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6 Proposed Counsel for Chapter 11 Debtor and Debtor in Possession

7  
8 **UNITED STATES BANKRUPTCY COURT**  
9 **Southern District of California**

10  
11 In re: ) Case No. 12-09415-PB11  
 )  
12 SANTA YSABEL RESORT AND CASINO, ) Chapter 11  
 )  
13 Debtor and Debtor in Possession. )  
 )  
14 ) **OMNIBUS STATEMENT OF FACTS**  
15 ) **AND OMNIBUS DECLARATION OF**  
16 ) **DAVID CHELETTE IN SUPPORT**  
 ) **THEREOF**  
17 ) **[Debtor's Emergency First Day Motions**  
18 ) **and Declaration of John-Patrick M. Fritz,**  
 ) **Esq. Filed Concurrently Herewith]**  
19 )  
20 )  
21 )

1 **OMNIBUS STATEMENT OF FACTS**

2 Santa Ysabel Resort and Casino (the "Debtor"), the chapter 11 debtor and debtor in  
3 possession in the above-captioned bankruptcy case, hereby files its self-styled *Omnibus Statement*  
4 *of Facts in Support of First Day Motions* (the "Omnibus Facts"). The Omnibus Facts set forth  
5 herein are based on the annexed declaration of David Chelette (the "Omnibus Declaration") and  
6 the exhibits thereto.

7  
8 **A. BACKGROUND INFORMATION AND EVENTS LEADING TO BANKRUPTCY.**

9 On July 2, 2012 (the "Petition Date"), the Debtor commenced its bankruptcy case by  
10 filing a voluntary petition for relief under chapter 11 of title 11 of the United States Code § 101  
11 *et seq.* (the "Bankruptcy Code"). No trustee has been appointed, and the Debtor is managing its  
12 financial affairs as a debtor in possession pursuant to sections 1107 and 1108 of the Bankruptcy  
13 Code.

14 The Debtor is a casino (the "Casino") located off of Highway 79 in North San Diego  
15 County overlooking Lake Henshaw on beautiful, scenic tribal Indian reservation land in Santa  
16 Ysabel, California. The Casino is housed in a one-story, 37,000 square-foot building with 349  
17 class III slot machines, four poker tables, six table games, and a restaurant and bar with 200-  
18 person seating capacity. The Casino employs approximately 120 people and is the largest  
19 employer in Santa Ysabel.

20 The Debtor is an unincorporated company. The Casino is owned by the Iipay Nation of  
21 Santa Ysabel, formerly known as the Santa Ysabel Band of Mission (Diegueno) Indians (the  
22 "Iipay Nation"). The Iipay Nation is a federally recognized Indian tribe. The Casino is operated  
23 pursuant to the Indian Gaming Regulatory Act ("IGRA") under title 25 of the United States Code.

24 The Casino originally was conceived as a full-service resort, hotel, and casino, offering a  
25 one-stop destination for visitors to enjoy the beautiful surrounding lake and mountain lands, stay  
26 at the hotel, dine at the resort restaurant, enjoy all the amenities of a resort, and gamble at the  
27 casino. Surfacing, leveling, and compaction of soil for construction began in 2003. Construction  
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1 on the Casino building began in 2005. Unfortunately, construction took place at the height of the  
2 Southern California construction boom between 2005 and 2007, when prices for real estate,  
3 building materials, and labor were at their highest. Due to the high price of construction, there  
4 were insufficient funds to complete the resort and hotel, and only the Casino with its restaurant  
5 and bar were built.

6 The Casino opened in 2007 as sub-prime mortgage securities began to default in large  
7 numbers, the real estate market began to crash, and the general economy entered a severe and  
8 historic recession. With a slowing economy, leisure gaming revenue plummeted, and there were  
9 no loans available to complete the construction of the hotel and resort. Additionally, wildfires in  
10 2007 shut down the Casino for over a week, immediately creating an operating deficit. Because  
11 all capital had been spent on the construction of the Casino, there were insufficient funds to  
12 adequately advertise and promote the Casino's grand opening to potential guests.

13 The Casino was funded with a primary loan from JP Morgan in the amount of  
14 approximately \$26,000,000 (the "JP Morgan Debt") and a secondary loan from the Yavapai  
15 Apache Nation (the "YAN") in the amount of approximately \$7,000,000. In 2009 the YAN  
16 purchased JP Morgan's note The Casino's gaming machines are provided by IGT. In order to  
17 operate the Casino, the Debtor entered into a memorandum of understanding (the "MOU") with  
18 the County of San Diego (the "County") to provide for, amongst other things, law enforcement  
19 support for the Casino and to compensate the County for the impact that the Casino would have  
20 on the surrounding community.

21 The debt service to JP Morgan, the YAN, and compensation to the County under the  
22 MOU were all premised on a fully operating hotel, resort, and casino and were calculated in the  
23 years before the recession. However, without a hotel and resort, the Casino could not produce the  
24 projected revenues to cover the projected payments. These projected payments were never  
25 restructured or modified to take into account the real world situation of the Casino operating  
26 without a hotel and resort, much less in a down economy.

1 On or about February 8, 2012, the YAN received a judgment against the Iipay Nation of  
2 Santa Isabel [sic] in the Yavapai-Apache Nation Tribal Court in the amount of \$9,004,577.64.  
3 The YAN had the judgment recognized by a California state court on May 29, 2012, and recorded  
4 the YAN judgment lien with the California Secretary of State on June 8, 2012. The judgment lien  
5 purports to attach to all personal property of the Iipay Nation, including the Debtor's personal  
6 property at the Casino.

7 The Debtor was unable to pay the County its monthly payments of \$50,000 for a total of  
8 \$600,000 per year under the MOU, and on May 29, 2012, the County levied upon the Debtor's  
9 bank account. At a hearing on May 31, 2012, the San Diego Superior Court chastised the County  
10 for unlawfully levying upon the Debtor's bank account, but the account has remained frozen with  
11 \$70,000 in funds.

12 In the weeks leading up to the Petition Date, the Debtor requested mediation with the  
13 YAN and the County to restructure the debt service and renegotiate the MOU but without  
14 success. The County continued to pursue the Debtor's assets, cash, and bank accounts, and the  
15 YAN threatened to foreclose on the Debtor's personal property, which would shut down the  
16 Casino and immediately result in the loss of 120 jobs in the local community. In order to save the  
17 Casino, preserve the local community jobs, restructure the debts to the YAN, restructure the terms  
18 of the MOU, and preserve the estate for the benefit of all creditors of the estate and parties in  
19 interest, the Debtor decided in its reasonable business judgment to file for chapter 11 bankruptcy.

20 **B. THE DEBTOR'S DEBT STRUCTURE AND PRIMARY ASSETS AND**  
21 **LIABILITIES.**

22 The Debtor's primary asset is the Casino, including the 37,000 square-foot building,  
23 restaurant, bar, furniture, fixtures, and equipment, four poker tables, six table games, 349 class III  
24 gaming machines, and approximately 60 office computers.

