

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:	§	Chapter 11
	§	
PARALLEL ENERGY LP, <i>et al.</i> ¹	§	Case No. 15-_____ (___)
	§	(Joint Administration Requested)
Debtors.	§	
	§	

**MOTION OF THE DEBTORS (A) FOR INTERIM AND FINAL ORDERS
(I) AUTHORIZING THE DEBTORS TO OBTAIN POST-PETITION SECURED
FINANCING PURSUANT TO 11 U.S.C. § 364, (II) AUTHORIZING THE
DEBTORS’ LIMITED USE OF CASH COLLATERAL PURSUANT TO
11 U.S.C. § 363, AND (III) GRANTING ADEQUATE PROTECTION TO
PREPETITION SENIOR LENDER PURSUANT TO 11 U.S.C. §§ 361, 362, 363
AND 364, AND (B) SCHEDULING A FINAL HEARING PURSUANT TO
BANKRUPTCY RULE 4001**

Parallel Energy LP (“Parallel LP”) and Parallel Energy GP LLC (“Parallel GP”), as debtors and debtors-in-possession (collectively, the “Debtors”) file this *Motion for (A) Interim and Final Orders (I) Authorizing the Debtors to Obtain Post-Petition Secured Financing Pursuant to 11 U.S.C. § 364, (II) Authorizing the Debtors’ Limited Use of Cash Collateral Pursuant to 11 U.S.C. § 363, (III) Granting Adequate Protection to Prepetition Senior Lender Pursuant to 11 U.S.C. §§ 361, 362, 363 And 364, and (B) Scheduling A Final Hearing Pursuant To Bankruptcy Rule 4001* (the “Motion”). In support of the Motion, the Debtors incorporate the *Declaration of Richard N. Miller in Support of Voluntary Petitions and First Day Motions* (the “Miller Declaration”) ² filed contemporaneously herewith.

¹ The Debtors are Parallel Energy LP and Parallel Energy GP LLC.

² All capitalized terms not expressly defined in the Motion shall have the same meaning as ascribed in the Miller Declaration.

RELIEF REQUESTED³

1. By this Motion, the Debtors respectfully (a) request entry of an order substantially in the form attached as **Exhibit A** (the “Interim Order”), (i) authorizing Parallel LP (in its capacity as Post-Petition borrower, the “Borrower”) to obtain senior secured post-petition financing (the “Post-Petition Facility”) in an aggregate principal amount not to exceed \$9.4 million, pursuant to section 364 of the Bankruptcy Code, and authorizing Parallel GP to unconditionally guaranty the Borrower’s obligations under the Post-Petition Facility, from the Post-Petition Lender; (ii) authorizing use of cash collateral in connection therewith; (iii) authorizing the Debtors to execute, deliver and enter into the agreement regarding Post-Petition Facility and perform such other and further acts as may be required in connection with the Post-Petition Facility; (iv) as set forth in more detail below, granting certain security interests, liens and super-priority claims (including a super-priority administrative claim pursuant to section 364(c)(1) of the Bankruptcy Code, liens pursuant to section 364(c)(2) and 364(c)(3) of the Bankruptcy Code, and priming liens pursuant to section 364(d) of the Bankruptcy Code) to secure repayment of all obligations of the Debtors under and with respect to the Post-Petition Facility; (v) authorizing the Debtors’ limited use of cash collateral; (vi) granting adequate protection to the Prepetition Lender, whose liens and security interests are being primed by the Post-Petition Facility; and (vii) modifying the automatic stay imposed under section 362 of the Bankruptcy Code; (b) request that an interim hearing on the Motion be held before the Court to consider entry of the Interim Order, which authorizes the Debtors to borrow or guarantee, as applicable, the Post-Petition Facility on an interim

³ Capitalized terms not defined in this section shall have the meanings ascribed to them below.

basis up to an aggregate principal amount not to exceed \$5,400,000.00; and (c) request that the Court (i) schedule a final hearing (the “Final Hearing”) on the Motion to consider entry of the Final Order authorizing the balance of the borrowings and guarantees, as applicable, on a final basis, and (ii) approve notice procedures with respect thereto.

JURISDICTION

2. This Court has jurisdiction to consider this Motion under 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference from the United States District Court for the District of Delaware*, dated February 29, 2012. This is a core proceeding under 28 U.S.C. § 157(b).

3. Venue is proper in this District under 28 U.S.C. §§ 1408 and 1409.

4. Pursuant to Local Rule 9013-1(f), the Debtors consent to the entry of a final judgment or order with respect to this Motion if it is determined that the court would lack Article III jurisdiction to enter such final order of judgment absent consent of the parties.

5. The statutory predicates for the relief requested in this Motion are 11 U.S.C. §§ 105, 361, 362, 363, 503, 507 and 522 as complemented by Rules 2002, 4001, 6003, 6004 and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) and Rules 2002-1, 4001-2 and 6004-1 of the Local Rules of Bankruptcy Practice and Procedures of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”).

PROCEDURAL BACKGROUND

6. On November 9, 2015 (the “Petition Date”), the Debtors each filed a voluntary petition for relief under chapter 11 of title 11 of the United States Bankruptcy

Code (the “Bankruptcy Code”) thereby commencing their bankruptcy cases (collectively, the “Cases” or the “Bankruptcy Cases”).

7. Since the Petition Date, the Debtors have continued to operate their businesses as debtors-in-possession, pursuant to sections 1107 and 1108 of the Bankruptcy Code.

8. The Office of the United States Trustee (the “U.S. Trustee”) has not appointed an official committee of unsecured creditors in these Cases.

RELEVANT FACTUAL BACKGROUND

9. Parallel Energy LP (the “LP”) and Parallel Energy GP LLC (the “GP”) are oil and gas businesses engaged in acquiring, owning, developing and operating long-life oil and natural gas properties in Texas and Oklahoma.

10. The Debtors’ oil and gas interests in Texas are located in the West Panhandle Field, the Cargray Area and the SE Roberts Area. With approximately 400 operated active wells, the Texas region accounts for substantially all of the Debtors’ interests and production of natural gas, natural gas liquids and condensate. In Garfield and Jefferson Counties, Oklahoma, the Debtors own a small number of non-operated horizontal wells which account for approximately 1% of the Debtors’ estimated total production.

11. The Debtors were established under the laws of Delaware and their corporate offices are in Tulsa, Oklahoma.

12. The GP is a Delaware limited liability company and the general partner of the LP, authorized to conduct, manage and direct all of the activities of the LP. Parallel Energy Commercial Trust (the “Commercial Trust”) owns the GP and serves as its sole

member. The LP is a Delaware limited partnership owned 99.999% by the Commercial Trust and .001 by the GP. The Commercial Trust is an Alberta, Canada legal entity.

13. The Commercial Trust and two other Canadian entities related to the Debtors, Parallel Energy Trust and Parallel Energy Inc., have filed applications seeking relief under the *Companies' Creditors Arrangement Act* of Canada.

14. As a result of continued low commodity prices, Parallel commenced a formal review of strategic alternatives in April 2015. Parallel considered, among other things: (a) a sale of Parallel or substantially all of its assets, (b) a sale of one or more of Parallel's significant assets, (c) a merger or other business combination, and (d) alternative financing to reduce the amount of indebtedness under the Credit Facility or otherwise to increase Parallel's available working capital. Despite a robust effort to identify a sale or refinancing transaction that could be completed outside of a chapter 11 case (and corresponding CCAA proceedings in Canada), no such transaction was forthcoming.

15. Building on this effort, in August 2015, Parallel initiated a marketing effort designed to solicit bids that, potentially, might culminate in the identification of a stalking horse bid for the Debtors' assets in contemplation of a sale and marketing process that would be completed in chapter 11.

16. As a result, Parallel and its professionals, in consultation with the Pre-Petition Lenders, have collectively determined that the proposal submitted by Scout Energy Group II, LP ("Scout" or the "Stalking Horse"), and the corresponding marketing process to be completed as part of the Debtors' Chapter 11 Cases, would maximize the financial return to the Debtors' creditor constituencies with minimal closing risk. Scout

has entered into a stalking horse purchase and sale agreement with LP. As part of its bankruptcy process, the Debtors intend, among other things, to seek an order from the Bankruptcy Court approving Scout as the stalking horse bidder and a corresponding marketing process that would culminate in an auction designed to maximize the sales price for the Debtors' assets.

17. Additional information regarding the Debtors' business and the events leading to the filing of these Bankruptcy Cases is contained in the Miller Declaration.

SUMMARY OF THE DEBTORS' CAPITAL AND DEBT STRUCTURE

18. As of the Petition Date, the Debtors have total outstanding debt obligations of approximately \$164 million. A detailed discussion of the Debtors' capital structure, including its various debt obligations, is set forth below.

19. The Debtors and their non-debtor affiliates ("Parallel") have one secured creditor – a syndicate of lenders who provided financing pursuant to a credit agreement. Pursuant to a Credit Agreement dated April 21, 2011, as amended by those certain Amending Agreements (collectively, the "Pre-Petition Credit Agreement"), the Commercial Trust (by its trustee, PEI), as Canadian borrower, and LP, as U.S. borrower, entered into a credit facility with a lending syndicate comprised of Canadian Imperial Bank of Commerce ("CIBC"), Royal Bank of Canada ("RBC"), The Bank of Nova Scotia ("BNS") and Wells Fargo Bank, N.A. Canadian Branch ("Wells Fargo," and together with CIBC, RBC and BNS, the "Pre-Petition Lenders"), with CIBC acting as the Administrative Agent (the "Pre-Petition Agent").

20. The Pre-Petition Credit Agreement provides for two tranches of financing which rank *pari passu* to one another:

- (a) In Canada, the Pre-Petition Credit Agreement provides for a USD \$10 million revolving operating term credit facility provided by CIBC as the lender to the Commercial Trust for general trust purposes (the “Operating Facility”); and
- (b) In the U.S., the Pre-Petition Credit Agreement provides for a USD \$155 million revolving syndicated term credit facility provided by the Pre-Petition Lenders to LP for the acquisition, exploration, development and production of oil and gas properties in the U.S. (the “Syndicated Facility,” and together with the Operating Facility, the “Pre-Petition Credit Facility”).

21. The Pre-Petition Credit Facility is subject to a borrowing base valuation of LP’s oil and gas assets.

22. The tranches of the Pre-Petition Credit Facility are secured by:

- (c) a CDN \$250 million demand debenture April 21, 2011, governed by the laws of Alberta, issued by the Canadian Trusts, granting a first priority security interest to the Pre-Petition Lenders over all present and after-acquired personal property of the Canadian Trusts registered in Alberta and all other jurisdictions in which the Canadian Trusts carry on business;
- (d) Securities Pledge Agreement April 21, 2011, governed by the laws of Alberta, executed by the Commercial Trust, granting a pledge of all voting shares of the U.S. Parallel Entities (GP and LP) held by the Commercial Trust to the Pre-Petition Lenders;
- (e) a Security Agreement April 21, 2011, governed by the laws of Texas, executed by each of the U.S. Parallel Entities, granting a first priority security interest to the Pre-Petition Lenders over all present and after-acquired personal property of the U.S. Parallel Entities, including a pledge of any voting shares held by the U.S. Parallel Entities and a Uniform Commercial Code Financing Statement describing such personal property as collateral; and
- (f) a Mortgage April 21, 2011, governed by the laws of Texas, granted by LP, creating a first priority deed of trust lien over all the U.S. oil and gas properties to the Pre-Petition Lenders.

23. In addition, each of the Parallel entities (except PEI) entered into Guarantee Agreements with the Pre-Petition Lenders dated April 21, 2011, along with multiple Consent Agreements dated November 4, 2011, April 12, 2012, June 25, 2012,

March 25, 2013, April 28, 2014 and April 27, 2015, respectively (collectively, the “Guarantee Agreements”). Pursuant to the Guarantee Agreements, each of the Parallel entities except PEI guaranteed the Pre-Petition Credit Facility.

24. As of the date hereof, the full balance of the Syndicated Facility and the Operating Facility has been drawn.

25. The Debtors and the Pre-Petition Lenders have entered into that certain Restructuring Support Agreement dated as of November [___], 2015 (the “Restructuring Support Agreement”), pursuant to which the Pre-Petition Lenders agreed to support the Debtors’ restructuring as more fully set forth therein.

THE DEBTORS’ PROPOSED POST-PETITION FACILITY

26. After significant arms’-length and good faith negotiations, the proposed post-petition lenders (collectively, the “Post-Petition Lender”) set forth in the Credit Agreement attached as **Exhibit B** (the “DIP Credit Agreement”) have agreed to make a post-petition loan (the “Post-Petition Facility”) available to the Debtors under the terms and conditions of the DIP Credit Agreement and the Interim Order.

27. The Debtors propose to borrow funds from the Post-Petition Lender for working capital and general corporate purposes in an amount not to exceed \$5,400,000.00 (as set forth in the initial approved budget attached as **Exhibit C** (the “Initial Approved Budget”)) following entry of the Interim Order and an additional amount not to exceed \$4,000,000.00 upon entry of a final order regarding the relief requested herein (the “Final Order”) (for an aggregate principal amount not to exceed

\$9.4 million (the “Maximum Amount”). The material terms of the Post-Petition Facility as provided in the DIP Credit Agreement are summarized below:⁴

Borrower:	Parallel LP
Guarantor:	Parallel GP
Agent:	Canadian Imperial Bank of Commerce, as Administrative Agent and Collateral Agent for the Lenders
Use of Proceeds: Interim Order at ¶ 2(g) DIP Credit Agreement at §5.11	The Borrower agrees that, until Payment in Full, the Borrower shall use the proceeds of the Loans only for the purposes specified in the recitals to this Agreement and in compliance with the Budget. The Borrower will not request any Credit Extension, and the Borrower shall not use, and shall procure that its Subsidiaries and its or their respective directors, officers, employees and agents shall not use, the proceeds of any Credit Extension (a) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (b) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country or (c) in any manner that would result in the violation of any Sanctions applicable to any party hereto.
Commitments: Interim Order at ¶ 2(c) DIP Credit Agreement at §2.01	(a) <u>Interim Order Loans</u> . Subject to the terms and conditions set forth herein, each Lender agrees, severally and not jointly, to make an Interim Loan to the Borrower on the Closing Date in an amount equal to the Interim Order Commitment of such Lender. (b) <u>Final Order Commitments</u> . Subject to the terms and conditions set forth herein, each Lender agrees, severally and not jointly, to make a Final Loan to the Borrower on the Final Order Funding Date in an amount equal to the Final Order Commitment of such

⁴ This summary is qualified in its entirety by the provisions of the DIP Credit Agreement. To the extent there are any conflicts between this summary and the DIP Credit Agreement, the terms of the DIP Credit Agreement shall govern. Capitalized terms not defined in this section shall have the meanings ascribed to them in the DIP Credit Agreement. All section references contained in this summary refer to sections in the DIP Credit Agreement.

	<p>Lender.</p> <p>(c) The Borrower may make only one borrowing under the Interim Order Commitment and one borrowing under the Final Order Commitment. The borrowing under the Interim Order Commitment shall be on the Closing Date and the borrowing under the Final Order Commitment shall be on the Final Order Funding Date. All proceeds of the Interim Loans and the Final Loans shall be wired directly to the Loan Account upon receipt thereof by the Administrative Agent. All cash and Cash Equivalents received by any Loan Party prior to repayment in full of the Loans shall be deposited into the Loan Account. Amounts in the Loan Account will be disbursed from such account from time to time by the Administrative Agent, as set forth in Section 2.01(d), solely to fund the Cases and the business of the Debtors, subject to and in accordance with the Budget (subject to any variance permitted by Section 5.15), the Interim Order and the Final Order, as applicable. The Loan Account will receive the proceeds of draws made under the Credit Facilities and all other funds received by any Loan Party. Funds shall be withdrawn from the Loan Account only to fund the Operating Account, solely in order for the Borrower to make payments in accordance with the Budget, Interim Order and the Final Order, and only to the extent no Default or Event of Default has occurred and is continuing at the time of such withdrawal.</p> <p>(d) The Borrower may deliver to the Administrative Agent a Withdrawal Request no later than 12:00 p.m. on any Variance Testing Date. Subject to Section 4.02, and subject to its receipt of a Withdrawal Request (and after a reasonable period of time for examining the contents thereof), the Administrative Agent shall transfer amounts held in the Loan Account (the “<u>Pre-Funded Amounts</u>”) in an aggregate principal amount equal to the amount specified in such Withdrawal Request to the account of the Borrower specified in such Withdrawal Request solely to fund payments due and payable in accordance with the Budget, the Interim Order and the Final Order, the proceeds of which shall be deposited into the Operating Account.</p>
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	<p>(e) Any amount borrowed under this Section 2.01 and subsequently repaid or prepaid may not be reborrowed. Subject to Section 2.06 and Section 2.07, all amounts owed hereunder with respect to the Loans shall be paid in full no later than the Maturity Date. Each Lender's Interim Order Commitment shall terminate immediately and without further action on the Closing Date after giving effect to the funding of such Lender's Interim Order Commitment on the Closing Date and each Lender's Final Order Commitment shall terminate immediately and without further action on the Final Order Funding Date after giving effect to the funding of such Lender's Final Order Commitment on the Final Order Funding Date.</p>
<p>Procedure for Borrowings: DIP Credit Agreement at §2.02</p>	<p>(a) The Borrower shall deliver to the Administrative Agent a fully executed Borrowing Notice no later than two Business Days in advance of the proposed Borrowing Date (or such shorter period as may be acceptable to the Administrative Agent). The Administrative Agent shall promptly advise the applicable Lenders of any notice given pursuant to this Section 2.02 (and the contents thereof), and of each Lender's portion of the requested borrowing.</p> <p>(b) Upon satisfaction or waiver of the conditions precedent specified herein, each Lender shall make its Loan available to the Administrative Agent not later than 12:00 p.m. (New York City time) on the applicable Borrowing Date by wire transfer of same day funds in Dollars, at the principal office designated by the Administrative Agent. Upon satisfaction or waiver of the conditions precedent specified herein, the Administrative Agent shall deposit the proceeds of the Loans in the Loan Account and shall make the proceeds available to the Borrower on the applicable Borrowing Date subject to the requirements set forth in Section 2.01(c) hereof, by causing an amount of same day funds in Dollars equal to the proceeds of all such Loans received by Administrative Agent from the Lenders to be credited to the Loan Account.</p>
<p>Conditions Precedent: Interim Order at ¶ 2(h)</p>	<p><u>Conditions to Initial Credit Extension.</u> The obligation of each Lender to make the initial Credit Extension requested to be made by it hereunder is subject to the</p>

<p>DIP Credit Agreement at § 4.01; §4.02</p>	<p>satisfaction (or waiver), prior to or concurrently with the making of such Credit Extension, of each of the following conditions precedent:</p> <p>(a) <u>Loan Documents</u>. The Administrative Agent shall have received (i) this Agreement, executed and delivered by a duly authorized officer of the Borrower, each Agent and each Lender, (ii) a Note, executed and delivered by the Borrower in favor of each Lender that has requested a Note, (iii) the Escrow Agreement, executed and delivered by a duly authorized officer of the Borrower, the Agent and each of the other signatories thereto; (iv) the Guarantee and Collateral Agreement, executed and delivered by a duly authorized officer of the Borrower, GP Guarantor and the Agent and (v) each other Loan Document executed and delivered by a duly authorized officer of each party thereto.</p> <p>(b) <u>Interim Order</u>. The Bankruptcy Court shall have entered the Interim Order and it shall be in full force and effect and shall not have been reversed, modified, stayed or amended unless such reversal, modification, stay or amendment is acceptable to the Administrative Agent and the Required Lenders in their respective sole discretion.</p> <p>(c) <u>No Relief</u>. No pleading or application seeking relief affecting the provision of the Credit Facilities shall have been filed in the Bankruptcy Court by any Debtor.</p> <p>(d) <u>Personal Property Collateral</u>. Each Loan Party shall have delivered to the Collateral Agent:</p> <p>(i) evidence that each Loan Party shall have taken or caused to be taken any other action, executed and delivered or caused to be executed and delivered any other agreement, document and instrument (including any amendments to the articles of incorporation or other constitutional documents of agreements of such Loan Party pursuant to which any restrictions or inhibitions relating to the enforcement of any Lien created by the Security Documents are removed) and authorized, made or caused to be made any other filing and recording required under any Security Document, and each UCC financing statement shall have been filed, registered or recorded or shall have been delivered to the Collateral Agent and shall be in proper form for filing, registration or</p>
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	<p>recording, and each of the Pledged Accounts shall be subject to a perfected first priority lien in favor of the Administrative Agent for the benefit of the Secured Parties; and</p> <p>(ii) the Collateral Agent shall have received (1) the certificates representing the shares of certificated Equity Interests pledged pursuant to the Guarantee and Collateral Agreement, together with an undated stock power or other instrument of transfer for each such certificate executed in blank by a duly authorized officer of the pledgor thereof, (2) an acknowledgement and consent, in form and substance reasonably satisfactory to the Administrative Agent, duly executed by any issuer of Equity Interests pledged pursuant to the Guarantee and Collateral Agreement that is not itself a party to the Guarantee and Collateral Agreement, and (3) each promissory note pledged pursuant to the Guarantee and Collateral Agreement duly executed (without recourse) in blank (or accompanied by an undated instrument of transfer executed in blank and reasonably satisfactory to the Collateral Agent) by the pledgor thereof.</p> <p>(e) <u>Fees and Expenses.</u> The Lenders, the Arranger and the Agents shall have received all fees and other amounts due and payable on or prior to the Closing Date, including, to the extent invoiced at least two Business Days prior to the Closing Date, reimbursement or payment of all reasonable out-of-pocket expenses (including reasonable fees, disbursements and other charges of counsel and other advisors) required to be reimbursed or paid under any Loan Document or under the Prepetition Credit Agreement.</p> <p>(f) <u>Cash Management Order; Other Orders.</u> The Cash Management Order entered by the Bankruptcy Court as of or around the date hereof shall be in full force and effect and has not been amended without the consent of the Administrative Agent and the Required Lenders in their respective sole discretion.</p> <p>(g) <u>Closing Certificate.</u> The Administrative Agent shall have received a certificate of the Borrower, dated the Closing Date, confirming satisfaction of the conditions set forth in Section 4.01(a) and Section 4.02(b).</p>
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	<p>(h) <u>Responsible Officer's Certificates.</u> The Administrative Agent shall have received with respect to the Borrower and each other Loan Party:</p> <ul style="list-style-type: none">(i) copies of the Organizational Documents of such Loan Party (including each amendment thereto) certified as of a date reasonably near the Closing Date as being a true and complete copy thereof by the Secretary of State or other applicable Governmental Authority of the jurisdiction in which each such Loan Party is organized;(ii) a certificate of a Responsible Officer of each Loan Party (or its general partner as applicable) dated the Closing Date and certifying (A) that attached thereto is a true and complete copy of the Organizational Documents of such Loan Party as in effect on the Closing Date, (B) that attached thereto is a true and complete copy of resolutions duly adopted by the board of directors or similar governing body of such Loan Party (and, if applicable, any parent company of such Loan Party) approving and authorizing the execution, delivery and performance of this Agreement and the other Loan Documents to which it is a party and the consummation of the Transactions, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that the certificate or articles of incorporation, formation or organization, as applicable, of such Loan Party have not been amended since the date of the last amendment thereto shown on the certificate of good standing furnished pursuant to <u>clause (iv)</u> below and (D) as to the incumbency and specimen signature of each Person authorized to execute any Loan Document or any other document delivered in connection herewith on behalf of such Loan Party;(iii) a certificate of another officer as to the incumbency and specimen signature of the
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	<p>Responsible Officer executing the certificate pursuant to <u>clause (ii)</u> above; and</p> <p>(iv) a copy of the certificate of good standing of such Loan Party from the Secretary of State or other applicable Governmental Authority of the jurisdiction in which each such Loan Party is organized (dated as of a date reasonably near the Closing Date).</p> <p>(i) <u>Prepetition Lender Consent</u>. In accordance with the provisions of the Prepetition Credit Agreement, the Prepetition Agent and the Prepetition Required Lenders shall have consented to the priming of the Prepetition Secured Parties' Liens under the Prepetition Credit Agreement and the Loan Documents under and as defined in the Prepetition Credit Agreement by the Liens in favor of the Collateral Agent for the benefit of the Secured Parties, and such consent shall be binding on all Prepetition Secured Parties. The Prepetition Agent and the Prepetition Required Lenders execution and delivery of the Restructuring Support Agreement shall be deemed satisfaction of this condition in Section 4.01(i).</p> <p>(j) <u>Bank Regulatory Information</u>. At least five Business Days prior to the Closing Date, the Agents and the Lenders shall have received all documentation and other information required by bank regulatory authorities or reasonably requested by any Agent or any Lender under or in respect of applicable "know-your-customer" and anti-money laundering rules and regulations, including the PATRIOT Act, that was requested at least eight Business Days prior to the Closing Date.</p> <p>(k) <u>Reserved</u>.</p> <p>(l) <u>Letter of Direction</u>. The Administrative Agent shall have received a funds flow memorandum and duly executed borrowing notice and letter of direction from the Borrower addressed to the Administrative Agent, on behalf of itself and Lenders, directing the disbursement on the Closing Date of the proceeds of the Loans made on such date.</p> <p>(m) <u>Environmental Matters</u>. The Administrative Agent shall be reasonably satisfied with the environmental</p>
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condition of the Oil and Gas Properties of the Borrower and its Subsidiaries, and shall have received a copy of any environmental site assessments in the possession or control of the Borrower or any of its Subsidiaries that was performed within the past three (3) years on any Oil and Gas Properties of the Borrower and its Subsidiaries.

(n) No Litigation. There shall not exist any action, suit, investigation, litigation, proceeding, injunction, hearing or other legal or regulatory developments, pending or threatened in writing in any court or before any arbitrator or Governmental Authority that individually or in the aggregate materially impairs the Transactions, the financing thereof or any of the other transactions contemplated by the Loan Documents.

(o) Budget. The Administrative Agent and the Lenders shall have received from the Debtors the Budget and such other information as may be requested by the Administrative Agent or the Lenders, in each case in form and substance satisfactory to the Administrative Agent and the Required Lenders;

(p) Governmental Authorizations and Consents. Each Loan Party shall have obtained all Governmental Authorizations and all consents of other Persons, in each case that are necessary in connection with the financing contemplated by the Loan Documents, and each of the foregoing shall be in full force and effect and in form and substance reasonably satisfactory to the Administrative Agent;

(q) CCAA Order. The Alberta Court of Queen's Bench shall have entered an initial order providing relief to Parallel Energy Trust, Parallel Energy Commercial Trust and Parallel Energy Inc. and approving a Canadian debtor-in-possession financing facility.

Each Lender, by delivering its signature page to this Agreement and funding a Loan on the Closing Date, shall be deemed to have consented to, approved or accepted or to be satisfied with, each Loan Document and each other document required thereunder to be consented to, approved by or acceptable or satisfactory to a Lender, unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing

	<p>Date specifying its objection thereto.</p> <p><u>Conditions to Each Credit Extension and Release of Pre-Funded Amounts.</u> The obligation of each Lender to make any Credit Extension requested to be made by it hereunder, and each release of Pre-Funded Amounts to the Borrower from the Loan Account, in each case on any date, is subject to the satisfaction or waiver of the following conditions precedent:</p> <p>(a) <u>Representations and Warranties.</u> Each of the representations and warranties made by any Loan Party in or pursuant to the Loan Documents shall be true and correct in all material respects on and as of the date of such Credit Extension or release of such Pre-Funded Amounts, as applicable, with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties shall be true and correct in all material respects as of such earlier date); <i>provided</i> that any representation and warranty that is qualified by “materiality”, “Material Adverse Effect” or similar language shall be true and correct (after giving effect to any qualification therein) in all respects.</p> <p>(b) <u>No Default.</u> No Default or Event of Default shall exist or would result from such Credit Extension or release of such Pre-Funded Amounts, as applicable, or from the application of the proceeds thereof.</p> <p>(c) <u>Borrowing Notice.</u> In the case of any request by the Borrower for any Credit Extension, the Administrative Agent shall have received a fully executed Borrowing Notice in accordance with Section 2.02(a).</p> <p>(d) <u>Withdrawal Request.</u> In the case of any request by the Borrower to a release of any Pre-Funded Amounts, the Administrative Agent shall have received a Withdrawal Request with respect to such release in accordance with Section 2.01(d).</p> <p>(e) <u>Effectiveness of Orders.</u> The Interim Order, the Final Order and the Cash Management Order, as the case may be, shall have been</p>
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entered by the Bankruptcy Court, shall be in full force and effect and shall not have been reversed, modified, stayed or amended unless such reversal, modification, stay or amendment is acceptable to the Administrative Agent and the Required Lenders in their respective sole discretion.

(f) Compliance with Orders. The Debtors shall be in compliance in all material respects with the Interim Order, Final Order and the Cash Management Order, as the case may be.

(g) Compliance with Budget. Subject to Section 5.15, the Debtors shall be in compliance in all respects with the Budget and any Credit Extension or release of Pre-Funded Amounts (i) shall be in accordance with the Budget, (ii) the relevant Borrowing Notice or Withdrawal Request shall contain a certification by the Borrower that the withdrawal request pursuant thereto complies, and the application of the funds so withdrawn will comply, with the terms of this Agreement in all respects, and the Administrative Agent shall be entitled to conclusively rely on such certification, absent manifest error.

(h) Payment of Fees and Expenses. The Administrative Agent shall have received evidence of payment of the fees, expenses, and other consideration then due and payable under Section 2.05 and Section 9.05 (other than fees and expenses of counsel to the Lenders, the Arranger, and the Agents, which may be paid after any such Credit Extension or release of Pre-Funded Amounts in accordance with Section 9.05).

(i) Restructuring Support Agreement. The Restructuring Support Agreement shall be in full force and effect and shall not have been terminated without the consent of the Administrative Agent and the Required Lenders.

(j) Additional Matters. The Administrative Agent shall have received on or prior to the date of such requested Credit Extension or release of Pre-Funded Amounts, as applicable, such additional documents and information as any Lender, through the Administrative Agent, may reasonably request on or

	<p>prior to the date of the Notice of Borrowing or Withdrawal Request, as applicable.</p> <p>Each delivery of a Borrowing Notice or Withdrawal Notice and the acceptance by the Borrower of the proceeds of such Credit Extension or release of any Pre-Funded Amounts, as applicable, shall constitute a representation and warranty by the Borrower that on the date of such Credit Extension or release of Pre-Funded Amounts, as the case may be (both immediately before and after giving effect to such Credit Extension or release of Pre-Funded Amounts and the application of the proceeds thereof), the conditions contained in this Section 4.02 have been satisfied. The Borrower shall provide such information as the Administrative Agent may reasonably request to confirm that the conditions in this Section 4.02 have been satisfied.</p>
<p>Maturity Date:</p> <p>DIP Credit Agreement at §1.01, §2.03(a)</p>	<p>“Maturity Date” shall mean the earliest to occur of (i) February 4, 2016, (ii) 30 days after entry of the Interim Order, if the Final Order has not been entered by such 30th day, among other things, containing such additional protections reasonably required by the Required Lenders, with only such modifications thereto as are satisfactory in form and substance to the Administrative Agent and the Required Lenders, (iii) the effective date of a chapter 11 plan filed in the Cases that is confirmed pursuant to an order entered by the Bankruptcy Court, and (iv) the date on which all Loans shall become due and payable in full hereunder, whether by acceleration or otherwise; provided that, if any such day is not a Business Day, the Maturity Date shall be the Business Day immediately succeeding such day.</p> <p>The Borrower shall repay to the Lenders the aggregate principal amount of all Loans outstanding on the Maturity Date and shall be in an amount equal to the aggregate principal amount of all Loans outstanding on such date.</p>
<p>Events of Default</p> <p>DIP Credit Agreement at §7.01</p>	<p><u>Events of Default.</u> Each of the following events shall constitute an Event of Default:</p> <p>(a) the Borrower or any Loan Party shall fail to pay (i) any principal of any Loan when due in accordance with the terms hereof, whether at the due date thereof</p>

	<p>or at a fixed date for payment thereof or by acceleration thereof or otherwise or (ii) any interest on any Loan or any fee or other amount (other than an amount referred to in <u>clause (i)</u>) payable hereunder or under any other Loan Document within two Business Days after any such interest or other amount becomes due in accordance with the terms hereof or thereof; or</p> <p>(b) any representation, warranty, certification or statement of fact made or deemed made by or on behalf of the Borrower or any other Loan Party herein, in any other Loan Document or in any document or certificate delivered in connection herewith or therewith shall be incorrect or misleading in any material respect when made or deemed made; or</p> <p>(c) (i) any Loan Party shall fail to observe or perform any covenant, condition or agreement contained in Section 5.03(a) or Section 5.05(a) (with respect to the Borrower only), Section 5.01, Section 5.11, Section 5.19 or Article VI or in Section 4 of the Guarantee and Collateral Agreement; or (ii) an “Event of Default” under and as defined in any Mortgage shall exist and be continuing; or</p> <p>(d) any Loan Party shall fail to observe or perform any other covenant, condition or agreement contained in this Agreement or any other Loan Document (other than as provided in Section 7.01(a), Section 7.01(b) or Section 7.01(c)), and such failure continues unremedied or unwaived for a period of 30 days after the earlier of (i) the date an officer of such Loan Party becomes aware of such default and (ii) receipt by the Borrower of notice from the Administrative Agent or any Lender of such default; or</p> <p>(e) any Loan Party shall (A) fail to pay any principal or interest, regardless of amount, due in respect of any Material Indebtedness (except for any failure to pay any principal or interest not permitted to be paid under the Interim Order or the Final Order, as applicable), when and as the same shall become due and payable beyond any applicable grace period in respect thereof; or (B) fail to observe or perform any other term, covenant, agreement or condition</p>
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relating to any Material Indebtedness (except for any failure to observe or perform such other term, covenant, agreement or condition not permitted to be observed or performed under the Interim Order or Final Order, as applicable) or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holders or beneficiaries of such Material Indebtedness (or a trustee or agent on behalf of such holders or beneficiaries) to cause, with or without the giving of notice, the lapse of time or both, such Material Indebtedness to become due prior to its stated maturity or become subject to a mandatory offer to purchase by the obligor; or

- (f) the Bankruptcy Court shall enter, or any Loan Party shall seek or support the entry of, any order providing for any of the following: (i) dismissal of any Case or conversion of any Case to a chapter 7 case; (ii) appointment of a chapter 11 trustee, a responsible officer or an examiner with enlarged powers (beyond those set forth in Section 1106(a)(3) and (4) of the Bankruptcy Code) relating to the operation of the business of any Debtor in any Case; (iii) other than the Carve-Out, the granting of any superpriority claim or lien which is *pari passu* with or senior to the claims or Liens of the Agent and the Lenders in any Case; (iv) the entry of any order in any Case charging any of the Collateral under Section 552(b) of the Bankruptcy Code or, subject to the Final Order, Section 506(c) of the Bankruptcy Code, or the commencement of other actions by the Debtors, or the entry of any order, adverse to the rights and remedies of the Secured Parties under the Credit Facility, in their sole discretion without the consent of the Administrative Agent and the Required Lenders; (v) entry of an order by the Bankruptcy Court terminating the use of cash collateral; (vi) the entry of an order or orders granting relief from any stay of proceeding (including, without limitation, the automatic stay) so as to allow a third party or third parties to proceed against any assets of any Debtor or to permit other actions that individually or in the aggregate would have a material adverse effect on any Debtor or its estate; or

	<p>(vii) termination of the Debtors' exclusive periods to file and/or solicit acceptances to a plan of reorganization; or</p> <p>(g) (i) any Loan Party adopts, maintains, contributes to, is required to contribute to, or otherwise incurs any liability (whether absolute or contingent and including, without limitation, any liability as a result of either Loan Party's relationship with any ERISA Affiliate) with respect to any Single Employer Plan, Multiemployer Plan or any employee benefit plan that is subject to the laws of any jurisdiction outside the United States of America; (ii) any Loan Party becomes a party to any collective bargaining agreement with any labor union, organization, group or association, or voluntarily recognizes, or negotiates a collective bargaining agreement or agrees to negotiate a collective bargaining agreement with any labor union, organization, group or association; or (iii) any Loan Party otherwise incurs any liability (whether absolute or contingent and including, without limitation, any liability as a result of either Loan Party's relationship with any ERISA Affiliate) pursuant to Title IV of ERISA; or</p> <p>(h) one or more judgments shall be rendered against any Loan Party and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to levy upon assets or properties of any Group Member to enforce any such judgment and such judgment either (i) is for the payment of money in an aggregate amount in excess of \$50,000 or (ii) is for injunctive relief and could reasonably be expected to result in a Material Adverse Effect; or</p> <p>(i) at any time after the execution and delivery thereof, (i) the guarantee contained in Section 8 of the Guarantee and Collateral Agreement for any reason other than Payment in Full shall cease to be in full force and effect (other than in accordance with its terms) or shall be declared to be null and void or any Guarantor shall repudiate its obligations thereunder, (ii) this Agreement or any Security Document ceases to be in full force and effect (other than by reason of a release of Collateral in accordance with the terms</p>
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	<p>hereof or thereof or Payment in Full) or shall be declared null and void, or the Collateral Agent shall not have or shall cease to have a valid and perfected Lien in any Collateral purported to be covered by the Security Documents with the priority required by the relevant Security Document, in each case, for any reason other than (x) as a result of the sale or other disposition of the applicable Collateral in a transaction permitted under the Loan Documents or (y) as a result of the Collateral Agent's failure to maintain possession of any stock certificates or other instruments delivered to it under the Security Documents, or (iii) any Loan Party shall contest the validity or enforceability of any Loan Document in writing or deny in writing that it has any further liability, including with respect to future advances by Lenders, under any Loan Document to which it is a party or shall contest the validity or perfection of any Lien on any Collateral (other than, solely with respect to perfection, any Excluded Perfection Assets) purported to be covered by the Security Documents; or</p> <p>(j) any Change of Control shall occur; or</p> <p>(k) any Funded Debt (other than the Obligations) or any guarantees thereof shall cease for any reason to be validly subordinated to the Obligations as provided in the documentation governing such Funded Debt (other than the Obligations) or any Loan Party shall contest the subordination of any Funded Debt (other than the Obligations) or any guarantees thereof; or</p> <p>(l) failure of the Final Order to be entered within 30 days after the Petition Date; or</p> <p>(m) failure of the Interim Order or Final Order to be in full force and effect, including by the entry of an order reversing, amending, supplementing, staying for any period, vacating or otherwise modifying, in a manner that is adverse to the Secured Parties in their sole discretion, without the prior consent of the Administrative Agent and the Required Lenders, in their respective sole discretion; or</p> <p>(n) failure of any Debtor to comply with the terms of the</p>
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	<p>Interim Order or Final Order; or</p> <p>(o) the payment by any Loan Party (by way of adequate protection or otherwise) of any principal or interest or other amount on account of any pre-petition indebtedness or payables (other than as provided in the Budget or as to certain other exceptions to be agreed by the Agent and the Required Lenders in their sole discretion); or</p> <p>(p) the assertion (or support) by the Loan Parties of any investigation, claim or action against (x) the Agent, the Arranger, or any other Secured Party or (y) the Prepetition Secured Parties (other than, in the case of clause (y) only, a customary claim and lien investigation conducted by an official statutory committee for a period of no longer than 60 days from the date of such committee's formation or, if no such committee is appointed, by a party in interest granted standing for a period of no longer than 75 days from the Petition Date); or</p> <p>(q) a sale of all or any substantial portion of the Debtors' assets except as approved by the Administrative Agent and the Required Lenders in their respective sole discretion; or</p> <p>(r) cessation of work otherwise contemplated by the Budget adversely affecting material current or planned business operations; or</p> <p>(s) any governmental or other authorization or consent necessary for the Loan Parties' performance under the Definitive Documentation shall be withdrawn or shall otherwise cease to be in full force and effect; or</p> <p>(t) Reserved;</p> <p>(u) actual, or assertion by the Debtors of, lack of legality, validity, enforceability or perfection of guarantees or liens in favor of DIP Secured Parties; or</p> <p>(v) the filing of a chapter 11 plan of reorganization or liquidation without the written consent of the Administrative Agent and the Required Lenders, in their respective sole discretion; or</p> <p>(w) the Borrower or any Loan Party shall suffer to exist</p>
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	<p>any Lien on any asset of any Loan Party (other than Permitted Liens) that constitutes Collateral unless such Lien shall be expunged promptly; or</p> <p>(x) the Restructuring Support Agreement is terminated pursuant to the terms thereof; or</p> <p>(y) the Borrower or any Loan Party shall terminate the Asset Purchase Agreement without the prior written consent of the Administrative Agent and the Lenders.</p>
<p>Remedies Upon Event of Default</p> <p>Interim Order at ¶ 15</p> <p>DIP Credit Agreement at §7.02</p>	<p>If any Event of Default occurs and is continuing, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders take any or all of the following actions:</p> <p>(a) declare the commitment of each Lender to make Loans, whereupon such commitments and obligation shall be terminated;</p> <p>(b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower; and</p> <p>(c) exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents or at law or in equity;</p> <p><i>provided, however,</i> that upon the occurrence of any Event of Default described in Section 7.01(f), the obligation of each Lender to make Loans shall automatically terminate, the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, without further act of the Administrative Agent or any Lender.</p>

<p>Interest Rate and Payment Dates:</p> <p>Interim Order at ¶ 2(f)</p> <p>DIP Credit Agreement at §2.08</p>	<p>Each Loan shall bear interest for each day on which it is outstanding at a rate per annum equal to the Applicable Margin. Automatically, after the occurrence and during the continuance of an Event of Default the Borrower shall pay interest on all amounts (whether or not past due) owing by it hereunder at a rate per annum at all times, after as well as before judgment, equal to the rate otherwise applicable to such Loan pursuant to this Section 2.08, as applicable, plus 2.00% per annum from the date of such Event of Default until such Event of Default is cured or waived.</p>
<p>Fees:</p> <p>Interim Order at ¶ 2(f)</p> <p>DIP Credit Agreement at §2.05</p>	<p>(a) The Borrower agrees to pay on the Maturity Date to each Lender party to this Agreement as a Lender on the Closing Date, as fee compensation for the providing of such Lender's Loan, an arranger fee in an amount equal to 2.00% of the stated principal amount of such Lender's Loan, payable to such Lender from the proceeds of its Loan as and when funded on the Closing Date and the Final Order Funding Date. Such arranger fees shall be in all respects fully earned upon entry of the Interim Order, due and payable on the Maturity Date and non-refundable and non-creditable thereafter.</p> <p>(b) The Borrower agrees to pay to the Administrative Agent (i) an annual administrative agent fee in an amount equal to \$100,000, which fee shall be earned by, and payable to, CIBC annually in advance for so long as the Credit Facility remains outstanding with the first installment due on the Closing Date, and (ii) the fees in the amounts and on the dates from time to time agreed to in writing by the Borrower and the Administrative Agent.</p>
<p>Covenant to Guarantee Obligation and Give Security:</p> <p>Interim Order at ¶ 2(i)</p> <p>DIP Credit Agreement at §5.12</p>	<p>(a) If at any time following the entry of the Interim Order, the transaction pursuant to the Purchase and Sale Agreement shall have been abandoned or the Purchase and Sale Agreement shall have been terminated then not later than 30 days following such abandonment or termination:</p> <p>(i) The Collateral Agent shall have received Mortgages, duly executed by the Borrower and its Subsidiaries creating Liens prior and superior in right to</p>

	<p>any other Person (other than with respect to Liens expressly permitted by Section 6.02), on all of the Oil and Gas Properties of the Borrower and its Subsidiaries.</p> <p>(ii) The Administrative Agent shall have received title information in form and substance reasonably satisfactory to the Collateral Agent setting forth the status of title to Oil and Gas Properties of the Borrower and its Subsidiaries.</p> <p>(iii) The Administrative Agent shall have received an opinion of counsel (which counsel shall be reasonably satisfactory to the Administrative Agent) in each state in which a Mortgage is required with respect to the enforceability of such Mortgage to be recorded in such state and such other matters as the Administrative Agent may reasonably request, in each case in form and substance reasonably satisfactory to the Administrative Agent.</p> <p>(b) Execute any and all further documents, financing statements, agreements and instruments, and take all further action (including filing Uniform Commercial Code and other financing statements, Mortgages and deeds of trust) that may be required under applicable Requirements of Law, or that the Required Lenders, the Administrative Agent or the Collateral Agent may reasonably request, in order to effectuate the Transactions contemplated by the Loan Documents and in order to grant, preserve, protect and perfect the validity and priority of the security interests created or intended to be created by the Security Documents.</p> <p>(c) In the event that any Person becomes a Subsidiary of the Borrower or any other Loan Party, the Borrower shall, and shall cause each other such Person to (a) within 10 days after such event (or such longer period of time reasonably acceptable to the Collateral Agent), cause such Person referred to in <u>clause (x)</u> or <u>(y)</u>, as applicable, to become a Guarantor and a Grantor under (and as defined in) the Guarantee and Collateral Agreement by executing and delivering to the Collateral Agent a counterpart agreement or supplement to the Guarantee and Collateral Agreement in accordance with its terms and (b) take all such actions and execute and deliver, or cause to be executed and delivered, all such documents, instruments, agreements, and certificates reasonably</p>
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requested by Collateral Agent in order to cause the Collateral Agent, for the benefit of the Secured Parties, to have a Lien on all assets of such Person (other than Excluded Assets), which Lien shall (other than with respect to assets constituting Excluded Perfection Assets) be perfected and shall be of first priority (subject to in the case of all such assets, Permitted Liens, and subject and subordinate only to the Carve-Out (subject to the limitations set forth herein and in the Interim Order) and the Prepetition Senior Permitted Encumbrances) and shall deliver or cause to be delivered to the Administrative Agent and the Collateral Agent, items as are similar to those described in Section 4.01(d) and Section 4.01(h) hereof, and Section 4.2 of the Guarantee and Collateral Agreement. With respect to each such Subsidiary of the Borrower or any other Loan Party, the Borrower shall, within 10 days of such event (or such longer period of time reasonably acceptable to the Administrative Agent and the Collateral Agent), send to Administrative Agent written notice setting forth with respect to such Person (i) the date on which such Person became a Subsidiary of the Borrower and (ii) all of the data required to be set forth in Schedule 3.17(a) with respect to all Subsidiaries of the Borrower, and such written notice shall be deemed to supplement Schedule 3.17(a) for all purposes hereof.

(d) In the event that after the Final Order Funding Date (i) any Loan Party acquires any Oil and Gas Properties or (ii) any Person becomes a Subsidiary of the Borrower or any other Loan Party and such Person owns Oil and Gas Properties at such time, and such interest in such Oil and Gas Property has not otherwise been made subject to the Lien of the Security Documents in favor of Collateral Agent for the benefit of the Secured Parties, then the Borrower shall, or shall cause such Subsidiary to, within 10 days of such event (or such longer period of time reasonably acceptable to the Collateral Agent), take all such actions and execute and deliver, or cause to be executed and delivered, all such Mortgages, documents, instruments, agreements and certificates, including those which are similar to those described in Section 5.12(a) with respect to each such Oil and Gas Property that the Collateral Agent shall reasonably request to create in favor of the Collateral Agent, for the benefit of the Secured Parties, a valid first-priority security interest (subject and subordinate only to the Carve-Out (subject to the limitations set forth herein and in the Interim

	<p>Order) and the Prepetition Senior Permitted Encumbrances) in such Oil and Gas Property and shall deliver to the Collateral Agent opinions and other items as are similar to those described in Section 5.12(a) with respect to such Oil and Gas Properties. In addition to the foregoing, the Borrower shall, at the request of the Collateral Agent, deliver, from time to time, to the Collateral Agent such title information and environmental information with respect to the Oil and Gas Properties as the Collateral Agent may request.</p>
<p>Obligations as Administrative Superpriority Expense Claims:</p> <p>Interim Order at ¶ 2(l)</p> <p>DIP Credit Agreement at §3.19(c)</p>	<p>Pursuant to Section 364(c)(1) of the Bankruptcy Code and the Interim Order or the Final Order, as applicable, all Obligations hereunder and all other obligations of the Loan Parties under the Loan Documents, on a joint and several basis, (i) constitute allowed superpriority administrative expense claims in the Cases having priority, subject only to the payment of the Carve-Out in accordance with the Interim Order, over all administrative expense claims, adequate protection and other diminution claims, and unsecured claims of any kind whatsoever against the Loan Parties, whether now existing or hereafter arising, including, without limitation, all administrative expense claims of the kind specified in Sections 105, 326, 328, 330, 331, 503(a), 503(b), 506(c) (subject to entry of the Final Order), 507(a), 507(b), 546, 726, 1113, 1114 or any other provision of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment lien or other non-consensual lien, levy, or attachment, and (ii) are senior to the rights of the Loan Parties and any successor trustee or estate representative in the Cases or any subsequent proceeding or case under the Bankruptcy Code.</p>
<p>Financial Covenants and Reporting:</p> <p>Interim Order at ¶ 2(d)</p> <p>DIP Credit Agreement at §5.01, 5.14-15</p>	<p><i>Financial Statements.</i> The Borrower hereby agrees that, until Payment in Full, the Borrower shall deliver to the Administrative Agent and each Lender:</p> <p>(a) beginning on the first Wednesday following the Petition Date, and each Wednesday thereafter, by no later than 12:00 p.m. (prevailing Eastern time) on each such Wednesday, deliver or cause to be delivered to the Agent and the Lenders:</p> <p>(i) a written report summarizing the Loan Parties'</p>

	<p>actual cash flow ending on Friday of the prior week, as compared to the cash flow for such week as set forth in the Budget (the “<u>Cash Flow Report</u>”), each such report to be in a form and with such level of detail as shall be satisfactory to the Lenders, acting reasonably; and</p> <p>(ii) a written report setting forth the Loan Parties’ working capital position (including a summary of priority payables) ending on Friday of the prior week, such report to include all supporting ledgers, analysis and other information (including a transaction report from bank accounts in the Loan Parties’ names), each such report to be in form and with such level of detail as shall be satisfactory to the Lenders, acting reasonably.</p> <p>(b) as soon as available but in no event later than 12:00 p.m. (prevailing Eastern time) on the 30th day of each month following the Petition Date, deliver or cause to be delivered to the Agent and the Lenders an unaudited consolidated balance sheet of the Loan parties as at the end of the prior month and unaudited consolidated statements of income and changes in financial position of the Loan Parties prepared in accordance with IFRS consistently applied except for the accounting of the carrying value of the Loan Parties’ fixed assets and for the provision of depletion, depreciation and amortization.</p> <p><u>Weekly Cash Flow Projections:</u> (i) On each Wednesday (or if such Wednesday is not a Business Day, the following Business Day) by 4:00 p.m., commencing on the Petition Date, deliver an updated, “rolling” 13-week cash flow projection for the period commencing from the end of the previous week through and including thirteen weeks thereafter (each, a “Proposed Budget”), which shall reflect the Borrower’s good faith projections, reflect reversal of any timing variances set forth in any Variance Report, include a description of changes from the previously approved Proposed Budget and be in form and detail consistent with the initial Budget and subject to the approval of the Administrative Agent and the Required Lenders. The Proposed Budget shall also be delivered to the Administrative Agent and the Lenders hereunder by the Borrower; provided that unless and until the Administrative Agent and the Required Lenders have approved of such Proposed Budget, the Debtors shall still</p>
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be subject to and be governed by the terms of the Budget then in effect and neither the Administrative Agent nor the other Secured Parties shall have any obligation to fund to or make disbursements pursuant to any Proposed Budget not constituting the approved Budget. The Administrative Agent, at the direction of the Required Lenders, shall have two (2) Business Days following receipt of each Proposed Budget to approve or reject such Proposed Budget upon written notice to the Borrower; provided that any portion of a Proposed Budget that relates to periods covered by a previously approved Proposed Budget shall automatically be deemed approved to the extent that no changes have been made to the Proposed Budget for such periods; provided, further, that, for the avoidance of doubt, the Borrower, the Administrative Agent and the Required Lenders may nonetheless mutually agree to modify line items in a Proposed Budget for weeks that have been previously approved by the Administrative Agent and Required Lenders. Upon receipt of a notice of rejection, the Borrower shall, within 24 hours of receipt of such notice, engage in good faith negotiations with the Administrative Agent and Required Lenders in order to develop a Proposed Budget that is acceptable to the Administrative Agent and Required Lenders in their respective sole discretion (such revised Proposed Budget to be submitted within two (2) Business Days of the Borrower's receipt of a notice of rejection).

Variance Report

(a) On each Wednesday (or if such Wednesday is not a Business Day, the following Business Day) following the Petition Date, deliver to the Administrative Agent and the Lenders a Variance Report (such date, the "Variance Testing Date").

