

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA
(Johnstown)

relief sought may be entered and the hearing may not be held if you do not timely file and serve a written response.

M-2015-2472452

IN RE:

SOMERSET REGIONAL WATER
RESOURCES, LLC,

Bankruptcy No. 15-70766-JAD

Debtor,

Chapter 11

SOMERSET REGIONAL WATER
RESOURCES, LLC,

Document No.

Movant,

Related to Doc. No. 14

Hearing Date and Time:
December 18, 2015 at 10:00 a.m.

NO RESPONDENTS.

Date of Service: November 18, 2015

By Robert O Lampl
ROBERT O LAMPL
PA I.D. #19809
JOHN P. LACHER
PA I.D. #82287
DAVID L. FUCHS
PA I.D. #205694
RYAN J. COONEY
PA I.D. #318213
Counsel for the Debtor
960 Penn Avenue, Suite 1200
Pittsburgh, PA 15222
(412) 392-0330 (phone)
(412) 392-0335 (facsimile)
Email: rlampl@lanjplaw.com

NOTICE OF HEARING WITH RESPONSE DEADLINE REGARDING
APPLICATION FOR APPROVAL OF COMPASS ADVISORY PARTNERS, LLC AS
FINANCIAL ADVISORS, NUNC PRO TUNC, AS OF NOVEMBER 9, 2015

TO THE RESPONDENT(S):

You are hereby notified that the above Movant seeks an order affecting your rights or property.

You are further notified to file with the Clerk and serve upon the undersigned attorney for Movant a response to the Motion no later than December 7, 2015, i.e., seventeen (17) days after the date of service below, in accordance with the Federal Rules Of Bankruptcy Procedure, Local Rules And Procedures of this Court, and the procedure of the Presiding Judge as found on the Judge's web page at www.nw.uscourts.gov. If you fail to timely respond, the Motion may be granted by the Court by default without a hearing. Please refer to the Judge's calendar posted on the website at www.nw.uscourts.gov to verify if a default order was signed or if the hearing will go forward as scheduled.

You should take this to your lawyer at once.

A hearing will be held on December 18, 2015 at 10:00 a.m. before Judge Jeffrey A. Deller in Courtroom B, First Floor Penn Traffic Building, 319 Washington Street, Johnstown, Pennsylvania 15901. Only a limited time of 10 minutes is being provided on the calendar. No witnesses will be heard. If there is an issue of fact, an evidentiary hearing will be scheduled at a later date by the Court. An order granting the

* NOTE: Video Conferencing equipment has been installed in Courtroom B in Johnstown, Pennsylvania and also in Courtroom D in Pittsburgh, Pennsylvania. Attorneys may appear at either Courtroom B in Johnstown, or Courtroom D in Pittsburgh.

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SECRETARY'S BUREAU

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA
(Johnstown)

IN RE:

SOMERSET REGIONAL WATER
RESOURCES, LLC,

Bankruptcy No. 15-70766-JAD

Debtor,

Chapter 11

SOMERSET REGIONAL WATER
RESOURCES, LLC,

Movant,

NO RESPONDENTS.

APPLICATION FOR APPROVAL OF COMPASS ADVISORY PARTNERS, LLC
AS FINANCIAL ADVISORS, NUNC PRO TUNC, AS OF NOVEMBER 9, 2015

AND NOW, comes Somerset Regional Water Resources, LLC, by and through its Counsel, Robert O Lampl, John P. Lacher, David L. Fuchs and Ryan J. Cooney, and files this APPLICATION FOR APPROVAL OF COMPASS ADVISORY PARTNERS, LLC AS FINANCIAL ADVISORS, NUNC PRO TUNC, AS OF NOVEMBER 9, 2015, as follows:

1. The Movant is Somerset Regional Water Resources, LLC, the Debtor in this Chapter 11 Case.
2. This Chapter 11 Case was commenced on November 9, 2015.
3. The Debtor is in need of the services of Financial Advisors to assist in, among other things, the financial administration of its Estate and to assist the Debtor in the following:

