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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	**Chapter 11**
BROADWAY REALTY I CO., LLC, *et al.*,	:	**Case No. 25-11050 (DSJ)**
Debtors.[1]	:	**(Jointly Administered)**

MOTION OF DEBTORS FOR ENTRY OF ORDER (I) AUTHORIZING THE DEBTORS TO USE CASH COLLATERAL, (II) SCHEDULING FINAL HEARING, AND (III) GRANTING RELATED RELIEF

TO THE HONORABLE DAVID S. JONES,
UNITED STATES BANKRUPTCY JUDGE:

Broadway Realty I Co., LLC and its debtor affiliates, as debtors and debtors in possession (collectively, the "**Debtors**" and, together with their non-debtor affiliates, the "**Company**") in the above-captioned chapter 11 cases, respectfully move and represent as follows:[2]

[1] The last four digits of Broadway Realty I Co., LLC's tax identification number is 5426. A complete list of the Debtors in these Chapter 11 cases is attached hereto as Annex 1. The Debtors' mailing addresses are located at 2 Grand Central Tower, 140 East 45th St., 12th Floor, New York, NY 10017.

[2] Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the Proposed Interim Order (as defined below) or the First Day Declaration (as defined below), as applicable.

Preliminary Statement

1. By this Motion, the Debtors seek authority to use Cash Collateral (as defined under section 363 of title 11 of the United States Code (the "**Bankruptcy Code**") of their mortgage lender to maintain and operate the Debtors' properties in the ordinary course, to pay other administrative expenses in accordance with the budget attached to the Interim Order (as defined below) as **Annex 1** (the "**Budget**") and the procedures outlined below and in the Interim Order (as defined below), and to pay any claims permitted or authorized pursuant to future orders of the Court. The use of cash collateral as set forth herein will preserve and enhance the value of the Debtors' estates for the benefit of their secured lender and all parties in interest.

2. Flagstar Bank, N.A. ("**Flagstar**") is the Debtors' only secured lender, with mortgages on the Debtors' ninety-three (93) properties (the "**Debtor Properties**") securing approximately $564 million outstanding on its loans as of the Petition Date (as defined below).[3] Based on recent independent appraisals performed by Bowery Valuation dated December 2024 (the "**Bowery Appraisals**") reflected on the Debtors' balance sheet, the Debtor Properties have an aggregate value of approximately $826 million. Accordingly, based on the Bowery Appraisals, Flagstar is over-secured and adequately protected by a significant 46% equity cushion of approximately $262 million.

3. In the aggregate, before debt service, the Debtors collectively generated approximately $27 million of net cashflow (accounting for operating expenses, capital expenditures, and overhead) in 2024. The Budget reflects that the Debtors currently project to remain cashflow positive on an operational basis (*i.e.*, without debt service) through the Interim

[3] The Debtors reserve all rights to challenge the amount and secured status of Flagstar's claims, and nothing herein shall be, or shall be deemed or construed to be, an admission of the amount or priority of such claims. A collateral and perfection review has not been completed.

Period. Accordingly, Flagstar is further protected from any potential diminution of value of their Cash Collateral, as the Debtors project cash to increase by approximately $340,000 by the end of the Interim Period.

4. As described in the First Day Declaration, the Debtors' financial performance was largely constrained by debt service payments as interest rates rose substantially through 2024. The Debtors' annual debt service in 2023 totaled approximately $26 million, including approximately $20 million of interest. In 2024, those amounts increased to approximately $36 million and $25 million, respectively. In 2025, the Debtors project an increase in debt service to approximately $45 million, with approximately $35 million of interest, representing a 75% increase in interest expense from 2023. Given the relative amounts of the equity cushion and the interest charges, any diminution of the cushion attributable to the accrual of post-petition interest during these chapter 11 cases (to the extent it is determined Flagstar is entitled to such post-petition interest) will leave Flagstar with more than an adequate cushion.

5. By this Motion, the Debtors seek authority to use post-petition rents collected to pay property expenses and fund the chapter 11 cases. Importantly, nearly 60% of the limited rental income the Debtors propose to use during the Interim Period will go directly to operate and maintain the Debtor Properties in the ordinary course of business, including for payments of property taxes, maintenance, security, and electricity. This use will preserve, enhance, and prevent diminution of the value of the Debtor Properties, and such use is chargeable against Flagstar's collateral under section 506(c) of the Bankruptcy Code.[4]

[4] Under the applicable mortgage documents, Flagstar holds additional cash collateral advanced by the Debtors, including for payment of real estate taxes, assessments, municipal charges, and related amounts, and a debt service coverage reserve. The payments for which certain of the funds have been advanced will not come due during the Interim Period, but the debtors reserve all rights to seek to use such amounts following the Interim Period.

6. Permitting the Debtors to use a portion of the remaining Cash Collateral to fund the administration of these chapter 11 cases will enable the Debtors to realize even greater potential upside with respect to the value of the Debtor's Properties as the Debtors develop and implement their restructuring plans. As described in the First Day Declaration, the Debtors' business includes not only operating and managing, but developing and improving their properties, including through condominium conversion activities. This has been a highly successful strategy for the Company historically, with 143 units sold for an aggregate consideration of approximately \$65 million over the last two years.[5] The chapter 11 cases will provide the Debtors with the necessary time to continue planning and undertaking such activities, where appropriate, which could lead to alternative financing for the Debtor Properties or monetizing portions of the Debtors' assets in excess of current values.

7. In addition, consummating a chapter 11 plan could enhance the value of the Debtor Properties if a change of control is pursued. A lender's collateral valuation today (whether in- or out-of- a bankruptcy or state court) would factor in deductions for the costs to transfer the property, including recording taxes. Transfer taxes can be substantial, particularly in New York, where they may range as high as approximately 3.2% of the perspective purchase price. But if the Debtor Properties are transferred—whether to Flagstar or to a third party—pursuant to a chapter 11 plan, they would be exempt from such taxes. Given the number and the values of the Debtor Properties, the savings easily could equal or even exceed the total cost of administering these cases.

8. The Debtors require immediate access to their rental income cash flows and, absent approval of the relief requested herein, they will be unable to operate their going concern businesses. For the reasons set forth herein, the Debtors submit that authority to use cash collateral

[5] For the avoidance of doubt, the units sold during this period were not encumbered by Flagstar mortgages.

is in the best interests of the Debtors, their estates, creditors, and all parties in interest and should be granted.

Relief Requested

9. By this Motion, pursuant to sections 105, 361, 362(d), 363(c), 363(e), 503(b), 506(c), 507, and 552(b) of title 11 of the United States Code (the "**Bankruptcy Code**"), Rules 2002, 4001, 6003, 6004, and 9014 of the Federal Rules of Bankruptcy Procedure (the "**Bankruptcy Rules**"), and Rule 4001-2 of the Local Bankruptcy Rules for the United States Bankruptcy Court for the Southern District of New York (the "**Local Bankruptcy Rules**"), the Debtors request entry of an interim order, substantially in the form attached hereto as **Exhibit A** (the "**Interim Order**"), providing, among other things:

a. authority for the Debtors' use of cash collateral (as defined under section 363 of the Bankruptcy Code) of Flagstar in its capacity as lender under those certain loans (collectively, the "**Flagstar Loans**" and, together with all related loan and security documents, the "**Flagstar Loan Documents**") secured by first priority mortgages against the Debtor Properties, to maintain and operate the Debtor Properties in the ordinary course, to pay other administrative expenses in accordance with the Budget and the procedures outlined below and in the Interim Order, and to pay any claims permitted and authorized pursuant to future orders of the Court;

b. a waiver of any applicable stay (including under Bankruptcy Rule 6004) with respect to the effectiveness and enforceability of the Interim Order and providing for the immediate effectiveness of the Interim Order;

c. providing administrative expense priority for certain post-petition intercompany claims;

d. scheduling a final hearing (the "**Final Hearing**") for entry of a final order approving the relief requested herein on a final basis (the "**Final Order**") within thirty (30) days of the Petition Date and approving notice with respect thereto in accordance with Bankruptcy Rules 4001(b) and (d); and

e. granting related relief.

