



A handwritten signature in black ink, appearing to read "Timothy W. Dore".

**Timothy W. Dore**  
**U.S. Bankruptcy Court**  
(Dated as of Entered on Docket date above)

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

In re

RECOVERY CENTERS OF KING COUNTY,  
  
Debtor-in-Possession.

Case No. 15-13060

ORDER AUTHORIZING INTERIM  
USE OF CASH COLLATERAL AND  
PAYMENT OF PRE-PETITION WAGE  
CLAIMS

This matter having come before the court for a preliminary hearing on a shortened time basis on the Debtor's motion for interim authority to use cash collateral and to authorize payment of employees, and the Court finding that notice of such preliminary hearing was properly provided, and the Court finding 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 Bank of America's interests are adequately protected under the circumstances, and good cause having been shown for payment of employees, it is hereby

ORDERED and ADJUDGED as follows:

1. Final Hearing. A Final Hearing on Debtor's motion for authorization to use cash collateral ("Cash Collateral Motion") shall commence on July 24, 2015, at 9:30 a.m. before Judge Dore, room 8106, 700 Stewart Street, Seattle, WA 98101. By June 1, 2015,

ORDER AUTHORIZING USE OF CASH COLLATERAL AND PAYMENT OF PRE-PETITION WAGE  
CLAIMS - 1

1 Debtor shall serve this signed order, any agreement for use of cash collateral entered into with  
2 Bank of America and/or any proposed budget and order for continued use of cash collateral,  
3 and notice of the time within which objections may be filed pursuant to Local Rules W.D.  
4 Wash. Bankr. 9013(b) on Bank of America and any other party which has an interest in the  
5 cash collateral, any committee appointed pursuant to 11 U.S.C. § 1102 or its authorized  
6 agent, the United States trustee, and creditors and equity security holders who have served on  
7 Debtor and filed requests that all notices be mailed to them.  
8

9 2. Interim Authorization to Use Cash Collateral. Pending the Final Hearing, Debtor  
10 may use cash collateral in which Bank of America has an interest in accordance with and  
11 subject to the conditions set forth herein and the budget attached hereto as **Exhibit A**. In  
12 addition, Debtor may use cash collateral, in which Bank of America has an interest, outside of  
13 the budget Exhibit A, so long as the Debtor and Bank of America agree to such a non-  
14 substantial deviation from the budget.  
15

16 3. In addition to the monthly reports filed with the court, the Debtor shall provide  
17 to counsel for Bank of America bi-weekly reports indicating progress on marketing of the  
18 Debtor's property, expenditures over the past two-week period and the balance of cash on hand.  
19

20 4. Terms of Use. Debtor's use of cash collateral consistent with the terms herein is  
21 approved through the conclusion of the Final Hearing. Debtor's authorization to use cash  
22 collateral shall terminate at the conclusion of the Final Hearing unless that authorization is  
23 extended at that time.

24 5. Adequate Protection. In addition to the equity cushion on the Debtor's real estate,  
25 and the conditions on Debtor's use of cash and other collateral, as adequate protection for use  
26 of Bank of America's cash collateral, pursuant to §§ 361(2) and 363(c)(1) and (2) of the  
27 ORDER AUTHORIZING USE OF CASH COLLATERAL AND PAYMENT OF PRE-PETITION WAGE  
CLAIMS - 2

1 Bankruptcy Code, Bank of America is hereby granted liens and security interests (as the case  
2 may be) upon all property of the estate as defined in § 541 of the Bankruptcy Code that is the  
3 same category, kind, type, character or description as were subject to perfected and valid  
4 security interests in existence in favor of Bank of America as of the Petition Date. The  
5 property securing the Debtor's use of cash collateral includes, but is not limited to, all existing  
6 and after-acquired property of the Debtor's estate, whether now existing or hereafter arising,  
7 whether real or personal, tangible or intangible, whether any such property is now owned or  
8 hereafter acquired or existing, and all records (including computer software) pertaining to the  
9 foregoing, and substitutions for, all proceeds, and all products of all of the foregoing, to the  
10 fullest extent permitted by law, including, without limitation, all insurance policies insuring  
11 property of the Debtor, or any part thereof, and proceeds of said insurance, including unearned  
12 premiums that are of the same category, kind, type, character or description as were subject to  
13 perfected and valid security interests in existence in favor of Bank of America as of the Petition  
14 Date (all of the above described property is hereafter referred to collectively as "Adequate  
15 Protection Collateral"). Except for any currently existing senior perfected liens or security  
16 interests in the Adequate Protection Collateral, the liens and security interests granted herein  
17 shall be first and prior perfected liens in the Adequate Protection Collateral. Bank of  
18 America's replacement security interest in and lien upon the Adequate Protection Collateral  
19 from and after the Petition Date shall attach to the same category, type, kind, character, and  
20 description of assets that were subject to perfected and valid security interests in existence as of  
21 the Petition Date. The liens and security interests granted herein shall secure the impairment, if  
22 any, of the value of the interest of Bank of America in the cash collateral, and will have the  
23 same relative priority as any valid and unavoidable liens held by Bank of America as of the  
24

