hotel and
17 Weller Court will not decline and may marginally increase as the result of the Debtor's completion
18 of certain deferred maintenance. Based on the foregoing facts, it appears that the aggregate value of
19 each secured creditor's collateral and the Bank Replacement Collateral and Excell Replacement
20 Collateral, should not decline during the Interim Period.

21 O. Based upon the record presented, it appears that good cause has been shown
22 for the entry of this Interim Cash Collateral Order. The entry of this Interim Cash Collateral Order
23 will minimize disruption of the Debtor's business and operations and will preserve the assets of the
24 Debtor's estates for the benefit of the Debtor's creditors, and is in the best interests of the Debtor, its
25 creditors, and the Debtor's estates. The terms of the proposed use of Cash Collateral appear fair and
26 reasonable.

27 **NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND**
28 **DECREED, AS FOLLOWS:**

1 1. Permitted Uses of Cash Collateral. Through the conclusion of the Final
2 Hearing, the Debtor shall continue to operate its business in the ordinary course of business and is
3 authorized to use cash collateral, as defined in Bankruptcy Code § 363, including without limitation
4 rents generated by the Bank's Collateral (such cash proceeds, whether arising or collected prior to or
5 after the Petition Date (including all cash on hand on the Petition Date) collectively referred to
6 herein as, "Cash Collateral") to pay obligations incurred in the ordinary course of the Debtor's
7 business or amounts authorized by order of this Court. The authorization to use Cash Collateral
8 shall terminate at the conclusion of the Final Hearing and in no event later than close of business on
9 August ____, 2010, absent further order of this Court. The maximum amount of Cash Collateral that
10 the Debtor shall spend during the Interim Period, absent further order of this Court, shall be
11 \$271,508.

12 2. Adequate Protection of the Bank. As adequate protection for, and solely to
13 the extent of any diminution in value of its interest in the Bank's Collateral resulting from the use,
14 sale or lease of the Bank's Collateral, including without limitation, the Cash Collateral, pursuant to
15 Bankruptcy Code § 363 and Paragraph 1 of this Order and the imposition of the automatic stay
16 pursuant to Bankruptcy Code § 362(a), effective upon entry of this Interim Cash Collateral Order
17 and without the necessity of the execution of mortgages, security agreements, pledge agreements,
18 financing statements or otherwise, the Bank is hereby granted replacement security interests and
19 liens in and to the Cash Collateral received by the Debtor from and after the Petition Date
20 throughout the Interim Period (hereinafter referred to as the "Bank Replacement Collateral"). Such
21 liens are referred to herein, as the "Bank's Adequate Protection Liens." During the Chapter 11 Case,
22 or in any successor case, there shall not be entered any order that authorizes the obtaining of credit
23 or the incurrence of indebtedness by the Debtor (or any trustee or examiner) that is secured by a
24 security, mortgage or collateral interest or lien on all or any part of the Bank Replacement Collateral,
25 that is equal or senior to the Bank's Adequate Protection Liens, unless the Bank is provided with
26 alternative adequate protection in connection therewith or this Court determines that the Bank's
27 Liens on the Bank's Collateral are avoidable, unperfected or subject to subordination.

