

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

	-----X	
	:	
In re:	:	Chapter 11
	:	
THE WET SEAL, LLC, <i>et al.</i> ,	:	Case No. 17-10229 (____)
	:	
Debtors. ¹	:	(Joint Administration Requested)
	:	
	-----X	

DEBTORS’ MOTION FOR INTERIM AND FINAL ORDERS (I) AUTHORIZING THE DEBTORS TO (A) CONTINUE PREPETITION INSURANCE POLICIES AND (B) PAY ALL PREPETITION OBLIGATIONS IN RESPECT THEREOF AND (C) CONTINUE THEIR INSURANCE PREMIUM FINANCING PROGRAM, AND (II) AUTHORIZING BANKS TO HONOR RELATED CHECKS AND TRANSFERS

The Wet Seal, LLC and its affiliated debtors and debtors in possession (collectively, the “Debtors”) in the above-captioned chapter 11 cases (collectively, the “Chapter 11 Cases”) hereby move the Court (this “Motion”) for entry of interim and final orders, substantially in the forms attached hereto as Exhibit A and Exhibit B, respectively, pursuant to sections 105(a) and 363(b) of title 11 of the United States Code, 11 U.S.C. §§ 101–1532 (the “Bankruptcy Code”), and Rules 6003 and 6004 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), (i) authorizing, but not directing, the Debtors to (a) continue to maintain and administer their prepetition insurance policies and revise, extend, renew, supplement, or change such policies, as needed, (b) pay or honor obligations outstanding on account of prepetition insurance policies, if any, and (c) continue their insurance premium financing program, and (ii) authorizing the Debtors’ banks and other financial institutions (collectively, the “Banks”) to honor and process related checks and electronic transfers. In support of this Motion, the Debtors rely on the *Declaration of Judd P. Tirnauer in Support of*

¹ The Debtors in these chapter 11 cases and the last four digits of each Debtor’s taxpayer identification number are as follows: The Wet Seal, LLC (2741) The Wet Seal Gift Card, LLC (3286); Mador Financing, LLC (1377). The Debtors’ corporate headquarters is located at 7555 Irvine Center Drive, Irvine, California 92618.

Chapter 11 Petitions and Requests for First Day Relief (the “First Day Declaration”), which was filed contemporaneously herewith and is incorporated herein by reference. In further support of this Motion, the Debtors respectfully represent as follows:

JURISDICTION AND VENUE

1. The Court has jurisdiction over these Chapter 11 Cases and this Motion pursuant to 28 U.S.C. §§ 157 and 1334, and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware dated as of February 29, 2012. This is a core proceeding pursuant to 28 U.S.C. § 157(b), and pursuant to Rule 9013-1(f) of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”), the Debtors consent to entry of a final order by the Court in connection with this Motion to the extent that it is later determined that the Court, absent consent of the parties, cannot enter final orders or judgments in connection herewith consistent with Article III of the United States Constitution. Venue of these Chapter 11 Cases and this Motion in this district is proper under 28 U.S.C. §§ 1408 and 1409.

2. The statutory bases for the relief requested herein are sections 105(a) and 363(b) of the Bankruptcy Code, and Bankruptcy Rules 6003 and 6004.

BACKGROUND

A. General

3. On the date hereof (the “Petition Date”), each of the Debtors commenced a voluntary case under chapter 11 of the Bankruptcy Code. The Debtors are authorized to continue to operate their business and manage their property as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. To date, no trustee, examiner or statutory committee has been appointed in these Chapter 11 Cases. Additional factual background relating

to the Debtors' business, capital structure and the commencement of these Chapter 11 Cases is set forth in detail in the First Day Declaration.

B. Overview of Insurance Policies

4. In the ordinary course of business, the Debtors maintain a carefully designed and vitally important insurance program, which includes the use of insurance premium finance agreements (the "Insurance Program"). This program includes multiple insurance policies (each a "Policy" and, collectively, the "Policies"). The Insurance Policies vary in amounts and types of coverage in accordance with prudent business practices, state and local laws governing the jurisdictions in which the Debtors operate and various contractual obligations. The Insurance Policies include (i) crime, (ii) fiduciary liability, (iii) employment practices liability, (iv) employment benefits liability, (v) directors & officers liability, (vi) excess directors & officers liability, (vii) property, (viii) marine/war cargo, (ix) difference in condition, (x) general liability, (xi) business automobile, (xii) foreign general liability, contingent auto, employers responsibility coverages & repatriation expense, accidental death and dismemberment, and travel assistance (xiii) cyber liability, (xiv) excess cyber liability, (xv) punitive damages, and (xvi) umbrella, among others.² The Policies that are the subject of this Motion are listed in the schedule attached hereto as Exhibit C (the "Insurance Schedule").³ For each Policy, the Insurance Schedule includes, among other things: (i) the corresponding

² Contemporaneously herewith, the Debtors have filed the *Debtors' Motion for Entry of an Order (i) Authorizing the Debtors to Pay and Honor Certain Prepetition Wages, Benefits, and Other Compensation Obligations and (ii) Authorizing Banks to Honor and Process Checks and Transfers Related to Such Obligations* (the "Employee Wages Motion"). The Employee Wages Motion seeks, among other things, authority to continue to (i) provide various benefits, including applicable insurance coverage, for employee health and welfare programs, and (ii) administer their workers' compensation program and honor all obligations in connection therewith in the ordinary course of business. These programs and policies are not listed on the Insurance Schedule, and the maximum allowances for payment of prepetition insurance obligations listed in this Motion are exclusive of any amounts for which payment authority may be sought in the Employee Wages Motion.

³ The Policies summarized on the Insurance Schedule are representative only and are not intended to restrict the Debtors from changing carriers or programs, or adding different types of insurance, in the reasonable exercise of the Debtors' discretion.

insurance carrier (each an “Insurance Carrier”, and collectively, the “Insurance Carriers”); (ii) the corresponding broker; (iii) the last four digits of the policy number; (iv) annual premium; and (v) an estimate of prepetition amounts owed.

5. The Policies are essential to the preservation of the value of the Debtors’ business, property, and assets during the Debtors’ ongoing wind down. Not only are some of the Policies required by the various regulations, laws, and contracts that govern the Debtors’ commercial activities, but section 1112(b)(4)(C) of the Bankruptcy Code provides that “failure to maintain appropriate insurance that poses a risk to the estate or to the public” is “cause” for mandatory conversion or dismissal of a chapter 11 case. 11 U.S.C. § 1112(b)(4)(C). Moreover, the *Operating Guidelines for Chapter 11 Cases* of the Office of the United States Trustee for the District of Delaware (the “U.S. Trustee”) require debtors to maintain insurance coverage throughout the pendency of these Chapter 11 Cases.

6. The total annual premiums under the current Insurance Policies are approximately \$1,266,095.⁴ These premiums are paid to the relevant Insurance Carriers either as annual prepayments or as installment payments. The estimated prepetition amount owing to the Insurance Carriers is \$1,209. The Debtors seek authority to continue the Policies in the ordinary course of business and to pay prepetition premiums in respect of the Policies in an amount not to exceed \$1,209.