Bankruptcy Rule 4001 Concise Statement

10. Pursuant to Bankruptcy Rule 4001(b)(1)(B) and Local Bankruptcy Rule 4001-2, the Debtors submit the following concise statement of the material terms of the proposed Interim Order.[6]

Summary of Material Terms		Location in Order
Parties with an Interest in Cash Collateral *Bankruptcy Rule 4001(b)(1)(B)(i)*	Flagstar	Para. E
Purposes for Use of Cash Collateral *Bankruptcy Rule 4001(b)(1)(B)(ii)*	The Cash Collateral will be used to (i) maintain and operate the Debtor Properties in the ordinary course, (ii) pay other administrative expenses in accordance with the Budget, and (iii) to pay any claims permitted and authorized pursuant to future orders of the Court.	Para. 2
Duration of Use of Cash Collateral *Bankruptcy Rule 4001(b)(1)(B)(iii)*	On an interim basis through the Final Hearing and on a final basis through the duration of these chapter 11 cases.	Para. 2P
Adequate Protection *Bankruptcy Rule 4001(b)(1)(B)(iv)*	Flagstar has a sufficient equity cushion on the Debtor Properties based on Bowery Appraisals.	N/A
Amount of Cash Collateral to be Used *Local Bankruptcy Rule 4001-2(a)(1)*	See Budget attached to the Interim Order as Annex 1.	Annex 1
Budget *Bankruptcy Rule 4001(b)(1)(B)(iii); Local Bankruptcy Rule 4001-2(a)(2)*	The Debtors' use of Cash Collateral will be subject to the Budget and Permitted Deviations as set forth in the Interim Order. The Budget sets forth the Debtors' projected cash receipts and disbursements during such period. The Interim Order provides for testing of the Debtors' aggregate disbursements on a rolling two (2) week basis, subject to Permitted Deviation of fifteen percent (15%) of aggregate cumulative actual total disbursements (other than fees and	Para. 3

[6] Any summary of the terms of the Proposed Interim Order contained in this Motion is qualified in its entirety by reference to the provisions of the Proposed Interim Order. To the extent this Motion and the Proposed Interim Order are inconsistent, the Proposed Interim Order shall control. The Debtors reserve the right to supplement the statements made pursuant to Bankruptcy Rule 4001 herein.

Summary of Material Terms		Location in Order
	expenses of legal, financial and other professional advisors, and a Creditors' Committee (if appointed)). See Budget attached to the Interim Order as Annex 1.	
Effect on the Existing Liens of the Adequate Protection *Local Bankruptcy Rule 4001-2(a)(4)*	N/A	N/A
Carve-Out *Bankruptcy Rule 4001(b)(1)(B)(iii); Local Bankruptcy Rule 4001-2(a)(5)*	The Interim Order provides for funding an Escrow Amount equal to: • All fees required to be paid to the Clerk of the Court and to the Office of the United States Trustee plus interest at the statutory rate; • All reasonable fees and expenses up to $50,000 incurred by a trustee under section 726(b) of the Bankruptcy Code; • To the extent allowed at any time, all unpaid fees and expenses (the "**Allowed Professional Fees**") incurred by persons or firms retained by the Debtors and the Creditors' Committee (if any) (collectively, the "**Professional Persons**") at any time before or on the first (1st) business day following delivery by Flagstar of the Escrow Trigger Notice (as defined in the Interim Order); • Allowed Professional Fees of Professional Persons in an aggregate amount not to exceed $375,000 incurred after the first (1st) business day following delivery by Flagstar of the Escrow Trigger Notice, to the extent allowed at any time, subject to certain limitations.	Para. 5
Limitations on Lender Funding Obligations *Local Bankruptcy Rule 4001-2(a)(9)*	N/A	N/A
Termination and Default *Bankruptcy Rule 4001(b)(1)(B)(iii); Local Bankruptcy Rule 4001-2(a)(10)*	N/A	N/A

Summary of Material Terms		Location in Order
Funding of Non-Debtor Affiliates *Local Bankruptcy Rule 4001-2(a)(15)*	N/A	N/A
Debtor Payment of Lender Expenses *Local Bankruptcy Rule 4001-2(a)(16)*	N/A	N/A
Release, Waivers or Limitation on any Claim or Cause of Action *Local Rule 4001-2(a)(21)*	N/A	N/A

Jurisdiction

11. The Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334, and the *Amended Standing Order of Reference M-431*, dated January 31, 2012 (Preska, C.J.). This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before the Court pursuant to 28 U.S.C. §§ 1408 and 1409.

Background

12. On May 21, 2025 (the "**Petition Date**"), the Debtors each commenced with this Court a voluntary case under chapter 11 of the Bankruptcy Code. The Debtors are authorized to continue to operate their business and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee, examiner, or statutory committee of creditors has been appointed in these chapter 11 cases.

13. These cases are being jointly administered for procedural purposes only pursuant to Bankruptcy Rule 1015(b).

14. The Company is a real-estate portfolio management company, holding interests in approximately 120 multi-family residential buildings in New York City. The majority of these properties consist of rent-controlled or rent-stabilized units and provide housing to over 8,000 New Yorkers.

15. Additional information regarding the Debtors' business, capital structure, and the circumstances leading to the commencement of these chapter 11 cases is set forth in the *Declaration of Ephraim Diamond Pursuant to Local Bankruptcy Rule 1007-2 in Support of Debtors' Chapter 11 Petitions and First Day Relief*, sworn to on the date hereof (the "**First Day Declaration**"), which has been filed with the Court contemporaneously herewith and is incorporated herein by reference.

Debtors' Prepetition Secured Indebtedness

16. The Flagstar Loans are the only secured indebtedness of the Debtors. The terms of the Flagstar Loans, including Flagstar's collateral, are set forth in the Flagstar Loan Documents. The Debtors owe Flagstar an aggregate amount equal to approximately $564 million as of the Petition Date (collectively, the "**Prepetition Secured Claims**"). The Prepetition Secured Claims may be secured in accordance with the Flagstar Loan Documents by the Debtor Properties and rents and other proceeds arising from those properties (collectively, the "**Flagstar Collateral**").

Debtors' Need for and Proposed Use of Cash Collateral

17. Each Debtor requires immediate access to Cash Collateral to maintain and cover the ordinary course operating expenses of its respective Debtor Properties and to fund an allocated portion of the administrative expenses of the chapter 11 cases.

18. Without the ability to use Cash Collateral to pay ordinary course maintenance, utilities, repair, trash removal, and related services in the Debtors' buildings, the Debtors' approximately 5,200 tenants across New York City—the vast majority of which are subject to statutory rent stabilization protection—would face immediate, irreparable harm. Without a prompt grant of authority to use its cash, each Debtor will be unable to pay the expenses required to maintain the property that serves as collateral for Flagstar and provides value to the Debtors' stakeholders. An inability to satisfy such obligations would significantly hinder the Debtors' operations and cause immediate and irreparable harm to the value of the Debtors' estates to the detriment of all creditors and other stakeholders.

19. Immediate access to Cash Collateral for the limited purposes requested herein will maintain the status quo, preserve the value of the Debtor Properties and, thereby, preserve the value of the Debtors' estates and permit the Debtors to continue to operate as a going concern during the Interim Period. Accordingly, the use of Cash Collateral is essential to the Debtors' ability to minimize disruptions and maximize value for their estates, creditors and other parties in interest.

