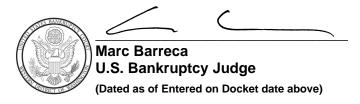
Below is the Order of the Court.



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

In re
YSC, INC.,

Case No. 13-17946

FIRST INTERIM ORDER AUTHORIZING USE OF CASH COLLATERAL

Debtor.

This matter having come before the court on the Debtor's motion for authority to use cash collateral after a preliminary hearing on a shortened time basis, and the Court finding that notice of such preliminary hearing was properly provided under Federal Rule of Bankruptcy Procedure 4001(b) and L.R. 9013-1(d)(2)(E), that use of cash collateral on an interim basis is necessary to avoid immediate and irreparable harm to the estate pending a final hearing, and that adequate protection of the interest of Wilshire State Bank and Whidbey Island Bank is appropriate under the circumstances, it is hereby

ORDERED and ADJUDGED as follows:

1. <u>Second Interim Hearing</u>. A Second Interim Hearing on Debtor's motion for authorization to use cash collateral ("Cash Collateral Motion") shall commence on September 27, 2013, at 9:30 a.m. before Judge Barreca, room 7106, 700 Stewart Street, Seattle, WA 98101. By September 10, 2013, Debtor shall serve the Agreements For Use of Cash ORDER AUTHORIZING USE OF CASH COLLATERAL - 1

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Collateral and Adequate Protection, the Cash Collateral Motion, this signed first interim order, and notice of the time within which objections may be filed pursuant to Local Bankruptcy Rule 9013(b) on Wilshire Bank, Whidbey Island Bank, any other party which has an interest in the cash collateral, any committee appointed pursuant to 11 U.S.C. § 1102 or its authorized agent, the United States trustee, and creditors and equity security holders who have served on Debtor and filed requests that all notices be mailed to them.

- 2. <u>Interim Authorization to Use Cash Collateral</u>. Pending the Second Interim Hearing, Debtor may use cash collateral in which Whidbey Island Bank and Wilshire State Bank have an interest in accordance with and subject to the conditions set forth in the Agreements and budget, a copy of which are all attached hereto as Exhibit A provided, however, that no payment shall be make to the Debtor's principals, Sang Kil Yim and Chan Sook Yim.
- 3. Approval of Agreement. The Agreements are approved with respect to all collateral used by Debtor through the conclusion of the Second Interim Hearing. Debtor is authorized and ordered to do all things authorized and required by the Cash Collateral Agreements, except that Debtor's authorization to use cash collateral shall terminate at the conclusion of the Second Interim Hearing unless that authorization is extended at that time.
- 4. <u>Adequate Protection</u>. This order and the conditions on Debtor's use of cash and other collateral and the other provisions set forth in the Agreements constitute provision of adequate protection under § 363 by Debtor of Whidbey Island Bank's and Wilshire State Bank's interest in its collateral within the meaning of § 507(b).
- 4(a) Replacement Liens. Per the agreements each bank will be granted replacement liens pursuant to § 361(2) on all post-petition assets of the same class as those in ORDER AUTHORIZING USE OF CASH COLLATERAL 2

which they had a valid and perfected unavoidable pre-petition security interest or lien which have the same priority as the Wilshire and Whidbey's allowed secured claims, and in the case where the replacement liens do not secure the amount of any diminution in value of the allowed secured claims, Wilshire and Whidbey will be entitled to an administrative priority claim.

- 4(b) <u>Monthly Payments.</u> Debtor will continue to make its monthly contractual payment of approximately \$37,000 to Wilshire Bank pursuant to the terms of its loan documents. Debtor will pay the pre-maturity contractual payment of \$96,308.83 to Whidbey Island Bank within 24 hours of the entry of this order. Debtor will also continue to make the contractual payment of approximately \$15,400 on the SBA's second-position deed of trust pursuant to the terms of the loan, which is current.
- 4(c) <u>Taxes and Insurance</u>. Debtor shall immediately provide proof of all hazard insurance the Comfort Inn and Ramada Inn, the real property and improvements as well as personal property, and establish a reserve for real and personal property taxes accruing from the Petition Date forward.
- 4(d) <u>Maintenance</u>. Debtor shall maintain the Comfort Inn and Ramada Inn in good condition and repair.
- 4(e) <u>Segregation of Bank Accounts.</u> Debtor shall keep completely segregated the expenses, proceeds, operating funds and any other income for each of its hotels to prevent commingling of the cash collateral of the different secured creditors. Debtor shall continue to maintain the Ramada Inn's funds in its Anchor Bank Account, and the Comfort Inn funds in the separate Sterling Bank Account.
- 5. <u>Default</u>. An event of default occurs with the termination or expiration of Debtor's authority to use cash collateral; failure to make any payment when due under this ORDER AUTHORIZING USE OF CASH COLLATERAL 3

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21 Signification States 21 Emily A. Jarvis W. Emily A. Jarvis W.

Presented by:

Emily A. Jarvis, WSBA #41841

Wells and Jarvis, P.S.

500 Union Street, Ste 502, Seattle, WA 98101

20 unsecured creditors for further relief.

without agreement by Wilshire or Whidbey).

206-624-0088

24 Approved for entry:

25 /s/Scott Hutchison

Scott Hutchison, WSBA #5999
Attorney for Whidbey Island Bank

ORDER AUTHORIZING USE OF CASH COLLATERAL - 4

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order or the Agreements; entry of an order terminating Debtor's authority to use existing

collateral; an announcement or order from the court holding any material provision of this

agreement invalid or unenforceable; entry of an order dismissing or converting this bankruptcy

case; failure by Debtor to comply with the terms of the order or Agreements (including failure

to stay within 120 percent of any line item on the attached budget and/or 120 percent of the

aggregate of expenses set forth on the budget, or receipt of less than 80% of projected income

business days' notice to Debtor's counsel in the event Debtor has not cured the default within

that time, Wilshire or Whidbey may administratively hold any funds in any account on which

they have replacement liens; reject all further checks written by Debtor on any account;

Debtor's right to use cash collateral shall immediately cease and the parties agree that an

expedited hearing may be had upon 10 business days' written notice to Debtor's counsel, the US

Trustee, and either the Unsecured Creditors' Committee if one exists or if not, upon the largest

/// End of Order ///

Remedy for Default. In the event of default as outlined above, and upon ten