C. The Debtors’ Prepetition Insurance Premium Finance Agreement

7. The Debtors maintain an insurance premium finance agreement (the “Finance Agreement”) with AFCO Credit Corporation (the “PFA Lender”) for their primary and

⁴ Calculations for total annual premiums and for the annual premium under each Policy listed in the Insurance Schedule include additional charges on certain policies such as broker commissions, surcharges, policy fees, and charges for surplus lines. The Debtors seek to make payments to these charges as well as on the base premiums due.

excess property policies (the “Financed Policies”), a copy of which is attached hereto as Exhibit D. Pursuant to the Finance Agreement with the PFA Lender, the PFA Lender has agreed to pay the insurance premiums due under the Financed Policies in exchange for an upfront payment of \$64,452.00 and nine (9) monthly payments from the Debtors. The Debtors have made the upfront payment and two (2) monthly payments of \$21,889.30. The Debtors are current on amounts due under the Financed Policies as of the Petition Date, and the next monthly payment is due on February 28, 2017. The Debtors’ obligations under the Finance Agreement are secured by all sums due under the Finance Agreement and any unearned premiums or other sums that may become payable under the Financed Policies. The Financed Policies are essential to the preservation of the Debtors’ business during the ongoing wind down of the Debtors’ operations.

8. In the Debtors’ business judgment, the terms of the Finance Agreement represent the best possible terms for financing the premiums of the Financed Policies. The Debtors’ estates will benefit by maintaining this low-cost financing from the PFA Lender. Moreover, any interruption of payments might adversely affect the Debtors’ ability to obtain financing for future policies on favorable terms, to the extent needed. In some cases, the coverage is required by regulations, laws, or contracts that govern the Debtors’ business obligations. Thus, the Debtors request the authority to pay continue honoring their obligations pursuant to the Finance Agreement and to continue the grant of security interests to the PFA Lender.

RELIEF REQUESTED

9. By this Motion, the Debtors seek entry of interim and final orders (i) authorizing, but not directing, the Debtors to (a) continue to maintain and administer the Policies and revise, extend, renew, supplement, or change the Policies, as needed, (b) pay or

honor obligations outstanding obligations on account of the Policies in the ordinary course of business, and (c) continue their insurance premium financing program, subject to entry of the Final Order, and (ii) authorizing the Banks to honor and process related checks and electronic transfers.⁵

BASIS FOR RELIEF

I. CONTINUATION OF THE INSURANCE PROGRAM AND PAYMENT OF PREPETITION OBLIGATIONS IN RESPECT THEREOF ARE NECESSARY AND APPROPRIATE

10. The Court may grant the relief requested herein pursuant to section 363 of the Bankruptcy Code. Section 363(b)(1) provides that a debtor in possession, “after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate.” 11 U.S.C. § 363(b)(1). Under this section, a court may authorize a debtor to pay certain prepetition claims. *See, e.g., In re Ionosphere Clubs, Inc.*, 98 B.R. 174, 175 (Bankr. S.D.N.Y. 1989) (finding that a sound business justification existed to justify payment of prepetition wages); *see also Armstrong World Indus., Inc. v. James A. Phillips, Inc. (In re James A. Phillips, Inc.)*, 29 B.R. 391, 397 (S.D.N.Y. 1983) (relying on section 363 of the Bankruptcy Code to allow a contractor to pay prepetition claims of suppliers who were potential lien claimants because the payments were necessary for general contractors to release funds owed to debtors). To do so, “the debtor must articulate some business justification, other than the mere appeasement of major creditors.” 98 B.R. at 175.

11. In addition, sections 1107(a) and 1108 of the Bankruptcy Code authorize a debtor in possession to continue to operate its business. 11 U.S.C. §§ 1107(a), 1108. Indeed, a

⁵ Nothing in this Motion should be construed as an assumption of any executory contract or unexpired lease between the Debtors and any other party, nor should it be construed as a rejection of any executory contract or unexpired leases. The Debtors reserve their rights to contest the amount claimed to be due by any person or entity

debtor in possession operating a business under section 1108 of the Bankruptcy Code has a duty to protect and preserve the value of its business, and prepetition claims may be paid if necessary to perform the debtor's duty. *See In re CoServ, L.L.C.*, 273 B.R. 487, 497 (Bankr. N.D. Tex. 2002) ("There are occasions when this duty can only be fulfilled by the preplan satisfaction of a prepetition claim."). The *CoServ* court specifically noted that the pre-plan satisfaction of prepetition claims would be a valid exercise of the debtor's fiduciary duty when the payment "is the only means to effect a substantial enhancement of the estate." *Id.*

12. To supplement these explicit powers, section 105(a) of the Bankruptcy Code empowers the Court to "issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title." 11 U.S.C. § 105(a). Numerous courts have recognized that payments to prepetition creditors are appropriate pursuant to section 105(a) of the Bankruptcy Code under the "doctrine of necessity" or the "necessity of payment" rule where such payments are necessary to the continued operation of the debtor's business. *See, e.g., In re Lehigh & New England Ry. Co.*, 657 F.2d 570, 581 (3d Cir. 1981) (holding that a court could authorize the payment of prepetition claims if such payment was essential to the continued operation of the debtor); *In re Penn Cent. Transp. Co.*, 467 F.2d 100, 102 n.1 (3d Cir. 1972) (holding that the necessity of payment doctrine permits "immediate payment of claims of creditors where those creditors will not supply services or material essential to the conduct of the business until their pre-reorganization claims have been paid"); *In re Ionosphere Clubs*, 98 B.R. at 176 (recognizing "the existence of the judicial power to authorize a debtor . . . to pay prepetition claims where such payment is essential to the continued operations of the debtor."); *see also In re Just for Feet, Inc.*, 242 B.R. 821, 825 (D. Del. 1999) ("The Supreme Court, the Third Circuit and the District of Delaware all recognize the court's power to authorize payment

of pre-petition claims when such payment is necessary for the debtor's survival during chapter 11.”); *In re Columbia Gas Sys., Inc.*, 171 B.R. 189, 191-92 (Bankr. D. Del. 1994) (finding that a debtor is entitled to pay certain prepetition creditors upon a showing that the payment is “essential to the continued operation of the business”) (citations omitted).

13. The relief sought by this Motion is appropriate under each of the foregoing standards. In light of the importance of maintaining insurance coverage with respect to their business activities, the Debtors believe it is in the best interest of their estates to maintain the Policies and to pay any prepetition premiums necessary to do so, as well as to revise, extend, supplement, or change insurance coverage, as necessary, pursuant to section 363(b)(1) of the Bankruptcy Code. If the Policies lapse, or if certain of the Insurance Carriers cancel the Policies or otherwise refuse to continue doing business with the Debtors, on account of unpaid premiums, before the Debtors are able to find replacement coverage, the Debtors’ estates could be exposed to significant liabilities. The loss of any insurance coverage would impose considerable administrative and financial burden on the Debtors, requiring the Debtors’ management to expend significant attention and resources to secure replacement coverage at a critical juncture in these Chapter 11 Cases and, possibly, rendering the Debtors non-compliant with the U.S. Trustee’s requirement that debtors maintain insurance coverage during these Chapter 11 Cases.

14. In addition, the security interests created by premium finance arrangements generally are recognized as secured claims in bankruptcy to the extent of the amount of unearned premiums financed pursuant to such agreements. *See TIFCO, Inc. v. U.S. Repeating Arms Co. (In re U.S. Repeating Arms Co.)*, 67 B.R. 990, 994–95 (Bankr. D. Conn. 1986); *Drabkin v. A.I. Credit Corp. (In re Auto-Train Corp.)*, 9 B.R. 159, 164–66 (Bankr. D.D.C. 1981). Moreover, section 361 of the Bankruptcy Code specifically contemplates providing

adequate protection to the extent of the diminution in value of a secured creditor's collateral, and security interests such as those under the Finance Agreement warrant adequate protection in the form of periodic payments pursuant to the Finance Agreement's terms. *See, e.g., In re Waverly Textile Processing, Inc.*, 214 B.R. 476, 480 (Bankr. E.D. Va. 1997); *TIFCO, Inc. v. U.S. Repeating Arms Co.*, 67 B.R. 990, 1000 (Bankr. D. Conn. 1986).