25 Attached to the declaration of John-Patrick M. Fritz, Esq. (the "Fritz Declaration") as  
26 Exhibit "A" is a summary of UCC-1 Financing Statements and the actual UCC-1 Financing  
27 Statements affecting the Debtor that were obtained by conducting a search under the name "Santa  
28

1 Ysabel Band of Diegueno Mission Indians,” which is the former official name of the Iipay  
2 Nation. Attached to the Fritz Declaration as Exhibit “B” is a summary of UCC-1 Financing  
3 Statements and the actual UCC-1 Financing Statements affecting the Debtor that were obtained  
4 by conducting a search under the name “Iipay Nation of Santa Ysabel.”

5 The Debtor’s personal property at the Casino is subject to a judgment lien in favor of the  
6 YAN, recorded with the California Secretary of State on June 8, 2012. By way of assignment of  
7 the JP Morgan Debt, the YAN have what amounts to a blanket lien on the Casino’s assets. The  
8 Debtor disputes the validity and extent of this lien. The Debtor believes that the value of its  
9 personal property at auction sale (excluding the gaming machines) would be \$250,000.

10 IGT has a first-position lien on the 349 class III gaming machines and holds a secured  
11 claim in the amount of approximately \$7,196,388. The Debtor believes that IGT is owed more  
12 than the value of the gaming machines. As shown on Exhibits “A” and “B” to the Fritz  
13 Declaration, IGT does not have a valid UCC-1 financing statement on file with the California  
14 Secretary of State, and, therefore, the Debtor believes that IGT’s claim may be rendered  
15 unsecured.

16 The Debtor had a prepetition bank account at Borrego Springs Bank with funds in the  
17 amount of \$70,000. San Diego County levied upon that account, and the \$70,000 is frozen  
18 pursuant to an order of the San Diego Superior Court.

19 The validity and extent of liens on the Debtor’s property is restricted in accordance with  
20 IGRA. The Casino real estate and building are free of liens and cannot be encumbered as  
21 collateral for a debt. The gaming revenue cannot be encumbered by a lien in excess of 40% in  
22 accordance with IGRA, and the Debtor submits that no creditor has a valid security interest on its  
23 gaming revenue, cash, or cash collateral.

24 The Debtor has approximately \$1.3 million of general unsecured trade debt.

25 **C. MOTION TO APPROVE OPERATING BUDGET.**

26 The Debtor requires the immediate use of cash in accordance with its operating budget  
27 (the “Budget”) attached hereto as Exhibit “1” so that it can maintain operations and going concern  
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1 value while it attempts to reorganize its financial affairs. The Debtor is requesting an order  
2 approving the Budget on an emergency basis, and requests immediate consideration of the Motion  
3 so that it may use its cash to operate its business. The Debtor operates a casino engaged in the  
4 business of gambling, gaming, entertainment, and amenities appurtenant thereto. It is the  
5 Debtor's position that its cash is not cash collateral, that no party has a lien on its property that  
6 would result in the creation of cash collateral or an interest therein. Most, if not all, of the  
7 Debtor's expenses in the Budget are expenses in the ordinary course of business. However, in an  
8 abundance of caution, the Debtor makes this motion to the Court so as to protect the estate and  
9 ensure that estate cash is not being used contrary to the protections of the Bankruptcy Code.

10 The Debtor requires the use of its cash to pay for the expenses in the Budget to operate its  
11 business and maintain its going-concern value while it attempts to reorganize its financial affairs.  
12 The only source of revenue available to the Debtor to use to operate its business is the revenue  
13 generated from the casino gaming operations and activities incidental thereto. As a result, the  
14 Debtor has no ability to continue to operate its business and maintain the going concern value  
15 thereof unless the Debtor has immediate access to, and use of, its cash to pay the Debtor's  
16 ordinary operating expenses, including, but not limited to, payroll, insurance, and utilities, etc.  
17 The Debtor's inability to pay those expenses would cause immediate and irreparable harm to the  
18 Debtor and its business. The inability of the Debtor to use its cash would result in the immediate  
19 closure of the Casino, which would lead to a precipitous decline in the Debtor's going-concern  
20 value, if not its complete obliteration, and gravely jeopardize any reorganization of the Debtor's  
21 business, which would harm all creditors of the Debtor and the estate, as well as the loss of 120  
22 local jobs and any hope of ability to restructure and repay claims against the estate.

23 Accordingly, the Debtor respectfully requests that the Court enter an order authorizing the  
24 Debtor to use its cash pursuant to the Budget on an interim basis pending a final hearing, except  
25 that the Debtor seeks Court authority to exceed the total budgeted sums (both individually and in  
26 the aggregate) by no more than 15% to enable the Debtor to avoid having to rush back into Court  
27 if the Debtor's actual expenses exceed the Debtor's budgeted expenses by a small amount.

1 Moreover, if actual expenditures for any line items during a particular period are less than in the  
2 Budget, the difference shall carryover to the following months. Finally, many of the Debtor's  
3 operating expenses (particularly food products) are variable expenses, which are tied to the  
4 Debtors' revenue. To the extent the Debtor's actual revenue exceeds the projected revenue  
5 contained in the Budget, the Debtor seeks authority to increase the amount of its related variable  
6 cost operating expenses on a proportional basis

7 The Debtor believes that to the extent that any creditors have validly perfected security  
8 interests in the Debtor's cash collateral, they are adequately protected because the collateral asset  
9 base is not depreciating. As further adequate protection, the Debtor proposes to provide any such  
10 creditor with a replacement lien against the Debtor's assets, with such replacement lien to the  
11 same extent, validity, and priority as the pre-petition lien held by such creditor.

12 A proposed form of order approving the Budget is attached as Exhibit "A" to the  
13 concurrently filed *Debtor's Emergency First Day Motion for Order Approving Operating Budget*  
14 (the "Operating Budget Motion").

15 **D. WAGE MOTION.**

16 The Debtor currently employs approximately 120 people (the "Employees"), to carry out  
17 the Debtor's business operations. The Employees are paid every two weeks in arrears. The  
18 payroll cycle begins on a Sunday and ends two weeks later on Saturday. Payroll is funded to the  
19 payroll service ADP on Monday, ADP sends checks to the Debtor on Wednesday, and checks are  
20 distributed to employees on Friday.

21 On July 13, 2012, the Debtor is required to pay wages (the "Wages") to the Employees for  
22 the period of June 24, 2012, through and including July 7, 2012, of which ten (10) days cover  
23 prepetition wages. The Debtor estimates that the total Wages due to its Employees on July 7,  
24 2012, including payroll taxes will be approximately \$136,000, which is an estimate based on the  
25 information currently available to the Debtor and which assumes an eight hour work day for  
26 Employees that are paid on an hourly basis, which the Debtor will only be able to verify after  
27 obtaining completed time sheets from such Employees.

1 The source of the funds to be used to pay and/or honor the pre-petition Wages and accrued  
2 vacation and leave benefits of the Employees will be the Debtor's cash on hand and revenues from  
3 operations. Concurrently herewith, the Debtor has filed the Operating Budget Motion which  
4 incorporates a Budget that includes proposed payment of the Wages.