- a. Assist the Debtor with its "communications plan" and provide support for follow-up with its major customers, key suppliers, employees, secured lenders and various lessors to confirm the continuing operations of the business;
- b. Assist the Debtor in various liquidity management activities including, but not limited to, review and validation of its 13-week cash flow forecast and analyzing working capital requirements;
- c. Assist the Client by providing hands-on oversight and control of its cash collections activities and its cash disbursements activities during this case. These activities will be critical for this Chapter 11 case during the next 8-10 weeks; and on a week-to-week basis thereafter;
- d. Assist with the analysis/determination of the current market values of the Debtor's numerous assets. This analysis will include estimates of "going-concern" values of the debtor's operating assets and estimated "liquidation values" if the debtor's assets need to be sold on a piecemeal basis;
- e. Assist the Debtor in developing and implementing "cost reduction programs" that will be needed at the onset of the Chapter 11 case;
- f. Assist the Debtor with the validation and development of its 2016 business plan, including M-T-M financial projections and other such related prospective financial information needed by the Debtor's management team and its creditors;
- g. Assist the Debtor in developing contingency plans for its daily operations, as needed;
- h. Assist the Debtor in fulfilling its financial reporting requirements, including, but not limited to, development of schedules and statements and monthly operating reports during this chapter 11 case;
- i. Assist in the analysis and development of strategies for communications and negotiations with the Debtor's creditors;
- j. Assist the Debtor in negotiations and respond to other information requests from the Official Committee of Unsecured Creditors, the United States Trustee and any other constituencies or parties in interest in connection with this chapter 11 case;
- k. Assist with the Debtor's efforts to raise new funding to support ongoing operations and its exit from Chapter 11;

- l. Assist with the Debtor's efforts to market and sell certain segments of the business and/or certain assets, including but not limited to: (i) coordination of the marketing/sale processes; (ii) developing target prospects lists; (iii) preparing a supporting documentation to assist in the marketing process; and (iv) negotiating offers from qualified bidders for the certain of Debtor's business segments and/or specific assets;
- m. Assist the Debtor in establishing a "virtual data room" to support due diligence efforts of qualified bidders as needed;
- n. Assist the Debtor with the development of an appropriate Plan of Reorganization that will need to be reviewed with all of the creditors and subsequently submitted for approval as required, and
- o. Provide support to the Debtor on other activities as mutually agreed upon by the Debtor and Compass, and as approved by the Bankruptcy Court.

4. The Debtor wishes to retain Compass Advisory Partners, LLC ("Compass") under the terms and conditions set forth in the letter of representation (Engagement Letter), an executed copy of which is attached hereto as EXHIBIT A

5. The Debtor has selected Compass to serve in the role of financial advisor and Chief-Restructuring-Officer in this chapter 11 case based on the firm's previous experience with operational and financing issues facing distressed companies and insolvent businesses. Compass is a recognized financial advisory services firm with extensive experience in bankruptcy and reorganization proceedings, including, without limitation, representing debtors, debtors-in-possession, trustees, creditors and creditors' committees, and others in chapter 11 and chapter 7 cases. Its practice spans many other areas of business, including, without limitation, oil & gas related companies, coal-mining companies, construction contractors and a variety of industrial manufacturing and distribution companies in the U.S. Compass is also experienced with mergers/acquisitions/divestitures and it employs corporate finance specialists who can

develop and implement refinancing strategies and asset-sale strategies, as needed. Compass's professionals have been successfully engaged in chapter 11 cases filed in, but not limited to, the United States Bankruptcy Courts in Pittsburgh, Pennsylvania; Erie, Pennsylvania; Scranton, Pennsylvania; Youngtown, Ohio; Columbus, Ohio; Wheeling, West Virginia; and Lexington, Kentucky.

6. The Debtor believes that Compass is experienced in these matters and is well qualified to perform all of the foregoing services necessary and required by the Debtor.

7. Compass does not have any connection with the Debtor nor represents any interest adverse to the Debtor or any other party-in-interest.

WHEREFORE, the Debtor respectfully requests that this Honorable Court approve Compass Advisory Partners, LLC as Financial Advisors, nunc pro tunc, as of November 9, 2015.

Respectfully Submitted,

Date: November 18, 2015

/s/ Robert O Lampl
 ROBERT O LAMPL
 PA I.D. #19809
 JOHN P. LACHER
 PA I.D. #62297
 DAVID L. FUCHS
 PA I.D. #205694
 RYAN J. COONEY
 PA I.D. #319213
 Counsel for the Debtor
 960 Penn Avenue, Suite 1200
 Pittsburgh, PA 15222
 (412) 392-0330 (phone)
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 Email: rlampl@lamplaw.com

IN THE UNITED STATES BANKRUPTCY COURT
 FOR THE WESTERN DISTRICT OF PENNSYLVANIA
 (Johnstown)

IN RE:

SOMERSET REGIONAL WATER RESOURCES, LLC, Bankruptcy No. 15-70766-JAD
 Debtor, Chapter 11

SOMERSET REGIONAL WATER RESOURCES, LLC,

Movant,

NO RESPONDENTS.

