UNITED STATES BANKRUPTCY COURT DISTRICT OF CONNECTICUT HARTFORD DIVISION

IN RE: Chapter 11

Bedford Properties BEH Y, LLC 1080-1088 Broad St BEH Y, LLC Green Fairmount Williams BEH Y, LLC

18-21011 (JJT) (Jointly Administered)

Case Nos. 18-21009 (JJT) (LEAD CASE)

18-21010 (JJT)

Debtors RE: ECF No. 27

THIRD INTERIM ORDER AUTHORIZING USE OF CASH COLLATERAL

Upon motion of the debtors, Bedford Properties BEH Y, LLC, 1080-1088 Broad St BEH Y, LLC, and Green Fairmount Williams BEH Y, LLC, the Debtors and Debtors-in-Possession herein (collectively the "Debtors"), seeking an order authorizing the interim use of cash collateral and for providing adequate protection to its secured creditors pursuant to 11 U.S.C. § 363(c)(2)(B) and Fed. R. Bankr. P. 4001 and 9014, and the same having been heard by the Court, the Court finds that:

- 1. On June 19, 2018 (the "Petition Date"), the Debtors filed their respective voluntary petitions under Chapter 11 of Title 11 of the United States Code.
- 2. The Debtors remain in possession of their property and management of their business and financial affairs and are Debtors-in-Possession under 11 U.S.C. § 1107.
- 3. The purpose of the Debtors is to own and manage residential apartment buildings located in Hartford, Connecticut, to wit: 32-34 Bedford Street, 41-43 Bedford Street, 45-47 Bedford Street, 51-53 Bedford Street and 61-63 Bedford Street, 1080-1088 Broad Street, 58-60 Fairmount Street, 47-49 Green Street and 27-29 Williams Street (collectively, the "Properties").
 - 4. The United States Trustee has not appointed a creditors' committee in this case.

- 5. It is essential to the Debtors' business and operations to use cash generated from rents so as to continue to make ordinary course business expenses, including but not limited to maintenance of the Properties.
- 6. Bayview Loan Servicing, LLC ("Bayview") is the holder of a first security interest in and to, among other things, the Properties and all of the Debtors' rents, royalties, issues, license fees, profits, revenue, income and other benefits of and generated by the Properties (collectively, "Rents") and all leases and licenses of the Properties to secure the debt owed to Bayview on the notes and mortgages (the "Bayview Debt").
- 7. GREF Hartford LLC ("GREF") is the holder of a second security interest in and to, among other things, the Properties and all of the Debtors' Rents, and all leases and licenses of the Properties to secure the debt owed to GREF on the notes and mortgages (the "GREF Debt").
- 8. The Debtors, Bayview and GREF agree that (i) the Rents constitute the secured cash collateral of Bayview and GREF, (ii) the Debtors' use of Rents is necessary to continue the operations and for the benefit of the Debtors' respective estates, and (iii) it is in the best interest of the Debtors, that the use by the Debtors of the Rents on the terms and conditions set forth herein, be approved,

NOW THEREFORE, the Court hereby ORDERS as follows:

a. Pursuant to 11 U.S.C. § 363(c)(2)(B), and subject to the further terms and conditions set forth herein, the Debtors are hereby authorized to use the Rents on an interim basis, which Rents the Debtors concede is subject to the security interests of Bayview and GREF (including, without limitation, the Bayview Loan Documents and GREF Loan Documents, hereinafter defined). The Debtors may use Rents for maintaining the Properties, to meet all necessary business expenses

incurred in the ordinary course of their business, including payment of court approved professional fees and the U.S. Trustee's statutory fees, but only in the amounts and for the purposes specifically identified in the Debtors' budgets, annexed hereto (collectively, the "Budgets"). Except as expressly provided in the Budgets, the Debtors shall not expend any portion of the Rents or any other cash collateral without the prior written consent of Bayview and GREF or upon further Order of the Court.