5 The Wages the Debtor proposes to pay are for Employees that the Debtor still employs and  
6 will continue to employ at this time. The proposed payments to the Employees are absolutely  
7 necessary. The Debtor cannot continue to operate and reorganize without the Employees. It is  
8 crucial for the Debtor to retain the Employees to operate its business, particularly during this crucial  
9 beginning phase of its bankruptcy case, where additional administrative and other obligations are  
10 imposed upon the Debtor. If the Debtor does not continue to pay the Employees their ordinary and  
11 earned Wages and continue to honor employee benefits, the Employees will likely quit. Without  
12 the Employees, the Debtor's business will be severely impaired, if not eviscerated altogether. The  
13 Debtor must retain the Employees to remain in business and preserve the value of the Debtor's  
14 assets.

15 The proposed payment procedures are beneficial to the estate. In order to attract and retain  
16 employees and staff, among other things, the Debtor maintains what it believes are competitive and  
17 reasonable wage, vacation and leave benefits policies. The Debtor believes that maintaining good  
18 relationships with, and the morale of, the Employees requires continuing to honor vacation and  
19 leave policies currently in effect for the Employees. By this Motion, the Debtor is seeking to honor  
20 these policies post-petition in order to allow the Employees to take their accrued vacation or leave  
21 time in the ordinary course of business. If the Debtor does not honor such Wages and benefits, the  
22 Debtor runs a serious risk of losing its Employees, and the loss of the Employees would be severely  
23 detrimental to the Debtor's business.

24 The Debtor does not seek to pay any pre-petition claims of any insiders of the Debtor at this  
25 time. The Employees referenced herein are not insiders of the Debtor. To the extent the Debtor  
26 pays insiders, it will first file any and all appropriate notices.

1 The \$136,000 figure for the Wages includes wages for two insiders, David Chelette, general  
2 manager, and Charles Bauman, controller. However, payment of these pre-petition and any post-  
3 petition compensation to the insiders will be subject to a separately filed *Debtor's Ex Parte*  
4 *Emergency First Day Motion for: (1) Interim Order Authorizing Insider Compensation; (2) Order*  
5 *Authorizing Insider Compensation on a Final Basis After Notice and Hearing; and (3) Authorizing*  
6 *Payment of Insider Pre-petition Priority Wages* (the "Insider Compensation Motion"). The Debtor  
7 will not pay any pre-petition or post-petition wages to the insiders without court approval of the  
8 Insider Compensation Motion.

9 All of the Employees' claims are within the \$11,725 limit established by 11 U.S.C. §  
10 507(a)(4). No employee shall receive in value over \$11,725 on account of claims for Wages and  
11 vacation or leave benefits.

12 The proposed payments will not render the Debtor's estate administratively insolvent. The  
13 source of the funds to be used to pay and/or honor the pre-petition Wages and accrued vacation and  
14 leave benefits of the Employees will be the Debtor's cash on hand and revenues from operations.  
15 The Debtor believes that its cash on hand and revenues are sufficient to pay the Wages without  
16 rendering the Debtor's estate administratively insolvent.

17 A proposed form of order is attached as Exhibit "A" to the concurrently filed *Debtor's*  
18 *Emergency First Day Motion for Order Authorizing Debtor to (1) Pay Pre-petition Priority*  
19 *Wages and (2) Honor Accrued Vacation and Leave Benefits* (the "Wage Motion").

20 **E. UTILITY MOTION.**

21 To operate the Casino, the Debtor receives water, telephone, electricity, and similar utility  
22 services from a number of utility companies (each a "Utility Company" and collectively, the  
23 "Utility Companies"). Given the importance of the services provided by the Utility Companies to  
24 the Debtor, it is crucial that the means of providing adequate assurance to the Utility Companies  
25 which provide utility services to the Debtor be determined immediately so that there is no  
26 interruption in the services provided. An interruption in the services provided would lead to an  
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1 inability to conduct business, drive away guests, and harm the Casino's reputation and ability to  
2 attract new guests, all of which would reduce the Debtor's income.

3 Attached as Exhibit "2" to the annexed Omnibus Declaration is a list which sets forth, to  
4 the extent possible, on an account-by-account basis, the name and address of the Utility  
5 Companies currently providing utility services to the Debtor, the type of utility services provided  
6 by the Utility Companies, the account number with the Utility Companies, the total amount  
7 incurred by the Debtor on such accounts according to the three most recent bills, and the one-  
8 month average payment based on the three most recent bills.

9 The Debtor intends to provide adequate "assurance of payment" by providing the Utility  
10 Companies with cash deposits, as authorized by Section 366(c)(1)(A)(i) of the Bankruptcy Code,  
11 in the amounts proposed in Exhibit "2" to the Omnibus Declaration. For each account that the  
12 Debtor has with a Utility Company, the Debtor is proposing to provide the Utility Company with  
13 a cash deposit in an amount equal to the one-month average payment based on the amount  
14 incurred on the account according to the three most recent bills.

15 The source of the funds to be used to pay the cash deposits to the Utility Companies will  
16 be cash on hand and revenue from operations. Concurrently herewith, the Debtor has filed the  
17 Operating Budget Motion for Court approval of the Budget, which includes the cash deposits to  
18 the Utility Companies.

19 A proposed form of order is attached as Exhibit "A" to the concurrently filed *Debtor's*  
20 *Emergency First Day Motion for Order Authorizing Debtor to Provide Adequate Assurance of*  
21 *Payment to Utility Companies Pursuant to Section 366(c) of the Bankruptcy Code* (the "Utilities  
22 Motion").

23 **F. MOTION FOR AUTHORITY TO CONTINUE USING CASH MANAGEMENT**  
24 **SYSTEM AND MAINTAIN EXISTING BANK ACCOUNTS.**

25 As of the filing date, the Debtor maintained one bank account (the "Account") with Bank  
26 of America ending in account number 8632. The Debtor requests permission to keep this bank  
27 account open for an indefinite period of time while it transitions into operations as a debtor in  
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1 possession. Prior to the bankruptcy filing, San Diego County improperly levied upon the  
2 Debtor's bank account, which led to a freeze of that account and caused the Debtor to open the  
3 new Account on or about June 19, 2012.

4 The Debtor must maintain the Account for processing of credit card and debit card  
5 payments from guests. If the Account is closed, the Debtor will risk losing revenue and income  
6 on these credit card and debit card payments. Opening new accounts for the Debtor is a difficult  
7 task because of money laundering concerns and other concerns particular to casino and gambling  
8 banking. These difficulties are further exasperated by San Diego County's prepetition levying  
9 fiasco. The Debtor will work with the Office of the United States Trustee and seek to open new  
10 debtor-in-possession bank accounts with Bank of America as appropriate and necessary. In the  
11 meantime, the Debtor seeks to maintain the Account to achieve a smooth transition into chapter  
12 11 operations and keep the Account open as long as necessary and appropriate.

13 The Debtor will take steps and be vigilant to ensure that prepetition claims are not paid  
14 from the Account. There are no outstanding prepetition checks written on the Account.

15 A proposed form of order is attached as Exhibit "A" to the concurrently filed *Debtor's*  
16 *Emergency First Day Motion for Order (1) Authorizing the Continued Use of the Debtor's Cash*  
17 *Management System; (2) Authorizing the Maintenance of the Debtor's Existing Bank Accounts;*  
18 *and (3) Directing Release of Administrative Freezes or Holds on Accounts* (the "Cash  
19 Management Motion").

