

THE UNITED STATES BANKRUPTCY COURT FOR THE
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

In re

YSC, INC.,

Debtor-in-Possession.

Case No. 13-17946

DISCLOSURE STATEMENT

YSC Inc., the Debtor, submits the following Disclosure Statement pursuant to 11 U.S.C. § 1125:

1. THE PURPOSE

The purpose of this statement is to provide the holders of such claims and interest with adequate information respecting the Debtor and the Plan of Reorganization in order that they may make an informed judgment concerning the plan and vote their acceptance or rejection.

An acceptance or rejection of the plan may be voted by completing the ballot which accompanies the plan and mailing it to Wells and Jarvis, P.S., 502 Logan Building, 500 Union Street, Seattle, Washington 98101, in a postage-paid envelope. Ballots must be received by counsel for the Debtor by _____, 2014. The Debtor intends to seek confirmation of a plan as soon as practically possible. A hearing has been set for the _____ day of _____, 2014 at _____, seeking confirmation of the plan.

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1
2 In order for the plan to be accepted, the holder of two thirds (2/3) of the amount of the
3 claims voting, and more than one-half (1/2) of the number of claims in Classes Two through
4 Thirteen who vote, must have voted for acceptance of the plan. If sufficient acceptances are
5 not received, the Debtor may elect to request confirmation of the plan under § 1129(b) of the
6 Bankruptcy Code. Such a request could result in confirmation of the plan notwithstanding an
7 objection to the plan by any creditors. If required, the plan may be modified at the time of the
8 hearing on confirmation to permit approval under § 1129(b) of the Bankruptcy Code.

9 This disclosure statement is the only document authorized by the Debtor to be used in
10 connection with solicitation of acceptance of their plan. NO REPRESENTATION
11 CONCERNING THE DEBTOR (PARTICULARLY AS TO THE VALUE OF
12 PROPERTIES, CREDITOR CLAIMS, OR FUTURE LIQUIDATION EFFORTS) IS
13 AUTHORIZED BY THE DEBTOR OTHER THAN AS SET FORTH IN THIS
14 STATEMENT. ANY REPRESENTATION OR INDUCEMENT MADE TO SECURE
15 YOUR ACCEPTANCE, WHICH IS OTHER THAN CONTAINED HEREIN, SHOULD BE
16 REPORTED TO DEBTOR'S ATTORNEY, JEFFREY B. WELLS, AND SHOULD NOT
17 BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION TO ACCEPT OR
18 REJECT THIS PLAN.

19
20 **2. FINANCIAL INFORMATION**

21 The principal tangible assets and liabilities of YSC, Inc., are set forth in the recent
22 balance sheet attached **Exhibit A**. The latest income and expense statement of YSC, Inc., is
23 set forth in **Exhibit B**, attached hereto. Both exhibits were prepared by Danielle Kim,
24 accountant for the Debtor. The amounts owed, and the monthly payments to, secured
25 creditors are as follows:

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		Approximate	Monthly
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Creditors	Collateral	Amount Owed	Payments
Class Two – Wilshire Bank	Comfort Inn 31622 Pacific Hwy S Federal Way, WA	\$2,866,067	\$19,402
Class Three – The Small Business Administration	Comfort Inn 31622 Pacific Hwy S Federal Way, WA	\$1,530,000	\$15,400
Class Four – Whidbey Island Bank	Ramada Inn 4520 Martin Way E Olympia, WA And Comfort Inn third deed of trust	\$13,261,564.20	\$96,309
Class Six – Thurston County	Personal Property Ramada Inn	\$2,537,07	
Class Seven – Great American Financial	Phone system for Ramada Inn	\$8,405.20	\$734.54
Class Eight – Persona	Sign for the Ramada Inn	\$18,424	
Class Nine – Marlin Bank	Dishwasher for Ramada Inn	\$6,493.42	\$120.23
Class Ten – Wyndham/Ramada Worldwide Inc.	Ramada Inn Franchise	\$92,633.90	10% of revenue

Debtor will retain all assets during the administration of the plan of reorganization except as set forth below. Debtor believes the valuation of assets and income and expense statement, Exhibits A and B, provide a realistic and reliable projection of the value of the assets and income and expenses throughout the plan repayment period.

3. DESCRIPTION OF PLAN

The claims to be dealt with under the Plan are classified as follows:

A. Class One. Class One consists of those parties holding administrative costs and expenses as defined by 11 U.S.C. 503(b). The members must have filed for this status and their claim allowed by the Court. The known members of this class and the amount of

1
2 their claims are:

3 1. Wells and Jarvis, P.S. (attorneys for Debtor), estimated not to exceed
4 \$40,000, owing at the time of confirmation.