28

1 3. Adequate Protection of Excell. As adequate protection for and solely to the
2 extent of any diminution in value of its interest in Excell's Collateral resulting from the use, sale or
3 lease of Excell's Collateral, including without limitation, the Cash Collateral, pursuant to Bankruptcy
4 Code § 363 and Paragraph 1 of this Order and the imposition of the automatic stay pursuant to
5 Bankruptcy Code § 362(a), effective upon entry of this Interim Cash Collateral Order and without
6 the necessity of the execution of mortgages, security agreements, pledge agreements, financing
7 statements or otherwise, Excell is hereby granted replacement security interests and liens in and to
8 the Cash Collateral received by the Debtor from and after the Petition Date throughout the Interim
9 Period (hereinafter referred to as the "Excell Replacement Collateral"). Such liens are referred to
10 herein, as the "Excell Adequate Protection Liens" and together with the Bank's Adequate Protection
11 Liens, the "Adequate Protection Liens." During the Chapter 11 Case, or in any successor case, there
12 shall not be entered any order that authorizes the obtaining of credit or the incurrence of
13 indebtedness by the Debtor (or any trustee or examiner) that is secured by a security, mortgage or
14 collateral interest or lien on all or any part of the Excell Replacement Collateral, that is equal or
15 senior to the Excell Adequate Protection Liens, except the Bank's pre-petition liens and the Bank's
16 Adequate Protection Liens, which shall both be senior to Excell's Adequate Protection Liens, unless
17 (a) Excell is provided with alternative adequate protection in connection therewith, (b) Excell
18 consents, or (c) this Court determines that Excell's Liens are avoidable, unperfected or subject to
19 subordination.

20 4. Automatic Perfection of Liens. The Adequate Protection Liens shall be
21 deemed valid, binding, enforceable and perfected upon entry of this Interim Cash Collateral Order to
22 the same extent as the Bank's Liens or the Excell Liens. Nothing contained in this Interim Order
23 addresses the validity, priority or perfection of the Bank's Liens on the Bank's Collateral or Excell's
24 Liens on Excell's Collateral. Neither the Bank nor Excell shall be required to file any UCC-1
25 financing statements, notices of lien or any similar document or take any other action (including
26 possession of any of the or the Bank Replacement Collateral or the Excell Replacement Collateral)
27 in order to perfect any of the Adequate Protection Liens. If the Bank or Excell chooses, in its
28 discretion, to file any such UCC-1 financing statements, or take any other action to perfect any part

1 of the Adequate Protection Liens, the Debtor and its manager shall cooperate by executing any
2 documents or instruments that the Bank or Excell shall reasonably request, and all such documents
3 and instruments shall be deemed to have been filed or recorded at the time and on the date of entry
4 of this Interim Cash Collateral Order. The Bank or Excell may, each in its sole discretion, file a
5 certified copy of this Interim Cash Collateral Order in any filing office in each jurisdiction in which
6 the Debtor is organized, has or maintains any Bank Replacement Collateral or Excell Replacement
7 Collateral, or has an office, and each filing office is directed to accept such certified copy of this
8 Interim Cash Collateral Order for filing and recording without the imposition of any stamp,
9 intangibles, recording or similar tax in accordance with the provisions of Bankruptcy Code § 1146.

10 5. Successors and Assigns. The provisions of this Interim Cash Collateral Order
11 shall be binding upon all parties-in-interest in the Chapter 11 Case, including, without limitation, the
12 Bank, Excell, the Debtor and their successors and assigns, and shall inure to the benefit of the Bank,
13 Excell, the Debtor and their successors and assigns, including, without limitation, any trustee,
14 examiner, responsible officer, estate administrator or representative, or similar person appointed in
15 any case for the Debtor under any chapter of the Bankruptcy Code or in any successor proceeding,
16 whether under the Bankruptcy Code or otherwise.

17 6. Priority of Terms. To the extent of any conflict between or among the express
18 terms or provisions of any of the Pre-Petition Loan Documents or Excell's note and deed of trust, the
19 terms and provisions of this Interim Cash Collateral Order shall govern and control.

20 4. Interim Order. This is an Interim Order. The Court shall conduct a hearing
21 on the Debtor's request to continue using the Cash Collateral at ___ o'clock __.m., on
22 August __, 2010. Any opposition to the continued use of the Cash Collateral shall be filed and
23 served not later than 5:00 p.m. on _____, 2010 and any reply thereto shall be filed and served
24 not later than 5:00 p.m. on _____, 2010.

1 5. Entry of Order. This Interim Cash Collateral Order shall take effect
2 immediately upon execution hereof, notwithstanding the possible application of Bankruptcy Rules
3 4001(a)(3), 6004(g), 7062, 9014, or otherwise, and the Clerk of the Court is hereby directed to enter
4 this Interim Cash Collateral Order on the Court's docket in the Chapter 11 Case.