CERTIFICATE OF SERVICE

Robert O Lampl, John P. Lacher, David L. Fuchs and Ryan J. Cooney, hereby certify that on the 18th day of November, 2015, a true and correct copy of the within APPLICATION FOR APPROVAL OF COMPASS ADVISORY PARTNERS, LLC AS FINANCIAL ADVISORS, NUNC PRO TUNC, AS OF NOVEMBER 9, 2015 was served upon the following, (via electronic service and/or First-Class U.S. Mail):

Office of the U.S. Trustee
 1001 Liberty Avenue
 970 Liberty Center
 Pittsburgh, PA 15222

Jack Teitz
 Nicholas Arrington
 Compass Advisory Partners, LLC
 306 Fourth Avenue, Suite 701
 Pittsburgh, PA 15222

Date: November 18, 2015

/s/ Robert O Lampl
 ROBERT O LAMPL
 PA I.D. #19809
 JOHN P. LACHER
 PA I.D. #62297
 DAVID L. FUCHS
 PA I.D. #205694
 RYAN J. COONEY
 PA I.D. #319213
 Counsel for the Debtor
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 Email: rlampl@lamplaw.com



COMPASS ADVISORY PARTNERS, LLC
MANAGEMENT CONSULTING | INVESTMENT BANKING
WWW.COMPASSADVISORYPARTNERS.COM

Nicholas W. Arlington
Managing Partner

306 FOURTH AVENUE
SUITE 701
PITTSBURGH, PENNSYLVANIA 15222

Nick@CompassAdvisoryPartners.com
(412) 697-2631
(412) 651-6543

November 9, 2015

Mr. Larry Mostoller, CEO
Somerset Regional Water Resources, LLC
139 East Union Street
Somerset, PA 15501

Dear Mr. Mostoller:

This letter agreement ("Agreement") is by and between Somerset Regional Water Resources, LLC ("SRWR" or the "Client"), and Compass Advisory Partners, LLC ("Compass") with an address of 306 Fourth Avenue, Suite 701, Pittsburgh, PA 15222.

WHEREAS, Client has filed a petition for relief under Chapter 11 or Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Western District of Pennsylvania (the "Bankruptcy Court"),

AND

WHEREAS, Client desires to engage Compass to perform certain services to assist the Client in the management/administration of the Chapter 11 case and negotiation of various issues with its secured lenders and its unsecured creditors in order to formulate an acceptable Plan of Reorganization pursuant to its recent bankruptcy filing.

NOW, THEREFORE, in consideration of the mutual promises herein contained, the parties hereto, intending to be legally bound hereby, agree as follows:

Subject to the terms and conditions hereinafter set forth, Client hereby engages Compass to perform certain advisory services and Compass hereby accepts such engagement, effective as of November 9, 2015. Compass activities shall, at all times, be in compliance with all applicable laws and regulations.

ADVISORY SERVICES: Compass shall provide certain advisory services in conjunction with the Chapter 11 case and provide support services related to the possible sale of certain assets of debtor-in-possession. In providing these Advisory Services, Compass' personnel shall

EXHIBIT A

work collaboratively with the Client's management team and its legal professionals to support this Chapter case as needed.

Compass will provide the following services in connection with its role as financial advisors and Chief-Restructuring-Officer for SRWR:

- e. Assist the Debtor with its "communications plan" and provide support for follow-up with its major customers, key suppliers, employees, secured lenders and various lessons to confirm the continuing operations of the business;
- f. Assist the Debtor in various liquidity management activities including, but not limited to, review and validation of its 13-week cash flow forecast and amending working capital requirements;
- g. Assist the Client by providing hands-on oversight and control of its cash collections activities and its cash disbursements activities during this case. These activities will be critical for this Chapter 11 case during the next 8-10 weeks; and on a week-to-week basis thereafter.
- h. Assist with the analysis/determination of the current market values of the Debtor's numerous assets. This analysis will include estimates of "going-concern" values of the debtor's operating assets and estimated "liquidation values" if any the debtor's assets need to be sold on a piecemeal basis and subject to approval by the Bankruptcy Court.
- i. Assist the Debtor in developing and implementing "cost reduction programs" that will be needed at the onset of the Chapter 11 case until weekly revenues begin to increase.
- j. Assist the Debtor with the validation and development of its 2016 business plan, including M-T-M financial projections and other such related prospective financial information needed by the Debtor's management team and its creditors;
- k. Assist the Debtor in developing contingency plans for its daily operations, as needed;
- l. Assist the Debtor in fulfilling its financial reporting requirements, including, but not limited to, development of schedules and statements and monthly operating reports during this chapter 11 case.
- m. Assist in the analysis and development of strategies for communications and negotiations with the Debtor's creditors;
- n. Assist the Debtor in negotiations and respond to other information requests from the Official Committee of Unsecured Creditors, the United States Trustee and any other constituencies or parties in interest in connection with this chapter 11 case;
- o. Assist with the Debtor's efforts to raise new funding to support ongoing operations during this Chapter 11 case and its exit from Chapter 11.

