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**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
)	Doc. # 81
Debtor.)	Related to Docket No. 48 and 65

**INTERIM ORDER PURSUANT TO SECTIONS 11 U.S.C. §364 OF THE
BANKRUPTCY CODE AND BANKRUPTCY RULE 4001(c) AUTHORIZING
POSTPETITION FINANCING, AUTHORIZING USE OF CASH COLLATERAL
PURSUANT TO 11 U.S.C. §363, GRANTING ADEQUATE PROTECTION
PURSUANT TO 11 U.S.C. §§363 AND 364 AND SCHEDULING FINAL HEARING**

This matter having come before the Court upon the Motion For An Interim Order Allowing Use of Cash Collateral And Debtor in Possession Financing And Request For An Expedited Hearing In Regard To Same (the "Motion") of Somerset Regional Water Resources, LLC (the "Debtor") for entry of interim order(s) (the "Interim Order") and final orders pursuant to Sections 105, 361, 362, 363 and 364 of title 11 of the United States Code (the "Bankruptcy Code"), Rules 2002, 4001 and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") and Rule 4001-2 of the Local Rules for the United States Bankruptcy Court for the Western District of Pennsylvania (the "Local Rules"), (i) authorizing the Debtor to obtain postpetition financing, (ii) authorizing the Debtor to utilize cash collateral, (iii) granting adequate protection to Somerset Trust Company (the "Lender"), and (iv) scheduling a final hearing on the Motion; and upon the hearing that took place on December 3, 2015 (the "Hearing"); and upon the record before the Court; and after due deliberation thereon; and good and sufficient cause appearing therefor,

THE DEBTOR, THE LENDER AND LARRY L. MOSTOLLER (SOLELY AS TO PARAGRAPH 5 HEREIN) HEREBY STIPULATE AS FOLLOWS:

1. Petition Date. On November 9, 2015 (the "Petition Date"), the Debtor filed a voluntary petition (the "Petition") for relief under chapter 11 of the Bankruptcy Code (the

“Chapter 11 Case”). The Debtor is now operating its business and managing its properties as a debtor-in-possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code. There is presently no pending request or motion for appointment of a trustee or examiner.

2. Jurisdiction. This Court has jurisdiction over this matter pursuant to 28 U.S.C. § 1334. This is a core proceeding pursuant to 28 § 157(b)(2). Venue of the Chapter 11 Case and the Motion in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

3. Prepetition Secured Indebtedness. The Debtor alleges that it is obligated to the Lender for the following prepetition obligations:

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 the Lender (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 the Lender (as amended, modified and extended from time to time, the “Prepetition Revolving Loan Note”), (iii) that certain financing statement filed with the Secretary of the Commonwealth of Pennsylvania on April 26, 2011 at File No. 2011042607532, (iv) that certain Mortgage dated August 25, 2015 between the Debtor and the Lender 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”), (v) that certain Commercial Security Agreement dated May 18, 2012 executed by the Debtor for the benefit of the Lender (as amended and modified from time to time, the “Prepetition Revolving Loan Security Agreement”), (vi) those certain Assignments of Life Insurance Policies as Collateral dated May 18, 2012 executed by the Debtor in favor of the Lender, pursuant to which the Debtor assigned the Lender 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 (vii) 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 the Lender (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 the Lender (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 the Lender (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 the Lender (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 the Lender (as amended and modified from time to time, the "Second Prepetition Term Loan Security Agreement"), (iv) that certain financing statement filed with the Commonwealth of Pennsylvania on June 23, 2013 at File No. 2013061200753, and (v) 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.

d. The Prepetition Obligations are evidenced by the loan documents described in Paragraph 3(a)-(c) hereinabove and other related loan documents (collectively, the "Prepetition Loan Documents").

e. The Prepetition Obligations are secured by liens (the "Prepetition Liens") on substantially all of the assets of the Debtor, specifically including but not limited to (i) the real property owned by the Debtor and encumbered by the Prepetition Revolving Loan Mortgage, (ii) the real property owned by the Debtor and encumbered by the First Prepetition Term Loan Mortgage, (iii) all personal property of the Debtor pursuant to the Prepetition Revolving Loan Security Agreement, including, without limitation, accounts, products and proceeds thereof, (iv) term life insurance policies insuring the life of Larry L. Mostoller assigned pursuant to the Assignments of Life Insurance, (v) certain

machinery and equipment of the Debtor, and proceeds thereof, pursuant to the Second Prepetition Term Loan Security Agreement (collectively, the "Prepetition Collateral").

f. As of August, 2015, certain defaults and events of default existed under the Prepetition Loan Documents. In August 2015, the Debtor requested and the Lender agreed not exercise the rights and remedies available to the Lender under the Prepetition Loan Documents following the defaults and events of default, in consideration for the Debtor's execution and/or modification of certain Prepetition Loan Documents, including certain collateral documents securing the Prepetition Obligations.

g. Subject to the provisions of Paragraph 28 below, the Lender's Prepetition Liens constitute valid, binding, enforceable and perfected first-priority liens subject only to liens described in or otherwise permitted by the Prepetition Loan Documents, and are not subject to avoidance, subordination (except insofar as such liens are junior to certain liens permitted by the Prepetition Loan Documents that are valid, binding, enforceable and in existence on the Petition Date in accordance with the provisions of this Interim Order) or recharacterization, pursuant to the Bankruptcy Code or applicable nonbankruptcy law.

h. As of the Petition Date, the Debtor was in default under the Prepetition Loan Documents.