5

6 /s/Christine M. Pajak
7 CHRISTINE M. PAJAK
8 STUTMAN, TREISTER & GLATT
9 PROFESSIONAL CORPORATION
10 [Proposed] Reorganization Counsel
11 For Debtor and Debtor in Possession

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In re: LITTLE TOKYO PARTNERS, a Delaware limited partnership, Debtor(s).	CHAPTER 11 CASE NUMBER 2:10-_____
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NOTE: When using this form to indicate service of a proposed order, **DO NOT** list any person or entity in Category I. Proposed orders do not generate an NEF because only orders that have been entered are placed on the CM/ECF docket.

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:

1901 Avenue of the Stars, 12th Floor, Los Angeles, California 90067.

The foregoing document described **[PROPOSED] ORDER (1) AUTHORIZING THE DEBTOR TO USE CASH COLLATERAL AND PROVIDE ADEQUATE PROTECTION TO FIRST CITIZENS BANK AND TRUST COMPANY AND EXCELL INVESTMENT GROUP, LLC PURSUANT TO 11 U.S.C. §§ 361 AND 363; AND (2) SCHEDULING FINAL HEARING ON CONTINUED USE OF CASH COLLATERAL** 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 indicated below:

I. **TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING ("NEF")** – Pursuant to controlling General Order(s) and Local Bankruptcy Rule(s) ("LBR"), the foregoing document will be served by the court via NEF and hyperlink to the document. On _____ I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following person(s) are on the Electronic Mail Notice List to receive NEF transmission at the email address(es) indicated below:

Service information continued on attached page

II. **SERVED BY U.S. MAIL OR OVERNIGHT MAIL**(indicate method for each person or entity served):

On **[Date]** I served the following person(s) and/or entity(ies) at the last known address(es) 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/or with an overnight mail service 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.*

See Exhibit A, Attached Hereto and Incorporated Herein by Reference

Service information continued on attached page

III. **SERVED BY PERSONAL DELIVERY, FACSIMILE TRANSMISSION OR EMAIL** (indicate method for each person or entity served):

Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on _____ I served the following person(s) and/or entity(ies) by personal delivery, 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 the judge will be completed no later than 24 hours after the document is filed.*

Service information continued on attached page

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

Date

Type Name

Signature

In re: LITTLE TOKYO PARTNERS, a Delaware limited partnership, Debtor(s).	CHAPTER 11 CASE NUMBER 2:10-_____
--	--

Exhibit A

In re: LITTLE TOKYO PARTNERS, a Delaware limited partnership, Debtor(s).	CHAPTER 11 CASE NUMBER 2:10-_____
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NOTE TO USERS OF THIS FORM:

- 1) Attach this form to the last page of a proposed Order or Judgment. Do not file as a separate document.
- 2) The title of the judgment or order and all service information must be filled in by the party lodging the order.
- 3) **Category I.** below: The United States trustee and case trustee (if any) will always be in this category.
- 4) **Category II.** below: List **ONLY** addresses for debtor (and attorney), movant (or attorney) and person/entity (or attorney) who filed an opposition to the requested relief. **DO NOT** list an address if person/entity is listed in category I.

NOTICE OF ENTERED ORDER AND SERVICE LIST

Notice is given by the court that a judgment or order entitled (*specify*) **ORDER (1) AUTHORIZING THE DEBTOR TO USE CASH COLLATERAL AND PROVIDE ADEQUATE PROTECTION TO FIRST CITIZENS BANK AND TRUST COMPANY AND EXCELL INVESTMENT GROUP, LLC PURSUANT TO 11 U.S.C. §§ 361 AND 363; AND (2) SCHEDULING FINAL HEARING ON CONTINUED USE OF CASH COLLATERAL** was entered on the date indicated as "Entered" on the first page of this judgment or order and will be served in the manner indicated below:

I. SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING ("NEF") - Pursuant to controlling General Order(s) and Local Bankruptcy Rule(s), the foregoing document was served on the following person(s) by the court via NEF and hyperlink to the judgment or order. As of **[Date]**, the following person(s) are currently on the Electronic Mail Notice List for this bankruptcy case or adversary proceeding to receive NEF transmission at the email address(es) indicated below.