20 **G. MOTION TO HONOR PREPETITION OBLIGATIONS TO CUSTOMERS.**

21 In connection with the Casino operations, the Debtor carries on certain customer incentive  
22 programs (the "Programs") to promote customer loyalty and increased patronage of the Casino.  
23 The Programs include the Players' Club and the Mile High Club, which are truncated into four  
24 tiers or levels. Patrons of the Casino earn points by playing games at the Casino and using its  
25 amenities and then redeem those points during game play or for the purchase of food or beverages  
26 based on patrons' average daily theoretical win. The Programs also entitle customers to discounts  
27 at the bar and restaurant and special events.

1 The seamless continuation of the Programs is crucial to the Debtor's continued operations  
2 and preservation of the going-concern value of the estate. If the Programs are cancelled or are not  
3 honored, then it is all but certain that the Debtor will lose customer good will and suffer negative  
4 publicity as the Debtor's loyal customers leave and take their business elsewhere, resulting in  
5 deleterious effects on the Debtor's revenues and business operations. Failure to honor the  
6 Programs will severely and irreparably harm the Debtor's customer relations and reputation. The  
7 Debtor has developed and promoted the Programs in its reasonable business judgment as a  
8 mechanism for improving business operations and revenue at the Casino, and the continuation of  
9 the Programs is essential for the Debtor's successful reorganization.

10 The Debtor believes that honoring its prepetition customer obligations and the Programs  
11 initiated prepetition in the ordinary course is in the best interests of the Debtor and its estate.  
12 Accordingly, the Debtor respectfully requests that the Court allow the Debtor to honor prepetition  
13 participation in the Programs during the postpetition period without interruption.

14 A proposed form of order is attached as Exhibit "A" to the concurrently filed *Debtor's*  
15 *Emergency First Day Motion for Order Authorizing Debtor to Honor Prepetition Obligations to*  
16 *Customers* (the "Wage Motion").

17  
18 Dated: July 3, 2012

SANTA YSABEL RESORT AND CASINO

19 By: /s/ Ron Bender  
20 RON BENDER  
21 JOHN-PATRICK M. FRITZ  
22 LEVENE, NEALE, BENDER, YOO  
23 & BRILL L.L.P.  
24 Proposed Counsel for Debtor and  
25 Debtor in Possession  
26  
27  
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**DECLARATION OF DAVID CHELETTE**

I, David Chelette, hereby declare as follows:

1. I am over 18 years of age. I have personal knowledge of the facts set forth herein, and, if called as a witness, could and would testify competently with respect thereto.

2. I am the general manager of Santa Ysabel Resort and Casino (the "Debtor"), the chapter 11 debtor and debtor in possession in the above-referenced bankruptcy case. I have been employed by the Debtor since March 11, 2007.

3. I have access to the books and records of the Debtor. I am familiar with the history, organization, operations and financial condition of the Debtor. The records and documents referred to in this Declaration constitute writings taken, made, or maintained in the regular or ordinary course of the Debtor's business at or near the time of act, condition or event to which they relate by persons employed by the Debtor who had a business duty to the Debtor to accurately and completely take, make, and maintain such records and documents.

4. I make this declaration based on my own personal knowledge and upon the books and records of the Debtor.

5. I make this declaration in support of the Emergency First Day Motions filed by the Debtor. Unless otherwise stated all capitalized terms herein have the same meanings as in the Omnibus Statement of Facts to which this Declaration is attached.

**A. BACKGROUND INFORMATION AND EVENTS LEADING TO BANKRUPTCY.**

6. On July 2, 2012 (the "Petition Date"), the Debtor commenced its bankruptcy case by filing a voluntary petition for relief under chapter 11 of title 11 of the United States Code § 101 *et seq.* (the "Bankruptcy Code"). No trustee has been appointed, and the Debtor is managing its financial affairs as a debtor in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

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1 III slot machines, four poker tables, six table games, and a restaurant and bar with 200-person  
2 seating capacity. The Casino employs approximately 120 people and is the largest employer in  
3 Santa Ysabel.

4 8. The Debtor is an unincorporated company. The Casino is owned by the Iipay  
5 Nation of Santa Ysabel, formerly known as the Santa Ysabel Band of Mission (Diegueno) Indians  
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9 9. The Casino originally was conceived as a full-service resort, hotel, and casino,  
10 offering a one-stop destination for visitors to enjoy the beautiful surrounding lake and mountain  
11 lands, stay at the hotel, dine at the resort restaurant, enjoy all the amenities of a resort, and gamble at  
12 the casino. Surfacing, leveling, and compaction of soil for construction began in 2003.  
13 Construction on the Casino building began in 2005. Unfortunately, construction took place at the  
14 height of the Southern California construction boom between 2005 and 2007, when prices for real  
15 estate, building materials, and labor were at their highest. Due to the high price of construction,  
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17 restaurant and bar were built.

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20 historic recession. With a slowing economy, leisure gaming revenue plummeted, and there were no  
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22 shut down the Casino for over a week, immediately creating an operating deficit. Because all  
23 capital had been spent on the construction of the Casino, there were insufficient funds to adequately  
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26 approximately \$26,000,000 (the "JP Morgan Debt") and a secondary loan from the Yavapai Apache  
27 Nation (the "YAN") in the amount of approximately \$7,000,000. In 2009 the YAN purchased JP  
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28

1 preserve the local community jobs, restructure the debts to the YAN, restructure the terms of the  
2 MOU, and preserve the estate for the benefit of all creditors of the estate and parties in interest, the  
3 Debtor decided in its reasonable business judgment to file for chapter 11 bankruptcy.

4 **B. THE DEBTOR'S DEBT STRUCTURE AND PRIMARY ASSETS AND**  
5 **LIABILITIES.**

6 16. The Debtor's primary asset is the Casino, including the 37,000 square-foot building,  
7 restaurant, bar, furniture, fixtures, and equipment, four poker tables, six table games, 349 class III  
8 gaming machines, and approximately 60 office computers.

9 17. Attached to the declaration of John-Patrick M. Fritz, Esq. (the "Fritz Declaration")  
10 as Exhibit "A" is a summary of UCC-1 Financing Statements and the actual UCC-1 Financing  
11 Statements affecting the Debtor that were obtained by conducting a search under the name "Santa  
12 Ysabel Band of Diegueno Mission Indians," which is the former official name of the Iipay Nation.  
13 Attached to the Fritz Declaration as Exhibit "B" is a summary of UCC-1 Financing Statements and  
14 the actual UCC-1 Financing Statements affecting the Debtor that were obtained by conducting a  
15 search under the name "Iipay Nation of Santa Ysabel."

16 18. The Debtor's personal property at the Casino is subject to a judgment lien in favor of  
17 the YAN, recorded with the California Secretary of State on June 8, 2012. By way of assignment of  
18 the JP Morgan Debt, the YAN have what amounts to a blanket lien on the Casino's assets. The  
19 Debtor disputes the validity and extent of this lien. The Debtor believes that the value of its  
20 personal property at auction sale (excluding the gaming machines) would be \$250,000.

