

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF ARIZONA

In re:

SUNSHINE HOTELS, LLC, a California  
limited liability company,

Debtor.

SUNSHINE HOTELS II, LLC, a California  
limited liability company,

Debtor.

In Proceedings Under Chapter 11

Case No. 0:13-bk-01560

Case No. 0:13-bk-01561

(Jointly Administered)

**INTERIM ORDER AUTHORIZING  
DEBTORS' USE OF CASH  
COLLATERAL AND SETTING  
FINAL HEARING ON CASH  
COLLATERAL**

Sunshine Hotels, LLC ("Sunshine") and Sunshine Hotels II, LLC ("Sunshine II") and together with Sunshine the "Debtors"), debtors and debtors-in-possession in the above-captioned bankruptcy cases, filed the *Emergency Motion for Interim and Final Orders Authorizing Use of Cash Collateral* (the "Motion")<sup>1</sup> [Docket No. 6] pursuant to 11 U.S.C. §§ 361 and 363 and Rule 4001, Fed. R. Bankr. Proc. Debtors also filed an Application for Expedited Hearing on Certain Motion and Application [Docket No. 10], which this Court granted. On February 6, 2013, the Court held a hearing (the "First Day Motions Hearing").

Pursuant to the Motion, the Debtors requests that the Court authorize the use of

<sup>1</sup> Unless otherwise indicated, capitalized terms used in this Order will correspond to the capitalized terms used in the Motion.

1 cash collateral needed to allow the Debtors to operate their businesses and reorganize.  
2 The Debtors also requested that a line item related to mortgage interest payments be  
3 excluded. The Debtors' primary secured creditor is S2 Hospitality. To the best  
4 knowledge of the Debtors, no other party claims or has an interest in the Debtor's Cash  
5 Collateral. Notice of the Motion was provided to Square Mile Capital Management, LLC,  
6 the United States Trustee, and the Debtors' twenty (20) largest unsecured creditors.  
7 Based on the Motion, the discussions at the First Day Motions Hearing, and the entire  
8 record before the Court, and good cause appearing:

9 THE COURT HEREBY FINDS as follows:

10 A. On February 4, 2013 (the "Petition Date"), the Debtors filed voluntary  
11 petitions for relief under Chapter 11 of the Bankruptcy Code. The Debtors are authorized  
12 to operate their businesses as debtors-in-possession pursuant to §§ 1107 and 1108 of the  
13 Bankruptcy Code.

14 B. This Court has jurisdiction to consider this motion pursuant to 28 U.S.C. §  
15 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue of this proceeding  
16 is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

17 C. Square Mile Capital Management, LLC allegedly perfected its security  
18 interest in various collateral by filing a UCC-1 Financing Statement in the Office of the  
19 Secretary of State of California on February 4, 2008 as Filing No. 08-7145682273 (for  
20 Sunshine) and a UCC Financing Statement in the Office of the Secretary of State of  
21 California on February 4, 2008 as Filing No. 08-7145681383. The UCC-1 Financing  
22 Statements were filed by Specialty Finance Group, LLC, but Square Mile Capital  
23 Management, LLC acquired Specialty Finance Group's interest. In addition, upon  
24 information and belief, Square Mile Capital Management, LLC (and Specialty Finance  
25 Group, LLC) has also recorded various deeds of trust relating to property owned by  
26 Sunshine and Sunshine II.

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1 D. The Debtors propose to use the Cash Collateral, specifically cash, cash  
2 equivalents, deposit accounts, payments, and other proceeds of inventory and accounts  
3 receivable to allow it to continue their business operations during the course of this  
4 reorganization. The Debtors assert that the use of cash collateral is necessary to continue  
5 their businesses and to preserve the value of their bankruptcy estates.

6 E. To the extent that Square Mile Capital Management, LLC, or any other  
7 creditor demonstrates a perfected interest in the Cash Collateral, as adequate protection of  
8 any creditor's interest in the Cash Collateral, the Debtors have agreed to grant  
9 replacement liens on all similar collateral generated post-petition to the same extent,  
10 validity and priority as any liens attached to its pre-petition collateral.

11 F. It is in the best interest of the Debtors and the bankruptcy estate that the  
12 Debtors be allowed to use Cash Collateral on an interim basis, subject to the terms of this  
13 Order, and it appears that good cause exists for the entry of this Order. Therefore,

14 IT IS HEREBY ORDERED as follows:

15 1. The Motion is granted on an interim basis as provided in this Order.