Service information continued on attached page

II. SERVED BY THE COURT VIA U.S. MAIL: A copy of this notice and a true copy of this judgment or order was sent by U.S. Mail to the following person(s) and/or entity(ies) at the address(es) indicated below:

Service information continued on attached page

III. TO BE SERVED BY THE LODGING PARTY: Within 72 hours after receipt of a copy of this judgment or order which bears an "Entered" stamp, the party lodging the judgment or order will serve a complete copy bearing an "Entered" stamp by U.S. Mail, overnight mail, facsimile transmission or email and file a proof of service of the entered order on the following person(s) and/or entity(ies) at the address(es), facsimile transmission number(s) and/or email address(es) indicated below:

Service information continued on attached page

EXHIBIT "2"

WELLER + HOTEL ROLLUP Little Tokyo Partners, LP July 16 to Oct 15, 2010 13-Week Budget	WEEK 1 07/16/10 - 07/23/10	WEEK 2 07/24/10 - 07/30/10	WEEK 3 07/31/10 - 08/06/10	WEEK 4 08/07/10 - 08/13/10	WEEK 5 08/14/10 - 08/20/10	WEEK 6 08/21/10 - 08/27/10	WEEK 7 08/28/10 - 09/03/10	WEEK 8 09/04/10 - 09/10/10	WEEK 9 09/11/10 - 09/17/10	WEEK 10 09/18/10 - 09/24/10	WEEK 11 09/25/10 - 10/01/10	WEEK 12 10/02/10 - 10/08/10	WEEK 13 10/09/10 - 10/15/10	TOTAL 13-WEEK PERIOD
Account Name														
REVENUE														
Weller Court	5,400	16,200	116,900	27,000	10,800	10,800	116,900	27,000	5,400	5,400	13,500	116,900	24,300	496,500
Kyoto Grand Hotel	322,890	333,966	282,778	240,833	250,435	290,696	164,084	170,063	212,137	225,167	263,776	222,735	282,923	3,262,482
TOTAL REVENUE	328,290	350,166	399,678	267,833	261,235	301,496	280,984	197,063	217,537	230,567	277,276	339,635	307,223	3,758,982
EXPENSES														
Weller Court	17,110	18,500	22,775	24,000	41,500	33,775	8,500	-	42,500	32,775	8,500	1,000	49,775	300,710
Kyoto Grand Hotel	102,369	133,529	303,999	252,941	323,537	231,851	276,374	55,119	429,943	169,383	303,989	46,354	427,751	3,057,139
TOTAL EXPENSES	119,479	152,029	326,774	276,941	365,037	265,626	284,874	55,119	472,443	202,158	312,489	47,354	477,526	3,357,849
TOTAL NET OPERATING INCOME	208,811	198,137	72,903	(9,108)	(103,802)	35,870	(3,890)	141,944	(254,907)	28,409	(35,213)	292,281	(170,303)	401,133
Beginning Cash Balance	1,123,650	1,332,462	1,530,599	1,603,502	1,594,394	1,490,592	1,526,463	1,522,572	1,664,517	1,409,610	1,438,019	1,402,806	1,695,087	1,123,650
+/-<> Net Operating Cash	208,811	198,137	72,903	(9,108)	(103,802)	35,870	(3,890)	141,944	(254,907)	28,409	(35,213)	292,281	(170,303)	401,133
Ending Cash Balance	1,332,462	1,530,599	1,603,502	1,594,394	1,490,592	1,526,463	1,522,572	1,664,517	1,409,610	1,438,019	1,402,806	1,695,087	1,524,784	1,524,784

Notes:

1. The Budget reflects only essential capital expenditures required to maintain operations during the Budget period.
2. The Budget does not include any payments under that certain parking agreement, pursuant to which the Hotel pays Weller Court \$42,300 per month for the use of 66 parking spaces because the Debtor is the owner of both properties.
3. The Budget does not include certain expenses such as real property taxes or insurance costs because they are not paid during this period.