(b) The Loan Parties shall cause the Variance Report delivered on each Variance Testing Date to comply with the following: (A) the Loan Parties' total expenditures (excluding any legal or advisory fees incurred on behalf of the Agent and the Lenders paid before October 2, 2015) for the prior four week period shall not have exceeded 110% of the amount of total expenditures for such four week period as set forth in the Budget; (B) the Loan Parties' net cash receipts (equal to gross revenue

	<p>less production tax, royalties, processing costs, oxygen removal fee and NGPL transportation costs), on an aggregate basis, for such four week period were not less than 90% of the aggregate amount of cash receipts included in the Budget for such four week period; (C) in the event the cash receipts on an aggregate basis for the past four weeks is less than 90% of the Budget for the past four weeks, for reasons outside the control of the Loan Parties, the cash flow test set forth in (B) above shall not apply and, in the alternative, the average daily barrel of oil equivalent produced during the prior four week period will not be less than 6,350 for the calendar month of October 2015, 6,300 for the calendar month of November 2015, 6,250 for the calendar month of December 2015, 6,200 for the calendar month of January 2016, and 6,200 for the calendar month of February 2016 and for each month thereafter.</p>
<p>Limitation on Capital Expenditures:</p> <p>Interim Order at ¶ 2(d)</p> <p>DIP Credit Agreement at §6.15</p>	<p>The Borrower hereby agrees that, until Payment in Full, the Borrower shall not, and shall not permit any Subsidiary to, directly or indirectly, without the prior written consent of the Administrative Agent and the Required Lenders make, commit to make or permit any Capital Expenditures of the Borrower or any Subsidiary in the ordinary course of business for any fiscal year of the Borrower (or, for the fiscal year in which the Closing Date occurs, the period from the Closing Date to the end of such fiscal year) ending with the last day of any fiscal year to exceed the aggregate amount of \$100,000 in any fiscal quarter.</p>
<p>Creation of Security Interest; Valid Liens:</p> <p>Interim Order at ¶ 2(i)</p> <p>DIP Credit Agreement at §3.19(b)</p>	<p>After giving effect to the Interim Order or the Final Order, the provisions of the Loan Documents and the Interim Order or the Final Order, as applicable, (i) are effective to create in favor of the Administrative Agent, for the benefit of the Secured Parties, legal, valid and perfected first priority priming and senior Liens on and security interests in all rights, title and interests in the Collateral subject and subordinate only to the Carve-Out (subject to the limitations set forth herein and in the Interim Order) and the Prepetition Senior Permitted Encumbrances and (ii) are enforceable against the Loan Parties.</p>

<p>Asset Sales:</p> <p>Interim Order at ¶ 2(d)</p> <p>DIP Credit Agreement at §2.06(a)</p>	<p>Immediately upon consummation of any Asset Sale or the release to the Borrower of any funds from the Escrow Account, the Borrower shall prepay the Loans in an aggregate amount equal to the Proceeds thereof and such Proceeds together with any other consideration therefor shall be delivered to the Administrative Agent for the benefit of the Lenders.</p>
<p>Indemnification by the Borrower:</p> <p>Interim Order at ¶ 20(b)</p> <p>DIP Credit Agreement at §9.05(b)</p>	<p>The Borrower shall indemnify the Administrative Agent (and any sub-agent thereof), each other Agent each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an “Indemnitee”) against, and hold each Indemnitee harmless from, any and all liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs (including settlement costs), disbursements and out-of-pocket fees and expenses (including the fees, charges and disbursements of any counsel for any Indemnitee), joint or several, of any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted or awarded against any Indemnitee in any way relating to or arising out of or in connection with or by reason of (i) any actual or prospective claim, litigation, investigation or proceeding in any way relating to, arising out of, in connection with or by reason of any of the following, whether based on contract, tort or any other theory (including any investigation of, preparation for, or defense of any pending or threatened claim, litigation or proceeding): (x) the execution, delivery, enforcement, performance or administration of any Loan Document or any other document delivered in connection with the transactions contemplated thereby or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated) or the consummation of the transactions contemplated thereby or (y) any Commitment, any Credit Extension or the use or proposed use of the proceeds thereof; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs, fees and expenses arise from any dispute solely among Indemnities (other than any claims against an Indemnitee in its capacity or in fulfilling its role as an agent or arranger or any similar role hereunder or under any other Loan Document and other than any</p>

	<p>claims arising out of any act or omission of the Borrower or any of its Subsidiaries); or (ii) any actual or alleged presence or release of Materials of Environmental Concern on or from any property currently or formerly owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries (clauses (i) and (ii), collectively, the “Indemnified Liabilities”), in all cases, whether or not caused by or arising, in whole or in part, out of the negligence of such Indemnitee and regardless of whether such Indemnitee is a party thereto, and whether or not any such claim, litigation, investigation or proceeding is brought by the Borrower, its equity holders, its affiliates, its creditors or any other Person. This Section 9.05(b) shall not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim. The indemnity provided for in this Section 9.05(b) shall not, as to any Indemnitee, be available to the extent that such liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs, disbursements, fees or expenses (1) are determined by a court of competent jurisdiction by final and non-appealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (2) result from a claim brought by Borrower or any other Loan Party against an Indemnitee for breach in bad faith of such Indemnitee’s obligations hereunder or under any other Loan Document, if Borrower or such Loan Party has obtained a final and non-appealable judgment in its favor on such claim as determined by a court of competent jurisdiction.</p>
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28. In accordance with Local Rule 4001-2, the Debtors highlight the following provisions of the Interim Order and the DIP Credit Agreement:

- a) **Debtors’ Stipulations.** Paragraph E and paragraph 6 of the Interim Order and Section 7.01(p) of the DIP Credit Agreement provide for certain stipulations by the Debtors regarding the claims, liens and collateral of the Pre-Petition Senior Lender. However, these stipulations are subject to challenge periods that are consistent with the minimum periods contemplated by Local Rule 4001-2(a)(i)(B).

- b) **506(c) Waivers.** Paragraph 8 of the Interim Order and Section 1.01 of the DIP Credit Agreement provide that the Final Order shall include the waiver of the Debtors' rights under section 506(c) of the Bankruptcy Code that takes effect upon entry of the Final Order. The section 506(c) waivers are discussed in detail below.
- c) **Liens on Proceeds of Certain Causes of Action.** Paragraph 2(i) of the Interim Order and Section 5.12(d) of the DIP Credit Agreement (with further details in the Security Agreement) provide for liens on the Post-Petition Collateral, which includes the proceeds of causes of action under section 549 of the Bankruptcy Code.
- d) **Professional Fee Carve-Out.** Paragraph 7 of the Interim Order and Section 1.01 of the DIP Credit Agreement provide for a Post-Default Carve-Out Cap but does not stipulate any disparate treatment.
- e) **Priming of Prepetition Liens.** Paragraph 4(iv) of the Interim Order and Section 4.01(i) of the DIP Credit Agreement provide that the liens securing the Post-Petition Obligations will be senior to and prime the Primed Liens securing the obligations of the Prepetition Senior Lender. However, the Prepetition Senior Lender shall have consented to such priming, a condition precedent to the Loan.
- f) **"Equities of the Case" Waiver.** Paragraphs I and 4(i) of the Interim Order and Section 7.01(f) of the DIP Credit Agreement provide that the seeking or entry of an order under section 552(b) of the Bankruptcy Code shall be considered an event of default.⁵

BASIS FOR RELIEF REQUESTED

A. Approval Under Section 364(a) of the Bankruptcy Code

29. The Debtors propose to obtain financing under the Post-Petition Facility by providing security interests and liens as set forth above pursuant to sections 364(c) and (d) of the Bankruptcy Code. The statutory requirement for obtaining post-petition credit under Section 364 of the Bankruptcy Code is a finding, made after notice and a hearing,

⁵ Section 552(b) of the Bankruptcy Code applies to security agreements entered into by the Debtors before the commencement of the case. The liens securing the Post-Petition Obligations are being granted after the Petition Date pursuant to the Interim Order, and the Debtors submit that section 552(b) is inapplicable to the Post-Petition Facility.

that the debtors are “unable to obtain unsecured credit allowable under section 503(b)(1) of [the Bankruptcy Code] . . .” 11 U.S.C. § 364(c). Financing pursuant to section 364(c) of the Bankruptcy Code is appropriate when the trustee or debtor-in-possession is unable to obtain unsecured credit allowable as an ordinary administrative claim. *See In re Ames Dep’t Stores, Inc.*, 115 B.R. 34, 37-39 (Bankr. S.D.N.Y. 1990) (debtor must show that it has made reasonable effort to seek other sources of financing under sections 364(a) and (b) of the Bankruptcy Code); *Clyde Bergemann, Inc. v. Babcock & Wilcox Co. (In re Babcock & Wilcox Co.)*, 250 F.3d 955, 957 (5th Cir. 2001).

30. Courts have articulated a three-part test to determine whether a debtor is entitled to financing under section 364 of the Bankruptcy Code. Specifically, courts look to whether:

- (a) the debtor is unable to obtain unsecured credit under section 364(b) of the Bankruptcy Code, *i.e.* by allowing a lender only an administrative claim;
- (b) the credit transaction is necessary to preserve the assets of the estate; and
- (c) the terms of the transaction are fair, reasonable and adequate, given the circumstances of the debtor-borrower and the proposed lender.

In re Ames Dep’t Stores, 115 B.R. at 37–39; *see also In re St. Mary Hospital*, 86 B.R. 393, 401–02 (Bankr. E.D. Pa. 1988); *In re Babcock & Wilcox Co.*, 250 F.3d at 957. A debtor need only demonstrate “by a good faith effort that credit was not available without” the protections afforded to potential lenders by sections 364(c) and (d) of the Bankruptcy Code. *See In re Snowshoe Co.*, 789 F.2d 1085, 1088 (4th Cir. 1986); *see also In re 495 Cent. Park Ave. Corp.*, 136 B.R. 626, 630 (Bankr. S.D.N.Y. 1992) (finding that

section 364 “does not require the debtor to seek alternate financing from every possible lender”).

31. The Debtors have an urgent need for cash to continue their operations and preserve the value of their assets as a going concern. While the Debtors have negotiated a proposed sale to Scout Energy Group II LLC (“Scout”) (subject to higher and better offers), the Debtors have no unencumbered cash. As a result, new borrowings are essential to preserve the Debtors’ value pending the sale. Absent such borrowings, the Debtors would be unable to continue their businesses, thus imperiling their going concern value and ability to accomplish the sale to Scout. As a result, obtaining credit is necessary.

32. After assessing the Debtors’ financial condition, their capital structure and the absence of any unencumbered assets, the Debtors do not believe they would be able to obtain cash on an unsecured basis. In fact, the Debtors have attempted for the past several weeks to solicit additional financing or capital infusions, including new debt or equity financing, with no success. Currently, the Post-Petition Lender is the only party that offered to provide the Debtors with post-petition financing and is only willing to lend to the Debtors on a senior secured basis.

33. Finally, given the Debtors’ financial condition and performance and existing capital structure, the Debtors believe the terms of the Post-Petition Facility are fair, reasonable and adequate. First, the Post-Petition Facility allows the Debtors to borrow in accordance with the Initial Approved Budget up to \$5,400,000.00 on an interim basis and up to an aggregate of \$9,400,000.00 on a final basis. The Debtors reasonably believe that these amounts will allow them to continue their operations

pending the closing of a sale. Second, the Debtors believe that the financial terms of the Post-Petition Facility are reasonable for borrowings by a distressed company, including after taking into account the Debtors' prepetition capital structure and financing terms in the period leading up to its chapter 11 filing. Third, the other terms of the Post-Petition Facility, including the protections provided to the Post-Petition Lender to secure repayment of the Post-Petition Obligations are consistent with provisions included in other secured debtor-in-possession financing facilities. Finally, the Post-Petition Facility was negotiated between the Debtors and the Post-Petition Lender at arm's-length with the parties represented by counsel.

B. Approval of Priming Liens and Adequate Protection Under Section 364(d)

34. If a debtor is unable to obtain credit under the provisions of section 364(c) of the Bankruptcy Code, the debtor may obtain credit secured by a senior or equal lien on property of the estate that is already subject to a lien, commonly referred to as a "priming lien." 11 U.S.C. § 364(d). Section 364(d)(1) of the Bankruptcy Code, which governs the incurrence of Post-Petition debt secured by senior or "priming" liens, provides that the court may, after notice and a hearing, authorize the obtaining of credit or the incurring of debt secured by a senior or equal lien on property of the estate that is subject to a lien only if--

- (a) the trustee is unable to obtain credit otherwise; and
- (b) there is adequate protection of the interest of the holder of the lien on the property of the estate on which such senior or equal lien is proposed to be granted.

11 U.S.C. § 364(d). Consent by a secured creditor to priming obviates the need to show adequate protection. *See Anchor Savs. Bank FSB v. Sky Valley, Inc.*, 99 B.R. 117, 122

(N.D. Ga. 1989) (“by tacitly consenting to the super-priority lien, those [undersecured] creditors relieved the debtor of having to demonstrate that they were adequately protected.”).

35. The Bankruptcy Code does not explicitly define “adequate protection.” Section 361 of the Bankruptcy Code does, however, provide three nonexclusive examples of what may constitute “adequate protection” of an interest of an entity in property under sections 362, 363 or 364 of the Bankruptcy Code:

- (a) requiring the trustee to make a cash payment or periodic cash payments to such entity, to the extent that the . . . use . . . under section 363 of this title, or any grant of a lien under section 364 of this title results in a decrease in the value of such entity’s interest in such property;
- (b) providing to such entity an additional or replacement lien to the extent that such . . . use . . . or grant results in a decrease in the value of such entity’s interest in such property; or
- (c) granting such other relief . . . as will result in the realization by such entity of the indubitable equivalent of such entity’s interest in such property.

11 U.S.C. § 361. The determination of adequate protection is a fact-specific inquiry to be decided on a case-by-case basis. *See In re Becker Indus. Corp.*, 58 B.R. 725, 736 (Bankr. S.D.N.Y. 1986); *In re Hubbard Power & Light*, 202 B.R. 680, 685 (Bankr. E.D.N.Y. 1996) (finding that by not defining “adequate protection,” the statute confers “flexibility” upon courts to shape relief “as will result in the realization by the protected entity of the value of its interest in the property involved”). “Its application is left to the vagaries of each case . . . but its focus is protection of the secured creditor from diminution in the value of its collateral during the reorganization process.” *In re Becker Indus. Corp.*, 58 B.R. at 736.

36. Similarly, the Bankruptcy Code does not expressly define the nature and extent of the “interest in property” of which a secured creditor is entitled to adequate protection under sections 361, 363 and 364 of the Bankruptcy Code. However, the Bankruptcy Code plainly contemplates that a qualifying interest demands protection only to the extent that the use of the creditor’s collateral will result in a decrease in “the value of such entity’s interest in such property.” *See* 11 U.S.C. § 361. Indeed, courts have repeatedly held that the purpose of adequate protection “is to safeguard the secured creditor from diminution in the value of its interest during the Chapter 11 reorganization.” *In re 495 Cent. Park Ave. Corp.*, 136 B.R. 626, 631 (Bankr. S.D.N.Y. 1992); *Bank of New England v. BWL, Inc.*, 121 B.R. 413, 418 (D. Me. 1990) (same); *In re Becker Indus. Corp.*, 58 B.R. at 736 (focus of adequate protection “is protection of the secured creditor from diminution in the value of its collateral during the reorganization process”).

37. As an initial matter, the adequate protection provided to the Pre-Petition Senior Lender has been consented to by the Pre-Petition Senior Lender, thereby satisfying the requirements of section 364(d). *See Anchor Savs. Bank*, 99 B.R. at 122. Nonetheless, the Debtors submit that the adequate protection provided under the proposed Interim Order as described above is sufficient and appropriate in these cases. Indeed the continued operation of the Debtors’ businesses, which will be made possible by the proceeds from the Post-Petition Facility, will allow the Debtors to preserve the going concern value of their business, thereby preserving the value of the Pre-Petition Senior Lender’s collateral against the alternative -- a liquidation of the Debtors’ assets.

C. Authorization and Approval of Payment of Pre-Petition Senior Obligations

38. The Debtors' agreement to the payment of the amounts due and owing to the Pre-Petition Lenders as a result of extensions of credit under the Pre-Petition Credit Facility (the "Prepetition Senior Obligations") should be approved pursuant to sections 363 and 105(a) of the Bankruptcy Code. Section 363(b)(1) of the Bankruptcy Code provides, in relevant part: "[t]he trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363(b)(1). In addition, section 105(a) of the Bankruptcy Code provides that the Court "may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of [the Bankruptcy Code]." 11 U.S.C. § 105(a).

39. The proposed use, sale or lease of property of the estate may be approved under section 363(b) of the Bankruptcy Code if it is supported by sound business justification. *See In re Montgomery Ward*, 242 B.R. 147, 153 (D. Del. 1999) ("In determining whether to authorize the use, sale or lease of property of the estate under this section, courts require the debtor to show that a sound business purpose justifies such actions."). Although established in the context of a proposed sale, the "business judgment" standard has been applied in non-sale situations. *See, e.g., Institutional Creditors of Continental Air Lines v. Continental Air Lines (In re Continental Air Lines)*, 780 F.2d 1223, 1226 (5th Cir. 1986) (court applied "business judgment" standard in context of proposed "use" of estate property). Moreover, pursuant to section 105 of the Bankruptcy Code, the Court has expansive equitable powers to fashion any order or decree which is in the interest of preserving or protecting the value of the debtor's assets. *See, e.g., In re Chinichian*, 784 F.2d 1440, 1443 (9th Cir. 1986).

40. Paying the Pre-Petition Senior Obligations from the Post-Petition Facility proceeds is supported by sound business judgment as those are negotiated provisions of, and will allow the Debtors to obtain, the Post-Petition Facility. As noted above, the Debtors were unable to obtain consent to use cash collateral, had no unencumbered cash as of the Petition Date and received no alternative Post-Petition financing proposals. These payments were requirements to the Pre-Petition Senior Lender consenting to the priming of the Pre-Petition Senior Lender's liens and the use of the Pre-Petition Senior Lender's cash collateral during these cases, as well as the Post-Petition Lender's willingness to lend. Here, the Post-Petition Facility is necessary and is the Debtors' only way to preserve their going concern value and maximize returns for their stakeholders through a sale. As a result, it is appropriate to permit the Debtors to pay the Pre-Petition Senior Obligations.

D. Use of Cash Collateral

41. Section 363 of the Bankruptcy Code governs the Debtors' use of property of the estates.⁶ Section 363 of the Bankruptcy Code provides that:

If the business of the debtor is authorized to be operated under section . . . 1108 . . . of this title and unless the court orders otherwise, the trustee may enter into transactions, including the sale or lease of property of the estate, in the ordinary course of business, without notice or a hearing, and may use property of the estate in the ordinary course of business without notice or a hearing.

11 U.S.C. § 363(c)(1).

42. Section 363(c)(2) of the Bankruptcy Code, however, provides an exception with respect to "cash collateral" to the general grant of authority to use

⁶ Pursuant to section 1107 of the Bankruptcy Code, a debtor-in-possession has all the rights and powers of a trustee with respect to property of the estate, including the right to use property of the estate in compliance with section 363 of the Bankruptcy Code. *See* 11 U.S.C. § 1107(a).

property of the estate in the ordinary course set forth in section 363 of the Bankruptcy Code. Specifically, a trustee or debtor in possession may not use, sell, or lease “cash collateral” under subsection (c)(1) unless:

- (A) each entity that has an interest in such collateral consents;
or
- (B) the court, after notice and a hearing, authorizes such use sale, or lease in accordance with the provisions of this section.

11 U.S.C. § 363(c)(2).

E. The Section 506(c) Waivers Should be Approved.

43. The Court should approve the Debtors’ waiver of any right to surcharge under section 506(c). Such waivers and provisions are standard and customary under financings between sophisticated parties. As one court noted in discussing the later enforceability of such waivers, “the Trustee and Debtors-In-Possession in this case had significant interests in asserting claims under § 506(c) and have made use of their rights against the Lender under § 506(c) by waiving them in exchange for concessions to the estates (including a substantial carve-out for the benefit of administrative creditors).” *In re Molten Metal Technology, Inc.*, 244 B.R. 515, 527 (Bankr. D. Mass. 2000); *see also In re Nutri/System of Florida Assocs.* 178 B.R. 645, 650 (E.D. Pa. 1995) (noting that debtor had waived § 506(c) rights in obtaining debtor in possession financing); *In re Telesphere Communications, Inc.*, 179 B.R. 544, 549 (Bankr. N.D. Ill. 1994) (approving settlement between debtor and certain lenders wherein debtor waived certain rights -- including 506(c) rights -- against the lenders in exchange for valuable consideration).

44. The waiver of surcharge rights is particularly appropriate where, as here, it is tied to the benefit to be received from both the post-petition funding being provided by

the Post-Petition Lender (which is receiving an immediate waiver) and the Carve-Out (which applies to the Post-Petition Lender's collateral and the collateral of the Pre-Petition Senior Lender, who only receives a waiver under the Final Order). In other words, the Debtors have waived the uncertainty of surcharge rights in exchange for immediate liquidity from the Post-Petition Lender and the valuable and predictable rights granted to the Debtors' other estate professionals under the Carve-Out. *See In re Lunan Family Restaurants Ltd. P'ship*, 192 B.R. 173, 178 (N.D. Ill. 1996) ("The burden of proof is on any proponent of § 506(c) treatment, who must show by a preponderance of evidence that [(1) the expenditure was necessary, (2) the amounts were reasonable, and (3) the secured creditor was the party primarily benefited by the expenditure].") (*citing In re Flagstaff*, 739 F.2d 73, 77 (2d Cir. 1984) and *New Orleans Public Service Inc. v. Delta Towers, Ltd. (In re Delta Towers)*, 112 B.R. 811, 815 (E.D. La. 1990), *rev'd on other grounds sub nom., In re Delta Towers*, 924 F.2d 74 (5th Cir. 1991).

F. Modification of Automatic Stay

45. The Post-Petition Facility contemplates a modification of the automatic stay to the extent applicable and necessary, to permit the parties to implement the terms of the Interim Order and Final Order and, upon the occurrence of the Termination Date, to exercise all rights and remedies in the Interim Order subject to the requirement that the parties shall use best efforts to schedule and attend a hearing before the Court to determine solely whether a Termination Date has occurred within three (3) days of providing notice that a Termination Date has occurred. Provisions of this kind are standard in debtor in possession financing and are reasonable under the circumstances.

G. Interim Approval Should be Granted.

46. Bankruptcy Rules 4001(b) and 4001(c) provide that a final hearing on a motion to obtain credit pursuant to section 364 of the Bankruptcy Code or to use cash collateral pursuant to section 363 of the Bankruptcy Code may not be commenced earlier than fourteen (14) days after the service of such motion. Upon request, however, the Court is empowered to conduct a preliminary expedited hearing on the motion and authorize the obtaining of credit and use of cash collateral to the extent necessary to avoid immediate and irreparable harm to a debtor's estate.

47. The Debtors request that the Court immediately hold and conduct the Interim Hearing to consider entry of the Interim Order authorizing the Debtors from and after entry of the Interim Order until the Final Hearing to borrow an amount sufficient to fund operating expenses and to use cash collateral. This relief will enable the Debtors to operate their business in a manner that will permit them to preserve and maximize value and therefore avoid immediate and irreparable harm and prejudice to their estates and all parties in interest, pending the Final Hearing.

48. Pending entry of the Final Order, the Debtors will require \$5,400,000.00 in available financing to provide for the working capital needs of the Debtors (as set forth in the Initial Approved Budget). Such interim availability will avoid a disruption in the Debtors' operations pending the Final Hearing and will provide the Debtors' customers, vendors and employees with the level of confidence necessary to continue operating.

REQUEST FOR INTERIM AND FINAL HEARINGS

49. Pursuant to Local Rule 4001-2(c), the Final Order may only be entered after notice and a hearing and the Debtors should ordinarily schedule a hearing to

consider the Final Order at least seven (7) days after the organizational meeting of the creditors' committee. The Debtors shall, within forty-eight (48) hours of the entry of the Interim Order by the Court, serve by first-class mail, a copy of the Interim Order and a notice of the Final Hearing (the "Final Hearing Notice") to consider entry of the Final Order on the date established by the Court.

50. Any party in interest objecting to the relief sought at the Final Hearing shall file and serve objections, which objections shall: (a) be in writing; (b) conform to the Bankruptcy Rules and the Local Rules; and (c) be filed with the Clerk of the United States Bankruptcy Court for the District of Delaware no later than seven (7) business days before the Final Hearing and served upon the following parties so as to be received no later than seven (7) business days before the Final Hearing: (i) proposed counsel for the Debtors: Thompson & Knight LLP, 1722 Routh Street, Suite 1500, Dallas, TX 75201 (Attn: David M. Bennett, Esq.) and Bayard, P.A., 222 Delaware Avenue, Suite 900, Wilmington, DE 19801 (Attn: Neil B. Glassman, Esq., GianClaudio Finizio, Esq.); and (ii) counsel for the Lenders: Latham & Watkins LLP, 885 Third Avenue, New York, NY 10022-4834 (Attn: Mitchell A. Seider, Esq. and Annemarie V. Reilly, Esq.).

51. Pursuant to Bankruptcy Rule 4001(b)(2), the Debtors request that the Court set a date for the Final Hearing that is as soon as practicable and fix the date and time prior to the Final Hearing for parties to file objections to the relief requested by this Motion. Such relief is necessary in order to maintain ongoing operations and avoid immediate and irreparable harm and prejudice to the Debtors' respective estates.

CONSENT TO JURISDICTION

52. Pursuant to Local Rule 9013-1(f), the Debtors consent to the entry of a final judgment or order with respect to this Motion if it is determined that the Court

would lack Article III jurisdiction to enter such final order or judgment absent consent of the parties.

NOTICE

53. Notice of this Motion shall be provided to: (a) the Office of the United States Trustee for the District of Delaware; (b) the Debtors' twenty-five (25) largest unsecured creditors, as filed with the Debtors' chapter 11 petitions; (c) the Debtors' pre-petition and post-petition lenders; (d) all parties asserting a security interest in the assets of the Debtors to the extent reasonably known to the Debtors; (e) all financial institutions at which the Debtors maintain deposit accounts; (f) the local office for the Internal Revenue Service; and (g) any party that has requested notice pursuant to Bankruptcy Rule 2002. As the Motion is seeking "first day" relief, within two business days of the hearing on the Motion, the Debtors will serve copies of the Motion and any order entered respecting the Motion as required by Local Rule 9013-1(m). The Debtors submit that, in light of the nature of the relief requested, no other or further notice need be given.

NO PRIOR REQUEST

54. No previous request for relief sought herein has been made to this Court or any other court.

WHEREFORE, the Debtors respectfully request (a) that the Court enter an order, substantially in the form attached as **Exhibit A** granting the relief requested herein; and (b) such other and further relief to the Debtors as the Court may deem proper.

Dated: November 9, 2015
Wilmington, DE

BAYARD, P.A.

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Proposed Counsel for the Debtors

EXHIBIT A

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

PARALLEL ENERGY LP, *et al.*
Debtors.¹

Chapter 11

Case No. - _____ (_____)

Joint Administration Pending

**INTERIM ORDER (I) AUTHORIZING DEBTORS TO OBTAIN POSTPETITION
FINANCING PURSUANT TO SECTION 364 OF THE BANKRUPTCY CODE,
(II) AUTHORIZING THE USE OF CASH COLLATERAL PURSUANT TO SECTION 363
OF THE BANKRUPTCY CODE, (III) GRANTING ADEQUATE PROTECTION TO THE
PREPETITION SECURED PARTIES PURSUANT TO SECTIONS 361, 362, 363 AND 364
OF THE BANKRUPTCY CODE, (IV) GRANTING LIENS AND SUPERPRIORITY
CLAIMS, (V) MODIFYING AUTOMATIC STAY, AND
(VI) SCHEDULING A FINAL HEARING**

Upon the motion, dated November [], 2015 (the “DIP Motion”), of the Borrower (as defined below), and the other debtors and debtors-in-possession (collectively, the “Debtors”), in the above-referenced chapter 11 cases (the “Cases”), seeking entry of an interim order (this “Interim Order”) pursuant to sections 105, 361, 362, 363(b), 363(c)(2), 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), 364(e), 507, and 552 of chapter 11 of title 11 of the United States Code (as amended, the “Bankruptcy Code”), Rules 2002, 4001, 6004, and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) and Rule 4001-2 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”), that, among other things:

- (i) authorizes the Debtor designated as “Borrower” under, and as defined in, the DIP Credit Agreement (as defined below) (the “Borrower”) to obtain, and the guarantor (the “DIP Guarantor”) under the DIP Loan Documents (as defined below) to unconditionally guaranty the

¹ The Debtors are Parallel Energy LP and Parallel Energy GP LLC.

Borrower's obligations in respect of, senior secured priming and superpriority postpetition financing, which if approved on a final basis, would consist of a term loan facility for up to \$9,400,000 (the "DIP Facility") pursuant to the terms of (x) this Interim Order, (y) that certain Credit Agreement, dated as of November 9, 2015 (as the same may be amended, restated, supplemented, or otherwise modified from time to time in accordance with its terms, the "DIP Credit Agreement"),² by and among the Borrower, Canadian Imperial Bank of Commerce as administrative agent and collateral agent (in such capacities, the "DIP Agent"), and the other financial institutions party to the DIP Credit Agreement as "Lenders" under, and as defined in, the DIP Credit Agreement (the "DIP Lenders," and together with the DIP Agent and any other party to which DIP Obligations (as defined below) are owed, the "DIP Secured Parties"), in substantially the form attached to the DIP Motion, and (z) any and all other Loan Documents (as defined in the DIP Credit Agreement, and together with the DIP Credit Agreement, collectively, the "DIP Loan Documents"), to: (A) finance operating expenses, specified capital expenditures, restructuring costs, professional fees, and general corporate purposes of the Debtors, (B) grant, as of the Petition Date and in accordance with the relative priorities set forth herein, certain adequate protection to the Prepetition Secured Parties (each term as defined below) as described below, (C) pay certain transaction fees and other costs and expenses of administration of the Cases, and (D) pay fees and expenses (including, without limitation, reasonable attorneys' fees and expenses) owed to the DIP Agent and the DIP Lenders under the DIP Loan Documents and this Interim Order;

(ii) approves the terms of, and authorizes the Debtors to execute and deliver, and perform under, the DIP Credit Agreement and the other DIP Loan Documents and to perform

² Unless otherwise specified, all capitalized terms used herein without definition shall have the respective meanings given to such terms in the DIP Credit Agreement. A copy of the DIP Credit Agreement is attached hereto as Exhibit B.

such other and further acts as may be required in connection with the DIP Loan Documents and this Interim Order;

(iii) grants (x) to the DIP Agent, for the benefit of itself and the other DIP Secured Parties, Liens (as defined in the DIP Credit Agreement) on all of the DIP Collateral (as defined below) pursuant to sections 364(c)(2), (c)(3) and (d) of the Bankruptcy Code, which Liens shall be senior to the Primed Liens (as defined below) and shall be junior solely to any valid, enforceable and non-avoidable Liens that are (A) in existence on the Petition Date, (B) either perfected as of the Petition Date or perfected subsequent to the Petition Date solely to the extent permitted by section 546(b) of the Bankruptcy Code, and (C) senior in priority to the Prepetition First Priority Liens (as defined below) after giving effect to any intercreditor or subordination agreement (including, without limitation: (1) up to \$100,000 of cash held in a separate account maintained at Wells Fargo Bank, N.A. (the “MasterCard Program Account”) as security for the Debtors’ Wells Fargo Obligations (as defined in the Cash Management Motion)³ incurred in connection with the Debtors’ business MasterCard (the “Wells Fargo Business MasterCard”) and (2) all funds securing the Existing Letters of Credit (as defined in the DIP Credit Agreement) (the “Existing Letters of Credit Security”)) (all such liens, collectively, the “Prepetition Senior Permitted Encumbrances”) and (y) to the DIP Secured Parties, pursuant to section 364(c)(1) of the Bankruptcy Code, superpriority administrative claims having recourse to all prepetition and postpetition property of the Debtors’ estates, now owned or hereafter acquired, including any Debtors’ rights under section 506(c) of the Bankruptcy Code and the proceeds thereof;

(iv) authorizes the Debtors to use “cash collateral,” as such term is defined in section 363 of the Bankruptcy Code (the “Cash Collateral”), including, without limitation, Cash

³ The “Cash Management Motion” means the *Motion of the Debtors for Interim and Final Orders Approving (A) Maintenance of Pre-Petition Bank Accounts and Cash Management System and (B) Continued Use of Existing Checks and Business Forms.*

Collateral in which the Prepetition Secured Parties (as defined below) and/or the DIP Secured Parties have a Lien or other interest, in each case whether existing on the Petition Date, arising pursuant to this Interim Order or otherwise, and provides the Prepetition Secured Parties (as defined below) the Prepetition Secured Parties' Adequate Protection (as defined below) as set forth herein;

(v) vacates the automatic stay imposed by section 362 of the Bankruptcy Code solely to the extent necessary to implement and effectuate the terms and provisions of the DIP Loan Documents and this Interim Order;

(vi) authorizes the Borrower at any time prior to the entry of the Final Order (as defined herein) to borrow under the DIP Facility and use Cash Collateral (as defined below) in an aggregate outstanding principal amount not to exceed \$5,400,000, and authorizes the DIP Guarantor to unconditionally guaranty such obligations;

(vii) schedules a final hearing on the DIP Motion (the "Final Hearing") to consider entry of a final order which grants all of the relief requested in the DIP Motion on a final basis and which final order shall be in form and substance (including with respect to any subsequent modifications to the form or substance made in response to objections of other creditors or the Court) acceptable to the DIP Agent and "Required Lenders" (as defined in the DIP Credit Agreement) (the "Final Order"); and

(viii) waives any applicable stay (including under Bankruptcy Rule 6004) and provides for immediate effectiveness of this Interim Order.

Having considered the DIP Motion, the DIP Credit Agreement, the *Declaration of Richard N. Miller in Support of Voluntary Petitions and First Day Motions* (the "Miller Declaration"), and the evidence submitted or proffered at the hearing on this Interim Order (the

“Interim Hearing”); and in accordance with Bankruptcy Rules 2002, 4001(b), (c), and (d) and 9014 and all applicable Local Rules, notice of the DIP Motion and the Interim Hearing having been provided pursuant to Bankruptcy Rule 4001(b)(1)(C); an Interim Hearing having been held and concluded on November [], 2015; and it appearing that approval of the interim relief requested in the DIP Motion is necessary to avoid immediate and irreparable harm to the Debtors pending the Final Hearing and otherwise is fair and reasonable and in the best interests of the Debtors, their creditors, their estates and all parties in interest, and is essential for the continued operation of the Debtors’ business; and it appearing that this Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that the Motion is a core proceeding pursuant to 28 U.S.C. § 157(b)(2) and the Court may enter a final order consistent with Article III of the United States Constitution; and it appearing that venue of this proceeding and the Motion in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and after due deliberation and consideration, and for good and sufficient cause appearing therefor:

THE COURT MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS OF LAW:⁴

A. **Petition Date.** On November 9, 2015 (the “Petition Date”), each of the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the District of Delaware (this “Court”). The Debtors have continued in the management and operation of their businesses and properties as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. No statutory committee of unsecured creditors (to the extent such committee is appointed, the “Committee”), trustee, or

⁴ Findings of fact shall be construed as conclusions of law, and conclusions of law shall be construed as findings of fact, as appropriate, pursuant to Bankruptcy Rule 7052. In the event of any inconsistency between the terms and conditions of any of the DIP Loan Documents, the provisions of any other order entered by this Court in these Chapter 11 Cases, and this Interim Order, the provisions of this Interim Order shall govern and control.

examiner has been appointed in the Cases.

B. **Jurisdiction and Venue**. This Court has core jurisdiction over the Cases, the DIP Motion and the parties and property affected hereby pursuant to 28 U.S.C. §§ 157(b) and 1334. Venue for the Cases and proceedings on the DIP Motion is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicates for the relief sought herein are sections 105, 361, 362, 363, 364, 507 and 552 of the Bankruptcy Code, Bankruptcy Rules 2002, 4001, 6004, and 9014 and the Local Rules.

C. **Restructuring Support Agreement**. The Debtors, the Prepetition Agent (as defined below), and the Consenting Lenders (as defined in the Restructuring Support Agreement), among others, have entered into that certain Restructuring Support Agreement dated as of November 8, 2015 (the "Restructuring Support Agreement"), pursuant to which the Debtors, the Prepetition Agent, and the Consenting Lenders agreed to support the Debtors' restructuring as more fully set forth therein.

D. **Notice**. The Interim Hearing is being held pursuant to the authorization of Bankruptcy Rule 4001. Notice of the Interim Hearing and the emergency relief requested in the DIP Motion has been provided by the Debtors, whether by facsimile, electronic mail, overnight courier or hand delivery, to certain parties in interest, including: (i) the Office of the United States Trustee for the District of Delaware (the "United States Trustee"), (ii) those entities or individuals included on the Debtors' list of 25 largest unsecured creditors on a consolidated basis, (iii) counsel to the Prepetition Agent (as defined below), (iv) the Prepetition Agent, (v) the DIP Agent, (vi) counsel to the DIP Agent, and (vii) any party that has requested notice pursuant to Bankruptcy Rule 2002. Under the circumstances, such notice of the DIP Motion, the relief requested therein and the Interim Hearing complies with Bankruptcy Rule 4001(b), (c) and (d)

and the Local Rules, and no other notice need be provided for entry of this Interim Order.

E. **Debtors' Stipulations Regarding the Prepetition Credit Facility.**

Without prejudice to the rights of parties in interest solely to the extent set forth in Paragraph 6 below, the Debtors, on their behalf and on behalf of their estates, admit, stipulate, acknowledge, and agree (Paragraph E hereof shall be referred to herein as the "Debtors' Stipulations") as follows:

(i) Prepetition Credit Facility. Pursuant to that certain Credit Agreement (as amended, restated or otherwise modified from time to time prior to the Petition Date, the "Prepetition Credit Agreement," and collectively with any other agreements and documents executed or delivered in connection therewith, including, without limitation, the "Loan Documents" as defined therein, each as may be amended, restated, supplemented, or otherwise modified from time to time, the "Prepetition Loan Documents"), among (a) Parallel Energy Commercial Trust, as Canadian Borrower, (b) Parallel Energy Acquisitions LP (now known as Parallel Energy LP), as U.S. Borrower, (c) the financial institutions party thereto as "Syndicated Lenders," as defined therein, (d) Canadian Imperial Bank of Commerce, in its capacity as "Operating Lender," as defined therein (the Syndicated Lenders and the Operating Lender, collectively, the "Prepetition Lenders"), and (e) Canadian Imperial Bank of Commerce, in its capacity as administrative agent (in such capacity, the "Prepetition Agent" and, together with the Prepetition Lenders and any other party to which Prepetition Credit Obligations (as defined below) are owed, the "Prepetition Secured Parties"), the Syndicated Lenders agreed to extend loans and other financial accommodations to the U.S. Borrower under the Syndicated Facility (as defined in the Prepetition Credit Agreement) and the Operating Lender agreed to extend loans and other financial accommodations to the Canadian Borrower under the Operating

Facility (as defined in the Prepetition Credit Agreement). Pursuant to the Prepetition Loan Documents, Debtor Parallel Energy GP unconditionally guaranteed the obligations owed by the U.S. Borrower under the Syndicated Facility and each of the Debtors unconditionally guaranteed the obligations owed by the Canadian Borrower under the Operating Facility. All obligations of the Debtors arising under the Prepetition Credit Agreement (including, without limitation, any applicable “Secured Obligations,” as defined therein) or the other Prepetition Loan Documents shall collectively be referred to herein as the “Prepetition Credit Obligations.”

(ii) Prepetition First Priority Liens and Prepetition Collateral. Pursuant to the documents evidencing the Security (as defined in the Prepetition Credit Agreement) (as such documents are amended, restated, supplemented, or otherwise modified from time to time prior to the Petition Date, the “Prepetition Collateral Documents”), by and among each of the U.S. Loan Parties (as defined in the Prepetition Credit Agreement) and the Prepetition Agent, each U.S. Loan Party granted to the Prepetition Agent, for the benefit of itself and the Prepetition Secured Parties, to secure the Prepetition Credit Obligations, a first priority security interest in and continuing lien (the “Prepetition First Priority Liens”) on substantially all of such U.S. Loan Party’s assets and properties (which, for the avoidance of doubt, includes Cash Collateral, the Pledged Accounts (as defined in the DIP Credit Agreement), the Wind-Down Account (as defined below), the MasterCard Program Account, and all right, title, and interest of the Borrower and the DIP Guarantor in and to such accounts, and the proceeds and products thereof) and all other proceeds, products, accessions, rents, and profits thereof, in each case whether then owned or existing or thereafter acquired or arising. All “Collateral” as defined in the Prepetition Credit Agreement granted or pledged by such U.S. Loan Parties pursuant to any Prepetition Collateral Document or any other Prepetition Loan Document shall collectively be referred to

herein as the “Prepetition Collateral.” As of the Petition Date, (I) the Prepetition First Priority Liens (a) are valid, binding, enforceable, and perfected liens, (b) were granted to, or for the benefit of, the Prepetition Secured Parties for fair consideration and reasonably equivalent value, (c) are not subject to avoidance, recharacterization, or subordination pursuant to the Bankruptcy Code or applicable non-bankruptcy law (except for the priming contemplated herein), and (d) are under this Interim Order to be subject and subordinate only to (A) the DIP Liens (as defined below), (B) the Carve-Out (as defined below), and (C) the Prepetition Senior Permitted Encumbrances (as defined below), and (II) (w) the Prepetition Credit Obligations constitute legal, valid, and binding obligations of the applicable Debtors, enforceable in accordance with the terms of the applicable Prepetition Loan Documents (other than in respect of the stay of enforcement arising from section 362 of the Bankruptcy Code), (x) no setoffs, recoupments, offsets, defenses, or counterclaims to any of the Prepetition Credit Obligations exist, and (y) no portion of the Prepetition Credit Obligations or any payments made to any or all of the Prepetition Secured Parties are subject to avoidance, recharacterization, recovery, subordination, attack, offset, counterclaim, defense, or “claim” (as defined in the Bankruptcy Code) of any kind pursuant to the Bankruptcy Code or applicable non-bankruptcy law.

(iii) Amounts Owed under Prepetition Loan Documents. As of the Petition Date, (a) the applicable Debtors owed the Prepetition Secured Parties, pursuant to the Prepetition Loan Documents, without defense, counterclaim, or offset of any kind, in respect of loans made and other financial accommodations made by the Prepetition Secured Parties, an aggregate principal amount of not less than \$153,500,000 with respect to the Syndicated Facility (as defined in the Prepetition Credit Agreement) and (b) the applicable Debtors owed the Operating Lender, pursuant to the Prepetition Loan Documents, without defense, counterclaim, or offset of

any kind, in respect of loans made and other financial accommodations made by the Operating Lender, an aggregate principal amount of not less than \$9,989,742 with respect to the Operating Facility (as defined in the Prepetition Credit Agreement), *plus*, in the case of both (a) and (b) above, all accrued and hereafter accruing and unpaid interest thereon and any additional fees, expenses (including any reasonable attorneys', accountants', appraisers', and financial advisors' fees and expenses that are chargeable or reimbursable under the Prepetition Loan Documents), and other amounts now or hereafter due under the Prepetition Credit Agreement and the other Prepetition Loan Documents.

(iv) Release of Claims. Subject to the reservation of rights set forth in Paragraph 6 below, each Debtor and its estate shall be deemed to have forever waived, discharged, and released each of the Prepetition Secured Parties and their respective members, managers, equity holders, affiliates, agents, attorneys, financial advisors, consultants, officers, directors, employees and other representatives (all of the foregoing, collectively, the "Prepetition Secured Party Releases") of any and all "claims" (as defined in the Bankruptcy Code), counterclaims, causes of action (including, without limitation, causes of action in the nature of "lender liability"), defenses, setoff, recoupment, or other offset rights against any and all of the Prepetition Secured Party Releases, whether arising at law or in equity, relating to and/or otherwise in connection with the Prepetition Credit Obligations, the Prepetition First Priority Liens, or the debtor-creditor relationship between any of the Prepetition Secured Parties, on the one hand, and any of the Debtors, on the other hand, including, without limitation, (I) any recharacterization, subordination, avoidance, or other claim arising under or pursuant to section 105 or chapter 5 of the Bankruptcy Code or under any other similar provisions of applicable state law, federal law, or municipal law and (II) any right or basis to challenge or object to the

amount, validity, or enforceability of the Prepetition Credit Obligations or any payments made on account of the Prepetition Credit Obligations, or the validity, enforceability, priority, or non-avoidability of the Prepetition First Priority Liens securing the Prepetition Credit Obligations.

F. **Findings Regarding the DIP Facility.**

(i) **Need for Postpetition Financing.** The Debtors have an immediate need to obtain the DIP Facility and use Cash Collateral to, among other things, permit the orderly continuation of the operation of their businesses, to maintain business relationships with vendors, suppliers, and customers, to make payroll, to make capital expenditures, to satisfy other working capital and operation needs, to complete the Debtors' sale process and to otherwise preserve the enterprise value of the Debtors' estates. The Debtors' access to sufficient working capital and liquidity through the use of Cash Collateral and borrowing under the DIP Facility is vital to otherwise preserve the enterprise value of the Debtors and their estates. Immediate and irreparable harm will be caused to the Debtors and their estates if immediate financing is not obtained and permission to use Cash Collateral is not granted, in each case in accordance with the terms of this Interim Order and the DIP Loan Documents.

(ii) **No Credit Available on More Favorable Terms.** As set forth in the DIP Motion and in the Miller Declaration in support thereof, the Debtors have determined, at the time hereof, that no acceptable financing on more favorable terms from sources other than the DIP Secured Parties under the DIP Loan Documents and this Interim Order is available. The Debtors are unable to obtain unsecured credit allowable under section 503(b)(1) of the Bankruptcy Code as an administrative expense. The Debtors are also unable to obtain secured credit on terms acceptable to the Debtors allowable only under sections 364(c)(1), 364(c)(2), or 364(c)(3) of the Bankruptcy Code. The Debtors are unable to obtain secured credit under section

364(d)(1) of the Bankruptcy Code without (a) granting to the DIP Secured Parties the rights, remedies, privileges, benefits, and protections provided herein and in the DIP Loan Documents, including, without limitation, the DIP Liens and the DIP Superpriority Claims (each as defined below), (b) allowing the DIP Secured Parties to provide the loans and other financial accommodations under the DIP Facility on the terms set forth herein and in the DIP Loan Documents (all of the foregoing described in clauses (a) and (b) above, including, without limitation, the DIP Liens and the DIP Superpriority Claims, collectively, the “DIP Protections”), and (c) providing the Prepetition Secured Parties the adequate protection more fully described in Paragraphs 4 and 5 below.

G. **Interim Financing**. During the Interim Period (as defined below), the DIP Agent, the other DIP Secured Parties, and, as applicable, the Prepetition Secured Parties, are willing to provide financing to the Debtors and/or consent to the use of Cash Collateral by the Debtors, as applicable, subject to (i) the entry of this Interim Order, (ii) the terms and conditions of the DIP Loan Documents, and (iii) findings by the Court that such interim postpetition financing and use of Cash Collateral is essential to the Debtors’ estates, that the terms of such interim financing and use of Cash Collateral were negotiated in good faith and at arm’s length, and that the DIP Liens, the DIP Superpriority Claims, and the other protections granted pursuant to this Interim Order and the DIP Loan Documents with respect to such interim financing and use of Cash Collateral will not be affected by any subsequent reversal, modification, vacatur, or amendment of this Interim Order or any other order, as provided in section 364(e) of the Bankruptcy Code or this Interim Order. Without limiting the foregoing, any advances made to the Debtors and Cash Collateral use by the Debtors under the DIP Loan Documents and this Interim Order during the Interim Period shall be entitled to the protections provided by

section 364(e) of the Bankruptcy Code. The DIP Agent, the other DIP Secured Parties and the Prepetition Secured Parties have each acted in good faith in, as applicable, negotiating, consenting to, and agreeing to provide the postpetition financing arrangements and/or use of Cash Collateral on an interim basis as contemplated by this Interim Order and the DIP Loan Documents, and the reliance by the DIP Agent, the other DIP Secured Parties and the Prepetition Secured Parties on the assurances referred to above is in good faith.

H. **Adequate Protection for Prepetition Secured Parties.** The Prepetition Secured Parties have negotiated in good faith regarding the Debtors' use of the Prepetition Collateral (including the Cash Collateral) to fund the administration of the Debtors' estates and continued operation of their businesses. The Prepetition Secured Parties have agreed to permit the Debtors to use the Prepetition Collateral, including the Cash Collateral, during the Interim Period, subject to the terms and conditions set forth herein, including the protections afforded a party acting in "good faith" under section 364(e) of the Bankruptcy Code. In addition, the DIP Facility contemplated hereby provides for the priming of the Prepetition Liens pursuant to section 364(d) of the Bankruptcy Code. The Prepetition Secured Parties are entitled to the adequate protection as set forth herein pursuant to sections 361, 362, 363, and 364 of the Bankruptcy Code. Based on the DIP Motion and on the record presented to the Court at the Interim Hearing, the terms of the proposed adequate protection arrangements, use of the Cash Collateral, and the DIP Facility contemplated hereby are fair and reasonable, reflect the Debtors' prudent exercise of their business judgment, and constitute reasonably equivalent value and fair consideration for the consent of the Prepetition Secured Parties.

I. **Section 552.** In light of the subordination of their Liens and superpriority administrative claims to (i) the Carve-Out (as defined below) in the case of the DIP Secured

Parties, and (ii) the Carve-Out, the DIP Liens and the Prepetition Adequate Protection Liens in the case of the Prepetition Secured Parties, each of the DIP Secured Parties and the Prepetition Secured Parties is entitled to all of the rights and benefits of section 552(b) of the Bankruptcy Code, and, subject to the entry of the Final Order, the “equities of the case” exception shall not apply.

J. **Business Judgment and Good Faith Pursuant to Section 364(e).**

(i) The DIP Secured Parties have indicated a willingness to provide postpetition secured financing via the DIP Facility to the Debtors in accordance with the DIP Loan Documents and this Interim Order.

(ii) The terms and conditions of the DIP Facility as set forth in the DIP Loan Documents and this Interim Order, and the fees paid and to be paid thereunder, are fair, reasonable, and the best available under the circumstances, and the Debtors’ agreement to the terms and conditions of the DIP Loan Documents and to the payment of such fees reflect the Debtors’ exercise of prudent business judgment consistent with their fiduciary duties. Such terms and conditions are supported by reasonably equivalent value and fair consideration.

(iii) The DIP Facility, the DIP Loan Documents and the Prepetition Secured Parties’ Adequate Protection (as defined below) were negotiated in good faith and at arm’s length among the Debtors, the DIP Secured Parties and the Prepetition Secured Parties, respectively, with the assistance and counsel of their respective advisors, and all of the DIP Obligations and Prepetition Secured Parties’ Adequate Protection (as defined below) shall be deemed to have been extended by the DIP Secured Parties and their affiliates and consented to by the requisite Prepetition Secured Parties for valid business purposes and uses and in good faith, as that term is used in section 364(e) of the Bankruptcy Code, and in express reliance upon

the protections offered by section 364(e) of the Bankruptcy Code or this Interim Order, and the DIP Liens, the DIP Superpriority Claims (as defined below), the other DIP Protections and the Prepetition Secured Parties' Adequate Protection (as defined below) shall be entitled to the full protection of section 364(e) of the Bankruptcy Code and this Interim Order in the event this Interim Order or any other order or any provision hereof or thereof is vacated, reversed, amended, or modified, on appeal or otherwise.

K. **Relief Essential; Best Interest.** For the reasons stated above, the Debtors have requested immediate entry of this Interim Order pursuant to Bankruptcy Rules 4001(b)(2), 4001(c)(2), and the Local Rules. Absent granting the relief set forth in this Interim Order, the Debtors' estates and their ability to preserve the enterprise value of the Debtors and their estates will be immediately and irreparably harmed. Consummation of the DIP Facility and authorization of the use of Cash Collateral in accordance with this Interim Order and the DIP Loan Documents is therefore in the best interests of the Debtors' estates and consistent with their fiduciary duties.

NOW, THEREFORE, on the Debtor's DIP Motion and the record before this Court with respect to the DIP Motion, and with the consent of the Prepetition Agent (on behalf of the Prepetition Secured Parties), and the DIP Agent (on behalf of the DIP Secured Parties) to the form and entry of this Interim Order, and good and sufficient cause appearing therefor,

IT IS ORDERED that:

1. **Motion Granted.** The DIP Motion is hereby granted in accordance with the terms and conditions set forth in this Interim Order and the DIP Loan Documents. Any objections to the DIP Motion with respect to the entry of this Interim Order that have not been

withdrawn, waived, or settled, and all reservations of rights included therein, are hereby denied and overruled.

2. **DIP Loan Documents and DIP Protections.**

(a) Approval of DIP Loan Documents. The Debtors are expressly and immediately authorized to establish the DIP Facility, to execute, deliver, and perform under the DIP Loan Documents and this Interim Order, to incur the DIP Obligations (as defined below) in accordance with, and subject to, the terms of this Interim Order and the DIP Loan Documents, and to execute, deliver, and perform under all other instruments, certificates, agreements, and documents which may be required or necessary for the performance by the applicable Debtors under the DIP Loan Documents and the creation and perfection of the DIP Liens described in, and provided for, by this Interim Order and the DIP Loan Documents. The Debtors are hereby authorized and directed to do and perform all acts and pay the principal, interest, fees, expenses, and other amounts described in the DIP Loan Documents as such become due pursuant to the DIP Loan Documents and this Interim Order, including, without limitation, all closing fees, administrative fees, commitment fees, and reasonable attorneys', financial advisors', and accountants' fees, and disbursements arising under the DIP Loan Documents and this Interim Order, which amounts shall not be subject to further approval of this Court and shall be non-refundable and not subject to challenge in any respect. Upon their execution and delivery, the DIP Loan Documents shall represent valid and binding obligations of the applicable Debtors enforceable against such Debtors in accordance with their terms. Each officer of a Debtor acting singly is hereby authorized to execute and deliver each of the DIP Loan Documents, such execution and delivery to be conclusive of such officer's respective authority to act in the name of and on behalf of the Debtors.