5 2. Danielle Kim, accountant for Debtor, estimated not to exceed \$10,000
6 owing at the time of confirmation.

7 3. Sam Lee, broker, who will receive commission from the closing of the
8 Comfort Inn sale if approved.

9 4. Fees due the United States Trustee under 28 U.S.C. §1930(a)(6) of the
10 Bankruptcy Code, estimated to be \$6,500 owing at the time of confirmation (based on the
11 average quarterly fee to date).

12 B. Class Two. Wilshire Bank ("Wilshire") holds the first position deed of trust on
13 the Comfort Inn located at 31622 Pacific Hwy S. Federal Way, Washington. The real estate is
14 owned by Debtor's principals, the Yims, but Debtor operates the hotel and owns the personal
15 property associated with the hotel. Wilshire also holds a first-position security interest in the
16 Debtor's personal property. Per its proof of claim, the amount owed to Wilshire was
17 \$2,866,067 as of the petition date. The current interest rate is 4.25%. Monthly payments are
18 \$19,402. The hotel is subject to a purchase and sale agreement for \$7,500,000. Debtor is
19 current on its payments.
20

21 C. Class Three. The U.S. Small Business Administration ("SBA") holds the
22 second deed of trust on the Comfort Inn located at 31622 Pacific Hwy S., Federal Way, WA.
23 It also has a security interest in the Comfort Inn personal property which is secured by a
24 junior UCC statement (through the Northwest Business Development Association). No proof
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1 of claim has been filed to date. The SBA is owed approximately \$1,530,000. Debtor is
2 current on its payments. Monthly payments are \$15,400.
3

4 D. Class Four. Whidbey Island Bank ("Whidbey") holds the third deed of trust on
5 the Comfort Inn property. It also filed a junior UCC statement against the personal property
6 (through the former lender, CitiBank). It also holds the first deed of trust on the Ramada Inn
7 located at 4520 Martin Way E., Olympia, WA. Like the Comfort Inn, the Yims own the real
8 estate but the Debtor operates the Ramada Inn and owns the personal property therein.
9 Whidbey also holds a deed of trust on the Yims' residence. Per its proof of claim, the amount
10 owed to Whidbey as of December 16, 2013 was \$13,261,564.20. Per Whidbey's appraisal, the
11 Ramada Inn is valued at \$12,800,000 for the real estate and personal property. The current
12 contract interest is 6.25%, and the current contract payment is approximately \$96,309.
13

14 E. Class Five. King County is believed to be current on property taxes for the
15 Comfort Inn personal property.

16 F. Class Six. Per its proof of claim Thurston County is owed pre-petition personal
17 property taxes of \$2,537.07 secured on the Ramada Inn personal property.
18

19 G. Class Seven. Great American Financial Services Corporation (previously Great
20 America Leasing) is secured on Debtor's phone system at the Ramada Inn. The total amount
21 owed as of the petition date was \$8,405.20 per the proof of claim filed. The monthly payment
22 is \$734.54. Payments are current. Per the proof of claim, the value of the phone system is
23 \$2,500, leaving \$5,905.20 of the claim unsecured.

24 H. Class Eight. Persona is a secured creditor on Debtor's sign for the Ramada Inn.
25 No proof of claim has been filed to date. The total amount owed is approximately
26

1 \$18,424.00.. Payments are current. Debtor estimates the value of the signage to be consistent
2 with the amount owed.
3

4 I. Class Nine. Marlin Business Bank is secured through a lease agreement on the
5 dishwasher at Debtor's Ramada Inn. Per its proof of claim, \$6,493.42 was owed as of the
6 petition date. Per the claim, the monthly payments are \$120.23.

7 J. Class Ten. Wyndham/Ramada Worldwide Inc. is a secured creditor who
8 licenses the Ramada Inn name to Debtor. Monthly payments are 10% of gross revenue. The
9 Debtor is approximately \$92,633.90 in arrears.
10

11 K. Class Eleven. Choice Hotels International, Inc. is a secured creditor who
12 licenses the Comfort Inn name to Debtor. Monthly payments are 10% of gross revenue. The
13 Debtor is current on the franchise fee. Choice filed a proof of claim asserting money is owing,
14 however it appears this claim is based upon potential liquidated damages if the contract is
15 rejected, not an actual balance owing, therefore Debtor intends to treat the franchise
16 agreement as current.
17

18 L. Class Twelve. US Foods, Inc. has filed a proof of claim seeking priority for
19 \$3,206.95 based on goods delivered to Debtor within 20 days prior to the filing date. \$102.71
20 is owed as a general, non-priority claim.