20. Initially, the Debtors seek authority for the limited use of Cash Collateral during the Interim Period. During this Interim Period, the Debtors will fund operations and the costs of administering their estates in accordance with the Budget and the Interim Order. Thereafter, the Debtors will seek authority to use Cash Collateral in accordance with a Final Order, a proposed form of which will be submitted by the Debtors to the Court before the Final Hearing.

Basis for Relief Requested

A. Debtors Should be Authorized to Use Cash Collateral.

21. A debtor's use of property of the estate, including cash collateral, is governed by section 363 of the Bankruptcy Code. Pursuant to section 363(c)(2), a debtor may use

cash collateral if "(A) each entity that has an interest in such cash collateral consents; or (B) the court, after notice and a hearing, authorizes such use, sale, or lease in accordance with the provisions of [section 363]." 11 U.S.C. § 363(c)(2). Section 363(e) of the Bankruptcy Code further provides that "on request of an entity that has an interest in property . . . to be used, sold or leased, by the trustee, the court . . . shall prohibit or condition such use, sale or lease as is necessary to provide adequate protection of such interest." *Id.* § 363(e). Section 362(d)(1) provides for adequate protection of interests in property due to the imposition of the automatic stay. *See* 11 U.S.C. § 362(d)(1).

22. It is well-established that a bankruptcy court should, whenever possible, resolve issues in favor of allowing a debtor to continue its business as a going concern. Courts have recognized that "[a] debtor, attempting to reorganize a business under Chapter 11, clearly has a compelling need to use 'cash collateral' in its effort to rebuild. Without the availability of cash to meet daily operating expenses . . . the congressional policy favoring rehabilitation over economic failure would be frustrated." C*hrysler Credit Corp. v. Ruggiere (In re George Ruggiere Chrysler-Plymouth, Inc.)*, 727 F.2d 1017, 1019 (11th Cir. 1984) (citation omitted); *see also N.L.R.B. v. Bildisco & Bildisco*, 465 U.S. 513, 528 (1984) ("The fundamental purpose of reorganization is to prevent a debtor from going into liquidation, with an attendant loss of jobs and possible misuse of economic resources.").

23. It is essential to the Debtors' reorganization prospects and the preservation of going concern value that they have sufficient funds to operate in the ordinary course. If the Debtors are unable to access the Cash Collateral, the Debtors will not have sufficient working capital to: (a) make payments to building employees, (b) satisfy operating costs associated with the Debtor Properties, (c) provide essential services to tenants, including repair services,

maintenance, utilities, and trash removal services, and (d) fund the administrative costs of these chapter 11 cases.

24. Without access to Cash Collateral, the Debtors would immediately cease as going concerns, causing value destruction and immediate harm to the tenants of the Debtor Properties. Without cash to fund administration of the chapter 11 cases, the full value of the Debtors' assets and reorganization efforts will not be realizable. Considering the fundamental need to operate, and the overarching goal of furthering the chapter 11 process, the Debtors submit the use of Cash Collateral pursuant to the terms set forth in the Proposed Interim Order should be granted immediately.

B. Interests of Flagstar Are Adequately Protected

i. Maintenance of the Properties and Continued Operation Provide Adequate Protection

25. The Bankruptcy Code does not expressly define "adequate protection." Section 361 of the Bankruptcy Code provides a non-exhaustive list of examples. *See* 11 U.S.C. § 361. Generally, courts decide what constitutes adequate protection on a case-by-case basis. *See In re Mosello*, 195 B.R. 277, 289 (Bankr. S.D.N.Y. 1996) ("The determination of adequate protection is a fact-specific inquiry."); *In re 495 Cent. Park Ave. Corp.*, 136 B.R. 626, 631 (Bankr. S.D.N.Y. 1992) (internal citation omitted) (Section 361 of the Bankruptcy Code gives "the parties and the courts flexibility."); *In re Columbia Gas Sys., Inc*., No. 91-803 (HSB), 1992 WL 79323, at *2 (Bankr. D. Del. Feb. 18, 1992) (emphasizing that "the varying analyses and results contained in the . . . slew of cases demonstrate that what interest is entitled to adequate protection and what constitutes adequate protection must be decided on a case-by-case basis"); *see also In re Dynaco Corp*., 162 B.R. 389, 394 (Bankr. D.N.H. 1993) (*citing* 2 Collier on Bankruptcy ¶ 361.01 [1] at 361–66 (15th ed. 1993) (explaining that adequate protection can take many forms and "must be

determined based upon equitable considerations arising from the particular facts of each proceeding”).

26. Courts have consistently found secured lenders’ interests in collateral to be adequately protected if use of cash collateral is necessary to preserve the going concern value of the debtor’s assets. *See*, *e.g.*, *In re Borden Dairy Co.*, 20-10010 (CSS) (Bankr. D. Del. Jan. 10, 2020), ECF No. 73 (over the objections of secured lenders, court granting debtors’ use of cash collateral in order to continue operating as a going concern and, if production stopped, irreparable harm would inure to the entire company, however, court conditioned relief on lenders being provided with adequate protection in the form of a replacement lien); *In re Hubbard Power & Light*, 202 B.R. 680, 684–85 (Bankr. E.D.N.Y. 1996) (holding secured creditor adequately protected for priming loan by anticipated increase in value of the debtor’s property due to use of loan proceeds); *495 Cent. Park Ave.*, 136 B.R. at 631–32 (same); *In re 499 W. Warren St. Assocs., Ltd. P’ship*, 142 B.R. 53, 56 (Bankr. N.D.N.Y. 1992) (holding that a secured creditor was adequately protected when cash collateral was used for reasonable and necessary operating expenses of the collateral).

27. The Debtors have several achievable paths to materially increase the value of the Debtor Properties and further grow the equity cushion. Chapter 11 will allow the Debtors to efficiently market and sell discrete assets while continuing to develop and implement condominium conversion plans, and provides tax efficient options for structuring asset sales through a plan under section 1146(a) of the Bankruptcy Code. Courts commonly consider potential value growth or enhancement in chapter 11 when considering whether a secured creditor is adequately protected. *See In re Rogers Dev. Corp.*, 2 B.R. 679, 685 (Bankr. E.D. Va. 1980) (finding secured lender adequately protected where value of properties had potential to increase

during chapter 11 cases, thereby causing existing equity cushion to grow); *In re Lagoon Breeze Dev. Corp.*, No. BR 10-15177-MM11, 2011 WL 939016, at *1 (Bankr. S.D. Cal. Mar. 14, 2011) (finding that prepetition lender was adequately protected because "the value of [its] collateral [would] increase by approximately $4 million . . . double the amount of the approximately $2 million priming loan.").

28. The Court should consider the Debtors' intended use of the Flagstar Collateral as a going concern during the chapter 11 cases, as well as the potential enhanced value of the collateral at the conclusion of the cases for valuation purposes. *See In re Sears Holdings Corp.*, 51 F.4th 53, 63 (2d Cir. 2022) (noting that the value of collateral should be calculated in light of the proposed use, not the various dispositions or uses that might have been proposed); *In re Riverstreet Ventures, LLC*, No. 21-10818 (MSG), 2021 Bankr. LEXIS 2568, (Bankr. E.D. La. Sept. 20, 2021) (same).