- b. In exchange for use of Rents by the Debtors, and as adequate protection for Bayview and GREF's interests therein, (i) the Debtors shall make monthly adequate protection payments to Bayview and GREF in the amounts set forth on the attached budgets, commencing October 1, 2018, and (ii) Bayview and GREF are hereby granted replacement liens as provided in 11 U.S.C. § 361(2) in all after-acquired Rents (and any and all other income or proceeds) of the Debtors from its Properties, and that said liens shall be of equal extent and priority to that which Bayview and GREF enjoyed with regard to the Rents and the Properties at the time the Debtors filed their Chapter 11 petitions.
- c. Bayview and GREF are authorized and are hereby granted relief from the automatic stay to take whatever steps are necessary under applicable law to perfect any replacement liens granted under this Order. However, it shall not be necessary for them to take any further steps to perfect such replacement liens, which will be deemed perfected pursuant to this Order.
- d. The term for the use of cash collateral pursuant to this Order shall be for a period commencing on September 30, 2018 and ending on October 31, 2018.

- e. The Debtors are hereby authorized to use up to, but not in excess of, \$54,000.00 of cash collateral for the period of one (1) month, through and including October 31, 2018, for only those expenses and other items specifically identified in the Budgets,
- f. Notwithstanding anything to the contrary herein, the following limited expenses of the Debtors' estates shall be deemed to have a prior right to satisfaction from all Rents or other cash collateral generated post-petition and from all other assets of the Debtors:
 - i. Fees and expenses of the United States Trustee pursuant to 28 U.S.C.§ 1930; and
 - ii. The Debtors shall not make any payment on any loans (or any other obligations) from insiders or officers.
- g. Failure to comply with the terms and conditions of this Order shall constitute a "Termination Event." Upon the occurrence of any Termination Event, this authorization to use cash collateral shall terminate without the necessity of a court hearing or order, upon five (5) business days prior written notice to the Debtors, counsel for Bayview, GREF, and the Office of the United States Trustee.
- 9. The Debtors are hereby directed to execute all documents and take all actions reasonably requested by Bayview and GREF in connection with the relief granted under this Order.
 - 10. (a) Debtors acknowledge, agree, and admit, that GREF has an overall allowed claim in the approximate amount of \$2,150,000.00, partially secured by the Properties and partially unsecured (the "GREF Debt"). Debtors further acknowledge, agree, and

admit, that Bayview has an overall allowed claim in the approximate amount of \$2,600,000.00, secured by the Properties (the "Bayview Debt")

- (b) Debtors acknowledge, agree, and admit, that GREF is the owner and holder of the following documents and instruments (collectively, the "GREF Loan Documents") to which the Debtors are jointly and severally bound and obligated to GREF and pursuant by which the GREF Debt is secured, as second mortgage liens upon the Properties: (i) the Promissory Note Secured by Mortgage dated February 28, 2014, (ii) the First Amendment to Promissory Note Secured by Mortgage dated as of August 1, 2015, (iii) the Forbearance Agreement dated as of April 1, 2016, (iv) the Letter Forbearance Agreement dated July 28, 2017, and (v) and the Open-End Mortgage Deed, Assignment of Leases and Rents and Security Agreement dated as of July 28, 2017, recorded on August 1, 2017 in Volume 7226 at Page 1 of the City of Hartford Land Records.
- (c) Debtors acknowledge, agree, and admit that Bayview is the owner and holder of the following documents and instruments (collectively, the "Bayview Loan Documents"), to which the respective Debtors are bound and obligated to Bayview and pursuant to which the Bayview Debt is secured as first mortgage liens upon the Properties: (i) as to those portions of the Properties owned by Bedford Properties Beh Y, LLC located at 32-34, 41-43, 45-47, 51-53 and 61-63 Bedford Street, Hartford, CT 06120 (collectively, the "Bedford Properties"), a Promissory Note dated July 28, 2017 in the original principal amount of \$1,200,000.00, an Open-End Mortgage securing the Note, dated July 28, 2017 and recorded August 1, 2017 in Volume 7225 at Page 240 of the Hartford Land Records, an Assignment of Rents dated July 28, 2017 and