(b) DIP Obligations. For purposes of this Interim Order, the term “DIP Obligations” shall mean all amounts and other obligations and liabilities owing by the respective Debtors under the DIP Credit Agreement and other DIP Loan Documents (including, without limitation, all “Obligations” as defined in the DIP Credit Agreement) and shall include, without limitation, the principal of, interest on, fees, costs, expenses, and other charges owing in respect of, such amounts (including, without limitation, any reasonable attorneys’, accountants’, financial advisors’, and other fees, costs, and expenses that are chargeable or reimbursable under the DIP Loan Documents and/or this Interim Order), and any obligations in respect of indemnity claims, whether contingent or otherwise.

(c) Authorization to Incur DIP Obligations. To enable the Debtors to continue to operate their business and preserve and maximize the value of their estates, during the period from the entry of this Interim Order through and including the earliest to occur of (i) the entry of the Final Order, or (ii) the Cash Collateral Termination Date, in each case unless extended by written agreement of the DIP Agent and the Prepetition Agent (the period from the entry of this Interim Order through and including such earliest date, the “Interim Period”), and subject to the terms and conditions of this Interim Order and the DIP Loan Documents, including, without limitation, the Budget Covenants as defined and contained in Paragraph 2(e) below, the Borrower is hereby authorized to use Cash Collateral and borrow under the DIP Facility in an aggregate outstanding principal amount for all such borrowings and Cash Collateral usage not to exceed \$5,400,000 under the DIP Facility (following the entry of the Final Order, the Borrower’s authority to incur further DIP Obligations, if any, and use further Cash Collateral will be governed by the terms of such Final Order). All DIP Obligations shall be unconditionally guaranteed by the DIP Guarantor, as further provided in the DIP Loan Documents. To the extent

a Final Order is entered, the Debtors shall, subject to the terms of the DIP Loan Documents and the Final Order, be entitled to borrow all amounts under the DIP Loan Documents to fund the Debtors' working capital and other general corporate needs and pay such other amounts required or allowed to be paid pursuant to the DIP Loan Documents, the Final Order, and any other orders of this Court.

(d) Budget. Attached hereto as Exhibit A is a rolling 13-week cash flow budget (the "Initial Approved Budget") which reflects on a line-item basis the Debtors' (i) weekly projected cash receipts, (ii) weekly projected disbursements (including ordinary course operating expenses, bankruptcy-related expenses under the Cases, capital expenditures, asset sales, and estimated fees and expenses of the DIP and Prepetition Agent (including counsel and financial advisors therefor), and any other fees and expenses relating to the DIP Facility), (iii) the sum of weekly unused availability under the DIP Facility plus unrestricted cash on hand (collectively, "Aggregate Liquidity"), and (iv) the weekly outstanding principal balance of the loan made under the DIP Facility (labeled as "Proposed DIP Facility" in the Approved Budget (as defined below)). Commencing on the first Wednesday following the Petition Date and continuing every Wednesday thereafter (or if such Wednesday is not a Business Day, the following Business Day) (i.e., every week), the Debtors shall prepare and deliver simultaneously to the DIP Agent and the Prepetition Agent: (i) an updated "rolling" 13-week budget, which, once approved in writing by the DIP Agent and the Required Lenders, in their respective sole discretion, shall supplement and replace the Approved Budget or Supplemental Approved Budget, as applicable, then in effect (each such updated budget that has been approved in writing by the DIP Agent and the Required Lenders, a "Supplemental Approved Budget") without further notice, motion, or application to, order of, or hearing before, this Court; provided, however, that the DIP Agent, at the direction of

the Required Lenders shall have two (2) Business Days to approve each updated “rolling budget” (any such party that fails to timely provide the Debtors and each of the other aforementioned parties written notice of any objection to such updated “rolling budget” shall be deemed to have approved such updated “rolling budget”); provided that any portion of the updated “rolling budget” that relates to periods covered by a previous Initial Approved Budget or Supplemental Approved Budget, as applicable, shall automatically be deemed approved to the extent that no changes have been made to such Initial Approved Budget or Supplemental Approved Budget, as applicable; provided, further, however, that unless and until the DIP Agent has approved (or be deemed to have approved as provided above) such updated budget, the Debtors shall still be subject to and be governed by the terms of the Initial Approved Budget or Supplemental Approved Budget, as applicable, then in effect in accordance with this Interim Order, and the DIP Agent, the other DIP Secured Parties, and the Prepetition Secured Parties shall, as applicable, have no obligation to fund to such updated “rolling budget” or permit the use of Cash Collateral with respect thereto, as applicable; and (ii) a Variance Report (as defined in the DIP Credit Agreement), in form acceptable to the DIP Agent and the Required Lenders, setting forth the actual cash receipts and actual expenditures for each line item in the Approved Budget (as defined below) covering each of the previous calendar week and the previous four calendar weeks and comparing the foregoing amounts with the budgeted cash receipts and budgeted expenditures, respectively, set forth in the Approved Budget for such line item during such one week period. The Variance Report shall include an explanation as to any variance identified in such report in accordance with the foregoing that is greater than \$5,000 or varies by 10% from the budgeted amount. Such explanation shall include, among other things, whether such variance is permanent or relates solely to timing and, to the extent related to timing, when such

variance is expected to be corrected. The aggregate, without duplication, of all items in the Initial Approved Budget and any Supplemental Approved Budgets shall constitute the “Approved Budget.” Notwithstanding anything to the contrary in this Interim Order, the reasonable professional fees, costs and expenses of the DIP Agent’s advisors and the Prepetition Agent’s advisors (with respect to the Prepetition Agent, during the Interim Period with all future periods being subject to entry of a Final Order), respectively, shall be due, payable and paid in accordance with the terms of this Interim Order notwithstanding any budgeted amounts for such fees, costs and expenses set forth in the Approved Budget.

(e) Budget Covenants. The Debtors shall only incur DIP Obligations and expend Cash Collateral and other DIP Collateral proceeds in accordance with the specific purposes, and at the specific time periods, set forth in the Approved Budget (and in the case of the costs and expenses of the DIP Agent and Prepetition Agent, in accordance with the DIP Loan Documents and this Interim Order), subject to the following permitted variances, which shall be tested initially on the first Wednesday following the Petition Date (the “First Testing Date”) (testing the period from the Petition Date through and including the First Testing Date (such initial testing period, the “First Testing Period”)) and continuing on each Wednesday thereafter (or if such Wednesday is not a Business Day, the following Business Day) (each, a “Subsequent Testing Date”) (in each case, testing the trailing four week period ending on the Wednesday before the applicable Subsequent Testing Date (each, a “Four Week Testing Period”)): (i) the Debtors’ total expenditures (excluding any legal or advisory fees incurred on behalf of the DIP Agent and the DIP Lenders paid before October 2, 2015) for the prior four week period shall not have exceeded 110% of the amount of total expenditures for such four week period as set forth in the Approved Budget; (ii) the Debtors’ net cash receipts (equal to gross revenue less

production tax, royalties, processing costs, oxygen removal fee and NGPL transportation costs), on an aggregate basis, for such four week period were not less than 90% of the aggregate amount of cash receipts included in the Approved Budget for such four week period; (iii) in the event the cash receipts on an aggregate basis for the past four weeks is less than 90% of the Approved Budget for the past four weeks, for reasons outside the control of the Debtors, the cash flow test set forth in clause (ii) above shall not apply and, in the alternative, the average daily barrel of oil equivalent produced during the prior four week period will not be less than 6,350 for the calendar month of October 2015, 6,300 for the calendar month of November 2015, 6,250 for the calendar month of December 2015, 6,200 for the calendar month of January 2016, and 6,200 for the calendar month of February 2016 and for each month thereafter. The foregoing budget-related covenants are collectively referred to herein as the “Budget Covenants.”

(f) Interest, Fees, Costs and Expenses. The DIP Obligations shall bear interest at the rates, and be due and payable (and paid), as set forth in, and in accordance with the terms and conditions of, this Interim Order and the DIP Loan Documents, in each case without further notice, motion, or application to, order of, or hearing before, this Court. The Debtors shall pay on demand all fees, costs, expenses (including reasonable out-of-pocket legal and other professional fees and expenses of the DIP Agent) and other charges payable under the terms of the DIP Loan Documents. All such fees, costs, expenses and disbursements, whether incurred, paid or required to be paid prepetition or post-petition, are hereby affirmed, ratified, authorized and payable (and any funds held by the DIP Agent and/or its professionals as of the Petition Date for payment of such fees, costs, expenses and disbursements may be applied for payment)

as contemplated in this Interim Order and the DIP Loan Documents filed with the Court, and shall be non-refundable and not subject to challenge in any respect.

(g) Use of DIP Facility and Proceeds of DIP Collateral. The Borrower shall apply the proceeds of all DIP Collateral (as defined below) solely in accordance with this Interim Order and the applicable provisions of the DIP Loan Documents. For the avoidance of doubt, the Debtors shall, in accordance with the applicable provisions of the DIP Loan Documents, and subject to the Carve-Out, pay, or cause to be paid, (i) all proceeds of any sale of all or a portion of the DIP Collateral outside the ordinary course of business, (ii) all funds released to the Borrower from the Escrow Account (as defined in the DIP Credit Agreement), (iii) all remaining funds in the MasterCard Program Account after Payment In Full of the Wells Fargo Obligations incurred in connection with the Wells Fargo Business MasterCard and (iv) all funds securing the Existing Letters of Credit after such Existing Letters of Credit are released *first* to the DIP Agent for application in accordance with the DIP Loan Documents and this Interim Order until the DIP Obligations are Paid in Full, *second*, to a segregated account held by the DIP Agent (the “Wind-Down Account”), solely in an amount necessary to fund the wind-down of the Debtors’ estates and the closure of the Chapter 11 Cases, in accordance with a wind-down budget prepared by the Debtors and acceptable to the DIP Agent and the Required Lenders, in their respective sole discretion; and *third*, to the Prepetition Agent for application in accordance with the DIP Loan Documents and this Interim Order until the Prepetition Credit Obligations are Paid in Full. Notwithstanding the foregoing, solely in the event of a Topping Sale Transaction (as defined in the Purchase and Sale Agreement (as defined in the Miller Declaration)), prior to any payment or distribution pursuant to the immediately preceding sentence, the Debtors shall pay, or cause to be paid, all proceeds of such Topping Sale

Transaction to the DIP Agent for payment of the Break-Up Fee and Expense Reimbursement (each as defined in the Purchase and Sale Agreement) to Scout Energy Group II, LP. Notwithstanding the foregoing, the Debtors shall be permitted to pay all outstanding obligations pursuant to the Approved Budget on the Effective Date of the Sale. Without limiting the foregoing, the Debtors shall not be permitted to make any payments on account of any prepetition debt or obligation prior to the effective date of a confirmed chapter 11 plan or plans with respect to any of the Debtors, except (a) with respect to the Prepetition Credit Obligations as set forth in this Interim Order and a Final Order; (b) as provided in the First Day Orders, which First Day Orders shall be in form and substance acceptable to the DIP Agent and the Required Lenders; (c) as provided in other motions, orders, and requests for relief, each in form and substance acceptable to the DIP Agent and the Required Lenders prior to such motion, order, or request for such relief being filed, including, without limitation, any motions, orders, or requests for relief in connection with any structured dismissal of the Cases; or (d) as otherwise provided in the DIP Credit Agreement.

(h) Conditions Precedent. The DIP Secured Parties and Prepetition Secured Parties each have no obligation to extend credit under the DIP Facility or permit use of any DIP Collateral proceeds, including Cash Collateral, as applicable, during the Interim Period unless and until all conditions precedent to the extension of credit and/or use of DIP Collateral or proceeds thereof under the DIP Loan Documents and this Interim Order have been satisfied in full or waived by the requisite DIP Secured Parties and the Prepetition Secured Parties in accordance with the DIP Loan Documents or Prepetition Credit Agreement, as applicable, and this Interim Order.

(i) DIP Liens. As security for the DIP Obligations, the following security interests and liens, which shall immediately and without any further action by any Person, be valid, binding, permanent, perfected, continuing, enforceable, and non-avoidable upon the entry of this Interim Order, are hereby granted by the Debtors to the DIP Agent, for its own benefit and the ratable benefit of the DIP Secured Parties, on all property of the Debtors, now existing or hereinafter acquired, including, without limitation, all cash and cash equivalents (whether maintained with the DIP Agent or otherwise), and any investment in such cash or cash equivalents, money, inventory, goods, accounts receivable, other rights to payment, intercompany loans and other investments, investment property, contracts, contract rights, properties, plants, equipment, machinery, general intangibles, payment intangibles, accounts, deposit accounts (including the Pledged Accounts (as defined in the DIP Credit Agreement), the Wind-Down Account, the MasterCard Program Account, the Existing Letters of Credit Security, and all right, title, and interest of the Borrower and the DIP Guarantor in and to such accounts, and the proceeds and products thereof), documents, instruments, chattel paper, documents of title, letters of credit, letter of credit rights, supporting obligations, leases and other interests in leaseholds, real property, fixtures, patents, copyrights, trademarks, trade names, other intellectual property, intellectual property licenses, capital stock of subsidiaries, tax and other refunds, insurance proceeds, commercial tort claims, Avoidance Actions and proceeds relating thereto, rights under section 506(c) of the Bankruptcy Code, all other Collateral (as defined in the DIP Loan Documents), and all other “property of the estate” (as defined in section 541 of the Bankruptcy Code) of any kind or nature, real or personal, tangible, intangible, or mixed, now existing or hereafter acquired or created (other than any “Building” (as defined in the applicable Flood Insurance Regulation) or “Manufactured (Mobile) Home” (as defined in the applicable

Flood Insurance Regulation) with a fair market value in excess of \$50,000 individually or \$100,000 in the aggregate), and all rents, products, substitutions, accessions, profits, replacements, and cash and non-cash proceeds of all of the foregoing, as provided below (all of the foregoing collateral collectively referred to as the “DIP Collateral,” and all such Liens granted to the DIP Agent for the benefit of all the DIP Secured Parties pursuant to this Interim Order and the DIP Loan Documents, the “DIP Liens”):

(I) pursuant to section 364(c)(2) of the Bankruptcy Code, a perfected, binding, continuing, enforceable, and non-avoidable first priority Lien on all unencumbered DIP Collateral and the Debtors’ claims and causes of action under sections 502(d), 544, 545, 547–550 and 553 of the Bankruptcy Code and any other avoidance or similar action under the Bankruptcy Code or similar state or municipal law and the proceeds of each of the foregoing (collectively, the “Avoidance Actions”), whether received by judgment, settlement, or otherwise;

(II) pursuant to section 364(c)(3) of the Bankruptcy Code, a perfected, binding, continuing, enforceable, and non-avoidable junior Lien upon all DIP Collateral that is subject solely to the Prepetition Senior Permitted Encumbrances, other than liens which are expressly stated to be primed by the liens to be granted to the DIP Agent described in clause (III) below; and

(III) pursuant to section 364(d)(1) of the Bankruptcy Code, a perfected first priority, senior priming lien on all DIP Collateral (including, without limitation, Cash Collateral) that is senior to the Adequate Protection Replacement Liens (as defined below) and senior and priming to (x) the Prepetition Liens and (y) any Liens that are junior to the Prepetition Liens and the Adequate Protection Replacement Liens, after giving effect to any intercreditor or subordination agreements (the liens referenced in clauses (x) and (y), collectively, the “Primed Liens”); provided, however, that the liens described in this subsection (III) shall be junior solely to the Carve-Out and the Prepetition Senior Permitted Encumbrances.

(j) DIP Lien Priority. Notwithstanding anything to the contrary contained in this Interim Order or the DIP Loan Documents, for the avoidance of doubt, the DIP Liens granted to the DIP Agent for the ratable benefit of the DIP Secured Parties shall in each and every case be first priority senior liens that (i) are subject only to the Prepetition Senior Permitted Encumbrances, and to the extent provided in this Interim Order and the DIP Loan Documents,

shall also be subject to the Carve-Out, and (ii) except as provided in the immediately preceding sub-clause (i), are senior to all prepetition and postpetition liens of any other person or entity (including, without limitation, the Primed Liens and the Adequate Protection Replacement Liens). The DIP Liens and the DIP Superpriority Claims (as defined below): (A) shall not be subject to sections 506, 510, 549, 550, or 551 of the Bankruptcy Code or the “equities of the case” exception of section 552 of the Bankruptcy Code, (B) shall not be subordinate to, or *pari passu* with, (x) any lien that is avoided and preserved for the benefit of the Debtors and their estates under section 551 of the Bankruptcy Code or otherwise or (y) any intercompany or affiliate liens or claims of the Debtors, and (C) shall be valid and enforceable against any trustee or any other estate representative appointed in the Cases, upon the conversion of any of the Cases to a case under chapter 7 of the Bankruptcy Code or in any other proceedings related to any of the foregoing (each, a “Successor Case”), and/or upon the dismissal of any of the Cases.

(k) Enforceable Obligations. The DIP Loan Documents shall constitute and evidence the valid and binding DIP Obligations of the Debtors, which DIP Obligations shall be enforceable against the Debtors, their estates and any successors thereto (including, without limitation, any trustee or other estate representative in any Successor Case), and their creditors and other parties in interest, in accordance with their terms. No obligation, payment, transfer, or grant of security under the DIP Credit Agreement, the other DIP Loan Documents, or this Interim Order shall be stayed, restrained, voidable, avoidable, or recoverable under the Bankruptcy Code or under any applicable law (including, without limitation, under sections 502(d), 544, 547, 548, or 549 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act, or similar statute or common law), or subject to any avoidance, reduction, setoff, recoupment, offset, recharacterization,

subordination (whether equitable, contractual, or otherwise), counterclaim, cross-claim, defense, or any other challenge under the Bankruptcy Code or any applicable law or regulation by any person or entity.

(l) Superpriority Administrative Claim Status. In addition to the DIP Liens granted herein, effective immediately upon entry of this Interim Order, all of the DIP Obligations shall constitute allowed superpriority administrative claims pursuant to section 364(c)(1) of the Bankruptcy Code, which shall have priority, subject only to the payment of the Carve-Out in accordance with this Interim Order, over all administrative expense claims, adequate protection and other diminution claims (including the Prepetition Adequate Protection Superpriority Claims (as defined below)), unsecured claims, and all other claims against the Debtors, now existing or hereafter arising, of any kind or nature whatsoever, including, without limitation, administrative expenses or other claims of the kinds specified in, or ordered pursuant to, sections 105, 326, 328, 330, 331, 503(a), 503(b), 506(c), 507(a), 507(b), 546, 726, 1113, and 1114 or any other provision of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment lien or other non-consensual lien, levy, or attachment (the “DIP Superpriority Claims”). The DIP Superpriority Claims shall, for purposes of section 1129(a)(9)(A) of the Bankruptcy Code, be considered administrative expenses allowed under section 503(b) of the Bankruptcy Code, shall be against each Debtor on a joint and several basis, and shall be payable from and have recourse to all prepetition and postpetition property of the Debtors and all proceeds thereof. Other than as expressly provided in the DIP Credit Agreement and/or this Interim Order with respect to the Carve-Out, no costs or expenses of administration, including, without limitation, professional fees allowed and payable under sections 328, 330, and 331 of the Bankruptcy Code and professional fees of the respective described in Paragraph 4(iii) hereof, or

otherwise, that have been or may be incurred in these proceedings, or in any Successor Cases, and no priority claims are, or will be, senior to, prior to, or on a parity with the DIP Superpriority Claims or the DIP Obligations, or with any other claims of the DIP Secured Parties arising under the DIP Loan Documents and/or this Interim Order.

3. **Authorization to Use Cash Collateral and Proceeds of the DIP Facility.**

Subject to the terms and conditions of this Interim Order and the DIP Loan Documents, including, without limitation, the Budget Covenants set forth in Paragraph 2(e) hereof, (a) the Debtors are authorized to use proceeds of credit extended under the DIP Facility from and after the Closing Date (as defined in the DIP Credit Agreement), and (b) the Debtors are authorized to use Cash Collateral; provided, however, that each Debtor shall be prohibited from at any time using proceeds of DIP Collateral (including Cash Collateral) and/or advances under the DIP Facility, in each case, except in accordance with the terms and conditions of this Interim Order and the DIP Loan Documents. To fund the Debtors' working capital and other general corporate needs pending the Final Hearing, in accordance with the terms of this Interim Order, the DIP Loan Documents, and the Approved Budget, the Debtors may request advances and other financial accommodations under the DIP Facility. The DIP Agent and the other DIP Secured Parties may terminate the applicable Debtors' right to use proceeds of extensions of credit under the DIP Facility, DIP Collateral, Prepetition Collateral, and Cash Collateral without further notice, motion, or application to, order of, or hearing before, the Court, in accordance with Paragraph 15 below, immediately upon notice to such effect by the DIP Agent to the Debtors after the occurrence and during the continuance of any Termination Event. Upon the occurrence and during the continuance of a Termination Event (subject to Paragraph 15 below), any of the DIP Agent (on behalf of the DIP Secured Parties) and the Prepetition Agent (on behalf of the

Prepetition Secured Parties) may terminate the consensual Cash Collateral use arrangement contained herein without further notice, motion, or application to, order of, or hearing before, the Court; provided, that the rights of the DIP Secured Parties and the Prepetition Secured Parties under this Interim Order or otherwise shall not be affected by the waiver of any Termination Event by any other party. The earliest date upon which the consensual Cash Collateral use arrangement described in this Interim Order is terminated pursuant to this Paragraph 3 shall be referred to herein as the “Cash Collateral Termination Date.”

4. **Adequate Protection for Prepetition Secured Parties**. In consideration for the use of the Prepetition Collateral (including Cash Collateral) and the priming of the Prepetition First Priority Liens, the Prepetition Agent, for the benefit of the Prepetition Secured Parties, shall receive the following adequate protection (collectively referred to as the “Prepetition Secured Parties’ Adequate Protection”):

(i) **Prepetition Adequate Protection Liens**. To the extent there is a diminution in value of the interests of the Prepetition Secured Parties in the Prepetition Collateral (including Cash Collateral) from and after the Petition Date resulting from the use, sale, or lease by the Debtors of the applicable Prepetition Collateral (including Cash Collateral), the granting of the DIP Superpriority Claims, the granting of the DIP Liens, the subordination of the Prepetition First Priority Liens thereto and to the Carve-Out, and the imposition or enforcement of the automatic stay of section 362(a) of the Bankruptcy Code (“Diminution in Prepetition Collateral Value”), the Prepetition Agent, for the benefit of all the Prepetition Secured Parties, is hereby granted, subject to the terms and conditions set forth below, pursuant to sections 361, 363(e), and 364 of the Bankruptcy Code, replacement Liens upon all of the DIP Collateral (such adequate protection replacement liens, the “Prepetition Adequate Protection Liens”), which

Prepetition Adequate Protection Liens on such DIP Collateral shall be subject and subordinate only to the DIP Liens, the Prepetition Senior Permitted Encumbrances, and the Carve-Out and shall be senior in priority to the Prepetition First Priority Liens. The Prepetition Adequate Protection Liens and the Prepetition Adequate Protection Superpriority Claim (as defined below) (A) shall not be subject to sections 510, 549, 550, or 551 of the Bankruptcy Code or, subject to entry of the Final Order, section 506(c) of the Bankruptcy Code or the “equities of the case” exception of section 552 of the Bankruptcy Code, (B) shall not be subordinate to, or *pari passu* with, (x) any lien that is avoided and preserved for the benefit of the Debtors and their estates under section 551 of the Bankruptcy Code or otherwise or (y) any intercompany or affiliate liens or claims of the Debtors, and (C) shall be valid and enforceable against any trustee or any other estate representative appointed in the Cases or any Successor Cases, and/or upon the dismissal of any of the Cases.

(ii) Prepetition Adequate Protection Superpriority Claims. To the extent of Diminution in Value of the Prepetition Collateral, the Prepetition Secured Parties are hereby further granted allowed superpriority administrative claims (such adequate protection superpriority claims, the “Prepetition Adequate Protection Superpriority Claims”), pursuant to section 507(b) of the Bankruptcy Code, with priority over all administrative expense claims and unsecured claims against the Debtors and their estates, now existing or hereafter arising, of any kind or nature whatsoever, including, without limitation, administrative expenses of the kind specified in or ordered pursuant to sections 105, 326, 328, 330, 331, 503(a), 503(b), 506(c), 507(a), 507(b), 546(c), 546(d), 726 (to the extent permitted by law), 1113, and 1114 and any other provision of the Bankruptcy Code, junior only to the DIP Superpriority Claims and the Carve-Out to the extent provided herein and in the DIP Loan Documents, and payable from and

having recourse to all prepetition and postpetition property of the Debtors and all proceeds thereof; provided, however, that the Prepetition Secured Parties shall not receive or retain any payments, property, or other amounts in respect of the Prepetition Adequate Protection Superpriority Claims unless and until (x) all DIP Obligations have been Paid in Full (as defined below). Subject to the relative priorities set forth above, the Prepetition Adequate Protection Superpriority Claims against each Debtor shall be against each Debtor on a joint and several basis. For purposes of this Interim Order, the terms "Paid in Full," "Repaid in Full," "Repay in Full," and "Payment in Full" shall mean, with respect to any referenced DIP Obligations and/or Prepetition Credit Obligations, (i) the indefeasible payment in full in cash of such obligations and (ii) the termination of all credit commitments under the DIP Loan Documents and/or Prepetition Loan Documents, as applicable.

(iii) Interest and Professional Fees. As further adequate protection, and without limiting any rights of the Prepetition Agent and the other Prepetition Secured Parties under section 506(b) of the Bankruptcy Code which are hereby preserved, and in consideration, and as a requirement, for obtaining the consent of the Prepetition Secured Parties to the entry of this Interim Order and the Debtors' consensual use of Cash Collateral as provided herein, the Debtors shall (i) pay or reimburse in cash the Prepetition Agent for any and all fees, costs, expenses, and charges to the extent, and at the times, payable under the Prepetition Loan Documents, including, without limitation, any unpaid fees, costs and expenses accrued prior to the Petition Date, (ii) five (5) Business Days following the last day of each calendar month commencing after the Closing Date, pay to the Prepetition Agent for prompt distribution to the applicable Prepetition Secured Parties any and all of the interest accruing on the Prepetition Credit Obligations under the Prepetition Credit Agreement at the default rate(s) set forth therein,

unless the Prepetition Secured Parties elect to defer all or a portion of such interest by payment of such interest in kind, in which case any such accrued interest shall be added to the principal amount of the Prepetition Credit Obligations on the last day of each calendar month commencing after the Closing Date, and (iii) pay currently all reasonable out-of-pocket fees, costs, and expenses of the Prepetition Agent (including, without limitation, the fees, costs, and expenses of counsel and financial advisors for the Prepetition Agent), in the case of each of sub-clauses (i), (ii), and (iii) above, all whether accrued prepetition or postpetition and whether or not budgeted in the Approved Budget, and without further notice (except as provided in Paragraph 20(b) below with respect to postpetition professional fees, costs, and expenses), motion, or application to, order of, or hearing before, this Court.

(iv) Consent to Priming and Adequate Protection. The Prepetition Agent, on behalf of the Prepetition Secured Parties, consents to the Prepetition Secured Parties' Adequate Protection and the priming provided for herein; provided, however, that such consent of the Prepetition Agent to the priming of the Prepetition First Priority Liens, the use of Cash Collateral, and the sufficiency of the Prepetition Secured Parties' Adequate Protection provided for herein is expressly conditioned upon the entry of this Interim Order, and such consent shall not be deemed to extend to any other Cash Collateral usage or other replacement financing or debtor-in-possession financing other than the DIP Facility provided under the DIP Loan Documents; and provided, further, that such consent shall be of no force and effect in the event this Interim Order is not entered or is entered and subsequently reversed, modified, stayed, or amended (unless such reversal, modification, stay, or amendment is acceptable to the Prepetition Agent and the Prepetition Lenders in their respective sole discretion) or the DIP Loan Documents and DIP Facility as set forth herein are not approved.

(v) Right to Seek Additional Adequate Protection. Under the circumstances and given that the above-described adequate protection is consistent with the Bankruptcy Code, including section 506(b) thereof, the Court finds that the adequate protection provided herein is reasonable and sufficient to protect the interests of the Prepetition Lenders. However, the Prepetition Agent, on behalf of the Prepetition Secured Parties, may request Court approval for additional or alternative adequate protection, without prejudice to any objection of the Debtors or any other party in interest to the grant of any additional or alternative adequate protection; provided that any such additional or alternative adequate protection shall at all times be subordinate and junior to the claims and Liens of the DIP Lenders granted under this Interim Order and the DIP Loan Documents.

5. **Automatic Postpetition Lien Perfection.** This Interim Order shall be sufficient and conclusive evidence of the validity, enforceability, perfection, and priority of the DIP Liens and the Prepetition Adequate Protection Liens without the necessity of (a) filing or recording any financing statement, deed of trust, mortgage, or other instrument or document which may otherwise be required under the law of any jurisdiction or (b) taking any other action to validate or perfect the DIP Liens and the Prepetition Adequate Protection Liens or to entitle the DIP Liens and the Prepetition Adequate Protection Liens to the priorities granted herein. Notwithstanding the foregoing, each of the DIP Agent and the Prepetition Secured Parties (in the latter case, solely with respect to the Prepetition Adequate Protection Liens) may, each in their sole discretion, enter into and file, as applicable, financing statements, mortgages, security agreements, notices of liens, and other similar documents, and is hereby granted relief from the automatic stay of section 362 of the Bankruptcy Code in order to do so, and all such financing statements, mortgages, security agreements, notices, and other agreements or documents shall be

deemed to have been filed or recorded at the time and on the Petition Date. The applicable Debtors shall execute and deliver to the DIP Agent and/or the Prepetition Agent, as applicable, all such financing statements, mortgages, notices, and other documents as such parties may reasonably request to evidence and confirm the contemplated priority of, the DIP Liens and the Prepetition Adequate Protection Liens, as applicable, granted pursuant hereto. Without limiting the foregoing, each of the DIP Agent and the Prepetition Agent may in its discretion, file a photocopy of this Interim Order as a financing statement with any recording officer designated to file financing statements or with any registry of deeds or similar office in any jurisdiction in which any Debtor has real or personal property, and in such event, the subject filing or recording officer shall be authorized to file or record such copy of this Interim Order. Subject to the entry of the Final Order, any provision of any lease, loan document, easement, use agreement, proffer, covenant, license, contract, organizational document, or other instrument or agreement that requires the payment of any fees or obligations to any governmental entity or non-governmental entity in order for the Debtors to pledge, grant, mortgage, sell, assign, or otherwise transfer any fee or leasehold interest or the proceeds thereof or other DIP Collateral, is and shall be deemed to be inconsistent with the provisions of the Bankruptcy Code, and shall have no force or effect with respect to the Liens on such leasehold interests or other applicable DIP Collateral or the proceeds of any assignment and/or sale thereof by any Debtor, in favor of the DIP Secured Parties in accordance with the terms of the DIP Loan Documents and this Interim Order or in favor of the Prepetition Secured Parties in accordance with this Interim Order. To the extent that the Prepetition Agent is the secured party under any security agreement, mortgage, leasehold mortgage, landlord waiver, financing statement, or account control agreements, listed as loss payee under any of the Debtors' insurance policies, or is the secured party under any of the

Prepetition Loan Documents, the DIP Agent shall also be deemed to be the secured party under such account control agreements, loss payee under the Debtors' insurance policies, and the secured party under each such Prepetition Loan Document, shall have all rights and powers attendant to that position (including, without limitation, rights of enforcement), and shall act in that capacity and distribute any proceeds recovered or received first, for the benefit of the DIP Secured Parties in accordance with the DIP Loan Documents and second, subsequent to Payment in Full of all DIP Obligations, for the benefit of the Prepetition Secured Parties. The Prepetition Agent shall serve as agent for the DIP Agent for purposes of perfecting its respective Liens on all DIP Collateral that is of a type such that perfection of a lien therein may be accomplished only by possession or control by a secured party.

6. **Reservation of Certain Third Party Rights and Bar of Challenges and Claims.** The Debtors' Stipulations shall be binding upon the Debtors in all circumstances upon entry of this Interim Order. The Debtors' Stipulations shall be binding upon each other party in interest, including the Committee, unless such Committee or any other party in interest (including any Chapter 11 trustee appointed) other than the Debtors (or if the Cases are converted to cases under chapter 7 prior to the expiration of the Challenge Period (as defined below), the chapter 7 trustee in such Successor Case), *first*, commences within seventy-five (75) calendar days following the Petition Date (such time period, as the same may be extended in accordance with this Paragraph 6, shall be referred to as the "Challenge Period," and the date that is the next calendar day after the termination of the Challenge Period in the event that either (i) no Challenge (as defined below) is properly raised during the Challenge Period or (ii) with respect only to those parties who properly file a Challenge (as defined below), such Challenge is fully and finally adjudicated, shall be referred to as the "Challenge Period Termination Date"),

(A) a contested matter, adversary proceeding, or other action or “claim” (as defined in the Bankruptcy Code) challenging or otherwise objecting to the admissions, stipulations, findings, or releases included in the Debtors’ Stipulations, or (B) a contested matter, adversary proceeding, or other action against any or all of the Prepetition Secured Parties in connection with or related to the Prepetition Credit Obligations, or the actions or inactions of any of the Prepetition Secured Parties arising out of or related to the Prepetition Credit Obligations or otherwise, including, without limitation, any claim against any or all of the Prepetition Secured Parties in the nature of a “lender liability” cause of action, setoff, counterclaim, or defense to the Prepetition Credit Obligations (including, but not limited to, those under sections 506, 544, 547, 548, 549, 550, and/or 552 of the Bankruptcy Code or by way of suit against any of the Prepetition Secured Parties) (clauses (i) and (ii) collectively, the “Challenges” and, each individually, a “Challenge”), and *second*, obtains a final, non-appealable order in favor of such party in interest sustaining any such Challenge in any such timely-filed contested matter, adversary proceeding, or other action. If a Chapter 7 trustee or a Chapter 11 trustee is appointed during the Challenge Period, the Challenge Period Termination Date with respect to such trustee only, shall be the later of (i) the last day of the Challenge Period and (ii) the date that is twenty (20) days after the date on which such trustee is appointed. For the avoidance of doubt, a Challenge must be brought no later than seventy-five (75) calendar days following the Petition Date, whether brought by a statutory Committee or any other party in interest (other than a Chapter 7 trustee or a Chapter 11 trustee). Except as otherwise expressly provided herein, from and after the Challenge Period Termination Date and for all purposes in these Cases and any Successor Cases, (i) all payments made to or for the benefit of the Prepetition Secured Parties pursuant to, or otherwise authorized by, this Interim Order or otherwise (whether made prior to, on, or after the Petition Date) shall be indefeasible

and not be subject to counterclaim, set-off, subordination, recharacterization, defense, or avoidance, (ii) any and all such Challenges by any party in interest shall be deemed to be forever released, waived, and barred; (iii) the Prepetition Credit Obligations shall be deemed to be a fully allowed secured claim within the meaning of section 506 of the Bankruptcy Code and (iv) the Debtors' Stipulations, including the release provisions therein, shall be binding on all parties in interest, including any Committee. Notwithstanding the foregoing, to the extent any Challenge is timely asserted in any such adversary proceeding, contested matter or other action or proceeding, the Debtors' Stipulations and the other provisions in clauses (i) through (iv) in the immediately preceding sentence shall nonetheless remain binding and preclusive on any Committee and on any other party in interest from and after the Challenge Period Termination Date, except to the extent that such Debtors' Stipulations or the other provisions in clauses (i) through (iv) of the immediately preceding sentence were expressly challenged with particularity in such adversary proceeding, contested matter, or other action. The Challenge Period may only be extended with the written consent of the Prepetition Agent in its sole discretion. Notwithstanding any provision to the contrary herein, nothing in this Interim Order shall be construed to grant standing on any party in interest, including any Committee, to bring any Challenge on behalf of the Debtors' estates. The failure of any party in interest, including any Committee, to obtain an order of this Court prior to the Challenge Period Termination Date granting standing to bring any Challenge on behalf of the Debtors' estates shall not be a defense to failing to commence a Challenge prior to the Challenge Period Termination Date as required under this Paragraph 6.

7. **Carve-Out.** Subject to the terms and conditions contained in this Paragraph 7, each of the DIP Liens, the DIP Superpriority Claims, the Prepetition Liens, the Prepetition Adequate Protection Liens, and the Prepetition Adequate Protection Superpriority Claims shall

be subject and subordinate to payment of the Carve-Out (as defined below) in accordance with the terms of this Interim Order:

(i) Carve-Out. For purposes of this Interim Order, “Carve-Out” means (a) all unpaid fees required to be paid in these Cases to the clerk of the Bankruptcy Court and to the office of the United States Trustee under 28 U.S.C. § 1930(a)(6); (b) subject to the terms and conditions of this Interim Order, the unpaid fees, costs, and disbursements of professionals retained by the Debtors in these Cases other than the Debtors’ ordinary course professionals (collectively, the “Debtors’ Professionals”) that are incurred prior to the delivery by the DIP Agent of a Carve-Out Trigger Notice (as defined below), are in accordance with and limited by the Approved Budget, and are allowed either prior to or after the delivery by the DIP Agent of a Carve-Out Trigger Notice (as defined below) pursuant to an order of the Court under sections 327, 330, or 363 of the Bankruptcy Code and remain unpaid after application of any retainers being held by such professionals; (c) subject to the terms and conditions of this Interim Order, the reasonable unpaid fees, costs, and disbursements of professionals retained by the Committee in these Cases (collectively, the “Committee’s Professionals”) and all reasonable unpaid out-of-pocket expenses of the members of any Committee (“Committee Members”), in each case that are incurred prior to the delivery by the DIP Agent of a Carve-Out Trigger Notice and in accordance with and limited by the Approved Budget, and that are allowed either prior to or after the delivery by the DIP Agent of a Carve-Out Trigger Notice (as defined below) by the Court under sections 328, 330, or 1103 of the Bankruptcy Code and remain unpaid after application of any retainers being held by such professionals; (d) the reasonable unpaid fees, costs, and disbursements of the Debtors’ Professionals that are incurred after the delivery of a Carve-Out Trigger Notice, that are allowed by the Court under sections 327 or 363 of the Bankruptcy Code

and that are in accordance with the Budget (the “Debtors’ Professionals Post-Default Carve-Out”); and (e) the reasonable unpaid fees, costs, and disbursements of the Committee Professionals and the reasonable unpaid expenses of Committee Members that are incurred after the delivery of a Carve-Out Trigger Notice, that are allowed by the Court under sections 328 or 1103 of the Bankruptcy Code and that are in accordance with the Budget (the “Committee Post-Default Carve-Out”) (clauses (a), (b), (c), (d), and (e), collectively, the “Carve-Out”). The Debtors’ Professionals Post-Default Carve-Out and the Committee Post-Default Carve-Out shall not exceed \$500,000 in the aggregate (inclusive of any unapplied retainers held by such professionals) (the “Post-Default Carve-Out Cap”). The term “Carve-Out Trigger Notice” shall mean a written notice delivered by the DIP Agent to the Debtors’ lead counsel, the United States Trustee, and lead counsel to any Committee appointed in these Cases, which notice may be delivered at any time following the occurrence and during the continuation of any Termination Event. Upon the delivery of a Carve-Out Trigger Notice, (A) the Debtors shall immediately fund into the Carve-Out Account (as defined below) an amount equal to the Post-Default Carve-Out Cap, and (B) until the Carve-Out Account (as defined below) has been funded in an additional amount equal to the unpaid fees and expenses that were incurred prior to the delivery of the Carve-Out Trigger Notice in accordance with (b) and (c) above, that have not been disallowed by the Court and for which such Debtors’ Professionals or Committee’s Professionals have submitted a copy of an application to the Court or monthly fee statement, net proceeds of the DIP Collateral thereafter realized by or remitted to the Prepetition Agent that, but for the Carve-Out, would be utilized by the Prepetition Agent to permanently repay the Prepetition Credit Obligations (x) shall be transferred by the Debtors into a segregated account established by the Debtors (the “Carve-Out Account”) and (y) shall not reduce the Prepetition Credit Obligations.

All amounts deposited in the Carve-Out Account shall continue to be subject to the DIP Liens, the Prepetition Adequate Protection Liens and the Prepetition First Priority Liens such that, upon final payment of all allowed amounts due and owing under the Carve-Out, then any funds remaining in the Carve-Out Account shall be remitted to the DIP Agent or the Prepetition Agent, as applicable, in accordance with this Interim Order, for application in accordance with this Interim Order and the DIP Loan Documents or Prepetition Loan Documents, as applicable. No amounts set forth in this subparagraph (i) with respect to the Post-Default Carve-Out Cap may be modified without the prior written consent of the DIP Agent and the Prepetition Agent.

(ii) No Direct Obligation to Pay Professional Fees; No Waiver of Right to Object to Fees. Neither the DIP Secured Parties nor the Prepetition Secured Parties shall be responsible for the direct payment or reimbursement of any fees or disbursements of any of the Debtors' Professionals or Committee's Professionals incurred in connection with the Cases or any Successor Cases under any chapter of the Bankruptcy Code. Nothing in this Interim Order or otherwise shall be construed (i) to obligate any DIP Secured Party or any Prepetition Secured Party in any way to pay compensation to, or to reimburse expenses of, any of the Debtors' Professionals or Committee's Professionals, or to guarantee that the Debtors have sufficient funds to pay such compensation or reimbursement or (ii) to increase the Carve-Out if actual allowed fees and expenses of any of the Debtors' Professionals or Committee's Professionals are higher in fact than the Carve-Out Cap. The respective Prepetition Secured Parties' liens and claims shall be subject to the Carve-Out as set forth in this Interim Order. Notwithstanding any provision in this Paragraph 7 to the contrary, no portion of the Carve-Out, Cash Collateral, Prepetition Collateral, DIP Collateral or proceeds of the DIP Facility shall be utilized for the payment of professional fees and disbursements to the extent restricted under Paragraph 16

hereof. Nothing herein shall be construed as consent to the allowance of any professional fees or expenses of any of the Debtors, any Committee, any other official or unofficial committee in these Cases, or of any other person or entity, or shall affect the right of any DIP Secured Party or any Prepetition Secured Party to object to the allowance and payment of such fees and expenses.

(iii) Payment of Allowed Professional Fees Prior to the Termination Declaration Date.

Prior to the occurrence of the Termination Declaration Date, the Debtors shall be permitted to pay allowed fees of the Debtors' Professionals and the Committee's Professionals (to the extent the fees of the Debtors' Professionals and the Committee's Professionals were incurred in accordance with the Approved Budget), subject to the Bankruptcy Code, the Bankruptcy Rules, the Local Rules and any interim compensation procedures order entered by this Court. The amounts paid prior to the Carve-Out Trigger Notice shall not reduce the Carve-Out.

8. Waiver of 506(c) Claims. Subject to the entry of the Final Order, as a further condition of the DIP Facility and any obligation of the DIP Secured Parties to make credit extensions pursuant to the DIP Loan Documents (and their consent to the payment of the Carve-Out to the extent provided herein) and as a further condition to the Debtors' use of Cash Collateral pursuant to this Interim Order and a Final Order, no costs or expenses of administration of the Cases or any Successor Cases shall be charged against or recovered from or against any or all of the DIP Secured Parties and/or the Prepetition Secured Parties, the Prepetition Collateral, the DIP Collateral and the Cash Collateral, in each case pursuant to section 506(c) of the Bankruptcy Code or otherwise, without the prior written consent of the Prepetition Agent and the DIP Agent, and no such consent shall be implied from any other action, inaction, or acquiescence of any or all of the Prepetition Secured Parties and the DIP Secured Parties.

9. **After-Acquired Property.** Except as otherwise expressly provided in this Interim Order, pursuant to section 552(a) of the Bankruptcy Code, all property acquired by the Debtors on or after the Petition Date is not, and shall not be, subject to any Lien of any person or entity resulting from any security agreement entered into by the Debtors prior to the Petition Date, except to the extent that such property constitutes proceeds of property of the Debtors that is subject to a valid, enforceable, perfected, and unavoidable Lien as of the Petition Date which is not subject to subordination or avoidance under the Bankruptcy Code or other provisions or principles of applicable law.

10. **Protection of DIP Secured Parties' Rights.**

(a) Unless the requisite DIP Secured Parties under the DIP Loan Documents shall have provided their prior written consent or all DIP Obligations have been Paid in Full, there shall not be entered in these proceedings, or in any Successor Cases, any order which authorizes any of the following: (i) the obtaining of credit or the incurring of indebtedness that is secured by a security, mortgage, or collateral interest or other Lien on all or any portion of the DIP Collateral and/or that is entitled to administrative priority status, in each case which is superior to or *pari passu* with the DIP Liens, the DIP Superpriority Claims, and/or the other DIP Protections granted pursuant to this Interim Order to the DIP Secured Parties; or (ii) the use of Cash Collateral for any purpose other than to Pay in Full the DIP Obligations or as otherwise permitted in the DIP Loan Documents and this Interim Order.

(b) The Debtors (and/or their legal and financial advisors in the case of clauses (ii) through (iv) below) will (i) maintain books, records, and accounts to the extent and as required by the DIP Loan Documents, (ii) reasonably cooperate, consult with, and provide to the DIP Secured Parties and the Prepetition Secured Parties all such information as required or

allowed under the DIP Loan Documents or the provisions of this Interim Order, (iii) permit representatives of the DIP Agent and the Prepetition Agent such rights to visit and inspect any of the Debtors' respective properties, to examine and make abstracts or copies from any of their respective books and records, to conduct a collateral audit and analysis of their respective inventory and accounts, to tour the Debtors' business premises and other properties, and to discuss, and provide advice with respect to, their respective affairs, finances, properties, business operations, and accounts with their respective officers, employees, and independent public accountants as and to the extent required by the DIP Loan Documents (with the Prepetition Agent being granted the same access and cooperation rights as the DIP Agent for purposes of this subsection (b)), and (iv) permit the DIP Agent and the Prepetition Agent and their respective representatives to consult with the Debtors' management and advisors on matters concerning the Debtors' businesses, financial condition, operations and assets.

11. **Proceeds of Subsequent Financing.** Without limiting the provisions and protections of Paragraph 10 above, if at any time prior to the Payment in Full of all the DIP Obligations (including subsequent to the confirmation of any Chapter 11 plan or plans with respect to any of the Debtors), the Debtors' estates, any trustee, any examiner with enlarged powers, or any responsible officer subsequently appointed shall obtain credit or incur debt pursuant to sections 364(b), 364(c), 364(d), or any other provision of the Bankruptcy Code in violation of the DIP Loan Documents, then all of the cash proceeds derived from such credit or debt and all Cash Collateral shall immediately be turned over to the DIP Agent until Payment in Full of the DIP Obligations.

12. **Cash Collection.** From and after the date of the entry of this Interim Order, all cash and Cash Equivalents (as defined in the DIP Credit Agreement) received by any Debtor,

including collections and proceeds of any DIP Collateral and Prepetition Collateral or services provided by any Debtor and all Cash Collateral which shall at any time come into the possession, custody, or control of any Debtor, or to which any Debtor is now or shall become entitled at any time, shall be promptly deposited in the Loan Account (as defined in the DIP Credit Agreement) (or in such other accounts as are designated by the DIP Agent from time to time).

13. **Disposition of DIP Collateral.** Unless the DIP Obligations and the Prepetition Credit Obligations are Paid in Full upon the closing of a sale or other disposition, the Debtors shall not sell, transfer, lease, encumber, or otherwise dispose of any portion of the DIP Collateral (or enter into any binding agreement to do so) without the prior written consent of the requisite DIP Secured Parties under the DIP Loan Documents and the Prepetition Agent (and no such consent shall be implied from any other action, inaction, or acquiescence by any DIP Secured Party or Prepetition Secured Party or any order of this Court), except as permitted in the DIP Loan Documents and/or the Prepetition Loan Documents, as applicable, and this Interim Order.

14. **Termination Events.** The following shall constitute a termination event under this Interim Order and the DIP Loan Documents unless waived in writing by each of the DIP Agent, the Required Lenders, and the Prepetition Agent (each, a "Termination Event"):

(a) The occurrence of an "Event of Default" under the DIP Credit Agreement, as set forth therein (a "DIP Default Termination Event").

(b) Any other breach, default or other violation by any of the Debtors of the terms and provisions of this Interim Order.

(c) The Debtors' failure to timely and strictly comply with the obligations and deadlines set forth in Exhibit C attached hereto (the "Sale Milestones").

15. **Rights and Remedies Upon Termination Event.**

(a) Any automatic stay otherwise applicable to the DIP Secured Parties is hereby modified, without requiring prior notice to or authorization of this Court, to the extent necessary to permit the DIP Secured Parties to exercise the following remedies immediately upon the occurrence and during the continuance of any Termination Event (as set forth in section 3 of this Interim Order): (i) terminate the DIP Obligations; (ii) declare the principal amount then outstanding of, and the accrued interest on, the DIP Obligations and all other amounts payable by the Debtors under the DIP Loan Documents to be forthwith due and payable, whereupon such amounts shall be immediately due and payable without presentment, demand, protest, or other formalities of any kind, all of which are hereby expressly waived by the Debtors; (iii) terminate the DIP Facility and any DIP Loan Document as to any future liability or obligation of the DIP Secured Parties, but without affecting any of the DIP Obligations or the DIP Liens securing the DIP Obligations; (iv) declare a termination, reduction, or restriction on the ability of the Debtors to use any Cash Collateral (except as permitted in Paragraph 15(b) below), including Cash Collateral derived solely from the proceeds of DIP Collateral (any such declaration to be made in writing to the Debtors, the Prepetition Agent, the respective lead counsel to any Committee, and the United States Trustee shall be referred to herein as a “Termination Declaration” and the date which is the earliest to occur of any such Termination Declaration being herein referred to as the “Termination Declaration Date”); (v) reduce any claim to judgment; (vi) take any other action permitted by law; and/or (vii) take any action permitted to be taken by the DIP Loan Documents during the continuance of any Termination Event.

(b) Five (5) Business Days following a Termination Declaration Date, the DIP Agent shall be deemed to have relief from the automatic stay and may foreclose on all or any portion of the DIP Collateral, collect accounts receivable, and apply the proceeds thereof to the

DIP Obligations, occupy the Debtors' premises to sell or otherwise dispose of the DIP Collateral, or otherwise exercise remedies against the DIP Collateral permitted by applicable nonbankruptcy law. During the 5 Business Day period after a Termination Declaration Date, the Debtors, the DIP Agent, the Prepetition Agent and any Committee shall be entitled to an emergency hearing before the Court for the sole purpose of contesting whether a Termination Event has occurred and section 105 of the Bankruptcy Code may not be invoked by the Debtors, the Committee, or any other party in interest in an effort to restrict or preclude any DIP Secured Party from exercising any rights or remedies set forth in this Interim Order or the DIP Loan Documents. Unless during such period the Court determines that a Termination Event has not occurred and/or is not continuing, the automatic stay, as to the DIP Secured Parties, shall automatically terminate at the end of such five Business Day period, without further notice or order. During such five Business Day period, the Debtors may not use Cash Collateral or any amounts under the DIP Credit Facility except to pay payroll and other expenses critical to keep the business of the Debtors operating in accordance with and otherwise due under the Approved Budget.

(c) All proceeds realized in connection with the exercise of the rights and remedies of the DIP Secured Parties or the Prepetition Secured Parties shall be turned over to the DIP Agent for application to the other DIP Obligations under, and in accordance with, the provisions of the DIP Loan Documents until Payment in Full of the DIP Obligations; provided, that in the event of the liquidation of the Debtors' estates after the occurrence and during the continuance of a Termination Event, the Carve-Out shall be funded into a segregated account exclusively (i) first, from proceeds of any unencumbered assets of the Debtors, and (ii) then from Cash Collateral received by the DIP Agent subsequent to the date of termination of the DIP

Obligations and prior to the distribution of any such Cash Collateral to any other parties in interest.

