



Order Filed on June 18, 2026
by Clerk
U.S. Bankruptcy Court
District of New Jersey

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY

Caption in Compliance with D.N.J. LBR 9004-2(c)

NORGAARD, O'BOYLE & HANNON

184 Grand Avenue

Englewood, NJ 07631

(201) 871-1333

Attorneys for Debtor-in-Possession

By: *John O'Boyle, Esq. [JO-6337]*

joboyle@norgaardfirm.com

In Re:

BLUE STONE PROPERTIES, LLC

Debtor.

Case No.: 26-16652 VFP

Judge: Vincent F. Papalia

**INTERIM ORDER AUTHORIZING USE OF CASH COLLATERAL
AND SCHEDULING FINAL HEARING**

The relief set forth on the following pages, numbered two (2) through ten (10) is hereby ORDERED.

DATED: June 18, 2026

A handwritten signature in cursive script that reads "Vincent F. Papalia".

Honorable Vincent F. Papalia
United States Bankruptcy Judge

This matter is before the Court on the motion of Blue Stone Properties, LLC (the “Debtor”) for authority to use cash collateral on an interim and final basis pursuant to Bankruptcy Rule 4001(b) and 11 U.S.C. Section 363(c)(2)(B). Notice of the motion together with notice of the preliminary hearing thereon has been given and served by the Debtor to (1) the Office of the United States Trustee for the District of New Jersey; (2) Wilmington Savings Fund Society, FSB and its counsel, if any; (3) all other secured creditors, if any; (4) the Debtor’s twenty largest unsecured creditors; and (5) all parties that have requested to receive notice pursuant to Bankruptcy Rule 2002. The Court considered the motion, and after due deliberation and good and sufficient cause appearing for the entry of the within order, it is hereby found:

A. Notice and Hearing. Notice of the motion and order shortening time pursuant to D.N.J. LBR 9013-1(e) and Federal Rule of Bankruptcy Procedure 9006(c) for the preliminary hearing on the Debtor’s use of cash collateral has been served in accordance with Section 102(1) of the Bankruptcy Code and Federal Rule of Bankruptcy Procedure 4001(b), which notice is appropriate in the particular circumstances and is sufficient for all purposes under the Bankruptcy Code and the applicable Bankruptcy Rules in respect to the relief requested.

B. Chapter 11 Filed. Debtor filed its petition under Chapter 11 of the Bankruptcy Code on June 9, 2026 (the “Petition Date”) and is presently operating as a debtor-in-possession in accordance with sections 1107 and 1108 of the Bankruptcy Code.

C. Pre-Petition, Wilmington Savings Fund Society FSB (“Secured Creditor,”) asserted a mortgage on the Debtor’s real property in connection with prepetition loan agreement with the Debtor.

D. Pre-Petition Collateral. It appears that the Secured Creditor holds or may hold a properly perfected lien on the Debtor's real property (including proceeds) at the commencement of the case, including the rents produced by the Debtor's real property and other collateral which is or may result in cash collateral. The Debtor has not conceded or otherwise entered binding agreements with Secured Creditor or any other party concerning the validity, perfection, amount or priority of Secured Creditor's claim. Any party in interest, including but not limited to the U.S. Trustee, or any official committees appointed in these case, which parties shall have sixty (60) days from the date of the final cash collateral order, or such longer period as may be obtained for cause shown prior to the expiration of such period, to investigate the facts and bring any appropriate proceedings as representatives of the estate to contest the scope, validity, perfection and or amount of the claim.

E. Cash Collateral. "Cash Collateral" as defined by Section 363(a) of the Bankruptcy Code includes post-petition proceeds, products, offspring, rents, or profits of property and the fees, charges, accounts or other payments for the use or occupancy of rooms and other public facilities in hotels, motels, or other lodging properties subject to a security interest as provided in Section 552(b) and as the term "proceeds" is described in UCC Section 9-306.

F. Necessity and Best Interest. The Debtor does not have sufficient unencumbered cash or other assets with which to continue to operate its business in Chapter 11. The Debtor requires immediate authority to use cash collateral as defined herein in order to continue its business operations without interruption toward the

objective of formulating an effective plan of reorganization. Debtor's use of cash collateral to the extent and on the terms and conditions set forth herein is necessary to avoid immediate and irreparable harm to the estate pending a final hearing. The amount of cash collateral authorized to be used pending a final hearing or entry of a final order is not to exceed the amounts reflected in the Debtor's budget, annexed as **Exhibit A** to the Debtor's Application to Use Cash Collateral for the thirty-day period following the Petition Date.