21 M. Class Thirteen. General unsecured creditors are owed \$506,560.52 based on
22 Debtor's schedules and proofs of claim filed to date. The schedule of unsecured creditors is
23 attached to the Plan. Debtor disputes one of the claims filed with the court, by AMB, and
24 therefore has not included that claimed amount in its Class Thirteen estimate.
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1 N. Class Fourteen. Class Thirteen consists of the equity interests of Sang Il Yim
2 and Chan Sook Yim.
3

4 CLASSES NOT IMPAIRED BY THE PLAN

5 Class One is unimpaired by the plan and will be paid on the effective date of the plan
6 or through its pro-rata share with Class Twelve of the initial plan payments of \$2,000 per
7 month until the allowed claims are paid in full.

8 TREATMENT OF NON-IMPAIRED CLAIMS

9 All current fees due the United States Trustee under 28 U.S.C. §1930(a)(6) of the
10 Bankruptcy Code shall be paid on or before the effective date. The Reorganized Debtor shall
11 be responsible for timely payment of quarterly fees incurred pursuant to 38 U.S.C.
12 1930(a)(6). After confirmation, the Reorganized Debtors shall file with the United States
13 Trustee a monthly financial report for each month or portion thereof that the case remains
14 open. The monthly financial report shall include a statement of disbursements made during
15 the course of the month, whether or not pursuant to the Plan. The Reorganized Debtors shall
16 also file the Chapter 11 Post-Confirmation Report as required by Local Rule 2015-1(c).
17

18 TREATMENT OF IMPAIRED CLAIM

19 Debtor's Comfort Inn is subject to a purchase and sale agreement for \$7,500,000
20 ("PSA") which is attached to the Plan . Debtor-in-Possession may receive additional offer(s)
21 from other potential buyer(s). Debtor has filed a separate motion to approve sale of its personal
22 property wherein the court may approve the highest and best purchase and sale agreement. In
23 the interim, Debtor-in-Possession will continue to operate the Comfort Inn and make payments
24 from the revenue therefrom until the sale closes. Debtor will also continue to operate the
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1 Ramada Inn throughout the period of the plan, and will fund the plan from the revenue
2 therefrom until the Ramada Inn is sold or refinanced.

3
4 Contractual monthly payments to Classes Two and Three shall continue until the
5 Comfort Inn sale closes, at which point the Class Two and Three's allowed claims for their
6 liens on the Comfort Inn will be paid in full from the sale proceeds.

7 Class Four, Whidbey Island Bank, will receive its monthly contractual payment until
8 the sale of the Comfort Inn closes. From the sale, Class Four will receive the proceeds
9 remaining after payment of normal closing costs (including escrow fees, real estate
10 commission, and excise tax), any real estate and personal property tax owing on the Comfort
11 Inn real estate and personal property, any franchise fees owing to Choice Hotels International,
12 the US Trustee fee of \$975, and Class Two and Three's liens. An estimated distribution of
13 sales proceeds is attached to the plan. As set forth on that exhibit, Debtor estimates that Class
14 Four will receive approximately \$2,690,990.

15
16 Upon payment to Class Four from the sale proceeds, Debtor will pay the remaining
17 balance owing to Class Four of \$10,570,574.20 on a 30 year amortization at 6.25% interest,
18 which results in monthly payments of \$65,085, over 5 years from the operating revenue of the
19 Ramada Inn. Payments will commence on the 10th of the month following the date of the
20 Comfort Inn sale closing and will continue on the 10th of each month thereafter, with a
21 balloon payment of the remaining amount due and owing after 60 monthly payments. Interest
22 will accrue at a fixed rate of 6.25%. Class Four will be paid in full at or before the 60th month
23 through either refinance or sale of the Ramada Inn.
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1 Any amounts owing to Class Five at the time of the sale of the Comfort Inn shall be
2 paid from the sale proceeds.
3

4 Class Six. Ongoing personal property taxes for the Ramada Inn shall be paid as due.
5 The pre-petition balance owed to Class Six shall be paid in full through the monthly plan
6 payments of \$2,000 upon completion of payment to Classes One and Twelve.