25 ORDER AUTHORIZING USE OF CASH COLLATERAL AND PAYMENT OF PRE-PETITION WAGE  
26 CLAIMS - 3  
27

1 Petition Date, but shall not be construed to enhance or improve the position of Bank of  
2 America.

3 This Order shall be deemed to be and shall constitute a security agreement under the  
4 applicable provisions of the Uniform Commercial Code ("UCC") in effect from time to time in  
5 the states in which Debtor (a) is domiciled, (b) operates its business, and (c) maintains its  
6 principal place of business. The liens and security interests created by this Order are perfected  
7 by operation of law upon entry of this Order by the Court. Bank of America shall not be  
8 required to file financing statements, deeds of trust, or take any action to validate or perfect  
9 such liens and security interests. If Bank of America, in its discretion, chooses to file financing  
10 statements or other documents or otherwise confirm perfections of such liens and interests,  
11 Debtor is hereby authorized and directed to execute any other security agreement, UCC 1  
12 financing statements, and supporting documents as may be reasonably requested by Bank of  
13 America to document any adequate protection liens provided and permitted by this Order.  
14 Debtor shall cooperate with Bank of America in executing such other documentation as Bank  
15 of America deems reasonably necessary to effectuate the terms of this Order.  
16  
17

18 To the extent the adequate protection provided to Bank of America in the form of  
19 security interests and liens granted pursuant to this Order proves to be inadequate, Bank of  
20 America shall be entitled to (without limitation) the benefits of § 507(b) of the Bankruptcy  
21 Code.  
22

23 5(a) Insurance. Upon request of Bank of America, Debtor shall immediately  
24 provide proof of all hazard insurance for the real property and improvements as well as  
25 personal property, and shall maintain adequate insurance at all times.

26 5(b) Maintenance. Debtor shall maintain its three real properties in good  
27

ORDER AUTHORIZING USE OF CASH COLLATERAL AND PAYMENT OF PRE-PETITION WAGE  
CLAIMS - 4

1 condition and repair.

2 5(c) Bank Account. Debtor shall continue to maintain is main  
3 operating/payroll account at Key Bank.

4 5(d) Budget. During the relevant time period Debtor shall ensure that no  
5 expenditure exceeds the amount set forth on **Exhibit A** by more than 10% and that overall  
6 expenditures not exceed 5%.

7  
8 6. Default. An event of default occurs with the termination or expiration of  
9 Debtor's authority to use cash collateral; failure to comply with the terms of this order; entry of  
10 an order terminating Debtor's authority to use existing collateral; entry of an order dismissing  
11 or converting this bankruptcy case.

12 7. Remedy for Default. In the event of default as outlined above, and upon ten  
13 business days' notice to Debtor's counsel in the event Debtor has not cured the default within  
14 that time, Bank of America may administratively hold any funds in any account on which they  
15 have replacement liens; reject all further checks written by Debtor on any account; Debtor's  
16 right to use cash collateral shall immediately cease and the parties agree that an expedited  
17 hearing may be had upon 10 business days' written notice to Debtor's counsel, the US Trustee,  
18 and either the Unsecured Creditors' Committee if one exists or if not, upon the largest 20  
19 unsecured creditors for further relief.