4. Need for Use of Cash Collateral and DIP Financing; Lockbox Account.

a. The Debtor has requested use of Cash Collateral and DIP Financing under circumstances where: (i) an immediate and critical need exists for the Debtor to be permitted access to funds in order to continue to operate its business; (ii) without such funds, the Debtor will not be able to pay its direct operating expenses; (iii) it cannot operate on a going concern basis relying solely on the use of Cash Collateral, and it must have debtor-in-possession financing available to supplement its use of Cash Collateral to fund its ongoing operations; (iv) it has requested the use of Cash Collateral and the DIP Financing (as defined herein); and (v) without new collateral being granted in consideration for the use of Cash Collateral, the Lender will suffer a material deterioration in the collateral position of the Lender.

b. The Lender and the Debtor have agreed, among other things, that the Debtor may use Cash Collateral (as defined in Section 363(a) of the Bankruptcy Code)

consisting of the proceeds of the Lender's Prepetition Collateral, pursuant to the terms of the Motion and this Interim Order.

c. From and after the date of the entry of this Interim Order (the "Effective Date"), until: (a) the indefeasible payment in full in cash of the Loans (as defined herein), and satisfaction of the Prepetition Obligations; and (b) the termination of any commitments or obligations under this Interim Order and the Loan Documents (as defined herein), the Debtor is hereby authorized and directed to deposit into only into an account or accounts approved by the Lender immediately upon the Debtor's receipt thereof, all Cash Collateral in its possession or control arising from, or constituting proceeds of, the Prepetition Collateral or the Postpetition Collateral (as defined below), including all funds maintained in all bank accounts on the Petition Date. For purposes of this Interim Order, "proceeds" of any Prepetition Collateral and Postpetition Collateral shall mean proceeds (as defined in the Uniform Commercial Code) of such Prepetition Collateral and Postpetition Collateral as well as: (i) any and all proceeds of any insurance, indemnity, warranty or guaranty payable by the Debtor from time to time with respect to such Prepetition Collateral and Postpetition Collateral; (ii) any and all payments (in any form whatsoever) made or due and payable to the Debtor; and (iii) other payments, dividends, interest or other distributions on or in respect of any such Prepetition Collateral and Postpetition Collateral. With respect to ¶ 4(c)(b)(i), (ii) and (iii), these provisions shall only apply to proceeds and payments, and the like, of or from Prepetition Collateral and Postpetition Collateral in which Lender has an undisputed first lien or replacement lien. In an instance of a dispute regarding the lien priority, the Debtor shall deposit any of items in ¶ 4(c)(b)(i), (ii) and (iii) into an escrow account pending a determination by this Court regarding rights to the same.

5. Reaffirmation of Mostoller Guarantees. Mostoller hereby reaffirms all terms, conditions, rights and obligations set forth in the Revolving Loan Guaranty, the First Term Loan Guaranty and the Second Term Loan Guaranty, including his personal liability to the Lender for the Prepetition Obligations. Mostoller further agrees to assign to Lender any rights or interest in the 2015 Federal tax refund due to him individually, but attributable to the operating losses of the Debtor (the "Tax Refund") subject to the setoff rights of the Internal Revenue Service and past due Pre-Petition and application of PA State fiduciary tax obligations of the Debtor. Other than the recording of a consent judgment against Mostoller in respect of his guarantees of the Prepetition Obligations, and provided that the Debtor is in compliance with this Order and no other creditor of Mostoller takes actions to collect against Mostoller, Somerset Trust will forbear from collection actions against Mostoller in respect of his guarantees of the Prepetition Obligations. Mostoller covenants and agrees to take actions on behalf of the Debtor in his capacity as a fiduciary of the Debtor and shall not usurp any corporate opportunities of the Debtor.

6. Binding Upon Final Order. The provisions set forth hereinabove will be adopted as findings by this Court in connection with the Final Order (as defined herein), and will become binding on all parties in interest unless an adversary proceeding is filed by a party-in-interest (other than the Debtor or affiliates of the Debtor), including without limitation, a duly appointed Committee (as defined herein) in accordance with the provisions of Paragraph 28 of this Interim Order.

THEREFORE, IT IS HEREBY FOUND AND ORDERED THAT:

7. Notice of the Hearing and the relief requested in the Motion provided by the Debtor constitutes due and sufficient notice of the Motion and Hearing.

8. An immediate and critical need exists for the Debtor to be permitted access to funds in order to continue to operate its business. Without such funds, the Debtor will not be able to pay its direct operating expenses. As a result, there is a risk that the going-concern value of the Debtor's business will decline if it cannot simultaneously make use of the Cash Collateral and access the DIP Financing, in which case the Debtor, its estate, and its stakeholders will be irreparably harmed.

9. Good cause has been shown for the entry of this Interim Order. Among other things, entry of this Interim Order will minimize disruption of the Debtor's business and operations and permit it to meet operating expenses. Without immediate use of Cash Collateral and DIP Financing, the Debtor would have no alternative but to cease operations and liquidate. The Cash Collateral use arrangement and the DIP Financing authorized hereunder are vital to avoid immediate and irreparable harm to the Debtor's estate. Absent the use of the Cash Collateral and the availability of the DIP Financing, the Debtor's estate would not have necessary funds to satisfy its obligations. Allowing the use of Cash Collateral and DIP Financing therefore is in the best interests of the Debtor's estate and creditors.