15. Therefore, if the Debtors are unable to continue making payments under the Finance Agreement, the PFA Lender could seek relief from the automatic stay to cancel the respective Financed Policies in accordance with the terms of the Finance Agreement or to seek adequate protection of its respective investment. *See Universal Motor Express*, 72 B.R. 208, 211 (Bankr. W.D.N.C. 1987) (recognizing that a default under the financing arrangement and the resulting decline in value of the unearned premiums justified relief from the automatic stay). The Debtors then would be required to obtain replacement insurance on an expedited basis and at significant cost to the estates. If the Debtors are required to obtain replacement insurance and to pay a lump-sum premium for such insurance in advance, this payment may be the same or greater than what the Debtors currently pay to the PFA Lender under the Finance Agreement. Even if the PFA Lender is not permitted to terminate the Financed Policies, any interruption of payments would severely and adversely affect the Debtors' ability to finance premiums for future policies, as needed. Accordingly, the Debtors submit that the practical solution is to continue making the premium financing payments.

16. In view of the importance of maintaining the insurance coverage with respect to their business activities and the preservation of the Debtors' cash flow by financing their insurance premiums, the Debtors believe it is in the best interest of their estates and creditors for the Court to authorize the Debtors to honor their obligations under the Finance

Agreement. Any other alternative likely would require considerable cash expenditures and be detrimental to the Debtors' chapter 11 efforts and the success of the Debtors' wind down.

II. THE BANKS SHOULD BE AUTHORIZED TO HONOR AND PROCESS PAYMENTS ON ACCOUNT OF PREPETITION OBLIGATIONS IN RESPECT OF THE INSURANCE PROGRAM

17. The Debtors represent that they have sufficient funds to pay the amounts described herein in the ordinary course of business by virtue of expected cash flows from ongoing business operations, anticipated access to cash collateral. As a result of the commencement of these Chapter 11 Cases and in the absence of a Court order providing otherwise, the Debtors' checks and electronic fund transfers on account of prepetition obligations related to the Insurance Program may be dishonored or rejected by financial institutions. Under the Debtors' cash management system, the Debtors can readily identify checks or transfers as relating directly to payment of prepetition obligations related to the Insurance Program. Accordingly, the Debtors believe that prepetition checks and transfers other than those related to the Insurance Program will not be honored inadvertently. The Debtors submit that the Banks should be authorized to rely on the Debtors' representations with respect to whether any check drawn or transfer request issued by the Debtors prior to the Petition Date should be honored pursuant to this Motion.

IMMEDIATE RELIEF IS JUSTIFIED

18. Bankruptcy Rule 6003 provides that the relief requested in this Motion may be granted if the "relief is necessary to avoid immediate and irreparable harm." Fed. R. Bankr. P. 6003. As described above, any disruption of the Insurance Program, including the Finance Agreement, would substantially diminish or impair the Debtors' efforts in these Chapter 11 Cases to preserve and maximize the value of their estates. For this reason and those set forth above, the Debtors respectfully submit that Bankruptcy Rule 6003(b) has been satisfied and the

relief requested herein is necessary to avoid immediate and irreparable harm to the Debtors and their estates.

WAIVER ANY APPLICABLY STAY

19. The Debtors also request that the Court waive the stay imposed by Bankruptcy Rule 6004(h), which provides that "[a]n order authorizing the use, sale, or lease of property other than cash collateral is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise." Fed. R. Bankr. P. 6004(h). As described above, the relief that the Debtors seek in this Motion is necessary for the Debtors to operate their business without interruption and to preserve value for their estates. Accordingly, the Debtors respectfully request that the Court waive the fourteen-day stay imposed by Bankruptcy Rule 6004(h), as the exigent nature of the relief sought herein justifies immediate relief.

NOTICE

20. Notice of this Motion has been given to (i) the U. S. Trustee; (ii) counsel to Crystal Financial, LLC; (iii) counsel to Mador Funding, LLC; (iv) holders of the thirty (30) largest unsecured claims on a consolidated basis against the Debtors; (v) the Banks; and (vi) any party that has requested notice pursuant to Bankruptcy Rule 2002. As this Motion is seeking "first day" relief, within two business days of the hearing on this Motion, the Debtors will serve copies of this Motion and any order entered respecting this Motion as required by Local Rule 9013-1(m). The Debtors submit that, in light of the nature of the relief requested, no other or further notice need be given.

CONCLUSION

WHEREFORE, the Debtors respectfully request entry of interim and final orders, substantially in the forms attached hereto as Exhibit A and Exhibit B, respectively, (i) granting the relief requested herein, and (ii) granting such other relief as is just and proper.

Dated: February 2, 2017
Wilmington, Delaware

/s/ Andrew L. Magaziner

Robert S. Brady (No. 2847)

Michael R. Nestor (No. 3526)

Jaime Luton Chapman (No. 4936)

Andrew L. Magaziner (No. 5426)

YOUNG CONAWAY STARGATT & TAYLOR, LLP

Rodney Square

1000 North King Street

Wilmington, Delaware 19801

Telephone: (302) 571-6600

Facsimile: (302) 571-1253

*Proposed Counsel to the Debtors and
Debtors in Possession*

EXHIBIT A

Proposed Interim Order

**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

	-----X	
In re:	:	Chapter 11
	:	
THE WET SEAL, LLC, <i>et al.</i> ,	:	Case No. 17-10229 (____)
	:	
Debtors. ¹	:	(Jointly Administered)
	:	
	:	Ref. Docket No. ____
	-----X	

**INTERIM ORDER (I) AUTHORIZING THE DEBTORS TO (A) CONTINUE
PREPETITION INSURANCE POLICIES, (B) PAY ALL PREPETITION
OBLIGATIONS IN RESPECT THEREOF AND, (C) CONTINUE THEIR INSURANCE
PREMIUM FINANCING PROGRAM, AND (II) AUTHORIZING
BANKS TO HONOR RELATED CHECKS AND TRANSFERS**

Upon the motion (the “Motion”)² of the Debtors for entry of interim and final orders, pursuant to sections 105(a) and 363(b) of the Bankruptcy Code, and Bankruptcy Rules 6003 and 6004, (i) authorizing the Debtors to (a) continue to maintain and administer prepetition insurance policies and revise, extend, renew, supplement, or change such policies, as needed, (b) pay or honor obligations outstanding on account of prepetition insurance policies, if any, and (c) continue their insurance premium financing program, and (ii) authorizing the Banks to honor related checks and transfers; and upon the First Day Declaration; and it appearing that this Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware, dated as of February 29, 2012; and it appearing that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A) and this Court may enter a final order consistent with Article III of the

¹ The Debtors in these chapter 11 cases and the last four digits of each Debtor’s taxpayer identification number are as follows: The Wet Seal, LLC (2741) The Wet Seal Gift Card, LLC (3286); Mador Financing, LLC (1377). Debtors’ corporate headquarters is located at 7555 Irvine Center Drive, Irvine, California 92618.

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Motion or the First Day Declaration, as applicable.