20  
21 8. Payment of Employees. Debtor is authorized to pay the wages itemized on the  
22 attached **Exhibit B** (including the pre-petition portion of the claims) in the amounts set forth on  
23 **Exhibit B**, and is also authorized to pay all payroll-related taxes associated with these  
24 payments.  
25

26 /// End of Order ///

27 ORDER AUTHORIZING USE OF CASH COLLATERAL AND PAYMENT OF PRE-PETITION WAGE  
CLAIMS - 5

1 Presented by:

2 /s/ Emily A. Jarvis

3 Emily A. Jarvis, WSBA #41841

4 Wells and Jarvis, P.S.

5 500 Union Street, Ste. 502

6 Seattle, WA 98101

7 206-624-0088

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27 ORDER AUTHORIZING USE OF CASH COLLATERAL AND PAYMENT OF PRE-PETITION WAGE  
CLAIMS - 6

RECOVERY CENTERS OF KING COUNTY  
2015 BUDGET FOR MAY-SEPT.

	May	June	July	Aug	Sept	Total
Salaries & Wages	\$ 13,834.00	\$ 6,000.00	\$ 6,000.00	\$ 6,000.00	\$ 6,000.00	\$ 37,834.00
FICA-Employer	\$ 1,060.00	\$ 459.00	\$ 459.00	\$ 459.00	\$ 459.00	\$ 2,896.00
StWA Unemp.-Employer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
StWa Lab&Ind-Employer	\$ 300.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 1,100.00
Medical Insurance-Employer	\$ 2,400.00	\$ 600.00	\$ 600.00	\$ 600.00	\$ 600.00	\$ 4,800.00
Dental Insurance-Employer	\$ 150.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 310.00
Life/Disability Insurance-Employer	\$ 300.00	\$ 160.00	\$ 160.00	\$ 160.00	\$ 160.00	\$ 940.00
403B (Match Employer)	\$ 125.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 525.00
Prof Svcs - Accounting	\$ -	\$ -	\$ -	\$ -	\$ 5,000.00	\$ 5,000.00
Prof Svcs - Legal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prof Svcs - Computer & IT	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 25,000.00
MIP Acctg	\$ 1,100.00	\$ 1,100.00	\$ 1,100.00	\$ 1,100.00	\$ 1,100.00	\$ 5,500.00
Facility Maintenance Supplies	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 250.00
Telephone & Internet	\$ 3,800.00	\$ 3,800.00	\$ 3,800.00	\$ 3,800.00	\$ 3,800.00	\$ 19,000.00
Security Guard Expense (16/hr)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rent - Medical Storage	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 6,000.00
Utilities - Electrical, Water/sewer, Garbage	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00	\$ 35,000.00
Elevator maint	\$ -	\$ -	\$ 1,920.00	\$ -	\$ -	\$ 1,920.00
Repairs & Maintenance	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 2,500.00
Mortgage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes Expense	\$ -	\$ -	\$ -	\$ -	\$ 2,240.00	\$ 2,240.00
B & O Tax	\$ -	\$ -	\$ -	\$ 1,000.00	\$ -	\$ 1,000.00
Shredding company	\$ -	\$ 2,000.00	\$ -	\$ -	\$ -	\$ 2,000.00
Office Supplies	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 1,500.00
Insurance - Business	\$ 4,600.00	\$ 4,600.00	\$ 4,600.00	\$ 4,600.00	\$ 4,600.00	\$ 23,000.00
Equipment Lease	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ 41,719.00</b>	<b>\$ 33,109.00</b>	<b>\$ 33,029.00</b>	<b>\$ 32,109.00</b>	<b>\$ 38,349.00</b>	<b>\$ 178,315.00</b>

**List of remaining employees**

		<b>Payroll per pay period</b>	
Carole Hayes	Executive Director	\$	3,076.80
Mary-Ann Taja	Chief Financial Officer	\$	2,912.00
Marilyn Rusness	A/P, A/R Specialist	\$	1,700.00 last day May 29th*
Ardyth Bury	Inpatient Director	\$	1,633.20 last day May 29th
Stephanie Shake	CDPT	\$	1,040.00 last day May 29th
Shervin McCammon	Operation Supervisor	\$	1,440.00 last day May 29th
Dean Savelli	Property Manager	\$	1,152.00 last day May 29th
Walter Johnson	Unit Attendant	\$	880.00 last day May 29th
Total payroll		\$	13,834.00
Taxes 7.65%		\$	1,058.30
L & I		\$	300.00
<b>Total for each payroll</b>		<b>\$</b>	<b>15,192.30</b>

\* Some of these employees may be extended/brought on again on a contract basis if necessary