Page 3

Page 4

- i. Assist with the Debtor's efforts to market and sell certain segments of the business and/or certain assets, including but not limited to (i) coordination of the marketing/sale process; (ii) developing target prospect lists; (iii) preparing supporting documentation to assist in the marketing process; and (iv) negotiating offers from qualified bidders for the certain of Debtor's business segments and/or specific assets;
- iii. Assist the Debtor in establishing a "virtual data room" to support due diligence efforts of qualified bidders as needed; and
- n. Assist the Debtor with the development of an appropriate Plan of Reorganization and Disclosure Statement that will need to be reviewed/negotiated with all of the creditors and subsequently submitted for approval as required by the Bankruptcy Court.
- o. Provide support to the Debtor on other activities as mutually agreed upon by the Debtor and Compass; and as approved by the Bankruptcy Court.

Work Products

Compass shall provide work products in the form of financial analysis, written memoranda and other supplemental information as required in conjunction with the administration of this Chapter 11 case as needed. Based on previous experience in similar Chapter 11 cases our efforts will also include negotiations with the secured lenders and unsecured creditors of SRWR.

PROFESSIONAL FEES

In consideration for Compass providing its services, the Client shall pay all Professional Fees (at the hourly rates indicated below), as well as, certain out-of-pocket expenses as described below. All payments by the Client will be subject to the prior approval of the U. S. Bankruptcy Court as set forth in the Retention Order.

Compass will provide the following professionals to complete the activities set forth in this Agreement at hourly rates as follows: Nick Arlington @ \$300/hr; Ken Thomas @ \$275/hr; Donita Rudy @ \$275/hr; and Jack Teitz @ \$325/hr. Mr. Teitz, as Director-in-Charge, will be responsible for the day-to-day execution of this engagement. He will be assisted by other professional staff, as needed. We will prepare a monthly itemized invoice for submission to the Client in accordance with prescribed requirements of the Bankruptcy Court (i.e. hours in tenths, etc.) and will file or serve these statements and all related fee applications in accordance with the procedures approved by the Bankruptcy Court or required by the Bankruptcy Code. Payment of our invoices will occur in accordance with the applicable provisions of the Bankruptcy Code and upon issuance of the applicable orders of the Bankruptcy Court.

EXPENSES

Reimbursable expenses include reasonable and customary out-of-pocket expenses incurred on this engagement including costs for mileage, travel and travel-related expenses, costs for ads/ notices related to the pending sale, outside printing and reproduction services, and overnight delivery

services, if needed. Reimbursement of all expenses will be subject to the approval of SRWR and the Bankruptcy Court.

PAYMENT TERMS - RETAINER

Upon execution of this Agreement and approval by the Bankruptcy Court, Client shall pay to Compass a retainer deposit in the amount of \$50,000 (the "Retainer Deposit") upon the approval by the Bankruptcy Court. The parties agree and acknowledge that the Retainer Deposit shall be held until the termination of this engagement and then credited against amounts otherwise owed to Compass by SRWR upon the termination of this Agreement.

ADDITIONAL TERMS AND CONDITIONS

The Client acknowledges and agrees that Compass has been retained solely to provide the advisory services set forth in this Agreement. Compass shall act as an independent contractor, and any duties of Compass arising out of its engagement hereunder shall be owed solely to the Client. Also, since Compass will be acting on the Client's behalf, the Client agrees to the indemnification and other obligations set forth in the Standard Terms and Conditions section below.

Dispute Resolution: Any controversy, dispute, or claim between the parties relating to this Agreement shall be resolved by the Bankruptcy Court.

Authority: Subject to the Bankruptcy Court's approval of the terms of this engagement, the Client has the power and authority to make and carry out the terms of this Agreement, and has taken all necessary action to authorize the execution, delivery and performance of this Agreement. Subject to entry of the Retention Order, this Agreement is the legally binding obligation of the Client, enforceable in accordance with its terms. This Agreement constitutes the sole and exclusive agreement between the parties hereto and supersedes all prior agreements, representations, and understandings of the parties. No modification of this Agreement shall be binding unless agreed to in writing by the parties and approved by the Bankruptcy Court, if applicable.

Chapter 11 Case and Retention Agreement: Because the Client is a debtor-in-possession under Chapter 11 of the Bankruptcy Code, the Client agrees to file an application seeking an order retaining Compass in accordance with the terms of this Agreement (the "Retention Order"), pursuant to sections 327(a) and 328(a) of the Bankruptcy Code. The Client's legal counsel shall supply Compass with a draft of such application and the proposed order authorizing Compass' retention that is proposed to be submitted to the Bankruptcy Court in advance of the filing of such application.

Payment of Compass' fees and expenses shall be subject to (i) the jurisdiction and approval of the Bankruptcy Court under section 330 of the Bankruptcy Code and any order approving Compass' retention, (ii) any applicable fee and expense guidelines and/or orders and (iii) any requirements governing interim and final fee applications. The Client will use its best efforts to obtain Court approval of a payment procedures order that provides for monthly payments of not less than 80% of its professional fees and 100% of expenses and, to obtain a "carve out" or similar arrangement to the extent necessary to ensure payment of Compass' fees and expenses.