WELLER COURT Little Tokyo Partners, LP July 16 to Oct 15, 2010 13-Week Budget Account Name	WEEK 1 07/16/10 - 07/23/10	WEEK 2 07/24/10 - 07/30/10	WEEK 3 07/31/10 - 08/06/10	WEEK 4 08/07/10 - 08/13/10	WEEK 5 08/14/10 - 08/20/10	WEEK 6 08/21/10 - 08/27/10	WEEK 7 08/28/10 - 09/03/10	WEEK 8 09/04/10 - 09/10/10	WEEK 9 09/11/10 - 09/17/10	WEEK 10 09/18/10 - 09/24/10	WEEK 11 09/25/10 - 10/01/10	WEEK 12 10/02/10 - 10/08/10	WEEK 13 10/09/10 - 10/15/10	TOTAL 13-WEEK PERIOD
REVENUE														
Rent	4,120	12,360	65,920	20,600	8,240	8,240	65,920	20,600	4,120	4,120	10,300	65,920	18,540	309,000
Rent Storage			1,500				1,500					1,500		4,500
Rent Parking Monthly			9,500				9,500					9,500		28,500
Rent Percentage			8,000				8,000					8,000		24,000
Income Other			2,500				2,500					2,500		7,500
Recov Insurance			1,000				1,000					1,000		3,000
Recov Marketing			1,500				1,500					1,500		4,500
Recov Taxes Property	320	960	5,120	1,600	640	640	5,120	1,600	320	320	800	5,120	1,440	24,000
Recov Utilities			2,500				2,500					2,500		7,500
Recov CAM Actual			4,000				4,000					4,000		12,000
Recov CAM Est	960	2,880	15,360	4,800	1,920	1,920	15,360	4,800	960	960	2,400	15,360	4,320	72,000
TOTAL REVENUE	5,400	16,200	116,900	27,000	10,800	10,800	116,900	27,000	5,400	5,400	13,500	116,900	24,300	496,500
EXPENSES														
Administrative	350		1,000				1,000		1,000			1,000		4,350
Cleaning			3,000				3,000			3,000				9,000
Electrical				1,000			1,000				1,000			3,000
Elevator					5,000				5,000				5,000	15,000
Fire Life Safety					500				500				500	1,500
Grounds	200		1,500				1,500				1,500			4,700
HVAC		2,000				2,000				2,000				6,000
Insurance				23,000										23,000
Landscape					1,000				1,000				1,000	3,000
Mgmt Fees			8,275			8,275			8,275				8,275	33,100
PR Wages/Taxes/Benefits					11,500				11,500				11,500	34,500
Plumbing		1,500				1,500				1,500				4,500
Prof Legal Unlawful Detainer			1,000				1,000				1,000			3,000
Project Mgr - Deferred Maintenance		5,000				5,000			5,000					15,000
Repairs & Maintenance		10,000				10,000			10,000					30,000
Security					9,000				9,000				9,000	27,000
Util Deposits	16,560													16,560
Util Electricity					8,000				8,000				8,000	24,000
Util Gas					500				500				500	1,500
Util Water Potable					3,000				3,000				3,000	9,000
Util Sewer					3,000				3,000				3,000	9,000
Util Refuse Removal			3,000			3,000				3,000				9,000
DT Tenant Repairs/Improvements			5,000				5,000				5,000			15,000
TOTAL EXPENSES	17,110	18,500	22,775	24,000	41,500	33,775	8,500	-	42,500	32,775	8,500	1,000	49,775	300,710
TOTAL NET OPERATING INCOME	(11,710)	(2,300)	94,125	3,000	(30,700)	(22,975)	108,400	27,000	(37,100)	(27,375)	5,000	115,900	(25,475)	195,790
Beginning Cash Balance	753,224	741,514	739,214	833,339	836,339	805,639	782,664	891,064	918,064	880,964	853,589	858,589	974,489	753,224
+/- Net Operating Cash	(11,710)	(2,300)	94,125	3,000	(30,700)	(22,975)	108,400	27,000	(37,100)	(27,375)	5,000	115,900	(25,475)	195,790
Ending Cash Balance	741,514	739,214	833,339	836,339	805,639	782,664	891,064	918,064	880,964	853,589	858,589	974,489	949,014	949,014