10. The Debtor's use of Cash Collateral and adequate protection arrangements authorized hereunder, and the terms of such use of Cash Collateral and adequate protection arrangements, are fair and reasonable under the circumstances, reflect, in conjunction with securing the DIP Financing, the Debtor's exercise of prudent business judgment and are supported by reasonably equivalent value and fair consideration. The Court concludes that entry of this Interim Order is in the best interest of the Debtor and its estate and creditors as its implementation will allow for the continued operation of the Debtor's existing business.

11. The Debtor is unable to obtain unsecured credit allowable under Section 503(b)(1) of the Bankruptcy Code sufficient to meet the Debtor's immediate cash requirements.

12. Pursuant to Section 364(c)(1), (c)(2) and (d)(1) of the Bankruptcy Code and Rule 4001(c) of the Federal Rules of Bankruptcy Procedure, the Debtor is authorized, on an interim basis pending the conclusion of a final hearing of the Motion, to use the Cash Collateral of the Lender and obtain postpetition financing from the Lender upon the terms and conditions set forth in this Interim Order in compliance with and for the purposes of funding those expenses set forth in the budget attached hereto as Exhibit A (the "Budget"). The Debtor shall provide the Committee with a list of any insiders who will be receiving payments under the Budget, and the Committee reserves all rights to (i) object to the reasonableness and/or necessity of such payments and/or (ii) seek disgorgement of any payments made to insiders since the Petition Date.

13. The Debtor is expressly authorized and empowered to borrow from Lender, and Lender is expressly authorized to make certain Loan(s) (as defined herein) to the Debtor (the "DIP Financing"), as set forth in this Interim Order. The Debtor and the Lender may, but are not obligated to, execute and deliver such loan agreement(s), promissory notes, security documents and other loan documents (collectively, the "Loan Documents") to evidence the DIP Financing. The Loan Documents shall be prepared consistent with the terms contained in this Interim Order. In the event of any inconsistency among the Motion, the Loan Documents and this Interim Order, this Interim Order shall control. The Debtor is authorized to comply with and perform all of the terms and conditions of the DIP Financing, including repayment of amounts borrowed thereunder, with interest, in accordance with and subject to the terms and conditions set forth in the this Interim Order and the Loan Documents. The Debtor is further authorized to pay all fees and expenses set out in this Interim Order, including, without limitation, all reasonable fees and expenses of professionals engaged by the Lender, subject to the Lender providing to the Debtor, the Office of the U.S. Trustee and any official committee of unsecured creditors (the

“Committee”) on a monthly basis a statement of each of those fees and expenses. The Debtor is obligated to pay all reasonable fees and expenses of professionals engaged by the Lender whether or not such fees and expenses are included in the Budget. All such costs, fees, charges and expenses shall be a part of the DIP Financing and shall have the same rights, status and priority as the DIP Financing. All loans made pursuant to this Interim Order (the “Loans”) and interest thereon and all fees, costs, expenses, indebtedness, obligations and liabilities of the Debtor to the Lender under the Loan Documents and this Interim Order are hereinafter referred to as the “Obligations.” The Loans shall include the following:

a. Term Loan: A \$1,000,000 term loan (the “Term Loan”) that will mature on the Maturity Date. The Term Loan will be available in multiple draws with no more than \$500,000 in principal available to the Debtor pending entry of the Final Order. The Term Loan shall have a maturity date of Two Hundred Seventy (270) days from the date of the entry of the Interim Order (the “Maturity Date”).

b. Interest Rate: The rate of interest charged on the Line of Credit and Term Loan will be Bank of America prime rate plus four (4%) percent annum with a default rate of ten (10%) percent.

c. DIP Commitment Fee: A DIP Commitment Fee in the amount of two (2%) percent shall be fully earned and payable 50% upon entry of the Interim Order and 50% upon entry of a final order (the “DIP Closing Fee”).

d. Repayment: The Term Loan will be payable in full on the Maturity Date.

e. Mandatory Reductions: In the event prior to the Maturity Date, any, all or substantially all of the assets of the Debtor are sold outside of the ordinary course of business pursuant to 11 U.S.C. § 363 by order of the United States Bankruptcy Court for the Western District of Pennsylvania, the Prepetition Obligations and postpetition Term

Loan shall be Paid from proceeds of such sale or sales in all instances where, in accordance with this Interim Order, Lender has a first priority lien in such assets or the proceeds of such sale or sales are sufficient to satisfy a lien with priority over Lender in such collateral, and then the balance thereof shall be paid to Lender. The net proceeds of the Tax Refund after application of the same to past due unpaid federal withholding taxes, whether paid to the Debtor or the Guarantor shall be paid over to the Lender for application first to the Term Loan and then to the Prepetition Revolving Loan.

f. Debt Limitations: During the term of the postpetition Term Loan, the Debtor shall not incur any other secured or priority debtor-in-possession financing from any third party. Notwithstanding the foregoing, the Debtor shall be able in the ordinary course of their business, without further order of this Court, to obtain trade credit from trade vendors on its usual and customary terms.

14. The Debtor is expressly authorized to borrow from the Lender, on the terms and subject to the conditions set forth in this Interim Order and the Loan Documents, a total of \$500,000 in addition to use of Cash Collateral in accordance with the Budget. The Debtor is authorized to use the proceeds of the Loans and to use the Cash Collateral in the operation of the Debtor's business, provided, that the use of the proposed Loans is consistent with the terms of this Interim Order and will be used to pay when due expenses of the types (and in the amounts, subject to permitted variances) as are set forth in the Budget, provided, however, that the payment of any fees or expenses of Court approved professionals of the Debtor and the Committee shall be subject to prior application to and approval by the Court (as may be modified by any administrative procedures order entered by the Court).

