THE HONORABLE MARC L. BARRECA
Chapter 11

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

In re YSC, INC., Debtor-in-Possession.	Case No. 13-17946 DEBTOR'S PLAN OF REORGANIZATION

YSC, Inc., the Debtor-in-Possession herein, proposes the following Plan of Reorganization, hereinafter referred to as "the Plan":

1. CLASSIFICATION OF CLAIMS.

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 their claims are:

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

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

3. Sam Lee, broker, who will receive commission from the closing of the

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Comfort Inn sale if approved.

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

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

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

D. Class Four. Whidbey Island Bank ("Whidbey") holds the third deed of trust on the Comfort Inn property. It also filed a junior UCC statement against the personal property (through the former lender, CitiBank). It also holds the first deed of trust on the Ramada Inn located at 4520 Martin Way E., Olympia, WA. Like the Comfort Inn, the Yims own the real estate but the Debtor operates the Ramada Inn and owns the personal property therein.

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Whidbey also holds a deed of trust on the Yims' residence. Per its proof of claim, the amount owed to Whidbey as of December 16, 2013 was $13,261,564.20. Per Whidbey's appraisal, the Ramada Inn is valued at $12,800,000 for the real estate and personal property. The current contract interest is 6.25%, and the current contract payment is approximately $96,309.

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

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

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

H. Class Eight. Persona is a secured creditor on Debtor's sign for the Ramada Inn. No proof of claim has been filed to date. The total amount owed is approximately $18,424.00. Payments are current. Debtor estimates the value of the signage to be consistent with the amount owed.

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

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

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

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

M. Class Thirteen. General unsecured creditors are owed $506,560.52 based on Debtor's schedules and proofs of claim filed to date. The schedule of unsecured creditors is attached as **Exhibit A.** Debtor disputes one of the claims filed with the court, by AMB, and therefore has not included that claimed amount in its Class Thirteen estimate.

N. Class Fourteen. Class Thirteen consists of the equity interests of Sang Il Yim and Chan Sook Yim.

2. CLASSES NOT IMPAIRED BY THE PLAN

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

3. TREATMENT OF NON-IMPAIRED CLAIMS

All current fees due the United States Trustee under 28 U.S.C. §1930(a)(6) of the Bankruptcy Code shall be paid on or before the effective date. The Reorganized Debtor shall be responsible for timely payment of quarterly fees incurred pursuant to 38 U.S.C.

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1930(a)(6). After confirmation, the Reorganized Debtors shall file with the United States Trustee a monthly financial report for each month or portion thereof that the case remains open. The monthly financial report shall include a statement of disbursements made during the course of the month, whether or not pursuant to the Plan. The Reorganized Debtors shall also file the Chapter 11 Post-Confirmation Report as required by Local Rule 2015-1(c).

4. TREATMENT OF IMPAIRED CLAIMS

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

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

Class Four, Whidbey Island Bank, will receive its monthly contractual payment until the sale of the Comfort Inn closes. From the sale, Class Four will receive the proceeds remaining after payment of normal closing costs (including escrow fees, real estate commission, and excise tax), any real estate and personal property tax owing on the Comfort Inn real estate and personal property, any franchise fees owing to Choice Hotels International, the US Trustee fee of $975, and Class Two and Three's liens. An estimated distribution of

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sales proceeds is attached hereto as **Exhibit C.** As set forth on that exhibit, Debtor estimates that Class Four will receive approximately $2,690,990.

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

Any amounts owing to Class Five at the time of the sale of the Comfort Inn shall be paid from the sale proceeds.

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

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

Class Ten. Debtor shall pay the ongoing franchise license fee to Class Ten as it becomes due each month pursuant to contract, and shall pay an additional $10,000 by September 1st of each year on the past-due amount until Class Ten is brought current. Any

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remaining amount owing at the time of sale or refinance shall be paid from the sale or refinance proceeds.

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

Class Twelve's priority claim shall be paid in full through its pro-rata share of the monthly plan payments of $2,000, to be shared with Class One's allowed claims. The non-priority portion of its claim shall be treated as a Class Thirteen claim.

Class Thirteen allowed claims shall receive full payment without interest. Class Thirteen shall receive the monthly plan payment of $2,000 following full payment to Classes One, Six and Twelve. The payments shall be distributed on a pro-rata basis amongst allowed Class Thirteen claims. If the Ramada Inn is sold, the remaining balances owed to allowed Class Thirteen claimholders shall be paid in full from the sale proceeds. If a refinance occurs, the Debtor shall continue making monthly payments of $2,000 until Class Thirteen is paid in full.

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

5. TREATMENT OF INTEREST

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

6. MEANS OF IMPLEMENTING THE PLAN

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Debtor shall continue to manage and operate its businesses, the Comfort Inn in Federal Way, Washington and the Ramada Inn located in Olympia, Washington, until they are sold. The income from the businesses shall fund the payments to all creditors as set forth above.

The PSA attached hereto as **Exhibit B** (or a higher and better offer if applicable) shall be approved by court order and the reorganized Debtor shall take all actions necessary to close the sale pursuant to the PSA. The sale of the Debtor's personal property, pursuant to the provisions of 11 U.S.C. §1123(a)(5)(D), shall be free and clear of the claims of the holders of the above allowed secured claims. In the event the sale pursuant to the PSA fails to close, then the Comfort Inn shall be remarketed and sold pursuant to the provisions of §1123 and §363, subject to the Court's approval of any sale after appropriate notice and hearing.