United States Constitution; and proper and adequate notice of the Motion and the hearing thereon having been given; and it appearing that no other or further notice being necessary; and it appearing that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and this Court having determined that the relief sought in the Motion is in the best interests of the Debtors, their estates, their creditors, and other parties in interest; and after due deliberation and sufficient cause appearing therefor; it is hereby

ORDERED THAT:

1. The Motion is GRANTED on an INTERIM BASIS as set forth herein.
2. The Debtors are authorized, but not directed, to (i) continue to maintain and perform under their Insurance Program, and (ii) revise, extend, renew, supplement, or change the Policies or enter into new policies, if necessary, in the ordinary course of business consistent with the Debtors' past practice.
3. The Debtors are authorized, but not directed, (i) to continue honoring, in the ordinary course of business, the Finance Agreement and to renew or enter into new financing agreements as the terms of the existing arrangement expires, without further order of this Court, and (ii) to pay their regular monthly installment payments under the Finance Agreement as the same become due in the ordinary course of business.
4. The Banks are authorized, when requested by the Debtors, in the Debtors' discretion, to process and honor all checks and fund transfer requests for prepetition obligations related to the Insurance Program that the Debtors are authorized to pay pursuant to this Order, regardless of whether the checks were presented or fund transfer requests were submitted before or after the Petition Date, *provided*, that funds are available in the Debtors' accounts to cover the

checks and fund transfers. The Banks are authorized to rely on the Debtors' designation of any particular check or fund transfer request to be honored.

5. The Debtors are authorized to issue postpetition checks or to effect postpetition fund transfer requests in replacement of any checks or fund transfer requests in respect of any prepetition obligations authorized in this Order that were dishonored or rejected as a consequence of the commencement of the Cases.

6. Nothing herein shall alter any noticing or other obligations of the Debtors relating to any of the Policies or payment of any obligation relating to the Insurance Program.

7. Nothing in the Motion or this Order, nor as a result of any payment made pursuant to this Order, shall be deemed or construed as (i) an admission as to the validity or priority of any claim or lien against the Debtors or an approval or assumption of any agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code or (ii) a waiver of the right of the Debtors, or shall impair the ability of the Debtors, to contest the validity or amount of any payment made pursuant to this Order.

8. Objections to entry of an order granting the Motion on a final basis must be filed by _____, 2017 at 4:00 p.m. (ET) and served on: (i) proposed counsel to the Debtors, Young Conaway Stargatt & Taylor, LLP, Rodney Square, 1000 North King Street, Wilmington, Delaware 19801, Attn: Michael R. Nestor, Esq. and Andrew L. Magaziner, Esq.; (ii) the U.S. Trustee, 844 King Street, Suite 2207, Wilmington, Delaware, 19801, Attn: Linda Casey, Esq.; and (iii) counsel to any statutory committee appointed in these Chapter 11 Cases. A final hearing, if required, on the Motion will be held on _____, 2017 at _____m. (ET). If no objections are filed to the Motion, this Court may enter a final order without further notice or hearing.

9. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion.

10. The Debtors shall serve this Order on the Insurance Carriers within forty-eight (48) hours of entry of this Order.

11. Bankruptcy Rule 6003(b) has been satisfied because the relief requested in the Motion is necessary to avoid immediate and irreparable harm to the Debtors.

12. The requirements of Bankruptcy Rule 6004(a) are hereby waived to avoid immediate and irreparable harm to the Debtors.

13. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

14. This Court shall retain jurisdiction over any and all matters arising from or related to the interpretation or implementation of this Order.

Dated: Wilmington, Delaware
_____, 2017

UNITED STATES BANKRUPTCY JUDGE

EXHIBIT B

Proposed Final Order

**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

-----X
 In re: : Chapter 11
 :
 : Case No. 17-10229 (____)
 THE WET SEAL, LLC, *et al.*, :
 :
 : (Jointly Administered)
 Debtors.¹ :
 :
 : Ref. Docket Nos. ____ & ____
 -----X

**FINAL ORDER (I) AUTHORIZING THE DEBTORS TO (A) CONTINUE
PREPETITION INSURANCE POLICIES, (B) PAY ALL PREPETITION
OBLIGATIONS IN RESPECT THEREOF AND, (C) CONTINUE THEIR INSURANCE
PREMIUM FINANCING PROGRAM, AND (II) AUTHORIZING
BANKS TO HONOR RELATED CHECKS AND TRANSFERS**

Upon the motion (the “Motion”)² of the Debtors for entry of interim and final orders, pursuant to sections 105(a) and 363(b) of the Bankruptcy Code and Bankruptcy Rule 6004, (i) authorizing the Debtors to (a) continue to maintain and administer prepetition insurance policies and revise, extend, renew, supplement, or change such policies, as needed, (b) pay or honor obligations outstanding on account of prepetition insurance policies, if any, and (c) continue their insurance premium financing program, and (ii) authorizing the Banks to honor related checks and transfers; and upon the First Day Declaration; and it appearing that this Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware, dated as of February 29, 2012; and it appearing that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A) and this Court may enter a final order consistent with Article III of the

¹ The Debtors in these chapter 11 cases and the last four digits of each Debtor’s taxpayer identification number are as follows: The Wet Seal, LLC (2741) The Wet Seal Gift Card, LLC (3286); Mador Financing, LLC (1377). Debtors’ corporate headquarters is located at 7555 Irvine Center Drive, Irvine, California 92618.

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Motion or the First Day Declaration, as applicable.

United States Constitution; and proper and adequate notice of the Motion and the hearing thereon having been given; and it appearing that no other or further notice being necessary; and the Court having entered that certain *Interim Order (I) Authorizing the Debtors to (A) Continue Prepetition Insurance Policies, (B) Pay All Prepetition Obligations in Respect Thereof and (C) Continue Their Insurance Premium Financing Program and (II) Authorizing Banks to Honor Related Checks and Transfers* [D.I. ____]; and it appearing that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and this Court having determined that the relief sought in the Motion is in the best interests of the Debtors, their estates, their creditors, and other parties in interest; and after due deliberation and sufficient cause appearing therefor; it is hereby

ORDERED, THAT:

1. The Motion is GRANTED on a FINAL BASIS as set forth herein.
2. The Debtors are authorized, but not directed, to (i) continue to maintain and perform under their Insurance Program, and (ii) revise, extend, renew, supplement, or change the Policies (including the Financed Policies) or enter into new policies, if necessary, in the ordinary course of business consistent with the Debtors' past practice.
3. The Debtors are authorized, but not directed, (i) to continue honoring, in the ordinary course of business, the Finance Agreement and to renew or enter into new financing agreements as the terms of the existing arrangement expires, without further order of this Court, and (ii) to pay their regular monthly installment payments under the Finance Agreement as the same become due in the ordinary course of business.
4. The Banks are authorized, when requested by the Debtors, in the Debtors' discretion, to process and honor all checks and fund transfer requests for prepetition obligations

related to the Insurance Program that the Debtors are authorized to pay pursuant to this Order, regardless of whether the checks were presented or fund transfer requests were submitted before or after the Petition Date, *provided*, that funds are available in the Debtors' accounts to cover the checks and fund transfers. The Banks are authorized to rely on the Debtors' designation of any particular check or fund transfer request to be honored.

5. The Debtors are authorized to issue postpetition checks or to affect postpetition fund transfer requests in replacement of any checks or fund transfer requests in respect of any prepetition obligations authorized in this Order that were dishonored or rejected as a consequence of the commencement of the Cases.

6. Nothing herein shall alter any noticing or other obligations of the Debtors under any of the Policies or payment of any obligation relating to the Insurance Program.