15. In accordance with Bankruptcy Code § 364(c)(1), subject to Paragraph 17 below, the Obligations shall constitute claims (the "Superpriority Claims") with priority in payment over

any and all administrative expenses of the kinds specified or ordered pursuant to any provision of the Bankruptcy Code, including, but not limited to, Bankruptcy Code §§ 105, 326, 328, 330, 331, 503(b), 506(c), 507(a), 507(b) and 726, and shall at all times be senior to the rights of the Debtor, and any successor trustee or any creditor, in the Chapter 11 Case or any subsequent proceedings under the Bankruptcy Code. No cost or expense of administration under Bankruptcy Code §§ 105, 364(c)(1), 503(b), 507(b) or otherwise, including those resulting from the conversion of any of the Chapter 11 Case pursuant to Bankruptcy Code § 1112, shall be senior to, or pari passu with, the Superpriority Claims of the Lender arising out of the Obligations. The Superpriority Claims of Lender shall not attach to proceeds of Avoidance Actions (as defined below).

16. As security for the Obligations, the Lender shall have and is hereby granted (effective upon the date of this Interim Order and without the necessity of the execution by the Debtor of mortgages, security agreements, pledge agreements, financing statements or otherwise) the following liens (collectively, the "Liens"):

(a) pursuant to Bankruptcy Code § 364(c)(2), a first priority, perfected lien upon all of the Debtor's right, title and interest in, to and under all currently owned or hereafter acquired property and assets of the Debtor of any kind or nature, whether real or personal, tangible or intangible, wherever located, and all proceeds, products, rents and profits thereof, including without limitation all cash, goods, accounts, inventory, cash in advance deposits, general intangibles, deposit accounts, real estate, machinery, equipment, vehicles, trademarks, trade names, licenses, claims and causes of action (specifically excluding, however, causes of action arising under Sections 544, 547, 548, 550 or 553 of the Bankruptcy Code, and all proceeds thereof (the "Avoidance Actions")) rights to payment, including tax refund claims (but subject to setoff rights of the Internal Revenue Service), insurance proceeds and tort claims and the proceeds, products, rents and profits of all of the foregoing (collectively the "Postpetition Collateral") that is not otherwise encumbered by a validly perfected unavoidable security interest, mortgage or lien of a party other than the Lender on the Petition Date, including rights preserved under Bankruptcy Code § 553, which security interests, mortgages and liens of said third parties shall remain unimpaired by virtue of the entry of this Interim Order; and

(b) pursuant to Bankruptcy Code §364(d)(1), a first priority, validly perfected lien upon all of the Debtor's right, title and interest in and to those certain real property interests constituting Prepetition Collateral of the Lender.

(c) Notwithstanding anything in this Interim Order to the contrary, the only priming liens granted to Lender under this Interim Order are those provided in ¶ 16(b).

17. Except as set forth in Paragraph 16 above, the Liens shall be prior and senior to all liens and encumbrances of all other secured creditors in and to such Postpetition Collateral granted, or arising, after the Petition Date. The Liens granted pursuant to this Interim Order shall constitute valid and duly perfected security interests and liens, and the Lender shall not be required to file or serve financing statements, notices of lien or similar instruments, which otherwise may be required under federal or state law in any jurisdiction, or take any action, including taking possession, to validate and perfect such security interests and liens; and the failure by the Debtor to execute any documentation relating to the Liens shall in no way affect the validity, perfection or priority of such Liens. If, however, the Lender, in its reasonable discretion, shall determine to file any such financing statements, notices of lien or similar instruments, or to otherwise confirm perfection of such Liens, the Debtor shall cooperate with and assist in such process, the stay imposed by Section 362(a) of the Bankruptcy Code is hereby lifted to allow the filing and recording of a certified copy of this Interim Order or any such financing statements, notices of lien or similar instruments, and all such documents shall be deemed to have been filed or recorded at the time of and on the date of this Interim Order.

18. As long as any portion of the Obligations remains unpaid, or any Loan Document remains in effect, the Debtor shall not seek, and it shall constitute a Termination Event (and automatic occurrence of the Termination Date) if there shall be entered (a) any order dismissing the Chapter 11 Case or appointing a trustee or converting to Chapter 7, or (b) except as expressly permitted under the Loan Documents, any order in the Chapter 11 Case or any subsequent Chapter 7 case which authorizes under any section of the Bankruptcy Code, including Bankruptcy Code §§ 105 or 364, (i) except as otherwise specifically provided herein or with the consent of the Lender, the granting of any new liens or security interests in any property of the

Debtor in favor of any party other than the Lender or (ii) the obtaining of credit or the incurring of indebtedness that is entitled to superpriority administrative status equal or superior to that granted to the Lender pursuant to this Interim Order; unless, in connection with any transaction cited in clause (i) or (ii) of this Paragraph 18, such order requires that the Obligations shall first be indefeasibly paid in full. Notwithstanding the foregoing, agreements for and the granting of continuing liens and replacement liens as adequate protection to other secured creditors with pre-petition liens on Post-Petition Collateral shall not constitute a Termination Event, provided that such adequate protection is not in conflict with or otherwise inconsistent with the projections granted to Somerset Trust under the Interim Order.