In so agreeing to seek Compass' compensation under section 328(a) of the Bankruptcy Code, the Client acknowledges that it believes that Compass's experience and expertise, its knowledge of the industry in which the Client operated and the capital markets and its other capabilities will be to the benefit of the Client, that the value to the Client of Compass' services hereunder derives in substantial part from that expertise and experience and that, accordingly, the structure and amount of the fees payable to Compass hereunder are reasonable regardless of the number of hours to be expended by Compass' professionals in performance of the services to be provided hereunder.

Standard of Care and Warranty Disclaimer: Compass performs its services in accordance with standards of skill and care generally observed by "turnaround" consultants of recognized national standing in the United States. If Compass fails to meet such standards, the sole remedy of Client shall be to terminate this Agreement and recover any direct damages Client may prove. Neither Compass nor any of its directors, shareholders, officers, employees, consultants or other agents (collectively with Compass the "Compass Parties") shall be liable for any loss or loss of profits, any indirect, incidental or consequential damages, or any claim, loss or expense for which indemnification would be provided under this Agreement. In performing its services under this Agreement, Compass is not assuming any responsibility for the Client's decision to pursue or not to pursue any business strategy or to effect or not to effect any restructuring, business combination, refinancing or other transaction, nor shall Compass be responsible for providing any tax, legal or other specialist advice. Compass makes no representations or warranties, express or implied, concerning the value of its services or the results that may be obtained therefrom. Compass engagement shall not constitute an audit, review, compilation or any other type of financial statement reporting or consulting engagement that is subject to the rules of the AICPA or other state and national professional bodies.

Limitation of Liability and Indemnity: Compass' sole obligation under this Agreement is to the Client, and any advice (written or oral) given by Compass to the Client in connection with Compass' engagement under this Agreement is solely for use and benefit of the Client. In no event, regardless of the legal theory advanced, shall any Compass party be (i) responsible other than for gross negligence, willful misconduct, bad faith or knowing violation of law or (ii) liable to any third party. The obligations of Compass are solely corporate obligations, and no officer, director, employee, agent, consultant, shareholder or controlling person of Compass (the "Compass Parties") shall be subject to any personal liability whatsoever to any person, nor will any such claim be asserted by the Client, whether on its own behalf or on behalf of any other person.

The Client (as debtor-in-possession) shall indemnify, defend and hold harmless the Compass Parties against any and all claims, costs, demands, damages, assessments, actions, suits or other proceedings, liabilities, judgments, penalties, fines or amounts paid in settlement, expense, and attorneys' fees (whether incurred at the trial or appellate level, in an arbitration, in bankruptcy (including, without limitation, any adversary proceeding, contested matter or application), or otherwise notwithstanding any limitation set forth in above arising out of, connected with or related to the services performed under this Agreement, whether or not such Claims are attributable in whole or in part to negligence by Compass, other than Claims that are finally determined by judgment or in binding arbitration to have resulted from acts or omissions by Compass that involve gross negligence, willful misconduct (including bad faith and self-dealing) or a knowing violation

Period of Service and Termination: Either the Client or Compass may terminate this Agreement upon receipt of written notice to that effect by the other party. Upon any termination of this Agreement, Compass will be entitled to payment of all fees and reimbursement of all out-of-pocket expenses, as described above, and will be entitled to its fees and expenses as set forth above upon the approval of the bankruptcy court.

Successors and Assigns: This Agreement shall be binding upon and inure to the benefit of the Client, Compass, each Indemnified Person and their respective heirs, executors, administrators, successors and assigns.

General Provisions: This Agreement shall be binding on the parties and their respective successors and assigns, but neither party may assign or delegate any duty under this Agreement, voluntarily or by operation of law, without the written consent of the other party. This Agreement constitutes the parties' entire agreement with respect to its subject matter and is intended to supersede all prior negotiations, discussions and agreement and fully to integrate the parties' agreement. This Agreement may be executed by facsimile and in any number of counterparts, each of which shall constitute an original and all of which shall constitute one agreement.

After reviewing this Agreement, please confirm that the foregoing is in accordance with your understanding by signing and returning this letter, whereupon it shall be our binding Agreement.

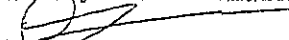
This Agreement shall be effective as of the date it is approved by the Bankruptcy Court.