(d) Subject to entry of the Final Order, and notwithstanding anything contained herein to the contrary, and without limiting any other rights or remedies of the DIP Agent or the other DIP Secured Parties contained in this Interim Order or the DIP Loan Documents, or otherwise available at law or in equity, and subject to the terms of the DIP Loan Documents, upon five (5) Business Days' written notice to the Debtors and any landlord, lienholder, licensor, or other third party owner of any leased or licensed premises or intellectual property that a Termination Event has occurred and is continuing, the DIP Agent (i) may, unless otherwise provided in any separate agreement by and between the applicable landlord or licensor and the DIP Agent (the terms of which shall be reasonably acceptable to the parties thereto), enter upon any leased or licensed premises of the Debtors for the purpose of exercising any remedy with respect to DIP Collateral located thereon and (ii) shall be entitled to all of the Debtors' rights and privileges as lessee or licensee under the applicable license and to use any and all trademarks, trade names, copyrights, licenses, patents, or any other similar assets of the Debtors, which are owned by or subject to a Lien of any third party and which are used by Debtors in their businesses, in either the case of subparagraph (i) or (ii) of this Paragraph 15(d) without interference from lienholders or licensors thereunder, subject to such lienholders' or licensors' rights under applicable law; provided, however, that the DIP Agent, on behalf of the DIP Secured Parties, shall pay only rent and additional rent, fees, royalties, or other monetary obligations of the Debtors that first arise after the written notice referenced above from the DIP Agent and that accrue during the period of such occupancy or use by such DIP Agent calculated on a *per diem* basis. Nothing herein shall require the Debtors, the DIP Agent, or the other DIP

Secured Parties to assume any lease or license under Bankruptcy Code section 365(a) as a precondition to the rights afforded to the DIP Agent and the other DIP Secured Parties in this Paragraph 15(d).

(e) The automatic stay imposed under Bankruptcy Code section 362(a) is hereby modified pursuant to the terms of this Interim Order and the DIP Loan Documents as necessary to (i) permit the Debtors to grant the Prepetition Adequate Protection Liens and the DIP Liens and to incur all liabilities and obligations to the Prepetition Secured Parties and the DIP Secured Parties under the DIP Loan Documents, the DIP Facility, and this Interim Order, (ii) authorize the DIP Secured Parties and the Prepetition Secured Parties to retain and apply payments made in accordance with the DIP Loan Documents and this Interim Order, and (iii) otherwise to the extent necessary to implement and effectuate the provisions of this Interim Order.

16. **Restriction on Use of Proceeds.** Notwithstanding anything herein to the contrary, no loans and/or proceeds from the DIP Facility, DIP Collateral, Cash Collateral (including any retainer held by any professionals for the below-referenced parties), Prepetition Collateral, or any portion of the Carve-Out may be used by (a) any Committee or trustee or other estate representative appointed in the Cases or any Successor Cases, or any other person, party, or entity (or to pay any professional fees and disbursements incurred in connection therewith) to investigate or prosecute any litigation or other action in connection with the value of the Prepetition Collateral or the DIP Collateral at any time; and (b) any of the Debtors, any Committee, and any trustee or other estate representative appointed in the Cases or any Successor Cases, or any other person, party, or entity to (or to pay any professional fees and disbursements incurred in connection therewith): (i) request authorization to obtain postpetition

loans or other financial accommodations pursuant to Bankruptcy Code section 364(c) or (d), or otherwise, other than from the DIP Secured Parties; (ii) investigate (except as set forth below), assert, join, commence, support, or prosecute any action for any claim, counter-claim, action, proceeding, application, motion, objection, defense, or other contested matter seeking any order, judgment, determination, or similar relief against, or adverse to the interests of, in any capacity, any or all of the DIP Secured Parties, the Prepetition Secured Parties, and their respective officers, directors, employees, agents, attorneys, affiliates, assigns, or successors, with respect to any transaction, occurrence, omission, action, or other matter (including formal or informal discovery proceedings in anticipation thereof), including, without limitation, (A) any Challenges and any Avoidance Actions or other actions arising under chapter 5 of the Bankruptcy Code; (B) any action with respect to the validity, enforceability, priority, and extent of the DIP Obligations and/or the Prepetition Credit Obligations, or the validity, extent, and priority of the DIP Liens, the Prepetition First Priority Liens, or the Prepetition Adequate Protection Liens (including, with respect to the Prepetition Secured Parties only, the value of the DIP Collateral); (C) any action seeking to invalidate, set aside, avoid, or subordinate, in whole or in part, the DIP Liens, the other DIP Protections, the Prepetition First Priority Liens, the Prepetition Adequate Protection Liens, or the other Prepetition Secured Parties' Adequate Protection; (D) except to contest the occurrence or continuance of any Termination Event as permitted in Paragraph 15, any action seeking, or having the effect of, preventing, hindering, or otherwise delaying any or all of the DIP Secured Parties' (and, after the Payment in Full of the DIP Obligations, the Prepetition Secured Parties' assertion, enforcement, or realization on the Cash Collateral or the DIP Collateral in accordance with the DIP Loan Documents or the Prepetition Loan Documents, as applicable, or this Interim Order); and/or (E) any action seeking to modify any of the rights,

remedies, priorities, privileges, protections, and benefits granted to any or all of the DIP Secured Parties and the Prepetition Secured Parties hereunder or under the DIP Loan Documents or the Prepetition Loan Documents, as applicable; provided, however, up to \$50,000 in the aggregate of the Carve-Out, any DIP Collateral, any Prepetition Collateral, any Cash Collateral and proceeds of the DIP Facility may be used by the Committee (to the extent such Committee is appointed) to investigate (but not document suit or otherwise prosecute) the extent, validity, and priority of the Prepetition Credit Obligations, the Prepetition First Priority Liens, or any other claims against the Prepetition Secured Parties so long as such investigation occurs within the Challenge Period; (iii) pay any fees or similar amounts to any person (other than the Prepetition Secured Parties) who has proposed or may propose to purchase interests in any of the Debtors without the prior written consent of the DIP Agent; or (iv) use or seek to use Cash Collateral or sell or otherwise dispose of DIP Collateral, unless otherwise permitted hereby, without the consent of the DIP Agent and the Prepetition Agent, as applicable.

17. **Proofs of Claim.** The Prepetition Secured Parties will not be required to file proofs of claim in any of the Cases or Successor Cases for any claim allowed herein. The Debtors' Stipulations shall be deemed to constitute a timely filed proof of claim for the Prepetition Secured Parties. Notwithstanding any order entered by the Court in relation to the establishment of a bar date in any of the Cases or Successor Cases to the contrary, the Prepetition Agent, for the benefit of itself and the other Prepetition Lenders, is hereby authorized and entitled, in its sole discretion, but not required, to file (and amend and/or supplement, as they see fit) a proof of claim and/or aggregate proofs of claim in each of the Cases or Successor Cases for any claim allowed herein.

18. **Preservation of Rights Granted Under the Interim Order.**

(a) No Non-Consensual Modification or Extension of Interim Order. The Debtors irrevocably waive any right to seek any amendment, modification, or extension of this Interim Order without the prior written consent of the DIP Agent and the Prepetition Agent, and no such consent shall be implied by any other action, inaction, or acquiescence of the DIP Secured Parties or any of the Prepetition Secured Parties. In the event any or all of the provisions of this Interim Order are hereafter modified, amended, or vacated by a subsequent order of this Court or any other court, such modification, amendment, or vacatur shall not affect the validity, perfection, priority, allowability, enforceability, or non-avoidability of any advances, payments, or use of cash whether previously or hereunder, or lien, claim, or priority authorized or created hereby. Based on the findings set forth in this Interim Order and in accordance with section 364(e) of the Bankruptcy Code, which is applicable to the DIP Facility contemplated by this Interim Order, in the event any or all of the provisions of this Interim Order are hereafter reversed, modified, vacated, or stayed by a subsequent order of this Court or any other court, the DIP Secured Parties and the Prepetition Secured Parties shall be entitled to the protections provided in section 364(e) of the Bankruptcy Code, and no such reversal, modification, vacatur, or stay shall affect (i) the validity, priority, or enforceability of any DIP Protections and the Prepetition Secured Parties' Adequate Protection granted or incurred prior to the actual receipt of written notice by the DIP Agent or the Prepetition Agent, as the case may be, of the effective date of such reversal, modification, vacatur, or stay or (ii) the validity, enforceability and non-avoidability of any lien or priority authorized or created hereby or pursuant to the DIP Loan Documents with respect to any DIP Obligations and the Prepetition Secured Parties' Adequate Protection. Notwithstanding any such reversal, modification, vacatur, or stay, any use of Cash Collateral or any DIP Obligations or Prepetition Secured Parties'

Adequate Protection incurred or granted by the Debtors prior to the actual receipt of written notice by the DIP Agent or the Prepetition Agent, as applicable, of the effective date of such reversal, modification, vacatur, or stay shall be governed in all respects by the original provisions of this Interim Order, and the DIP Secured Parties and the Prepetition Secured Parties shall be entitled to all of the DIP Protections and Prepetition Secured Parties' Adequate Protection, as the case may be, and all other rights, remedies, liens, priorities, privileges, protections, and benefits granted in section 364(e) of the Bankruptcy Code, this Interim Order, and pursuant to the DIP Loan Documents with respect to all uses of Cash Collateral and all DIP Obligations and Prepetition Secured Parties' Adequate Protection.

(b) Dismissal. If any order dismissing any of the Cases under section 1112 of the Bankruptcy Code or otherwise is at any time entered, such order shall provide (in accordance with sections 105 and 349 of the Bankruptcy Code), that (i) the DIP Protections and the Prepetition Secured Parties' Adequate Protection shall continue in full force and effect and shall maintain their priorities as provided in this Interim Order until all DIP Obligations have been Paid in Full, the Prepetition Credit Obligations have been Paid in Full (and that all DIP Protections and the Prepetition Secured Parties' Adequate Protection shall, notwithstanding such dismissal, remain binding on all parties in interest), and (ii) this Court shall retain jurisdiction, notwithstanding such dismissal, for the purposes of enforcing such DIP Protections and the Prepetition Secured Parties' Adequate Protection.

(d) Survival of Interim Order. The provisions of this Interim Order and the DIP Loan Documents, any actions taken pursuant hereto or thereto, and all of the DIP Protections, the Prepetition Secured Parties' Adequate Protection, and all other rights, remedies, liens, priorities, privileges, protections, and benefits granted to any or all of the DIP Secured

Parties and the Prepetition Secured Parties, respectively, shall survive, and shall not be modified, impaired, or discharged by, the entry of any order confirming any plan of reorganization in any Case, converting any Case to a case under chapter 7, dismissing any of the Cases, withdrawing of the reference of any of the Cases or any Successor Cases or providing for abstention from handling or retaining of jurisdiction of any of the Cases in this Court, or terminating the joint administration of these Cases or by any other act or omission. The terms and provisions of this Interim Order, including all of the DIP Protections, the Prepetition Secured Parties' Adequate Protection, and all other rights, remedies, liens, priorities, privileges, protections, and benefits granted to any or all of the DIP Secured Parties and the Prepetition Secured Parties, shall continue in full force and effect notwithstanding the entry of any such order, and such DIP Protections and Prepetition Secured Parties' Adequate Protection shall continue in these proceedings and in any Successor Cases, and shall maintain their respective priorities as provided by this Interim Order. Subject to the provisions of this Interim Order and the DIP Loan Documents that permit the treatment of the DIP Obligations under the DIP Facility pursuant to the Plan or any other Chapter 11 plan with respect to any of the Debtors, the DIP Obligations shall not be discharged by the entry of an order confirming the Plan or any other such Chapter 11 plan, the Debtors having waived such discharge pursuant to section 1141(d)(4) of the Bankruptcy Code.

19. **Insurance Policies.** Upon entry of this Interim Order, the DIP Agent and the DIP Lenders shall be, and shall be deemed to be, without any further action or notice, named as additional insureds and loss payees, as applicable, on each insurance policy maintained by the Debtors which in any way relates to the DIP Collateral.

20. **Other Rights and Obligations.**

(a) Expenses. As provided in the DIP Loan Documents (and without limiting the Debtors' respective obligations thereunder), the applicable Debtors will pay all reasonable expenses incurred by the DIP Agent (including, without limitation, the reasonable fees and disbursements of all counsel for the DIP Agent and any internal or third-party appraisers, consultants, advisors and auditors engaged by or for the benefit of the DIP Agent and/or its counsel) in connection with the preparation, execution, delivery, and administration of the DIP Loan Documents, this Interim Order, the Final Order, and any other agreements, instruments, pleadings, or other documents prepared or reviewed in connection with any of the foregoing, whether or not any or all of the transactions contemplated hereby or by the DIP Loan Documents are consummated.

(b) Notice of Professional Fees. Professionals for the DIP Agent and the Prepetition Secured Parties (including, without limitation, professionals engaged by counsel to the DIP Agent or Prepetition Agent, as applicable) (collectively, the "Lender Professionals") shall not be required to comply with the United States Trustee fee guidelines or submit invoices to the Court, United States Trustee, any Committee or any other party in interest absent further court order. Copies of summary invoices submitted to the Debtors by such Lender Professionals shall be forwarded by the Debtors to the United States Trustee, counsel for any Committee, and such other parties as the Court may direct. The summary invoices shall be sufficiently detailed to enable a determination as to the reasonableness of such fees and expenses; provided, however, that such summary invoices may be redacted to the extent necessary to delete any information subject to the attorney-client privilege, any information constituting attorney work product, or any other confidential information, and the provision of such summary invoices shall not constitute any waiver of the attorney-client privilege or of any benefits of the attorney work

product doctrine or other applicable privilege. If the Debtors, United States Trustee, or counsel for any Committee object to the reasonableness of the fees and expenses of any of the Lender Professionals and cannot resolve such objection within ten (10) days of receipt of such invoices, the Debtors, United States Trustee, or the Committee, as the case may be, shall file with the Court and serve on such Lender Professionals an objection (the "Fee Objection") limited to the issue of the reasonableness of such fees and expenses. Any hearing on an objection to payment of any fees, costs, and expenses set forth in a professional fee invoice shall be limited to the reasonableness of the particular items or categories of the fees, costs, and expenses which are the subject of such objection. The Debtors shall timely pay in accordance with the terms and conditions of this Interim Order the undisputed fees, costs, and expenses reflected on any invoice to which a Fee Objection has been timely filed. The Debtors shall indemnify the DIP Agent and the other DIP Secured Parties (and other applicable parties) to the extent set forth in the DIP Loan Documents, including, without limitation, as provided in Section 9.05 of the DIP Credit Agreement. All such unpaid fees, costs, expenses, charges, and indemnities of the DIP Agent that have not been disallowed by this Court on the basis of an objection filed by the United States Trustee or the Committee (or any subsequent trustee of the Debtors' estates) in accordance with the terms hereof shall constitute DIP Obligations and shall be secured by the DIP Collateral as specified in this Interim Order. Any and all fees, commissions, costs, and expenses paid prior to the Petition Date by any Debtor to the DIP Agent or the DIP Lenders in connection with or with respect to the DIP Facility, the DIP Credit Agreement, or the other DIP Loan Documents are hereby approved in full and non-refundable.

(c) Binding Effect. Subject to Paragraph 6 above, the provisions of this Interim Order, including all findings herein, and the DIP Loan Documents shall be binding upon

all parties in interest in these Cases, including, without limitation, the DIP Secured Parties, the Prepetition Secured Parties, any Committee, and the Debtors and their respective successors and assigns (including any chapter 7 or chapter 11 trustee hereinafter appointed or elected for the estate of any of the Debtors, an examiner appointed pursuant to section 1104 of the Bankruptcy Code, or any other fiduciary or responsible person appointed as a legal representative of any of the Debtors or with respect to the property of the estate of any of the Debtors), whether in any of the Cases, in any Successor Cases, or upon dismissal of any such Case or Successor Case; provided, however, that the DIP Secured Parties and the Prepetition Secured Parties shall have no obligation to permit the use of Cash Collateral or to extend any financing to any chapter 7 or chapter 11 trustee or other responsible person appointed for the estates of the Debtors in any Case or Successor Case.

(d) No Waiver. Neither the failure of the Prepetition Secured Parties to seek relief or otherwise exercise their rights and remedies under this Interim Order, the Prepetition Loan Documents, or otherwise (or any delay in seeking or exercising same), nor the failure of the DIP Secured Parties to seek relief or otherwise exercise their respective rights and remedies under this Interim Order, the DIP Loan Documents, or otherwise (or any delay in seeking or exercising same), shall constitute a waiver of any of such parties' rights hereunder, thereunder, or otherwise. Nothing contained in this Interim Order (including, without limitation, the authorization of the use of any Cash Collateral) shall impair or modify any rights, claims, or defenses available in law or equity to any Prepetition Secured Party or any DIP Secured Party, including, without limitation, rights of a party to a swap agreement, securities contract, commodity contract, forward contract, or repurchase agreement with a Debtor to assert rights of setoff or other rights with respect thereto as permitted by law (or the right of a Debtor to contest

such assertion). Except as prohibited by this Interim Order, the entry of this Interim Order is without prejudice to, and does not constitute a waiver of, expressly or implicitly, or otherwise impair, the ability of the Prepetition Secured Parties or the DIP Secured Parties under the Bankruptcy Code or under non-bankruptcy law to (i) request conversion of the Cases to cases under chapter 7, dismissal of the Cases, or the appointment of a trustee in the Cases, (ii) propose, subject to the provisions of section 1121 of the Bankruptcy Code, any Chapter 11 plan or plans with respect to any of the Debtors, or (iii) except as expressly provided herein, exercise any of the rights, claims, or privileges (whether legal, equitable, or otherwise) of the DIP Secured Parties or the Prepetition Secured Parties, respectively. Except to the extent otherwise expressly provided in this Interim Order, neither the commencement of the Cases nor the entry of this Interim Order shall limit or otherwise modify the rights and remedies of the Prepetition Secured Parties with respect to non-Debtor entities or their respective assets, whether such rights and remedies arise under the Prepetition Secured Loan Documents, applicable law, or equity.

(e) No Third Party Rights. Except as explicitly provided for herein or in any DIP Loan Document, this Interim Order does not create any rights for the benefit of any third party, creditor, equity holder, or any direct, indirect, or incidental beneficiary. In determining to make any loan (whether under the DIP Credit Agreement or otherwise) or to permit the use of Cash Collateral or in exercising any rights or remedies as and when permitted pursuant to this Interim Order or the DIP Loan Documents, the DIP Secured Parties and the Prepetition Secured Parties shall not (i) be deemed to be in control of the operations of the Debtors or (ii) owe any fiduciary duty to the Debtors, their respective creditors, shareholders, or estates.

(f) No Marshaling. Neither the DIP Secured Parties nor the Prepetition Secured Parties shall be subject to the equitable doctrine of “marshaling” or any other similar doctrine with respect to any of the DIP Collateral or the Prepetition Collateral, as applicable.

(g) Amendments. The Debtors are authorized and empowered, without further notice and hearing or approval of this Court, to amend, modify, supplement, or waive any provision of the DIP Loan Documents in accordance with the provisions thereof, in each case unless such amendment, modification, supplement, or waiver (i) increases the interest rate (other than as a result of the imposition of the default rate), (ii) increases the aggregate lending commitments of all of the DIP Lenders in respect of the DIP Facility, (iii) changes the Maturity Date (as defined in the DIP Credit Agreement), or (iv) adds or amends (in any respect unfavorable to the Debtors) any Event of Default. No waiver, modification, or amendment of any of the provisions hereof shall be effective unless set forth in writing, signed by or on behalf of all the Debtors and the DIP Agent (after having obtained the approval of the requisite DIP Secured Parties under the DIP Credit Agreement) and, except as provided herein, approved by this Court. Notwithstanding the foregoing, no waiver, modification or amendment of any of the provisions of this Interim Order or the DIP Loan Documents that would directly and adversely affect the rights or interests of the Prepetition Secured Parties, as applicable, shall be effective unless also consented to in writing by the Prepetition Agent (on behalf of the Prepetition Secured Parties).

(h) Inconsistency. In the event of any inconsistency between the terms and conditions of the DIP Loan Documents and of this Interim Order, the provisions of this Interim Order shall govern and control.

(i) Enforceability. This Interim Order shall constitute findings of fact and conclusions of law pursuant to the Bankruptcy Rule 7052 and shall take effect and be fully enforceable *nunc pro tunc* to the Petition Date immediately upon execution hereof. Notwithstanding Bankruptcy Rules 4001(a)(3), 6004(h), 6006(d), 7062 or 9024 or any other Bankruptcy Rule, or Rule 62(a) of the Federal Rules of Civil Procedure, this Interim Order shall be immediately effective and enforceable upon its entry, and there shall be no stay of execution or effectiveness of this Interim Order.

(j) Reservation of Rights. Nothing in this Interim Order shall be deemed to constitute the consent of the DIP Secured Parties or the Prepetition Secured Parties, and each of the foregoing expressly reserve the right to object, to entry of any Order of the Bankruptcy Court that provides for the sale of all or substantially all of the assets of the Debtors to any party unless, in connection and concurrently with any such event, the proceeds of such sale are or will be sufficient to Pay in Full the DIP Obligations, the Prepetition Credit Obligations, the Prepetition Secured Parties' Adequate Protection and all of the foregoing are Paid in Full on the closing date of such sale.

(k) Headings. Paragraph headings used herein are for convenience only and are not to affect the construction of, or to be taken into consideration in, interpreting this Interim Order.

(l) General Cooperation From Debtors; Access to Information. Without limiting any of the Debtors' other obligations in this Interim Order or the DIP Loan Documents, each Debtor shall, and shall cause its senior officers, directors and financial advisors to, reasonably cooperate with the DIP Agent, the Prepetition Agent, and their respective advisors and representatives, in furnishing documents and information as and when reasonably requested

by such parties regarding the DIP Collateral or the Debtors' financial affairs, finances, financial condition, business, and operations. Notwithstanding anything to the contrary contained herein, the Debtors do not waive any right to attorney-client, work product, or similar privilege, and the Debtors shall not be required to provide the DIP Agent, the Prepetition Agent, or their respective financial advisors with any information subject to attorney-client privilege or consisting of attorney work product.

21. **Final Hearing**

(a) The Final Hearing to consider entry of the Final Order and final approval of the DIP Facility is scheduled for _____, 2015, at _____ (prevailing Eastern time) at the United States Bankruptcy Court for the District of Delaware. The proposed Final Order shall be substantially the same as the Interim Order except that (i) those provisions in the Interim Order that are subject to the entry of the Final Order shall be included in the Final Order without such qualification; and (ii) certain provisions of this Interim Order may be modified at or prior to the Final Hearing to address certain objections raised by parties in interest. If no objections to the relief sought in the Final Hearing are filed and served in accordance with this Interim Order, no Final Hearing may be held, and a separate Final Order may be presented by the Debtors and entered by this Court.

(b) **Final Hearing Notice**. On or before _____, 2015 the Debtors shall serve, by United States mail, first-class postage prepaid, (such service constituting adequate notice of the Final Hearing) (i) notice of the entry of this Interim Order and of the Final Hearing (the "**Final Hearing Notice**") and (ii) a copy of this Interim Order, on the parties having been given notice of the Interim Hearing and to any other party that has filed a request for notices with this Court and to any Committee after the same has been appointed, or Committee counsel, if the

same shall have been appointed. The Final Hearing Notice shall state that any party in interest objecting to the entry of the proposed Final Order shall file written objections with the Clerk of the Bankruptcy Court no later than _____, 2015, which objections shall: (i) be in writing; (ii) conform to the Bankruptcy Rules and the Local Rules; and (iii) be filed with the Clerk of the United States Bankruptcy Court for the District of Delaware no later than seven (7) business days before the Final Hearing and served upon the following parties so as to be actually received no later than seven (7) business days before the Final Hearing: (a) proposed counsel for the Debtors: Thompson & Knight LLP, 1722 Routh Street, Suite 1500, Dallas, TX 75201 (Attn: David M. Bennett, Esq.) and Bayard, P.A., 222 Delaware Avenue, Suite 900, Wilmington, DE 19801 (Attn: Neil B. Glassman, Esq., GianClaudio Finizio, Esq.); and (b) counsel for the DIP Agent: Latham & Watkins LLP, 885 Third Avenue, New York, NY 10022-4834 (Attn: Mitchell A. Seider, Esq. and Annemarie V. Reilly, Esq.).

22. **Retention of Jurisdiction.** The Bankruptcy Court has and will retain jurisdiction to enforce this Interim Order according to its terms.

Dated: _____, 2015
Wilmington, Delaware

UNITED STATES BANKRUPTCY JUDGE

EXHIBIT A

Parallel Energy (US Entities)															
Cash Flow Forecast															
November 6, 2015 to February 5, 2016 ("Forecast Period")															
(\$USD - Unaudited)															
(\$000's)															
Week ending	Note	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Wk 1-13
		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	15-Jan-16	22-Jan-16	29-Jan-16	5-Feb-16	TOTAL
Operating Receipts															
Petroleum and natural gas receipts		-	-	3,492	-	-	-	3,394	-	-	-	3,475	-	-	10,361
Less:															
Royalties	E	-	-	-	(689)	-	-	-	(670)	-	-	-	-	-	(1,358)
Production tax	E	-	(152)	-	-	-	(159)	-	-	-	(154)	-	-	-	(465)
Processing costs	E	-	-	-	(150)	-	-	-	(150)	-	-	-	-	(150)	(450)
Oxygen removal fee	E	-	-	(65)	-	-	-	(65)	-	-	-	-	(65)	-	(195)
Transportation	E	-	(43)	-	-	-	(43)	-	-	-	-	-	-	-	(85)
Total operating receipts (net of royalties, tax, etc)	A	-	(195)	3,427	(839)	-	(201)	3,329	(820)	-	(154)	3,475	(65)	(150)	7,807
Operating Disbursements															
Operating expenses															
Operating costs and workovers - US	B	-	-	466	215	265	415	307	215	265	415	307	215	265	3,350
Salaries and benefits - US	C	-	-	186	-	186	-	-	186	-	186	-	186	-	930
General and administrative costs - US	D	-	-	28	28	28	28	28	28	28	28	28	28	28	308
Critical suppliers - US	E	300	200	100	-	-	-	-	-	-	-	-	-	-	600
Vendor deposits/pre-payments - US	F	300	-	-	-	-	-	-	-	-	-	-	-	-	300
General and administrative costs - CAN		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Salaries and benefits - CAN		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contingency costs	G	23	15	35	16	20	31	23	16	20	31	23	16	20	289
Reimburse Parallel shared expenses (75%)	H	204	19	84	19	76	19	52	43	46	43	46	89	514	1,252
		827	234	899	278	575	493	410	488	359	703	404	534	827	7,029
Net operating receipts (expenses)		(827)	(429)	2,528	(1,116)	(575)	(694)	2,919	(1,308)	(359)	(857)	3,071	(599)	(977)	778
Interest expenses															
Base loan interest		1,056	-	-	1,293	-	-	-	1,336	-	-	-	-	-	3,685
Standby and commitment fee		-	-	-	-	-	-	-	-	-	-	-	-	-	-
	I	1,056	-	-	1,293	-	-	-	1,336	-	-	-	-	-	3,685
Net change in cash flows (before non-operating disbursement and DIP)		(1,883)	(429)	2,528	(2,410)	(575)	(694)	2,919	(2,644)	(359)	(857)	3,071	(599)	(977)	(2,907)
Non-operating receipts															
Other receipts		-	-	-	-	130	-	-	-	-	-	-	-	-	130
Total non-operating receipts	J	-	-	-	-	130	-	-	-	-	-	-	-	-	130
Non-operating disbursements															
Restructuring costs															
Other non-operating disbursements	K/L	855	100	730	-	815	50	665	-	785	50	660	-	265	4,975
Proposed KERP payment	M	-	-	-	-	-	-	-	-	-	-	-	-	305	305
Total non-operating disbursements		855	100	730	-	815	50	665	0	785	50	660	-	570	5,280
Total net change in cash flows		(2,738)	(529)	1,798	(2,410)	(1,260)	(744)	2,254	(2,644)	(1,144)	(907)	2,411	(599)	(1,547)	(8,057)
Proposed DIP Facility															
Opening available cash	N / O	5,400	5,400	5,400	5,400	5,400	9,400	9,400	9,400	9,400	9,400	9,400	9,400	9,400	9,400
Total net change in cash flow		(2,738)	(529)	1,798	(2,410)	(1,260)	(744)	2,254	(2,644)	(1,144)	(907)	2,411	(599)	(1,547)	(8,057)
Cash collateral (Wells Fargo bank account)		(100)	-	-	-	-	-	-	-	-	-	-	-	-	(100)
DIP fees and Interest (10.25%)		(100)	-	-	(32)	-	-	-	(71)	-	-	-	-	(188)	(390)
Ending available cash		2,463	1,934	3,732	1,290	31	3,286	5,540	2,896	1,682	775	3,186	2,587	852	852
Ending bank loan balance	P	2,938	3,466	1,668	4,110	5,369	6,114	3,860	6,504	7,718	8,625	6,214	6,813	8,548	8,548

Foreign Exchange: All amounts forecast to be paid in Canadian currency has been converted to US currency at the ratio of 0.70:1

GENERAL NOTE: This forecast is for the estimated operating receipts and disbursements, non-operating disbursements and professional fees through the currently projected closing of a sale of the Parallel's assets pursuant to Section 363 of the Bankruptcy Code, which is anticipated to occur during the Forecast Period. This forecast does not include any professional fees or other expenses attendant to an orderly wind-down (the "Wind Down Expenses") of Parallel's estate in the US. The Company, with the agreement of the Lenders, contemplate establishing a holdback from the proceeds of the sale of Parallel's assets to fund the Wind Down Expenses. The Company and the Lenders contemplate that the wind down in the US will be accomplished with a structured dismissal or a confirmed plan of liquidation. The Company and the Lenders have agreed to defer discussion of the amount of the holdback and a wind down budget, until a time closer to the consummation of the sale and, at that time, to engage in good faith negotiations with respect to these issues. The notes, which are attached to this forecast, form an integral part to this forecast and should be read in conjunction with this cash flow forecast.

Parallel Energy Trust (US Entities)
Cash Flow Forecast
November 6, 2015 to February 5, 2016 (the "Forecast Period")
\$USD

General Note:

Management of Parallel Energy Trust ("Parallel" or the "Company") has prepared this consolidated forecast cash flow statement of its US entities based on probable and hypothetical assumptions detailed in notes A - P. The forecast has been prepared solely for the Parallel's Chapter 11 filing. As such, readers are cautioned that it may not be appropriate for their purposes.

This forecast is for the estimated operating receipts and disbursements, non-operating disbursements and professional fees through the currently projected closing of a sale of the Parallel's assets pursuant to Section 363 of the Bankruptcy Code, which is anticipated to occur during the Forecast Period. This forecast does not include any professional fees or other expenses attendant to an orderly wind-down (the "Wind Down Expenses") of Parallel's estate in the US. The Company, with the agreement of the Lenders, contemplate establishing a holdback from the proceeds of the sale of Parallel's assets to fund the Wind Down Expenses. The Company and the Lenders contemplate that the wind down in the US will be accomplished with a structured dismissal or a confirmed plan of liquidation. The Company and the Lenders have agreed to defer discussion of the amount of the holdback and a wind down budget, until a time closer to the consummation of the sale and, at that time, to engage in good faith negotiations with respect to these issues.

Notes

- A Net operating receipts are based on gas, NGL and oil production estimates and strip prices. Monthly receipts relate to production from prior month.
- B Operating cost and workover expense forecasts consist of historical operating costs and work over expenses in relation to production volumes. Parallel does not anticipate undertaking any significant capital expenditures on its assets other than general repairs and maintenance and workovers, which has been included in the operating cost forecast. Property taxes and any other potential priority taxes are forecast not to be paid by the Company. Property taxes of approximately \$2.1 million is comes due January 31, 2015 and the Company has assumed that this will be paid as an adjustment to the purchase price. If property taxes are not paid by January 31, 2016, there is a 7% late penalty fee.
- C Salaries and benefits are based on historical payments made to employees.
- D General and administrative cost forecast are based on historical payments and represent payments made on rent, supplies and other miscellaneous in the US.
- E Critical supplier payments of approximately \$600,000 are estimated based on pre-filing amounts owed to certain vendors determined as critical to Parallel's operations and production in accordance with the CCAA and Chapter 11. Total outstanding trade payables as at October 15, 2015 is approximately \$1.7 million. The Company will be paying its pre-filing royalty, processing fee, transportation and other costs in normal course.
- F Vendor deposits/pre-payment costs relate to estimated deposits required to be paid by Parallel to certain vendors (such as trade suppliers, utility and transportation costs) post-filing. The company has estimated approximately \$300,000 that may be requested from vendors and utility companies as deposits held post-filing.
- G Contingency costs are forecast at approximately 7.5% in November 2015 through to January 2015. These contingency costs relate to potential unforeseen expenses that may occur and have not been already accounted for in the Company's cash flows.
- H Payment of shared costs from Parallel Energy GP (US entity) to Parallel Energy Inc. (Canadian entity) for shared costs incurred by Parallel Energy Inc. (Canadian entity) for the account of Parallel Energy GP (US entity) pursuant to a shared services agreement between Parallel Energy Inc. and Parallel Energy GP. Approximately 75% of the certain costs incurred by Parallel Energy Inc. are for the account of and reimbursed from, Parallel Energy GP.
- I Bank loan interest and fees paid relating to the secured loan outstanding with the Lender Syndicate at a rate of 10.25% per annum, subject to court approval.
- J Non-operating receipts forecast relates to cash collateral receipts becoming available in Week 5 as a result of a letter of credit that has expired with a pipeline company in the US.
- K Estimated work fee payable to Evercore Group LLC (marketing agent of Parallel) for the marketing of the Company's producing assets. In addition, it is estimated that Evercore will earn a 1.45% success fee payable upon the total sale proceeds from sale (subject to Court approval) and the earned work fee will be netted against the success fee. The success fee will be paid from the sale proceeds.
- L Restructuring costs consist of forecast professional fees and costs incurred during the Chapter 11, 13-week forecast period as detailed in Schedule A and are forecast to be paid in the US on an accrual basis (not cash basis) given the timing and approval of professional fee payments by the US courts.
- M Proposed key employee retention plan (KERP) is scheduled to be paid to its employees in Week 13 for purposes of this forecast, subject to Court approval, and as described in the Miller Affidavit. The key employee incentive plan ("KEIP") for Parallel's executives is to be paid out of the proceeds from the sale and closing of the Company's producing assets, subject to Court approval.
- N Subject to Court approval, interim (DIP) financing will be required of \$9.4 million and an interim financing interest rate of 10.25%.
- O Opening available cash under the proposed Interim (DIP) Financing credit facility with Lender Syndicate as at November 6, 2015.
- P Ending bank loan (DIP) balance of approximately \$8.54 million.

Parallel Energy Trust (US Entities)													SCHEDULE A		
Cash Flow Forecast															
November 6, 2015 to February 5, 2016															
(\$USD- Unaudited)															
(\$000's)															
Note	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Wk 1-13	
Week ending	13-Nov-16	20-Nov-16	27-Nov-16	4-Dec-16	11-Dec-16	18-Dec-16	25-Dec-16	1-Jan-17	8-Jan-17	15-Jan-17	22-Jan-17	29-Jan-17	5-Feb-17	TOTAL	
Non-operating disbursements															
Restructuring costs															
Evercore work fee and success fee	J	-	100	-	-	-	50	-	-	-	50	-	-	-	200
Lender advisor (PwC) fees - US	K	15	-	15	-	15	-	15	-	15	-	15	-	10	100
Lender legal fees - US	K	80	-	80	-	65	-	65	-	65	-	65	-	130	550
Lender Local Counsel - US	K	25	-	25	-	25	-	25	-	25	-	25	-	-	150
Company corporate legal fees - US	K	400	-	400	-	400	-	400	-	400	-	400	-	-	2,400
Company counsel (Delaware) - US	K	60	-	60	-	60	-	60	-	55	-	55	-	-	350
Company advisor fees (A&M) - US	K	130	-	130	-	105	-	80	-	80	-	80	-	-	605
Company Claims Agent - US	K	50	-	-	-	50	-	-	-	50	-	-	-	50	200
Unsecured Creditor Committee legal fees - US	K	50	-	-	-	50	-	-	-	50	-	-	-	50	200
Unsecured Creditor Committee advisor fees - US	K	25	-	-	-	25	-	-	-	25	-	-	-	25	100
Contingency fees and costs	K	20	-	20	-	20	-	20	-	20	-	20	-	-	120
		855	100	730	-	815	50	665	-	785	50	660	-	265	4,975

Foreign Exchange: All amounts forecast to be paid in Canadian currency has been converted to US currency at the ratio of 0.70:1

Parallel Energy Trust (Combined)
Cash Flow Forecast
November 6, 2015 to February 5, 2016 (the "Forecast Period")
\$USD

General Note: Management of Parallel Energy Trust ("Parallel" or the "Company") has prepared this consolidated forecast cash flow statement based on probable and hypothetical assumptions detailed in notes A - Q.

The forecast is for the estimated operating receipts and disbursements, non-operating disbursements and professional fees through the currently projected closing of a sale of the Parallel's assets pursuant to Section 363 of the Bankruptcy Code, which is anticipated to occur during the Forecast Period. This forecast does not include any professional fees or other expenses attendant to an orderly wind-down (the "Wind Down Expenses") of Parallel's estate in the US and Canada. The Company, with the agreement of the Lenders, contemplate establishing a holdback from the proceeds of the sale of Parallel's assets to fund the Wind Down Expenses. The Company and the Lenders contemplate that the wind down in the US will be accomplish with a structured dismissal or a confirmed plan of liquidation and the wind down of the CCAA proceedings. The Company and the Lenders have agreed to defer discussion of the amount of the holdback and a wind down budget, until a time closer to the consummation of the sale and, at that time, to engage in good faith negotiations with respect to these issues.

Notes

- A Net operating receipts are based on gas, NGL and oil production estimates and strip prices. Monthly receipts relate to production from prior month.
- B Operating cost and workover expense (US) forecasts consist of historical operating costs and work over expenses in relation to production volumes. Parallel does not anticipate undertaking any significant capital expenditures on its assets other than general repairs and maintenance and workovers, which has been included in the operating cost forecast. Property taxes and any other potential priority taxes are forecast not to be paid by the Company, but rather as an adjustment to the purchase price.
- C Salaries and benefits are based on historical payments made to employees.
- D General and administrative cost forecast are based on historical payments and represent payments made on rent, supplies and other miscellaneous in the US.
- E Critical supplier payments of approximately \$600,000 are estimated based on pre-filing amounts owed to certain vendors determined as critical to Parallel's operations and production in accordance with the CCAA and Chapter 11. The Company will be paying its pre-filing royalty, processing fee, transportation and other costs in normal course.
- F Vendor deposits/pre-payment costs relate to estimated deposits required to be paid by Parallel to certain vendors (such as trade suppliers, utility and transportation costs) post-filing. The company has estimated approximately \$300,000 that may be requested from vendors and utility companies as deposits held post-filing.
- G General and administrative cost forecast is based on historical payments and represent payments made on insurance, office rent, supplies and other miscellaneous costs in Canada.
- H Contingency costs are forecast at approximately 7.5% in November 2015 through to January 2015. These contingency costs relate to potential unforeseen expenses that may occur and have not been already accounted for in the Company's cash flows.
- I Bank loan interest and fees paid relating to the secured loan outstanding with the Lender Syndicate at a rate of 10.25% per annum, subject to court approval.
- J Estimated work fee payable to Evercore Group LLC (marketing agent of Parallel) for the marketing of the Company's producing assets. In addition, it is estimated that Evercore will earn a 1.45% success fee payable upon the total sale proceeds from sale (subject to Court approval) and the earned work fee will be netted against the success fee. The success fee will be paid from the sale proceeds.
- K Restructuring costs consist of forecast professional fees and costs incurred during the Chapter 11 and CCAA 13-week forecast period as detailed in Schedule A and are forecast to be paid in the US on an accrual basis (not cash basis) given the timing and approval of professional fee payments by the US courts. Canadian fees are forecast on a cash basis.
- L Proposed key employee retention plan (KERP) is scheduled to be paid to its employees in Week 13 for purposes of this forecast, subject to Court approval, and as described in the Miller Affidavit. The key employee incentive plan ("KEIP") for Parallel's executives is to be paid out of the proceeds from the sale and closing of the Company's producing assets (except for the Canadian executives of \$425,000 which is funded from the DIP).
- M Non-operating receipts relate to: (i) the D&O and KERP Charge (the "Charge") payment in Canada for funds being paid and held in a segregated account pursuant to the DIP credit facility as security the proposed KERP and potential directors and officer's obligations in Canada; (ii) cash collateral receipts becoming available in Week 5 as a result of a letter of credit that has expired with a pipeline company in the US.
- N D&O insurance policy premium relating to the acquisition of a 6-year Tail Policy as required by the Indemnity Agreement for Parallel's board of directors. This additional insurance policy is forecast to be paid in Week 1. The company currently holds (in trust) \$250,000 with its counsel relating to pre-filing D&O obligations.
- O Subject to Court approval, interim (DIP) financing will be required of \$11 million and an interim financing interest rate of 10.25%.
- P Opening available cash under the proposed Interim (DIP) Financing credit facility with Lender Syndicate as at November 6, 2015.
- Q Ending bank loan (DIP) balance of approximately \$9.7 million.

EXHIBIT B

U.S. \$9,400,000

CREDIT AGREEMENT,

dated as of November 9, 2015,

among

Parallel Energy LP,
as Borrower,

THE LENDERS PARTY HERETO FROM TIME TO TIME

and

Canadian Imperial Bank of Commerce,
as Administrative Agent and Collateral Agent

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Annex A Commitments

SCHEDULES:

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EXHIBITS:

Exhibit B Form of Mortgage
Exhibit C Form of Assignment and Assumption
Exhibit E Form of Note
Exhibit F-1 Form of U.S. Tax Compliance Certificate
Exhibit F-2 Form of U.S. Tax Compliance Certificate
Exhibit F-3 Form of U.S. Tax Compliance Certificate
Exhibit F-4 Form of U.S. Tax Compliance Certificate
Exhibit G Form of Borrowing Notice
Exhibit H Form of Interim Order
Exhibit I Form of Withdrawal Request

CREDIT AGREEMENT, dated as of November 9, 2015 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, this "Agreement"), among Parallel Energy LP, a Delaware limited partnership (the "Borrower"), the several banks and other financial institutions or entities from time to time parties hereto (the "Lenders") and Canadian Imperial Bank of Commerce, as administrative agent for the Lenders (together with its permitted successors and assigns in such capacity, the "Administrative Agent") and as collateral agent for the Secured Parties (together with its successors and permitted assigns in such capacity, the "Collateral Agent").

WITNESSETH:

WHEREAS, on November 9, 2015 (the "Petition Date"), the Borrower and Parallel Energy GP LLC, a Delaware limited liability company ("Parallel GP") (each of the Borrower and Parallel GP, a "Debtor" and collectively, the "Debtors"), voluntarily commenced chapter 11 cases (each a "Case" and collectively, the "Cases") under the Bankruptcy Code (as defined below) with the United States Bankruptcy Court for the District of Delaware, (the "Bankruptcy Court");

WHEREAS, prior to the Petition Date, the Borrower received financing pursuant to that certain Credit Agreement dated as of April 21, 2011, by and among the Borrower, Parallel Energy Commercial Trust, CIBC, as administrative agent (the "Prepetition Agent"), the Operating Lender (as defined therein), and the Syndicated Lenders (as defined therein) from time to time party thereto (collectively, the "Prepetition Lenders") (as amended, supplemented, restated or otherwise modified from time to time prior to the date hereof, the "Prepetition Credit Agreement");

WHEREAS, prior to the Petition Date, the Borrower entered into the Restructuring Support Agreement;

WHEREAS, at this time, the Debtors continue to operate their respective businesses and to manage their respective properties as debtors and debtors-in-possession pursuant to Section 1107(a) and 1108 of the Bankruptcy Code;

WHEREAS, the Borrower has requested that the Lenders extend credit in the form of a senior secured priming and superpriority debtor-in-possession dual-draw term loan credit facility in an aggregate principal amount (subject to entry of the Final Order (as defined below)) equal to \$9,400,000, with the proceeds of such credit facility to be used by the Loan Parties to pay certain fees and expenses (including fees and expenses of the Administrative Agent and its professionals, consultants, advisors and representatives) related to the Transactions and for working capital and other general corporate purposes, in each case in accordance with the Budget as provided herein;

WHEREAS, the Borrower and each other Loan Party desire to secure all of the Obligations by granting to the Collateral Agent, for the benefit of the Secured Parties, a security interest in and Lien upon substantially all of the property and assets of the Borrower and the other Loan Parties, subject to the limitations described herein and in the Security Documents; and

WHEREAS, the Lenders are willing to extend such credit to the Borrower on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the agreements hereinafter set forth, the parties hereto hereby agree as follows:

ARTICLE I DEFINITIONS

Section 1.01 Defined Terms. As used in this Agreement, the terms listed in this Section 1.01 shall have the respective meanings set forth in this Section 1.01.

“363 Sale” shall mean the Sale of all or substantially all of the assets of the Debtors under section 363 of the Bankruptcy Code.

“363 Asset Purchase Agreement” means an asset purchase agreement pursuant to which a buyer will consummate the 363 Sale.

“Administrative Agent” shall have the meaning set forth in the preamble hereto.

“Administrative Questionnaire” shall mean an administrative questionnaire in a form supplied by the Administrative Agent.

“Affiliate” shall mean, with respect to a specified Person, another Person that directly or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified; *provided, however*, that, for purposes of Section 6.08 the term “Affiliate” shall also include any Person that directly or indirectly owns 10% or more of any class of Equity Interests of the Person specified or that is an officer or director of the Person specified.

“Agents” shall mean the collective reference to the Administrative Agent and the Collateral Agent and, for purposes of Section 8.07, Section 8.08 and Section 9.05, the Arranger.

“Agreement” shall have the meaning set forth in the preamble hereto.

“Anti-Corruption Laws” shall mean all laws, rules, and regulations of any jurisdiction applicable to the Borrower or any of its Subsidiaries from time to time concerning or relating to bribery or corruption, including without limitation the United States Foreign Corrupt Practices Act of 1977, as amended, the UK Bribery Act 2010 and other similar legislation in any other jurisdictions.

“Anti-Terrorism Laws” shall mean any laws relating to terrorism or money laundering, including Executive Order No. 13224, the PATRIOT Act, the laws comprising or implementing the Bank Secrecy Act, and the laws administered by the United States Treasury Department’s Office of Foreign Assets Control (as any of the foregoing laws may from time to time be amended, renewed, extended, or replaced).

“Applicable Margin” shall mean 10.25%.

“Approved Electronic Communications” shall mean, collectively, any notice, demand, communication, information, document or other material provided by or on behalf of any Loan Party pursuant to any Loan Document or the transactions contemplated therein which is distributed to any Agent or Lender by means of electronic communications pursuant to Section 9.02(b) or Section 9.02(d), including through the Platform.

“Approved Fund” shall mean any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“Arranger” shall mean CIBC, in its capacity as sole lead arranger of the Credit Facilities.

“Asset Sale” shall mean any Disposition of Property or series of related Dispositions of Property (excluding any Disposition pursuant to Section 6.04(a), Section 6.04(b), Section 6.04(c), Section 6.04(d), Section 6.04(e), Section 6.04(f) or Section 6.04(g)), and shall also include the release of funds from the Escrow Account to the Borrower (or any other Loan Party) for any reason whether or not involving the sale or other Disposition of any Property.

“Assignment and Assumption” shall mean an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 9.06), and accepted by the Administrative Agent, in substantially the form of Exhibit C or any other form approved by the Administrative Agent.

“Avoidance Actions” means any and all actual or potential avoidance, recovery, subordination, or other related claims and causes of action that may be brought by or on behalf of the Debtors or their estates to avoid a transfer of property or an obligation incurred by the Debtors pursuant to any applicable section of the Bankruptcy Code, including sections 506(c), 544, 545, 547, 548, 549, 550, 551, 553(b), and 724(a) of the Bankruptcy Code, or applicable non-bankruptcy law.”

“Bankruptcy Code” shall mean Title 11 of the United States Code entitled “Bankruptcy,” as now and hereafter in effect, or any successor statute.

“Bankruptcy Court” shall have the meaning set forth in the recitals hereto.

“Bankruptcy Rules” shall mean the Federal Rules of Bankruptcy Practice and Procedure.

“Blocked Person” shall have the meaning set forth in Section 3.21(b).

“Board of Governors” shall mean the Board of Governors of the Federal Reserve System of the United States of America, or any successor thereto.

“Borrower” shall have the meaning set forth in the preamble hereto.

“Borrowing Date” shall mean any Business Day specified by the Borrower in a Borrowing Notice as a date on which the Lenders are requested to make Loans hereunder.

“Borrowing Notice” shall mean, with respect to any request for borrowing of Loans hereunder, a notice from the Borrower, substantially in the form of, and containing the information prescribed by, Exhibit G, delivered to the Administrative Agent.

“Budget” shall mean that certain weekly line item budget covering the period of at least 13 calendar weeks following the Petition Date, which shall be tied to the Debtors’ long term sale process (together with all updates thereto) approved by the Agent and the Required Lenders in their sole discretion.

“Business Day” shall mean any day excluding Saturday, Sunday, any day that is a legal holiday under the laws of Toronto, Ontario or is a day on which banking institutions located in such city are authorized or required by law or other governmental action to close and any day which is a legal holiday under the laws of the State of New York or is a day on which banking institutions located in such state are authorized or required by law or other governmental action to close.

“Capital Expenditures” shall mean, for any period, without duplication, with respect to any Person, (a) any expenditure or commitment to expend money for any purchase or other acquisition of any asset, including capitalized leasehold improvements, which would be classified as a fixed or capital asset on a consolidated balance sheet of such Person prepared in accordance with IFRS and (b) Capital Lease Obligations; *provided* that, in any event, “Capital Expenditures” shall exclude any Investment permitted hereunder.

“Capital Lease” shall mean, with respect to any Person, any lease of, or other arrangement conveying the right to use, any property by such Person as lessee that has been or should be accounted for as a capital lease on a balance sheet of such person prepared in accordance with IFRS.

“Capital Lease Obligations” shall mean, with respect to any Person, the obligations of such Person to pay rent or other amounts under any Capital Lease, which obligations are required to be classified and accounted for as Capital Leases on a balance sheet of such person under IFRS, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with IFRS.

“Carve-Out” has the meaning specified in the Interim Order or Final Order, as applicable.

“Carve-Out Claims” has the meaning specified in the Interim Order or Final Order, as applicable.

“Cash Equivalents” shall mean, as at any date of determination, any of the following: (a) marketable securities (i) issued or directly and unconditionally guaranteed as to interest and principal by the government of the United States of America or (ii) issued by any agency of the United States of America and the obligations of which are backed by the full faith and credit of the United States of America, in each case maturing within one year from the date of acquisition; (b) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof, in each case maturing within one year after the date of acquisition and having a rating of at least A-1 from S&P or at least P-1 from Moody’s; (c) certificates of deposit, time deposits, Eurodollar time

deposits or overnight bank deposits having maturities of six months or less from the date of acquisition issued by any Lender or by any commercial bank organized under the laws of the United States of America or any state thereof or the District of Columbia that (i) is at least “adequately capitalized” (as defined in the regulations of its primary Federal banking regulator), (ii) has Tier 1 capital (as defined in such regulations) of not less than \$500,000,000 and (iii) has a rating of at least AA- from S&P and Aa3 from Moody’s; (d) commercial paper of an issuer rated at least A-1 by S&P or P-1 by Moody’s, or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of commercial paper issuers generally, and maturing within six months from the date of acquisition; (e) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States of America, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A by Moody’s; (f) securities with maturities of six months or less from the date of acquisition backed by standby letters of credit issued by any Lender or any commercial bank satisfying the requirements of clause (c) of this definition; and (g) shares of money market, mutual or similar funds which (i) invest exclusively in assets satisfying the requirements of clauses (a) through (f) of this definition; (ii) has net assets of not less than \$500,000,000 and (iii) has the highest rating obtainable from either S&P or Moody’s.

“Cash Flow Report” shall have the meaning set forth in Section 5.01.

“Cash Management Order” shall mean an order of the Bankruptcy Court approving the Motion of the Debtors for Interim and Final Orders Approving (A) Maintenance of Pre-Petition Bank Accounts and Cash Management System; and (B) Continued Use of Existing Checks and Business Forms in a form acceptable to the Administrative Agent and the Required Lenders in their respective sole discretion.

“Change in Law” shall mean the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; *provided* that, notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

“Change of Control” shall mean the occurrence of any of the following events:

(a) any Person or “group” (within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act) other than the Permitted Investors shall have (x) acquired beneficial ownership or control of 35% or more on a fully diluted basis of the voting and/or economic interest in the

Equity Interests of (y) acquired beneficial ownership or control of voting and/or economic interests in the Equity Interests of in excess of those interests owned and controlled by the Permitted Investors at such time; or (z) obtained the power (whether or not exercised) to elect a majority of the members of the board of directors (or similar governing body);

(b) any “change of control” or similar event (however denominated) shall occur under any indenture or other agreement with respect to Material Indebtedness of any Loan Party.

“CIBC” shall mean the Canadian Imperial Bank of Commerce.

“Closing Date” shall mean the date on which the conditions precedent set forth in Section 4.01 shall have been satisfied or waived, which date shall be not later than 2:00 p.m., New York City time, on the Business Day following entry of the Interim Order by the Bankruptcy Court.

“Code” shall mean the Internal Revenue Code of 1986, as amended (unless otherwise provided herein).

“Collateral” shall mean all Property of the Loan Parties, now owned or hereafter acquired, upon which a Lien is purported to be created by any Security Document, including, without limitation, to the extent set forth in the Interim Order or the Final Order, any Avoidance Actions and proceeds thereof and causes of action under Section 549 of the Bankruptcy Code and proceeds thereof, but in any event excluding Excluded Assets.