19. The earliest to occur of any of the events described in Paragraph 19(a)–(j) below shall constitute a “Termination Event” and the date of any such event shall be referred to as the “Termination Date”. The Lender may seek expedited relief from this Court upon motion by the Lender at any time following occurrence of a Termination Event. The Lender shall have no obligations to provide any DIP Financing following issuance by the Lender to the Debtor, the United States Trustee and the Committee of a written notice of a Termination Event. In addition, the Debtor’s right to use Cash Collateral shall terminate automatically on the third business day after the Lender provides written notice to the Debtor, the United States Trustee, the Committee, and each of their counsel of the occurrence of an Event of Default and that such use of the Cash Collateral shall terminate as a result thereof. The following events shall be Termination Events:

- a. material non-compliance by the Debtor with any of the terms, provisions or covenants of this Interim Order;
- b. the Debtor’s use of Cash Collateral other than as set forth herein and the Budget;

c. the Debtor makes cash disbursements on an aggregate basis in excess of fifteen percent (15%) of the amounts set forth in the weekly Budget measured on a cumulative basis. There shall be no excess variance with respect to the professional fees and expenses and other non-operating expenses set forth in the Budget. However, any professional fees and expenses in excess of the Budget may be carried forward to subsequent periods provided the aggregate amount of the professional fees and expenses does not exceed the amount provided for such items in the Budget;

d. if the Debtor files a plan of reorganization or plan of liquidation with this Court that does not adequately provide, in the Lender's reasonable discretion, for the full payment in cash on the later of the effective date of such a plan and the Maturity Date, the Prepetition Obligations and Obligations due to the Lender, including fees and interest;

e. any Event of Default under any of the Loan Documents or the Debtor's failure to comply with the terms of the Loans as set forth herein; or

f. the filing by the Debtor or any other party of any pleading seeking to challenge the Lender's Prepetition Liens, liens upon Cash Collateral, or otherwise asserting rights, claims or causes of action against the Lender with respect to the Prepetition Obligations;

g. any stay, reversal, vacatur or rescission of this Interim Order;

h. the dismissal of, conversion of or appointment of an examiner with expanded powers in the Chapter 11 Case not acceptable to the Lender;

i. the sale of a controlling interest in the Debtor;

j. failure by this Court to enter a final order including terms substantially similar to the terms of this Interim Order; or

k. the failure to retain Jack Teite and/or Nick Arrington as chief restructuring officer (“CRO”) of the Debtor pursuant to terms and conditions acceptable to the Lender, including CRO control of all Cash Collateral and DIP Loan and disbursements by the Debtor.

20.

a. Subject to the Budget, the Debtor is hereby authorized to use the Cash Collateral in which the Lender claims an interest for the items in the amounts set forth in the Budget, provided that the Lender is granted adequate protection as hereinafter set forth. In addition, from and after the Effective Date, the proceeds of the Loans, the Prepetition Collateral, and the Postpetition Collateral, shall not, directly or indirectly, be used to pay expenses of the Debtor or to be otherwise disbursed, except for: (i) those expenses, payments, and/or disbursements that are expressly set forth in the weekly Budget and do not exceed a fifteen percent variance (15%) measured on a cumulative basis or otherwise permitted under this Interim Order and the Loan Documents; (ii) compensation and reimbursement of expenses allowed by this Court to attorneys, accountants, or other professional personnel retained by the Debtor and any possible Committee as provided for in this Interim Order that do not exceed the weekly Budget line item for such expenses measured on a cumulative basis; and (iii) other non-operating expenses identified in the Budget that do not exceed the weekly Budget line item for such expenses measured on a cumulative basis. There shall be no excess variance with respect to the professional fees and expenses and other non-operating expenses as set forth in the Budget. However, any professional fees and expenses in excess of the Budget may be carried forward to subsequent periods provided the aggregate amount of the professional fees and expenses does not exceed the amount provided for such items in the Budget.

b. As adequate protection for the Lender for the diminution in value of the Lender's Prepetition Collateral resulting from (i) the priming of the Lender's liens by the Liens in favor of the Lender granted in this Interim Order and the Loan Documents pursuant to Bankruptcy Code § 364(d), (ii) the use of Cash Collateral pursuant to Section 363(c) of the Bankruptcy Code, (iii) the use, sale or lease of the Prepetition Collateral (other than the Cash Collateral) pursuant to Bankruptcy Code §363(c), and (iv) the imposition of the automatic stay pursuant to Bankruptcy Code § 362(a):

(i) The Lender is hereby granted (effective from the Petition Date and without the necessity of the execution by the Debtor of mortgages, security agreements, pledge agreements, financing statements or otherwise) valid and perfected, replacement security interests in, and liens upon (the "Replacement Liens"), of the same nature, scope, and priority as provided for the benefit of Lender in paragraph 16 hereof; and

(ii) the Replacement Liens are valid only to the extent that the Prepetition Liens are valid and any defenses that can be asserted against the Prepetition Liens may be asserted against the Replacement Liens.

21. At any time prior to the Maturity Date, the Debtor may propose and consummate prior to the Maturity Date a sale of less than all of the assets of the Debtor, in an amount sufficient to pay the entire Prepetition Obligations and the Obligations in full, including all fees and expenses due to the Lender, provided that such sale is consummated and payment is made to the Lender on or before the Maturity Date.

22. Under the circumstances, and based upon the Lender's consent, the adequate protection provided herein is reasonable and sufficient to protect the interests of the Lender. Notwithstanding any other provision hereof, the grant of adequate protection to the Lender pursuant hereto is without prejudice to the right of the Lender to seek modification of the grant of adequate protection provided hereby so as to provide different or additional adequate protection, and without prejudice to the right of the Debtor or any other party in interest to contest any such modification.