Sincerely,
Compass Advisory Partners, LLC

N. Arrington
Nicholas W. Arrington, Partner

Agreed and accepted this ____ day of November, 2015:

Somerset Regional Water Resources, LLC, as Debtor-In-Possession

By: 
Larry Mostoller, CEO

Cc: Robert O. Lampf, Esq. - attorney for SRWR

of law. Compass shall give prompt written notice to the Client of any Claim for which indemnification shall not be affected by any failure or delay by Compass to give such notice, except to the extent that the rights and remedies of the indemnifying party shall have been materially prejudiced as a result of such failure or delay. The Client shall pay all costs and expenses, including reasonable attorneys' fees, incurred by Compass to enforce its rights under this Agreement. The Client agrees that, without Compass' prior written consent to the entry of any judgment in any pending or threatened claim, action, or proceeding or investigation in respect of which indemnification or contribution could be sought hereunder (whether or not Compass or any other Compass Party are an actual or potential party to such claim, action or proceeding or investigation), unless such settlement, compromise or consent includes an unconditional release of each Compass Party from all liability arising out of such claim, action or proceeding or investigation.

If for any reason the foregoing indemnification is determined to be unavailable to any Compass Party or insufficient to fully indemnify any such person, then the Client will contribute to the amount paid or payable by such person as a result of any such claims in such proportion as is appropriate to reflect both the relative benefit and the relative fault of the Client on the one hand, and the Compass Parties on the other hand, and any other relevant equitable considerations in connection with the matters as to which such claims relate, provided, however, that in no event shall the amount to be contributed by all Compass Parties in the aggregate exceed the amount of compensation actually received by Compass under this Agreement.

Notwithstanding anything to the contrary in this Agreement, during the pendency of any chapter 11 case, the Client shall have no obligation under these indemnification provisions to indemnify any person, or provide contribution or reimbursement to any person, for any claim or expense under these indemnification provisions to the extent that it is either: (i) judicially determined (the determination having become final) by the Bankruptcy Court to have arisen from that person's gross negligence or willful misconduct (including bad faith and self-dealing); or (ii) settled prior to a judicial determination as to that person's gross negligence or willful misconduct (including bad faith and self-dealing), but determined by the Bankruptcy Court, after notice and a hearing, to be a claim or expense for which that person should not receive indemnity, contribution or reimbursement under the terms of the Agreement, as modified by the Retention Order.

Jurisdiction; Applicable Law: This Agreement shall be interpreted under and governed by the laws of the Commonwealth of Pennsylvania. The Client and Compass irrevocably consent to the jurisdiction of the U.S. Bankruptcy Court.

Limitation of Authority: The relationship between the Client and Compass created, with respect to Compass, is one of independent contractor, and Compass shall have no authority to legally bind Client in any manner whatsoever, except as specified herein. Compass may, in the performance of its duties, negotiate on behalf of the Client with various parties, including but not limited to creditors, stockholders and employees of the Client, and governmental entities. But unless authorized in writing by the Client, in no case shall Compass have any authority or be under any duty whatsoever to execute documents in the name of or on behalf of the Client with respect to such negotiations or the transactions contemplated therein.

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA
(Johnstown)

IN RE:

SOMERSET REGIONAL WATER
RESOURCES, LLC,

Bankruptcy No. 15-70766-JAD
Chapter 11

Debtor.

SOMERSET REGIONAL WATER
RESOURCES, LLC,

Movant,

NO RESPONDENTS.

VERIFICATION OF JOHN W. TEITZ IN SUPPORT OF THE
DEBTOR'S APPLICATION FOR AN ORDER AUTHORIZING THE
RETENTION AND EMPLOYMENT OF THE COMPASS ADVISORY PARTNERS,
LLC AS FINANCIAL ADVISORS NUNC PRO TUNC AS OF NOVEMBER 9, 2015

Pursuant to Bankruptcy Rule 2014 John W. Teitz declares:

1. I am a Director of Compass Advisory Partners, LLC ("Compass"), which has offices at 306 Fourth Avenue Suite 701, Pittsburgh, Pennsylvania 15222, and as such, am duly authorized to submit this declaration on behalf of Compass (the "Teitz Declaration") in support of the Application of the Debtor to Retain and Employ Compass Advisory Partners, LLC as Financial Advisors, Nunc Pro Tunc as of November 9, 2015 (the "Application").¹ Except as otherwise noted, I have personal knowledge of the matters set forth herein.

2. Compass is an established financial advisory services firm with extensive experience in bankruptcy and reorganization proceedings, including, without

¹ Capitalized terms not otherwise defined herein have the meanings given to them in the Application.

limitation, representing debtors, debtors in possession, trustees, creditors and creditors' committees, and others in chapter 11 and chapter 7 cases. Its practice also spans also many other areas of business, including, a wide variety of oil and gas related companies, industrial manufacturing and other services/distribution companies. Compass is also experienced in negotiating with secured lenders, vendors and unsecured parties. These negotiations typically relate to DIP loans, plans of reorganization, mergers/acquisitions, asset sales transactions and related corporate finance/restructuring activities that benefit all parties.

3. Compass' professionals (including me) have been engaged in numerous chapter 11 cases filed in, but not limited to, the U.S. Bankruptcy Courts located in Pittsburgh, PA; Erie, PA; Scranton, PA; Youngtown, OH; Columbus, OH; Wheeling, WV, and Lexington, KY.

