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SECRETARY'S BUREAU

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE WESTERN DISTRICT OF PENNSYLVANIA

In re:	)	
	)	Case No. 15-70766-JAD
SOMERSET REGIONAL WATER	)	
RESOURCES, LLC	)	Chapter 11
	)	
Debtor.	)	Related to Docket No. [XX]

EMERGENCY ORDER REGARDING DEBTOR'S INTERIM LIMITED USE  
OF CASH COLLATERAL

SOMERSET REGIONAL WATER RESOURCES, LLC, (hereinafter, the "Debtor")  
 having ~~filed an Emergency Motion for Interim and Final Orders Authorizing Use of Cash~~  
<sup>orally requested</sup>  
 Collateral ~~(the "Motion")~~, <sup>at a hearing in this case</sup> for the sole purpose of funding payment of salaried payroll two weeks  
 in arrears and corresponding payroll tax obligations, and the Court having heard this Motion on  
 shortened notice on November 24, 2015, and the Court being sufficiently advised, it is  
 ORDERED AND ADJUDGED as follows:

1. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. Venue of the Debtor's case and this Motion in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2), (A), (D), (G), (K), (M) and (O).

2. ~~Notice of the hearing on the Motion has been given to (i) the Office of the United States Trustee, (ii) \_\_\_\_\_, and (iii) \_\_\_\_\_, all as more fully provided in the Certificate of Service submitted in conjunction with the Motion.~~  
 Under the circumstances, ~~such~~ <sup>limited</sup> notice of the hearing ~~and the specific relief requested in the Motion~~ <sup>on limited use of Cash Collateral</sup> complies with the requirements of Bankruptcy Code § 102(1) and Bankruptcy Rule 2002. The Debtor has provided adequate notice under the circumstances pursuant to Bankruptcy

Rule 4001 of the hearing to consider entry of this Order to all persons who are entitled to receive such notice.

3. Based on the Debtor's allegations set forth in ~~the Motion and~~ the record at the November 24, 2015 hearing, the Motion is granted as provided in this Order. The terms of this Order, including the terms of the use of Cash Collateral (as the term is defined in section 363(a) of the Bankruptcy Code) and the security interests, liens, rights and priorities granted hereunder are justified under the circumstances.

4. The Debtor is authorized to use Cash Collateral of Somerset Trust Company ("Somerset Trust") only in accordance with this Order for the limited purpose of paying salaried payroll otherwise due on November 20, 2015 and associated payroll taxes in an aggregate amount not to exceed \$100,000. The Debtor may only use Cash Collateral as set forth in this Order..

5. In consideration of consent by Somerset Trust to the use of its Cash Collateral by the Debtor, as part of the adequate protection for diminution in the value of Somerset Trust's collateral (including Cash Collateral), pursuant to Bankruptcy Code §§ 361 and 363, (the "Adequate Protection Claim"), the Debtor hereby grants and grants to Somerset Trust (as its interest existed as of the Petition Date) a first priority lien upon all prepetition and postpetition Collateral (as defined in the Commercial Security Agreement dated May 18, 2012) and all property subject to the following liens and claims of Somerset Trust:

a. A revolving credit facility having a maximum principal amount of \$3,000,000 and a current outstanding balance of \$3,000,000 plus accruing interest, fees and costs (as amended, modified and extended to date, the "Prepetition Revolving Loan") pursuant to (i) that certain Business Loan Agreement originally dated May 18, 2012 which Business Loan Agreement was subject to a modification dated August 31, 2015 by and between the Debtor and Somerset Trust (as amended, modified and extended from time to time, the "Prepetition Revolving Loan Agreement"), (ii) that certain Promissory Note dated