23. The Lender, through any of its employees or agents, shall have the right at any time or times during the Debtor's usual business hours, or during the usual business hours of any third party having control over any of the Debtor's records and premises, to inspect such records or premises in order to verify the amount or condition of, or any other matter relating to, the Prepetition and Postpetition Collateral or the Debtor's financial condition. The Lender and its employees and agents also shall have the right at any time or times during the Debtor's usual business hours to inspect and examine inventory and equipment, and to check and test the same as to quality, quantity, value and condition.

24. In order to effectuate the terms of this Interim Order, the Lender, through any of their employees and agents, shall be allowed to contact directly the Debtor at any time reasonable under the particular circumstances at the time. Any such contact shall not be construed to be a violation of the automatic stay provided by Section 362 of the Bankruptcy Code.

25. The Debtor is authorized to perform all acts, and execute and comply with the terms of such other documents, instruments and agreements in addition to the Loan Documents, as the Lender may reasonably require, as evidence of and for the protection of the Obligations, or which otherwise may be deemed reasonably necessary by the Lender to effectuate the terms and conditions of this Interim Order and the Loan Documents. The Debtor and the Lender are hereby authorized to implement, in accordance with the terms of the Loan Documents, any non-material modifications of the Loan Documents without further order of this Court.

26. Having been found to be extending credit, making Loans or extending other accommodations to the Debtor in good faith, the Lender shall be entitled to the full protection of Section 364(e) of the Bankruptcy Code with respect to the Obligations and the Liens or Replacement Liens, as applicable, created or authorized by this Interim Order in the event that

this Interim Order or any authorization contained herein is stayed, vacated, reversed or modified on appeal. Any stay, modification, reversal or vacation of this Interim Order shall not affect the validity of any obligation of the Debtor to the Lender incurred pursuant to this Interim Order. Notwithstanding any such stay, modification, reversal or vacation, all Loans made pursuant to this Interim Order and the Loan Documents, all uses of the Cash Collateral and all Obligations incurred by the Debtor pursuant hereto or the Loan Documents prior to the effective date of such stay, modification, reversal or vacation, shall be governed in all respects by the original provisions hereof and the Lender shall be entitled to all the rights, privileges and benefits, including without limitation, the Liens, and Superpriority Claims granted herein.

27. The provisions of this Interim Order and any actions taken pursuant hereto shall survive entry of any order which may be entered (a) confirming any plan of reorganization in the Chapter 11 Case (and the Obligations shall not be discharged by the entry of any such order or pursuant to Bankruptcy Code § 1141(d)(4), the Debtor having hereby waived such discharge); (b) converting the Chapter 11 Case to a Chapter 7 case; or (c) dismissing the Chapter 11 Case, and the terms and provisions of this Interim Order as well as the Superpriority Claims and Liens granted pursuant to this Interim Order and the Loan Documents shall continue in full force and effect notwithstanding the entry of such order, and such Superpriority Claims and Liens shall maintain their priority as provided by this Interim Order until all the Obligations and Prepetition Obligations are indefeasibly paid in full and discharged.

28. Subject to a sufficient record, as required by this Court, the Stipulations contained in Paragraphs 1-6 above shall be adopted as findings by this Court, and, subject to this Paragraph 28 and entry of the Final Order (which shall mean the final order on the Debtor's Motion entered by this Court), those findings shall be binding upon all parties in interest, unless: (a) any party-in-interest (other than the Debtor or an affiliate of the Debtor) has filed an adversary proceeding

or contested matter challenging the amount, validity, enforceability, perfection or priority of the Prepetition Obligations, the Lender's Prepetition Liens on the Prepetition Collateral in respect thereof, or otherwise asserting any claims or causes of action against the Lender on behalf of the Debtor's estate, no later than the earlier of 90 days from December 2, 2015 (the "Investigation Period"), with respect to any challenge relating to the Prepetition Obligations, the Lender's Prepetition Liens on the Prepetition Collateral, or otherwise relating to any claims or causes of action against the Lender. No fees or expenses of the Committee with respect to the commencement or prosecution of any such adversary proceeding or contested matter shall be paid from the proceeds of the Lender's Prepetition Collateral, Postpetition Collateral or DIP Financing. The prohibition of the payment of fees and expenses of the Committee from proceeds of Prepetition Collateral, Postpetition Collateral or DIP Financing shall not apply to reasonable fees and expenses incurred by the Committee in connection with an investigation of the amount, validity, enforceability, perfection or priority of the Prepetition Obligations, the Lender's Prepetition Liens on the Prepetition Collateral. The Lender will cooperate reasonably with the Committee regarding the Committee's investigation of all matters referenced in this Paragraph 28, including providing reasonable access to their records not otherwise subject to privilege (in which event Lender will supply the Committee a privilege log), and consulting with the Committee. If no such adversary proceeding or contested matter is commenced during the Investigation Period with respect to the relevant obligations, liens or loan documents, (a) the repayment of the Prepetition Obligations shall be deemed final and indefeasible, not subject to subordination or otherwise unavoidable, (b) the Prepetition Obligations shall constitute allowed claims, not subject to subordination or otherwise unavoidable, for all purposes in the Chapter 11 Case and any subsequent Chapter 7 case, (c) the Lender's Prepetition Liens on the Prepetition Collateral shall be deemed legal, valid, binding, perfected, not subject to defense, counterclaim,

offset of any kind, subordination and otherwise unavoidable, and (d) the Lender, the Prepetition Obligations, the Prepetition Loan Documents and the Lender's Prepetition Liens on the Prepetition Collateral shall not be subject to any other or further challenge by any party in interest seeking to exercise the rights of the Debtor's estate, including, without limitation, any successor thereto. Subject only to the foregoing provisions of this Paragraph 28, the Lender shall be deemed released of all claims, rights, causes of action or defenses by, and all liabilities owing to, the Debtor; the Committee, all of the Debtor's creditors or other parties in interest arising out of or based on any facts or circumstances occurring prior to the Petition Date.