29. Permitting the Debtors to use the remaining cash collateral to fund the administration of these chapter 11 cases will enable the Debtors to potentially enhance the value for the Debtor's Properties as the Debtors develop and implement their restructuring plans. If Flagstar were permitted to foreclose on the Debtor Properties outside of bankruptcy, they would undoubtedly receive lower recoveries as they pursue a "fire sale" liquidation of the properties. In contrast, the Debtors' proposed use of Cash Collateral will permit the Debtors to unlock additional value for the benefit of all creditors and other stakeholders.

ii. *Flagstar is Adequately Protected by the substantial Equity Cushion in the Debtor Properties*

30. Flagstar is adequately protected in respect of the Debtors' use of Cash Collateral because the value of the Debtor Properties substantially exceeds the amount of the Flagstar Loans. As this Court has stated, "an equity cushion can, under certain circumstances,

serve as a form of adequate protection." *In re Elmira Litho, Inc.*, 174 B.R. 892, 904 (Bankr. S.D.N.Y. 1994)); *see also In re Realty Sw. Assocs.*, 140 B.R. 360, 366 (Bankr. S.D.N.Y. 1992) (finding "substantial equity cushion" provided requisite adequate protection under section 363(e) of Bankruptcy Code).

31. The Bowery Appraisals obtained by the Debtors in the ordinary course of business, and used in the Company's public financial statements and subject to audit. These appraisals demonstrate a substantial equity cushion in the Debtor Properties. The December 2024 appraisals show equity cushions of $262 million on asset values of $826 million in the aggregate, implying an equity cushion of approximately 46%.

32. The purpose of adequate protection "is to guard against the diminution of a secured creditor's collateral during the period when the debtor-in-possession is using the collateral." *In re Wythe Berry Fee Owner LLC,* No. 22-11340 (MG), 2023 Bankr. LEXIS 645, *16 (Bankr. S.D.N.Y. Mar. 13, 2023); *see also In re Beker Indus. Corp.*, 58 B.R. 725, 736 (Bankr. S.D.N.Y. 1986) (noting that the application of adequate protection "is left to the vagaries of each case . . . but its focus is protection of the secured creditor from diminution in the value of its collateral during the reorganization process") (citation omitted).

33. The Debtors' use of cash collateral to fund the administration of these chapter 11 cases is subject to a Budget. Funding those administrative expenses is necessary under the Bankruptcy Code, and the projected administrative expenses for the cases are simply not significant enough to meaningfully erode Flagstar's equity cushion such that they are no longer adequately protected. *See In re Rancher Energy Corp*., No. 09-32943 (MER), 2010 Bankr. LEXIS 5429, *10 (Bankr. D. Colo. Sept. 2, 2010) (finding a debtor could use cash collateral to pay the costs of administering the estate where lender was adequately protected by a 22% equity cushion);

In re Triplett, 87 B.R. 25, 27 (Bankr. W.D. Tex. 1987) (finding a debtor could use rental income cash collateral to pay the expenses of the property and pay the general expenses of the case where lender was adequately protected by a 23% equity cushion).

34. The Debtors submit that Flagstar is sufficiently protected from any diminution of value in its interest in the Debtor Property by the equity cushion in collateral value. In light of the magnitude of the equity cushion, Flagstar's interest in the Cash Collateral that the Debtors propose to use—in part to maintain the value of the Debtor Properties—is also adequately protected, as out-of-the-ordinary-course claims paid with that Cash Collateral will be subject to oversight of the Bankruptcy Court.

35. Accordingly, the adequate protection is fair and reasonable under the circumstances, satisfies the requirements of sections 363(c)(2) and 363(e) of the Bankruptcy Code, and is in the best interests of the Debtors, their estates, and all parties in interest and should be approved.

C. The Debtors are Permitted to Surcharge the Flagstar Collateral Under Section 506(c)

36. The Debtors are permitted to surcharge Flagstar's collateral to preserve the Debtor Properties, their primary assets that will necessarily form the basis of a successful reorganization. Section 506(c) of the Bankruptcy Code allows the Debtors to "recover from property securing an allowed secured claim the reasonable, necessary costs and expenses of preserving, or disposing of, such property to the extent of any benefit to the holder of such claim." *See* 11 U.S.C. § 506(c). Courts allow debtors to recover 506(c) surcharges if, among other things, such expenses were necessary, reasonable, and of direct and primary benefit to the secured creditor. *See In re McLean Indus., Inc.*, 84 B.R. 340, 350 (Bankr. S.D.N.Y. 1988); *In re Kohl*, 421

B.R. 115, 123 (Bankr. S.D.N.Y. 2009) ("A secured creditor is interpreted as having received a benefit if the expense preserved the value of its collateral.").

37. The Debtors are seeking to use Cash Collateral to maintain and operate the Debtor Properties during the chapter 11 cases, and to fund administration of the cases in accordance with the Budget. The cost of administering these chapter 11 cases will provide the Debtors with the opportunity to maximize value that would not otherwise be achievable outside of bankruptcy. Those efforts will directly benefit Flagstar and the value of their collateral. These are precisely the "reasonable, necessary costs" intended to be captured under section 506(c) of the Bankruptcy Code.

38. The Debtors' proposed use of Cash Collateral is narrow. In accordance with the ordinary course, the Debtors expect they will spend approximately 60% of post-petition rents collected to operate and maintain the Debtor Properties, including payments of property taxes, maintenance, security, and electricity. This use will preserve, enhance, and prevent diminution of the value of the Debtor Properties, and such use is permitted by section 506(c) of the Bankruptcy Code.

D. The Equities of the Case Support Use of Cash Collateral

39. Bankruptcy Code Section 552(b) provides that if a prepetition security agreement extends to proceeds of collateral, then post-petition proceeds would also be subject to that security agreement, unless the court orders otherwise after a hearing based on the "equities of the case." 11 U.S.C. § 552(b). For the reasons set forth herein, the equities of the case support the Debtors' use of cash collateral to fund the case in these circumstances because the Debtors' proposed use of cash collateral benefits all creditors, and because Flagstar is adequately protected by a substantial equity cushion. *Cf.*, *In re 680 Fifth Ave. Assocs.*, 154 B.R. 38, 43 (Bankr. S.D.N.Y. 1993) ("if a creditor were sufficiently oversecured, the debtor could argue that the equities tipped

in favor of allowing it to tap into rents that would otherwise be cash collateral because the creditor would be adequately protected and not harmed.”).

E. Proposed Escrow is Appropriate

40. During the Interim Period, the Debtors seek to make ordinary course post-petition payments without disruption to the many parties in interest. The Interim Order also includes a mechanism for funding estimated estate professional fees weekly in advance into an escrow account for the benefit of estate professionals, where the funds will remain pending Court approval of fees of retained professionals. This mechanism will afford the Debtors and parties in interest access to the estate professionals and the necessary services that they will provide. *See, e.g.*, *In re Ames Dep't Stores, Inc.*, 115 B.R. 34, 40 (Bankr. S.D.N.Y. 1990) (observing that courts insist on carve-outs for professionals representing parties in interest because “[a]bsent such protection, the collective rights and expectations of all parties-in-interest are sorely prejudiced”). It provides protection to the estate professionals whom, unlike other administrative creditors cannot be paid in advance or contemporaneously for their services, and, unlike prepetition lenders, did not agree to invest in or finance the Debtors.

41. Similar provisions are included regularly in cash collateral orders and orders approving post-petition financing. *See*, *e.g.*, *In re Fairway Grp. Holdings Corp.*, No. 20-10161 (JLG) (Bankr. S.D.N.Y. Jan. 28, 2020), ECF No. 78; *In re Ditech Holdings Corp.*, No. 19-10412 (JLG) (Bankr. S.D.N.Y. Feb. 13, 2019), ECF No. 53; *In re Sears Holdings Corp.*, No. 18-23538 (RDD) (Bankr. S.D.N.Y. Oct. 16, 2018), ECF No. 101; *In re Aéropostale, Inc.*, No. 16-11275 (SHL) (Bankr. S.D.N.Y. May 6, 2016), ECF No. 99.