16 2. The Debtors are authorized to use cash collateral, pending a final hearing on  
17 the Motion, to pay ordinary and necessary post-petition expenses in accordance with the  
18 Interim Cash Collateral Budgets ("Budgets") (other than Professional Fees which will be  
19 considered by the Court as required by 11 U.S.C. §330) attached hereto as **Exhibit "1"**  
20 and by this reference made a part of this Order.

21 3. During the interim period, the Cash Collateral cannot be used to pay  
22 Management Fees and Commissions and Fees. Debtors' line item relating to mortgage  
23 interest payments shall be removed from the Budgets.

24 4. Notwithstanding anything in 11 U.S.C. § 552(b) to the contrary, any creditor  
25 demonstrating a perfected interest in Cash Collateral shall have, and hereby is granted, a  
26 replacement lien on all property acquired by the Debtors after the Petition Date of the

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1 same type and kind as the property on which such creditor held a lien as of the Petition  
2 Date, with the same validity and priority and to the same extent as such creditor had an  
3 enforceable lien pre-petition (the "Replacement Lien"). The Replacement Lien shall  
4 secure such creditor to the extent necessary to adequately protect from any diminution in  
5 value of its security interest in property of the Debtors' estates as a result of the entry of  
6 this Order and the Debtors' use of cash collateral post-petition. Notwithstanding any term  
7 or provision in this Order to the contrary, the Replacement Lien granted shall exclude the  
8 estate's interest in proceeds from avoidance actions pursuant to 11 U.S.C. §§ 544-548 and  
9 550.

10 5. The Replacement Lien shall be deemed effective, valid, and perfected as of  
11 the Petition Date, to the same extent, validity, and priority as any existing liens as of the  
12 Petition Date, without the necessity of filing by or with any entity of any documents or  
13 instruments otherwise required to be filed or lodged under applicable non-bankruptcy law.

14 6. This Order is immediately and fully effective on an interim basis upon entry  
15 by the Court.

16 7. A final hearing on the Debtors' Motion and request for use of cash collateral  
17 is scheduled for March 6, 2013 at 2:00 p.m. at 38 S. Scott Avenue, Courtroom 329,  
18 Tucson, Arizona (the "Final Hearing"). The Debtors shall immediately serve, by regular  
19 U.S. Mail, electronic mail, or facsimile, a copy of this Order on Square Mile Capital  
20 Management, LLC, the United States Trustee, the Debtors' twenty (20) largest unsecured  
21 creditors, any statutory committee appointed by the Court, and any party that files a notice  
22 of appearance in the case

23 8. Any objection to the Motion, or the entry of a final order authorizing the  
24 Debtors' use of Cash Collateral, must be in writing, filed with the Court and served on  
25 proposed counsel for the Debtors, the United States Trustee, the Debtors' twenty (20)  
26 largest unsecured creditors, any statutory committee appointed by the Court, and any party

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1 that files a notice of appearance in the case, all within 5 days prior to the date of the Final  
2 Hearing.

3 DATED: February 8, 2013

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6 BREND A MOODY WHINERY  
7 UNITED STATES BANKRUPTCY JUDGE  
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# **EXHIBIT 1**