29. Except for Paragraph 19, and subject to the protections afforded Lender under section 346(e) and herein, the Committee, if one is appointed, reserves the right to raise all objections to the Final Order regarding financing provided for in this Interim Order. The Lender's agreement to provide interim and final financing, and the accommodations hereunder are conditioned upon the entry of an order at the final hearing on terms satisfactory to the Lender and the failure to enter an acceptable order at the final hearing shall be a Termination Event or an Event of Default under the Loan Documents.

30. The final hearing on the Motion shall be scheduled for January 5, 2016, at 10:00 a.m. EST at the United States Bankruptcy Court for the Western District of Pennsylvania, ~~544~~^{54th Floor} USX Tower, 600 Grant Street, Pittsburgh, PA 15219,** and the Debtor shall give notice of such final hearing by first class U.S. mail, postage prepaid, to (a) counsel for the Lender, (b) the 20 largest unsecured creditors of the Debtor, (c) the United States Attorney for the Western District of Pennsylvania, (d) the United States Trustee for the Western District of Pennsylvania, and (e) all parties that have formally requested notices in the Chapter 11 Case. Objections, if any, to the Motion and entry of the Final Order shall be filed with this Court and served upon each of the parties identified above such that they are received no later than December 29, 2015. Any

notice to the Lender shall be sent to: Mark E. Freedlander, McGuireWoods LLP, 625 Liberty Ave., 23rd Floor, Pittsburgh, PA 15222-3142 and J. Trevor Johnston, McGuireWoods LLP, 201 N. Tryon Street, Suite 3000, Charlotte, NC 28202.

AGREED:

/s/ David L. Fuchs
Robert O. Lampl
David L. Fuchs
Law Offices of Robert O. Lampl
960 Penn Avenue, Suite 1200
Pittsburgh, PA 15222
Attorney for Somerset Regional Water Resources, LLC

/s/ Mark E. Freedlander
Mark E. Freedlander
McGuireWoods LLP
625 Liberty Avenue
23rd Floor
Pittsburgh, PA 15222-3142
Attorney for Somerset Trust Company

FILED
12/9/15 2:00 pm
CLERK
U.S. BANKRUPTCY
COURT - WDPA

/s/ Larry L. Mostoller
Larry L. Mostoller

December 9, 2015

jsf
Honorable Jeffrey A. Deller
Chief Judge, U.S. Bankruptcy Court
JEFFERY A. DELLER