recorded August 1, 2017 in Volume 7225 at Page 252 of the Hartford Land Records, and a UCC-1 Financing Statement recorded October 23, 2017 in Volume 7262 at Page 109 of the Hartford Land Records, (ii) as to those portions of the Properties owned by Green Fairmount Williams Beh Y, LLC located at 58-60 Fairmount Street, 27-29 Williams Street, and 47-49 Green Street, Hartford, CT 06120 (collectively, the "Green Fairmount Properties"), a Promissory Note dated July 28, 2017 in the original principal amount of \$547,500.00, an Open-End Mortgage securing the Note, dated July 28, 2017 and recorded August 1, 2017 in Volume 7225 at Page 263 of the Hartford Land Records, an Assignment of Rents dated July 28, 2017 and recorded August 1, 2017 in Volume 7225 at Page 275 of the Hartford Land Records, and a UCC-1 Financing Statement recorded October 23, 2017 in Volume 7263 at Page 1 of the Hartford Land Records; (iii) as to those portions of the Properties owned by 1080-1088 Beh" Y, LLC located at 1080-1088 Broad Street, Hartford, CT 06106 (collectively, the "1080 Broad Street Property"), a Promissory Note dated February 27, 2017 in the original principal amount of \$518,000.00, an Open-End Mortgage securing the Note, dated February 27, 2017 and recorded March 3, 2017 in Volume 7166 at Page 306 of the Hartford Land Records, an Assignment of Rents dated February 27, 2017 and recorded March 3, 2017 in Volume 7166 at Page 317 of the Hartford Land Records, and a UCC-1 Financing Statement recorded March 3, 2017 in Volume 7166 at Page 324 of the Hartford Land Records.

(d) Debtors acknowledge, agree, and admit, that the Bayview Debt and Bayview Loan Documents and the GREF Debt and GREF Loan Documents, as applicable:

(i) are legal, valid, binding and unavoidable obligations of the Debtors, and constitute

properly perfected enforceable liens and security interests in the Properties; (ii) are not, and shall not be, subject to any avoidance, disallowance, disgorgement, reduction, setoff, offset, recharacterization, subordination (whether equitable, contractual or otherwise), counterclaims, cross-claims, defenses or other challenges of any kind or nature under the Bankruptcy Code or any other applicable law or regulation, and all of them are expressly waived, and the Debtors hereby release Bayview and GREF and its officers, directors, employees, attorneys, representatives, parent, affiliates, predecessors, successors, and assigns from any liability thereunder.

(e) Any and all challenges by the Debtors (and its members) to: (i) the validity, sufficiency, priority or amount of the Bayview Debt and the GREF Debt; (ii) the perfection of Bayview's security interest and liens and GREF's security interest and liens in the Properties pursuant to the Bayview Loan Documents and the GREF Loan Documents; and (iii) any and all transfers received by Bayview and/or GREF prior to the Petition Date with respect to the Debtors, including, but not limited to, claims or challenges pursuant to sections 506(c), 544, 547, 548, 549, 550 and 553 of the Bankruptcy Code, shall be forever barred; notwithstanding the foregoing, the Debtors and Bayview and GREF acknowledge and agree that the Bayview Loan Documents and the GREF Loan Documents secure the Bayview Debt and a portion of the GREF Debt, the amount of such secured portion to be determined by the Court (or by agreement of the Debtors and Bayview and GREF), and that the Debtors and Bayview and GREF fully reserve their respective rights as to the valuation of the Properties in order to determine the portion of the Bayview Debt and/or the GREF Debt which

constitutes Bayview's and GREF's allowed claim secured by the Properties, and the portion which constitutes Bayview's and GREF's allowed unsecured claim.