KYOTO GRAND HOTEL Little Tokyo Partners, LP July 16 to Oct 15, 2010 13-Week Budget Account Name	WEEK 1	WEEK 2	WEEK 3	WEEK 4	WEEK 5	WEEK 6	WEEK 7	WEEK 8	WEEK 9	WEEK 10	WEEK 11	WEEK 12	WEEK 13	TOTAL
	07/16/10 -	07/24/10 -	07/31/10 -	08/07/10 -	08/14/10 -	08/21/10 -	08/28/10 -	09/04/10 -	09/11/10 -	09/18/10 -	09/25/10 -	10/02/10 -	10/09/10 -	13-WEEK
	07/23/10	07/30/10	08/06/10	08/13/10	08/20/10	08/27/10	09/03/10	09/10/10	09/17/10	09/24/10	10/01/10	10/08/10	10/15/10	PERIOD

<u>REVENUE</u>														
Rooms	250,529	228,294	213,921	184,191	187,842	223,652	114,962	103,283	128,245	149,924	191,321	159,434	218,982	2,354,580
Food and Beverage	53,436	77,654	51,337	43,503	27,674	46,142	36,626	50,120	54,736	47,252	56,845	47,793	46,027	639,144
Other Misc Departments	18,925	27,648	17,519	13,139	34,798	19,907	12,495	16,661	14,156	17,991	15,610	15,508	17,914	242,272
TOTAL REVENUE	322,890	333,966	282,778	240,833	250,435	290,696	164,084	170,063	212,137	225,167	263,776	222,735	282,923	3,262,482

<u>EXPENSES</u>														
Cost of Sales	12,718	18,482	12,218	10,354	6,587	10,982	8,717	11,928	13,027	11,246	13,529	11,375	10,955	152,116
Cleaning Supplies	1,033	1,069	905	771	801	930	525	544	679	721	844	713	905	10,440
Credit Card Discounts	6,135	6,345	5,373	4,576	4,758	5,523	3,118	3,231	4,031	4,278	5,012	4,232	5,376	61,987
Guest Supplies	2,956	2,694	2,524	2,173	2,217	2,639	1,357	1,219	1,513	1,769	2,258	1,881	2,584	27,784
Linens	887	1,289	852	722	459	766	608	832	909	784	944	793	764	10,610
Radio & Television			6,230				6,230				6,230			18,690
Reservation Expense						15,500				15,500			15,500	46,500
Sales & Marketing	6,458	6,679	5,656	4,817	5,009	5,814	3,282	3,401	4,243	4,503	5,276	4,455	5,658	65,250
Travel Agent Commission	4,008	6,224	3,423	2,947	3,005	3,578	1,839	1,653	2,052	2,399	3,061	2,551	3,504	40,244
Uniforms (Cleaning)	289	289	289	289	289	289	289	289	289	289	289	289	289	3,757
Adm Equipment					1,965					1,965				3,930
Adm Printing & Office Supplies	258	267	226	193	200	233	131	136	170	180	211	178	226	2,610
Emp Payroll & Taxes			202,183		202,493		186,873		200,824		193,882		195,147	1,181,402
Emp Health / Dental Insurances				29,000					29,000				29,000	87,000
Engineering Labor		72,150				72,150				72,150				216,450
Insurance	19,000					97,140					19,000			135,140
Mgmt Fee Asset Mgr			1,000		1,000		1,000		1,000		1,000		1,000	6,000
Mgmt Fee Hotel Mgmt Co			38,888		30,986					30,972				100,846
Parking Labor	6,375		12,750		12,750		12,750		12,750		12,750		12,750	82,875
Prof Legal - ADA Lawsuit				6,000			6,000		6,000		6,000		6,000	24,000
Prof Legal - Banquet Emp Lawsuit				4,000			4,000		2,000		2,000			10,000
Prof Other - Labor Consultant				3,000	5,000		3,000			5,000			4,000	20,000
Project Mgr - Deferred Maintenance		4,000				4,000					4,000			12,000
Plumbing					10,000		30,000		30,000		4,000	10,000		80,000
Repair & Maintenance	12,916	13,359	11,311	9,633	10,017	11,628	6,563	6,803	8,485	9,007	10,551	8,909	11,317	130,499
Repairs ADA					25,000			25,000			25,000			75,000
Taxes - Personal Property				63,663										63,663
Telephone & Postage	850	500			850	500			850	500		850	500	5,400
Transportation Expense	200	183	171	147	150	179	92	83	103	120	153	128	175	1,884
Utility Deposits	28,285													
Utilities				110,656					120,020				122,101	352,777
TOTAL EXPENSES	102,369	133,529	303,999	252,941	323,537	231,851	276,374	55,119	429,943	169,383	303,989	46,354	427,751	3,028,854
TOTAL NET OPERATING INCOME	220,521	200,437	(21,222)	(12,108)	(73,102)	58,845	(112,290)	114,944	(217,807)	55,784	(40,213)	176,381	(144,828)	233,628