F. Granting Administrative Expense Priority to Intercompany Claims is Appropriate

42. During the Interim Period, certain of the Debtors may make transfers of funds to or pay amounts for the benefit of other Debtors in accordance with the Budget. These intercompany transactions are in the best interest of the Debtors, their estates and all parties in interest. To ensure each individual Debtor will not fund permanently, at the expense of its creditors, the operations of another entity, the Debtors request that, pursuant to sections 503(b)(1) and 364(b) of the Bankruptcy Code, all intercompany claims arising after the Petition Date be accorded administrative expense priority.

The Proposed Interim Order Should Be Granted

43. Bankruptcy Rule 4001(b) provides that a final hearing on a motion to use cash collateral may not be commenced earlier than 14 days after the service of such motion. Upon request, however, the Court is authorized to conduct a preliminary expedited hearing on the motion and authorize the use of cash collateral to the extent necessary to avoid immediate and irreparable harm to a debtor's estate pending a final hearing. Pursuant to Bankruptcy Rule 4001(b), the Debtors request that the Court conduct an expedited preliminary hearing on the Motion and (i) authorize the Debtors to use the Cash Collateral in order to (a) maintain and finance their ongoing operations and (b) avoid immediate and irreparable harm and prejudice to the Debtors' estates and all parties in interest, and (ii) schedule a Final Hearing on the relief requested herein.

44. As set forth herein and in the First Day Declaration, absent authorization from the Court to use Cash Collateral on an interim basis pending a Final Hearing, the Debtors and their creditors will be immediately and irreparably harmed. As set forth above, the Debtors' ability to use Cash Collateral on the terms described herein is critical to their ability to operate

their businesses in the ordinary course. Accordingly, the relief requested in the Motion should be granted and the Proposed Interim Order should be approved.

<u>Interim Relief is Warranted</u>

45. Under Bankruptcy Rule 4001(b), the Court may grant interim relief under section 363(c) of the Bankruptcy Code where, as here, such relief is "necessary to avoid immediate and irreparable harm to the estate pending a final hearing." In evaluating requests for interim relief, courts generally apply the same business judgment standard applicable to other business decisions. *See, e.g.*, *In re Ames Dep't Stores, Inc.*, 115 B.R. at 40; *U.S. Bank Trust Nat'l Ass'n v. Am. Airlines, Inc. (In re AMR Corp.)*, 485 B.R. 279, 287 (Bankr. S.D.NY. Jan. 17, 2013), *aff'd* 730 F.3d 88 (2d Cir. 2013). Courts in this district routinely authorize debtors to use cash collateral on an interim basis to prevent immediate and irreparable harm to their estates. *See, e.g., In re Cold Spring Acquisition, LLC*, No. 25-22002 (SHL) (Bankr. S.D.N.Y. Jan. 13, 2025), ECF: No. 35; *In re Spirit Airlines, Inc.*, No. 24-11988 (SHL) (Bankr. S.D.N.Y. Nov. 21, 2024), ECF: No. 80; *In re 2U, Inc.*, No. 24-11279 (MEW) (Bankr. S.D.N.Y July 29, 2024), ECF: No. 37; *In re Acorda Therapeutics, Inc.*, No. 24-22284 (DSJ) (Bankr. S.D.N.Y. Apr. 5, 2024), ECF: No. 40; *In re GOL Linhas Aéreas Inteligentes S.A.*, No. 24-10118 (MG) (Bankr. S.D.N.Y. Jan. 29, 2024), ECF: No. 59; *In re. Zigi USA, LLC*, No. 23-12102 (DSJ) (Bankr. S.D.N.Y. Jan. 10, 2024), ECF: No. 31.

46. Here, the Debtors and their estates will suffer immediate and irreparable harm if the relief requested herein is not granted on an interim basis. The Debtors' business depends on their ability to maintain Debtor Properties, including using property-level rent proceeds to satisfy the operational expenses of such properties. Deviation from the ordinary course cash management mechanics at the property levels will be overly burdensome on the Debtors and divert

time and resources that would be better allocated towards implementing the contemplated restructuring. Accordingly, the Court should grant the relief requested herein on an interim basis.

Bankruptcy Rule 4001(a)(3) Should Be Waived

47. The Debtors request a waiver of the stay of the effectiveness of the order approving this Motion under Bankruptcy Rule 4001(a)(3). Bankruptcy Rule 4001(a)(3) provides, "[an] order granting a motion for relief from an automatic stay made in accordance with Rule 4001(a)(1) is stayed until the expiration of fourteen days after entry of the order, unless the court orders otherwise." The use of Cash Collateral is essential to prevent irreparable damage to the Debtors' operations. Accordingly, ample cause exists to justify the waiver of the fourteen-day stay imposed by Bankruptcy Rule 4001(a)(3), to the extent such stay applies.

Bankruptcy Rule 6003 Has Been Satisfied

48. Bankruptcy Rule 6003 provides that, to the extent relief is needed to avoid immediate and irreparable harm, a bankruptcy court may approve a motion to "use, sell, or lease property of the estate, including a motion to pay all or part of a claim that arose before the petition was filed" or "incur any other obligation regarding the property of the estate" before twenty-one (21) days after filing of the petition. The Debtors' estates would suffer immediate and irreparable harm if the relief sought herein is not promptly granted. Absent authorization to use Cash Collateral, the Debtors would not be able to fund their ongoing operations and continue as a going concern. Such a turn of events likely would irrevocably diminish future revenue streams of the Debtors and have disastrous effects on their businesses. More urgently, it would affect the lives of thousands of New York tenants. Accordingly, the Debtors have satisfied the requirements of Bankruptcy Rule 6003.

Request for Bankruptcy Rule 6004 Waivers

49. To implement the foregoing successfully, the Debtors request that the Court find that notice of the Motion is adequate under Bankruptcy Rule 6004(a) under the circumstances, and waive the fourteen (14) day stay of an order authorizing the use, sale, or lease of property under Bankruptcy Rule 6004(h). As explained in the First Day Declaration, the relief requested herein is critical to the Debtors' efforts to preserve and maximize the value of its estate. To obtain maximum value of its estate and minimize administrative expenses, the Debtors must be able to proceed quickly. Accordingly, the Debtors submit that the notice requirements under Bankruptcy Rule 6004(a) have been satisfied and that a waiver of the 14-day stay period is appropriate under Bankruptcy Rule 6004(h), to the extent such notice requirements and such stay apply.

Reservation of Rights

50. Nothing contained herein is intended, or shall be construed, as (i) an admission as to the validity of any claim against the Debtors; (ii) a waiver of the Debtors' or any appropriate party in interest's rights to dispute the amount of, basis for, or validity of any claim against the Debtors; (iii) a waiver of any claims or causes of action which may exist against any creditor or interest holder; or (iv) an approval, assumption, adoption, or rejection of any agreement, contract, lease, program, or policy between the Debtors and any third party under section 365 of the Bankruptcy Code. Likewise, if the Court grants the relief sought herein, any payment made pursuant to the Court's order is not intended to be and should not be construed as an admission to the validity of any claim or a waiver of the Debtors' rights to dispute such claim subsequently.

Notice

51. Notice of this Motion will be provided to (i) William K. Harrington, the U.S. Department of Justice, Office of the U.S. Trustee, One Bowling Green, Suite 534, New York, New York 10004 (Attn.: Rachel Siegel, Esq. and Paul Schwartzberg, Esq.); (ii) the Debtors' top

twenty (20) unsecured creditors; (iii) the Internal Revenue Service; (iv) the United States Attorney's Office for the Southern District of New York; (v) counsel to Flagstar Bank, N.A., Paul Hastings LLP, MetLife Building, 200 Park Ave, New York, New York 10166 (Attn.: Brett Lawrence, Esq. and Harvey A. Strickon, Esq.); (vi) Flagstar Bank, N.A. 102 Duffy Avenue Hicksville, New York 11801; (vii) Counsel for Mishmeret Trust Company Ltd. as Trustee for the Bondholders, Chapman and Cutler LLP, 1270 Avenue of the Americas 30th Floor, New York, New York 10020 (Attn.: Michael Friedman, Esq); and (viii) any party that has requested notice pursuant to Bankruptcy Rule 2002 (collectively, the "**Notice Parties**"). The Debtors respectfully submit that no further notice is required.