7 Classes Seven, Eight and Nine shall continue to receive monthly payments pursuant to
8 contract as they come due. If the Ramada Inn is sold, any remaining balances owing to
9 Classes Seven, Eight and Nine shall be paid from the sale proceeds. If a refinance occurs,
10 Debtor shall continue making payment to Classes Seven, Eight, and Nine pursuant to contract
11 as applicable.
12

13 Class Ten. Debtor shall pay the ongoing franchise license fee to Class Ten as it
14 becomes due each month pursuant to contract, and shall pay an additional \$10,000 by
15 September 1st of each year on the past-due amount until Class Ten is brought current. Any
16 remaining amount owing at the time of sale or refinance shall be paid from the sale or
17 refinance proceeds.
18

19 Class Eleven shall continue to receive its monthly franchise fees as due pursuant to
20 the franchise agreement until the Comfort inn is sold. Upon sale, any outstanding franchise
21 fees incurred for the month in which sale occurs shall be paid at closing.

22 Class Twelve's priority claim shall be paid in full through its pro-rata share of the
23 monthly plan payments of \$2,000, to be shared with Class One's allowed claims. The non-
24 priority portion of its claim shall be treated as a Class Thirteen claim.
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1 Class Thirteen allowed claims shall receive full payment without interest. Class
2 Thirteen shall receive the monthly plan payment of \$2,000 following full payment to Classes
3 One, Six and Twelve. The payments shall be distributed on a pro-rata basis amongst allowed
4 Class Thirteen claims. If the Ramada Inn is sold, the remaining balances owed to allowed
5 Class Thirteen claimholders shall be paid in full from the sale proceeds. If a refinance occurs,
6 the Debtor shall continue making monthly payments of \$2,000 until Class Thirteen is paid in
7 full.
8

9 Class Fourteen equity owners shall retain their interest in the Debtor. The Yims shall
10 not receive a distribution from the sale proceeds of the Comfort Inn. They would only receive
11 a distribution from the sale of the Ramada Inn after Classes One through Thirteen are paid as
12 set forth above.
13

14 **5. TREATMENT OF INTEREST**

15 The Debtor-in-Possession will retain its interest in all of its property, unless or until the
16 Comfort Inn and Ramada Inn are sold.
17

18 **6. TAX CONSEQUENCES**

19 The Debtor reports its income on a cash basis. Payments to creditors under the terms
20 of this plan, to the extent allowed by law, will be deducted from gross income and thereby
21 reduce Debtor's tax liability. Ongoing tax obligations shall be paid when due.
22

23 **7. PENDING LITIGATION AND CLAIMS**

24 The Debtor-in-Possession shall review all claims filed and all objections to the
25 allowance of such claims shall be filed within sixty (60) days after the effective date of the
26 Plan. Debtor anticipates objecting to the claim of AMB as it disputes that any amount is
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1 owing. That claim is related to state court litigation which remains ongoing. Debtor has
2 tendered defense of the state court litigation to Whidbey Island Bank but the bank has not to
3 date responded to the offer. The Yims have personally retained their own attorney to defend
4 their interests as the owners of the real estate.
5

6 The court previously set a claims bar date of December 17, 2013, by which time all
7 claims had to be filed in order to be allowed.
8

9 **8. LIQUIDATION ANALYSIS**

10 If this case were to be converted to a Chapter 7 on the date of this disclosure
11 statement, it is anticipated no funds would be realized for unsecured creditors. The amount of
12 secured debt greatly exceeds the value of the Debtor's personal property. Further, while the
13 Comfort Inn is currently subject to a purchase and sale agreement for \$7.5 million and
14 Whidbey Island Bank's latest appraisal of the Ramada Inn determines the value of the real
15 and personal property to be \$12.8 million, equity in the businesses as going concerns would
16 be lost when the Chapter 7 trustee presumably ceased operations of the hotel upon
17 conversion. Further, presumably conversion to Chapter 7 would be a breach of the franchise
18 agreement(s) and loss of the franchise name would cause a significant decrease in the value
19 of both hotels.
20

21 **9. MANAGEMENT**

22 The Debtors' Comfort Inn and Ramada Inn will continue to be managed by the Debtor
23 until sold.
24

25 **10. STATUS OF CASE**

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1 This Chapter 11 Plan was filed by Debtor because the Debtor has sufficient income to
2
3 pay operating expenses and service secured debt as set forth herein.

4 RESPECTFULLY SUBMITTED this 30th day of January, 2014.

5
6 /s/ Sang Yim
7 Sang Yim, President
8 YSC, Inc.
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