7. Nothing in the Motion or this Order, nor as a result of any payment made pursuant to this Order, shall be deemed or construed as (i) an admission as to the validity or priority of any claim or lien against the Debtors or an approval or assumption of any agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code or (ii) a waiver of the right of the Debtors, or shall impair the ability of the Debtors, to contest the validity or amount of any payment made pursuant to this Order.

8. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion.

9. The requirements of Bankruptcy Rule 6004(a) are hereby waived to avoid immediate and irreparable harm to the Debtors.

10. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

11. This Court shall retain jurisdiction over any and all matters arising from or related to the interpretation or implementation of this Order.

Dated: Wilmington, Delaware
_____, 2017

UNITED STATES BANKRUPTCY JUDGE

EXHIBIT C

Insurance Policies

Coverage	Broker	Broker Notice Address	Carrier	Carrier Notice Address	Annual Premium ¹	Prepetition Amount Owing	Last Four Digits of Policy No.
Crime	Marsh	Marsh Risk & Insurance Services ATTN: Jaimie Borgonia 17901 Von Karman Avenue, Suite 1100 Irvine, CA 92614 (949) 399-5800 Jaimie.C.Borgonia@marsh.com	National Union Fire Insurance Co of PA	National Union Fire Ins Co of Pittsburg, PA 175 Water Street New York, NY 10038-4969	\$23,814	Financed through the Finance Agreement – any prepetition amount owing is included in the total due for in petition financing payment.	06-65
Fiduciary Liability	Marsh	Marsh Risk & Insurance Services ATTN: Jaimie Borgonia 17901 Von Karman Avenue, Suite 1100 Irvine, CA 92614 (949) 399-5800 Jaimie.C.Borgonia@marsh.com	National Union Fire Insurance Co of PA	National Union Fire Ins Co of Pittsburg, PA 175 Water Street New York, NY 10038-4969	\$9,750	Financed through the Finance Agreement – any prepetition amount owing is included in the total due for in petition financing payment.	06-65

¹ Calculations for total annual premiums and for the annual premium under each Policy listed in the Insurance Schedule include additional charges on certain policies such as commissions, surcharges, policy fees, and charges for surplus lines. The Debtors seek to make payments to these charges as well as on the base premiums due.

Coverage	Broker	Broker Notice Address	Carrier	Carrier Notice Address	Annual Premium ¹	Prepetition Amount Owing	Last Four Digits of Policy No.
Directors & Officers Liability	Marsh	Marsh Risk & Insurance Services ATTN: Jaimie Borgonia 17901 Von Karman Avenue, Suite 1100 Irvine, CA 92614 (949) 399-5800 Jaimie.C.Borgonia@marsh.com	National Union Fire Insurance Co of PA	National Union Fire Ins Co of Pittsburg, PA 175 Water Street New York, NY 10038-4969	\$37,612	Financed through the Finance Agreement – any prepetition amount owing is included in the total due for in petition financing payment.	06-65
Excess Director & Officers Liability	Marsh	Marsh Risk & Insurance Services ATTN: Jaimie Borgonia 17901 Von Karman Avenue, Suite 1100 Irvine, CA 92614 (949) 399-5800 Jaimie.C.Borgonia@marsh.com	Allianz Global Risks US Insurance Co.	Allianz Global US Risk Insurance Company 28 Liberty Street New York, NY 10005	\$23,500	Financed through the Finance Agreement – any prepetition amount owing is included in the total due for in petition financing payment.	7893
Excess Director & Officers Liability	Marsh	Marsh Risk & Insurance Services ATTN: Jaimie Borgonia 17901 Von Karman Avenue, Suite 1100 Irvine, CA 92614 (949) 399-5800 Jaimie.C.Borgonia@marsh.com	Zurich American Insurance Co.	Zurich North America 1299 Zurich Way Schaumburg, IL 60196	\$10,182.69	Financed through the Finance Agreement – any prepetition amount owing is included in the total due for in petition financing payment.	02-02

Coverage	Broker	Broker Notice Address	Carrier	Carrier Notice Address	Annual Premium ¹	Prepetition Amount Owing	Last Four Digits of Policy No.
Employment Practices Liability	Marsh	Marsh Risk & Insurance Services ATTN: Jaimie Borgonia 17901 Von Karman Avenue, Suite 1100 Irvine, CA 92614 (949) 399-5800 Jaimie.C.Borgonia@marsh.com	Westchester Surplus Lines Insurance Co. Accessed through R-T Specialty, LLC	Westchester Surplus Lines Ins. Co. 11575 Great Oaks Way Suite 200 Alpharetta, GA 30022	\$139,194.00	Financed through the Finance Agreement – any prepetition amount owing is included in the total due for in petition financing payment.	7 003
Punitive Damages	Marsh	Marsh Risk & Insurance Services ATTN: Jaimie Borgonia 17901 Von Karman Avenue, Suite 1100 Irvine, CA 92614 (949) 399-5800 Jaimie.C.Borgonia@marsh.com	Chubb Bermuda Insurance Ltd.	Chubb Bermuda Insurance Ltd. Chubb Building 17 Woodbourne Avenue Hamilton HM 08, Bermuda	\$13,512	Financed through the Finance Agreement – any prepetition amount owing is included in the total due for in petition financing payment.	812D
Business Auto	Marsh	Marsh Risk & Insurance Services ATTN: Jaimie Borgonia 17901 Von Karman Avenue, Suite 1100 Irvine, CA 92614 (949) 399-5800 Jaimie.C.Borgonia@marsh.com	Zurich American Insurance Co.	Zurich North America 1299 Zurich Way Schaumburg, IL 60196	\$2,354	\$1,209	3401

Coverage	Broker	Broker Notice Address	Carrier	Carrier Notice Address	Annual Premium ¹	Prepetition Amount Owing	Last Four Digits of Policy No.
General Liability	Marsh	Marsh Risk & Insurance Services ATTN: Jaimie Borgonia 17901 Von Karman Avenue, Suite 1100 Irvine, CA 92614 (949) 399-5800 Jaimie.C.Borgonia@marsh.com	Zurich American Insurance Co.	Zurich North America 1299 Zurich Way Schaumburg, IL 60196	\$168,527	\$0	3401
Umbrella (Primary Layer)	Marsh	Marsh Risk & Insurance Services ATTN: Jaimie Borgonia 17901 Von Karman Avenue, Suite 1100 Irvine, CA 92614 (949) 399-5800 Jaimie.C.Borgonia@marsh.com	Great American Insurance Company	Great American Insurance Group 301 E. 4th Street Cincinnati, OH 45202-4201	\$29,652	\$0	0395
Umbrella (1st Layer)	Marsh	Marsh Risk & Insurance Services ATTN: Jaimie Borgonia 17901 Von Karman Avenue, Suite 1100 Irvine, CA 92614 (949) 399-5800 Jaimie.C.Borgonia@marsh.com	Fireman's Fund Insurance Company	Fireman's Fund Insurance Companies P.O. Box 777 Novato, CA 94998	\$5,540	\$0	4000
Umbrella (2nd Layer)	Marsh	Marsh Risk & Insurance Services ATTN: Jaimie Borgonia 17901 Von Karman Avenue, Suite 1100 Irvine, CA 92614 (949) 399-5800 Jaimie.C.Borgonia@marsh.com	Lexington Insurance Company (non-Admitted)	Lexington Insurance Company 99 High Street Boston, MA 02110	\$5,304	\$0	5219