21 19. IGT has a first-position lien on the 349 class III gaming machines and holds a  
22 secured claim in the amount of approximately \$7,196,388. The Debtor believes that IGT is owed  
23 more than the value of the gaming machines. As shown on Exhibits "A" and "B" to the Fritz  
24 Declaration, IGT does not have a valid UCC-1 financing statement on file with the California  
25 Secretary of State, and, therefore, the Debtor believes that IGT's claim may be rendered unsecured.

26 20. The Debtor had a prepetition bank account at Borrego Springs Bank with funds in  
27 the amount of \$70,000. San Diego County levied upon that account, and the \$70,000 is frozen  
28

1 pursuant to an order of the San Diego Superior Court.

2 21. The validity and extent of liens on the Debtor's property is restricted in accordance  
3 with IGRA. The Casino real estate and building are free of liens and cannot be encumbered as  
4 collateral for a debt. The gaming revenue cannot be encumbered by a lien in excess of 40% in  
5 accordance with IGRA, and the Debtor submits that no creditor has a valid security interest on its  
6 gaming revenue, cash, or cash collateral.

7 22. The Debtor has approximately \$1.3 million of general unsecured trade debt.

8 **C. MOTION TO APPROVE OPERATING BUDGET.**

9 23. The Debtor requires the immediate use of cash in accordance with its operating  
10 budget (the "Budget") attached hereto as Exhibit "1" so that it can maintain operations and going  
11 concern value while it attempts to reorganize its financial affairs. The Debtor is requesting an order  
12 approving the Budget on an emergency basis, and requests immediate consideration of the Motion  
13 so that it may use its cash to operate its business. The Debtor operates a casino engaged in the  
14 business of gambling, gaming, entertainment, and amenities appurtenant thereto. It is the Debtor's  
15 position that its cash is not cash collateral, that no party has a lien on its property that would result  
16 in the creation of cash collateral or an interest therein. Most, if not all, of the Debtor's expenses in  
17 the Budget are expenses in the ordinary course of business. However, in an abundance of caution,  
18 the Debtor makes this motion to the Court so as to protect the estate and ensure that estate cash is not  
19 being used contrary to the protections of the Bankruptcy Code.

20 24. The Debtor requires the use of its cash to pay for the expenses in the Budget to  
21 operate its business and maintain its going-concern value while it attempts to reorganize its financial  
22 affairs. The only source of revenue available to the Debtor to use to operate its business is the  
23 revenue generated from the casino gaming operations and activities incidental thereto. As a result,  
24 the Debtor has no ability to continue to operate its business and maintain the going concern value  
25 thereof unless the Debtor has immediate access to, and use of, its cash to pay the Debtor's ordinary  
26 operating expenses, including, but not limited to, payroll, insurance, and utilities, etc. The Debtor's  
27 inability to pay those expenses would cause immediate and irreparable harm to the Debtor and its  
28

1 business. The inability of the Debtor to use its cash would result in the immediate closure of the  
2 Casino, which would lead to a precipitous decline in the Debtor's going-concern value, if not its  
3 complete obliteration, and gravely jeopardize any reorganization of the Debtor's business, which  
4 would harm all creditors of the Debtor and the estate, as well as the loss of 120 local jobs and any  
5 hope of ability to restructure and repay claims against the estate.

6 25. Accordingly, the Debtor respectfully requests that the Court enter an order  
7 authorizing the Debtor to use its cash pursuant to the Budget on an interim basis pending a final  
8 hearing, except that the Debtor seeks Court authority to exceed the total budgeted sums (both  
9 individually and in the aggregate) by no more than 15% to enable the Debtor to avoid having to  
10 rush back into Court if the Debtor's actual expenses exceed the Debtor's budgeted expenses by a  
11 small amount. Moreover, if actual expenditures for any line items during a particular period are less  
12 than in the Budget, the difference shall carryover to the following months. Finally, many of the  
13 Debtor's operating expenses (particularly food products) are variable expenses, which are tied to the  
14 Debtors' revenue. To the extent the Debtor's actual revenue exceeds the projected revenue  
15 contained in the Budget, the Debtor seeks authority to increase the amount of its related variable  
16 cost operating expenses on a proportional basis

17 26. The Debtor believes that to the extent that any creditors have validly perfected  
18 security interests in the Debtor's cash collateral, they are adequately protected because the collateral  
19 asset base is not depreciating. As further adequate protection, the Debtor proposes to provide any  
20 such creditor with a replacement lien against the Debtor's assets, with such replacement lien to the  
21 same extent, validity, and priority as the pre-petition lien held by such creditor.

22 27. A proposed form of order approving the Budget is attached as Exhibit "A" to the  
23 concurrently filed *Debtor's Emergency First Day Motion for Order Approving Operating Budget*  
24 (the "Operating Budget Motion").

25 **D. WAGE MOTION.**

26 28. The Debtor currently employs approximately 120 people (the "Employees"), to  
27 carry out the Debtor's business operations. The Employees are paid every two weeks in arrears.  
28

1 The payroll cycle begins on a Sunday and ends two weeks later on Saturday. Payroll is funded to  
2 the payroll service ADP on Monday, ADP sends checks to the Debtor on Wednesday, and checks  
3 are distributed to employees on Friday.

4 29. On July 13, 2012, the Debtor is required to pay wages (the "Wages") to the  
5 Employees for the period of June 24, 2012, through and including July 7, 2012, of which ten (10)  
6 days cover prepetition wages. The Debtor estimates that the total Wages due to its Employees on  
7 July 7, 2012, including payroll taxes will be approximately \$136,000, which is an estimate based on  
8 the information currently available to the Debtor and which assumes an eight hour work day for  
9 Employees that are paid on an hourly basis, which the Debtor will only be able to verify after  
10 obtaining completed time sheets from such Employees.

11 30. The source of the funds to be used to pay and/or honor the pre-petition Wages and  
12 accrued vacation and leave benefits of the Employees will be the Debtor's cash on hand and  
13 revenues from operations. Concurrently herewith, the Debtor has filed the Operating Budget  
14 Motion which incorporates a Budget that includes proposed payment of the Wages.

15 31. The Wages the Debtor proposes to pay are for Employees that the Debtor still  
16 employs and will continue to employ at this time. The proposed payments to the Employees are  
17 absolutely necessary. The Debtor cannot continue to operate and reorganize without the  
18 Employees. It is crucial for the Debtor to retain the Employees to operate its business, particularly  
19 during this crucial beginning phase of its bankruptcy case, where additional administrative and other  
20 obligations are imposed upon the Debtor. If the Debtor does not continue to pay the Employees  
21 their ordinary and earned Wages and continue to honor employee benefits, the Employees will  
22 likely quit. Without the Employees, the Debtor's business will be severely impaired, if not  
23 eviscerated altogether. The Debtor must retain the Employees to remain in business and preserve  
24 the value of the Debtor's assets.

25 32. The proposed payment procedures are beneficial to the estate. In order to attract and  
26 retain employees and staff, among other things, the Debtor maintains what it believes are  
27 competitive and reasonable wage, vacation and leave benefits policies. The Debtor believes that  
28

1 maintaining good relationships with, and the morale of, the Employees requires continuing to honor  
2 vacation and leave policies currently in effect for the Employees. By this Motion, the Debtor is  
3 seeking to honor these policies post-petition in order to allow the Employees to take their accrued  
4 vacation or leave time in the ordinary course of business. If the Debtor does not honor such Wages  
5 and benefits, the Debtor runs a serious risk of losing its Employees, and the loss of the Employees  
6 would be severely detrimental to the Debtor's business.