“Collateral Agent” shall have the meaning set forth in the recitals hereto.

“Commitment” shall mean, with respect to any Lender, such Lender’s Interim Order Commitment and Final Order Commitment, as applicable.

“Commodity Exchange Act” shall mean the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute.

“Connection Income Taxes” means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

“Consolidated Total Assets” shall mean the total assets of the Borrower and its Subsidiaries, determined on a consolidated basis in accordance with IFRS, as shown on the most recent balance sheet of the Borrower delivered pursuant to Section 5.01.

“Contractual Obligation” shall mean, with respect to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its Property is bound.

“Control” shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities or by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

“Credit Extension” shall mean the making of a Loan.

“Credit Facilities” shall mean each of the Commitments and the Loans made thereunder.

“Debtor Relief Laws” shall mean the Bankruptcy Code, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization or similar debtor relief laws of the United States of America or other applicable jurisdictions from time to time in effect.

“Default” shall mean any event, occurrence or condition which is, or upon notice, lapse of time or both would constitute, an Event of Default.

“Defaulting Lender” shall mean, subject to Section 2.13(b), any Lender that (a) has failed to (i) fund all or any portion of its Loans on the date such Loans were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender’s determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder on the date when due, (b) has notified the Borrower or the Administrative Agent in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender’s obligation to fund a Loan hereunder and states that such position is based on such Lender’s determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (*provided* that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower) or (d) except for an Undisclosed Administration, has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, or (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity; *provided* that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States of America or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above shall be conclusive and binding absent manifest error and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.13(b)) upon delivery of written notice of such determination to the Borrower and each Lender.

“Disposition” shall mean, with respect to any Property, any sale, lease, sublease, assignment, conveyance, transfer, exclusive license or other disposition thereof (including by way of merger or consolidation); and the terms “Dispose” and “Disposed of” shall have correlative meanings.

“Disqualified Equity Interests” shall mean any Equity Interests that, by their terms (or by the terms of any security or other Equity Interests into which they are convertible or for which they are exchangeable), or upon the happening of any event or condition, (a) require the payment of any dividends (other than dividends payable solely in shares of Qualified Equity Interests), (b) mature or are mandatorily redeemable or subject to mandatory repurchase or redemption or repurchase at the option of the holders thereof (other than solely for Qualified Equity Interests), in each case in whole or in part and whether upon the occurrence of any event, pursuant to a sinking fund obligation on a fixed date or otherwise (including as the result of a failure to maintain or achieve any financial performance standards) or (c) are or become convertible into or exchangeable for, automatically or at the option of any holder thereof, any Indebtedness, Equity Interests or other assets other than Qualified Equity Interests, in the case of each of clauses (a), (b) and (c), prior to the date that is 91 days after the Maturity Date at the time of issuance of such Equity Interests (other than (i) following Payment in Full or (ii) upon a “change in control”; *provided* that any payment required pursuant to this clause (ii) is subject to the prior Payment in Full; *provided, however*, that if such Equity Interests are issued to any employee or to any plan for the benefit of employees of the Borrower or the Subsidiaries or by any such plan to such employees, such Equity Interests shall not constitute Disqualified Equity Interests solely because they may be required to be repurchased by a Loan Party in order to satisfy applicable statutory or regulatory obligations or as a result of such employee’s termination, death or disability.

“Dollars” or “\$” shall mean lawful money of the United States of America.

“Eligible Assignee” shall mean any Person that meets the requirements to be an assignee under Section 9.06(b)(iii), Section 9.06(b)(v) and Section 9.06(b)(vi) (subject to such consents, if any, as may be required under Section 9.06(b)(iii)).

“Environmental Laws” shall mean any and all laws, rules, orders, regulations, statutes, ordinances, guidelines, codes, decrees, or other legally binding requirements (including, without limitation, principles of common law) of any Governmental Authority, regulating, relating to or imposing liability or standards of conduct concerning pollution, the preservation or protection of the environment, natural resources or human health (including employee health and safety), or the generation, manufacture, use, labeling, treatment, storage, handling, transportation or release of, or exposure to, Materials of Environmental Concern, as has been, is now, or may at any time hereafter be, in effect.

“Environmental Liability” shall mean any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties, attorney or consultant fees or indemnities) resulting from or based upon (a) non-compliance with any Environmental Law or any Environmental Permit, (b) exposure to any Materials of Environmental Concern, (c) Release or threatened Release of any Materials of Environmental Concern, (d) any investigation, remediation, removal, clean-up or monitoring required under Environmental Laws or required by a Governmental Authority (including without limitation

Governmental Authority oversight costs that the party conducting the investigation, remediation, removal, clean-up or monitoring is required to reimburse) or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“Environmental Permits” shall mean any and all permits, licenses, approvals, registrations, notifications, exemptions and other authorizations required under any Environmental Law.

“Equity Interest” shall mean, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents, including membership interests (however designated, whether voting or nonvoting), of equity of such Person, including, if such Person is a partnership, partnership interests (whether general or limited), if such Person is a limited liability company, membership interests, and any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of property of, such partnership, whether outstanding on the date hereof or issued on or after the Closing Date, but excluding debt securities convertible or exchangeable into such equity interests.

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, the regulations promulgated thereunder and any successor thereto.

“ERISA Affiliate” shall mean any trade or business (whether or not incorporated) that, together with any Loan Party, is treated as a single employer under Section 414(b) or (c) of the Code, or solely for purposes of Section 302 or 303 of ERISA or Section 412 or 430 of the Code, is treated as a single employer under Section 414 of the Code. Any former ERISA Affiliate of the Loan Parties shall continue to be considered an ERISA Affiliate of the Loan Parties within the meaning of this definition with respect to the period such entity was an ERISA Affiliate of any Loan Party and with respect to liabilities arising after such period for which any Loan Party could be liable under the Code or ERISA.

“Escrow Account” shall have the meaning given that term under the Escrow Agreement.

“Escrow Agreement” shall mean that certain Escrow Agreement, dated as of November 8, 2015, by and among the Borrower, Scout Energy Group II, LP, Administrative Agent and BOKF, N.A. dba Bank of Texas, in its capacity as escrow agent for the Escrow Account.

“Event of Default” shall mean any of the events specified in Section 7.01; *provided* that any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

“Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

“Excluded Assets” shall mean:

(a) commercial tort claims where the amount of damages claimed by the applicable Loan Party is less than \$10,000;

(b) governmental licenses, state or local franchises, charters and authorizations and any other property and assets to the extent that the Administrative Agent may not validly possess a security interest therein under applicable Requirements of Law (including, without limitation, rules and regulations of any Governmental Authority or agency) or the pledge or creation of a security interest in which would require governmental consent, approval, license or authorization that has not been obtained, other than to the extent such prohibition or limitation on possessing a security interest therein is rendered ineffective under the UCC or other applicable Requirements of Law notwithstanding such prohibition or limitation;

(c) any license to the extent that a grant of a security interest therein is prohibited by applicable Requirements of Law other than to the extent such prohibition is rendered ineffective under the UCC or other applicable Requirements of Law notwithstanding such prohibition; and

(d) any contract, license, agreement, instrument or other document to the extent that the grant of a security interest therein is prohibited by, or constitutes a breach or default under or results in the termination of or gives rise to a right on the part of the parties thereto other than any grantor to terminate (or materially modify) or requires any consent not obtained under, any such contract, license, agreement, instrument or other document, except to the extent that the term in such contract, license, agreement, instrument or other document providing for such prohibition, breach, default or right of termination or modification or requiring such consent is ineffective under Sections 9-406, 9-407, 9-408 or 9-409 of the UCC (or any successor provision or provisions) of any relevant jurisdiction or any other applicable law; provided that no such prohibitions, requirements, restrictions or conditions described herein shall be agreed to in contemplation or for purposes of this provision.

provided, however, that Excluded Assets shall not include any proceeds, substitutions or replacements of any Excluded Assets (unless such Proceeds, substitutions or replacements would independently constitute Excluded Assets).

“Excluded Information” shall mean any non-public information with respect to the Borrower or its Subsidiaries or any of their respective securities to the extent such information could have a material effect upon, or otherwise be material to, an assigning Lender’s decision to assign Loans or a purchasing Lender’s decision to purchase Loans.

“Excluded Perfection Assets” shall mean:

(a) motor vehicles and other assets subject to certificates of title (in each case to the extent not constituting inventory) and airplanes; and

(b) letter of credit rights, except to the extent constituting support obligations for other Collateral as to which perfection of the security interest in such other Collateral is accomplished solely by the filing of a UCC financing statement or another method that is required by the Security Documents for such other Collateral.

“Excluded Taxes” shall mean any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient: (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the

laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan or Commitment or in this Agreement (other than pursuant to an assignment request by the Borrower under Section 2.14) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 2.11, amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient's failure to comply with Section 2.11(g) and (d) any U.S. federal withholding Taxes imposed under FATCA.

"Executive Order No. 13224" shall mean the Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001, as the same as been, or shall hereafter be, renewed, extended, amended or replaced.

"Existing Letters of Credit" shall mean the letters of credit described in Annex A.

"FATCA" shall mean Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code, any intergovernmental agreement between a Governmental Authority and the United States of America with respect to the foregoing and any law, regulation or practice adopted pursuant to any such intergovernmental agreement.

"Federal Funds Effective Rate" shall mean, for any day, the rate *per annum* equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; *provided* that (i) if such day is not a Business Day, the Federal Funds Effective Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day and (ii) if no such rate is so published on such next succeeding Business Day, the Federal Funds Effective Rate for such day shall be the average rate charged to the Administrative Agent on such day on such transactions as determined by the Administrative Agent.

"Final Loan" shall mean a Final Loan made by a Lender pursuant to Section 2.01(b).

"Final Order" shall mean, an order of the Bankruptcy Court authorizing and approving this Agreement pursuant to Section 364(c) and (d), among others, of the Bankruptcy Code and Bankruptcy Rule 4001 and providing other relief, in form and substance satisfactory to the Administrative Agent and the Required Lenders in their sole discretion, among other things, finding that the Lenders are extending credit to the Borrower in good faith pursuant to Section 364(e) of the Bankruptcy Code and waiving the provisions of Section 506(c) of the Bankruptcy Code, which order shall not have been (a) vacated, reversed, or stayed, or (b) amended or

modified, except as otherwise agreed to in writing by the Administrative Agent and the Required Lenders in their respective sole discretion.

“Final Order Commitment” shall mean, as to any Lender, the obligation of such Lender, if any, to make a Final Loan to the Borrower hereunder in a principal amount not to exceed the amount set forth under the heading “Final Order Commitment” opposite such Lender’s name on Annex A. The aggregate principal amount of the Final Order Commitments of all Lenders, together with the Interim Order Commitments of all Lenders, on the Final Order Funding Date is \$9,400,000.

“Final Order Funding Date” shall mean the date on which the conditions precedent set forth in Section 4.02 shall have been satisfied or waived, which date shall be not later than 2:00 p.m., New York City time, on the Business Day following entry of the Final Order by the Bankruptcy Court.

“Flood Insurance Regulations” shall mean (i) the National Flood Insurance Act of 1968 as now or hereafter in effect or any successor statute thereto, (ii) the Flood Disaster Protection Act of 1973 as now or hereafter in effect or any successor statute thereto, (iii) the National Flood Insurance Reform Act of 1994 (amending 42 USC 4001, et seq.), as the same may be amended or recodified from time to time, (iv) the Flood Insurance Reform Act of 2004 and any regulations promulgated thereunder and (e) the Biggert-Waters Flood Insurance Reform Act of 2012 and the regulations issued in connection therewith by the Office of the Comptroller of the Currency, the Federal Reserve Board and other Governmental Authorities.

“Foreign Lender” shall mean a Lender that is not a U.S. Person.

“Funded Debt” shall mean, with respect to any Person, all Indebtedness of such Person of the types described in clauses (a) through (e) and, solely with respect to letters of credit, bankers’ acceptances and similar facilities that have been drawn but not yet reimbursed, clause (f) of the definition of “Indebtedness” to the extent reflected as a liability on the balance sheet in accordance with IFRS.

“Governmental Act” shall mean any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or Governmental Authority.

“Governmental Authority” shall mean the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“Governmental Authorization” shall mean any permit, license, authorization, certification, registration, approval, clearance, plan, directive, marking, consent order or consent decree of or from any Governmental Authority.

“GP Guarantor” shall mean Parallel GP.

“Grantor” shall mean any Loan Party that is party to the Guarantee and Collateral Agreement.

“Guarantee and Collateral Agreement” shall mean the Guarantee and Collateral Agreement, dated as of the date hereof and executed and delivered by the Borrower and the GP Guarantor, as the same may be amended, restated, amended and restated, supplemented or otherwise modified from time to time.

“Guarantee Obligation” shall mean, with respect to any Person (the “guaranteeing person”), any obligation of (a) the guaranteeing person or (b) another Person (including any bank under any letter of credit), if to induce the creation of which the guaranteeing person has issued a reimbursement, counterindemnity or similar obligation, in either case guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations (the “primary obligations”) of any other third Person (the “primary obligor”) in any manner, whether directly or indirectly, including, without limitation, any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any Property constituting direct or indirect security therefor, (ii) to advance or supply funds (A) for the purchase or payment of any such primary obligation or (B) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase Property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; *provided, however*, that the term “Guarantee Obligation” shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the lower of (1) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (2) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person’s maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith.

“Guarantors” shall mean the collective reference to the Borrower and the GP Guarantor.

“Holdings” shall have the meaning set forth in the preamble hereto.

“Highest Lawful Rate” shall mean the maximum lawful interest rate, if any, that at any time or from time to time may be contracted for, charged, or received under the laws applicable to any Lender which are presently in effect or, to the extent allowed by law, under such applicable laws which may hereafter be in effect and which allow a higher maximum non-usurious interest rate than applicable laws now allow.

“Historical Audited Financial Statements” shall mean the audited consolidated balance sheets of Parallel Energy Trust and its Subsidiaries as at the end of the fiscal years ended 2012, 2013 and 2014 and the related consolidated statements of income or operations, changes in stockholders’ equity and cash flows for such fiscal years, including the notes thereto.

“Hydrocarbon Interests” means all rights, titles, interests and estates now or hereafter acquired in and to oil and gas leases, oil, gas and mineral leases, or other liquid or gaseous hydrocarbon leases, mineral fee interests, overriding royalty and royalty interests, net profit interests and production payment interests, including any reserved or residual interests of whatever nature.

“Hydrocarbons” means oil, gas, casinghead gas, drip gasoline, natural gasoline, condensate, distillate, liquid hydrocarbons, gaseous hydrocarbons and all products refined or separated therefrom.

“IAS” shall mean the International Accounting Standards of the International Accounting Standards Board, the independent standards-setting body of the International Financial Reporting Standards Foundation.

“IFRS” shall mean international accounting standards within the meaning of IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements delivered under or referred to herein.

“Indebtedness” shall mean, of any Person at any date, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of Property or services, including seller notes or earn-out obligations appearing on such Person’s balance sheet in accordance with IFRS (other than trade payables incurred in the ordinary course of such Person’s business), (c) all obligations of such Person evidenced by notes, bonds, debentures, loan agreements or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to Property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such Property), (e) all Capital Lease Obligations or Purchase Money Obligations of such Person, (f) all obligations of such Person, contingent or otherwise, as an account party or applicant under bankers’ acceptance, letter of credit or similar facilities, (g) all obligations of such Person in respect of Disqualified Equity Interests of such Person, (h) all Guarantee Obligations of such Person in respect of obligations of the kind referred to in clauses (a) through (g) above, and (i) all obligations of the kind referred to in clauses (a) through (h) above secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on Property (including, without limitation, accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such obligation.

“Indemnified Liabilities” shall have the meaning set forth in Section 9.05(b).

“Indemnified Taxes” shall mean (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Loan Party under any Loan Document and (b) to the extent not otherwise described in clause (a), Other Taxes.

“Indemnitee” shall have the meaning set forth in Section 9.05(b).

“Intellectual Property” shall mean the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States of America, state,

multinational or foreign laws or otherwise, including, without limitation, copyrights, copyright licenses, patents, patent licenses, trademarks, trademark licenses, service-marks, technology, know-how and processes, recipes, formulas, trade secrets, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

“Interest Payment Date” shall mean five Business Days following the last Business Day of each calendar month to occur while the Loans are outstanding, and the Maturity Date.

“Interim Funding Amount” shall mean the lesser of (a) \$5,400,000 and (b) the maximum amount approved by the Bankruptcy Court in the Interim Order to be made available to the Borrower on the Closing Date.

“Interim Order” shall mean, an interim order entered by the Bankruptcy Court in the Cases after an interim hearing and pursuant to the standards prescribed in Section 364 of the Bankruptcy Code, Bankruptcy Rule 4001 and other applicable law, substantially in the form attached hereto as Exhibit H or otherwise in form and substance satisfactory to the Administrative Agent and the Required Lenders in their respective sole discretion.

“Interim Loan” shall mean an Interim Loan made by a Lender pursuant to Section 2.01(a).

“Interim Order Commitment” shall mean, as to any Lender, the obligation of such Lender, if any, to make an Interim Loan to the Borrower hereunder in a principal amount not to exceed the amount set forth under the heading “Interim Order Commitment” opposite such Lender’s name on Annex A. The aggregate principal amount of the Interim Order Commitments on the Closing Date is \$5,400,000.

“Investment” shall mean, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of Equity Interests or debt or other securities of another Person, (b) a loan, advance or capital contribution to, guarantee or assumption of Indebtedness of, or purchase or other acquisition of any other debt or equity participation or interest in, another Person, including any partnership or joint venture interest in such other Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of all or substantially all of the property and assets or business of another Person or assets constituting a business unit, line of business or division of such Person. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

“IRS” shall mean the United States Internal Revenue Service.

“Lenders” shall have the meaning set forth in the preamble hereto, and shall include each Lender that has an Interim Order Commitment, Final Order Commitment or is the holder of an Interim Loan or a Final Loan.

“Lien” shall mean, with respect to any property, (a) any mortgage, deed of trust, lien (statutory or other), judgment liens, pledge, encumbrance, claim, charge, assignment,

hypothecation, deposit arrangement, security interest or encumbrance of any kind or any arrangement to provide priority or preference in the nature of a security interest or any filing of any financing statement under the UCC or any other similar notice of Lien under any similar notice or recording statute of any Governmental Authority, including any easement, servitude, right-of-way or other encumbrance on title to real property, in each of the foregoing cases whether voluntary or imposed or arising by operation of law, and any agreement to give any of the foregoing, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

“Loan Account” shall mean the deposit account held at CIBC in the name of the Borrower, which shall be pledged to the Collateral Agent for the benefit of the Secured Parties and shall be subject to terms, conditions and restrictions satisfactory to the Administrative Agent, and which account shall at all times be subject to the perfected lien created by the Interim Order or the Final Order, as applicable.

“Loan Documents” shall mean, collectively, (i) this Agreement, (ii) the Security Documents, (iii) the Escrow Agreement, (iv) the Existing Letters of Credit and (v) all other documents, certificates, instruments or agreements executed and delivered by or on behalf of a Loan Party for the benefit of any Agent or Lender in connection therewith or herewith on or after the date hereof.

“Loan Parties” shall mean, collectively, the Borrower and each Guarantor.

“Loans” shall mean the Interim Loans and the Final Loans.

“Margin Stock” shall have the meaning assigned to such term in Regulation U of the Board of Governors of the United States Federal Reserve System, or any successor thereto.

“Material Adverse Effect” shall mean a material adverse effect on and/or material adverse developments with respect to (a) the business, operations, properties, assets (including the Oil and Gas Properties of the Borrower or any of its Subsidiaries), or financial condition of the Loan Parties taken as a whole; (b) the ability of any Loan Party to fully and timely perform its Obligations; (c) the legality, validity, binding effect or enforceability against any Loan Party of this Agreement or any other Loan Document to which it is a party; or (d) the rights, remedies and benefits available to, or conferred upon, any Agent, any Lender or any other Secured Party under any Loan Document; provided that (i) the Cases and (ii) the impact on the Loan Parties’ revenues of declining hydrocarbon production (so long as such decline is consistent with the projection contained in Section 5 of the Restructuring Support Agreement), in each case, shall not constitute a Material Adverse Effect under clauses (a), (b) or (c) of this definition.

“Material Environmental Amount” shall mean an amount or amounts payable by any Loan Party, in the aggregate, in excess of \$100,000.

“Material Indebtedness” shall mean Indebtedness (other than the Obligations) of any Loan Party in an individual principal amount of \$50,000 or more.

“Materials of Environmental Concern” shall mean any material, substance or waste that is listed, regulated, or otherwise defined as hazardous, toxic, radioactive, a pollutant or a contaminant (or words of similar regulatory intent or meaning) under applicable Environmental Law, or which could give rise to liability under any Environmental Law, including but not limited to petroleum (including crude oil or any fraction thereof), petroleum by-products, toxic mold, polychlorinated biphenyls, urea-formaldehyde insulation, asbestos or asbestos-containing material, flammable or explosive substances, or pesticides.

“Maturity Date” shall mean the earliest to occur of (i) February 4, 2016, (ii) 30 days after entry of the Interim Order, if the Final Order has not been entered by such 30th day, among other things, containing such additional protections reasonably required by the Required Lenders, with only such modifications thereto as are satisfactory in form and substance to the Administrative Agent and the Required Lenders, (iii) the effective date of a Chapter 11 plan filed in the Cases that is confirmed pursuant to an order entered by the Bankruptcy Court, and (iv) the date on which all Loans shall become due and payable in full hereunder, whether by acceleration or otherwise; *provided* that, if any such day is not a Business Day, the Maturity Date shall be the Business Day immediately succeeding such day.

“Moody’s” shall mean Moody’s Investor Service, Inc. and any successor thereto.

“Mortgaged Properties” shall mean, as of the Final Order Funding Date, all Real Property (including the Oil and Gas Properties) of the Borrower and its Subsidiaries as to which the Collateral Agent for the benefit of the Secured Parties shall be granted a Lien pursuant to the Mortgages and the Final Order. However, notwithstanding any provision in this Agreement, any Mortgage, or any other Security Document to the contrary, in no event shall any Building (as defined in the applicable Flood Insurance Regulation) or Manufactured (Mobile) Home (as defined in the applicable Flood Insurance Regulation) be included in the definition of “Mortgaged Property” and no Building or Manufactured (Mobile) Home shall be encumbered by any Mortgage, Security Document or pursuant to the Final Order.

“Mortgages” shall mean each of the mortgages and deeds of trust made by any Loan Party, substantially in the form of Exhibit B (with such changes thereto as shall be advisable under the laws of the jurisdiction in which such mortgage or deed of trust is to be recorded), in favor of, or for the benefit of, the Collateral Agent for the benefit of the Secured Parties, as the same may be amended, supplemented, replaced or otherwise modified from time to time.

“Multiemployer Plan” shall mean a “multiemployer plan” as defined in Section 3(37) or Section 4001(a)(3) of ERISA.

“Non-Consenting Lender” shall mean any Lender that does not approve any consent, waiver or amendment that (i) requires the approval of each Lender or each affected Lender, in each case in accordance with the terms of Section 9.01 and (ii) has been approved by the Required Lenders.

“Non-Defaulting Lender” shall mean, at any time, each Lender that is not a Defaulting Lender at such time.

“Note” shall have the meaning set forth in Section 2.04(d).

“Obligations” shall mean the unpaid principal of and interest on (including, without limitation, interest accruing after the maturity of the Loans and interest accruing after the filing of any petition in bankruptcy, or the commencement of any proceeding under any Debtor Relief Law, relating to any Loan Party, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) the Loans and all other obligations and liabilities owed by any Loan Party to any Agent, the Arranger or any Lender, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement, any other Loan Document or any other document made, delivered or given in connection herewith or therewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including, without limitation, all fees, charges and disbursements of counsel to the Arranger, the Agents or any Lender that are required to be paid by the Borrower pursuant hereto) or otherwise.

“Oil and Gas Properties” means (a) Hydrocarbon Interests; (b) the Properties now or hereafter pooled or unitized with Hydrocarbon Interests; (c) all presently existing or future unitization, communitization, pooling agreements and declarations of pooled units and the units created thereby (including without limitation all units created under orders, regulations and rules of any Governmental Authority) which may affect all or any portion of the Hydrocarbon Interests; (d) all operating agreements, contracts and other agreements, including production sharing contracts and agreements, which relate to any of the Hydrocarbon Interests or the production, sale, purchase, exchange or processing of Hydrocarbons from or attributable to such Hydrocarbon Interests; (e) all Hydrocarbons in and under and which may be produced and saved or attributable to the Hydrocarbon Interests, including all oil in tanks, and all rents, issues, profits, proceeds, products, revenues and other incomes from or attributable to the Hydrocarbon Interests; (f) all tenements, hereditaments, appurtenances and Properties in any manner appertaining, belonging, affixed or incidental to the Hydrocarbon Interests and (g) all Properties, rights, titles, interests and estates described or referred to above, including any and all Property, real or personal, now owned or hereafter acquired and situated upon, used, held for use or useful in connection with the operating, working or development of any of such Hydrocarbon Interests or Property (excluding drilling rigs, automotive equipment, rental equipment or other personal Property which may be on such premises for the purpose of drilling a well or for other similar temporary uses) and including any and all oil wells, gas wells, injection wells or other wells, buildings, structures, fuel separators, liquid extraction plants, plant compressors, pumps, pumping units, field gathering systems, tanks and tank batteries, fixtures, valves, fittings, machinery and parts, engines, boilers, meters, apparatus, equipment, appliances, tools, implements, cables, wires, towers, casing, tubing and rods, surface leases, rights-of-way, easements and servitudes together with all additions, substitutions, replacements, accessions and attachments to any and all of the foregoing.

“Operating Account” shall mean the deposit account held at CIBC in the name of the Borrower, which account shall be pledged to the Collateral Agent for the benefit of the Secured Parties and shall be subject to terms, conditions and restrictions satisfactory to the Administrative Agent, and which shall at all times be subject to the perfected lien created by the Interim Order or the Final Order, as applicable.

“Operator” means a Person who assumes responsibility for the physical operation and control of a well with respect to any Oil and Gas Properties.

“Organizational Documents” shall mean, collectively, with respect to any Person, (i) in the case of any corporation, the certificate of incorporation or articles of incorporation and by-laws (or similar constitutive documents) of such Person, (ii) in the case of any limited liability company, the certificate or articles of formation or organization and operating agreement or memorandum and articles of association (or similar constitutive documents) of such Person, (iii) in the case of any limited partnership, the certificate of formation and limited partnership agreement (or similar constitutive documents) of such Person (and, where applicable, the equity holders or shareholders registry of such Person), (iv) in the case of any general partnership, the partnership agreement (or similar constitutive document) of such Person, (v) in any other case, the functional equivalent of the foregoing, and (vi) any shareholder, voting trust or similar agreement between or among any holders of Equity Interests of such Person.

“Other Connection Taxes” shall mean, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

“Other Taxes” shall mean all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 2.14).

“Participant” shall have the meaning set forth in Section 9.06(d).

“Participant Register” shall have the meaning set forth in Section 9.06(d).

“PATRIOT Act” shall mean the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), as the same has been, or shall hereafter be, renewed, extended, amended or replaced.

“Payment in Full” shall mean (a) the termination of all Commitments and (b) the payment in full in cash of all Loans and other amounts owing to any Lender, any Agent or the Arranger in respect of the Obligations (other than contingent or indemnification obligations not then due).

“Payment Office” shall mean the office specified from time to time by the Administrative Agent as its payment office by notice to the Borrower and the Lenders.

“Permits” shall mean any and all franchises, licenses, leases, permits, approvals, notifications, certifications, registrations, authorizations, exemptions, qualifications, easements, and rights of way.

“Permitted Liens” shall mean the collective reference to Liens permitted by Section 6.02.

“Person” shall mean any natural Person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“Platform” shall mean Debt Domain, IntraLinks, SyndTrak or a substantially similar electronic transmission system.

“Pledged Accounts” shall mean the Loan Account, the Operating Account and the Escrow Account and each other deposit account held at any deposit bank in the name of the Loan Parties and subject to a deposit account control agreement in form and substance satisfactory to the Administrative Agent and the Lenders.

“Pledged Equity Interests” shall have the meaning set forth in the Guarantee and Collateral Agreement.

“Post-Default Carve-Out Cap” has the meaning specified in the Interim Order or Final Order, as applicable; provided that, after the payment of all the Debtors’ Professionals allowed fees in accordance with the Budget (as defined in the Interim Order or Final Order) and the Committee’s Professionals allowed fees in accordance with the Budget (as defined in the Interim Order or Final Order) up to the Carve-Out Cap, to the extent there remains any unused retainers held by such professionals, such unused retainers shall be returned first to the Secured Parties until the Obligations are indefeasibly paid in full in cash and second to the Prepetition Secured Parties until the Prepetition Credit Obligations are indefeasibly paid in full in cash.

“Pre-Funded Amounts” shall have the meaning set forth in Section 2.01(d).

“Prepetition Agent” shall have the meaning set forth in the recitals.

“Prepetition Credit Agreement” shall have the meaning set forth in the recitals.

“Prepetition First Priority Liens” means the Liens granted to the Prepetition Agent, for the benefit of itself and the other Prepetition Secured Parties, to secure the Prepetition Credit Obligations.

“Prepetition Lenders” shall have the meaning set forth in the recitals.

“Prepetition Credit Obligations” means collectively, all “Secured Obligations,” as defined in the Prepetition Credit Agreement, owed by the Loan Parties in connection with the Syndicated Facility (as defined in the Prepetition Credit Agreement).

“Prepetition Required Lenders” means, collectively, the “Majority Lenders” as defined in the Prepetition Credit Agreement.

“Prepetition Secured Parties” means, collectively, the Prepetition Agent and the Prepetition Lenders.

“Prepetition Senior Permitted Encumbrances” has the meaning specified in the Interim Order or Final Order, as applicable.

“Proceeds” shall mean (a) in connection with any Asset Sale or any Recovery Event, all proceeds thereof in any form (including, without limitation, cash, Cash Equivalents, Equity Interests, other securities and other assets, property, claims and interests of any type) as and when received at any time by any Loan Party (including, without limitation and for the avoidance of doubt, any proceeds released from the Escrow Account), net of reasonable attorneys’ fees payable in connection therewith, taxes paid (or reasonably estimated to be payable (taking into account any available tax credits and deductions and tax sharing arrangements)) in connection therewith and customary fees and expenses actually incurred in connection therewith and (b) in connection with any issuance of Equity Interests or issuance or sale of debt securities or instruments or the incurrence of Indebtedness, the cash proceeds received from such issuance or incurrence.

“Property” shall mean any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible, including, without limitation, Equity Interests. “Purchase Money Obligation” shall mean, for any Person, the obligations of such Person in respect of Indebtedness (including Capital Lease Obligations) incurred for the purpose of financing all or any part of the purchase price of any fixed or capital assets or the cost of installation, construction or improvement of any fixed or capital assets; *provided, however*, that (i) such Indebtedness is incurred within 30 days after such acquisition, installation, construction or improvement of such fixed or capital assets by such Person and (ii) the amount of such Indebtedness does not exceed the lesser of 100% of the fair market value of such fixed or capital asset or the cost of the acquisition, installation, construction or improvement thereof, as the case may be.

“Purchase and Sale Agreement” shall mean that certain Purchase and Sale Agreement dated as of or around the date hereof, between the Borrower and Scout Energy Group II, LP relating to the purchase of substantially all of the assets of the Borrower and the GP Guarantor in a 363 Sale.

“Qualified Equity Interests” shall mean Equity Interests that are not Disqualified Equity Interests.

“Real Property” shall mean all real property held or used by any Loan Party, which relevant Loan Party owns in fee or in which it holds a leasehold interest as a tenant, including as of the Closing Date.

“Recipient” shall mean (a) each Agent and (b) any Lender, as applicable.

“Recovery Event” shall mean the receipt by any Loan Party of any cash payments or proceeds under any casualty insurance policy in respect of a covered loss thereunder or as a result of the taking of any assets of any Loan Party by any Person pursuant to the power of eminent domain, condemnation or otherwise, or pursuant to a sale of any such assets to a purchaser with such power under threat of such a taking.

“Register” shall have the meaning set forth in Section 9.06(c).

“Regulation D” shall mean Regulation D of the Board of Governors as in effect from time to time.

“Regulation H” shall mean Regulation H of the Board of Governors as in effect from time to time.

“Regulation T” shall mean Regulation T of the Board of Governors as in effect from time to time.

“Regulation U” shall mean Regulation U of the Board of Governors as in effect from time to time.

“Regulation X” shall mean Regulation X of the Board of Governors as in effect from time to time.

“Related Parties” shall mean, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person’s Affiliates.

“Release” shall mean, with respect to Materials of Environmental Concern, any release, spill, emission, leaking, pumping, pouring, injection, escaping, deposit, disposal, discharge, dispersal, dumping, leaching or migration into or through the indoor or outdoor environment (including the abandonment or disposal of any barrels, containers or other closed receptacles containing any Materials of Environmental Concern).

“Required Lenders” shall mean, at any time, Lenders having Total Credit Exposures representing more than 66 2/3% of the Total Credit Exposures of all Lenders. The Total Credit Exposure of any Defaulting Lender shall be disregarded in determining Required Lenders at any time.

“Requirement of Law” shall mean, as to any Person, such Person’s Organizational Documents, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its Property or to which such Person or any of its Property is subject.

“Responsible Officer” shall mean, as to any Person, the chief executive officer, president or chief financial officer of such Person, but in any event, with respect to financial matters, the chief financial officer of such Person. Unless otherwise qualified, all references to a “Responsible Officer” shall refer to a Responsible Officer of the Borrower.

“Restricted Payment” shall mean any dividend or other distribution (whether in cash, securities or other property) with respect to any capital stock or other Equity Interest of any Person, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, defeasance, acquisition, cancellation or termination of any such capital stock or other Equity Interest, or on account of any return of capital to any Person’s stockholders, partners or members (or the equivalent of any thereof), or any option, warrant or other right to acquire any such dividend or other distribution or payment.

“Restructuring Support Agreement” means that certain Restructuring Support Agreement, dated as of or around the date hereof, by and among Parallel Energy Trust, Parallel

Energy Commercial Trust, the Debtors, each of the lenders party thereto, and CIBC, as administrative agent.

“S&P” shall mean Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., and any successor thereto.

“Sale and Leaseback” shall have the meaning set forth in Section 6.09.

“Sale Order” shall mean the order entered by the Bankruptcy Court in form and substance satisfactory to the Purchaser, the Administrative Agent and the Required Lenders, in their respective sole discretion, among other things, approving the 363 Sale.

“Sale Procedures Order” shall mean an order approving (a) the bidding procedures to be applicable to the 363 Sale and (b) subject to higher and better bids, the 363 Asset Purchase Agreement, or such other asset purchase agreement with a third-party purchaser, which other asset purchase agreement and which third party purchaser shall be acceptable to the Lenders in their sole discretion.

“Sanctioned Country” shall mean, at any time, a country or territory that is subject to comprehensive Sanctions. For the avoidance of doubt, as of the Closing Date, Sanctioned Countries are the Crimea region of Ukraine, Cuba, Iran, North Korea, Syria and Sudan.

“Sanctioned Person” shall mean, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State, or by the United Nations Security Council, the European Union or any EU member state, (b) any Person operating, organized or resident in a Sanctioned Country or (c) any Person owned or controlled by any such Person.

“Sanctions” shall mean economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State.

“SEC” shall mean the Securities and Exchange Commission or any Governmental Authority succeeding to any of its principal functions.

“Secured Parties” shall have the meaning set forth in the Guarantee and Collateral Agreement.

“Securities Act” shall mean the Securities Act of 1933, as amended from time to time, and any successor statute.

“Security Documents” shall mean the collective reference to the Guarantee and Collateral Agreement, the Mortgages, any control agreements over the Pledged Accounts and any other control agreements required to be delivered pursuant to the Guarantee and Collateral Agreement or any other Loan Document, and all other security documents hereafter delivered to any Agent for the purpose of granting or perfecting a Lien on any Property of any Loan Party to secure the Obligations.

“Single Employer Plan” shall mean any “employee pension benefit plan” as such term is defined in Section 3(2) of ERISA that is covered by Title IV of ERISA, but which is not a Multiemployer Plan.

“Spot Rate” shall have the meaning set forth in Section 1.06.

“Subsidiary” shall mean, as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a “Subsidiary” or to “Subsidiaries” in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

“Taxes” shall mean all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other similar charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Total Credit Exposure” shall mean, as to any Lender at any time, the outstanding Loans of such Lender at such time.

“Loan Commitment” shall mean the Final Order Commitment less the Interim Funding Amount.

“Transactions” shall mean collectively, the transactions to occur on or prior to the Final Order Funding Date in connection with the Loan Documents, including (a) the execution, delivery and performance of the Loan Documents, the initial and final borrowings hereunder and the use of proceeds thereof; (b) the filing by the Loan Parties of voluntary petitions under Chapter 11 of the Bankruptcy Code commencing the Cases; and (c) the payment of all fees and expenses to be paid on or prior to the Final Order Funding Date and owing in connection with the foregoing, and the other transactions contemplated hereby.

“Undisclosed Administration” shall mean in relation to a Lender the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official by a supervisory authority or regulator under or based on the law in the country where such Lender is subject to home jurisdiction supervision if applicable law requires that such appointment is not to be publicly disclosed.

“Uniform Commercial Code” or “UCC” shall mean the Uniform Commercial Code, as in effect from time to time in any applicable jurisdiction.

“U.S. Person” shall mean any Person that is a “United States person” as defined in Section 7701(a)(30) of the Code.

“U.S. Tax Compliance Certificate” shall have the meaning set forth in Section 2.11(g).

“Variance Report” shall mean a variance report showing actual cash receipts and actual expenditures for each line item in the Budget covering each of the previous calendar week and the previous four calendar weeks, and comparing the foregoing amounts with the budgeted cash receipts and budgeted expenditures, respectively, set forth in the Budget for such line item during such one week period. The Variance Report shall include an explanation as to any variance identified in such report in accordance with the foregoing that is greater than \$5,000 or varies by 10% from the budgeted amount. Such explanation shall include, among other things, whether such variance is permanent or relates solely to timing and, to the extent related to timing, when such variance is expected to be corrected.

“Variance Testing Date” shall have the meaning set forth in Section 5.15.

“Withdrawal Request” shall mean a notice delivered by the Borrower to the Administrative Agent in substantially the form of Exhibit I, requesting a withdrawal of funds from the Loan Account.

“Withholding Agent” shall mean any Loan Party and the Administrative Agent.

Section 1.02 Other Interpretive Provisions. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The word “will” shall be construed to have the same meaning and effect as the word “shall.” Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document (including any Organizational Document) shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person’s permitted successors and assigns, (iii) the words “hereto,” “herein,” “hereof” and “hereunder,” and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof, (iv) all references in a Loan Document to Articles, Sections, recitals, Annexes, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and recitals, Annexes, Exhibits and Schedules to, the Loan Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time and (vi) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word “from” shall mean “from and excluding”, the words “to” and “until” each mean “to but excluding” and the word “through” shall mean “to and including”.

(c) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

Section 1.03 Accounting Terms.

(a) Generally. All accounting terms not specifically defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, IFRS applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the Historical Audited Financial Statements, except as otherwise specifically prescribed herein. Notwithstanding the foregoing, for purposes of determining compliance with any covenant (including the computation of any financial covenant) contained herein, Indebtedness of the Borrower and its Subsidiaries shall be deemed to be carried at 100% of the outstanding principal amount thereof, and the effects of IAS 39 and IAS 32 on financial liabilities shall be disregarded.

Section 1.04 Rounding. Any financial ratios required to be maintained by the Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

Section 1.05 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

Section 1.06 Currency Equivalents Generally. Any amount specified in this Agreement (other than in Article II, Article VIII and Article IX) or any of the other Loan Documents to be in Dollars shall also include the equivalent of such amount in any currency other than Dollars, such equivalent amount thereof in the applicable currency to be determined by the Administrative Agent at such time on the basis of the Spot Rate for the purchase of such currency with Dollars. The “Spot Rate” for a currency means the rate determined by the Administrative Agent to be the rate quoted by the Person acting in such capacity as the spot rate for the purchase by such Person of such currency with another currency through its principal foreign exchange trading office at approximately 11:00 a.m. on the date two Business Days prior to the date of such determination; *provided* that the Administrative Agent may obtain such spot rate from another financial institution designated by the Administrative Agent if the Person acting in such capacity does not have as of the date of determination a spot buying rate for any such currency.

ARTICLE II LOANS

Section 2.01 Commitments.

(a) Interim Order Loans. Subject to the terms and conditions set forth herein, each Lender agrees, severally and not jointly, to make an Interim Loan to the Borrower on the Closing Date in an amount equal to the Interim Order Commitment of such Lender.

(b) Final Order Commitments. Subject to the terms and conditions set forth herein, each Lender agrees, severally and not jointly, to make a Final Loan to the Borrower on the Final Order Funding Date in an amount equal to the Final Order Commitment of such Lender.

(c) The Borrower may make only one borrowing under the Interim Order Commitment and one borrowing under the Final Order Commitment. The borrowing under the Interim Order Commitment shall be on the Closing Date and the borrowing under the Final Order Commitment shall be on the Final Order Funding Date. All proceeds of the Interim Loans and the Final Loans shall be wired directly to the Loan Account upon receipt thereof by the Administrative Agent. All cash and Cash Equivalents received by any Loan Party prior to repayment in full of the Loans shall be deposited into the Loan Account. Amounts in the Loan Account will be disbursed from such account from time to time by the Administrative Agent, as set forth in Section 2.01(d), solely to fund the Cases and the business of the Debtors, subject to and in accordance with the Budget (subject to any variance permitted by Section 5.15), the Interim Order and the Final Order, as applicable. The Loan Account will receive the proceeds of draws made under the Credit Facilities and all other funds received by any Loan Party. Funds shall be withdrawn from the Loan Account only to fund the Operating Account, solely in order for the Borrower to make payments in accordance with the Budget, Interim Order and the Final Order, and only to the extent no Default or Event of Default has occurred and is continuing at the time of such withdrawal.

(d) The Borrower may deliver to the Administrative Agent a Withdrawal Request no later than 12:00 p.m. on any Variance Testing Date. Subject to Section 4.02, and subject to its receipt of a Withdrawal Request (and after a reasonable period of time for examining the contents thereof), the Administrative Agent shall transfer amounts held in the Loan Account (the "Pre-Funded Amounts") in an aggregate principal amount equal to the amount specified in such Withdrawal Request to the account of the Borrower specified in such Withdrawal Request solely to fund payments due and payable in accordance with the Budget, the Interim Order and the Final Order, the proceeds of which shall be deposited into the Operating Account.

(e) Any amount borrowed under this Section 2.01 and subsequently repaid or prepaid may not be reborrowed. Subject to Section 2.06 and Section 2.07, all amounts owed hereunder with respect to the Loans shall be paid in full no later than the Maturity Date. Each Lender's Interim Order Commitment shall terminate immediately and without further action on the Closing Date after giving effect to the funding of such Lender's Interim Order Commitment on the Closing Date and each Lender's Final Order Commitment shall terminate

immediately and without further action on the Final Order Funding Date after giving effect to the funding of such Lender's Final Order Commitment on the Final Order Funding Date.

Section 2.02 Procedure for Borrowings.

(a) The Borrower shall deliver to the Administrative Agent a fully executed Borrowing Notice no later than two Business Days in advance of the proposed Borrowing Date (or such shorter period as may be acceptable to the Administrative Agent). The Administrative Agent shall promptly advise the applicable Lenders of any notice given pursuant to this Section 2.02 (and the contents thereof), and of each Lender's portion of the requested borrowing.

(b) Upon satisfaction or waiver of the conditions precedent specified herein, each Lender shall make its Loan available to the Administrative Agent not later than 12:00 p.m. (New York City time) on the applicable Borrowing Date by wire transfer of same day funds in Dollars, at the principal office designated by the Administrative Agent. Upon satisfaction or waiver of the conditions precedent specified herein, the Administrative Agent shall deposit the proceeds of the Loans in the Loan Account and shall make the proceeds available to the Borrower on the applicable Borrowing Date subject to the requirements set forth in Section 2.01(c) hereof, by causing an amount of same day funds in Dollars equal to the proceeds of all such Loans received by Administrative Agent from the Lenders to be credited to the Loan Account.

Section 2.03 Repayment of Loans.

(a) The Borrower shall repay to the Lenders the aggregate principal amount of all Loans outstanding on the Maturity Date and shall be in an amount equal to the aggregate principal amount of all Loans outstanding on such date.

Section 2.04 Repayment of Loans; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay to the Administrative Agent, for the account of the appropriate Lender the principal amount of each Loan of such Lender as set forth in Section 2.03 (or on such earlier date on which the Loans become due and payable pursuant to Section 7.02).

(b) Lenders' Evidence of Debt. Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the Obligations of the Borrower to such Lender, including the amounts of the Loans made by it and each repayment and prepayment in respect thereof. Any such recordation shall be conclusive and binding on the Borrower, absent manifest error; *provided* that the failure to make any such recordation, or any error in such recordation, shall not affect any Lender's Commitments or the Borrower's Obligations in respect of any applicable Loans; *provided, further*, in the event of any inconsistency between the Register and any Lender's records, the recordations in the Register shall govern.

(c) Register. The Administrative Agent (or its agent or sub-agent appointed by it) shall maintain the Register pursuant to Section 9.06(c), and a subaccount therein for each Lender, in which shall be recorded (i) the amount of each Loan made hereunder and any Note evidencing such Loan, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of

any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof. The entries made in the Register shall be conclusive and binding on the Borrower and each Lender, absent manifest error; *provided* that failure to make any such recordation, or any error in such recordation, shall not affect the Borrower's Obligations in respect of any Loans. The Borrower hereby designates the Administrative Agent to serve as the Borrower's non-fiduciary agent solely for purposes of maintaining the Register as provided in this Section 2.04(c), and the Borrower hereby agrees that, to the extent the Administrative Agent serves in such capacity, the Administrative Agent and its officers, directors, employees, agents, sub-agents and affiliates shall constitute "Indemnites."

(d) Notes. The Borrower agrees that, upon the request to the Administrative Agent by any Lender, the Borrower will promptly execute and deliver to such Lender a promissory note of the Borrower evidencing any Loans of such Lender, substantially in the forms of Exhibit E (a "Note"), with appropriate insertions as to date and principal amount; *provided* that the obligations of the Borrower in respect of each Loan shall be enforceable in accordance with the Loan Documents whether or not evidenced by any Note.

Section 2.05 Fees.

(a) The Borrower agrees to pay on the Maturity Date to each Lender party to this Agreement as a Lender on the Closing Date, as fee compensation for the providing of such Lender's Loan, an arranger fee in an amount equal to 2.00% of the stated principal amount of such Lender's Loan, payable to such Lender from the proceeds of its Loan as and when funded on the Closing Date and the Final Order Funding Date. Such arranger fees shall be in all respects fully earned upon entry of the Interim Order, due and payable on the Maturity Date and non-refundable and non-creditable thereafter.

(b) The Borrower agrees to pay to the Administrative Agent (i) an annual administrative agent fee in an amount equal to \$100,000, which fee shall be earned by, and payable to, CIBC annually in advance for so long as the Credit Facility remains outstanding with the first installment due on the Closing Date, and (ii) the fees in the amounts and on the dates from time to time agreed to in writing by the Borrower and the Administrative Agent.

Section 2.06 Mandatory Prepayments and Commitment Reductions.

(a) Asset Sales. Immediately upon consummation of any Asset Sale or the release to the Borrower of any funds from the Escrow Account, the Borrower shall prepay the Loans in an aggregate amount equal to the Proceeds thereof and such Proceeds together with any other consideration therefor shall be delivered to the Administrative Agent for the benefit of the Lenders.

(b) Recovery Events. Immediately upon receipt by any Loan Party or by the Administrative Agent as loss payee, of any Proceeds of any Recovery Event, the Borrower shall prepay the Loans in an aggregate amount equal to such Proceeds.

(c) Issuance of Debt. No later than the date of receipt by any Loan Party of any Proceeds from the incurrence of any Indebtedness of any Loan Party (other than with respect to any Indebtedness permitted to be incurred pursuant to Section 6.01), the Borrower

shall prepay the Loans as set forth in Section 2.07(a) in an aggregate amount equal to 100% of such Proceeds.

Section 2.07 Application of Payments.

(a) Application of Mandatory Prepayments. Any amount paid or required to be paid pursuant to Section 2.06(a) through Section 2.06(c) shall be applied to prepay the Loans on a pro rata basis (in accordance with the respective outstanding principal amounts thereof);

Section 2.08 Interest Rates and Payment Dates. Each Loan shall bear interest for each day on which it is outstanding at a rate *per annum* equal to the Applicable Margin. Automatically, after the occurrence and during the continuance of an Event of Default the Borrower shall pay interest on all amounts (whether or not past due) owing by it hereunder at a rate *per annum* at all times, after as well as before judgment, equal to the rate otherwise applicable to such Loan pursuant to this Section 2.08, as applicable, plus 2.00% per annum from the date of such Event of Default until such Event of Default is cured or waived.

Section 2.09 Payments Generally; Administrative Agent's Clawback.

(a) General. All payments to be made by the Borrower hereunder, whether on account of principal, interest, fees or otherwise, shall be made free and clear of and without condition or deduction for any counterclaim, defense, recoupment or setoff. All payments by the Borrower hereunder shall be made to the Administrative Agent, for the account of the respective Lenders to which such payment is owed, at the Payment Office, in Dollars and in immediately available funds prior to 1:00 p.m. (New York City time) on the date specified herein. Any payment made by the Borrower hereunder that is received by the Administrative Agent after 1:00 p.m. (New York City time) on any Business Day shall be deemed to have been received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. The Administrative Agent shall distribute such payments to the Lenders by wire transfer promptly upon receipt in like funds as received. If any payment hereunder becomes due and payable on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be. In the case of any extension of any payment of principal pursuant to the preceding sentence, interest thereon shall be payable at the then applicable rate during such extension.

(b) Reserved.

(c) Reserved.

(d) Obligations of Lenders Several. The obligations of the Lenders hereunder to make Loans and to make payments pursuant to Section 9.05(c) are several and not joint. The failure of any Lender to make any Loan, to fund any such participation or to make any payment under Section 9.05(c) on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan, to purchase its participation or to make its payment under Section 9.05(c).

(e) Funding Source. Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

(f) Insufficient Funds. If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied (i) first, toward payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, toward payment of principal then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal then due to such parties.

Section 2.10 Increased Costs; Capital Adequacy.

(a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement reflected in the Eurodollar Rate);

(ii) subject any Recipient to any Taxes (other than (A) Indemnified Taxes, (B) Excluded Taxes and (C) Connection Income Taxes) on its Loans, Loan principal or other Obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on any Lender or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement or Loans made by such Lender or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender or such other Recipient, by an amount which such Lender or such other Recipient deems to be material, of making, converting to, continuing or maintaining any Loan, or to increase the cost to such Lender or such other Recipient of participating in, or to reduce the amount of any sum received or receivable by such Lender or other Recipient hereunder (whether of principal, interest or any other amount) then, upon the request of such Lender or other Recipient, the Borrower will promptly pay to such Lender or other Recipient, as the case may be, such additional amount or amounts as will compensate such Lender or other Recipient, as the case may be, for such additional costs incurred or reduction suffered. If any Lender becomes entitled to claim any additional amounts pursuant to this Section 2.10, it shall promptly notify the Borrower (with a copy to the Administrative Agent) of the event by reason of which it has become so entitled.

(b) If any Lender determines that any Change in Law affecting such Lender or any lending office of such Lender or such Lender's holding company, if any, regarding capital or liquidity requirements, has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by, such Lender to a

level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered on an after-tax basis.

(c) A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in Section 2.10(a) or Section 2.10(b) and delivered to the Borrower (with a copy to the Administrative Agent), shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender to demand compensation pursuant to this Section 2.10 shall not constitute a waiver of such Lender's right to demand such compensation; *provided* that the Borrower shall not be required to compensate a Lender pursuant to this Section 2.10 for any increased costs incurred or reductions suffered more than nine months prior to the date that such Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions, and of such Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

(e) The obligations of the Borrower pursuant to this Section 2.10 shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

Section 2.11 Taxes.

(a) Defined Terms. For purposes of this Section 2.11, the term "applicable law" includes FATCA.

(b) Payments Free of Taxes. Any and all payments by or on account of any obligation of any Loan Party under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by the applicable Loan Party shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section 2.11) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(c) Payment of Other Taxes by the Loan Parties. The Loan Parties shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(d) Indemnification by the Loan Parties. The Loan Parties shall jointly and severally indemnify each Recipient, within ten (10) days after written demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 2.11) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable out-of-pocket expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority; *provided* that the Loan Parties shall not be required to compensate any Recipient pursuant to this Section 2.11(d) for any interest, additions to tax or penalties that accrue more than 180 days after the date such Recipient first receives notice of the relevant Indemnified Taxes. Any Recipient claiming indemnity pursuant to this Section 2.11(d) shall notify the Loan Parties of the imposition of the relevant Indemnified Taxes as soon as practicable after the Recipient becomes aware of such imposition. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender or Agent (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender or Agent, shall be conclusive absent manifest error.