Coverage	Broker	Broker Notice Address	Carrier	Carrier Notice Address	Annual Premium ¹	Prepetition Amount Owing	Last Four Digits of Policy No.
Umbrella (3rd Layer)	Marsh	Marsh Risk & Insurance Services ATTN: Jaimie Borgonia 17901 Von Karman Avenue, Suite 1100 Irvine, CA 92614 (949) 399-5800 Jaimie.C.Borgonia@marsh.com	Ohio Casualty Insurance Company	Ohio Casualty Insurance Company 175 Berkeley St. Boston, MA 02116	\$4,624	\$0	7235
Workers Compensation (Guaranteed Cost)	Marsh	Marsh Risk & Insurance Services ATTN: Jaimie Borgonia 17901 Von Karman Avenue, Suite 1100 Irvine, CA 92614 (949) 399-5800 Jaimie.C.Borgonia@marsh.com	Zurich American Insurance Co.	Zurich North America 1299 Zurich Way Schaumburg, IL 60196	\$354,121	\$0	6301
Property	Marsh	Marsh Risk & Insurance Services ATTN: Jaimie Borgonia 17901 Von Karman Avenue, Suite 1100 Irvine, CA 92614 (949) 399-5800 Jaimie.C.Borgonia@marsh.com	Zurich American Insurance Co.	Zurich North America 1299 Zurich Way Schaumburg, IL 60196	\$215,162	\$0	4601
DIC (EQ) - California Locations Only (1st Layer)	Marsh	Marsh Risk & Insurance Services ATTN: Jaimie Borgonia 17901 Von Karman Avenue, Suite 1100 Irvine, CA 92614 (949) 399-5800 Jaimie.C.Borgonia@marsh.com	Aspen Specialty Insurance Company (Non-Admitted)	Aspen Specialty Insurance Company c/o Aspen Specialty Insurance Solutions, LLC 35 North Lake Avenue, Suite 820 Pasadena, CA 91101	\$18,060	\$0	6A0J

Coverage	Broker	Broker Notice Address	Carrier	Carrier Notice Address	Annual Premium ¹	Prepetition Amount Owing	Last Four Digits of Policy No.
DIC (EQ) - California Locations Only (2nd Layer)	Marsh	Marsh Risk & Insurance Services ATTN: Jaimie Borgonia 17901 Von Karman Avenue, Suite 1100 Irvine, CA 92614 (949) 399-5800 Jaimie.C.Borgonia@marsh.com	Endurance American Specialty Insurance Company (Non-Admitted)	Endurance American Specialty Insurance Company 750 3rd Avenue New York, NY 10017	\$18,995	\$0	3200
Foreign Package	Marsh	Marsh Risk & Insurance Services ATTN: Jaimie Borgonia 17901 Von Karman Avenue, Suite 1100 Irvine, CA 92614 (949) 399-5800 Jaimie.C.Borgonia@marsh.com	Zurich American Insurance Co.	Zurich North America 1299 Zurich Way Schaumburg, IL 60196	\$2,500	\$0	63-01
Marine/War Cargo	Marsh	Marsh Risk & Insurance Services ATTN: Jaimie Borgonia 17901 Von Karman Avenue, Suite 1100 Irvine, CA 92614 (949) 399-5800 Jaimie.C.Borgonia@marsh.com	Continental Insurance Company C.N.A.	The Continental Insurance Co. 333 South Wabash Ave. Chicago, IL 60604	\$12,050	\$0	0278
Network Security / Privacy Liability (Cyber)	Marsh	Marsh Risk & Insurance Services ATTN: Jaimie Borgonia 17901 Von Karman Avenue, Suite 1100 Irvine, CA 92614 (949) 399-5800 Jaimie.C.Borgonia@marsh.com	Beazley/Syndicate 2623/623 at Lloyds	Beazley USA Services, Inc. 30 Batterson Park Road Farmington, CT 06032	\$\$93,826	\$0	0201

Coverage	Broker	Broker Notice Address	Carrier	Carrier Notice Address	Annual Premium ¹	Prepetition Amount Owing	Last Four Digits of Policy No.
Network Security / Privacy Liability (Cyber) - Excess	Marsh	Marsh Risk & Insurance Services ATTN: Jaimie Borgonia 17901 Von Karman Avenue, Suite 1100 Irvine, CA 92614 (949) 399-5800 Jaimie.C.Borgonia@marsh.com	AIG Specialty Insurance Company	AIG Specialty Insurance Company 175 Water Street New York, NY 10038-4969	\$56,706	\$0	94-76
Employment Practices Liability (Runoff)	Marsh	Marsh Risk & Insurance Services ATTN: Jaimie Borgonia 17901 Von Karman Avenue, Suite 1100 Irvine, CA 92614 (949) 399-5800 Jaimie.C.Borgonia@marsh.com	Westchester Fire Insurance Company	Westchester Surplus Lines Ins. Co. 11575 Great Oaks Way Suite 200 Alpharetta, GA 30022	\$300,000	\$0	1 002
Fiduciary Liability (Runoff)	Marsh	Marsh Risk & Insurance Services ATTN: Jaimie Borgonia 17901 Von Karman Avenue, Suite 1100 Irvine, CA 92614 (949) 399-5800 Jaimie.C.Borgonia@marsh.com	Travelers Casualty & Surety	Travelers Casualty & Surety Co. One Tower Square Hartford, CT 06183	\$0	\$0	2732
Punitive Damages Wrap (Runoff)	Marsh	Marsh Risk & Insurance Services ATTN: Jaimie Borgonia 17901 Von Karman Avenue, Suite 1100 Irvine, CA 92614 (949) 399-5800 Jaimie.C.Borgonia@marsh.com	ACE Bermuda	ACE/Chubb Bermuda Insurance Ltd. Chubb Building 17 Woodbourne Avenue Hamilton HM 08, Bermuda	\$30,000	\$0	991C

Coverage	Broker	Broker Notice Address	Carrier	Carrier Notice Address	Annual Premium ¹	Prepetition Amount Owing	Last Four Digits of Policy No.
Directors & Officers (Runoff)	Marsh	Marsh Risk & Insurance Services ATTN: Jaimie Borgonia 17901 Von Karman Avenue, Suite 1100 Irvine, CA 92614 (949) 399-5800 Jaimie.C.Borgonia@marsh.com	XL Specialty	XL Specialty Insurance Company Seaview House 70 Seaview Avenue Stamford, CT 06902-6040	\$42,500	\$0	17-14
D&O "Wind Down" coverage	Marsh	Marsh Risk & Insurance Services ATTN: Jaimie Borgonia 17901 Von Karman Avenue, Suite 1100 Irvine, CA 92614 (949) 399-5800 Jaimie.C.Borgonia@marsh.com	XL Specialty	XL Specialty Insurance Company Seaview House 70 Seaview Avenue Stamford, CT 06902-6040	\$0	\$0	17-14

EXHIBIT D

PFA

FILE NO. 1829

(CHECK APPROPRIATE BOX)



Premium Finance Agreement - Promise of Repayment

8885 Rio San Diego Drive, Suite 347, San Diego, CA 92108
 TEL. NOS. 619-209-5210 800-288-7920

PERSONAL
 COMMERCIAL

Page 1 of 3

Agent (Name and Address) 10054160
 Marsh Risk & Insurance Services
 Attn : Jaimie Borgonia
 17901 Von Karman Avenue, Suite 1100
 Irvine, CA 92614
 949-399-5800

Insured (Name and Address as shown on the policy)
 Mador Holdings, LLC
 7555 Irvine Center Drive
 Irvine, CA 92618
 949-699-3900