G. Purposes. The Debtor is authorized to use cash collateral to meet the ordinary cash needs of the Debtor (and for such other purposes as may be approved in writing by Secured Creditors) for the payment of actual expenses of the Debtor necessary to (a) maintain and preserve its assets, and (b) continue operation of its business, including real estate taxes and insurance, utilities, property management, property maintenance and repairs, and to fund a reserve for payment of administrative expenses as reflected in the cash collateral budget.

The Court having determined there is a reasonable likelihood that the Debtor will prevail upon the merits at the final hearing of the Motion as required by Section 363(c)(3) of the Bankruptcy Code, and for good cause shown, it is

ORDERED as follows:

1. The Motion is GRANTED on an interim basis as set forth herein. Effective immediately and continuing through and including July 9, 2026 at 5:00 p.m. (the "Interim Period"), the Debtor is authorized to use the Cash Collateral on an interim basis subject to the terms of this Interim Order and in accordance with the Budget, subject to a 10% variance or further order of this Court. At the Final Hearing (as defined below), the Court will consider the Debtors' request

to use Cash Collateral after the Interim Period.

2. Use of Cash Collateral. the Debtor is authorized, for the period of 30 days from the Petition Date and in accordance with the cash collateral budget attached as **Exhibit A** to the Debtor's application to Utilize Cash Collateral, to use cash collateral up to the aggregate amount of \$6,600, for the following purposes:

- a. Repairs, maintenance and preservation of its assets;
- b. the continued operation of its business, including but not limited to purchase of supplies, management fees, taxes and insurance;
- c. utility expenses; and
- d. payment of administrative expenses, including professional fees; and
- e. mortgage payments to Secured Creditor as adequate protection.

3. Adequate Protection. As adequate protection for use of cash collateral, the Secured Creditors are GRANTED:

a. Replacement Liens. Replacement perfected security interests under Section 361(2) of the Bankruptcy Code to the extent the Secured Creditor's cash collateral is used by the Debtor, to the extent and with the same priority in the Debtor's post-petition collateral, and proceeds thereof, that Secured Creditor held in the Debtor's pre-petition collateral.

b. Deemed Perfected. The replacement liens and security interests granted herein is automatically deemed perfected upon entry of this Order without the necessity of Secured Creditor taking possession, filing financing statements, mortgages or other

documents. Although not required, upon request by Secured Creditor, Debtor shall execute and deliver to the Secured Creditor any and all UCC Financing Statements, UCC Continuation Statements, Certificates of Title or other instruments or documents considered by the Secured Creditor to be necessary in order to perfect the security interests and liens in the Debtor's post-petition collateral and proceeds granted by this Order, and the Secured Creditor is authorized to receive, file and record the foregoing at the Secured Creditor's own expense, which actions shall not be deemed a violation of the automatic stay.

c. Periodic Payments. Commencing July 1, 2026, the Debtors shall make monthly payments to Secured Creditor equal to the regular monthly payments (at non-default interest rates) that come due under each of their prepetition mortgage loan agreements with the Debtor, including all required escrow payments for taxes and insurance. Secured Creditor shall collect and disburse the escrow payments received pursuant to this order in accordance with their prepetition loan and escrow agreements with the Debtor.

d. Periodic Accountings. Within fourteen (14) days of the entry of this Order, the Debtors shall provide monthly accountings to Secured Creditor setting forth the cash receipts and disbursements made by the Debtor under this Order. In addition, the Debtor shall provide Secured Creditor all other reports required by the pre-petition loan documents and any other reports reasonably required by Secured Creditor, as well as copies of the Debtor's monthly United States Trustee operating reports.

e. Default Hearing. In the event Debtor defaults or violates this Order, Secured Creditor is permitted to request a hearing within fourteen (14) days (or if immediate and

irreparable injury, loss or damage may occur, an emergency hearing within 48 hours).

f. Any agreement or determination of the amount, scope, validity or perfection of any prepetition or postpetition claim or lien made herein shall be binding upon the Debtor-in-Possession, but shall not bind any party in interest including but not limited to the U.S. Trustee or any official committees, who shall have sixty (60) days or such longer period as may be obtained for cause shown prior to the expiration of such period from the date of the final cash collateral order, to investigate the facts and bring any appropriate proceedings as representatives of the estate to contest the scope, validity, perfection and or amount of Secured Creditor's claims.

4. Creditors' Rights of Inspection and Audit. Upon reasonable notice by Secured Creditor, Debtor shall permit Secured Creditor and any of its agents reasonable and free access to the Debtor's records and place of business during normal business hours to verify the existence, condition and location of collateral in which said creditor holds a security interest and to audit Debtor's cash receipts and disbursements.