(e) Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent, within ten (10) days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that any Loan Party has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Loan Parties to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 9.06(d) relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this Section 2.11(e).

(f) Evidence of Payments. As soon as practicable after any payment of Taxes by any Loan Party to a Governmental Authority pursuant to this Section 2.11, such Loan Party shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(g) Status of Lenders. (i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall

deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 2.11(g)(ii)(A), Section 2.11(g)(ii)(B) and Section 2.11(g)(ii)(D) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing,

(A) any Lender that is a U.S. Person shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed copies of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(1) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed copies of IRS Form W-8BEN or W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, executed copies of IRS Form W-8BEN or W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(2) executed copies of IRS Form W-8ECI;

(3) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit F-1 to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10-percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B)

of the Code or a “controlled foreign corporation” described in Section 881(c)(3)(C) of the Code (a “U.S. Tax Compliance Certificate”) and (y) executed copies of IRS Form W-8BEN or W-8BEN-E; or

(4) to the extent a Foreign Lender is not the beneficial owner, executed copies of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN or W-8BEN-E, a U.S. Tax Compliance Certificate substantially in the form of Exhibit F-2 or Exhibit F-3, IRS Form W-9 and/or other certification documents from each beneficial owner, as applicable; *provided* that, if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit F-4 on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed copies of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender’s obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this Section 2.11(g)(ii)(D), “FATCA” shall include any amendments made to FATCA after the date of this Agreement.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect it shall update such form or certification or promptly notify the Borrower and the Administrative Agent of legal inability to do so.

(h) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 2.11 (including by the payment of additional

amounts pursuant to this Section 2.11), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section 2.11 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this Section 2.11(h) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this Section 2.11(h), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this Section 2.11(h), the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This Section 2.11(h) shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(i) Survival. Each party's obligations under this Section 2.11 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Document.

Section 2.12 Pro Rata Treatment.

(a) Each borrowing of Loans by the Borrower and any reduction of the Commitments shall be allocated pro rata as among the Lenders.

(b) Each repayment by the Borrower in respect of principal or interest on the Loans and each payment in respect of fees or expenses payable hereunder shall be applied to the amounts of such obligations owing to the Lenders entitled thereto pro rata in accordance with the respective amounts then due and owing to such Lenders. Each mandatory prepayment by the Borrower of the Loans shall be applied pro rata in accordance with the respective principal amounts of the outstanding Loans then held by the Lenders.

(c) Each payment of the Loans shall be accompanied by accrued interest to the date of such payment on the amount paid.

Section 2.13 Defaulting Lenders.

(a) Defaulting Lender Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by applicable law:

(i) Waivers and Amendments. Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this

Agreement shall be restricted as set forth in Section 9.01(a) and the definition of “Required Lenders”.

(ii) Defaulting Lender Waterfall. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Section 7.02 or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 9.07 shall be applied at such time or times as may be determined by the Administrative Agent as follows: *first*, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; *second*, as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; *third*, if so determined by the Administrative Agent and the Borrower, to be held in a deposit account and released pro rata in order to satisfy such Defaulting Lender’s potential future funding obligations with respect to Loans under this Agreement; *fourth*, to the payment of any amounts owing to the Lenders as a result of any judgment of a court of competent jurisdiction obtained by any Lender against such Defaulting Lender as a result of such Defaulting Lender’s breach of its obligations under this Agreement; *fifth*, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender’s breach of its obligations under this Agreement; and *sixth*, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; *provided* that if (x) such payment is a payment of the principal amount of any Loans in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made at a time when the conditions set forth in Section 4.02 were satisfied or waived, such payment shall be applied solely to pay the Loans of all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of such Defaulting Lender until such time as all Loans are held by the Lenders pro rata in accordance with the Commitments. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(b) Defaulting Lender Cure. If the Borrower, the Administrative Agent and each non-Defaulting Lender agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein, that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans to be held pro rata by the Lenders in accordance with the Commitments under the Credit Facility, whereupon such Lender will cease to be a Defaulting Lender; *provided* that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; *provided, further*, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder

from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

Section 2.14 Mitigation Obligations; Replacement of Lenders.

(a) Designation of a Different Lending Office. If any Lender requests compensation under Section 2.10, or requires the Borrower to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.11, then such Lender shall (at the request of the Borrower) use reasonable efforts (subject to overall policy considerations of such Lender) to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the sole judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.10 or Section 2.11, as the case may be, in the future, and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) Replacement of Lenders. If any Lender requests compensation under Section 2.10, or if the Borrower is required to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.11 and, in each case, such Lender has declined or is unable to designate a different lending office in accordance with Section 2.14(a), or if any Lender is a Defaulting Lender or a Non-Consenting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 9.06), all of its interests, rights (other than its existing rights to payments pursuant to Section 2.10 or Section 2.11) and obligations under this Agreement and the related Loan Documents to an Eligible Assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); *provided* that any Non-Consenting Lender shall be deemed to have consented to the assignment and delegation of its interests, rights and obligations if it does not execute and deliver an Assignment and Assumption to the Administrative Agent within one Business Day after having received a request therefor; *provided, further*, that:

(i) the Borrower shall have paid to the Administrative Agent the assignment fee (if any) specified in Section 9.06;

(ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);

(iii) in the case of any such assignment resulting from a claim for compensation under Section 2.10 or payments required to be made pursuant to

Section 2.11, such assignment will result in a reduction in such compensation or payments thereafter;

- (iv) such assignment does not conflict with applicable law; and
- (v) in the case of any assignment resulting from a Lender becoming a Non-Consenting Lender, the applicable assignee shall have consented to the applicable amendment, waiver or consent.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

ARTICLE III REPRESENTATIONS AND WARRANTIES

To induce the Agents and the Lenders to enter into this Agreement and to make the Loans, the Borrower hereby represents and warrants to each Agent and each Lender as of the date of the entry of the Interim Order and upon each Credit Extension thereafter that:

Section 3.01 Existence, Qualification and Power. Each Loan Party (a) is duly incorporated or organized, validly existing and, as applicable, in good standing under the laws of the jurisdiction of its incorporation or organization, (b) has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to own or lease its assets and carry on its business as now conducted and (c) is duly qualified and licensed and, as applicable, in good standing under the laws of each jurisdiction where such qualification or license or, if applicable, good standing is required; except, in the case of clauses (b) and (c) above, where such failure could not reasonably be expected to have a Material Adverse Effect.

Section 3.02 Authorization; Enforceability. The Transactions to be entered into by each Loan Party are within such Loan Party's powers and have been duly authorized by all necessary corporate or other organizational action on the part of each such Loan Party. This Agreement has been duly executed and delivered by each Loan Party party hereto and constitutes, and each other Loan Document to which any Loan Party is to be a party, when executed and delivered by such Loan Party, will constitute, a legal, valid and binding obligation of such Loan Party, enforceable against such Loan Party in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally, regardless of whether considered in a proceeding in equity or at law.

Section 3.03 No Conflicts. Except as a result of the Cases, the Transactions (i) do not require any consent, exemption, authorization or approval of, registration or filing with, or any other action by, any Governmental Authority, except (A) such as have been obtained or made and are in full force and effect, (B) filings necessary to perfect or maintain the perfection or priority of the Liens created by the Security Documents and (C) consents, approvals, exemptions, authorizations, registrations, filings, permits or actions the failure of which to obtain or perform could not reasonably be expected to have a Material Adverse Effect, (ii) will not violate the Organizational Documents of any Loan Party, (iii) will not violate or result in a default or require any consent or approval under any indenture, instrument, agreement, or other document binding

upon any Loan Party or its property or to which any Loan Party or its property is subject, or give rise to a right thereunder to require any payment to be made by any Loan Party, except for violations, defaults or the creation of such rights that could not reasonably be expected to have a Material Adverse Effect, (iv) will not violate any Requirement of Law in any material respect and (v) will not result in the creation or imposition of any Lien on any property of any Loan Party, except Liens created by the Security Documents.

Section 3.04 Financial Statements; Budget; No Material Adverse Effect.

(a) The Borrower has heretofore delivered to the Agents and the Lenders the Budget. The Budget has been prepared in good faith by the Borrower based upon (i) the assumptions stated therein (which assumptions are believed by the Loan Parties on the date of delivery thereof, on the Closing Date and on the Final Order Funding Date to be reasonable), and (ii) the best information available to the Borrower and its Subsidiaries as of the date of delivery, the Closing Date and the Final Order Funding Date.

(b) Since the Petition Date, there has been no event, change, circumstance, condition, development or occurrence that has had, or could reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect.

Section 3.05 Intellectual Property. Each Loan Party owns or is licensed to use, free and clear of all Liens (other than Permitted Liens), all Intellectual Property, necessary for the conduct of its business as currently conducted, except for those which the failure to own or license, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

Section 3.06 Properties.

(a) Each Loan Party has good and defensible title to all its Oil and Gas Properties and good and marketable title to, or valid leasehold interests in, all its other property material to its business, free and clear of all Liens and irregularities, deficiencies and defects in title, except for Permitted Liens and minor irregularities, deficiencies and defects in title that, individually or in the aggregate, do not, and could not reasonably be expected to, interfere with its ability to conduct its business as currently conducted or to utilize such property for its intended purpose.

(b) The property of the Loan Parties (other than the Oil and Gas Properties which are addressed in Section 5.06), taken as a whole, (i) is in good operating order, condition and repair (ordinary wear and tear excepted), and (ii) constitutes all the property which is required for the business and operations of the Loan Parties as presently conducted.

(c) No Loan Party has ownership or leasehold (leased, subleased or otherwise occupied or utilized by any Loan Party, as lessee, sub-lessee, franchisee or licensee) interests in Real Property other than with respect to (i) Oil and Gas Properties and (ii) general office leasehold interests with net annualized aggregate rent obligations of \$170,000 or less.

(d) Each Loan Party owns or has rights to use all of its property and all rights with respect to any of the foregoing which are required for the business and operations of the

Loan Parties as presently conducted. The use by each Loan Party of its property and all such rights with respect to the foregoing do not infringe on the rights or other interests of any person, other than any infringement that could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. No claim has been made and remains outstanding that any Loan Party's use of any of its property does or may violate the rights of any third party that, individually or in the aggregate, has had, or could reasonably be expected to result in, a Material Adverse Effect.

(e) Except as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, there is no pending or threatened condemnation or eminent domain proceeding with respect to, or that could affect, any of the Real Property of any Loan Party.

(f) Other than pursuant to the Purchase and Sale Agreement and preferential purchase rights referenced in Exhibit H thereto, no Loan Party is obligated under, or a party to, any option, right of first refusal or other contractual right to sell, assign or dispose of any Oil and Gas Property or any portion thereof or interest therein.

Section 3.07 Equity Interests and Subsidiaries. Schedule 3.07 sets forth (i) each Loan Party and its jurisdiction of incorporation or organization as of the Closing Date and (ii) the number of each class of its Equity Interests authorized, and the number outstanding, on the Closing Date and the number of Equity Interests covered by all outstanding options, warrants, rights of conversion or purchase and similar rights on the Closing Date. All Equity Interests of each Loan Party are duly and validly issued and are fully paid and non-assessable, and, other than the Equity Interests of the Borrower and the GP Guarantor, are owned by the Borrower, directly or indirectly. Each Loan Party is the record and beneficial owner of, and has good and marketable title to, the Equity Interests pledged by (or purported to be pledged by) it under the Security Documents, free of any and all Liens, rights or claims of other persons, and, as of the Closing Date, there are no outstanding warrants, options or other rights (including derivatives) to purchase, or shareholder, voting trust or similar agreements outstanding with respect to, or property that is convertible into, or that requires the issuance or sale of, any such Equity Interests (or any economic or voting interests therein).

Section 3.08 Litigation. Except for the Cases, there are no actions, suits, claims, disputes or proceedings at law or in equity by or before any Governmental Authority now pending or, to the best of the knowledge of the Borrower, threatened against or affecting any Loan Party or any business, property or rights of any Loan Party.

Section 3.09 Investment Company Act. No Loan Party is an "investment company" or a company "controlled" by an "investment company," as defined in, or subject to regulation under, the Investment Company Act of 1940, as amended.

Section 3.10 Federal Reserve Regulations.

(a) No Loan Party is engaged principally, or as one of its important activities, in the business of purchasing or carrying Margin Stock, or extending credit for the purpose of purchasing or carrying Margin Stock.

(b) No part of the proceeds of any Credit Extension will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, for purchasing or carrying Margin Stock or for any other purpose that entails a violation of, or that is inconsistent with, the provisions of the regulations of the Board of Governors, including Regulation T, Regulation U or Regulation X.

Section 3.11 Taxes. Each Loan Party has (a) filed or caused to be filed all material Tax returns that are required to be filed by it and (b) paid or caused to be paid all material Taxes required to be paid by it, except Taxes that are being contested in good faith by appropriate proceedings and for which such Loan Party has set aside on its books adequate reserves in accordance with IFRS. Each Loan Party has made adequate provisions in accordance with IFRS for all Taxes not yet due and payable. No Loan Party has knowledge (or could reasonably have knowledge upon due inquiry) of any proposed or pending tax assessments, deficiencies, audits or other proceedings and no proposed or pending tax assessments, deficiencies, audits or other proceedings have had, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. No Loan Party has ever “participated” in a “reportable transaction” within the meaning of Treasury Regulation Section 1.6011-4. No Loan Party is party to any tax sharing or similar agreement.

Section 3.12 No Material Misstatements.

(a) The Borrower has disclosed to the Administrative Agent and the Lenders all agreements, instruments and corporate or other restrictions to which it or any of its Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect. At the time any report, financial statement, certificate or other written information (other than forecasts and other forward-looking information, budgets, estimates and information of a general economic or industry-specific nature) is furnished, by or on behalf of any Loan Party to the Administrative Agent or any Lender in connection with the transactions contemplated hereby and the negotiation of this Agreement or delivered hereunder or under any other Loan Document (as modified or supplemented by other information so furnished) are complete and correct in all material respects and do not (when taken as a whole) contain any material misstatement of fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) The Budgets have been prepared in good faith in consultation with financial advisors based upon assumptions believed by the Borrower to be reasonable at the time made and at the time furnished (it being recognized that (i) such Budgets are not to be viewed as facts and that no assurance can be given that any particular financial projections or budgets (including the Budgets) will be realized, that actual results may differ significantly from projected results and that such Budgets are not a guarantee of performance and (ii) projections concerning volumes attributable to the oil and gas properties of the Borrower and its Subsidiaries and production and cost estimates contained in each Budget are necessarily based upon professional opinions, estimates and projections and that the Borrower and its Subsidiaries do not warrant that such opinions, estimates and projections will ultimately prove to have been accurate).

Section 3.13 Labor Matters.

(a) There are no strikes, lockouts, stoppages or slowdowns or other labor disputes affecting any Loan Party pending or, to the knowledge of the Loan Parties, threatened.

(b) The consummation of the Transactions will not give rise to any right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which any Loan Party is bound.

(c) Except for immaterial obligations that arise in the event of a termination of an employee's employment, all payments due from any Loan Party, or for which any claim may be made against any Loan Party, on account of wages and employee health and welfare insurance and other benefits, have been paid or accrued as a liability on the books of such Loan Party.

(d) The hours worked by and payments made to employees of any Loan Party have not been in violation of the Fair Labor Standards Act of 1938, as amended.

Section 3.14 ERISA. Neither Loan Party maintains, contributes to, is required to contribute to, or otherwise has any liability (whether absolute or contingent and including, without limitation, any liability as a result of either Loan Party's relationship with any ERISA Affiliate) with respect to any Single Employer Plan, Multiemployer Plan or any employee benefit plan that is subject to the laws of any jurisdiction outside the United States of America. Neither Loan Party is a party to any collective bargaining agreement with any labor union, organization, group or association, nor has any Loan Party voluntarily recognized, or negotiated a collective bargaining agreement or agreed to negotiate a collective bargaining agreement with any labor union, organization, group or association.

Section 3.15 Environmental Matters. Other than exceptions to any of the following that could not, individually or in the aggregate, reasonably be expected to result in the Loan Parties incurring Environmental Liability in excess of a Material Environmental Amount:

(a) the Loan Parties: (i) are, and have been, in compliance with all applicable Environmental Laws including obtaining, maintaining and complying with all Environmental Permits required for their current or intended operations or for any property owned, leased, or otherwise operated by any of them; and (ii) reasonably believe that compliance with any Environmental Law that is or is expected to become applicable to any of them will be timely attained and maintained, without material expense;

(b) Materials of Environmental Concern have not been Released and are not present at, on, under, in, or about any real property now or formerly owned, leased or operated by any Loan Party, to the knowledge of the Borrower, at any real property formerly owned, leased or operated by any Loan Party or at any other location (including, without limitation, any location to which Materials of Environmental Concern have been sent for re-use, recycling, treatment, storage, or disposal) in a quantity, manner or condition which could reasonably be expected to (i) require investigation, removal, or remediation under Environmental Law or otherwise give rise to Environmental Liability of any Loan Party,

(ii) interfere with any Loan Party's continued operations, or (iii) impair the fair saleable value of any Collateral;

(c) there are no pending or, to the knowledge of the Borrower, threatened in writing actions, suits, claims, disputes or proceedings at law or in equity, administrative or judicial, by or before any Governmental Authority (including any notice of violation or alleged violation or seeking to revoke, cancel, or amend any Environmental Permit) under or relating to any Environmental Law to which any Loan Party is, or to the knowledge of the Borrower, will be, named as a party or affecting any Loan Party or any business, property or rights of any Loan Party;

(d) no Loan Party has received any written request for information, or been otherwise notified that it is a potentially responsible party under or relating to the federal Comprehensive Environmental Response, Compensation, and Liability Act or any similar Environmental Law, or with respect to any Release of Materials of Environmental Concern;

(e) No real property currently owned or leased by any Loan Party is subject to any Lien imposed pursuant to Environmental Law and, to the knowledge of the Loan Parties, there are no existing facts, circumstances or conditions that would reasonably be expected to result in any such Lien attaching to any such property;

(f) no Loan Party has entered into or agreed to any consent decree, order, or settlement or other agreement, or is subject to any judgment, decree, or order or other agreement, in any judicial, administrative, arbitral, or other forum for dispute resolution, relating to compliance with Environmental Law or any Environmental Liability; and

(g) no Loan Party has assumed or retained, by contract or operation of law, any Environmental Liabilities of any kind, whether fixed or contingent, known or unknown.

Section 3.16 Insurance. Schedule 3.16 sets forth a true, complete and accurate description in reasonable detail of all insurance maintained by each Loan Party as of the Closing Date. Each Loan Party is insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which it is engaged. No Loan Party (i) has received notice from any insurer or agent of such insurer that substantial capital improvements or other material expenditures will have to be made in order to continue such insurance or (ii) has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers.

Section 3.17 Security Documents.

(a) The Guarantee and Collateral Agreement is effective to create in favor of the Collateral Agent, for the benefit of the Secured Parties, a legal, valid, binding and enforceable security interest in the Collateral described therein and proceeds and products thereof. In the case of (i) Pledged Equity Interests represented by certificates, (x) when such certificates are delivered to the Collateral Agent or (y) when financing statements in appropriate form are filed in the offices specified on Schedule 3.17(a), (ii) the Pledged Accounts, each such account shall be subject to a fully perfected Lien on, and security interest

in, all right, title and interest of the Loan Parties in and to such account, and the proceeds and products thereof, as security for the Obligations, in each case, prior and superior in right to any other Person, and (iii) the other Collateral described in the Guarantee and Collateral Agreement, when financing statements in appropriate form are filed in the offices specified on Schedule 3.17(a) and such other filings as are specified on Schedule 2 to the Guarantee and Collateral Agreement have been completed, the Lien created by the Guarantee and Collateral Agreement shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in such Collateral and the proceeds and products thereof, as security for the Secured Obligations (as defined in the Guarantee and Collateral Agreement).

(b) Each of the Mortgages is effective to create in favor of the Collateral Agent, for the benefit of the Secured Parties, a legal, valid, binding and enforceable Lien on the Mortgaged Properties described therein and proceeds and products thereof, and when the Mortgages are filed in the offices specified on Schedule 3.17(b) (in the case of Mortgages to be executed and delivered on the Closing Date) or in the recording office designated by the Borrower (in the case of any Mortgage to be executed and delivered pursuant to Section 5.12), each Mortgage shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in the Mortgaged Properties described therein and the proceeds and products thereof, as security for the Obligations (as defined in the relevant Mortgage).

Section 3.18 Improved Real Estate. The Real Property of the Borrower and its subsidiaries does not include any “Building” (as defined in the applicable Flood Insurance Regulation) or “Manufactured (Mobile) Home” (as defined in the applicable Flood Insurance Regulation) with a fair market value in excess of \$50,000 individually or \$100,000 in the aggregate.

Section 3.19 Bankruptcy Representations.

(a) Commencement of the Cases. The Cases were commenced in accordance with applicable Law and proper notice thereof and of the hearings for the approval of the Interim Order or the Final Order, as applicable, shall have been given. The Borrower has given, on a timely basis as specified in the Interim Order or the Final Order, as applicable, all notices required to be given to all parties specified in the Interim Order or the Final Order, as applicable.

(b) Creation of Security Interest; Valid Liens. After giving effect to the Interim Order or the Final Order, the provisions of the Loan Documents and the Interim Order or the Final Order, as applicable, (i) are effective to create in favor of the Administrative Agent, for the benefit of the Secured Parties, legal, valid and perfected first priority priming and senior Liens on and security interests in all rights, title and interests in the Collateral subject and subordinate only to the Carve-Out (subject to the limitations set forth herein and in the Interim Order) and the Prepetition Senior Permitted Encumbrances and (ii) are enforceable against the Loan Parties.

(c) Obligations as Administrative Superpriority Expense Claims. Pursuant to Section 364(c)(1) of the Bankruptcy Code and the Interim Order or the Final Order, as applicable, all Obligations hereunder and all other obligations of the Loan Parties under the

Loan Documents, on a joint and several basis, (i) constitute allowed superpriority administrative expense claims in the Cases having priority, subject only to the payment of the Carve-Out in accordance with the Interim Order, over all administrative expense claims, adequate protection and other diminution claims, and unsecured claims of any kind whatsoever against the Loan Parties, whether now existing or hereafter arising, including, without limitation, all administrative expense claims of the kind specified in Sections 105, 326, 328, 330, 331, 503(a), 503(b), 506(c) (subject to entry of the Final Order), 507(a), 507(b), 546, 726, 1113, 1114 or any other provision of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment lien or other non-consensual lien, levy, or attachment, and (ii) are senior to the rights of the Loan Parties and any successor trustee or estate representative in the Cases or any subsequent proceeding or case under the Bankruptcy Code.

(d) Effectiveness of the Interim and the Final Order. The Interim Order or the Final Order, as applicable, (i) is in full force and effect and (ii) has not been reversed, stayed, modified, amended, vacated, or subjected to a stay pending appeal without the prior written consent of the Administrative Agent and the Required Lenders in their respective sole discretion.

(e) Avoidance. The Liens securing the Obligations shall not be junior to, or pari passu with, any Lien avoided and preserved for the benefit of the Debtors and their estates pursuant to Section 551 of the Bankruptcy Code.

Section 3.20 PATRIOT Act, etc. To the extent applicable, each Loan Party is in compliance, in all material respects, with (i) the Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto, and (ii) the PATRIOT Act. No part of the proceeds of the Loans will be used, directly or indirectly, for any payment to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

Section 3.21 Anti-Terrorism Laws.

(a) None of the Loan Parties or any Subsidiary is in violation of any Anti-Terrorism Law or engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

(b) None of the Loan Parties or any Subsidiary or their respective agents acting or benefiting in any capacity in connection with the Loans, the Transactions or the other transactions hereunder, is any of the following (each a "Blocked Person"):

(i) a Person that is listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224;

(ii) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224;

(iii) a Person with which any Agent or Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law;

(iv) a Person that commits, threatens or conspires to commit or supports “terrorism” (as defined in Executive Order No. 13224);

(v) a Person that is named as a “specially designated national” on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control at its official website or any replacement website or other replacement official publication of such list; or

(vi) a Person affiliated or associated with any Person described in Section 3.21(b)(i) through Section 3.21(b)(v) above.

(c) No Loan Party or, to the knowledge of any Loan Party, any of its agents acting in any capacity in connection with the Loans, the Transactions or the other transactions hereunder (i) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Blocked Person or (ii) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to Executive Order No. 13224.

Section 3.22 Anti-Corruption Laws and Sanctions.

(a) The Borrower has implemented and maintains in effect policies and procedures designed to ensure compliance by the Borrower, its Subsidiaries and their respective officers and employees with Anti-Corruption Laws and applicable Sanctions.

(b) The Borrower and its Subsidiaries and their respective officers and employees and to the knowledge of any Loan Party, the agents of the Borrower and its Subsidiaries, are in compliance with Anti-Corruption Laws and applicable Sanctions.

(c) (i) No Loan Party and none of its officers or employees, and (ii) to the knowledge of any Loan Party, no agent of such Loan Party that will act in any capacity in connection with or benefit from the credit facility established hereby, is a Sanctioned Person.

Section 3.23 Use of Proceeds. The Borrower will use the proceeds of the Loans only for the purposes specified in the recitals to this Agreement. The proceeds of the Loans will not be used in violation of Anti-Corruption Laws or applicable Sanctions.

Section 3.24 Marketing of Production. No agreements exist which are not cancelable on 60 days’ notice or less without penalty or detriment for the sale of production from Oil and Gas Properties of the Borrower and its Subsidiaries (including, without limitation, calls on or other rights to purchase, production, whether or not the same are currently being exercised) that

(a) pertain to the sale of production at a fixed price and (b) have a maturity or expiry date of longer than six (6) months from the date hereof or the date of entry therein, as applicable.

ARTICLE IV CONDITIONS PRECEDENT

Section 4.01 Conditions to Initial Credit Extension. The obligation of each Lender to make the initial Credit Extension requested to be made by it hereunder is subject to the satisfaction (or waiver), prior to or concurrently with the making of such Credit Extension, of each of the following conditions precedent:

(a) Loan Documents. The Administrative Agent shall have received (i) this Agreement, executed and delivered by a duly authorized officer of the Borrower, each Agent and each Lender, (ii) a Note, executed and delivered by the Borrower in favor of each Lender that has requested a Note, (iii) the Escrow Agreement, executed and delivered by a duly authorized officer of the Borrower, the Agent and each of the other signatories thereto; (iv) the Guarantee and Collateral Agreement, executed and delivered by a duly authorized officer of the Borrower, GP Guarantor and the Agent and (v) each other Loan Document executed and delivered by a duly authorized officer of each party thereto.

(b) Interim Order. The Bankruptcy Court shall have entered the Interim Order and it shall be in full force and effect and shall not have been reversed, modified, stayed or amended unless such reversal, modification, stay or amendment is acceptable to the Administrative Agent and the Required Lenders in their respective sole discretion.

(c) No Relief. No pleading or application seeking relief affecting the provision of the Credit Facilities shall have been filed in the Bankruptcy Court by any Debtor.

(d) Personal Property Collateral. Each Loan Party shall have delivered to the Collateral Agent:

(i) evidence that each Loan Party shall have taken or caused to be taken any other action, executed and delivered or caused to be executed and delivered any other agreement, document and instrument (including any amendments to the articles of incorporation or other constitutional documents of agreements of such Loan Party pursuant to which any restrictions or inhibitions relating to the enforcement of any Lien created by the Security Documents are removed) and authorized, made or caused to be made any other filing and recording required under any Security Document, and each UCC financing statement shall have been filed, registered or recorded or shall have been delivered to the Collateral Agent and shall be in proper form for filing, registration or recordation, and each of the Pledged Accounts shall be subject to a perfected first priority lien in favor of the Administrative Agent for the benefit of the Secured Parties; and

(ii) the Collateral Agent shall have received (1) the certificates representing the shares of certificated Equity Interests pledged pursuant to the Guarantee and Collateral Agreement, together with an undated stock power or other instrument of transfer for each such certificate executed in blank by a duly authorized officer of the pledgor thereof, (2) an acknowledgement and consent, in form and substance reasonably

satisfactory to the Administrative Agent, duly executed by any issuer of Equity Interests pledged pursuant to the Guarantee and Collateral Agreement that is not itself a party to the Guarantee and Collateral Agreement, and (3) each promissory note pledged pursuant to the Guarantee and Collateral Agreement duly executed (without recourse) in blank (or accompanied by an undated instrument of transfer executed in blank and reasonably satisfactory to the Collateral Agent) by the pledgor thereof.

(e) Fees and Expenses. The Lenders, the Arranger and the Agents shall have received all fees and other amounts due and payable on or prior to the Closing Date, including, to the extent invoiced at least two Business Days prior to the Closing Date, reimbursement or payment of all reasonable out-of-pocket expenses (including reasonable fees, disbursements and other charges of counsel and other advisors) required to be reimbursed or paid under any Loan Document or under the Prepetition Credit Agreement.

(f) Cash Management Order; Other Orders. The Cash Management Order entered by the Bankruptcy Court as of or around the date hereof shall be in full force and effect and has not been amended without the consent of the Administrative Agent and the Required Lenders in their respective sole discretion.

(g) Closing Certificate. The Administrative Agent shall have received a certificate of the Borrower, dated the Closing Date, confirming satisfaction of the conditions set forth in Section 4.02(a) and Section 4.02(b).

(h) Responsible Officer's Certificates. The Administrative Agent shall have received with respect to the Borrower and each other Loan Party:

(i) copies of the Organizational Documents of such Loan Party (including each amendment thereto) certified as of a date reasonably near the Closing Date as being a true and complete copy thereof by the Secretary of State or other applicable Governmental Authority of the jurisdiction in which each such Loan Party is organized;

(ii) a certificate of a Responsible Officer of each Loan Party (or its general partner as applicable) dated the Closing Date and certifying (A) that attached thereto is a true and complete copy of the Organizational Documents of such Loan Party as in effect on the Closing Date, (B) that attached thereto is a true and complete copy of resolutions duly adopted by the board of directors or similar governing body of such Loan Party (and, if applicable, any parent company of such Loan Party) approving and authorizing the execution, delivery and performance of this Agreement and the other Loan Documents to which it is a party and the consummation of the Transactions, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that the certificate or articles of incorporation, formation or organization, as applicable, of such Loan Party have not been amended since the date of the last amendment thereto shown on the certificate of good standing furnished pursuant to clause (iv) below and (D) as to the incumbency and specimen signature of each Person authorized to execute any Loan Document or any other document delivered in connection herewith on behalf of such Loan Party;

(iii) a certificate of another officer as to the incumbency and specimen signature of the Responsible Officer executing the certificate pursuant to clause (ii) above; and

(iv) a copy of the certificate of good standing of such Loan Party from the Secretary of State or other applicable Governmental Authority of the jurisdiction in which each such Loan Party is organized (dated as of a date reasonably near the Closing Date).

(i) Prepetition Lender Consent. In accordance with the provisions of the Prepetition Credit Agreement, the Prepetition Agent and the Prepetition Required Lenders shall have consented to the priming of the Prepetition Secured Parties' Liens under the Prepetition Credit Agreement and the Loan Documents under and as defined in the Prepetition Credit Agreement by the Liens in favor of the Collateral Agent for the benefit of the Secured Parties, and such consent shall be binding on all Prepetition Secured Parties. The Prepetition Agent and the Prepetition Required Lenders execution and delivery of the Restructuring Support Agreement shall be deemed satisfaction of this condition in Section 4.01(i).

(j) Bank Regulatory Information. At least five Business Days prior to the Closing Date, the Agents and the Lenders shall have received all documentation and other information required by bank regulatory authorities or reasonably requested by any Agent or any Lender under or in respect of applicable "know-your-customer" and anti-money laundering rules and regulations, including the PATRIOT Act, that was requested at least eight Business Days prior to the Closing Date.

(k) Reserved.

(l) Letter of Direction. The Administrative Agent shall have received a funds flow memorandum and duly executed borrowing notice and letter of direction from the Borrower addressed to the Administrative Agent, on behalf of itself and Lenders, directing the disbursement on the Closing Date of the proceeds of the Loans made on such date.

(m) Environmental Matters. The Administrative Agent shall be reasonably satisfied with the environmental condition of the Oil and Gas Properties of the Borrower and its Subsidiaries, and shall have received a copy of any environmental site assessments in the possession or control of the Borrower or any of its Subsidiaries that was performed within the past three (3) years on any Oil and Gas Properties of the Borrower and its Subsidiaries.

(n) No Litigation. There shall not exist any action, suit, investigation, litigation, proceeding, injunction, hearing or other legal or regulatory developments, pending or threatened in writing in any court or before any arbitrator or Governmental Authority that individually or in the aggregate materially impairs the Transactions, the financing thereof or any of the other transactions contemplated by the Loan Documents.

(o) Budget. The Administrative Agent and the Lenders shall have received from the Debtors the Budget and such other information as may be requested by the Administrative Agent or the Lenders, in each case in form and substance satisfactory to the Administrative Agent and the Required Lenders;

(p) Governmental Authorizations and Consents. Each Loan Party shall have obtained all Governmental Authorizations and all consents of other Persons, in each case that are necessary in connection with the financing contemplated by the Loan Documents, and each of the foregoing shall be in full force and effect and in form and substance reasonably satisfactory to the Administrative Agent;

(q) CCAA Order. The Alberta Court of Queen's Bench shall have entered an initial order providing relief to Parallel Energy Trust, Parallel Energy Commercial Trust and Parallel Energy Inc. and approving a Canadian debtor-in-possession financing facility.

Each Lender, by delivering its signature page to this Agreement and funding a Loan on the Closing Date, shall be deemed to have consented to, approved or accepted or to be satisfied with, each Loan Document and each other document required thereunder to be consented to, approved by or acceptable or satisfactory to a Lender, unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

Section 4.02 Conditions to Each Credit Extension and Release of Pre-Funded Amounts. The obligation of each Lender to make any Credit Extension requested to be made by it hereunder, and each release of Pre-Funded Amounts to the Borrower from the Loan Account, in each case on any date, is subject to the satisfaction or waiver of the following conditions precedent:

(a) Representations and Warranties. Each of the representations and warranties made by any Loan Party in or pursuant to the Loan Documents shall be true and correct in all material respects on and as of the date of such Credit Extension or release of such Pre-Funded Amounts, as applicable, with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties shall be true and correct in all material respects as of such earlier date); *provided* that any representation and warranty that is qualified by "materiality", "Material Adverse Effect" or similar language shall be true and correct (after giving effect to any qualification therein) in all respects.

(b) No Default. No Default or Event of Default shall exist or would result from such Credit Extension or release of such Pre-Funded Amounts, as applicable, or from the application of the proceeds thereof.

(c) Borrowing Notice. In the case of any request by the Borrower for any Credit Extension, the Administrative Agent shall have received a fully executed Borrowing Notice in accordance with Section 2.02(a).

(d) Withdrawal Request. In the case of any request by the Borrower to a release of any Pre-Funded Amounts, the Administrative Agent shall have received a Withdrawal Request with respect to such release in accordance with Section 2.01(d).

(e) Effectiveness of Orders. The Interim Order, the Final Order and the Cash Management Order, as the case may be, shall have been entered by the Bankruptcy Court, shall be in full force and effect and shall not have been reversed, modified, stayed or amended

unless such reversal, modification, stay or amendment is acceptable to the Administrative Agent and the Required Lenders in their respective sole discretion.

(f) Compliance with Orders. The Debtors shall be in compliance in all material respects with the Interim Order, Final Order and the Cash Management Order, as the case may be.

(g) Compliance with Budget. Subject to Section 5.15, the Debtors shall be in compliance in all respects with the Budget and any Credit Extension or release of Pre-Funded Amounts (i) shall be in accordance with the Budget, (ii) the relevant Borrowing Notice or Withdrawal Request shall contain a certification by the Borrower that the withdrawal request pursuant thereto complies, and the application of the funds so withdrawn will comply, with the terms of this Agreement in all respects, and the Administrative Agent shall be entitled to conclusively rely on such certification, absent manifest error.

(h) Payment of Fees and Expenses. The Administrative Agent shall have received evidence of payment of the fees, expenses, and other consideration then due and payable under Section 2.05 and Section 9.05 (other than fees and expenses of counsel to the Lenders, the Arranger, and the Agents, which may be paid after any such Credit Extension or release of Pre-Funded Amounts in accordance with Section 9.05).

(i) Restructuring Support Agreement. The Restructuring Support Agreement shall be in full force and effect and shall not have been terminated without the consent of the Administrative Agent and the Required Lenders.

(j) Additional Matters. The Administrative Agent shall have received on or prior to the date of such requested Credit Extension or release of Pre-Funded Amounts, as applicable, such additional documents and information as any Lender, through the Administrative Agent, may reasonably request on or prior to the date of the Notice of Borrowing or Withdrawal Request, as applicable.

Each delivery of a Borrowing Notice or Withdrawal Notice and the acceptance by the Borrower of the proceeds of such Credit Extension or release of any Pre-Funded Amounts, as applicable, shall constitute a representation and warranty by the Borrower that on the date of such Credit Extension or release of Pre-Funded Amounts, as the case may be (both immediately before and after giving effect to such Credit Extension or release of Pre-Funded Amounts and the application of the proceeds thereof), the conditions contained in this Section 4.02 have been satisfied. The Borrower shall provide such information as the Administrative Agent may reasonably request to confirm that the conditions in this Section 4.02 have been satisfied.

ARTICLE V AFFIRMATIVE COVENANTS

The Borrower hereby agrees that, until Payment in Full, the Borrower shall, and shall (except in the case of the covenants set forth in Section 5.01, Section 5.02 and Section 5.03) cause each of its Subsidiaries to:

Section 5.01 Financial Statements. Deliver to the Administrative Agent and each Lender:

(a) beginning on the first Wednesday following the Petition Date, and each Wednesday thereafter, by no later than 12:00 p.m. (prevailing Eastern time) on each such Wednesday, deliver or cause to be delivered to the Agent and the Lenders:

(i) a written report summarizing the Loan Parties' actual cash flow ending on Friday of the prior week, as compared to the cash flow for such week as set forth in the Budget (the "Cash Flow Report"), each such report to be in a form and with such level of detail as shall be satisfactory to the Lenders, acting reasonably; and

(ii) a written report setting forth the Loan Parties' working capital position (including a summary of priority payables) ending on Friday of the prior week, such report to include all supporting ledgers, analysis and other information (including a transaction report from bank accounts in the Loan Parties' names), each such report to be in form and with such level of detail as shall be satisfactory to the Lenders, acting reasonably.

(b) as soon as available but in no event later than 12:00 p.m. (prevailing Eastern time) on the 30th day of each month following the Petition Date, deliver or cause to be delivered to the Agent and the Lenders an unaudited consolidated balance sheet of the Loan parties as at the end of the prior month and unaudited consolidated statements of income and changes in financial position of the Loan Parties prepared in accordance with IFRS consistently applied except for the accounting of the carrying value of the Loan Parties' fixed assets and for the provision of depletion, depreciation and amortization.

Section 5.02 Certificates; Other Information. Deliver to the Administrative Agent and each Lender, in form and detail reasonably satisfactory to the Administrative Agent and the Required Lenders:

(a) concurrently with the delivery of the financial statements referred to in Section 5.01, a certificate of an officer of the Loan Parties in customary form certifying such financial statements and stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default, or, if any such Default or Event of Default shall exist, stating the nature and status of such event;

(b) Reserved;

(c) promptly after any request by the Administrative Agent or any Lender, copies of any detailed audit reports, management letters or recommendations submitted to the board of directors (or the audit committee of the board of directors) of the Borrower or any of its Subsidiaries by independent accountants in connection with the accounts or books of the Borrower or any of its Subsidiaries or any audit of any of them;

(d) a reasonable period of time prior to filing with the Bankruptcy Court, copies of all material pleadings, motions, applications, judicial, or financial information and

other documents filed by or on behalf of any of the Debtors with the Bankruptcy Court or distributed to any Committee or any creditors or equity holders of the Debtors.

(e) promptly after the furnishing thereof, copies of any statement or report furnished to any holder of debt securities of the Borrower or any of its Subsidiaries pursuant to the terms of any indenture, loan or credit or similar agreement and not otherwise required to be furnished to the Lenders pursuant to Section 5.01 or any other clause of this Section 5.02;

(f) as soon as available, but in any event within 30 days after the end of each fiscal year of the Borrower, a report summarizing the insurance coverage (specifying type, amount and carrier) in effect for the Borrower and its Subsidiaries and containing such additional information as the Administrative Agent, or any Lender through the Administrative Agent, may reasonably specify;

(g) promptly, and in any event within five Business Days after receipt thereof by the Borrower or any of its Subsidiaries, copies of all notices, requests and other documents (including amendments, waivers and other modifications) received under or pursuant to any instrument, indenture, loan or credit or similar agreement regarding or related to any breach or default by any party thereto or any other event that could materially impair the value of the interests or the rights of the Borrower or any of its Subsidiaries or otherwise have a Material Adverse Effect and, from time to time upon request by the Administrative Agent, such information and reports regarding such instruments, indentures and loan and credit and similar agreements as the Administrative Agent may reasonably request;

(h) concurrently with the delivery of the financial statements referred to in Section 5.01, (i) a list of (A) the purchasers that accounted for at least 75% of the aggregate volume of Hydrocarbons purchased from the Loan Parties in the six-month period prior to the “as of” date of such financials (in descending order based on volumes purchased) and (B) to the extent not included in the group of purchasers described in clause (i)(A), each purchaser that accounted for at least 15% of the aggregate volume of Hydrocarbons purchased from the Loan Parties in such period and (ii) lease operating statements for each fiscal quarter during the then current fiscal year to date with respect to the Oil and Gas Properties of the Borrower and its Subsidiaries; and

(i) promptly, such additional information regarding the business, financial, legal or corporate affairs of the Borrower or any of its Subsidiaries, or compliance with the terms of the Loan Documents, as the Administrative Agent or any Lender may from time to time reasonably request.

Section 5.03 Notices. Promptly give written notice to the Administrative Agent and each Lender of:

(a) the occurrence of any Default or Event of Default;

(b) any development or event that has had, or could reasonably be expected to have, a Material Adverse Effect, including without limitation (i) any breach or non-performance of, or any default under, a Contractual Obligation of the Borrower or any Subsidiary; (ii) any dispute, litigation, investigation, proceeding or suspension between the

Borrower or any Subsidiary and any Governmental Authority (other than the Cases); or (iii) the commencement of, or any material development in, any litigation or proceeding affecting the Borrower or any Subsidiary;

(c) the occurrence of any of the following events, as soon as possible and in any event within five days after any Loan Party knows or has reason to know thereof: (i) the adoption of any Single Employer Plan or any employee benefit plan that is subject to the laws of any jurisdiction outside the United States of America by any Loan Party or any of their respective ERISA Affiliates, (ii) the commencement of contributions by any Loan Party or any of their respective ERISA Affiliates to a Multiemployer Plan, Single Employer Plan or any employee benefit plan that is subject to the laws of any jurisdiction outside the United States of America, or (iii) any Loan Party becoming a party to any collective bargaining agreement with any labor union, organization, group or association, or any Loan Party voluntarily recognizing, or negotiating a collective bargaining agreement or agreeing to negotiate a collective bargaining agreement with any labor union, organization, group or association;

(d) any material change in accounting policies or financial reporting practices by any Loan Party or any Subsidiary thereof;

(e) the (i) occurrence of any Disposition of Property or assets for which the Borrower is required to make a mandatory prepayment pursuant to Section 2.06(a), (ii) incurrence or issuance of any Indebtedness for which the Borrower is required to make a mandatory prepayment pursuant to Section 2.06(c) and (iii) receipt of any Proceeds of any Recovery Event for which the Borrower is required to make a mandatory prepayment pursuant to Section 2.06(b); and

(f) promptly after the assertion or occurrence thereof, notice of any action or proceeding against, or of any noncompliance by, the Borrower or any of its Subsidiaries in respect of or with any Environmental Law or Environmental Permit that could (i) reasonably be expected to result in any Environmental Liability in excess of a Material Environmental Amount or (ii) reasonably be expected to cause any property described in the Mortgages to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law.

Each notice pursuant to this Section 5.03 (other than Section 5.03(e)) shall be accompanied by a statement of a Responsible Officer of the Borrower setting forth details of the occurrence referred to therein and stating what action the Borrower has taken or proposes to take with respect thereto. Each notice pursuant to Section 5.03(a) shall describe with particularity any and all provisions of this Agreement and any other Loan Document that have been breached.

Section 5.04 Payment of Obligations. (a) Pay, discharge or otherwise satisfy as the same shall become due and payable in the normal conduct of its business all its obligations and liabilities in respect of Taxes imposed upon it or upon its income or profits or in respect of its property, except, in each case, (i) to the extent any such Tax is being contested in good faith and by appropriate proceedings for which appropriate reserves have been established in accordance with IFRS, or (ii) if such failure to pay or discharge such obligations and liabilities would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect and

(b) timely and accurately file all federal, state and other material Tax returns including any extensions required to be filed.

Section 5.05 Preservation of Existence, Etc. (a) Preserve, renew and maintain in full force and effect its legal existence and good standing under the laws of the jurisdiction of its organization, except in a transaction permitted by Section 6.03 and Section 6.04; (b) take all reasonable action to maintain all rights, privileges, permits, licenses and franchises necessary or desirable in the normal conduct of its business, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (c) preserve or renew all of its registered patents, trademarks, trade names and service marks, the non-preservation of which could reasonably be expected to have a Material Adverse Effect.

Section 5.06 Maintenance of Property.

(a) Maintain, preserve and protect all of its material properties and equipment necessary in the operation of its business in good working order and condition, ordinary wear and tear excepted.

(b) Make all necessary repairs thereto and renewals and replacements thereof except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(c) Operate its Oil and Gas Properties and other material Properties or cause such Oil and Gas Properties and other material Properties to be operated in a careful and efficient manner in accordance with the practices of the industry and in compliance in all material respects with all applicable contracts and agreements and in compliance in all material respects with all Governmental Requirements, including, without limitation, applicable pro ration requirements and Environmental Laws, and all applicable Requirements of Law from time to time constituted to regulate the development and operation of its Oil and Gas Properties and the production and sale of Hydrocarbons and other minerals therefrom.

(d) Promptly pay and discharge when due and payable, or make reasonable and customary efforts to cause to be paid and discharged when due and payable, all delay rentals, royalties, expenses and indebtedness accruing under the leases or other agreements affecting or pertaining to its Oil and Gas Properties and will do all other things necessary to keep materially unimpaired its rights with respect thereto and prevent any forfeiture thereof or default thereunder.

(e) Promptly perform, or make reasonable and customary efforts to cause to be performed, in accordance with industry standards, the obligations required by each and all of the assignments, deeds, leases, sub-leases, contracts and agreements affecting its interests in its Oil and Gas Properties.

(f) The Oil and Gas Properties (and Properties unitized therewith) of the Borrower and its Subsidiaries have been maintained, operated and developed in a good and workmanlike manner and in conformity in all material respects with all Governmental Requirements and in conformity in all material respects with the provisions of all leases, subleases or other contracts comprising a part of the Hydrocarbon Interests and other contracts and agreements forming a part of the Oil and Gas Properties of the Borrower and the Restricted Subsidiaries. Specifically in

connection with the foregoing, (i) no Oil and Gas Property of the Borrower or any of its Subsidiaries is subject to having allowable production reduced below the full and regular allowable (including the maximum permissible tolerance) because of any overproduction (whether or not the same was permissible at the time) and (ii) none of the wells comprising a part of the Oil and Gas Properties (or Properties unitized therewith) of the Borrower and its Subsidiaries is deviated from the vertical more than the maximum permitted by Governmental Requirements, and such wells are, in fact, bottomed under and are producing from, and the well bores are wholly within, the Oil and Gas Properties (or in the case of wells located on Properties unitized therewith, such unitized Properties) of the Borrower and its Subsidiaries. All pipelines, wells, gas processing plants, platforms and other material improvements, fixtures and equipment owned and operated in whole or in part by the Borrower or any of its Subsidiaries that are necessary to conduct normal operations are being maintained in a state adequate to conduct normal operations.

(g) To the extent that the Borrower or a Subsidiary is not the Operator of any Property, the Borrower shall not be obligated to directly perform any undertakings contemplated by the covenants and agreements contained in this Section 5.06 which are performable only by such operators and are beyond the control of the Borrower, but shall be obligated to seek to enforce such Operators' contractual obligations to maintain, develop and operate the Oil and Gas Properties subject to any operating agreements and use commercially reasonable efforts to cause the Operator to comply with this Section 5.06.

Section 5.07 Maintenance of Insurance. Maintain with financially sound and reputable insurance companies not Affiliates of the Borrower insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or a similar business of such types and in such amounts (after giving effect to any self-insurance compatible with the following standards) as are customarily carried under similar circumstances by such other Persons, and all such insurance shall (i) provide for not less than 30 days' prior notice to the Administrative Agent of termination, lapse or cancellation of such insurance, (ii) name the Administrative Agent as loss payee (in the case of property insurance) or additional insured on behalf of the Secured Parties (in the case of liability insurance) and (iii) be reasonably satisfactory in all other respects to the Administrative Agent.

Section 5.08 Books and Records; Inspection Rights.

(a) (i) Maintain proper books of record and account, in which full, true and correct entries in conformity with IFRS consistently applied (except for the accounting of the carrying value of the Loan Parties' fixed assets and for the provision of depletion, depreciation and amortization) shall be made of all financial transactions and matters involving the assets and business of the Borrower or such Subsidiary, as the case may be; and (ii) maintain such books of record and account in material conformity with all applicable requirements of any Governmental Authority having regulatory jurisdiction over the Borrower or such Subsidiary, as the case may be.

(b) Permit representatives and independent contractors of the Administrative Agent and each Lender to visit and inspect any of its properties, to examine its corporate,

financial and operating records, and make copies thereof or abstracts therefrom, and to discuss its affairs, finances and accounts with its directors, officers, and independent public accountants, all at the expense of the Borrower and at such times and as often as may be desired.

Section 5.09 Compliance with Laws. Comply with all Requirements of Law and all orders, writs, injunctions and decrees applicable to it or to its business or property, except in such instances in which (a) such Requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted or (b) the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

Section 5.10 Compliance with Environmental Laws; Notice; Preparation of Environmental Reports.

(a) (i) Comply, and cause all lessees and other Persons operating or occupying its properties to comply, with all applicable Environmental Laws and Environmental Permits; (ii) obtain and renew all Environmental Permits necessary for its operations and properties; (iii) conduct any investigation, study, sampling and testing, and undertake any cleanup, response or other corrective action necessary to address any Releases of Materials of Environmental Concern at, on, under or emanating from any property owned, leased or operated by it in accordance with the requirements of all Environmental Laws, and (iv) make an appropriate response to any investigation, notice, demand, claim, suit or other proceeding asserting Environmental Liability against the Borrower or any of its Subsidiaries and discharge any obligations it may have to any Person thereunder, except in the case of each of clauses (i) through (iv), where the failure to do so could not reasonably be expected to have a result in Environmental Liability in excess of a Material Environmental Amount; *provided* that neither the Borrower nor any of its Subsidiaries shall be required to undertake any such cleanup, removal, remedial or other responsive action to the extent that its obligation to do so is being contested in good faith and by proper proceedings and appropriate reserves are being maintained with respect to such circumstances in accordance with IFRS.

(b) At the reasonable request of the Required Lenders from time to time, based upon a reasonable belief that Borrower or any of its Subsidiaries is in breach of its obligations under this Section 5.10 or at any other time if an Event of Default has occurred and is continuing provide to the Lenders within 30 days after such request, at the expense of the Borrower, an environmental assessment report for any properties owned, leased or operated by it described in such request, prepared by an environmental consulting firm acceptable to the Administrative Agent, indicating the presence or absence of Materials of Environmental Concern or noncompliance with Environmental Law and the estimated cost of any compliance, response or other corrective action to address any Materials of Environmental Concern on such properties; without limiting the generality of the foregoing, if the Administrative Agent determines at any time that a material risk exists that any such report will not be provided within the time referred to above, the Administrative Agent may retain an environmental consulting firm to prepare such report at the expense of the Borrower, and the Borrower hereby grants and agrees to cause any Subsidiary that owns or leases any property described in such request to grant the Administrative Agent, the Lenders, such firm and any agents or representatives thereof an irrevocable non-exclusive license, subject to the rights of tenants or

necessary consent of landlords, to enter onto their respective properties to undertake such an assessment.

Section 5.11 Use of Proceeds. Use the proceeds of the Loans only for the purposes specified in the recitals to this Agreement and in compliance with the Budget. The Borrower will not request any Credit Extension, and the Borrower shall not use, and shall procure that its Subsidiaries and its or their respective directors, officers, employees and agents shall not use, the proceeds of any Credit Extension (a) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (b) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country or (c) in any manner that would result in the violation of any Sanctions applicable to any party hereto.

Section 5.12 Covenant to Guarantee Obligations and Give Security.

(a) If at any time following the entry of the Interim Order, the transaction pursuant to the Purchase and Sale Agreement shall have been abandoned or the Purchase and Sale Agreement shall have been terminated then not later than 30 days following such abandonment or termination:

(i) The Collateral Agent shall have received Mortgages, duly executed by the Borrower and its Subsidiaries creating Liens prior and superior in right to any other Person (other than with respect to Liens expressly permitted by Section 6.02), on all of the Oil and Gas Properties of the Borrower and its Subsidiaries.