52. No previous request for the relief sought herein has been made by the Debtors to this or any other Court.

[*Remainder of Page Intentionally Left Blank*]

WHEREFORE the Debtors respectfully requests entry of the Interim Order, and, subject to a Final Hearing, the Final Order, granting the relief requested herein and such other and further relief as the Court may deem just and appropriate.

Dated: May 27, 2025
New York, New York

/s/ *Gary T. Holtzer*

WEIL, GOTSHAL & MANGES LLP
767 Fifth Avenue
New York, New York 10153
Telephone: (212) 310-8000
Facsimile: (212) 310-8007
Gary T. Holtzer
Garrett A. Fail
Matthew P. Goren
Philip L. DiDonato

Proposed Attorneys for the Debtors and Debtors in Possession

Annex 1

Debtors	Debtors	Debtors
Broadway Realty I Co., LLC	1362 Ocean LLC	43-60 Baychester, LLC
193 Street Realty Co., LLC	147 Realty Co., LLC	45-35 Realty LLC
2 West 120th Realty Co. LLC	1535 Ocean LLC	457 Schenectady LLC
25/35 Hillside Associates LLC	1554 Ocean LLC	470 Realty NY LLC
402-412 West 148 LLC	1597 Realty LLC	481 Eastern LLC
Hillside Realty I Co., LLC	1601 Realty LLC	529 East 22 LLC
509 Realty Co. LLC	1617 Realty LLC	607 Rugby LLC
281/295 Wadsworth Associates, LLC	17 Realty LLC	63-94 Austin Realty, LLC
241 Sherman LLC	176 Clarkson Ave LLC	681 Ocean LLC
West 50^{th} Street Realty Co., LLC	18 Street Realty Co., LLC	706 Realty NY LLC
58 Elizabeth NY LLC	1820 Realty LLC	85 Clarkson LLC
207 Realty LLC	2102 Realty LLC	85-05 35 Avenue Realty Co., LLC
34 Seaman Associates, LLC	222 Lenox Rd LLC	915 Realty LLC
233 Realty NY LLC	225 Parkside LLC	916 Carroll St LLC
Audobon Realty LLC	2340 Valentine Avenue Realty Co., LLC	932 Carroll LLC
536 Realty Co. LLC	2400 Realty NY LLC	94-06 34^{th} Avenue Realty Co., LLC
237 Realty NY LLC	2513 Newkirk LLC	94-06 34^{th} Road Realty Co., LLC
Manhattan Realty Co. LLC	28-30 Argyle LLC	990 Realty NY LLC
349 Realty NY LLC	292 St. Johns LLC	991 Carroll St LLC
1023 Realty LLC	30 Road Realty Co., LLC	Clinton Property Co., LLC
1038 Realty LLC	307 12 St LLC	Fieldstone NY LLC
1042 Realty LLC	330 Realty NY LLC	Forest Parkway Realty Co., LLC
1048 Realty LLC	3301 Farragut LLC	Heath Realty LLC
1060 Realty LLC	34 Avenue Realty Co., LLC	Kingston Place Realty Co., LLC
115 East 21 Realty Co., LLC	3410 Kingsbridge LLC	Park Lane South Realty Co., LLC
1171 President LLC	40-15 Hampton LLC	Treger Management LLC
1280 Realty NY LLC	405 Realty LLC	
1296 Realty LLC	426 East 22 St LLC	

Exhibit A

Proposed Interim Order

UNITED STATES BANKRUPTCY COURT`
SOUTHERN DISTRICT OF NEW YORK

In re	:	**Chapter 11**
BROADWAY REALTY I CO., LLC, *et al.*,	:	**Case No. 25-11050 (DSJ)**
Debtors.[1]	:	**(Jointly Administered)**

INTERIM ORDER (I) AUTHORIZING
THE DEBTORS TO USE CASH COLLATERAL,
(II) SCHEDULING FINAL HEARING, AND (III) GRANTING RELATED RELIEF

Upon the motion (the "**Motion**"),[2] dated May 27, 2025, of Broadway Realty I Co., LLC and its debtor affiliates, as debtors and debtors in possession (the "**Debtors**") in the above-captioned chapter 11 cases, pursuant to sections 105, 361, 362(d), 363(c), 363(e), 503(b), 506(c), 507, and 552(b) of title 11 of the United States Code (the "**Bankruptcy Code**"), Rules 2002, 4001, 6003, 6004, and 9014 of the Federal Rules of Bankruptcy Procedure (the "**Bankruptcy Rules**"), and Rule 4001-2 of the Local Bankruptcy Rules for the Southern District of New York (the "**Local Bankruptcy Rules**"), for entry of an interim order, (a) authorizing the Debtors to use cash collateral (as such term is defined in section 363(a) of the Bankruptcy Code, "**Cash Collateral**") of Flagstar (as defined herein); (b) scheduling a Final Hearing (as defined herein) with respect to the relief, and (c) granting related relief, all as more fully set forth in the Motion; and the Court having jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334, and the *Amended Standing Order of Reference M-431*, dated January 31, 2012

[1] The last four digits of Broadway Realty I Co., LLC's tax identification number is 5426. A complete list of the Debtors in these chapter 11 cases is attached to the Motion as Annex 1. The Debtors' mailing addresses are located at 2 Grand Central Tower, 140 East 45th St., 12th Floor, New York, NY 10017.

[2] Capitalized terms used but not otherwise defined herein have the meanings ascribed to such terms in the Motion.

(Preska, C.J.); and consideration of the Motion and the requested relief being a core proceeding pursuant to 28 U.S.C. § 157(b); and due and proper notice of the relief requested in the Motion having been provided to the Notice Parties, such notice having been adequate and appropriate under the circumstances, and it appearing that no other or further notice need be provided; and the Court having reviewed the Motion; and the Court having held a hearing to consider the relief requested in the Motion on an interim basis (the "**Hearing**"); and upon the First Day Declaration, filed contemporaneously with the Motion, and the record of the Hearing; and the Court having determined that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and it appearing that the relief requested in the Motion is necessary to avoid immediate and irreparable harm to the Debtors and their estates as contemplated by Bankruptcy Rule 6003, and is in the best interests of the Debtors, their estates, their creditors, and all parties in interest; and upon all of the proceedings had before the Court and after due deliberation and sufficient cause appearing therefor,

THE COURT HEREBY MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS OF LAW:[3]

A. Petition Date. On May 21, 2025 (the "**Petition Date**"), the Debtors filed voluntary petitions under chapter 11 of the Bankruptcy Code in this Court.

B. Debtors in Possession. The Debtors are continuing in the management and operation of their business and properties as debtors in possession pursuant to Bankruptcy Code sections 1107(a) and 1108. As of the date hereof, no trustee or examiner or official committee of

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[3] Findings of fact shall be construed as conclusions of law, and conclusions of law shall be construed as findings of fact pursuant to Fed. R. Bankr. P. 7052.

unsecured creditors (the "**Creditors' Committee**") has been appointed in the Debtors' chapter 11 cases.

C. Jurisdiction and Venue. This Court has jurisdiction over the Debtors, the Debtors' estate, this proceeding, and the persons and properties affected hereby, pursuant to 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference M-431*, dated January 31, 2012 (Preska, C.J.). The Motion is a core proceeding pursuant to 28 U.S.C. § 157(b). The Debtors have consented to entry of a final order by this Court. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

D. Notice. Due, sufficient and appropriate notice under the circumstances has been provided in compliance with section 102(1) of the Bankruptcy Code, Bankruptcy Rules 2002 and 4001(b) and (d), and the Local Rules.