	Feb 2013	Mar 2013	Apr 2013
Revenues			
Sales-Room Rentals	131,460.39	138,451.03	122,172.41
Sales - Non-Tax Room Rental	7,959.00	9,860.00	9,730.00
Sales-Suite Shop	1,602.67	1,364.73	1,213.84
Sales-Misc/Telephone	278.44	0.00	0.00
Sales- Meeting Room	1,050.00	800.00	415.00
Total Revenues	<u>142,350.50</u>	<u>150,475.76</u>	<u>133,531.25</u>
Expenses			
Accounting	1,295.19	1,295.19	1,295.19
Advertising Expense	1,950.00	1,950.00	1,950.00
Bank Charges	3,415.52	3,137.71	3,637.34
Breakfast	4,753.38	5,334.06	4,951.50
Commissions and Fees Exp	5,203.33	11,067.12	3,896.63
Dues and Subscriptions Exp	249.07	216.58	216.58
Insurance Expense	963.53	713.84	713.84
Insurance - Workers Comp	2,175.00	2,137.00	2,252.00
Insurance - Emp. Medical	1,156.36	1,156.36	1,156.36
Internet	1,051.71	1,051.71	1,051.71
Landscaping	340.00	340.00	340.00
Laundry and Cleaning Exp	548.36	627.01	816.36
Management Fees	4,989.72	5,694.02	6,036.21
Mortgage Interest	13,888.06	14,729.01	14,240.79
Music Service	113.14	230.25	117.11
Payroll Tax Expense	2,655.04	2,601.40	3,040.69
Pest Control	380.00	380.00	380.00
Postage Expense	68.47	52.00	36.00
Property Taxes	7,401.95	7,401.95	7,401.95
Royalties	18,436.00	19,693.62	12,680.50
Repairs & Maintenance Exp	2,255.74	1,446.97	1,916.00
Security Expense	45.00	45.00	45.00
Supplies Expense	3,116.74	5,412.35	2,681.10
Supplies - Suite Shop	1,107.46	790.13	717.85
Taxes & Licenses	0.00	0.00	6,800.00
Telephone Expense	1,120.88	821.24	708.85
Travel & Training Expense	217.70	438.71	321.06
Utilities Expense	12,828.00	9,606.66	10,449.55
Wages Expense	18,373.94	18,281.76	22,264.73
Utilities - Cable	<u>1,475.10</u>	<u>1,567.33</u>	<u>1,475.10</u>
Total Expenses	<u>111,574.39</u>	<u>118,218.98</u>	<u>113,590.00</u>
Net Income	<u>30,776.11</u>	<u>32,256.78</u>	<u>19,941.25</u>

	Feb 2013	Mar 2013	Apr 2013
<b>Revenues</b>			
Sales-Room Rentals	209,744.51	205,247.52	208,122.28
Sales - Restaurant	12,039.15	10,701.83	10,297.50
Sales - Bar	7,098.77	5,417.92	3,811.75
Sales - Meeting Room	7,944.80	5,970.74	2,819.55
Sales-Misc/Telephone	3,175.55	2,957.42	3,050.87
Sales- Marketplace	2,534.82	2,081.85	2,122.42
<b>Total Revenues</b>	<b>242,537.60</b>	<b>232,377.28</b>	<b>230,224.37</b>
<b>Cost of Sales</b>			
Cost of Sales -Restaurant	5,877.49	7,512.48	8,193.82
Cost of Sales - Beverage	3,060.04	2,314.55	718.53
Cost of Sales -Meeting Room	1,811.00	298.52	1,043.49
<b>Total Cost of Sales</b>	<b>10,748.53</b>	<b>10,125.55</b>	<b>9,955.84</b>
<b>Gross Profit</b>	<b>231,789.07</b>	<b>222,251.73</b>	<b>220,268.53</b>
<b>Expenses</b>			
Accounting	1,591.73	1,447.50	1,320.19
Advertising Expense	125.00	125.00	125.00
Bank Charges	5,558.72	5,222.65	7,076.03
Commissions and Fees Exp	5,740.26	7,420.42	6,128.90
Computer Support	4,168.44	4,678.52	3,902.50
Dues and Subscriptions Exp	452.63	530.98	0.00
Insurance Expense	691.50	691.50	714.09
Insurance - Officers Life	2,020.96	2,020.96	2,020.96
Insurance - Workers Comp	4,100.34	3,782.00	3,280.00
Internet	226.80	226.80	226.80
Landscaping	375.00	375.00	375.00
Laundry and Cleaning Exp	887.32	178.80	1,135.45
Management Fees	9,281.13	9,701.50	9,295.09
Mortgage Interest	32,198.05	34,073.58	32,857.59
Music Service	789.21	322.72	161.36
Payroll Tax Expense	4,433.53	4,160.21	4,039.20
Pest Control	788.00	788.00	788.00
Postage Expense	118.25	135.00	65.79
Property Taxes	11,075.62	11,075.62	11,075.62
Royalties	16,857.21	16,604.26	15,265.48
Repairs & Maintenance Exp	2,435.36	2,091.03	869.59
Supplies Expense	7,182.32	6,325.79	5,439.14
Taxes & Licenses	0.00	0.00	6,800.00
Telephone Expense	1,918.25	1,718.78	1,655.01
Travel & Training Exp	104.68	267.29	103.26
Utilities Expense	18,230.42	13,401.78	12,064.76



Wages Expense	38,555.15	39,682.19	39,219.69
Utilities - Cable	<u>2,574.07</u>	<u>2,574.07</u>	<u>2,574.07</u>
Total Expenses	<u>172,479.95</u>	<u>169,621.95</u>	<u>168,578.57</u>
Net Income	<u>59,309.12</u>	<u>52,629.78</u>	<u>51,689.96</u>