Beginning Cash Balance	427,898	648,419	848,856	827,635	815,527	742,425	801,270	688,980	803,924	586,118	641,901	601,688	778,069	427,898
+/-> Net Operating Cash	220,521	200,437	(21,222)	(12,108)	(73,102)	58,845	(112,290)	114,944	(217,807)	55,784	(40,213)	176,381	(144,828)	205,343
Ending Cash Balance	648,419	848,856	827,635	815,527	742,425	801,270	688,980	803,924	586,118	641,901	601,688	778,069	633,241	633,241

In re: LITTLE TOKYO PARTNERS, L.P., a Delaware limited partnership, Debtor(s).	CHAPTER 11 CASE NUMBER 2:10-_____-__
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NOTE: When using this form to indicate service of a proposed order, **DO NOT** list any person or entity in Category I. Proposed orders do not generate an NEF because only orders that have been entered are placed on the CM/ECF docket.

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:

1901 Avenue of the Stars, 12th Floor, Los Angeles, California 90067.

The foregoing document described **EMERGENCY MOTION OF DEBTOR IN POSSESSION FOR ORDERS: (1) AUTHORIZING THE DEBTOR TO USE CASH COLLATERAL AND PROVIDE ADEQUATE PROTECTION TO FIRST CITIZENS BANK AND TRUST COMPANY AND EXCELL INVESTMENT GROUP, LLC PURSUANT TO 11 U.S.C. §§ 361 AND 363; (2) SCHEDULING FINAL HEARING ON CONTINUED USE OF CASH COLLATERAL; AND (3) AUTHORIZING CONTINUED USE OF CASH COLLATERAL** 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 indicated below:

I. **TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (“NEF”)** – Pursuant to controlling General Order(s) and Local Bankruptcy Rule(s) (“LBR”), the foregoing document will be served by the court via NEF and hyperlink to the document. On _____, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following person(s) are on the Electronic Mail Notice List to receive NEF transmission at the email address(es) indicated below:

Service information continued on attached page

II. **SERVED BY U.S. MAIL OR OVERNIGHT MAIL**(indicate method for each person or entity served):

On **July 15, 2010**, I served the following person(s) and/or entity(ies) at the last known address(es) 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, 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.*

See Exhibit A, Attached Hereto and Incorporated Herein by Reference

Service information continued on attached page

III. **SERVED BY PERSONAL DELIVERY, FACSIMILE TRANSMISSION OR EMAIL** (indicate method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on _____, I served the following person(s) and/or entity(ies) by personal delivery, 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 the judge will be completed no later than 24 hours after the document is filed.*