7 33. The Debtor does not seek to pay any pre-petition claims of any insiders of the  
8 Debtor at this time. The Employees referenced herein are not insiders of the Debtor. To the extent  
9 the Debtor pays insiders, it will first file any and all appropriate notices.

10 34. The \$136,000 figure for the Wages includes wages for two insiders, myself, as  
11 general manager, and Charles Bauman, controller. However, payment of these pre-petition and any  
12 post-petition compensation to the insiders will be subject to a separately filed *Debtor's Ex Parte*  
13 *Emergency First Day Motion for: (1) Interim Order Authorizing Insider Compensation; (2) Order*  
14 *Authorizing Insider Compensation on a Final Basis After Notice and Hearing; and (3) Authorizing*  
15 *Payment of Insider Pre-petition Priority Wages* (the "Insider Compensation Motion"). The Debtor  
16 will not pay any pre-petition or post-petition wages to the insiders without court approval of the  
17 Insider Compensation Motion.

18 35. All of the Employees' claims are within the \$11,725 limit established by 11 U.S.C. §  
19 507(a)(4). No employee shall receive in value over \$11,725 on account of claims for Wages and  
20 vacation or leave benefits.

21 36. The proposed payments will not render the Debtor's estate administratively  
22 insolvent. The source of the funds to be used to pay and/or honor the pre-petition Wages and  
23 accrued vacation and leave benefits of the Employees will be the Debtor's cash on hand and  
24 revenues from operations. The Debtor believes that its cash on hand and revenues are sufficient to  
25 pay the Wages without rendering the Debtor's estate administratively insolvent.

26 ///

27 ///

1           37.     A proposed form of order is attached as Exhibit "A" to the concurrently filed  
2 *Debtor's Emergency First Day Motion for Order Authorizing Debtor to (1) Pay Pre-petition*  
3 *Priority Wages and (2) Honor Accrued Vacation and Leave Benefits* (the "Wage Motion").

4 **E.     UTILITY MOTION.**

5           38.     To operate the Casino, the Debtor receives water, telephone, electricity, and similar  
6 utility services from a number of utility companies (each a "Utility Company" and collectively, the  
7 "Utility Companies"). Given the importance of the services provided by the Utility Companies to  
8 the Debtor, it is crucial that the means of providing adequate assurance to the Utility Companies  
9 which provide utility services to the Debtor be determined immediately so that there is no  
10 interruption in the services provided. An interruption in the services provided would lead to an  
11 inability to conduct business, drive away guests, and harm the Casino's reputation and ability to  
12 attract new guests, all of which would reduce the Debtor's income.

13           39.     Attached as Exhibit "2" to the annexed Omnibus Declaration is a list which sets  
14 forth, to the extent possible, on an account-by-account basis, the name and address of the Utility  
15 Companies currently providing utility services to the Debtor, the type of utility services provided by  
16 the Utility Companies, the account number with the Utility Companies, the total amount incurred by  
17 the Debtor on such accounts according to the three most recent bills, and the one-month average  
18 payment based on the three most recent bills.

19           40.     The Debtor intends to provide adequate "assurance of payment" by providing the  
20 Utility Companies with cash deposits, as authorized by Section 366(c)(1)(A)(i) of the Bankruptcy  
21 Code, in the amounts proposed in Exhibit "2" to the Omnibus Declaration. For each account that  
22 the Debtor has with a Utility Company, the Debtor is proposing to provide the Utility Company  
23 with a cash deposit in an amount equal to the one-month average payment based on the amount  
24 incurred on the account according to the three most recent bills.

25           41.     The source of the funds to be used to pay the cash deposits to the Utility Companies  
26 will be cash on hand and revenue from operations. Concurrently herewith, the Debtor has filed the

27 *///*

1 Operating Budget Motion for Court approval of the Budget, which includes the cash deposits to the  
2 Utility Companies.

3 42. A proposed form of order is attached as Exhibit "A" to the concurrently filed  
4 *Debtor's Emergency First Day Motion for Order Authorizing Debtor to Provide Adequate*  
5 *Assurance of Payment to Utility Companies Pursuant to Section 366(c) of the Bankruptcy Code* (the  
6 "Utilities Motion").

7 **F. MOTION FOR AUTHORITY TO CONTINUE USING CASH MANAGEMENT**  
8 **SYSTEM AND MAINTAIN EXISTING BANK ACCOUNTS.**

9 43. As of the filing date, the Debtor maintained one bank account (the "Account") with  
10 Bank of America ending in account number 8632. The Debtor requests permission to keep this  
11 bank account open for an indefinite period of time while it transitions into operations as a debtor in  
12 possession. Prior to the bankruptcy filing, San Diego County improperly levied upon the Debtor's  
13 bank account, which led to a freeze of that account and caused the Debtor to open the new Account  
14 on or about June 19, 2012.

15 44. The Debtor must maintain the Account for processing of credit card and debit card  
16 payments from guests. If the Account is closed, the Debtor will risk losing revenue and income on  
17 these credit card and debit card payments. Opening new accounts for the Debtor is a difficult task  
18 because of money laundering concerns and other concerns particular to casino and gambling  
19 banking. These difficulties are further exasperated by San Diego County's prepetition levying  
20 fiasco. The Debtor will work with the Office of the United States Trustee and seek to open new  
21 debtor-in-possession bank accounts with Bank of America as appropriate and necessary. In the  
22 meantime, the Debtor seeks to maintain the Account to achieve a smooth transition into chapter 11  
23 operations and keep the Account open as long as necessary and appropriate.

24 45. The Debtor will take steps and be vigilant to ensure that prepetition claims are not  
25 paid from the Account. There are no outstanding prepetition checks written on the Account.

26 46. A proposed form of order is attached as Exhibit "A" to the concurrently filed  
27 *Debtor's Emergency First Day Motion for Order (1) Authorizing the Continued Use of the Debtor's*  
28

1 *Cash Management System; (2) Authorizing the Maintenance of the Debtor's Existing Bank*  
2 *Accounts; and (3) Directing Release of Administrative Freezes or Holds on Accounts (the "Cash*  
3 *Management Motion")*.

4 **G. MOTION TO HONOR PREPETITION OBLIGATIONS TO CUSTOMERS.**

5 47. In connection with the Casino operations, the Debtor carries on certain customer  
6 incentive programs (the "Programs") to promote customer loyalty and increased patronage of the  
7 Casino. The Programs include the Players' Club and the Mile High Club, which are truncated into  
8 four tiers or levels. Patrons of the Casino earn points by playing games at the Casino and using its  
9 amenities and then redeem those points during game play or for the purchase of food or beverages  
10 based on patrons' average daily theoretical win. The Programs also entitle customers to discounts at  
11 the bar and restaurant and special events.