August 31, 2015 in the original principal amount of \$3,000,000 from the Debtor to Somerset Trust (as amended, modified and extended from time to time, the "Prepetition Revolving Loan Note"), (iii) that certain Mortgage dated August 25, 2015 between the Debtor and Somerset Trust and recorded on August 27, 2015 as Instrument Number 2015006758 in Book 2533, Page 1060 of the Somerset County Recorder of Deeds (as amended and modified from time to time, the "Prepetition Revolving Loan Mortgage"), (iv) that certain Commercial Security Agreement dated May 18, 2012 executed by the Debtor for the benefit of Somerset Trust (as amended and modified from time to time, the "Prepetition Revolving Loan Security Agreement"), (v) those certain Assignments of Life Insurance Policies as Collateral dated May 18, 2012 executed by the Debtor in favor of Somerset Trust, pursuant to which the Debtor assigned to Somerset Trust Term Life Insurance Policy Number 19468084 in the amount of \$500,000 on the life of Larry L. Mostoller ("Mostoller") issued by Northwest Mutual Life Insurance Company, and Term Life Insurance Policy Number 19468061 in the amount of \$500,000 on the life of Mostoller issued by Northwest Mutual Life Insurance Company (collectively, the "Assignments of Life Insurance"), and (vi) that certain Commercial Guaranty dated August 31, 2015 from Mostoller (the "Revolving Loan Guaranty"), pursuant to which Mostoller guaranteed the Debtor's obligations under the Prepetition Revolving Loan. The Prepetition Revolving Loan Agreement, Prepetition Revolving Loan Note, Prepetition Revolving Loan Mortgage, the Prepetition Revolving Loan Security Agreement, the Assignments of Life Insurance, the Revolving Loan Guaranty and all other loan documents executed in connection with the Prepetition Revolving Loan are collectively referred to as the "Prepetition Revolving Loan Documents."

b. A term loan facility in the original principal amount of \$435,000 and a current outstanding balance of \$258,420.38 plus accruing interest, fees and costs (as amended, modified and extended from time to time, the "First Prepetition Term Loan") pursuant to (i) that certain Business Loan Agreement dated December 29, 2010 by and between the Debtor and Somerset Trust (as amended, modified and extended from time to time, the "First Prepetition Term Loan Agreement"), (ii) that certain Promissory Note dated December 29, 2010 in the original principal amount of \$435,000 from the Debtor to Somerset Trust (as amended, modified and extended from time to time, the "First Prepetition Term Loan Note"), (iii) that certain Mortgage dated December 29, 2010 between the Debtor and the Lender and recorded on December 29, 2010 as Instrument Number 2010012156 in Book 2227, Page 566 of the Somerset County Recorder of Deeds (as amended and modified from time to time, the "First Prepetition Term Loan Mortgage"), and (iv) that certain Commercial Guaranty dated December 29, 2010 from Mostoller (the "First Prepetition Term Loan Guaranty"), pursuant to which Mostoller guaranteed the Debtor's obligations under the First Prepetition Term Loan.

c. A term loan facility in the original principal amount of \$332,000 and a current outstanding balance of \$78,313.39 plus accruing interest, fees and costs (as amended, modified and extended from time to time, the "Second Prepetition

Term Loan” and collectively with the Prepetition Revolving Loan and the First Prepetition Term Loan, the “Prepetition Obligations”) pursuant to (i) that certain Business Loan Agreement dated June 6, 2013 by and between the Debtor and Somerset Trust (as amended, modified and extended from time to time, the “Second Prepetition Term Loan Agreement”), (ii) that certain Promissory Note dated June 6, 2013 in the original principal amount of \$332,000 from the Debtor to Somerset Trust (as amended, modified and extended from time to time, the “Second Prepetition Term Loan Note”), (iii) that certain Commercial Security Agreement dated June 6, 2013 executed by the Debtor for the benefit of Somerset Trust (as amended and modified from time to time, the “Second Prepetition Term Loan Security Agreement”), and (iv) that certain Commercial Guaranty dated June 6, 2013 from Mostoller (the “Second Prepetition Term Loan Guaranty”), pursuant to which Mostoller guaranteed the Debtor’s obligations under the Second Prepetition Term Loan.

and Cash Collateral, including, but not limited to, the accounts receivable, and the proceeds of all of the foregoing (hereinafter, the “Replacement Lien”). The property in which a Replacement Lien is granted pursuant to this paragraph shall be herein referred to collectively as the “Post-Petition Somerset Trust Collateral.” The security interest and lien herein granted to Somerset Trust in the <sup>Pre - Petition and</sup> Post-Petition Somerset Trust Collateral shall be junior and subordinate only to any valid existing liens.