(ii) The Administrative Agent shall have received title information in form and substance reasonably satisfactory to the Collateral Agent setting forth the status of title to Oil and Gas Properties of the Borrower and its Subsidiaries.

(iii) The Administrative Agent shall have received an opinion of counsel (which counsel shall be reasonably satisfactory to the Administrative Agent) in each state in which a Mortgage is required with respect to the enforceability of such Mortgage to be recorded in such state and such other matters as the Administrative Agent may reasonably request, in each case in form and substance reasonably satisfactory to the Administrative Agent.

(b) Execute any and all further documents, financing statements, agreements and instruments, and take all further action (including filing Uniform Commercial Code and other financing statements, Mortgages and deeds of trust) that may be required under applicable Requirements of Law, or that the Required Lenders, the Administrative Agent or the Collateral Agent may reasonably request, in order to effectuate the Transactions contemplated by the Loan Documents and in order to grant, preserve, protect and perfect the validity and priority of the security interests created or intended to be created by the Security Documents.

(c) In the event that any Person becomes a Subsidiary of the Borrower or any other Loan Party, the Borrower shall, and shall cause each other such Person to (a) within 10 days after such event (or such longer period of time reasonably acceptable to the Collateral

Agent), cause such Person referred to in clause (x) or (y), as applicable, to become a Guarantor and a Grantor under (and as defined in) the Guarantee and Collateral Agreement by executing and delivering to the Collateral Agent a counterpart agreement or supplement to the Guarantee and Collateral Agreement in accordance with its terms and (b) take all such actions and execute and deliver, or cause to be executed and delivered, all such documents, instruments, agreements, and certificates reasonably requested by Collateral Agent in order to cause the Collateral Agent, for the benefit of the Secured Parties, to have a Lien on all assets of such Person (other than Excluded Assets), which Lien shall (other than with respect to assets constituting Excluded Perfection Assets) be perfected and shall be of first priority (subject to in the case of all such assets, Permitted Liens, and subject and subordinate only to the Carve-Out (subject to the limitations set forth herein and in the Interim Order) and the Prepetition Senior Permitted Encumbrances) and shall deliver or cause to be delivered to the Administrative Agent and the Collateral Agent, items as are similar to those described in Section 4.01(d) and Section 4.01(h) hereof, and Section 4.2 of the Guarantee and Collateral Agreement. With respect to each such Subsidiary of the Borrower or any other Loan Party, the Borrower shall, within 10 days of such event (or such longer period of time reasonably acceptable to the Administrative Agent and the Collateral Agent), send to Administrative Agent written notice setting forth with respect to such Person (i) the date on which such Person became a Subsidiary of the Borrower and (ii) all of the data required to be set forth in Schedule 3.17(a) with respect to all Subsidiaries of the Borrower, and such written notice shall be deemed to supplement Schedule 3.17(a) for all purposes hereof.

(d) In the event that after the Final Order Funding Date (i) any Loan Party acquires any Oil and Gas Properties or (ii) any Person becomes a Subsidiary of the Borrower or any other Loan Party and such Person owns Oil and Gas Properties at such time, and such interest in such Oil and Gas Property has not otherwise been made subject to the Lien of the Security Documents in favor of Collateral Agent for the benefit of the Secured Parties, then the Borrower shall, or shall cause such Subsidiary to, within 10 days of such event (or such longer period of time reasonably acceptable to the Collateral Agent), take all such actions and execute and deliver, or cause to be executed and delivered, all such Mortgages, documents, instruments, agreements and certificates, including those which are similar to those described in Section 5.12(a) with respect to each such Oil and Gas Property that the Collateral Agent shall reasonably request to create in favor of the Collateral Agent, for the benefit of the Secured Parties, a valid first-priority security interest (subject and subordinate only to the Carve-Out (subject to the limitations set forth herein and in the Interim Order) and the Prepetition Senior Permitted Encumbrances) in such Oil and Gas Property and shall deliver to the Collateral Agent opinions and other items as are similar to those described in Section 5.12(a) with respect to such Oil and Gas Properties. In addition to the foregoing, the Borrower shall, at the request of the Collateral Agent, deliver, from time to time, to the Collateral Agent such title information and environmental information with respect to the Oil and Gas Properties as the Collateral Agent may request.

Section 5.13 Further Assurances. Promptly upon request by the Administrative Agent, or any Lender through the Administrative Agent, (a) correct any material defect or error that may be discovered in any Loan Document or in the execution, acknowledgment, filing or recordation thereof, and (b) do, execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register any and all such further acts, deeds, certificates, assurances and other instruments as the

Administrative Agent, or any Lender through the Administrative Agent, may reasonably require from time to time in order to (i) carry out more effectively the purposes of the Loan Documents, (ii) to the fullest extent permitted by applicable law, subject any Loan Party's properties, assets, rights or interests to the Liens now or hereafter intended to be covered by any of the Security Documents, (iii) perfect and maintain the validity, effectiveness and priority of any of the Security Documents and any of the Liens intended to be created thereunder and (iv) assure, convey, grant, assign, transfer, preserve, protect and confirm more effectively unto the Secured Parties the rights granted or now or hereafter intended to be granted to the Secured Parties under any Loan Document or under any other instrument executed in connection with any Loan Document to which any Loan Party or any of its Subsidiaries is or is to be a party.

Section 5.14 Weekly Cash Flow Projections. (i) On each Wednesday (or if such Wednesday is not a Business Day, the following Business Day) by 4:00 p.m., commencing on the Petition Date, deliver an updated, "rolling" 13-week cash flow projection for the period commencing from the end of the previous week through and including thirteen weeks thereafter (each, a "Proposed Budget"), which shall reflect the Borrower's good faith projections, reflect reversal of any timing variances set forth in any Variance Report, include a description of changes from the previously approved Proposed Budget and be in form and detail consistent with the initial Budget and subject to the approval of the Administrative Agent and the Required Lenders. The Proposed Budget shall also be delivered to the Administrative Agent and the Lenders hereunder by the Borrower; provided that unless and until the Administrative Agent and the Required Lenders have approved of such Proposed Budget, the Debtors shall still be subject to and be governed by the terms of the Budget then in effect and neither the Administrative Agent nor the other Secured Parties shall have any obligation to fund to or make disbursements pursuant to any Proposed Budget not constituting the approved Budget. The Administrative Agent, at the direction of the Required Lenders, shall have two (2) Business Days following receipt of each Proposed Budget to approve or reject such Proposed Budget upon written notice to the Borrower; provided that any portion of a Proposed Budget that relates to periods covered by a previously approved Proposed Budget shall automatically be deemed approved to the extent that no changes have been made to the Proposed Budget for such periods; provided, further, that, for the avoidance of doubt, the Borrower, the Administrative Agent and the Required Lenders may nonetheless mutually agree to modify line items in a Proposed Budget for weeks that have been previously approved by the Administrative Agent and Required Lenders. Upon receipt of a notice of rejection, the Borrower shall, within 24 hours of receipt of such notice, engage in good faith negotiations with the Administrative Agent and Required Lenders in order to develop a Proposed Budget that is acceptable to the Administrative Agent and Required Lenders in their respective sole discretion (such revised Proposed Budget to be submitted within two (2) Business Days of the Borrower's receipt of a notice of rejection).

Section 5.15 Variance Report.

(a) On each Wednesday (or if such Wednesday is not a Business Day, the following Business Day) following the Petition Date, deliver to the Administrative Agent and the Lenders a Variance Report (such date, the "Variance Testing Date").

(b) The Loan Parties shall cause the Variance Report delivered on each Variance Testing Date to comply with the following: (A) the Loan Parties' total expenditures

(excluding any legal or advisory fees incurred on behalf of the Agent and the Lenders paid before October 2, 2015) for the prior four week period shall not have exceeded 110% of the amount of total expenditures for such four week period as set forth in the Budget; (B) the Loan Parties' net cash receipts (equal to gross revenue less production tax, royalties, processing costs, oxygen removal fee and NGPL transportation costs), on an aggregate basis, for such four week period were not less than 90% of the aggregate amount of cash receipts included in the Budget for such four week period; (C) in the event the cash receipts on an aggregate basis for the past four weeks is less than 90% of the Budget for the past four weeks, for reasons outside the control of the Loan Parties, the cash flow test set forth in (B) above shall not apply and, in the alternative, the average daily barrel of oil equivalent produced during the prior four week period will not be less than 6,350 for the calendar month of October 2015, 6,300 for the calendar month of November 2015, 6,250 for the calendar month of December 2015, 6,200 for the calendar month of January 2016, and 6,200 for the calendar month of February 2016 and for each month thereafter.

Section 5.16 Entry of Final Order. The Final Order shall have been entered by the Bankruptcy Court not later than 30 days following the entry of the Interim Order. Subject to (and promptly after) the entry of the Final Order, the Debtors shall cash collateralize all Existing Letters of Credit in an amount equal to 100% of the face amount of all such Existing Letters of Credit.

Section 5.17 Lender Calls. The Borrower, its officers and its advisors (including any investment banker and any financial advisor retained by any Debtor) shall make themselves available to participate in conference calls to be held on a weekly basis (or more frequently as the Administrative Agent or the other Secured Parties may request) with the Administrative Agent and/or the other Secured Parties to discuss the Budget (and all updates and Variance Reports related thereto), the sales and marketing process related to the 363 Sale or any other issues as may be requested by the Administrative Agent and/or the other Secured Parties, and such conference calls may be held without the participation of the Loan Parties or any other representative or advisor of the Loan Parties.

Section 5.18 Opposition to Certain Pleadings. Each Loan Party shall promptly and diligently oppose all pleadings filed by Persons in the Bankruptcy Court to lift the stay on the Collateral (other than pleadings filed by the Administrative Agent and/or the Required Lenders), all pleadings filed by Persons in the Bankruptcy Court to terminate the exclusive right of the Debtors to file a plan of reorganization, and all other pleadings filed by Persons in the Bankruptcy Court that, if granted, could reasonably be expected to have a material adverse effect on the Administrative Agent or any Lender or any Collateral.

Section 5.19 Compliance with Milestones.

The Debtors shall be required to comply with the following milestones (the "Milestones"):

(a) On or before the date that is thirty (30) days after the Petition Date, or such later date to which the Administrative Agent and the Required Lenders consent in writing in

their respective sole discretion, the Bankruptcy Court shall have entered the Sale Procedures Order.

(b) Unless the Administrative Agent and the Required Lenders shall have otherwise provided their prior written consent in their respective sole discretion, on or before January 15, 2016, the Bankruptcy Court shall have entered the Sale Order approving the 363 Sale.

Section 5.20 Post-Closing Undertakings. Within the time periods specified on Schedule 5.20 (or such later date to which the Administrative Agent consents in its sole discretion), comply with the provisions set forth in Schedule 5.20.

ARTICLE VI NEGATIVE COVENANTS

The Borrower hereby agrees that, until Payment in Full, the Borrower shall not, and shall not permit any Subsidiary to, directly or indirectly, without the prior written consent of the Administrative Agent and the Required Lenders:

Section 6.01 Limitation on Indebtedness. Create, incur, assume or suffer to exist any Indebtedness, except:

- (a) Indebtedness of any Loan Party created hereunder and under the other Loan Documents;
- (b) Indebtedness expressly contemplated by the Budget;
- (c) Indebtedness in respect of the Prepetition Credit Agreement;
- (d) all premium (if any), interest (including post-petition interest), fees, expenses, charges, amortization of original issue discount, interest paid in kind and additional or contingent interest on obligations described in Section 6.01(a) through Section 6.01(c) above;
- (e) Indebtedness incurred by any Loan Party constituting surety and similar bonds, completion guarantees and reimbursement obligations with respect to letters of credit, in each case, issued in the ordinary course of business in respect of plugging and abandonment obligations of any Loan Party arising by operation of law in the ordinary course of its oil and gas business; provided that (i) upon the drawing of such letters of credit or such Indebtedness otherwise becoming non-contingent, such obligations are reimbursed within 30 days following such drawing or event and (ii) such Loan Party shall have complied in all material respects with all applicable laws, rules and regulations in respect of such plugging and abandonment obligations (including complying with any applicable financial assurance requirements to the extent the Loan Parties are not exempted therefrom); and

(f) Indebtedness in respect of self-insurance obligations or bid, appeal, reimbursement, performance, surety and similar bonds and completion guarantees provided by any Loan Party in the ordinary course of business or obligations and workers' compensation claims in the ordinary course of business.

Section 6.02 Limitation on Liens. Create, incur, assume or suffer to exist any Lien upon any of its Property, whether now owned or hereafter acquired, except for:

- (a) Liens pursuant to any Loan Document;
- (b) Liens granted and properly perfected prior to the Petition Date in respect of the Prepetition Credit Obligations and pursuant to the Prepetition Credit Agreement and adequate protection liens granted in respect thereof;
- (c) Liens expressly permitted by the Prepetition Credit Agreement that either (i) arise by operation of law or are inchoate Liens or (ii) were granted and properly perfected prior to the Petition Date, and adequate protection liens granted in respect thereof;
- (d) Liens on cash deposited to secure Indebtedness permitted under Section 6.01(e);
- (e) Liens on cash or securities pledged to secure performance of tenders, surety and appeal bonds, government contracts, performance and return of money bonds, bids, trade contracts, leases, statutory obligations, regulatory obligations and other obligations of a like nature incurred in the ordinary course of business; and
- (f) Liens granted and properly perfected prior to the Petition Date in respect of the "Parallel Energy LP MasterCard Collateral Account" held at Wells Fargo Bank N.A., provided the net aggregate amount in such account shall not exceed \$100,000.

Section 6.03 Limitation on Fundamental Changes. Enter into any merger, acquisition, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or Dispose of (whether in one transaction or in a series of transactions) all or substantially all of its Property or business (whether now owned or hereafter acquired) without the prior written consent of the Administrative Agent and the Required Lenders in their respective sole discretion; provided that no consent shall be required in connection with the Purchase and Sale Agreement.

Section 6.04 Limitation on Dispositions. Dispose of any of its Property (including, without limitation, receivables and leasehold interests), whether now owned or hereafter acquired, or, in the case of any Subsidiary, issue or sell any Equity Interests of such Subsidiary to any Person, without the prior written consent of the Administrative Agent and the Required Lenders in their respective sole discretion, except:

- (a) Dispositions of surplus, obsolete or worn out Property and Property no longer used or useful in the conduct of the business of the Borrower or any of its Subsidiaries in the ordinary course of business;

(b) the lapse, abandonment, cancellation or non-exclusive license of any immaterial Intellectual Property in the ordinary course of business;

(c) Dispositions of inventory or goods held for sale in the ordinary course of business;

(d) transfers of condemned Property as a result of the exercise of “eminent domain” or other similar policies to the respective Governmental Authority or agency that has condemned the same (whether by deed in lieu of condemnation or otherwise), and transfers of properties that have been subject to a casualty to the respective insurer of such Property as part of an insurance settlement;

(e) the sale or discount, in each case without recourse and in the ordinary course of business, of overdue accounts receivable arising in the ordinary course of business, but only in connection with the compromise or collection thereof consistent with customary industry practice (and not as part of any bulk sale or financing of receivables);

(f) dispositions and/or terminations of leases, subleases, licenses and sublicenses in the ordinary course of business and which do not materially interfere with the business of the Borrower or any of its Subsidiaries; and

(g) Dispositions of Cash Equivalents.

To the extent any Collateral is Disposed of as expressly permitted by this Section 6.04 to any Person that is not a Loan Party, such Collateral shall be sold free and clear of the Liens created by the Loan Documents, and the Administrative Agent or the Collateral Agent, as applicable, shall be authorized to take any actions deemed appropriate in order to effectuate the foregoing.

Section 6.05 Limitation on Restricted Payments. Declare or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so.

Section 6.06 Limitation on Investments. Make or hold, directly or indirectly, any Investments, except:

(a) Investments consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the grant of trade credit in the ordinary course of business, and Investments received in satisfaction or partial satisfaction thereof from financially troubled account debtors and other credits to suppliers in the ordinary course of business;

(b) Investments by the Borrower or any of its Subsidiaries in cash and Cash Equivalents and Investments in assets that were Cash Equivalents when such Investment was made;

(c) guarantees by the Borrower or any of its Subsidiaries of leases (other than Capital Leases) or of other obligations of the Borrower or any of its Subsidiaries that do not constitute Indebtedness, in each case entered into in the ordinary course of business; and

(d) Investments (including debt obligations and Equity Interests) received in the ordinary course of business by the Borrower or any Subsidiary in connection with the bankruptcy or reorganization of suppliers and customers and in settlement of delinquent obligations of, and other disputes with, suppliers and customers arising out of the ordinary course of business or upon the foreclosure with respect to any secured Investment or other transfer of title with respect to any secured Investment.

Section 6.07 Limitation on Prepayments; Modifications of Debt Instruments and Organizational Documents.

(a) Make or offer to make (or give any notice in respect thereof) any mandatory, optional or voluntary payment, prepayment, repurchase or redemption of, or voluntarily or optionally defease, or otherwise satisfy in any manner, any Funded Debt (other than the Obligations), or segregate funds for any such payment, prepayment, repurchase, redemption or defeasance;

(b) amend, modify, waive or otherwise change, or consent or agree to any amendment, modification, waiver or other change to, any of the terms of any Funded Debt (other than the Obligations);

(c) amend, restate, supplement or otherwise modify any of its Organizational Documents or any agreement to which it is a party with respect to its Equity Interests (including any stockholders' agreement), or enter into any new agreement with respect to its Equity Interests, other than any such amendments, modifications or changes or such new agreements which are not, and could not reasonably be expected to be, adverse in any material respect to the interests of the Lenders.

Section 6.08 Limitation on Transactions with Affiliates.

Enter into, directly or indirectly, any transaction or series of related transactions, whether or not in the ordinary course of business, with any Affiliate of the Borrower or any Subsidiary (other than between or among Loan Parties), unless such transaction is (i) otherwise not prohibited under this Agreement and (ii) upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary, as the case may be, than it would obtain in a comparable arm's length transaction with a Person that is not an Affiliate, except that the following shall be permitted:

(a) the Transactions as contemplated by, and in accordance with, the Loan Documents;

(b) Restricted Payments permitted under Section 6.05;

(c) Investments permitted under Section 6.06;

(d) payments made, in accordance with the Budget, under any key employee incentive plan approved by the Bankruptcy Court; and

(e) payments made, in accordance with the Budget, under any key employee retention plan approved by the Bankruptcy Court.

For the avoidance of doubt, nothing herein shall limit the ability of the Borrower or any Subsidiary to make reasonable and customary payments in the ordinary course on account of ordinary employee compensation and other benefits in accordance with the Budget.

Section 6.09 Limitation on Sale and Leasebacks.

Enter into any arrangement, directly or indirectly, with any Person whereby it shall Dispose of any Property used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such Property or other Property which it intends to use for substantially the same purpose or purposes as the Property being sold or transferred (any such transaction, a "Sale and Leaseback").

Section 6.10 Limitation on Changes in Fiscal Periods.

Permit the fiscal year of the Borrower to end on a day other than December 31 or change the Borrower's method of determining fiscal quarters.

Section 6.11 Limitation on Burdensome Agreements. Enter into or suffer to exist or become effective any agreement or other arrangement that prohibits, restricts or imposes any condition (a) upon any Loan Party that results in the creation or assumption of any Lien upon its properties, revenues or assets, whether now owned or hereafter acquired (provided that this provision is not intended to limit in any manner the Loan Parties' obligations to grant Liens securing the Collateral as otherwise set forth in this Agreement or any of the Loan Documents), or (b) on the ability of any Loan Party to amend or otherwise modify this Agreement of any other Loan Document.

Section 6.12 Limitation on Lines of Business. Enter into any material line of business, except for those lines of business in which the Borrower and its Subsidiaries are engaged on the Closing Date or that are reasonably related thereto or are reasonable extensions thereof.

Section 6.13 Bankruptcy Provisions.

(a) No Loan Party shall: (i) file or approve a plan of reorganization or liquidation (unless such plan contains provisions providing that the Obligations and the Prepetition Credit Obligations have been indefeasibly paid in full in cash on or before the effective date of such confirmed plan of reorganization or liquidation) without the written consent of the Administrative Agent and the Required Lenders; (ii) seek or consummate a sale of assets under a plan of reorganization, Section 363(b) of the Bankruptcy Code or otherwise (other than the 363 Sale) without the written consent of the Administrative Agent and the Required Lenders; (iii) seek to dismiss the Case or convert the Case to a Chapter 7 case; (iv) incur any superpriority or other administrative expense claims pari passu with or senior to the Obligations; (v) seek or consent to any modification, stay, vacatur or amendment with respect to (I) any motion made on the Petition Date and any order entered in connection therewith (which motions and orders in respect thereof shall be acceptable in form and substance to the Administrative Agent and the Required Lenders in their respective sole discretion), (II) the

Interim Order, (III) the Final Order or (IV) the Loan Documents, except in each case as agreed to in writing by the Administrative Agent and Required Lenders in their respective sole discretion; (vi) create any Lien that ranks senior to, or *pari passu* with, the Liens securing the Obligations or the Prepetition Credit Obligations; (vii) make cash expenditures on account of claims incurred (I) by critical vendors prior to the Petition Date or (II) pursuant to Section 503(b)(9) of the Bankruptcy Code, except in each case as agreed to in writing by the Administrative Agent and the Required Lenders or as permitted by the Budget; (viii) make any payment, by way of adequate protection or otherwise, in respect of any prepetition debt or other obligations, other than as approved by the Bankruptcy Court and in accordance with the Budget and the Interim Order or the Final Order, as applicable, or (ix) seek or consent to any order seeking authority to take any action prohibited by the Interim Order or Final Order without the written consent of the Administrative Agent and the Required Lenders or otherwise required by any Requirement of Law.

(b) Each of the Loan Parties agrees that (i) the Obligations shall not be discharged by the entry of an order confirming a chapter 11 plan (and each of the Debtors pursuant to Section 1141(d) of the Bankruptcy hereby waives any such discharge), (ii) the superpriority claim granted to the Administrative Agent and the Lenders pursuant to the Interim Order and the Final Order and the Liens granted to the Administrative Agent and the other Secured Parties pursuant to such orders and the Security Documents shall not be affected in any manner by the entry of an order confirming a chapter 11 plan, and (iii) none of the Loan Parties shall propose or support any chapter 11 plan without the written consent of the Administrative Agent and the Required Lenders in their respective sole discretion.

Section 6.14 Compliance with Budget. No Loan Party shall make any cash disbursement that is not contemplated by the Budget.

Section 6.15 Limitation on Capital Expenditures. Make, commit to make or permit any Capital Expenditures of the Borrower or any Subsidiary in the ordinary course of business for any fiscal year of the Borrower (or, for the fiscal year in which the Closing Date occurs, the period from the Closing Date to the end of such fiscal year) ending with the last day of any fiscal year to exceed the aggregate amount of \$100,000 in any fiscal quarter.

Section 6.16 Gas Imbalances, Take-or-Pay or Other Prepayments. Other than to the extent existing on the Closing Date as set forth on Schedule 6.16, the Borrower shall not, nor shall it permit any of its Subsidiaries to, allow (on a net basis and excluding monthly nominations for transportation made in good faith and consistent with past practice) gas imbalances, take-or-pay or other prepayments with respect to the Oil and Gas Properties of the Borrower or any Subsidiary which would require the Borrower or any Subsidiary to deliver their respective Hydrocarbons produced on a monthly basis from such Oil and Gas Properties at some future time without then or thereafter receiving full payment therefor other than gas imbalances, take-or-pay or other prepayments incurred in the ordinary course of business and which do not result in the Borrower or any Subsidiary having net aggregate liability in excess of \$10,000.

**ARTICLE VII
EVENTS OF DEFAULT AND REMEDIES**

Section 7.01 Events of Default. Each of the following events shall constitute an Event of Default:

(a) the Borrower or any Loan Party shall fail to pay (i) any principal of any Loan when due in accordance with the terms hereof, whether at the due date thereof or at a fixed date for payment thereof or by acceleration thereof or otherwise or (ii) any interest on any Loan or any fee or other amount (other than an amount referred to in clause (i)) payable hereunder or under any other Loan Document within two Business Days after any such interest or other amount becomes due in accordance with the terms hereof or thereof; or

(b) any representation, warranty, certification or statement of fact made or deemed made by or on behalf of the Borrower or any other Loan Party herein, in any other Loan Document or in any document or certificate delivered in connection herewith or therewith shall be incorrect or misleading in any material respect when made or deemed made; or

(c) (i) any Loan Party shall fail to observe or perform any covenant, condition or agreement contained in Section 5.03(a) or Section 5.05(a) (with respect to the Borrower only), Section 5.01, Section 5.11, Section 5.19 or Article VI or in Section 4 of the Guarantee and Collateral Agreement; or (ii) an “Event of Default” under and as defined in any Mortgage shall exist and be continuing; or

(d) any Loan Party shall fail to observe or perform any other covenant, condition or agreement contained in this Agreement or any other Loan Document (other than as provided in Section 7.01(a), Section 7.01(b) or Section 7.01(c)), and such failure continues unremedied or unwaived for a period of 30 days after the earlier of (i) the date an officer of such Loan Party becomes aware of such default and (ii) receipt by the Borrower of notice from the Administrative Agent or any Lender of such default; or

(e) any Loan Party shall (A) fail to pay any principal or interest, regardless of amount, due in respect of any Material Indebtedness (except for any failure to pay any principal or interest not permitted to be paid under the Interim Order or the Final Order, as applicable), when and as the same shall become due and payable beyond any applicable grace period in respect thereof; or (B) fail to observe or perform any other term, covenant, agreement or condition relating to any Material Indebtedness (except for any failure to observe or perform such other term, covenant, agreement or condition not permitted to be observed or performed under the Interim Order or Final Order, as applicable) or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holders or beneficiaries of such Material Indebtedness (or a trustee or agent on behalf of such holders or beneficiaries) to cause, with or without the giving of notice, the lapse of time or both, such Material Indebtedness to become due prior to its stated maturity or become subject to a mandatory offer to purchase by the obligor; or

(f) the Bankruptcy Court shall enter, or any Loan Party shall seek or support the entry of, any order providing for any of the following: (i) dismissal of any Case or conversion of any Case to a Chapter 7 case; (ii) appointment of a Chapter 11 trustee, a responsible officer or an examiner with enlarged powers (beyond those set forth in Section 1106(a)(3) and (4) of the Bankruptcy Code) relating to the operation of the business of any Debtor in any Case; (iii) other than the Carve-Out, the granting of any superpriority claim or lien which is *pari passu* with or senior to the claims or Liens of the Agent and the Lenders in any Case; (iv) the entry of any order in any Case charging any of the Collateral under Section 552(b) of the Bankruptcy Code or, subject to the Final Order, Section 506(c) of the Bankruptcy Code, or the commencement of other actions by the Debtors, or the entry of any order, adverse to the rights and remedies of the Secured Parties under the Credit Facility, in their sole discretion without the consent of the Administrative Agent and the Required Lenders; (v) entry of an order by the Bankruptcy Court terminating the use of cash collateral; (vi) the entry of an order or orders granting relief from any stay of proceeding (including, without limitation, the automatic stay) so as to allow a third party or third parties to proceed against any assets of any Debtor or to permit other actions that individually or in the aggregate would have a material adverse effect on any Debtor or its estate; or (vii) termination of the Debtors' exclusive periods to file and/or solicit acceptances to a plan of reorganization; or

(g) (i) any Loan Party adopts, maintains, contributes to, is required to contribute to, or otherwise incurs any liability (whether absolute or contingent and including, without limitation, any liability as a result of either Loan Party's relationship with any ERISA Affiliate) with respect to any Single Employer Plan, Multiemployer Plan or any employee benefit plan that is subject to the laws of any jurisdiction outside the United States of America; (ii) any Loan Party becomes a party to any collective bargaining agreement with any labor union, organization, group or association, or voluntarily recognizes, or negotiates a collective bargaining agreement or agrees to negotiate a collective bargaining agreement with any labor union, organization, group or association; or (iii) any Loan Party otherwise incurs any liability (whether absolute or contingent and including, without limitation, any liability as a result of either Loan Party's relationship with any ERISA Affiliate) pursuant to Title IV of ERISA; or

(h) one or more judgments shall be rendered against any Loan Party and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to levy upon assets or properties of any Group Member to enforce any such judgment and such judgment either (i) is for the payment of money in an aggregate amount in excess of \$50,000 or (ii) is for injunctive relief and could reasonably be expected to result in a Material Adverse Effect; or

(i) at any time after the execution and delivery thereof, (i) the guarantee contained in Section 8 of the Guarantee and Collateral Agreement for any reason other than Payment in Full shall cease to be in full force and effect (other than in accordance with its terms) or shall be declared to be null and void or any Guarantor shall repudiate its obligations thereunder, (ii) this Agreement or any Security Document ceases to be in full force and effect (other than by reason of a release of Collateral in accordance with the terms hereof or thereof or Payment in Full) or shall be declared null and void, or the Collateral Agent shall not have or shall cease to have a valid and perfected Lien in any Collateral purported to be covered by the

Security Documents with the priority required by the relevant Security Document, in each case, for any reason other than (x) as a result of the sale or other disposition of the applicable Collateral in a transaction permitted under the Loan Documents or (y) as a result of the Collateral Agent's failure to maintain possession of any stock certificates or other instruments delivered to it under the Security Documents, or (iii) any Loan Party shall contest the validity or enforceability of any Loan Document in writing or deny in writing that it has any further liability, including with respect to future advances by Lenders, under any Loan Document to which it is a party or shall contest the validity or perfection of any Lien on any Collateral (other than, solely with respect to perfection, any Excluded Perfection Assets) purported to be covered by the Security Documents; or

(j) any Change of Control shall occur; or

(k) any Funded Debt (other than the Obligations) or any guarantees thereof shall cease for any reason to be validly subordinated to the Obligations as provided in the documentation governing such Funded Debt (other than the Obligations) or any Loan Party shall contest the subordination of any Funded Debt (other than the Obligations) or any guarantees thereof; or

(l) failure of the Final Order to be entered within 30 days after the Petition Date; or

(m) failure of the Interim Order or Final Order to be in full force and effect, including by the entry of an order reversing, amending, supplementing, staying for any period, vacating or otherwise modifying, in a manner that is adverse to the Secured Parties in their sole discretion, without the prior consent of the Administrative Agent and the Required Lenders, in their respective sole discretion; or

(n) failure of any Debtor to comply with the terms of the Interim Order or Final Order; or

(o) the payment by any Loan Party (by way of adequate protection or otherwise) of any principal or interest or other amount on account of any pre-petition indebtedness or payables (other than as provided in the Budget or as to certain other exceptions to be agreed by the Agent and the Required Lenders in their sole discretion); or

(p) the assertion (or support) by the Loan Parties of any investigation, claim or action against (x) the Agent, the Arranger, or any other Secured Party or (y) the Prepetition Secured Parties (other than, in the case of clause (y) only, a customary claim and lien investigation conducted by an official statutory committee for a period of no longer than 60 days from the date of such committee's formation or, if no such committee is appointed, by a party in interest granted standing for a period of no longer than 75 days from the Petition Date); or

(q) a sale of all or any substantial portion of the Debtors' assets except as approved by the Administrative Agent and the Required Lenders in their respective sole discretion; or

(r) cessation of work otherwise contemplated by the Budget adversely affecting material current or planned business operations; or

(s) any governmental or other authorization or consent necessary for the Loan Parties' performance under the Definitive Documentation shall be withdrawn or shall otherwise cease to be in full force and effect; or

(t) Reserved;

(u) actual, or assertion by the Debtors of, lack of legality, validity, enforceability or perfection of guarantees or liens in favor of DIP Secured Parties; or

(v) the filing of a chapter 11 plan of reorganization or liquidation without the written consent of the Administrative Agent and the Required Lenders, in their respective sole discretion; or

(w) the Borrower or any Loan Party shall suffer to exist any Lien on any asset of any Loan Party (other than Permitted Liens) that constitutes Collateral unless such Lien shall be expunged promptly; or

(x) the Restructuring Support Agreement is terminated pursuant to the terms thereof; or

(y) the Borrower or any Loan Party shall terminate the Asset Purchase Agreement without the prior written consent of the Administrative Agent and the Lenders.

Section 7.02 Remedies Upon Event of Default. If any Event of Default occurs and is continuing, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders take any or all of the following actions:

(a) declare the commitment of each Lender to make Loans, whereupon such commitments and obligation shall be terminated;

(b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower; and

(c) exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents or at law or in equity;

provided, however, that upon the occurrence of any Event of Default described in Section 7.01(f), the obligation of each Lender to make Loans shall automatically terminate, the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, without further act of the Administrative Agent or any Lender.

Section 7.03 Application of Funds. After the exercise of remedies provided for in Section 7.02 (or after the Loans have automatically become immediately due and payable as set forth in the proviso to Section 7.02), any amounts received on account of the Obligations shall, subject to the provisions of Section 2.13, be applied by the Administrative Agent in the following order:

first, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to the Administrative Agent and Collateral Agent) payable to the Administrative Agent and the Collateral Agent in their capacities as such;

second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal and interest) payable to the Lenders arising under the Loan Documents, ratably among them in proportion to the respective amounts described in this clause Second payable to them;

third, to payment of that portion of the Obligations constituting accrued and unpaid interest on the Loans and other Obligations arising under the Loan Documents, ratably among the Lenders in proportion to the respective amounts described in this clause Third payable to them; and

last, the balance, if any, after Payment in Full, to the Borrower or as otherwise required by Law.

ARTICLE VIII THE ADMINISTRATIVE AGENT

Section 8.01 Appointment and Authority. Each of the Lenders hereby irrevocably appoints CIBC to act on its behalf as the Administrative Agent and the Collateral Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent and the Collateral Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent and the Collateral Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article VIII (other than as expressly provided herein) are solely for the benefit of the Agents the Lenders, and neither the Borrower nor any Loan Party shall have any rights as a third-party beneficiary of any such provisions (other than as expressly provided herein). It is understood and agreed that the use of the term “agent” herein or in any other Loan Documents (or any other similar term) with reference to the Administrative Agent or any other Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable Requirements of Law. Instead such term is used as a matter of market custom, and is intended to create or reflect only an administrative relationship between contracting parties.

Section 8.02 Rights as a Lender. Any Person serving as the Administrative Agent or the Collateral Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent or the Collateral Agent, and the term “Lender” or “Lenders” shall, unless otherwise expressly

indicated or unless the context otherwise requires, include any Person serving as the Administrative Agent or the Collateral Agent hereunder in its capacity as a Lender. Such Person and its Affiliates may accept deposits from, lend money to, own securities of, act as the financial advisor or in any other advisory capacity for, and generally engage in any kind of business with, the Borrower or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent or the Collateral Agent hereunder and without any duty to account therefor to the Lenders.

Section 8.03 Exculpatory Provisions.

(a) The Administrative Agent and the Collateral Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents, and its duties hereunder shall be administrative in nature. Without limiting the generality of the foregoing, the Administrative Agent and the Collateral Agent:

(i) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default or Event of Default has occurred and is continuing;

(ii) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent or the Collateral Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents); *provided* that neither the Administrative Agent nor the Collateral Agent shall be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent or the Collateral Agent to liability or that is contrary to any Loan Document or applicable Requirements of Law, including for the avoidance of doubt any action that may be in violation of the automatic stay under any Debtor Relief Law or that may effect a forfeiture, modification or termination of property of a Defaulting Lender in violation of any Debtor Relief Law; and

(iii) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by any Person serving as the Administrative Agent or the Collateral Agent or any of its Affiliates in any capacity.

(b) The Administrative Agent and the Collateral Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided herein or under the other Loan Documents), or (ii) in the absence of its own gross negligence or willful misconduct. The Administrative Agent and the Collateral Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Administrative Agent and the Collateral Agent in writing by the Borrower or a Lender.

(c) The Administrative Agent and the Collateral Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default or Event of Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent and the Collateral Agent.

Section 8.04 Reliance by Administrative Agent. The Administrative Agent and the Collateral Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent and the Collateral Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, that by its terms must be fulfilled to the satisfaction of a Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender unless the Administrative Agent shall have received notice to the contrary from such Lender prior to the making of such Loan. The Administrative Agent and the Collateral Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

Section 8.05 Delegation of Duties. The Administrative Agent and the Collateral Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent or the Collateral Agent, as applicable. The Administrative Agent and the Collateral Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article VIII shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and the Collateral Agent and any such sub-agent, and shall apply to their respective activities as Administrative Agent and Collateral Agent, and all other matters in connection with this Agreement, the Other Loan Documents, the Transactions and any matters arising in connection therewith. The Administrative Agent and the Collateral Agent shall not be responsible for the negligence or misconduct of any sub-agents except to the extent that the Administrative Agent or the Collateral Agent acted with gross negligence or willful misconduct in the selection of such sub-agents as determined by a court of competent jurisdiction in a final and non-appealable judgment.

Section 8.06 Resignation of Administrative Agent or the Collateral Agent.

(a) The Administrative Agent or the Collateral Agent may at any time give notice of its resignation to the Lenders and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right to appoint a successor, which shall be a financial institution with an office in New York City, New York, or an Affiliate of any such financial institution with an office in New York City, New York. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent or Collateral Agent gives notice of its resignation (or such earlier day as shall be agreed by the Required Lenders) (the “Resignation Effective Date”), then the retiring Administrative Agent or Collateral Agent may (but shall not be obligated to), on behalf of the Lenders, appoint a successor Administrative Agent or Collateral Agent meeting the qualifications set forth above; *provided* that in no event shall any such successor Administrative Agent or Collateral Agent be a Defaulting Lender or an Affiliated Lender. Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date.

(b) If the Person serving as Administrative Agent or Collateral Agent is a Defaulting Lender pursuant to clause (d) of the definition thereof, the Required Lenders may, to the extent permitted by applicable Requirements of Law, by notice in writing to the Borrower and such Person, remove such Person as Administrative Agent or Collateral Agent and appoint a successor. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days (or such earlier day as shall be agreed by the Required Lenders) (the “Removal Effective Date”), then such removal shall nonetheless become effective in accordance with such notice on the Removal Effective Date.

(c) With effect from the Resignation Effective Date (i) the retiring Administrative Agent or Collateral Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent or Collateral Agent on behalf of the Lenders under any of the Loan Documents, the retiring or removed Administrative Agent or Collateral Agent shall continue to hold such collateral security until such time as a successor Administrative Agent or Collateral Agent is appointed) and (ii) except for any indemnity payments owed to the retiring Administrative Agent or Collateral Agent, all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, until such time, if any, as the Required Lenders appoint a successor Administrative Agent or Collateral Agent as provided for above. Upon the acceptance of a successor’s appointment as Administrative Agent or Collateral Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring Administrative Agent or Collateral Agent (other than any rights to indemnity payments owed to the retiring Administrative Agent or Collateral Agent), and the retiring or removed Administrative Agent or Collateral Agent shall be discharged from all of its duties and obligations hereunder and under the other Loan Documents. The fees payable by the Borrower to a successor Administrative Agent or Collateral Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring or removed Administrative Agent’s or Collateral Agent’s resignation hereunder and under the other Loan Documents, the provisions of this Article VIII

and Section 9.05 shall continue in effect for the benefit of such retiring Administrative Agent or Collateral Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent or Collateral Agent was acting as Administrative Agent or Collateral Agent, as applicable.

Section 8.07 Non-Reliance on Administrative Agent and Other Lenders. Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent, the Collateral Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent, the Collateral Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

Section 8.08 No Other Duties, Etc. Anything herein to the contrary notwithstanding, none of the Arranger or the Agents shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent, the Collateral Agent or a Lender hereunder or thereunder.

Section 8.09 Administrative Agent May File Proofs of Claim. In case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered (but not obligated) by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Section 2.05 and Section 9.05) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Section 2.05 and Section 9.05.

Section 8.10 Collateral and Guaranty Matters.

(a) Each of the Lenders irrevocably authorizes the Administrative Agent and the Collateral Agent to:

(i) release any Lien on any property granted to or held by the Collateral Agent under any Loan Document (x) upon Payment in Full, (y) that is sold or otherwise disposed of as part of or in connection with any sale or other Disposition permitted under the Loan Documents or (z) subject to Section 9.01, if approved, authorized or ratified in writing by the Required Lenders or such other number or percentage of Lenders required hereby;

(ii) release any Guarantor from its obligations under the Guarantee and Collateral Agreement upon Payment in Full.

Any such release of guarantee obligations or security interests shall be deemed subject to the provision that such guarantee obligations shall be reinstated if after such release any portion of any payment in respect of the Obligations shall be rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or any Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Borrower or any Guarantor or any substantial part of its property, or otherwise, all as though such payment had not been made.

Upon request by the Administrative Agent or the Collateral Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's or the Collateral Agent's authority to release or subordinate its interest in particular types or items of property, or to release any Guarantor from its obligations under the Guaranty pursuant to this Section 8.10.

(b) The Administrative Agent and the Collateral Agent shall not be responsible for or have a duty to ascertain or inquire into any representation or warranty regarding the existence, value or collectability of the Collateral, the existence, priority or perfection of the Collateral Agent's Lien thereon, or any certificate prepared by any Loan Party in connection therewith, nor shall the Administrative Agent or the Collateral Agent be responsible or liable to the Lenders or any other Secured Party for any failure to monitor or maintain any portion of the Collateral.

(c) Anything contained in any of the Loan Documents to the contrary notwithstanding, the Borrower, the Administrative Agent, the Collateral Agent and each Lender hereby agree that (i) no Secured Party shall have any right individually to realize upon any of the Collateral or to enforce the Guarantee and Collateral Agreement or any other Security Document, it being understood and agreed that all powers, rights and remedies under any of the Security Documents may be exercised solely by the Administrative Agent or the Collateral Agent, as applicable, for the benefit of the Secured Parties in accordance with the terms thereof and all powers, rights and remedies under the Security Documents may be exercised solely by the Collateral Agent for the benefit of the Secured Parties in accordance with the terms thereof, and (ii) in the event of a foreclosure or similar enforcement action by

the Collateral Agent on any of the Collateral pursuant to a public or private sale or other Disposition (including, without limitation, pursuant to Section 363(k), Section 1129(b)(2)(a)(ii) or otherwise of the Bankruptcy Code), the Collateral Agent (or any Lender, except with respect to a “credit bid” pursuant to Section 363(k), Section 1129(b)(2)(a)(ii) or otherwise of the Bankruptcy Code,) may be the purchaser or licensor of any or all of such Collateral at any such sale or other Disposition and the Collateral Agent, as agent for and representative of the Secured Parties (but not any Lender or Lenders in its or their respective individual capacities) shall be entitled, upon instructions from the Required Lenders, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold at any such sale or Disposition, to use and apply any of the Obligations as a credit on account of the purchase price for any collateral payable by the Collateral Agent at such sale or other Disposition.

Section 8.11 Additional Secured Parties. The benefit of the provisions of the Loan Documents directly relating to the Collateral or any Lien granted thereunder shall extend to and be available to any Secured Party that is not an Agent or Lender as long as, by accepting such benefits, such Secured Party agrees, as among the Administrative Agent and all other Secured Parties, that such Secured Party is bound by (and, if requested by the Administrative Agent or the Collateral Agent, shall confirm such agreement in a writing in form and substance acceptable to the Administrative Agent or the Collateral Agent) this Article VIII and the decisions and actions of the Administrative Agent, the Collateral Agent and the Required Lenders (or, where expressly required by the terms of this Agreement, a greater proportion of the Lenders or other parties hereto as required herein) to the same extent a Lender is bound; *provided, however*, that, notwithstanding the foregoing, (a) such Secured Party shall be bound by Section 9.05(c) only to the extent of liabilities, costs and expenses with respect to or otherwise relating to the Collateral, (b) each of the Administrative Agent, Collateral Agent and Lenders shall be entitled to act without regard to the interest of such Secured Party, regardless of whether any Obligation to such Secured Party thereafter remains outstanding, is deprived of the benefit of the Collateral, becomes unsecured or is otherwise affected or put in jeopardy thereby, and without any duty or liability to such Secured Party or any such Obligation and (c) except as otherwise set forth herein, such Secured Party shall not have any right to be notified of, consent to, direct, require or be heard with respect to, any action taken or omitted in respect of the Collateral or under any Loan Document.

ARTICLE IX MISCELLANEOUS

Section 9.01 Amendments and Waivers. (a) None of the terms or provisions of this Agreement or any other Loan Document may be waived, supplemented or otherwise modified except in accordance with the provisions of this Section 9.01. The Required Lenders and each Loan Party party to the relevant Loan Document may, or (with the written consent of the Required Lenders) the Administrative Agent (or the Collateral Agent as applicable) and each Loan Party party to the relevant Loan Document may, from time to time, (x) enter into written amendments, supplements or modifications hereto and to the other Loan Documents (including amendments and restatements hereof or thereof) for the purpose of adding any provisions to this Agreement or the other Loan Documents or changing in any manner the rights of the Lenders or of the Loan Parties hereunder or thereunder or (y) waive, on such terms and conditions as may be

specified in the instrument of waiver, any of the requirements of this Agreement or the other Loan Documents or any Default or Event of Default and its consequences; *provided, however*, that, in addition to such Required Lender consent (except as otherwise set forth below), no such waiver, amendment, supplement or modification shall:

(i) forgive the principal amount or extend the final scheduled date of maturity of any Loan, postpone, extend or delay any scheduled date of any amortization payment, or reduce or waive any amortization payment in respect of any Loan, postpone, extend or delay any date fixed for, or reduce or waive the stated rate of, any interest, premium, fee or other amounts (other than principal) due to the Lenders and payable hereunder or under any other Loan Document (except that, for the avoidance of doubt, mandatory prepayments pursuant to Section 2.07 may be postponed, extended, delayed, reduced, waived or modified with the consent of the Required Lenders), or increase the amount or extend the expiration date of any Commitment of any Lender, in each case without the written consent of each Lender directly and adversely affected thereby;

(ii) amend, modify or waive any provision of this Section 9.01 or reduce any percentage specified in the definition of "Required Lenders", consent to the assignment or transfer by the Borrower of any of its rights or obligations under this Agreement or the other Loan Documents, release all or substantially all of the Collateral or release all or substantially all of the value of the Guarantee Obligations of the GP Guarantor under the Guarantee and Collateral Agreement and the other Loan Documents other than in accordance with the provisions of the Loan Documents, in each case without the consent of all Lenders;

(iii) amend, modify or waive any provision of Article VIII or any other provision affecting the rights, duties and obligations of the Administrative Agent without the consent of the Administrative Agent;

(iv) amend, modify or waive any provision of Article VIII or any other provision affecting the rights, duties and obligations of the Collateral Agent without the consent of the Collateral Agent;

(v) amend, modify or waive the pro rata sharing provisions of Section 2.09, Section 2.12 or Section 9.07(a) without the consent of each Lender directly and adversely affected thereby; or

(vi) impose modifications or restrictions on assignments and participations that are more restrictive than, or additional to, those set forth in Section 9.06 without the consent of each Lender.

Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Loan Parties, the Lenders, the Administrative Agent, the Collateral Agent and all future holders of the Loans. In the case of any waiver, the Loan Parties, the Lenders, the Administrative Agent and the Collateral Agent shall be restored to their former position and rights hereunder and under the other Loan Documents, and any Default

or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon. Any such waiver, amendment, supplement or modification shall be effected by a written instrument signed by the parties required to sign pursuant to the foregoing provisions of this Section 9.01. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder (and any amendment, waiver or consent which by its terms requires the consent of all Lenders or each affected Lender may be effected with the consent of the applicable Lenders other than Defaulting Lenders), except that (x) the Commitment of any Defaulting Lender may not be increased or extended without the consent of such Lender and (y) any waiver, amendment or modification requiring the consent of all Lenders or each affected Lender that by its terms affects any Defaulting Lender disproportionately adversely relative to other affected Lenders shall require the consent of such Defaulting Lender.

(b) Notwithstanding anything to the contrary contained in this Section 9.01 or any other provision of this Agreement or any other Loan Document, this Agreement and any other Loan Document may be amended solely with the consent of the Administrative Agent and the Borrower without the need to obtain the consent of any other Lender if such amendment is consummated in order (x) to correct or cure any ambiguities, errors, omissions, mistakes, inconsistencies or defects jointly identified by the Borrower and the Administrative Agent, (y) to effect administrative changes of a technical or immaterial nature or (z) to fix incorrect cross-references or similar inaccuracies in this Agreement or the applicable Loan Document. The Security Documents and related documents in connection with this Agreement and the other Loan Documents may be in a form reasonably determined by the Administrative Agent and the Collateral Agent and may be, together with this Agreement, amended, supplemented and waived with the consent of the Administrative Agent and the Collateral Agent at the request of the Borrower without the need to obtain the consent of any other Lender if such amendment, supplement or waiver is delivered in order (i) to comply with local Law or advice of local counsel, or (ii) to cause such Security Documents or other documents to be consistent with this Agreement and the other Loan Documents.

Section 9.02 Notices.

(a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in Section 9.02(b)), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile as follows:

(i) if to the Administrative Agent, to CIBC at CIBC as Administrative Agent on behalf of the Lenders; Credit Processing Services, Security Department; 595 Bay Street, 5th Floor, Toronto, Ontario M5G 2C2, Attention of Wilma Sevilleja (Facsimile No. 416-956-3830; Telephone No. 416-542-4821; email address Wilma.Sevilleja@cibc.ca);

(ii) if to the Collateral Agent, to CIBC at CIBC as Collateral Agent on behalf of the Lenders; Credit Processing Services, Security Department; 595 Bay Street, 5th Floor, Toronto, Ontario M5G 2C2, Attention of Wilma Sevilleja (Facsimile No. 416-956-3830; Telephone No. 416-542-4821; email address Wilma.Sevilleja@cibc.ca);

(iii) if to a Lender, to it at its address (or facsimile number) set forth in its Administrative Questionnaire.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received. Notices sent by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient). Notices delivered through electronic communications, to the extent provided in Section 9.02(b), shall be effective as provided in Section 9.02(b).

(b) Electronic Communications.

(i) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including email and internet or intranet websites) pursuant to procedures approved by the Administrative Agent. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; *provided* that approval of such procedures may be limited to particular notices or communications.

(ii) Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an email address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return email or other written acknowledgement) and (ii) notices or communications posted to an internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient, at its email address as described in the foregoing clause (i), of notification that such notice or communication is available and identifying the website address therefor; *provided* that, in the case of each of the foregoing clauses (i) and (ii), if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next Business Day for the recipient.

(c) Change of Address, etc. Any party hereto may change its address or facsimile number for notices and other communications hereunder by notice to the Borrower and the Administrative Agent.

(d) Platform.

(i) The Borrower agrees that the Administrative Agent may, but shall not be obligated to, make any Approved Electronic Communications available to the Lenders by posting such Approved Electronic Communications on the Platform.

(ii) The Platform and any Approved Electronic Communications are provided “as is” and “as available.” None of the Agents nor any of their respective Related Parties warrant the accuracy, adequacy or completeness of the Platform or any Approved Electronic Communications and each expressly disclaims liability for errors or omissions in the Approved Electronic Communications. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third-party rights or freedom from viruses or other code defects, is made by any Agent or any of their respective Related Parties in connection with the Platform or the Approved Electronic Communications. Each party hereto agrees that no Agent has any responsibility for maintaining or providing any equipment, software, services or any testing required in connection with any Approved Electronic Communication or otherwise required for the Platform. In no event shall any Agent or any of its Related Parties have any liability to any Loan Party, any Lender or any other Person or entity for damages of any kind, whether or not based on strict liability and including, without limitation, (A) direct damages, losses or expenses (whether in tort, contract or otherwise) arising out of any Loan Party’s or any Agent’s transmission of communications through the Platform or (B) indirect, special, incidental or consequential damages, losses or expenses (whether in tort, contract or otherwise) arising out of any Loan Party’s or any Agent’s transmission of communications through the Platform. In no event shall any Agent or any of its Related Parties have any liability for any damages arising from the use by others of any information or other materials obtained through internet, electronic, telecommunications or other information transmission systems, except to the extent the same resulted primarily from the gross negligence or willful misconduct of such Agent or its Related Parties, in each case as determined by a court of competent jurisdiction in a final and non-appealable judgment.

(iii) Each Loan Party, each Lender and each Agent agrees that the Administrative Agent may, but shall not be obligated to, store any Approved Electronic Communications on the Platform in accordance with the Administrative Agent’s customary document retention procedures and policies.

(iv) All uses of the Platform shall be governed by and subject to, in addition to this Section 9.02, separate terms and conditions posted or referenced in such Platform and related agreements executed by the Lenders and their Affiliates in connection with the use of such Platform.

(v) Each Loan Party understands that the distribution of material through an electronic medium is not necessarily secure and that there are confidentiality and other risks associated with such distribution and agrees and assumes the risks associated with such electronic distribution, except to the extent caused by the willful misconduct or gross negligence of the Administrative Agent, in each case as determined by a court of competent jurisdiction in a final and non-appealable judgment.

(vi) Any notice of Default or Event of Default may be provided by telephone if confirmed promptly thereafter by delivery of written notice thereof.