- (f) This Order shall not be admissible as proof of adequate protection in any subsequent proceeding which addresses the issue of adequate protection of any party. Nothing contained herein shall prohibit Bayview and/or GREF from filing (or proceeding with) any motion in the bankruptcy cases including, without limitation, any motions for relief from stay, or from objecting to any motion(s) or requests filed by the Debtors (or any other person or entity) (including any further motions to use cash collateral), or from objecting to any disclosure statement or plan of reorganization, or from asserting any other rights, claims remedies or defenses of any kind whatsoever available to Bayview and/or GREF.
- (g) Upon the occurrence of a Termination Event or any default or non-compliance by any of the Debtors under or in connection with this Order, Bayview and/or GREF may file an affidavit with this Court, with copies to the Debtors, their attorney, and the Office of the U.S. Trustee, certifying which default or non-compliance has occurred, and no further notice to any other party of any kind whatsoever regarding same shall be required. If Debtors do not file, within five (5) days of the date of filing said affidavit, a counter-affidavit certifying that the Debtors have cured any and all such defaults or non-compliance, then immediately upon receipt of Bayview's and/or GREF's Motion for an Order Terminating the Automatic Stay together with a proposed Order regarding same, the Court may issue an Order terminating the Automatic Stay under the applicable provisions of the Bankruptcy Code, after either a hearing held at the Court's earliest convenience or the Court taking said motion on the

papers. Any Counter-Affidavit, if filed, shall be forthwith served upon the attorneys for Bayview, GREF and the Office of the U.S. Trustee.

(h)

- (1) The cash collateral payment to secured creditors for September, 2018 shall be paid on or before October 1, 2018.
- (2) The cash collateral payment to secured creditors for October, 2018 shall be paid on or before October 15, 2018.
- (3) No Management Fee shall be paid until the secured creditors receive both the September and October monthly adequate protection payments.
 - (4) The monthly operating reports shall be timely filed by the Debtors.
- 11. The Debtors shall file the August, 2018 Monthly Operating Reports on or before October 5, 2018, and the September, 2018 Monthly Operating Reports on or before October 20, 2018.
- 12. The cash collateral hearing is continued to October 25, 2018 at 2:00 p.m.

Dated at Hartford, Connecticut this 5th day of October, 2018.

James J. Tancredi United States Bankryptcy Judge District of Connecticut

SCHEDULE A

BEDFORD PROPERTIES BEH Y, LLC MONTHLY BUDGET

Income Rental Total Income \$ 28,341.00 Total Income in July Expense *Administrative 3% Management Fee * \$ 850.23 Professional Fees ** \$ 1,000.00 DIP Bank Charges ** \$ 1,000.00 Insurance Premium \$ 2,083.00 *Mortgage/Taxes \$ 975.00 *Mortgage/Taxes \$ 8,000.00 First Mortgage \$ 8,000.00 Second Mortgage ** \$ 5,000.00 Tax Payment *Maintenance/Repairs Building Repairs (Labor) \$ 2,400.00
Total Income \$ 28,341.00 Total Income in July Expense *Administrative *Administrative Total Income in July *Administrative *Balance Fees * \$ 850.23 Professional Fees ** \$ 1,000.00 DIP Bank Charges \$ 50.00 Insurance Premium \$ 2,083.00 *Mortgage/Taxes First Mortgage \$ 8,000.00 Second Mortgage \$ 8,000.00 Tax Payment *Maintenance/Repairs
Total Income in July Expense *Administrative 3% Management Fee * \$ 850.23 Professional Fees ** \$ 1,000.00 DIP Bank Charges \$ 50.00 Insurance Premium \$ 2,083.00 UST Quarterly Fee \$ 975.00 *Mortgage/Taxes First Mortgage \$ 8,000.00 Second Mortgage \$ 8,000.00 Tax Payment *Maintenance/Repairs
*Administrative
*Administrative 3% Management Fee
3% Management Fee * \$ 850.23 Professional Fees ** \$ 1,000.00 DIP Bank Charges \$ 50.00 Insurance Premium \$ 2,083.00 UST Quarterly Fee \$ 975.00 *Mortgage/Taxes First Mortgage \$ 8,000.00 Second Mortgage *** \$ 5,000.00 Tax Payment *Maintenance/Repairs
Professional Fees ** \$ 1,000.00 DIP Bank Charges \$ 50.00 Insurance Premium \$ 2,083.00 UST Quarterly Fee \$ 975.00 *Mortgage/Taxes First Mortgage \$ 8,000.00 Second Mortgage *** \$ 5,000.00 Tax Payment *Maintenance/Repairs
DIP Bank Charges \$ 50.00 Insurance Premium \$ 2,083.00 UST Quarterly Fee \$ 975.00 *Mortgage/Taxes First Mortgage \$ 8,000.00 Second Mortgage *** \$ 5,000.00 Tax Payment *Maintenance/Repairs
Insurance Premium \$ 2,083.00 UST Quarterly Fee \$ 975.00 *Mortgage/Taxes First Mortgage \$ 8,000.00 Second Mortgage *** \$ 5,000.00 Tax Payment *Maintenance/Repairs
UST Quarterly Fee \$ 975.00 *Mortgage/Taxes First Mortgage \$ 8,000.00 Second Mortgage *** \$ 5,000.00 Tax Payment *Maintenance/Repairs
UST Quarterly Fee \$ 975.00 *Mortgage/Taxes First Mortgage \$ 8,000.00 Second Mortgage *** \$ 5,000.00 Tax Payment *Maintenance/Repairs
First Mortgage \$ 8,000.00 Second Mortgage *** \$ 5,000.00 Tax Payment *Maintenance/Repairs
Second Mortgage *** \$ 5,000.00 Tax Payment *Maintenance/Repairs
Tax Payment *Maintenance/Repairs
*Maintenance/Repairs
Ruilding Panairs (Labor) \$ 2.400.00
Dunting Repairs (Labor) 7 2,400.00
Building Repairs (Materials) \$ 1,500.00
Trash/Refuse Removal \$ 700.00
*Utilities
Electric \$ 275.00
Water **** \$ 4,000.00
Natural Gas \$ 200.00
Total Expense \$ 27,033.23
NOI (Unexpected Expenses) \$ 1,307.77