A) Total Premiums	B) Down Payment	C) Amount Financed	D) Finance Charge	E) Total Payments
\$257,810.40	\$64,452.00	\$193,358.40	\$3,645.30	\$197,003.70
F) Annual Percentage Rate	No. of Payments	Amount of Payments	First Installment Due	Installment Due Dates
4.502 %	9 (Monthly)	\$21,889.30	12/30/2016	30th

SCHEDULE OF POLICIES

Policy Prefix and Numbers	Effective Date of Policy/Inst.	Name of Insurance Company and Name and Address of General or Policy Issuing Agent or Intermediary	Type of Coverage	Months Covered	Premium \$
028800665	11/30/2016	National Union Fire Insurance Co Pittsburgh PA	BLNDED	12	71.176.00
	11/30/2016	Westchester Fire Insurance Company R-T Specialty, LLC 500 S Grand Avenue, Suite 2100 Los Angeles, CA 90071 USA	EPL	12	135.116.00
		Tax Policy Detail Continued...	TAX	Ref	4.323.71

Security Agreement

(1) **DEFINITIONS:** The above named insured (the "Insured") is the borrower. AFCO Acceptance Corporation ("AFCO") is the lender to whom the debt is owed. "Insurance company" or "company", "insurance policy" or "policy" and "premium" refer to those items listed under the "Schedule of Policies". Singular words shall mean plural and vice-versa as may be required in order to give this Agreement meaning.
 (2) **PROMISE OF REPAYMENT:** The insured (i) requests AFCO to pay the premiums in the Schedule of Policies, less the Down Payment and any installments paid prior to acceptance of this Agreement and (ii) promises to pay to AFCO the amount stated in Block E above, according to the Payment Schedule shown above, subject to the remaining terms of this Agreement. No additional authority, acts, approvals or licenses are or will be necessary as a prerequisite to the enforceability of this Agreement. Payments to AFCO are deemed made only upon receipt in good funds. Checks are accepted, subject to collection.

INSURED AGREES TO ALL TERMS SET FORTH ON ALL PAGES OF THIS AGREEMENT AND ANY ADDENDA THERETO.

NS [Signature] SIGNATURE OF INSURED(S) OR AUTHORIZED AGENT OF INSURED(S) [Print Name] PRINT NAME [Title] TITLE [Date] DATE

MARSH's Representations and Undertakings

(1) The form of signature of the agent or broker notwithstanding, these representations and undertakings shall be deemed to be made by MARSH in its corporate capacity and not by the individual broker actually signing the Premium Finance Loan documentation. (2) The policies are in full force and effect and the information in the Schedule of Policies and the premiums are correct. (3) The insured has received a copy of the Premium Finance Loan documentation. (4) (i) MARSH shall hold in trust for AFCO only those funds which have been actually received by MARSH or credited to MARSH's account; (ii) MARSH shall have no liability or obligation with respect to any return premiums or other payments made by the carrier directly to the insured or other third part(ies); (iii) MARSH shall have no liability or obligation to AFCO for remitting return premiums or other payments to parties other than AFCO if such remittance is made pursuant to court order or other legal process and MARSH will use its best efforts to promptly advise AFCO of the service of any such court order or other legal process; (iv) MARSH shall have no obligation to return unearned commissions in the event of the appointment by the insured of a new broker and the mid-term cancellation and rewrite of the policies listed on the Premium Finance Loan documentation, provided however, that AFCO shall not be precluded from enforcing its rights against any insurer under any applicable law or regulation; and (v) MARSH shall have no obligation to refund commissions in the event of a premium reduction required by law unless such law requires the refund of such commissions. (5) AFCO represents that its decision to accept the Premium Finance Loan and to extend credit to the insured is based upon its own judgment as to the creditworthiness of the insured and the carrier and is not based upon any representation of or information supplied by MARSH other than is expressly stated in the Premium Finance Loan documentation. (6) None of the policies is non-cancelable, retrospectively rated, subject to minimum earned premiums or of a deposit premium type, unless AFCO is notified to the contrary by MARSH as part of the underwriting process. (7) The policies can be canceled by the insured and the unearned premiums will be computed on the standard short-rate or pro-rata table, unless AFCO is notified to the contrary by MARSH as part of the underwriting process. (8) MARSH represents on a best knowledge basis only, no independent check or verification having been made, that a proceeding in bankruptcy, receivership or insolvency has not been instituted by or against the named insured. (9) The disclosures required by Section 778.2 of the California Insurance Code have been provided to the Insured.

IF THERE ARE ANY EXCEPTIONS TO THE ABOVE STATEMENTS, THEY ARE LISTED BELOW:

SIGNATURE OF AGENT OR BROKER TITLE DATE

FOR INFORMATION CONTACT THE DEPARTMENT OF FINANCIAL INSTITUTIONS, STATE OF CALIFORNIA



FILE NO. 1829

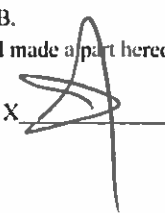

Premium Finance Agreement - Promise of Repayment

8885 Rio San Diego Drive, Suite 347, San Diego, CA 92108
 TEL. NOS. 619-209-5210 800-288-7920

(CHECK APPROPRIATE BOX)

PERSONAL
 COMMERCIAL
 Page 2 of 3

SCHEDULE OF POLICIES

Policy Prefix and Numbers	Effective Date of Policy/Inst.	Name of Insurance Company and Name and Address of General or Policy Issuing Agent or Intermediary	Type of Coverage	Months Covered	Premium \$
DOC0140502-02	11/30/2016	Zurich American Insurance Company	XSDO	12	10,182.69
DOX2007893	11/30/2016	Allianz Global Risks US Insurance Company	XSDO	12	23,500.00
	11/30/2016	Chubb Bermuda Insurance Limited Bowring Marsh (Bermuda) Ltd. .. N/A 99999 BERMUDA The terms of this agreement are continued on addenda A and B, annexed hereto and made a part hereof. Insured's Initials X  	PUNT	12	13,512.00