6. The Adequate Protection Claim of Somerset Trust shall further be entitled under Bankruptcy Code § 507(b) to priority over any or all administrative expenses of the kind specified in Bankruptcy Code §§ 503(b) or 507, <sup>up to the amount of Cash Collateral utilized by the Debtor in accordance with this Order.</sup>

7. All liens and security interests granted or continued as provided in this Order shall be deemed effective, valid and perfected as of the date of this Order without the necessity of the filing or lodging by or with any entity of any documents or instruments otherwise required to be filed or lodged under applicable non-bankruptcy law. This Order shall be deemed to be a security agreement for purposes of creation, attachment and perfection of the liens on and the security interests in, to and against the Post-Petition Somerset Trust Collateral.

8. Except as otherwise specifically provided herein, neither Somerset Trust nor the Debtor waives any rights they have pursuant to the existing agreements between the Debtor, Somerset Trust or any other party in interest, each retaining all rights available pursuant to the Bankruptcy Code or any other applicable law.

9. The rights, claims, security interests, liens and priorities of Somerset Trust arising under this Order are in addition to, and not in lieu or substitution of, the rights, obligations, claims, security interests, Somerset Trust's liens and priorities granted under the existing agreements between the parties.

10. The obligations of the Debtor and the rights, claims, security interests, liens and priorities of Somerset Trust, and all other transactions which occurred prior to the termination of this Order, shall remain unimpaired and unaffected by any such termination, modification, reversal or appeal of this Order and shall survive any such termination, modification, reversal or appeal.


11. The Debtor acknowledges and agrees that, as of the Petition Date: (a) all agreements between the Debtor and Somerset Trust (collectively, the "Agreements"), which include but are not necessarily limited to those identified in ¶ 6(a)-(c) herein, are valid and binding agreements and obligations of the Debtor, (b) the respective security interests and liens of Somerset Trust set forth in the Agreements, are valid, perfected, enforceable and non-avoidable, and (c) the Debtor does not possess and may not assert any claim, counterclaim, setoff or defense of any kind or nature which would in any way affect the validity, enforceability, and non-avoidability of the Prepetition obligations to Somerset Trust or reduce or affect the obligations of the Debtor to pay the Prepetition obligations to Somerset Trust. Other than the Debtor, nothing in this paragraph will be binding on the other creditors and parties-in-interest or

impair the rights of parties in interest to challenge the acknowledgements and agreements contained in this paragraph on behalf of the bankruptcy estate.

12. Any objection to ~~the Debtor's Cash Collateral Motion or to~~ entry of this Order ~~on a final basis~~ shall be filed no later than 5:00 p.m. on December 2, 2015. A ~~final~~ <sup>Further</sup> hearing upon ~~the Debtor's Cash Collateral Motion and~~ entry of this order ~~on a final basis~~ shall be held before this Court on December 3, 2015, at 3:30 p.m. EST (the "Hearing Date"). Prior to the Hearing Date, the Debtor is authorized and directed to execute and comply with the terms of this Order and is further authorized to use Cash Collateral solely under all of the terms and conditions provided in this Order.

13. During the pendency of this bankruptcy case, the Debtor shall reasonably cooperate with Somerset Trust, and its consultants and designees, to provide reasonable access, upon reasonable notice, to the Debtor's operations, books, records and management personnel to review all aspects of the Debtor's operations and financial condition.

14. Any findings in this Order are interim in nature and are subject to further review and hearing by the Court.  
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\*\* Hearing will be held in Courtroom D, 54th Floor, U.S. Steel Building, 600 Grant Street Pittsburgh PA 15219 and simulcast by videoconference in the Courtroom B, First Floor, Penn Traffic Building, 319 Washington Street, Johnstown PA 15901. Parties may appear at either location.

AGREED TO:

LAW OFFICES OF ROBERT O. LAMPL

/s/ David Fuchs

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-and-

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