7. ASSUMPTION OF EXECUTORY CONTRACTS AND LEASES

Debtor assumes all leases for the Ramada Inn. Debtor assumes the franchise agreement with Wyndham Worldwide. If the Comfort Inn sells prior to plan confirmation, the Choice Hotel franchise agreement will not be assumed because the new buyer will presumably have to apply for and obtain his own franchise license separately. If the plan is confirmed prior to any sale, the Debtor assumes the franchise agreement with Choice Hotels.

8. HANDLING OF CLAIMS

The Debtor-in-Possession shall review all claims filed and all objections to the allowance of such claims shall be filed within sixty (60) days after the effective date of the Plan. Debtor anticipates objecting to the claim of AMB as it disputes that any amount is owing. That claim is related to state court litigation which remains ongoing. The court previously set a claims bar date of December 17, 2013, by which time all claims had to be filed in order to be allowed.

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9. TERMINATION OF THE PLAN

The Plan shall terminate and otherwise cease to be of any force or effect upon satisfaction of all terms hereof.

10. MODIFICATION OF PLAN

The Plan proponent may propose amendments or modifications to the Plan at any time prior to confirmation. After confirmation the Debtor may, with leave of court, and so long as it does not materially or adversely affect the interest of creditors or other parties in interest, remedy any defect or omission, or reconcile any inconsistency in the Plan or in the order under 11 U.S.C. § 1129 confirming the Plan, in such manner as may be necessary to carry out the purposes, intent and effect of the Plan.

11. RETENTION OF JURISDICTION

The Court shall retain jurisdiction of this Chapter 11 case pursuant to the provisions of the Bankruptcy Code, until the proceedings are closed, and, specifically shall retain jurisdiction to hear or determine the following matters:

A. To enable the Debtor to consummate any and all proceedings which may be brought prior to or subsequent to the Order of Confirmation, to avoid or set aside liens or encumbrances, to object to claims or to the allowance thereof, to recover any preferences, transfers, assets (including accounts) or damages as entitled under the applicable provisions of the Bankruptcy Code or other federal, state or local law and to continue all related contested matters or adversary proceedings pending on the confirmation date or filed in the court thereafter.

B. To classify, allow or disallow claims and direct distribution of funds under the Plan and to adjudicate all controversies concerning the classification, treatment or allowance of any claims.

C. To enforce performance of the Plan.

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D. To hear and determine all claims arising from the rejection of executory contracts, including leases, and to consummate the rejection and termination thereof.

E. To liquidate damages in connection with any disputed, contingent or unliquidated claims.

F. To recover all assets and properties of the estate wherever located

G. To hear and determine matters concerning state, local and federal taxes.

H. To hear and determine such other matters and make such orders as are necessary and appropriate to carry out the provisions of the Plan.

12. EVENTS OF DEFAULT

In the event the Debtor defaults under the provision of the Plan as confirmed any creditor desiring to assert such a default shall provide all parties requiring notice pursuant to Section 13 of the Plan with written notice of the alleged default. The Debtor shall have thirty (30) days from receipt of the written notice in which to cure the default. Such notice shall be delivered by United States mail to the parties at the addresses set forth in Section 13. If a default is not cured, any creditor may thereafter pursue such recourse as may be legally available. For creditors holding deeds of trust secured on Debtor's real property, the terms of the note and deed, including but not limited to the default provisions and payment terms, remain in full force and effect. Upon default of the loan terms, such creditors may issue the Notice of Default pursuant to RCW 61.24 et. seq. If the default is not cured, such creditors may proceed with foreclosure as provided in RCW 61.24 et. seq or other controlling Washington state law.

13. NOTICES

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Any notice required to be transmitted hereunder shall be sufficient and proper if sent by United States first class mail to the party or parties set forth below:

To Debtor:	YSC, Inc. c/o Sang Yim 4817 S 283rd Pl Auburn, WA 98001
And to Debtor's Counsel	Wells and Jarvis, P.S. 500 Union Street, Ste 502 Seattle, WA 98101

And to any party requesting notice pursuant to Bankruptcy Rule 2002(g).

14. DISCHARGE

On the confirmation date of this Plan, Debtor will be discharged from any debt that arose before confirmation of this Plan, subject to the occurrence of the effective date, to the extent specified in 11 U.S.C. § 1141(d)(1)(A), except that the Debtor will not be discharged of any debt; (i) imposed by this Plan, (ii) of a kind specified in 11 U.S.C. § 1141(d)(6)(A) if a timely complaint was filed in accordance with Rule 4007 (c) of the Federal Rules of Bankruptcy Procedure; (iii) of a kind specified in 11 U.S.C. § 1141(d)(1)(B).

15. MISCELLANEOUS PROVISIONS

The disbursing agent for all payments made under the Plan shall be the Debtor.

RESPECTFULLY SUBMITTED this 30th day of January, 2014.

/s/ Sang Yim
Sang Yim, President
YSC, Inc.

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