12 48. The seamless continuation of the Programs is crucial to the Debtor's continued  
13 operations and preservation of the going-concern value of the estate. If the Programs are cancelled  
14 or are not honored, then it is all but certain that the Debtor will lose customer good will and suffer  
15 negative publicity as the Debtor's loyal customers leave and take their business elsewhere, resulting  
16 in deleterious effects on the Debtor's revenues and business operations. Failure to honor the  
17 Programs will severely and irreparably harm the Debtor's customer relations and reputation. The  
18 Debtor has developed and promoted the Programs in its reasonable business judgment as a  
19 mechanism for improving business operations and revenue at the Casino, and the continuation of  
20 the Programs is essential for the Debtor's successful reorganization.

21 49. The Debtor believes that honoring its prepetition customer obligations and the  
22 Programs initiated prepetition in the ordinary course is in the best interests of the Debtor and its  
23 estate. Accordingly, the Debtor respectfully requests that the Court allow the Debtor to honor  
24 prepetition participation in the Programs during the postpetition period without interruption.

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27 ///



**EXHIBIT “1”**

July 1st thru Sept 30th 2012

Final Santa Ysabel Resort & Casino  
13 Week Proposed Budget

	7/2/2012	7/9/2012	7/16/2012	7/23/2012	7/30/2012	8/6/2012	8/13/2012	8/20/2012	8/27/2012	9/3/2012	9/10/2012	9/17/2012	9/24/2012
<b>Starting Cash</b>	\$ 185,000.00	\$ 121,791.30	\$ 169,796.51	\$ 93,340.46	\$ 125,936.26	\$ 96,408.83	\$ 158,037.28	\$ 88,616.18	\$ 146,318.94	\$ 59,411.70	\$ 116,181.78	\$ 60,785.85	\$ 106,420.25
<b>Revenue</b>	140,000.00	160,000.00	140,000.00	140,000.00	140,000.00	149,500.00	149,500.00	149,500.00	149,500.00	152,750.00	175,000.00	152,750.00	152,750.00
<b>Total Revenue</b>	140,000.00	160,000.00	140,000.00	140,000.00	140,000.00	149,500.00	149,500.00	149,500.00	149,500.00	152,750.00	175,000.00	152,750.00	152,750.00
<b>Payroll</b>	49,535.64	49,535.64	49,535.64	49,535.64	49,535.64	49,535.64	49,535.64	49,535.64	49,535.64	49,535.64	49,535.64	49,535.64	49,535.64
Salaries	18,415.21	18,415.21	18,415.21	18,415.21	18,415.21	18,415.21	18,415.21	18,415.21	18,415.21	18,415.21	18,415.21	18,415.21	18,415.21
Taxes	67,950.84	67,950.84	67,950.84	67,950.84	67,950.84	67,950.84	67,950.84	67,950.84	67,950.84	67,950.84	67,950.84	67,950.84	67,950.84
<b>Expenses</b>	3,200.00	2,439.48	2,439.48	2,439.48	2,439.48	2,439.48	2,439.48	2,439.48	2,439.48	2,439.48	2,439.48	2,439.48	2,439.48
Advertising Signage	1,000.00	750.00	750.00	1,000.00	750.00	750.00	1,000.00	750.00	750.00	750.00	750.00	750.00	750.00
Alcohol	1,283.36	827.84	1,633.80	1,633.80	1,633.80	1,633.80	1,633.80	1,633.80	1,633.80	1,633.80	1,633.80	1,633.80	1,633.80
Contract Labor	6,100.00	6,100.00	6,100.00	6,100.00	6,100.00	6,100.00	6,100.00	6,100.00	6,100.00	6,100.00	6,100.00	6,100.00	6,100.00
Disposal Service	2,571.12	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00
Affix	800.00	1,500.00	1,500.00	6,250.00	6,250.00	6,250.00	6,250.00	6,250.00	6,250.00	6,250.00	6,250.00	6,250.00	6,250.00
Buses	4,374.28	4,374.28	4,374.28	4,374.28	4,374.28	4,374.28	4,374.28	4,374.28	4,374.28	4,374.28	4,374.28	4,374.28	4,374.28
Cigarettes	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00
Contractual Sponsorship	17,191.37	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00
Contractual Sponsorship	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00
Dental/Vision	5,950.00	9,250.00	9,250.00	9,250.00	9,250.00	9,250.00	9,250.00	9,250.00	9,250.00	9,250.00	9,250.00	9,250.00	9,250.00
Electric	7,250.00	7,250.00	7,250.00	7,250.00	7,250.00	7,250.00	7,250.00	7,250.00	7,250.00	7,250.00	7,250.00	7,250.00	7,250.00
Entertainment	274.96	1,750.00	1,750.00	1,750.00	1,750.00	1,750.00	1,750.00	1,750.00	1,750.00	1,750.00	1,750.00	1,750.00	1,750.00
Equipment Lease	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00
Facility Services	387.44	387.44	387.44	387.44	387.44	387.44	387.44	387.44	387.44	387.44	387.44	387.44	387.44
Finance Service Charges	20,000.00	35,300.00	35,300.00	35,300.00	35,300.00	35,300.00	35,300.00	35,300.00	35,300.00	35,300.00	35,300.00	35,300.00	35,300.00
Fuel	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00
Game Leases	5,950.00	9,250.00	9,250.00	9,250.00	9,250.00	9,250.00	9,250.00	9,250.00	9,250.00	9,250.00	9,250.00	9,250.00	9,250.00
Gaming Taxes	7,250.00	7,250.00	7,250.00	7,250.00	7,250.00	7,250.00	7,250.00	7,250.00	7,250.00	7,250.00	7,250.00	7,250.00	7,250.00
Gaming Badges / Commission	274.96	1,750.00	1,750.00	1,750.00	1,750.00	1,750.00	1,750.00	1,750.00	1,750.00	1,750.00	1,750.00	1,750.00	1,750.00
Health Insurance	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00
IT Services / Hardware	387.44	387.44	387.44	387.44	387.44	387.44	387.44	387.44	387.44	387.44	387.44	387.44	387.44
Misc. Expenses	20,000.00	35,300.00	35,300.00	35,300.00	35,300.00	35,300.00	35,300.00	35,300.00	35,300.00	35,300.00	35,300.00	35,300.00	35,300.00
Office Supplies	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Participation Games	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
UST Quarterly Fees	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Payroll Fees	2,398.18	2,398.18	2,398.18	2,398.18	2,398.18	2,398.18	2,398.18	2,398.18	2,398.18	2,398.18	2,398.18	2,398.18	2,398.18
Phone / Internet	5,750.00	5,750.00	5,750.00	5,750.00	5,750.00	5,750.00	5,750.00	5,750.00	5,750.00	5,750.00	5,750.00	5,750.00	5,750.00
Postage	10,170.16	10,170.16	10,170.16	10,170.16	10,170.16	10,170.16	10,170.16	10,170.16	10,170.16	10,170.16	10,170.16	10,170.16	10,170.16
Printing	3,750.00	3,750.00	3,750.00	3,750.00	3,750.00	3,750.00	3,750.00	3,750.00	3,750.00	3,750.00	3,750.00	3,750.00	3,750.00
Promobills	1,384.16	1,384.16	1,384.16	1,384.16	1,384.16	1,384.16	1,384.16	1,384.16	1,384.16	1,384.16	1,384.16	1,384.16	1,384.16
Propane	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00
Rental	700.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00
Slot Repairs / Parts	1,100.00	550.00	550.00	550.00	550.00	550.00	550.00	550.00	550.00	550.00	550.00	550.00	550.00
Surveillance Repairs & Parts	51,000.00	51,000.00	51,000.00	51,000.00	51,000.00	51,000.00	51,000.00	51,000.00	51,000.00	51,000.00	51,000.00	51,000.00	51,000.00
Travel	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00
Tribal Sales Tax	93,340.46	93,340.46	93,340.46	93,340.46	93,340.46	93,340.46	93,340.46	93,340.46	93,340.46	93,340.46	93,340.46	93,340.46	93,340.46
Property / Crime Insurance	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00
Professional Services	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00
BK Cost	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00
Uniforms	975.00	975.00	975.00	975.00	975.00	975.00	975.00	975.00	975.00	975.00	975.00	975.00	975.00
Workers Comp	29,286.45	29,286.45	29,286.45	29,286.45	29,286.45	29,286.45	29,286.45	29,286.45	29,286.45	29,286.45	29,286.45	29,286.45	29,286.45
Utility Advance Fee	13,897.00	13,897.00	13,897.00	13,897.00	13,897.00	13,897.00	13,897.00	13,897.00	13,897.00	13,897.00	13,897.00	13,897.00	13,897.00
<b>Total Expenses</b>	135,257.86	148,505.21	148,505.21	148,505.21	148,505.21	148,505.21	148,505.21	148,505.21	148,505.21	148,505.21	148,505.21	148,505.21	148,505.21
<b>Ending Cash Balance</b>	\$ 121,791.30	\$ 169,796.51	\$ 93,340.46	\$ 125,936.26	\$ 96,408.83	\$ 158,037.28	\$ 88,616.18	\$ 146,318.94	\$ 59,411.70	\$ 116,181.78	\$ 60,785.85	\$ 106,420.25	\$ 2,811.41