** 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.

SRWR		INTERIM DIP. BUDGET (10 WEEK CASH FLOW PROJECTIONS - FINAL)										12/4/2015
EXHIBIT A		1	2	3	4	5	6	7	8	9	10	10-weeks
Week-Ending →		13-Nov-15	20-Nov-15	27-Nov-15	4-Dec-15	11-Dec-15	18-Dec-15	25-Dec-15	1-Jan-16	8-Jan-16	16-Jan-16	Totals
Accounts receivable (net)		2,000,000	1,760,000	1,910,000	1,760,000	1,860,000	1,710,000	1,780,000	1,860,000	1,810,000	1,660,000	
1	Cash Collections - INPUT	240,000	-	150,000	100,000	150,000	200,000	100,000	100,000	160,000	500,000	1,690,000
2	3rd-Party Billings - INPUT	-	150,000	-	200,000	-	250,000	-	250,000	-	300,000	1,150,000
3	Other AR Adj. - credits/writes-o	-	-	-	-	-	-	-	-	-	-	
4	Accounts receivable, end	\$ 1,760,000	\$ 1,810,000	\$ 1,760,000	\$ 1,860,000	\$ 1,710,000	\$ 1,780,000	\$ 1,660,000	\$ 1,810,000	\$ 1,660,000	\$ 1,480,000	
Cash Receipts												
5	Cash Collections - see above	240,000	-	150,000	100,000	150,000	200,000	100,000	100,000	160,000	500,000	1,690,000
6	Proceeds-Equip Sale w-no debt	-	-	-	-	-	-	-	-	-	-	
7	Proceeds-Equip Sale w-debt (\$	-	-	-	-	-	-	-	-	-	-	
8	Other Cash - N/E Asset Sales	-	-	-	-	-	-	200,000	-	-	150,000	350,000
9	Total Cash Receipts	240,000	-	150,000	100,000	150,000	200,000	300,000	100,000	160,000	650,000	2,040,000
Disbursements												
10	Payroll/Taxes/Benefits/ Fringes (2-weeks in arrears)	-	-	-	50	-	36	-	36	-	36	
11	Pre-petition PR(11/06+11/2	108,000	-	70,000	-	-	-	200,000	-	-	-	378,000
12	Oper. Drivers/Mech/Oth	-	-	-	110,000	-	80,000	-	80,000	80,000	80,000	430,000
13	Field Supor./Engr/Oth	-	-	-	35,000	-	20,000	-	20,000	20,000	20,000	115,000
14	Corp. Admin(Fin-HR-Mgmt-l	-	-	-	30,000	-	30,000	-	30,000	30,000	30,000	160,000
15	Employment Tax (ER)	-	-	30,000	18,825	-	12,350	-	12,350	12,350	12,350	98,025
16	Empl. Benefits(Health Ins)	-	-	-	-	80,000	-	60,000	-	-	20,000	160,000
17	Other Empl Insurance	-	-	-	-	10,000	-	-	10,000	-	-	20,000
18	Total payroll and benefits	\$ 108,000	\$ -	\$ 100,000	\$ 191,825	\$ 90,000	\$ 142,350	\$ 260,000	\$ 162,350	\$ 142,350	\$ 162,350	\$ 1,348,025
19												
20	New Eq. Purch./Capex	-	-	-	-	25,000	-	-	25,000	-	-	80,000
21						(WWTP-OH)			(WWTP-OH)			
22	Operations Costs											
23	Fuel Purch/Usage	-	-	-	-	100,000	25,000	25,000	25,000	25,000	25,000	225,000
24	Repairs/Tires/Parts/Supplies	-	-	-	25,000	-	-	-	-	-	25,000	50,000
25	Rent Payments	-	-	-	30,000	-	-	-	-	30,000	-	60,000
26	Utilities/Phones - Corp	-	-	-	-	10,000	-	-	-	10,000	-	20,000
27	Security	-	-	-	-	5,000	-	-	-	5,000	-	10,000
28	Sub-contractors	-	-	-	-	5,000	-	-	-	5,000	-	10,000
29	Equipment Rental/month	-	-	-	-	15,000	-	-	-	-	15,000	30,000
30	Misc. Ops Support	-	-	-	20,000	5,000	5,000	5,000	5,000	5,000	5,000	45,000
31	Total Operations Costs	\$ -	\$ -	\$ -	\$ -	\$ 175,000	\$ 66,000	\$ 30,000	\$ 30,000	\$ 80,000	\$ 70,000	\$ 450,000
32												
33	Other costs/expenses											
34	Insurance Pkg (08/24/15)	127,000	-	-	-	123,000	-	-	-	100,000	-	350,000
35	Permits & Licenses	-	-	-	10,000	-	-	-	10,000	-	-	20,000
36	Travel/Exp Reimb/Per Diem	5,000	-	-	5,000	-	-	5,000	-	-	5,000	20,000
37	Misc. Other Costs/Tools	-	-	-	30,000	-	-	10,000	-	-	20,000	60,000
38	Total Other Costs	\$ 132,000	\$ -	\$ -	\$ -	\$ 168,000	\$ -	\$ 15,000	\$ 10,000	\$ 100,000	\$ 25,000	\$ 450,000
39												
40	Deposits/Other Req. Payments											
41	Deposits - Fuel + Utilities	-	-	-	-	-	80,000	-	-	-	-	80,000
42	"Critical Vendor" Pmts - TBD	-	-	-	-	-	-	-	-	-	-	
43	Ameriserv + Lease (WWTP)	-	-	-	-	-	-	-	-	-	-	
44	"Adeq Prot" Payments-A	-	-	-	-	-	-	-	-	-	300,000	300,000
45	"Adeq Prot" Payments-B	-	-	-	-	-	-	-	-	-	50,000	50,000
46	Other Req. Pmts-Interest	-	-	-	-	-	-	-	-	-	50,000	50,000
47	Total Dep./Req. Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,000	\$ -	\$ -	\$ -	\$ 400,000	\$ 480,000
48												
49	Legal & Professional fees											
50	Debtor Legal Coun - Ch. 11	-	-	-	-	50,000	-	-	-	50,000	-	100,000
51	Legal - Other	-	-	-	-	-	-	-	-	-	30,000	30,000
52	Compass/CRO	-	-	-	-	50,000	-	-	-	50,000	-	100,000
53	US Trustee Fees	-	-	-	-	-	-	-	-	-	6,500	6,500
54	Total professional fees	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000	\$ 36,500	\$ 236,500
55												
56	Other costs											
57	Petty Cash/Credit Cards	-	-	-	-	5,000	-	5,000	-	-	-	10,000
58	Contingency/Other	-	-	-	-	5,000	-	5,000	-	-	4,475	14,475
59	Total other costs	\$ -	\$ -	\$ -	\$ -	\$ 10,000	\$ -	\$ 10,000	\$ -	\$ -	\$ 4,475	\$ 24,475
60												
61	Total Disbursements	\$ 240,000	\$ -	\$ 100,000	\$ 191,825	\$ 568,000	\$ 287,350	\$ 315,000	\$ 217,350	\$ 422,350	\$ 688,325	\$ 3,040,000
62												
61	NET Oper Cash-EOW	\$ -	\$ -	\$ 50,000	\$ (81,825)	\$ (418,000)	\$ (87,350)	\$ (15,000)	\$ (117,350)	\$ (272,350)	\$ (48,325)	\$ (1,000,000)
62	Cum. Cash Shortfall	\$ -	\$ -	\$ 50,000	\$ (41,825)	\$ (459,825)	\$ (546,975)	\$ (561,975)	\$ (679,325)	\$ (851,675)	\$ (1,000,000)	

EXHIBIT A

PRESORTED
FIRST-CLASS MAIL
POSTAGE & FEES PAID
UNITED STATES COURTS
PERMIT NO. G-18

OFFICIAL BUSINESS

UNITED STATES BANKRUPTCY COURT
PENALTY FOR PRIVATE USE, \$300
CONTAINS NOTICE of a PROCEEDING
in the
UNITED STATES BANKRUPTCY COURT

FIRST-CLASS MAIL