- (3) **SECURITY INTEREST AND POWER OF ATTORNEY:** The Insured assigns and hereby gives a security interest to AFCO as collateral for the total amount payable in this Agreement in (a) any and all unearned premiums or dividends which may become payable for any reason under all insurance policies financed by AFCO, (b) loss payments which reduce the unearned premiums, subject to any mortgagee or loss payee interests and (c) any interest in any state guarantee fund relating to any financed policy. If any circumstances exist in which all premiums related to any policy could become fully earned in the event of any loss, AFCO shall be named a loss-payee with respect to such policy. AFCO at its option may enforce payment of this debt without recourse to the security given to AFCO. The Insured irrevocably appoints AFCO as its attorney in fact with full authority to (i) cancel all insurance financed by AFCO for the reason set forth in paragraph 11, pursuant to this agreement, (ii) receive all sums hereby assigned to AFCO and (iii) execute and deliver on the insured's behalf all documents, instruments of payment, forms and notices of any kind relating to the insurance in furtherance of this Agreement.
- (4) **WARRANTY OF ACCURACY:** The Insured (i) warrants that all listed insurance policies are in full force and effect and that it has not and will not assign any interest in the policies except for the interest of mortgagees and loss payees and (ii) authorizes AFCO to insert or correct on this Agreement, if omitted or incorrect, the insurer's name, the policy numbers, and the due date of the first installment and to correct any obvious errors. In the event of any such change, correction or insertion, AFCO will give the Insured written notice thereof.
- (5) **REPRESENTATION OF SOLVENCY:** The Insured represents that it is not insolvent or the subject of any insolvency proceeding.
- (6) **ADDITIONAL PREMIUMS:** The money paid by AFCO is only for the premium as determined at the time the insurance policy is issued. AFCO's payment shall not be applied by the insurance company to pay for any additional premiums owed by the insured resulting from any type of misclassification of the risk. The Insured shall pay to the insurer any additional premiums or any other sums that become due for any reason. If AFCO assigns the same account number to any additional extension or extensions of credit, (i) this Agreement and any other agreement(s) identified by such account number shall be deemed to comprise a single and indivisible loan transaction, (ii) any default with respect to any component of such transaction shall be deemed a default with respect to all components of such transaction and (iii) any unearned premiums relating to any component of such transaction may be collected and applied by AFCO to the totality of such transaction.
- (7) **SPECIAL INSURANCE POLICIES:** If the insurance policy is auditable or is a reporting form policy or is subject to retrospective rating, then the Insured promises to pay to the insurance company the earned premium computed in accordance with the policy provisions which is in excess of the amount of premium advanced by AFCO which the insurance company retains.
- (8) **NAMED INSURED:** If the insurance policy provides that the first named insured in the policy shall be responsible for payment of premiums and shall act on behalf of all other insureds regarding the policy, then the same shall apply to this Agreement and the Insured represents that it is authorized to sign on behalf of all insureds. If not, then all insureds' names must be shown on this Agreement unless a separate agreement appoints an insured to act for the others.
- (9) **AGREEMENT BECOMES A CONTRACT:** This Agreement becomes a binding contract when AFCO mails the Insured its acceptance and is not a contract until such time. The insured agrees that (i) this Agreement may be transmitted by facsimile, E-mail or other electronic means to AFCO, (ii) any such transmitted Agreement shall be deemed a fully enforceable duplicate original document and (iii) such Agreement, when accepted by AFCO, shall constitute a valid and enforceable contract.
- (10) **DEFAULT AND DISHONORED CHECK CHARGES:** If the Insured is late in making a loan payment to AFCO by 10 or more days, the Insured will pay to AFCO a default charge not to exceed 5% of the delinquent installment, but will be at least \$1. If a check is dishonored, the Insured will pay a dishonored check fee not to exceed \$15.
- (11) **CANCELLATION:** If the Insured does not pay any installment according to the terms of this agreement with AFCO, AFCO may cancel all insurance policies financed by AFCO after giving 10 days notice of its intent to do so and the full balance due to AFCO shall be immediately payable. Payment of unearned premiums shall not be deemed to be payment of installments to AFCO, in full or in part.
- (12) **AGREED RATE OF CHARGE:** The rate of charge for a loan not exceeding \$2,499.99 computed from the earliest effective date of the insurance coverage shall not exceed (a) 2% per month on the part of the unpaid principal balance not exceeding \$1,000; 1% per month of any remainder of such unpaid balance in excess of \$1,000; or (b) 1.6% per month of the unpaid principal balance. All other rates of charge shall be agreed upon by the parties to the contract. All contracts shall be subject to a minimum charge of \$25.00.
- (13) **MONEY RECEIVED AFTER NOTICE OF CANCELLATION:** Any payments made to AFCO after mailing of AFCO's Notice of Cancellation may be credited to the Insured's account without affecting the acceleration of this Agreement and without any liability or obligation to request reinstatement of a canceled policy. Any money AFCO receives from an insurance company shall be credited to the amount due AFCO with any surplus paid over to whomever is entitled to the money. No refund of less than \$1.00 shall be made. In the event that AFCO requests, on the Insured's behalf, reinstatement of the policy, such request does not guarantee that coverage will be reinstated.
- (14) **COLLECTION EXPENSE - ATTORNEY FEES:** The insured agrees to pay AFCO's collection expenses. If AFCO obtains a court judgment against the Insured, the Insured agrees to pay to AFCO court costs and reasonable attorney's fees as allowed by the court in the judgment.
- (15) **REFUND CREDITS:** The Insured will receive (i) a refund credit of part of the finance charge if it voluntarily prepays the outstanding debt in full before the last installment due date according to Section 18629 of the Financial Code and (ii) a refund credit of part of the finance charge if the maturity of the loan is accelerated for any reason according to Section 18642 of the Financial Code. The methods for computing these refund credits are stated below.
- (a) **Voluntary Prepayment - (i)** If prepayment in full is made during the first three months and 15 days after the earliest insurance policy effective date as shown on the front of the contract, AFCO will compute a finance charge by multiplying the agreed rate of charge as stated at the end of this Agreement by the unpaid principal balances for the number of days from the earliest policy effective date to the date of prepayment in full. AFCO will apply each payment made by the Insured, first to finance charge and then to principal. AFCO will then subtract this actual finance charge from the finance charge shown in Box D of the contract to obtain the refund credit. (ii) If prepayment in full is made more than three months and 15 days after the earliest insurance policy effective date, the refund credit shall be computed by the Rule of 78s method.
- (b) **Acceleration of Maturity -** If payment of the unpaid balance of the loan to AFCO is accelerated for any reason, AFCO shall make the same refund or credit as would be required if this loan contract was paid in full on the date of acceleration. Paragraph 15(a) states the method of computing the refund or credit. The unpaid balance remaining after subtracting the refund or credit shall be treated as the unpaid principal balance. The Insured agrees to pay AFCO interest on the unpaid principal balance, computed at the agreed rate of charge stated at the end of this Agreement, until AFCO is actually paid in full, notwithstanding any cancellation of coverage. If AFCO issues a Notice of Cancellation, AFCO may recalculate the total finance charge payable pursuant to this Agreement, and the Insured agrees to pay interest, on the Amount Financed set forth herein, from the first effective date of coverage, at the highest lawful rate of interest.
- (16) **INSURANCE AGENT OR BROKER:** The insurance agent or broker named in this Agreement (the "Agent") is the Insured's agent, not AFCO's and AFCO is not legally bound by anything the agent or broker represents to the Insured orally or in writing. AFCO has not participated in the choice, placement, acquisition or underwriting of any financed insurance. Any disclosures made by the Agent are made in its capacity as the Insured's agent and AFCO makes no representations with respect to the accuracy of any such disclosures.
- (17) **NOT A CONDITION OF OBTAINING INSURANCE:** This Agreement is not required as a condition for obtaining insurance coverage.
- (18) **SUCCESSORS AND ASSIGNS:** All legal rights given to AFCO shall benefit AFCO's successors and assigns. The Insured will not assign this Agreement and/or the policies without AFCO's written consent except for the interest of mortgagees and loss payees.
- (19) **LIMITATION OF LIABILITY - CLAIMS AGAINST AFCO:** AFCO's liability for breach of any of the terms of this agreement or the wrongful exercise of any of its powers shall be limited to the amount of the principal balance outstanding, except in the event of willful misconduct. Any claims against AFCO shall be litigated exclusively in the Supreme Court of the State of New York, County of New York.
- (20) **DISCLOSURE:** The insurance company and any intermediaries and the insurance agent or broker named in this Agreement and their successors are authorized and directed to provide AFCO with full and complete information regarding all financed insurance policy or policies, including, without limitation, the status and calculation of unearned premiums.
- (21) **ENTIRE DOCUMENT - GOVERNING LAW - ENFORCEMENT VENUE:** This document is the entire agreement between AFCO and the Insured and can only be changed in a writing signed by both parties except as stated in paragraph (4). The laws of the state of California will govern this Agreement unless otherwise stated. AFCO may, at its option, prosecute any action to enforce its rights hereunder in the Supreme Court of the State of New York, County of New York, and the Insured (i) waives any objection to such venue and (ii) will honor any order issued by or judgment entered in such Court.