E. Cash Collateral. For purposes of this Interim Cash Collateral Order, the term "Cash Collateral" shall be deemed to include, without limitation, all of each Debtor's "Cash Collateral" as defined under section 363 of the Bankruptcy Code, in which the Flagstar Bank, N.A ("**Flagstar**") asserts valid, perfected security interests, liens, or mortgages.

F. Adequate Protection. As a result of the authorization for the Debtors to use Cash Collateral and the imposition of the automatic stay imposed by section 362 of the Bankruptcy Code (the "**Automatic Stay**"), Flagstar is entitled to adequate protection pursuant to Bankruptcy Code sections 361, 362, and 363 for any diminution in the value from and after the Petition Date of their interests in the Flagstar Collateral (including the Cash Collateral) resulting from the Automatic Stay and/or from the Debtors' use, sale or lease of the Flagstar Collateral or otherwise during the chapter 11 cases. The Court hereby determines that Flagstar is adequately protected pursuant to Bankruptcy Code sections 361, 362, and 363 for the reasons set forth in the Motion.

G. Necessity of Relief Requested and Good Cause. Good cause has been shown for the entry of this Interim Order. The Debtors have an immediate need to use Cash Collateral to, among other things, fund the orderly continuation of their business, maintain the Debtor Properties, pay their operating expenses, and fund the administrative expenses of these cases, which will preserve their going-concern value, consistent with the Budget. In the absence of the availability of such liquidity in accordance with the terms hereof, the continued operation of the Debtors' business would not be possible, and serious and irreparable harm to the Debtors, their estates, and their creditors would occur. The terms for the Debtors' use of Cash Collateral are fair and reasonable, reflect the Debtors' exercise of prudent business judgment consistent with their fiduciary duties, and constitute reasonably equivalent value and fair consideration. The Debtors have requested entry of this Interim Order pursuant to Bankruptcy Rule 4001(b)(2) and (d). Absent granting the relief sought by this Interim Order, the Debtors' estates would be immediately and irreparably harmed. The use of Cash Collateral in accordance with this Interim Order is therefore in the best interest of the Debtors and their estates, their creditors, and other parties in interest.

Based upon the foregoing findings and conclusions, and upon the record made before the Court at the Hearing, and good and sufficient cause appearing therefor, **IT IS HEREBY ADJUDGED AND ORDERED that:**

1. Motion Granted. The Motion is GRANTED on an interim basis. Any objection to the interim relief requested in the Motion to the extent not withdrawn or resolved is hereby overruled on the merits.

2. Authorization to Use Cash Collateral. The Court hereby authorizes the Debtors to use existing and hereafter acquired Cash Collateral during the period beginning with the date hereof through twenty-eight (28) days following the date hereof (the "**Interim Period**"), to

maintain and operate the Debtor Properties in the ordinary course, to pay administrative expenses in accordance with the budget attached as **Annex 1** hereto (as such budget may be modified from time to time by the Debtors with notice to Flagstar) (the "**Budget**"), and to pay any claims permitted and authorized pursuant to future orders of the Court.

3. Budget. Subject to the deviation allowance(s) provided below (each a "**Permitted Deviation**"), as of any Measurement Period, the Debtors shall not allow the aggregate cumulative actual total disbursements (other than fees and expenses of legal, financial and other professional advisors, and a Creditors' Committee (if appointed)) for the Measurement Period to be more than the projected amount therefor set forth in the most recently delivered Budget by more than 15% on a cumulative basis; *provided that*, if the Debtors can reasonably demonstrate that any such non-compliance is due to a change in timing of anticipated disbursements, then the Debtors shall have an additional week to return to compliance with the Budget. The Debtors shall be permitted to carry forward unused amounts to successive weeks for purposes of Budget testing set forth in this paragraph 3. Flagstar may, in its sole discretion, agree in writing to the Debtors' use of Cash Collateral (i) in a manner or amount which does not conform to the Budget (other than Permitted Deviations) (each such approved non-conforming use of Cash Collateral, a "**Non-Conforming Use**") or (ii) for the period following the Interim Period pursuant to paragraph 5 of this Interim Order (such period, the "**Subsequent Budget Period**"). If such written consent is given, the Debtors shall be authorized pursuant to this Interim Order to use Cash Collateral for any such Non-Conforming Use or any such Subsequent Budget Period in accordance with a subsequent Budget (a "**Subsequent Budget**") without further Court approval, and Flagstar shall be entitled to all of the protections specified in this Interim Order for any such use of Cash Collateral; *provided* that

each such permitted Non-Conforming Use shall be deemed a modification to the Budget for all testing purposes.

4. Reporting.

a. By no later than 5:00 p.m. New York City time on (i) the Friday after the second full calendar week after the Petition Date, and (ii) every second Friday thereafter (or, if such Friday is not a Business Day, the next Business Day thereafter) (each such Friday, a "**Variance Report Date**"), a variance reconciliation report (a "**Variance Report**") setting forth, in reasonable detail, on a weekly basis for the prior week and on a cumulative basis for the applicable Measurement Period (as defined herein) any differences between actual amounts in the Budget for the Measurement Period versus projected amounts set forth in the Budget included therein on a cumulative basis for such Measurement Period, with a copy to counsel to any creditors' committee appointed.

b. "**Measurement Period**" shall mean (i) initially, the period ending on the Friday of the second full calendar week after the Petition Date and (ii) each two-week period thereafter.

5. Escrow of Administrative Expenses.

a. *Escrow Amount.* As used in this Interim Order, the "**Escrow Amount**" means the sum of (i) all fees required to be paid to the Clerk of the Court and to the Office of the United States Trustee (the "**US Trustee**") under section 1930(a) of title 28 of the United States Code and (ii) all unpaid fees and expenses (the "**Allowed Professional Fees**") incurred by persons or firms retained by the Debtors pursuant to section 327, 328, or 363 of the Bankruptcy Code and the

Creditors' Committee (if any) pursuant to section 328 or 1103 of the Bankruptcy Code (collectively, the "**Professional Persons**") at any time.

b. *Funding of Escrow Account*. The Debtors shall on a weekly basis transfer cash on hand in an amount equal to the total budgeted weekly Escrow Amount for the prior week set forth in the Budget, into a segregated account not subject to the control of Flagstar or any other secured or unsecured creditor (the "Escrow Account"). The Debtors shall use funds held in the Escrow Account exclusively to pay Allowed Professional Fees as they become allowed and payable pursuant to the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and any orders of the Court; *provided* that the Debtors' obligations to pay Allowed Professional Fees shall not be limited or be deemed limited to funds held in the Professional Fees Escrow Account. Funds transferred to the Professional Fees Escrow Account shall be held in trust for and exclusively available for the payment of any fees and expenses of the US Trustee and Professional Persons.

6. Intercompany Transfers. In accordance with sections 503(b)(1) and 507(a)(2) of the Bankruptcy Code, claims arising from any transfers of funds between Debtors during the Interim Period shall be accorded administrative expense priority.

7. Bank Authorization. Each of the Banks are authorized to (a) receive, process, honor, and pay all checks presented for payment and to honor all funds transfer requests made by the Debtors related thereto, to the extent that sufficient funds are on deposit in those accounts and (b) accept and rely on all representations made by the Debtors with respect to which checks, drafts, wires, electronic funds or automated clearing house transfers should be honored or dishonored in accordance with this or any other order of this Court, whether such checks, drafts,

wires, electronic funds or automated clearing house transfers are dated before, on, or after the Petition Date, without any duty to inquire otherwise.

8. No Third Party Rights. Except as explicitly provided for herein, this Interim Order does not create any rights for the benefit of any third party, creditor, equity holder, or any direct, indirect, or incidental beneficiary.