^{*}Shall not be paid until September & October Adequate Protection payments are made

^{**}Eviction fees and costs; accountant fees

^{***}Blanket Mortgage

^{****} Based on quarterly billing

SCHEDULE A

1080-1088 BROAD ST BEH Y, LLC MONTHLY BUDGET

			OCTOBER PROJECTED	
Income				
Rental				
Total Income			\$	8,827.00
Total Income from Jul	ly			
Expense				
*Administ	trative			
	3% Management Fee	*	\$	264.81
	Professional Fees	**	\$ \$ \$	1,000.00
	DIP Bank Charges		\$	50.00
	Insurance Premium		\$	938.00
	UST Quarterly Fee		\$	650.00
*Mortgage/Taxes				
	First Mortgage		\$	1,000.00
	Second Mortgage	***	\$	750.00
	Tax Payment			
*Maintenance/Repairs				
	Building Repairs (Labor)		\$	960.00
	Building Repairs (Materials)		\$	600.00
	Trash/Refuse Removal		\$	500.00
*Utilities				
	Electric		\$	85.00
	Water	****	\$	1,500.00
Total Expense			\$	8,297.81
NOI (Unexpected Expenses)			\$	529.19

^{*}Shall not be paid until September & October Adequate Protection payments are made

^{**}Eviction fees and costs; accountant fees

^{***}Blanket Mortgage

^{****} Based on quarterly billing

SCHEDULE A

GREEN FAIRMOUNT WILLIAMS BEH Y LLC MONTHLY BUDGET

		OCTOBER PROJECTED	
Income			
Rental			
Total Income		\$	19,712.00
Total Income from July			
Expense			
*Administrative			
3% Management Fee	*	\$	591.36
Professional Fees	**	\$	1,000.00
DIP Bank Charges		\$	50.00
Insurance Premium		\$ \$ \$	1,851.00
UST Quarterly Fee		\$	650.00
*Mortgage/Taxes			
First Mortgage (Inc. Tax)		\$	4,000.00
Second Mortgage	***	\$	1,000.00
Tax Payment			
*Maintenance/Repairs			
Building Repairs (Labor)		\$	1,440.00
Building Repairs (Materials)		\$ \$	1,500.00
Trash/Refuse Removal		\$	350.00
*Utilities			
Electric		\$	1,500.00
Water	***	\$	3,000.00
Natural Gas		\$	700.00
Total Expense		\$	17,632.36
NOI (Unexpected Expenses)		\$	2,079.64

^{*}Shall not be paid until September & October Adequate Protection payments are made

^{**}Eviction fees and costs; accountant fees

^{***}Blanket Mortgage

^{****} Based on quarterly billing