4. I will be serving as the lead consultant, and will be assisted by other Compass personnel on an as-needed basis. I have considerable experience as a turnaround manager, management consultant and financial advisor, providing leadership and/or management for underperforming companies desirous of change through financial restructuring or asset sales – primarily on a "going-concern" basis to maximize recoveries to all creditors.

5. Compass is well-suited for the type of representation required by the Debtor, insofar as the firm possesses extensive investment banking and financial advisory experience, including, among other things, dealing with the various financial issues facing distressed and insolvent businesses of similar size and complexity as the Debtor's business. As a result, Compass is well-qualified to serve as the financial advisor

and its Chief-Restructuring-Office for the Debtor in this case.

Professional Services To Be Rendered

6. As described in greater detail in, and subject to the terms of, the Engagement Letter, and subject to the Court's approval of the Application, the Debtor has engaged Compass to serve as financial advisor and Chief Restructuring Officer to the Debtor in connection with the turn-around efforts and financial restructuring of the Debtor's business via this Chapter 11 case.

Disinterestedness of Compass

7. Based on the results of the search conducted by Compass, as described more fully below, and based on my understanding of the Bankruptcy Code, the Bankruptcy Rules and the practices being followed in other chapter 11 cases, to the best of my knowledge, none of Compass's officers or employees thereof, or I, has any connection with the Debtor, its creditors, other parties-in-interest (as reasonably known to us), their respective attorneys, the U.S. Trustee or any person employed in the Office of the U.S. Trustee or the Bankruptcy Judge presiding over this case, except as disclosed or otherwise described herein.

8. To the best of my knowledge, Compass is a "disinterested person" as defined in section 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code, and as required by section 327(b) of the Bankruptcy Code, in that (a) Compass is not a creditor, equity security holder or insider of the Debtor; (b) Compass is not and was not, within two years of the Petition Date, a director, officer or employee of the Debtor; and (c) Compass does not have an interest materially adverse to the

interest of the estate or of any class of creditors or equity holders, by reason of any direct or indirect relationship to, connection with or interest in, the Debtor or for any other reason.

9. Compass conducted a search of its client's database for relationship with parties who may be impacted or involved in this chapter 11 case. Those parties (the "Interested Parties") were identified by the Debtor and are listed on the attached Schedule 1. In the past, Compass has worked on matters unrelated to this Debtor or this chapter 11 case with many of the secured lenders that are listed on Exhibit 1. Compass's prior engagement by these Interested Parties in matters unrelated to the Debtor or this chapter 11 case will not impact Compass's engagement in this chapter 11 case. Compass may have negotiated with other Interested Parties in other bankruptcy or workout cases, but has never been retained, nor has worked directly for, those persons or entities. Compass does not and will not represent any of these parties in connection with this chapter 11 case.

10. The entities disclosed herein have been identified by Compass using its reasonable efforts. The Schedule of Interested Parties may have changed without our knowledge and may change during the pendency of the chapter 11 case. Compass will periodically review its files during the pendency of the chapter 11 case to ensure that no conflicts or other disqualifying circumstances exist or arise. If any now relevant facts or relationships are discovered or arise, Compass will use reasonable efforts to identify such further developments and will promptly file a supplemental Taitz Declaration. Compass believes that its connections with such other persons in unrelated matters would not affect its representation of the Debtor in this proceeding.

11. Compass is engaged in numerous transactions involving many different attorneys, accountants, investment bankers, investment and other funds and financial consultants, some of which may represent claimants and parties-in-interest in this chapter 11 case. Furthermore, Compass may have in the past, and may in the future, be represented by several attorneys and law firms in the legal community, some of whom might be involved in this proceeding. In addition, Compass has in the past, and likely will in the future, be working with other professionals involved in this case in matters unrelated to the Debtor or this chapter-11 case. Based on our current knowledge of the professionals involved, and to the best of my knowledge, none of those business relations or potential business relations constitutes interest materially adverse to the Debtor herein in matters upon which Compass is to be employed.

12. To the best of my knowledge, Compass has not been retained to assist any entity or person other than the Debtor on matters relating to, or in connection with, this chapter 11 case. If this Court approves the proposed employment of Compass by the Debtor, Compass will not accept any engagement or perform any services for any entity or person other than the Debtor in this situation. Compass may, however, continue to provide professional services to entities or persons that may be parties in interest in the chapter 11 case; provided, however, that such services do not relate to, or have any direct connection with, this chapter 11 case.

13. In sum, Compass does not believe that its relationship with any of the identified parties-in-interest will adversely affect its engagement by the Debtor in the chapter 11 case.

Professional Fees and Expenses

14. The Engagement Letter and the Application accurately describe the manner in which Compass will be compensated for its services in its roles as financial advisor and investment banker for the Debtor.