9. Binding Effect of Interim Order. The provisions of this Interim Order shall be binding upon all parties in interest in the chapter 11 cases, including Flagstar, any statutory committees that may be appointed in the chapter 11 cases, and the Debtors and their respective successors and assigns and shall inure to the benefit of Flagstar, the Debtors and their respective successors and assigns. This Interim Order shall bind any trustee hereafter appointed or elected for the Debtors' estate whether in the chapter 11 cases or in the event of the conversion of the chapter 11 cases to cases under chapter 7 of the Bankruptcy Code. Any payments to be made by the Debtors under any order shall be made in accordance with this Interim Order and the Budget.

10. Findings of Fact and Conclusions of Law. This Interim Order shall constitute findings of fact and conclusions of law and shall take effect and be fully enforceable *nunc pro tunc* to the Petition Date immediately upon the entry thereof. To the extent that any findings of fact are determined to be conclusions of law, such findings of fact shall be adopted as such; and to the extent that any conclusions of law are determined to be findings of fact, such conclusions of law shall be adopted as such.

11. Order Effective upon Entry. Notwithstanding any applicability of any Bankruptcy Rules, the terms and conditions of this Interim Order shall be immediately effective and enforceable upon its entry.

12. Retention of Jurisdiction. The Court has and will retain jurisdiction and power to enforce this Interim Order in accordance with its terms and to adjudicate any and all matters arising from or related to the interpretation or implementation of this Interim Order.

13. Rule 6004. Under the circumstances of these chapter 11 cases, notice of the Motion is adequate under Bankruptcy Rule 6004(a).

14. Final Hearing. The Final Hearing on the Motion shall be held on **____________, 2025, at __________ (Prevailing Eastern Time)** and any objections or responses to the Motion shall be in writing, filed with the Court, and served upon (i) the proposed attorneys for the Debtors, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153 (Attn: Gary T. Holtzer, Garrett A. Fail, Matthew P. Goren, and Philip L. DiDonato); and (ii) the Notice Parties, in each case so as to be received no later than **___________(Prevailing Eastern Time) on ________, 2025**.

15. Miscellaneous. Nothing contained in the Motion or this Order, nor any payment made pursuant to the authority granted by this Order, is intended to be or shall be construed as (i) an admission as to the validity of any claim against the Debtors, (ii) a waiver of the Debtors' or any appropriate party in interest's rights to dispute the amount of, basis for, or validity of any claim against the Debtors, (iii) a waiver of any claims or causes of action which may exist against any creditor or interest holder, or (iv) an approval, assumption, adoption, or rejection of any agreement, contract, lease, program, or policy between the Debtors and any third party under section 365 of the Bankruptcy Code. Nothing herein shall create, nor is intended to create, any rights in favor of or enhance the status of any claim held by any party.

16. General Authority. The Debtors are authorized to take all action necessary to effectuate the relief granted in this Order.

Dated: ____________________, 2025
New York, New York

____
HONORABLE DAVID S. JONES
UNITED STATES BANKRUPTCY JUDGE

Annex 1

Budget

The Pinnacle Group NY LLC - Flagstar Portfolio Only
Weekly Cash Flow - 0-4 Weeks

$s in Actuals	*Post - Initial*	*Post - Initial*	*Post - Initial*	*Post - Initial*	*Post - Initial*	***0-4 Weeks***
Week Number	**0**	**1**	**2**	**3**	**4**	**Post - Initial**
Week Ending	**25-May**	**01-Jun**	**08-Jun**	**15-Jun**	**22-Jun**	**Total**
Cash, Beginning	***-***	***300,994***	***299,811***	***357,213***	***296,226***	***-***
Cash Receipts						
Net Rental Income	707,463	1,286,729	3,711,875	1,583,248	815,041	8,104,356
Other Income	-	-	31,577	31,577	15,788	78,942
Bad Debt/Rent write off	(35,373)	(64,336)	(185,594)	(79,162)	(40,752)	(405,218)
RET/WS Escrow Release	-	-	-	-	-	-
Total Cash Receipts	**672,090**	**1,222,392**	**3,557,858**	**1,535,663**	**790,077**	**7,778,080**
Operating Disbursements						
Salary & Wages	-	(199,799)	(99,900)	(99,900)	(99,900)	(499,498)
Employee Benefits	-	(57,552)	(28,776)	(28,776)	(28,776)	(143,881)
Outside Labor	-	(138,909)	(69,454)	(69,454)	(69,454)	(347,271)
Repairs and Maintenance	(26,000)	(119,629)	-	(119,629)	-	(265,257)
Utilities	-	-	(628,632)	-	-	(628,632)
Security (Fixed Assets)	-	-	(12,846)	-	-	(12,846)
Administrative Expenses	-	(49,165)	(24,583)	(24,583)	(24,583)	(122,913)
Ordinary Course Professionals Fees	-	-	(83,529)	-	-	(83,529)
Management Fees, *(Direct Expenses)*	-	-	(308,070)	-	-	(308,070)
Management Fees, *(Expense Reimbursements)*	-	-	(88,906)	-	-	(88,906)
Asset Management Fees, *(Direct Expenses)*	-	-	(105,000)	-	-	(105,000)
Total Operating Disbursements	**(26,000)**	**(565,054)**	**(1,449,696)**	**(342,341)**	**(222,713)**	**(2,605,803)**
Non-Operating Disbursements						
Real Estate Taxes	-	-	-	-	-	-
Water & Sewer	-	-	-	-	-	-
Insurance	-	(197,725)	(480,090)	(531,553)	(3,350)	(1,212,717)
Insurance Claim Reserve	-	-	(106,852)	-	-	(106,852)
Miscellaneous	-	-	-	-	-	-
Capital Expenditures	-	-	(70,540)	(70,540)	-	(141,080)
Apartment Renovation	-	-	(196,519)	(196,519)	-	(393,039)
Broker Fees - New (FARE) Act Expense	-	-	(58,000)	-	-	(58,000)
Total Non-Operating Disbursements	**-**	**(197,725)**	**(912,000)**	**(798,612)**	**(3,350)**	**(1,911,687)**
Total Cash Disbursements (Operating/Non-Operating)	**(26,000)**	**(762,779)**	**(2,361,696)**	**(1,140,954)**	**(226,062)**	**(4,517,491)**
Restructuring Initiatives - Savings/(Expense)						
Repairs and Maintenance (Add-Back)	-	59,814	-	59,814	-	119,629
Insurance Reserve (Add-Back)	-	-	106,852	-	-	106,852
Total Restructuring Initiatives	**-**	**59,814**	**106,852**	**59,814**	**-**	**226,480**
Net Cash Flow after Restructuring Initiatives	**646,090**	**519,428**	**1,303,014**	**454,523**	**564,015**	**3,487,070**
Cum. Net Cash Flow after Restructuring Initiatives	*646,090*	*1,165,518*	*2,468,532*	*2,923,055*	*3,487,070*	
Bankruptcy Disbursements						
Adequate assurance deposits	-	-	(314,316)	-	-	(314,316)
Critical-vendor payments	-	-	(410,685)	-	-	(410,685)
Restructuring Professional Fees, Escrows	(345,095)	(520,611)	(520,611)	(515,511)	(515,511)	(2,417,340)
UST Fees	-	-	-	-	-	-
Total Bankruptcy Disbursements	**(345,095)**	**(520,611)**	**(1,245,612)**	**(515,511)**	**(515,511)**	**(3,142,341)**
Net Cash Flow	**300,994**	**(1,183)**	**57,402**	**(60,988)**	**48,504**	**344,729**
Cum. Net Cash Flow after Bankruptcy Disbursements	*300,994*	*299,811*	*357,213*	*296,226*	*344,729*	
Cash, Ending	**300,994**	**299,811**	**357,213**	**296,226**	**344,729**	**344,729**