Santa Ysabel Resort Casino

**EXHIBIT “2”**

Vendor Name	Account Number	Type of Utility	Bill 1	Bill 2	Bill 3	3-Bill Avg.
Heritage Operating, L.P. (Proflame)	C07951	Propane Gas	2,792.36	3,298.96	2,987.10	\$ 3,026.14
SDG&E	8695551116-10	Electric Bill	22,344.14	22,577.22	26,172.19	\$ 23,697.85
Cbeyond	135306	Phone / Internet	1,268.32	1,318.99	1,249.98	\$ 1,279.10
Ramona Disposal	54-RY 237592	Trash	1,283.36	1,283.36	1,283.36	\$ 1,283.36

In re <b>Santa Ysabel Resort and Casino</b> Debtor(s).	Chapter 11 Case No. 12-09415-PB11
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**PROOF OF SERVICE OF DOCUMENT**

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is: 10250 Constellation Boulevard, Suite 1700, Los Angeles, CA 90067

A true and correct copy of the foregoing document entitled (*specify*): **OMNIBUS STATEMENT OF FACTS AND OMNIBUS DECLARATION OF DAVID CHELETTE IN SUPPORT THEREOF** will be served or was served (a) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (b) in the manner stated below:

**1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF):** Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On (*date*) **July 3, 2012**, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

- Ron Bender rb@lnbyb.com

Service information continued on attached page

**2. SERVED BY UNITED STATES MAIL:**

On (*date*) **July 3, 2012**, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

Service information continued on attached page

**3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL**

(*state method for each person or entity served*): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (*date*) **July 3, 2012**, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

**Served By Overnight Mail**

Hon. Peter W. Bowie  
 U.S. Bankruptcy Court  
 Jacob Weinberger U.S. Courthouse  
 325 West F Street, Room 328  
 San Diego, CA 92101-6998

Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

July 3, 2012	Lourdes Cruz	/s/ Lourdes Cruz
Date	Printed Name	Signature

RSN  
Santa Ysabel Resort and Casino  
**SERVICE BY OVERNIGHT MAIL**

RSN  
Securities Exchange Commission  
5670 Wilshire Boulevard, 11th Floor  
Los Angeles, CA 90036

United States Trustee  
United States Department of Justice  
402 West Broadway, Suite 600  
San Diego, CA 92101

Secured  
Santa Ysabel Resort and Casino

Hawthorne Machinery Co.  
16945 Camino San Bernardo  
San Diego, CA 92127-2499

IGT  
Attn: Legal Department  
9295 Prototype Drive  
Reno, NV89521-0000

Sysco San Diego, Inc.  
12180 Kirkham Road  
Poway, CA 92064-0000

YAVAPAI-APACHE NATION  
P.O. Box 1188  
Camp Verde, AZ 86322-0000

Yavapai-Apache Nation  
c/o Eric M. George, Esq.  
2121 Ave. of the Stars, # 2400  
Los Angeles, CA 90067

Santa Ysabel Resort and Casino  
Top 20

NATIVE AMERICAN  
MEGAJACKPOTS (IGT)  
DEPT # 72714  
LOS ANGELES, CA 90084-2714

INTERNATION GAMING  
TECHNOLOGY (Participation Fees)  
DEPARTMENT 7866  
LOS ANGELES, CA 90088-7866

J. MICHAEL CABALLERO  
5864 W. MOHAVE BLOOM  
TUCSON, AZ 85735

CINTAS CORPORATION #055  
460 W. CALIFORNIA AVENUE  
VISTA, CA 92083

ARISTOCRAT  
DEPT. 9540  
LOS ANGELES, CA 90084-9540

STATE OF CALIFORNIA  
2399 GATEWAY OAKS DR.,  
STE 100  
GAMBLING CONTROL COMMISSION  
SACRAMENTO, CA 95833

CBS OUTDOOR  
P.O. BOX 33074  
Newark, NJ 07188-0074

COX MEDIA  
Lockbox 50456  
LOS ANGELES, CA 90074

Midwest Television, Inc  
7677 Engineer Road  
San Diego, CA 92111

WELLS FARGO BANKS  
NW 7091 PO BOX 1450  
ACCOUNT ANALYSIS  
MINNEAPOLIS, MN 55485

GLOBAL INDUSTRY PRODUCTS,  
CORP  
4262 BLUE DIAMOND RD.  
STE. 102-248  
Las Vegas, NV 89139

John Farkash  
P.O. BOX 576  
RANCHO SANTA FE, CA 92067

GAMING GUIDE  
PO BOX 19267  
San Diego, CA 92159

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3525 EAST POST RD. - STE 120  
Las Vegas, NV 89120

LLOYD PEST CONTROL  
1202 MORENA BLVD., STE. 400  
San Diego, CA 92110-3845

McGladrey & Pullen  
18401 VON KARMAN AVE, 5th FL  
IRVINE, CA 92612-8531

County of San Diego (MOU)  
1600 Pacific Coast Highway  
Suite 212  
San Diego, CA 92101

YAVAPAI-APACHE NATION  
P.O. Box 1188  
Camp Verde, AZ 86322

Global Power Group, Inc.  
12060 Woodside Avenue  
Lakeside, CA 92040