5. Interlocutory Order and No Modification of Creditors' Adequate Protection. This is an interlocutory order. Nothing contained herein shall be deemed or construed to (a) limit Secured Creditor to the relief granted herein: (b) bar Secured Creditor from seeking other and further relief (including without limitation relief from the terms of this Order) for cause shown on appropriate notice to the Debtor and other parties-in-interest entitled to notice of same: or (c) require Secured Creditor to make any further loans or advances to the Debtor. The Order may be modified for cause shown by the Debtor, Secured Creditor or any other party-in-interest on due notice. No such modification, however, shall deprive Secured Creditor of its interest in Debtor's property (pre-petition and post-petition).

6. Notwithstanding anything else contained in this Interim Order, Secured Creditor shall provide the Debtor with a Carve Out, which shall be subject to the terms and conditions contained in this paragraph, the Secured Creditor's prepetition collateral and any and all adequate protection granted hereunder, and which shall be subject to payment of the Carve Out in accordance with the terms of this Interim Order:

a. Carve Out. As used in this Interim Order, the "Carve Out" means, collectively, the sum of: (a) all fee accruals allowed at any time by the Court and incurred by (i) professionals retained by the Debtor, and (ii) the fees and expenses of a statutory committee (if any) in accordance with a final order of the Court (which order has not been reversed, vacated or stayed) (the Debtor's professionals and the professionals of any statutory committee shall be collectively called the "Professionals") through the date of service by the Secured Creditors of a termination event hereunder (the "Carve Out Trigger Notice"), up to and as limited by the respective aggregate amounts for each Professional included in the Budget through the date of service of such Carve Out Trigger Notice, less the amount of prepetition retainers received by such Professionals and not previously applied to the fees and expenses of such Professionals; and (b) all accrued and unpaid fees (including United States Trustee fees pursuant to 28 U.S.C. § 1930, together with interest, if any, pursuant to 31 U.S.C. § 3717 and any Clerk's filing fees), disbursements, costs and expenses incurred by the Professionals from and after the date of service by the Secured Creditors of a Carve Out Trigger Notice, to the extent allowed at any time by the Court, less the amount of prepetition retainers received by such Professionals and not applied to the fees, disbursements, costs and expenses set forth in clause (a) above.

b. No Direct Obligation to Pay Professional Fees; No Waiver of Right to Object to Fees. Secured Creditor shall not be responsible for the direct payment or reimbursement

of any fees, costs, expenses or disbursements of any of the Professionals. Nothing herein shall be construed as consent to the allowance of any professional fees or expenses of the Professionals or shall affect the rights of Secured Creditor to object to the allowance and payment of such fees.

c. Payment of Allowed Professional Fees and Expenses Prior to a Termination Event. Prior to the occurrence of a Termination Event, the Debtor shall (i) escrow the sum of \$750.00 per month toward the payment of the allowed fees and expenses of Professionals employed in the case, which shall be held by the Debtor's counsel in its trust account and shall solely be used to pay allowed fees and expenses of the Professionals herein and for no other purpose, (ii) be permitted to pay allowed fees and expenses of the Professionals, all subject to this Interim Order, the Bankruptcy Code, the Bankruptcy Rules, the Local Rules and any interim compensation procedures order entered by this Court.

FINAL HEARING ORDER

IT IS FURTHER ORDERED, AND NOTICE IS HEREBY GIVEN that any creditor or other interested party having any objection to this Interim Order shall file with the Clerk of this Court and serve upon counsel for the Debtor on or before the 2nd day of July, 2026, a written objection and shall appear to advocate said objection at a Final Hearing to be held at 11 AM on July 9, 2026 in Courtroom 3B of the United States Bankruptcy Court, King Federal Building, 50 Walnut Street, Newark, NJ. In the event an objection is filed, Counsel for the Debtor shall respond on or before July 6, 2026. In the event no objections are filed or not advocated at such hearing, then this Order shall continue in full force and effect and shall be deemed a Final Order without further notice or hearing in accordance with Federal Rules of Bankruptcy Procedure 4001(d)(3).

NOTICE ORDER

IT IS FURTHER ORDERED that the Debtor shall serve a copy of this Order and Notice

by regular mail and/or email within one day of entry of this Order on (1) the Office of the United States Trustee for the District of New Jersey; (2) Wilmington Savings Fund Society, FSB and its counsel, if any; (3) all other secured creditors, if any; (4) the Debtor's twenty largest unsecured creditors; (5) the statutory committee (if any), and (6) all parties that have requested to receive notice pursuant to Bankruptcy Rule 2002. Debtor shall immediately file with the Clerk a Certificate of Service of said mailing.