15. As more fully set forth in the Engagement Letter, Compass's fees for professional services are based upon its standard hourly rates. The hourly rates set forth below are subject to periodic increases in the normal course of business, often due to increased experience of a particular professional. Compass will give prior notice to the Debtor of any such periodic increase:

- 1. Nicholas Arrington \$300.00/hr.
- 2. John W. (Jack) Teitz \$325.00/hr.
- 3. Ken Thomas \$275.00/hr.
- 4. Donita Rudy \$275.00/hr.

In addition to the fees just described, the Debtor has also agreed to reimburse Compass for its reasonable out-of-pocket expenses incurred in connection with the Engagement Letter, including, but not limited to, costs for travel, accommodations, business meals, telecommunications, messengers, couriers and other fees which may arise from time-to-time in this case. Reimbursement is subject to approval by the Debtor and the Bankruptcy Court.

16. The fees and expense reimbursement arrangement described herein are consistent with Compass's normal and customary billing practices for companies of the Debtor's size and complexity.

17. Compass intends to apply to this Court for allowances of compensation for professional services and reimbursement of expenses incurred in this case in accordance with applicable provisions of the Bankruptcy Code, Bankruptcy Rules, Local Bankruptcy Rules and orders of this Court.

18. Compass has agreed to accept as compensation such sums as may be allowed by the Court on the basis of (a) the professional time spent, (b) the rates charged for such services, (c) the necessity of such services to the administration of the estate and (d) the reasonableness of the time within which the services were performed in relation to the results achieved.

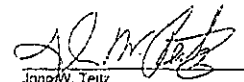
19. Compass understands and acknowledges that in the event the Court approves its retention by the Debtor, Compass's fees and expense shall be subject to the jurisdiction and approval of the Court under sections 327(a) and 328(a) of the Bankruptcy Code and any applicable fees and expense guideline order.

Disclosure of Compensation

20. Compass has not shared or agreed to share any of its compensation in connection with this matter with any other person.

21. No promises have been received by Compass, or by any employee thereof, as to compensation in connection with this case other than in accordance with the provisions of the Bankruptcy Code.

Date: November 18, 2015



John W. Teitz
Compass Advisory Partners, LLC

Verification Schedule 1

INTERESTED PARTIES

- 1. Amerserv
- 2. Somerset Trust
- 3. Peccar Finance
- 4. John Deere Finance
- 5. Ally Bank

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA
(Johnstown)

IN RE:

SOMERSET REGIONAL WATER
RESOURCES, LLC,

Debtor,

SOMERSET REGIONAL WATER
RESOURCES, LLC,

Movant,

Bankruptcy No. 15-70766-JAD
Chapter 11

NO RESPONDENTS.

ORDER APPROVING APPLICATION FOR RETENTION OF FINANCIAL ADVISORS,
NUNC PRO TUNC, AS OF NOVEMBER 9, 2015

AND NOW, this ___ day of _____, 2015, upon consideration of the APPLICATION FOR APPROVAL OF COMPASS ADVISORY PARTNERS AS FINANCIAL ADVISORS, NUNC PRO TUNC, AS OF NOVEMBER 9, 2015, it is ORDERED, ADJUDGED and DECREED as follows:

- 1. The above referenced Application is hereby approved nunc pro tunc, as of November 9, 2015.
- 2. Compass Advisory Partners, LLC, 306 Fourth Avenue, Suite 701, Pittsburgh, PA 15222 is hereby appointed as Financial Advisors for the Debtor in this bankruptcy proceeding for the reasons set forth in the Application.
- 3. Professional persons or entities performing services in the above case are advised that approval of fees for professional services will be based not only on the amount involved and the results accomplished, but other factors as well including: the time and labor reasonably required by the applicant to perform, the novelty and difficulty

of the issues presented, the skill requisite to perform the service properly, the preclusion of other employment due to acceptance of this case, the customary fee for similar services, the time limitations imposed by the client or the circumstances encountered while performing the services, the experience, reputation and ability of the professional(s) involved, the undesirability of the case, the nature and length of the professional relationship with the client, and, awards in similar cases.

4. Approval of any application for appointment of a professional in which certain fees are requested for various identified professionals is not an agreement by the Court to allow such fees at the requested hourly rates. Final compensation, awarded only after notice and hearing, may be more or less than the requested hourly rates based on application of the above-mentioned factors in granting approval by Court Order.

5. Applicant shall serve the within Order on all interested parties and file a certificate of service.

DATE: _____

JEFFREY A. DELLER
United States Bankruptcy Judge


Case Administrator to mail to:

Trustee
Debtor
Counsel
Realtor/Broker
Office of the U.S. Trustee

Robert O Lampl Law Office
960 Penn Avenue, Suite 1200
Pittsburgh, PA 15222

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