Service information continued on attached page

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

July 15, 2010

Date

Danielle Trujillo

Type Name

Danielle S. Trujillo

Signature

In re: LITTLE TOKYO PARTNERS, L.P., a Delaware limited partnership, Debtor(s).	CHAPTER 11 CASE NUMBER 2:10-_____-__
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Exhibit A

SERVED BY CERTIFIED MAIL AND FEDERAL EXPRESS

Bank of America N.A.
Attn: Jerri Shephard
1185 Avenue of the Americas, 16th Floor
New York, NY 10035

Wells Fargo Bank, N.A.
Attn: Michael Barry
433 North Camden Drive
Beverly Hills, CA 90210

SERVED BY OVERNIGHT MAIL (Federal Express, unless otherwise indicated)

Little Tokyo First Day Svc List
6325.000
Document #542310

Little Tokyo Partners LP
1880 Century Park East Suite 810
Los Angeles, CA 90067

Office of the US Trustee
725 S Figueroa St
Suite 2600
Los Angeles, CA 90017

Frاندzel Robins Bloom Csato
Brian Bloom Esq
6500 Wilshire Blvd 17th Fl
Los Angeles, CA 90048-4920

First Citizens Bank and Trust
1801 Century Park East Suite 800
Los Angeles, CA 90067

Excell Investment Group, LLC
23586 Calabasas Rd. #100
Calabasas, CA 91302

Internal Revenue Service
PO Box 21126
Philadelphia, PA 19114
Served via U.S. Postal Express Mail

Able Engineering Services
868 Folsom Street
San Francisco, CA 94107
Contact: Mark S. Kelly, VP

LA DWP
PO Box 30808
Los Angeles, CA 90030
Served via U.S. Postal Express Mail

Crestline Hotels & Resorts
3950 University Drive Suite 301
Fairfax, VA 22030
Contact: Elizabeth Lieberman, Esq.

State of California
Board of Equalization
PO Box 942870
Sacramento, CA 94279
Served via U.S. Postal Express Mail

Marukai Corporation
1740 W Artesia Blvd
Gardena, CA 90248
Contact: Debi Ichinofe

Thimesch Law Offices
158 Hilltop Crescent
Walnut Creek, CA 94597-3457
Contact: Timothy S. Thimesch

Kinokuniya Bookstores
123 South Onizuka St
Suites 205-206
Los Angeles, CA 90012
Contact: Kyoichi Ishikawa

Hodes Parking
421 N. Rodeo Drive
Beverly Hills, CA 90210

In re: LITTLE TOKYO PARTNERS, L.P., a Delaware limited partnership, Debtor(s).	CHAPTER 11 CASE NUMBER 2:10-_____-__
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Gateway Security, Inc.
604-608 Market Street
Newark, NJ 07105

House Foods America Corp
7351 Orangewood Avenue
Garden Grove, CA 92841
Contact: Koji Yamada

K & M Foodservice
2443 3 27th Street
Vernon, CA 90058

Jin Sung Lee & Jae Hee Lee
DBA Tofu Village
123 S Onizuka St Suite 307
Los Angeles, CA 90012
Contact: Jin Sung Lee

Waxie Sanitary Supply
PO Box 81006
San Diego, CA 92138
Served via U.S. Postal Express Mail

KTWV-FM
PO Box 100495
Pasadena, CA 91189
Served via U.S. Postal Express Mail

Yee Yuen Linen Service
2575 S Normandie Avenue
Los Angeles, CA 90007

Room Service Amenities
1010 Campus Drive West
Morganville, NJ 07751

Pasadena Baking Wholesale
70 W. Palmetto Drive
Pasadena, CA 91105

Commercial Waste Service Inc.
PO Box 820
Montebello, CA 90640
Served via U.S. Postal Express Mail

Simplex Grinnell
Dept. Ch 10320
Palatine, IL 60055