Section 9.03 No Waiver by Course of Conduct; Cumulative Remedies. None of the Arranger, the Agents or the Lenders shall by any act (except by a written instrument pursuant to Section 9.01), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. No failure to exercise, nor any delay in exercising, on the part of any Arranger, Agent or Lender, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by any Arranger, Agent or Lender of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which such Arranger, Agent or Lender would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

Section 9.04 Survival of Representations, Warranties, Covenants and Agreements. All representations, warranties, covenants and agreements made herein, in the other Loan Documents and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery hereof and thereof and the making of the Loans and other extensions of credit hereunder, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default at the time of any Credit Extension hereunder, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied and so long as the Commitments have not expired or been terminated. The provisions of Section 2.10, Section 2.11, Section 9.05, Section 9.19, Section 9.21 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the Payment in Full and the Commitments or the termination of this Agreement or any provision hereof.

Section 9.05 Payment of Expenses; Indemnity.

(a) Costs and Expenses. The Borrower shall pay (i) all reasonable out-of-pocket costs and expenses incurred by the Administrative Agent, the other Agents and their respective Affiliates in connection with the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents, or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), including the reasonable fees, charges and disbursements of counsel and (ii) all out-of-pocket costs and expenses incurred by the Administrative Agent, the other Agents each Lender (including the fees, charges and disbursements of any counsel for the Administrative Agent, any Lender) in connection with the enforcement or protection of any rights and remedies under this Agreement and the other Loan Documents, including all such costs and expenses incurred during any legal proceeding, including any proceeding under any Debtor Relief Law, and including in connection with any workout, restructuring or negotiations in respect of the Obligations, the credit facilities extended pursuant to this Agreement, and any other matters arising in connection with the Loan Documents, including the reasonable fees, charges and disbursements of counsel.

(b) Indemnification by the Borrower. The Borrower shall indemnify the Administrative Agent (and any sub-agent thereof), each other Agent each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an “Indemnitee”) against, and hold each Indemnitee harmless from, any and all liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs (including settlement costs), disbursements and out-of-pocket fees and expenses (including the fees, charges and disbursements of any counsel for any Indemnitee), joint or several, of any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted or awarded against any Indemnitee in any way relating to or arising out of or in connection with or by reason of (i) any actual or prospective claim, litigation, investigation or proceeding in any way relating to, arising out of, in connection with or by reason of any of the following, whether based on contract, tort or any other theory (including any investigation of, preparation for, or defense of any pending or threatened claim, litigation or proceeding): (x) the execution, delivery, enforcement, performance or administration of any Loan Document or any other document delivered in connection with the transactions contemplated thereby or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated) or the consummation of the transactions contemplated thereby or (y) any Commitment, any Credit Extension or the use or proposed use of the proceeds thereof; *provided* that such indemnity shall not, as to any Indemnitee, be available to the extent that such liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs, fees and expenses arise from any dispute solely among Indemnitees (other than any claims against an Indemnitee in its capacity or in fulfilling its role as an agent or arranger or any similar role hereunder or under any other Loan Document and other than any claims arising out of any act or omission of the Borrower or any of its Subsidiaries); or (ii) any actual or alleged presence or release of Materials of Environmental Concern on or from any property currently or formerly owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries (clauses (i) and (ii), collectively, the “Indemnified Liabilities”), in all cases, whether or not caused by or arising, in whole or in part, out of the negligence of such Indemnitee and regardless of whether such Indemnitee is a party thereto, and whether or not any such claim, litigation, investigation or proceeding is brought by the Borrower, its equity holders, its affiliates, its creditors or any other Person. This Section 9.05(b) shall not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim. The indemnity provided for in this Section 9.05(b) shall not, as to any Indemnitee, be available to the extent that such liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs, disbursements, fees or expenses (1) are determined by a court of competent jurisdiction by final and non-appealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (2) result from a claim brought by Borrower or any other Loan Party against an Indemnitee for breach in bad faith of such Indemnitee’s obligations hereunder or under any other Loan Document, if Borrower or such Loan Party has obtained a final and non-appealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

(c) Reimbursement by the Lenders. To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under Section 9.05(a) or Section 9.05(b) to be paid by it to the Administrative Agent or Collateral Agent (or any sub-agent thereof),

each Lender severally agrees to pay to the Administrative Agent or Collateral Agent (or any such sub-agent), such Lender's pro rata share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought based on each Lender's share of the Total Credit Exposure at such time) of such unpaid amount (including any such unpaid amount in respect of a claim asserted by such Lender); *provided* that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent or Collateral Agent (or any such sub-agent). The obligations of the Lenders under this Section 9.05(c) are several and not joint.

(d) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable Requirements of Law, the Borrower shall not assert (and shall cause its Subsidiaries not to assert), and hereby waives (and agrees to cause its Subsidiaries to waive), any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any other document contemplated hereby, the transactions contemplated hereby or thereby, any Commitment or any Credit Extension, or the use of the proceeds thereof or such Indemnitee's activities in connection therewith (whether before or after the Closing Date); *provided* that such waiver of special, indirect, consequential or punitive damages shall not limit the indemnification obligations of the Borrower under this Section 9.05. No Indemnitee shall be liable for any damages arising from the use by others of any information or other materials distributed by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement, the other Loan Documents or the transactions contemplated hereby or thereby.

(e) Payments. All amounts due under this Section 9.05 shall be payable promptly.

Section 9.06 Successors and Assigns; Participations and Assignments.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender (and any such assignment without such consent shall be null and void), and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of Section 9.06(b), (ii) by way of participation in accordance with the provisions of Section 9.06(d), or (iii) by way of pledge or assignment of a security interest subject to the restrictions of Section 9.06(e). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in Section 9.06(d) and, to the extent expressly contemplated hereby, Indemnitees and the Related Parties of each of the Administrative Agent, the Collateral Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. (1) Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); *provided* that any such assignee be required to execute a joinder agreement to the Restructuring Support Agreement; *provided further*, that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts.

(A) In the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and/or the Loans at the time owing to it or contemporaneous assignments to related Approved Funds (determined after giving effect to such assignments) that equal at least the amount specified in Section 9.06(b)(i)(B) in the aggregate or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned.

(B) In any case not described in Section 9.06(b)(i)(A), the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the applicable Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "trade date" is specified in the Assignment and Assumption, as of such date) shall not be less than \$1,000,000, unless each of the Administrative Agent (such consent not to be unreasonably withheld or delayed).

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement.

(iii) Required Consents. No consent shall be required for any assignment except to the extent required by Section 9.06(b)(i)(B) and, in addition:

(A) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required for assignments in respect of (i) any unfunded Final Order Commitments if such assignment is to a Person that is not a Lender, an Affiliate of any such Lender or an Approved Fund with respect to such Lender, or (ii) any Loans to a Person who is not a Lender, an Affiliate of a Lender or an Approved Fund.

(iv) Processing Fee; Administrative Questionnaire. The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500; *provided* that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

(v) No Assignment to Certain Persons. No such assignment shall be made to (A) the Borrower or any of the Borrower's Affiliates or Subsidiaries.

(vi) No Assignment to Natural Persons. No such assignment shall be made to a natural Person (or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural Person).

(vii) Certain Additional Payments. In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower and the Administrative Agent, the applicable pro rata share of Loans previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent and each other Lender hereunder (and interest accrued thereon), and (y) acquire (and fund as appropriate) its full pro rata share of all Loans. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under applicable Requirements of Law without compliance with the provisions of this clause (vii), then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

(2) Subject to acceptance and recording thereof by the Administrative Agent pursuant to Section 9.06(c), from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Section 2.10, Section 2.11 and Section 9.05 with respect to facts and circumstances occurring prior to the effective date of such assignment; *provided* that, except to the extent otherwise expressly agreed by the affected parties, no assignment by a Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 9.06(b) shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 9.06(d).

(c) Register. The Administrative Agent, acting solely for this purpose as a non-fiduciary agent of the Borrower, shall maintain at one of its offices in Toronto, Ontario, a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts (and stated interest) of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive absent manifest error, and the Borrower, the Administrative Agent and the Lenders shall treat each Person whose name is

recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower and any Lender (with respect to (i) any entry relating to such Lender's Loans, (ii) the identity of the other Lenders (but not any information with respect to such other Lenders' Loans) and (iii) any entry relating to the Loans of Affiliated Lenders) at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural Person, or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural Person, a Defaulting Lender or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); *provided* that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. For the avoidance of doubt, each Lender shall be responsible for the indemnity under Section 9.05(c) with respect to any payments made by such Lender to its Participants.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; *provided* that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in clauses (i), (ii), (iii), (iv), (ix), (x) and (xii) of the proviso to Section 9.01(a) that affects such Participant. The Borrower agrees that each Participant shall be entitled to the benefits of Section 2.10 and Section 2.11 (subject to the requirements and limitations therein, including the requirements in Section 2.11(g) (it being understood that the documentation required under Section 2.11(g) shall be delivered to the participating Lender)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 9.06(b); *provided* that such Participant (A) agrees to be subject to the provisions of Section 2.14 as if it were an assignee under Section 9.06(b); and (B) shall not be entitled to receive any greater payment under Section 2.10 or Section 2.11 with respect to any participation than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation. Each Lender that sells a participation agrees, at the Borrower's request and expense, to use reasonable efforts to cooperate with the Borrower to effectuate the provisions of Section 2.14(a) with respect to any Participant. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.07(b) as though it were a Lender; *provided* that such Participant agrees to be subject to Section 9.07(a) as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "Participant Register"); *provided* that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information

relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(e) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank or other central bank having jurisdiction over such Lender; *provided* that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

Section 9.07 Sharing of Payments by Lenders; Set-off.

(a) If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or other obligations hereunder resulting in such Lender receiving payment of a proportion of the aggregate amount of its Loans and accrued interest thereon or other such obligations greater than its pro rata share thereof as provided herein, then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans and such other obligations of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them; *provided* that:

(i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(ii) the provisions of this Section 9.07(a) shall not be construed to apply to (x) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Lender), or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Borrower or any Subsidiary thereof, as to which the provisions of this Section 9.07(a) shall apply), as to which the provision of this Section 9.07(a) shall apply].

The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable Requirements of Law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of setoff and counterclaim with

respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(b) The Borrower hereby irrevocably authorizes each Lender at any time and from time to time while an Event of Default shall have occurred and be continuing, without notice to the Borrower, any such notice being expressly waived by the Borrower, to set-off and appropriate and apply any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such party to or for the credit or the account of the Borrower, or any part thereof in such amounts as such Lender may elect, against and on account of the obligations and liabilities of the Borrower to such Lender hereunder and claims of every nature and description of such Lender against the Borrower, in any currency, whether arising hereunder, under any other Loan Document or otherwise, as such Lender may elect, whether or not any Lender has made any demand for payment and although such obligations, liabilities and claims may be contingent or unmatured; *provided* that such Lender complies with Section 9.07(a). Each Lender exercising any right of set-off shall notify the Borrower promptly of any such set-off and the application made by such Lender of the proceeds thereof; *provided* that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender under this Section 9.07 are in addition to other rights and remedies (including, without limitation, other rights of set-off) which such Lender may have.

Section 9.08 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by facsimile or other electronic imaging means), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Agreement by facsimile or other electronic transmission (e.g. “pdf” or “tif” format) shall be effective as delivery of a manually executed counterpart hereof. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

Section 9.09 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. The parties hereto shall endeavor in good-faith negotiations to replace any invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

Section 9.10 Section Headings. The Section headings and Table of Contents used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

Section 9.11 Integration. This Agreement and the other Loan Documents represent the entire agreement of the parties hereto with respect to the subject matter hereof and thereof and supersede any and all previous agreements and understandings, oral or written, relating to the

subject matter hereof and thereof. There are no promises, undertakings, representations or warranties by the Arranger, any Agent or any Lender relative to the subject matter hereof not expressly set forth or referred to herein or in the other Loan Documents.

Section 9.12 Governing Law. THIS AGREEMENT AND ANY DISPUTE, CLAIM OR CONTROVERSY ARISING OUT OF OR RELATING TO THIS AGREEMENT (WHETHER ARISING IN CONTRACT, TORT OR OTHERWISE) SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICTS OF LAW RULES THAT WOULD RESULT IN THE APPLICATION OF A DIFFERENT GOVERNING LAW.

Section 9.13 Submission to Jurisdiction; Waivers.

(a) Each party hereto hereby irrevocably and unconditionally:

(i) agrees that any legal action or proceeding with respect to any Loan Document shall be brought in the Bankruptcy Court or if, the Bankruptcy Court does not have or does not exercise jurisdiction, the courts of the State of New York located in the City of New York, Borough of Manhattan, or of the United States of America for the Southern District of New York and, by execution and delivery of this Agreement, each of Holdings and the Borrower hereby accepts for itself and in respect of its property, generally and unconditionally, the sole and exclusive jurisdiction of the aforesaid courts;

(ii) agrees that all claims in respect of any such action or proceeding shall be heard and determined in such courts or, to the fullest extent permitted by applicable Requirements of Law, in such federal court;

(iii) agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law and that nothing in this Agreement or any other Loan Document shall affect any right that the Arranger, the Agents or the Lenders may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against it or any of its assets in the courts of any jurisdiction;

(iv) waives, to the fullest extent permitted by applicable Requirements of Law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in Section 9.13(a) (and irrevocably waives to the fullest extent permitted by applicable Requirements of Law the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court);

(v) consents to service of process in the manner provided in Section 9.02 (and agrees that nothing in this Agreement will affect the right of any party hereto to serve process in any other manner permitted by applicable Requirements of Law);

(vi) agrees that service of process as provided in Section 9.02 is sufficient to confer personal jurisdiction over the applicable party in any such proceeding in any such court, and otherwise constitutes effective and binding service in every respect; and

(vii) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover any special, exemplary, punitive or consequential damages.

Section 9.14 Acknowledgments. The Borrower hereby acknowledges and agrees that:

(a) it was represented by counsel in connection with the negotiation, execution and delivery of this Agreement and the other Loan Documents to which it is a party, that it and its counsel reviewed and participated in the preparation and negotiation hereof and thereof and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be employed in the interpretation hereof or thereof; and

(b) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Arranger, the Agents and the Lenders or among the Loan Parties, the Arranger, the Agents and the Lenders.

Section 9.15 Confidentiality. Each of the Agents and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Related Parties (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential in accordance with customary practices); (b) to the extent required or requested by any regulatory or similar authority (including any self-regulatory authority, such as the National Association of Insurance Commissioners or any other similar organization) purporting to have jurisdiction over such Person or its Related Parties; (c) to the extent required by applicable Requirements of Law or regulations or by any subpoena or similar legal process; (d) to any other party hereto; (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder; (f) subject to an agreement containing provisions substantially the same (or at least as restrictive) as those of this Section 9.15 (or as may otherwise be reasonably acceptable to the Borrower), to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights and obligations under this Agreement, or (ii) any actual or prospective party (or its Related Parties) to any swap, derivative other transaction under which payments are to be made by reference to the Borrower and its obligations, this Agreement or payments hereunder; (g) with the consent of the Borrower; or (h) to the extent that such Information (x) becomes publicly available other than as a result of a breach of this Section 9.15, or (y) becomes available to any Agent, any Lender or any of their respective Affiliates on a non-confidential basis from a source other than the Borrower. In addition, each of the Agents and the Lenders may disclose the existence of this Agreement and information about this Agreement to market data collectors, similar service providers to the lending industry and service providers to the Agents and the Lenders in connection with the administration of this Agreement, the other Loan Documents and the Credit Extensions.

For purposes of this Section 9.15, “Information” shall mean all information received from the Borrower or any of its Subsidiaries relating to the Borrower or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to any Agent, any Lender on a non-confidential basis prior to disclosure by the Borrower or any of its Subsidiaries; *provided* that, in the case of information received from the Borrower or any of its Subsidiaries after the Closing Date, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section 9.15 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Section 9.16 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE REQUIREMENTS OF LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT, BREACH OF DUTY, COMMON LAW, STATUTE OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.16. EACH PARTY HERETO FURTHER REPRESENTS AND WARRANTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

Section 9.17 PATRIOT Act Notice. Each Lender, the Administrative Agent (for itself and not on behalf of any Lender) and the Collateral Agent hereby notifies each Loan Party that pursuant to the requirements of the PATRIOT Act, it is required to obtain, verify and record information that identifies the Loan Parties, which information includes the name, address and taxpayer information number of each Loan Party and other information that will allow such Lender, the Administrative Agent or the Collateral Agent, as applicable, to identify such Loan Party in accordance with the PATRIOT Act. The Borrower shall, promptly following a request by any Lender, the Administrative Agent or the Collateral Agent, provide all documentation and other information that such Lender, the Administrative Agent or the Collateral Agent, as applicable, requests in order to comply with its ongoing obligations under applicable “know your customer” and anti-money-laundering rules and regulations, including the PATRIOT Act.

Section 9.18 Usury Savings Clause. Notwithstanding any other provision herein, the aggregate interest rate charged with respect to any of the Obligations, including all charges or fees in connection therewith deemed in the nature of interest under applicable Requirements of Law, shall not exceed the Highest Lawful Rate. If the rate of interest (determined without regard to the preceding sentence) under this Agreement at any time exceeds the Highest Lawful Rate,

the outstanding amount of the Loans made hereunder shall bear interest at the Highest Lawful Rate until the total amount of interest due hereunder equals the amount of interest which would have been due hereunder if the stated rates of interest set forth in this Agreement had at all times been in effect. In addition, if when the Loans made hereunder are repaid in full the total interest due hereunder (taking into account the increase provided for above) is less than the total amount of interest which would have been due hereunder if the stated rates of interest set forth in this Agreement had at all times been in effect, then to the extent permitted by law, the Borrower shall pay to Administrative Agent an amount equal to the difference between the amount of interest paid and the amount of interest which would have been paid if the Highest Lawful Rate had at all times been in effect. Notwithstanding the foregoing, it is the intention of the Lenders and the Borrower to conform strictly to any applicable usury laws. Accordingly, if any Lender contracts for, charges, or receives any consideration which constitutes interest in excess of the Highest Lawful Rate, then any such excess shall be cancelled automatically and, if previously paid, shall at such Lender's option be applied to the outstanding amount of the Loans made hereunder or be refunded to the Borrower.

Section 9.19 Payments Set Aside. To the extent that any payment by or on behalf of the Borrower is made to the Administrative Agent, the Collateral Agent or any Lender, or the Administrative Agent, the Collateral Agent or any Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent, the Collateral Agent or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Lender severally agrees to pay to the Administrative Agent or the Collateral Agent, as applicable, upon demand its applicable share (without duplication) of any amount so recovered from or repaid by the Administrative Agent or the Collateral Agent (as applicable), plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Effective Rate from time to time in effect.

Section 9.20 No Advisory or Fiduciary Responsibility. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), the Borrower acknowledges and agrees, and acknowledges its Affiliates' understanding, that: (a) (i) no fiduciary, advisory or agency relationship between the Loan Parties and any Agent or any other Lender is intended to be or has been created in respect of the transactions contemplated hereby or by the other Loan Documents, irrespective of whether any Agent or any other Lender has advised or is advising the Borrower or any Subsidiary on other matters, (ii) the arranging and other services regarding this Agreement provided by the Agents and the other Lenders are arm's-length commercial transactions between the Borrower and its Affiliates, on the one hand, and the Agents and the other Lenders, on the other hand, (iii) the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent that it has deemed appropriate and (iv) the Borrower is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; and (b) (i) the Agents and the other Lenders each is and has been acting solely as a principal and, except as expressly

agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Borrower or any of its Affiliates or any other Person; (ii) none of the Agents and the other Lenders has any obligation to the Borrower or any of its Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (iii) the Agents and the other Lenders and their respective Affiliates may be engaged, for their own accounts or the accounts of customers, in a broad range of transactions that involve interests that differ from those of the Borrower and its Affiliates, and none of the Agents and the other Lenders has any obligation to disclose any of such interests to the Borrower or its Affiliates. To the fullest extent permitted by law, the Borrower hereby waives and releases any claims that it may have against the Agents and the other Lenders with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

Section 9.21 Judgment Currency. In respect of any judgment or order given or made for any amount due under this Agreement or any other Loan Document that is expressed and paid in a currency (the “judgment currency”) other than Dollars, the Loan Parties will indemnify Administrative Agent and any Lender against any loss incurred by them as a result of any variation as between (i) the rate of exchange at which the Dollar amount is converted into the judgment currency for the purpose of such judgment or order and (ii) the rate of exchange, as quoted by the Administrative Agent or by a known dealer in the judgment currency that is designated by the Administrative Agent, at which the Administrative Agent or such Lender is able to purchase Dollars with the amount of the judgment currency actually received by the Administrative Agent or such Lender. The foregoing indemnity shall constitute a separate and independent obligation of the Loan Parties and shall survive any termination of this Agreement and the other Loan Documents, and shall continue in full force and effect notwithstanding any such judgment or order as aforesaid. The term “rate of exchange” shall include any premiums and costs of exchange payable in connection with the purchase of or conversion into Dollars.

Section 9.22 Waiver of Sovereign Immunity. The Borrower, in respect of itself, its process agents, and its properties and revenues, hereby irrevocably agrees that, to the extent that such Person or any of its properties has or may hereafter acquire any right of immunity, whether characterized as sovereign immunity or otherwise, from any legal proceedings, whether in the United States of America or elsewhere, to enforce or collect upon the Loans or any Loan Document or any other liability or obligation of such Person related to or arising from the transactions contemplated by any of the Loan Documents, including, without limitation, immunity from suit, immunity from service of process, immunity from jurisdiction or judgment of any court or tribunal, immunity from execution of a judgment, and immunity of any of its property from attachment prior to any entry of judgment, or from attachment in aid of execution upon a judgment, such Person hereby expressly waives, to the fullest extent permissible under applicable Requirements of Law, any such immunity, and agrees not to assert any such right or claim in any such proceeding, whether in the United States of America or elsewhere. Without limiting the generality of the foregoing, the Borrower further agrees that the waivers set forth in this Section 9.22 shall be effective to the fullest extent permitted under the Foreign Sovereign Immunities Act of 1976 of the U.S. and are intended to be irrevocable for purposes of such Act.

Section 9.23 Holdback. The Administrative Agent and Lenders hereby agree that the Debtors may deposit proceeds of the Collateral, solely in accordance with the Interim Order or

Final Order (as applicable) and the applicable provisions of the Loan Documents, into a segregated account (the “Wind Down Account”) held by the Administrative Agent, solely in an amount necessary to fund the wind-down of the Debtors’ estates and the closure of the Cases, in accordance with a wind-down budget prepared by the Debtors and acceptable to the Administrative Agent and the Required Lenders in their respective sole discretion.

Section 9.24 Flood Insurance Provisions. Notwithstanding anything in this Agreement or any other Loan Document to the contrary, in no event is any “Building” (as defined in the applicable Flood Insurance Regulation) or “Manufactured (Mobile) Home” (as defined in the applicable Flood Insurance Regulation) included in the definition of “Mortgaged Property” (as defined in any Loan Document) and no “Building” or “Manufactured (Mobile) Home” is hereby encumbered by this Agreement, any other Loan Document or the Final Order.

[Remainder of page left intentionally blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

PARALLEL ENERGY LP, as Borrower

By: PARALLEL ENERGY GP LLC,
its general partner

By: _____

Name: Richard N. Miller

Title: Chief Financial Officer

CANADIAN IMPERIAL BANK OF
COMMERCE, as Administrative Agent, Collateral
Agent and as a Lender

By: _____

Name:

Title:

By: _____

Name:

Title:

WELLS FARGO BANK, N.A. CANADIAN
BRANCH, as a Lender

By: _____

Name:

Title:

ROYAL BANK OF CANADA, as a Lender

By: _____

Name:

Title:

THE BANK OF NOVA SCOTIA, as a Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

ANNEX A

COMMITMENTS

Lender	Interim Order Commitment	Final Order Commitment	Pro Rata Share
Canadian Imperial Bank of Commerce	\$1,834,615.00	\$ 3,193,589.08	33.97%
The Bank of Nova Scotia	\$ 1,549,634.07	\$ 2,697,511.16	28.70%
Royal Bank of Canada	\$ 1,549,634.07	\$ 2,697,511.16	28.70%
Wells Fargo Bank, N.A. Canadian Branch	\$ 466,116.85	\$ 811,388.59	8.63%
Total	\$5,400,000.00	\$9,400,000.00	100%

EXISTING LETTERS OF CREDIT

- Beneficiary: Natural Gas Pipeline Company of America LLC
Start date: August 16, 2013
Expiry: August 14, 2016
Amount: \$130,000.00
Type: Standby Letter of Credit with Automatic Renewal clause

SCHEDULE 3.07

Equity Interests

- | (i) | <u>Loan Party</u> | <u>Jurisdiction of Organization</u> |
|-----|--------------------------|--|
| | Parallel Energy LP | Delaware |
| | Parallel Energy GP LLC | Delaware |
- (ii) **Number of Parallel Energy LP's Equity Interests authorized:** Not applicable.
Number of Parallel Energy LP's Equity Interests outstanding: Not applicable.
Parallel Energy LP's Equity Interests covered by outstanding options, warrants, rights of conversion or purchase and similar rights: None.
- Number of Parallel Energy GP LLC's Equity Interests authorized:**
Not applicable.
- Number of Parallel Energy GP LLC's Equity Interests outstanding:**
Not applicable.
- Parallel Energy GP LLC's Equity Interests covered by outstanding options, warrants, rights of conversion or purchase and similar rights:** None.

SCHEDULE 3.16**Insurance**

Policy Type	Carrier	Underwriter	Broker/Agent	Effective Period	Policy Number
Worker's Compensation	Federal Insurance Company	Chubb Group of Insurance	Willis of Oklahoma	7/1/15 – 7/1/16	(16)7174-64-59
Umbrella	Lloyd's of London	Global Special Risks, LLC	Willis of Canada	7/1/15 – 7/1/16	USUMB1510173
Property	Federal Insurance Company	Chubb Group of Insurance	Willis of Oklahoma	7/1/15 – 7/1/16	3597-16-39 DAL
General Liability	Lloyd's of London	Global Special Risks, LLC	Willis of Canada	7/1/15 – 7/1/16	USGL1510172
Business Auto	Federal Insurance Company	Chubb Group of Insurance	Willis of Oklahoma	7/1/15 – 7/1/16	(15)7357-67-85
Operator's Extra Expense	Lloyd's of London	Global Special Risks, LLC	Willis of Canada	7/1/15 – 7/1/16	USOEE1510171
D&O Policy	Liberty International Underwriters	Chubb Group of Insurance		4/21/15 – 4/21/16	DOCGAADVOL005
Excess D&O	ENCON Group Inc.	Chubb Group of Insurance	Willis of Canada	4/21/15 – 4/21/16	DOX452140
Excess D&O	Chubb Group of Insurance	Chubb Group of Insurance		4/21/15 – 4/21/16	8223-7064
Excess D&O	Arch Insurance Canada Ltd.			4/21/15 – 4/21/16	ABX0056429-02
Excess D&O	Axis Reinsurance Company		Willis of Canada	4/21/15 – 4/21/16	CTSS766874/01/2015
Excess D&O	Starr Insurance & Reinsurance Limited			4/21/15 – 4/21/16	100015003151

SCHEDULE 3.17(A)

UCC Filing Jurisdictions

Loan Party

Parallel Energy LP

Parallel Energy GP LLC

Filing Office

Secretary of State of the State of Delaware

Secretary of State of the State of Delaware

SCHEDULE 3.17(B)

Mortgage Filing Jurisdictions

Filing Offices for Mortgages of Parallel Energy LP

Potter County, Texas

Moore County, Texas

Hutchison County, Texas

Carson County, Texas

Gray County, Texas

Roberts County, Texas

Jefferson County, Oklahoma

Garfield County, Oklahoma

Filing Offices for Mortgages of Parallel Energy GP LLC

Not applicable.

SCHEDULE 5.20

Post-Closing Undertakings

1. Insurance. Within 5 Business Days from the Closing Date (or such later date to which the Administrative Agent consents in its sole discretion), the Administrative Agent shall have received a copy of, or a certificate as to coverage under, the insurance policies required by Section 5.07 and the applicable provisions of the Security Documents, each of which shall be endorsed or otherwise amended to include a “standard” or “New York” lender’s loss payable or mortgage endorsement (as applicable) and shall name the Collateral Agent, on behalf of the Secured Parties, as additional insured or loss payee, as applicable, in form and substance reasonably satisfactory to the Administrative Agent and the Collateral Agent.

SCHEDULE 6.16

Gas Imbalances

<u>Well</u>	<u>Date</u>	<u>Status</u>	<u>Amount (Mcf)</u>
Barrett 1G (#11420)	9-30-15	Over produced	110

**EXHIBIT B
FORM OF MORTGAGE**

[Attached]

Exhibit B

WHEN RECORDED OR FILED,
PLEASE RETURN TO:
Latham & Watkins LLP
811 Main Street
Suite 3700
Houston, Texas 77002
Attention: Dee Alaniz
Telephone: (713) 546-7448

(OK, TX)

Space above for County Recorder's Use

**DEED OF TRUST, MORTGAGE, MULTIPLE INDEBTEDNESS MORTGAGE,
ASSIGNMENT OF AS-EXTRACTED COLLATERAL, SECURITY AGREEMENT,
FIXTURE FILING AND FINANCING STATEMENT**

FROM

PARALLEL ENERGY LP, AS GRANTOR

**IN THE CASE OF THE DEED OF TRUST PROPERTY (AS HEREIN DEFINED)
LOCATED IN A DEED OF TRUST STATE (AS HEREIN DEFINED),**

TO

DOUG BROWN, AS TRUSTEE

FOR THE BENEFIT OF

**CANADIAN IMPERIAL BANK OF COMMERCE,
AS AGENT AND THE OTHER SECURED PERSONS**

**IN THE CASE OF THE DEED OF TRUST PROPERTY (AS HEREIN DEFINED)
LOCATED IN A MORTGAGE STATE (AS HEREIN DEFINED),**

IN FAVOR OF

**CANADIAN IMPERIAL BANK OF COMMERCE,
AS AGENT FOR THE OTHER SECURED PERSONS**

A CARBON, PHOTOGRAPHIC, OR OTHER REPRODUCTION OF THIS INSTRUMENT IS
SUFFICIENT AS A FINANCING STATEMENT.

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

A POWER OF SALE HAS BEEN GRANTED IN THIS INSTRUMENT. IN CERTAIN STATES, A POWER OF SALE MAY ALLOW THE TRUSTEE OR THE BENEFICIARY TO TAKE THE DEED OF TRUST PROPERTY AND SELL IT WITHOUT GOING TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY THE GRANTOR UNDER THIS INSTRUMENT.

THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS.

THIS INSTRUMENT SECURES PAYMENT OF FUTURE ADVANCES.

THIS INSTRUMENT COVERS PROCEEDS OF THE DEED OF TRUST PROPERTY AND UCC COLLATERAL.

THIS INSTRUMENT COVERS MINERALS, AS-EXTRACTED COLLATERAL, AND OTHER SUBSTANCES OF VALUE WHICH MAY BE EXTRACTED FROM THE EARTH (INCLUDING WITHOUT LIMITATION OIL AND GAS) AND THE ACCOUNTS RELATED THERETO, WHICH WILL BE FINANCED AT THE WELLHEADS OF THE WELL OR WELLS LOCATED ON THE PROPERTIES DESCRIBED IN THE EXHIBIT HERETO. THIS INSTRUMENT COVERS GOODS WHICH ARE OR ARE TO BECOME FIXTURES ON THE LAND DESCRIBED IN OR REFERRED TO IN THE EXHIBIT HERETO. THIS INSTRUMENT IS TO BE FILED FOR RECORD (INCLUDING AS A FIXTURE FILING AND AS A FINANCING STATEMENT COVERING AS-EXTRACTED COLLATERAL), AMONG OTHER PLACES, IN THE REAL PROPERTY RECORDS OR SIMILAR RECORDS OF THE RECORDERS OF THE COUNTIES LISTED ON THE EXHIBIT HERETO. THE GRANTOR HAS AN INTEREST OF RECORD IN THE REAL ESTATE CONCERNED, WHICH INTEREST IS DESCRIBED IN THE EXHIBIT ATTACHED HERETO. THIS INSTRUMENT IS ALSO TO BE INDEXED IN THE INDEX OF FINANCING STATEMENTS. THE ADDRESSES OF GRANTOR AND BENEFICIARY ARE CONTAINED IN THIS INSTRUMENT.

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Exhibit A - Oil and Gas Properties

THIS DEED OF TRUST, MORTGAGE, MULTIPLE INDEBTEDNESS MORTGAGE, ASSIGNMENT OF AS-EXTRACTED COLLATERAL, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING STATEMENT (as the same may from time to time be amended, supplemented, amended and restated or otherwise modified, this “Deed of Trust”) is entered into as of [____], 2015 (the “Effective Date”) by PARALLEL ENERGY LP, as a debtor and debtor in possession under Chapter 11 of the Bankruptcy Code, a Delaware limited partnership (formerly known as Parallel Energy Acquisitions LP and hereinafter, the “Grantor”), in favor of (i) in the case of the Deed of Trust Property (as hereinafter defined) located in a Deed of Trust State (as hereinafter defined), in favor of DOUG BROWN, as Trustee for the benefit of CANADIAN IMPERIAL BANK OF COMMERCE, as Agent, and the Other Secured Persons with respect to all Deed of Trust Properties located in or adjacent to the Deed of Trust State and (ii) in the case of the Deed of Trust Property located in a Mortgage State (as hereinafter defined) and all UCC Collateral, in favor of CANADIAN IMPERIAL BANK OF COMMERCE, as Agent for its benefit and the benefit of the Other Secured Persons (in its capacity under each of (i) and (ii) above, together with its successors and assigns in such capacity, being herein referred to as “Beneficiary”).

RECITALS

A. On [____], Grantor, as borrower, each of the Lenders from time to time party thereto (the “Lenders”), and Beneficiary, as administration agent and collateral agent for the Lenders, entered into a Credit Agreement (such agreement, as it may from time to time be amended, amended and restated, supplemented or otherwise modified from time to time, the “Credit Agreement”), pursuant to which, upon the terms and conditions stated therein, the Lenders have agreed to make certain extensions of credit to the Grantor.

B. Beneficiary and the Lenders have conditioned their obligations under the Credit Agreement upon the execution and delivery by Grantor of this Deed of Trust, and Grantor has agreed to enter into this Deed of Trust to secure the Secured Obligations (as defined herein), including the obligations of the Grantor under the Credit Agreement.

C. The execution, delivery, and performance of this Deed of Trust and the grant of a security interest, pledge and lien on the Collateral to secure the Secured Obligations have been authorized by the Interim Order and, after the entry thereof, will have been so authorized by the Final Order (each as defined in the Credit Agreement, and collectively, the “Orders”).

D. To supplement the Orders without in any way diminishing or limiting the effect of the Orders or the security interest, pledge and lien granted thereunder, the parties hereto desire to more fully set forth their respective rights in connection with such security interest, pledge, and lien.

E. Therefore, in order to comply with the terms and conditions of the Credit Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor hereby agrees as follows:

ARTICLE I DEFINITIONS

Section 1.01 Terms Defined Above. As used in this Deed of Trust, each term defined above has the meaning indicated above.

Section 1.02 UCC and Other Defined Terms. Unless otherwise defined in the Uniform Commercial Code, each capitalized term used in this Deed of Trust and not defined in this Deed of Trust shall have the meaning ascribed to such term in the Credit Agreement. Any capitalized term not defined in either this Deed of Trust or the Credit Agreement shall have the meaning ascribed to such term in the Uniform Commercial Code.

Section 1.03 Definitions. As used herein, the following terms have the meanings specified below:

“Beneficiary” has the meaning ascribed to such term in the introductory paragraph hereto.

“Collateral” means collectively the Deed of Trust Property and the UCC Collateral.

“Credit Agreement” has the meaning ascribed to such term in the recitals hereto.

“Deed of Trust” has the meaning ascribed to such term in the introductory paragraph hereto.

“Deed of Trust Property” has the meaning ascribed to such term in Section 2.01.

“Deed of Trust State” has the meaning ascribed to such term in Section 2.01.

“Effective Date” has the meaning ascribed to such term in the introductory paragraph hereto.

“Event of Default” has the meaning ascribed to such term in Section 5.01.

“Grantor” has the meaning ascribed to such term in the introductory paragraph hereto.

“Hydrocarbon Interests” has the meaning ascribed to such term in Section 2.01(c)(i)(A).

“Lenders” has the meaning ascribed to such term in the recitals hereto.

“Mortgage State” has the meaning ascribed to such term in Section 2.01.

“Oil and Gas Properties” has the meaning ascribed to such term in Section 2.01(c)(i).

“Oklahoma Act” has the meaning ascribed to such term in Section 7.01(c).

“Orders” has the meaning ascribed to such term in the recitals hereto.

“Other Secured Persons” means the Agent, each Lender, each Indemnitee and any legal owner, holder, assignee or pledgee of any of the Secured Obligations.

“Post-Default Rate” means the interest rate payable after the occurrence and during the continuance of an Event of Default as set forth in Section 2.08 of the Credit Agreement, but in no event to exceed the maximum rate permitted by applicable law.

“Secured Obligations” has the meaning assigned to such term in Section 2.03.

“Trustee” means Doug Brown of Canada, whose address for notice hereunder is 855 - 2nd Street S.W., 9th Floor, Calgary, AB T2P 2P2 and any successors and substitutes in trust hereunder.

“UCC Collateral” means the property and other assets described in Section 2.02.

“Uniform Commercial Code” or “UCC” means the Uniform Commercial Code as from time to time in effect in the State of New York; provided, however, that, in the event that, by reason of mandatory provisions of law, any of the attachment, perfection or priority of any Lien on any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, the term “Uniform Commercial Code” shall mean the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such attachment, perfection, the effect thereof or priority and for purposes of definitions related to such provisions.

ARTICLE II GRANT OF LIEN AND SECURED OBLIGATIONS

Section 2.01 Grant of Liens. To secure payment of the Secured Obligations, the Grantor does by these presents hereby:

(a) GRANT, BARGAIN, SELL, ASSIGN, MORTGAGE, TRANSFER and CONVEY to the Trustee, and grant to the Trustee, in trust for the use and benefit of the Beneficiary and the Other Secured Persons, a POWER OF SALE (pursuant to this Deed of Trust and applicable law) with respect to, in each case, the Deed of Trust Property that is located in (or cover or relate to properties located in) the State of Texas (the “Deed of Trust State”).

(b) GRANT, BARGAIN, SELL, ASSIGN, MORTGAGE, TRANSFER and CONVEY to the Beneficiary and grant to Beneficiary a POWER OF SALE (pursuant to this Deed of Trust and applicable law) with respect to, in each case, the Deed of Trust Property that is not granted to Trustee in clause (a) above and shall include, without limitation, the Deed of Trust Property that is located in (or cover or relate to properties located in) the State of Oklahoma (the “Mortgage State”)

(c) The “Deed of Trust Property” shall mean, with respect to clauses (a) or (b) above, as the case may be, Grantor’s rights, title and interest in all the following properties, rights and interests:

(i) All rights, titles, interests and estates now owned or hereafter acquired by Grantor in and to the following (collectively, the “Oil and Gas Properties”):

(A) the oil, gas, and/or other mineral properties, mineral servitudes, overriding royalty interests, and/or other mineral rights and interests described in Exhibit A, including, without limitation, the oil, gas and/or other mineral leases or other agreements described in Exhibit A and the lands described or referred to in Exhibit A (or described in any of the instruments described or referred to in Exhibit A) (collectively, the “Hydrocarbon Interests”), and

(B) any and all properties now or hereafter pooled or unitized with any of the Hydrocarbon Interests, including any and all presently existing or future unitization, communitization, and pooling agreements and declarations of pooled units and the units created thereby (including, without limitation, all units created under orders, regulations, rules or other official acts of any federal, state or other governmental body or agency having jurisdiction and any units created solely among working interest owners pursuant to operating agreements or otherwise) which may affect all or any portion of any Hydrocarbon Interest, including, without limitation, those units which may be described or referred to on Exhibit A,

without regard to any limitations as to specific lands or depths that may be set forth in Exhibit A, it being agreed and understood that the Hydrocarbon Interests and the Oil and Gas Properties shall include (1) all of Grantor’s rights, titles, interests, and estates therein even though Grantor’s interests therein may be incorrectly described or a description of a part or all thereof or of Grantor’s interests therein be omitted or incomplete, it being intended by Grantor and Beneficiary herein to cover and affect hereby all interests which Grantor may now own or may hereafter acquire therein and thereto notwithstanding that the interests as specified on Exhibit A may be limited to particular lands, specified depths or particular types of property interests, and (2) any enlargements thereof arising from the discharge of any payments out of production or by the removal of any charges or Permitted Liens to which any of the Hydrocarbon Interests or Oil and Gas Properties are subject, or otherwise.

(ii) All rights, titles, interests and estates now owned or hereafter acquired by Grantor in and to all operating agreements, production sales agreements, farmout agreements, farm-in agreements, area of mutual interest agreements, equipment leases and other agreements described or referred to in this Deed of Trust or that relate to any of the Oil and Gas Properties or any interests in any of the Oil and Gas Properties or to the production, sale, purchase, exchange, processing, handling, storage, transporting or marketing of Hydrocarbons (herein defined) from or attributable to any of the Oil and Gas Properties.

(iii) All rights, titles, interests, and estates now owned or hereafter acquired by Grantor in and to all geological, geophysical, engineering, accounting, title, legal, and other technical or business data concerning any of the Oil and Gas Properties, any Hydrocarbons, or any other item of Deed of Trust Property which are in the possession of Grantor or in which Grantor can otherwise grant a security interest, and all books, files, records, magnetic media, computer records, and other forms of recording or obtaining access to such data.

(iv) All rights, titles, interests, and estates now owned or hereafter acquired by Grantor in and to the surface of all lands relating to the Oil and Gas Properties, including without limitation such as are described in Exhibit A, and all compressor sites, settling ponds, equipment or pipe yards, office sites, office buildings and property and fixtures located thereon, whether such lands, compressor sites, settling ponds, equipment or pipe yards, office sites, and office buildings are fee simple estates, leasehold estates or otherwise, together with all present and future rights, titles, easements and estates now owned or hereafter acquired by Grantor under or in connection with such any such interest.

(v) All rights, titles, interests and estates now owned or hereafter acquired by Grantor in and to all oil, gas, casinghead gas, drip gasoline, natural gasoline, condensate, distillate, liquid hydrocarbons, gaseous hydrocarbons and all products refined or separated therefrom and all other minerals (collectively, "Hydrocarbons") in and under and which may be produced and saved from or attributable to any of the Oil and Gas Properties, including all oil in tanks and all rents, issues, profits, proceeds, products, revenues and other income from or attributable to any of the Oil and Gas Properties, including specifically but without limitation all Liens securing payment of proceeds from the sale of Hydrocarbons, including, without limitation, those liens and security interests provided in Section 9.343 of the Uniform Commercial Code as enacted in the State of Texas, the Oil and Gas Owners' Lien Act of 2010 (52 Okl.St. Ann §§549.1, et al.) as enacted in the State of Oklahoma and in the correlative provisions of the Uniform Commercial Code as enacted in the other states in which Deed of Trust Property is located.

(vi) All tenements, hereditaments, appurtenances and properties in any way appertaining, belonging, affixed or incidental to any of the Oil and Gas Properties that are now owned or which may hereafter be acquired by Grantor, including, without limitation, any and all property, real or personal, now owned or hereafter acquired and situated upon, used, held for use, or useful in connection with the operating, working or development of any of the Oil and Gas Properties and including any and all oil wells, gas wells, injection wells or other wells, buildings, structures, field separators, liquid extraction plants, plant compressors, pumps, pumping units, pipelines, sales and flow lines, gathering systems, field gathering systems, salt water disposal facilities, tanks and tank batteries, fixtures, valves, fittings, machinery and parts, engines, boilers, steam generation facilities, meters, apparatus, equipment, appliances, tools, implements, cables, wires, towers, casing, tubing and rods, surface leases, rights-of-way, easements,

servitudes, licenses and other surface and subsurface rights together with all additions, substitutions, replacements, accessions and attachments to any and all of the foregoing properties.

(vii) Any property that may from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien and security interest hereof by Grantor or by anyone on Grantor's behalf (and Trustee is hereby authorized to receive the same at any time as additional security hereunder).

(viii) Any and all renewals and extensions of any of the Deed of Trust Property described in paragraphs (a) through (g) above, including all contracts and agreements supplemental to or amendatory of or in substitution for the contracts and agreements described or mentioned above, and any and all additional interests of any kind hereafter acquired by Grantor therein or thereto.

(ix) All property of every kind and character which Grantor has or at any time hereafter acquires, whether real or personal property, tangible or intangible, or mixed, all other interests of every kind and character which Grantor has or at any time hereafter acquires in and to the types and items of property and interests described in paragraphs (a) through (g) preceding, all property which is used or useful in connection with the Deed of Trust Property or otherwise, and the proceeds and products of all of the foregoing, whether now owned or hereafter acquired, including, without limitation:

(A) All present and future personal property;

(B) All present and future increases, profits, combinations, reclassifications, improvements and products of, accessions, attachments and other additions to, tools, parts and equipment used in connection with, and substitutes and replacements for, all or any part of the Deed of Trust Property described in this or any other clause of this Section 2.01(c)(ix);

(C) All present and future As-extracted collateral, Accounts, Equipment, Inventory, contract rights, General Intangibles, Chattel Paper, Documents, Instruments, Fixtures, cash and noncash Proceeds and other rights arising from or by virtue of, or from the voluntary or involuntary sale or other disposition of, or collections with respect to, or insurance proceeds or unearned insurance premiums payable with respect to, or proceeds payable by virtue of warranty or other claims against manufacturers of, or claims against any other person or entity with respect to, all or any part of the Deed of Trust Property; and

(D) All present and future security for the payment to Grantor of any of the Deed of Trust Property and goods which gave or will give rise to any of such Deed of Trust Property or are evidenced, identified, or represented therein or thereby.

Any fractions or percentages specified on Exhibit A in referring to the Grantor's interests are solely for purposes of the warranties made by the Grantor pursuant to Section 4.01 and Section 4.05 and shall in no manner limit the quantum of interest affected by this Section 2.01 with respect to any Oil and Gas Property or with respect to any unit or well identified on Exhibit A.

TO HAVE AND TO HOLD the Deed of Trust Property located in the State of Texas unto Trustee and to his successors and assigns forever to secure the payment of the Secured Obligations and to secure the performance of the covenants, agreements, and obligations of Grantor herein contained.

Section 2.02 Grant of Security Interest. To further secure the Secured Obligations, the Grantor hereby grants to the Beneficiary, for its benefit and the benefit of the Other Secured Persons, a security interest in the Grantor's right, title and interest in and to all of the following (whether now owned or hereafter acquired, by operation of law or otherwise):

- (a) all Accounts;
- (b) all Chattel Paper (whether Electronic Chattel Paper or Tangible Chattel Paper);
- (c) all Deposit Accounts (other than payroll, withholding tax and other fiduciary Deposit Accounts), all Commodities Accounts and all Securities Accounts;
- (d) all Documents;
- (e) all General Intangibles (including, without limitation, rights in and under any Payment Intangible or Swap) and all rights under insurance contracts and rights to insurance proceeds;
- (f) all Instruments;
- (g) all Goods (including, without limitation, all Inventory, all Equipment and all Fixtures whether or not relating to the Deed of Trust Property);
- (h) all Letter of Credit rights (whether or not the letter of credit is evidenced by a writing);
- (i) all As-Extracted Collateral;
- (j) all books and records pertaining to the Collateral;
- (k) all Fixtures;
- (l) all Hydrocarbons;

(m) to the extent not otherwise included, any other property insofar as the it consists of personal property of any kind or character defined in and subject to the Uniform Commercial Code; and

(n) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing and all collateral security, guarantees and other obligations given with respect to any of the foregoing.

Section 2.03 Secured Obligations. This Deed of Trust is executed and delivered by the Grantor to secure and enforce the following (the “Secured Obligations”):

(a) Payment of and performance of any and all indebtedness, fees, interest, indemnities, reimbursements, obligations and liabilities of the Borrower (including interest accruing during the pendency of an insolvency or liquidation proceeding, regardless of whether allowed or allowable in such insolvency or liquidation proceeding) pursuant to the Credit Agreement, this Deed of Trust or any other Loan Document, whether now existing or hereafter arising.

(b) Any sums which may be advanced or paid by the Trustee or the Beneficiary or any Other Secured Person under the terms hereof or of the Credit Agreement or any Loan Document on account of the failure of the Borrower or any other Loan Party to comply with the covenants of the Grantor contained herein, in the Credit Agreement or any other Loan Document whether pursuant to Section 4.08 or otherwise and all other obligations, liabilities and indebtedness of the Borrower, any other Loan Party or any other guarantor arising pursuant to the provisions of this Deed of Trust or any Loan Document.

(c) Any additional loans made by the Beneficiary or any Lender to the Borrower. The Beneficiary and the Lenders may lend additional sums to the Borrower from time to time, but shall not be obligated to do so, and the Grantor agrees that any such additional loans shall be secured by this Deed of Trust.

(d) Any and all renewals, modifications, substitutions, rearrangements or extensions of any of the foregoing, whether in whole or in part.

Section 2.04 Fixture Filing, Etc. Without in any manner limiting the generality of any of the other provisions of this Deed of Trust: (i) some portions of the goods described or to which reference is made herein are or are to become Fixtures on the land described or to which reference is made herein or on Exhibit A; (ii) the security interests created hereby under applicable provisions of the Uniform Commercial Code will attach to all As-Extracted Collateral (all minerals including oil and gas and the Accounts resulting from the sale thereof at the wellhead or minehead located on the Oil and Gas Properties described or to which reference is made herein or on Exhibit A) and all other Hydrocarbons; (iii) this Deed of Trust is to be filed of record in the real estate records or other appropriate records of the county in which the Deed of Trust Property is located as a financing statement, a fixture filing and an As-Extracted Collateral filing; and (iv) the Grantor is the record owner of the real estate or interests in the real estate comprised of the Deed of Trust Property. A carbon, photographic, facsimile or other reproduction of this Deed of Trust or of any financing statement relating to this Deed of Trust

shall be sufficient as a financing statement for any of the purposes referred to in this Section 2.04.

Section 2.05 Pro Rata Benefit. This Deed of Trust is executed and granted for the pro rata benefit and security of the Beneficiary and the Other Secured Persons to secure the Secured Obligations.

**ARTICLE III
ASSIGNMENT OF AS-EXTRACTED COLLATERAL**

Section 3.01 Assignment.

(a) The Grantor has absolutely and unconditionally assigned, transferred, conveyed and granted a security interest, and does hereby absolutely and unconditionally assign, transfer, convey and grant a security interest, unto the Beneficiary in and to:

(i) all of its As-Extracted Collateral located in or relating to the Deed of Trust Properties located in the county where this Deed of Trust is filed, including without limitation, all As-Extracted Collateral relating to the Oil and Gas Properties, the Hydrocarbons and all products obtained or processed therefrom;

(ii) the revenues and proceeds now and hereafter attributable to such Deed of Trust Properties, including the Hydrocarbons, and said products and all payments in lieu, such as “take or pay” payments or settlements; and

(iii) all amounts and proceeds hereafter payable to or to become payable to the Grantor or now or hereafter relating to any part of such Deed of Trust Properties and all amounts, sums, monies, revenues and income which become payable to the Grantor from, or with respect to, any of the Deed of Trust Properties, present or future, now or hereafter constituting a part of the Oil and Gas Properties.

(b) The Hydrocarbons and products are to be delivered into pipe lines connected with the Deed of Trust Property, or to the purchaser thereof, to the credit of the Beneficiary, for its benefit and the benefit of the Other Secured Persons, free and clear of all taxes, charges, costs and expenses; and all such revenues and, subject to the Orders, proceeds shall be paid directly to the Beneficiary, at its offices in Toronto, Ontario, Canada, with no duty or obligation of any party paying the same to inquire into the rights of the Beneficiary to receive the same, what application is made thereof, or as to any other matter.

(c) The Grantor agrees to perform all such acts, and to execute all such further assignments, transfers and division orders and other instruments as may be required or desired by the Beneficiary or any party in order to have said proceeds and revenues so paid to the Beneficiary. In addition to any and all rights of a secured party under Sections 9-607 and 9-609 of the Uniform Commercial Code, the Beneficiary is fully authorized to receive and receipt for said revenues and proceeds; to endorse and cash any and all checks and drafts payable to the order of the Grantor or the Beneficiary for the account of the Grantor received from or in connection with said revenues or proceeds and to hold the proceeds thereof in a Deposit Account with the Beneficiary, a Lender or other acceptable commercial bank as additional collateral

securing the Secured Obligations; and to execute transfer and division orders in the name of the Grantor, or otherwise, with warranties binding the Grantor. All proceeds received by the Beneficiary pursuant to this grant and assignment shall be applied as provided in Section 5.14.

(d) The Beneficiary shall not be liable for any delay, neglect or failure to effect collection of any proceeds or to take any other action in connection therewith or hereunder; but the Beneficiary shall have the right, at its election, in the name of the Grantor or otherwise, to prosecute and defend any and all actions or legal proceedings deemed advisable by the Beneficiary in order to collect such funds and to protect the interests of the Beneficiary and/or the Grantor, with all costs, expenses and attorneys' fees incurred in connection therewith being paid by the Grantor.

(e) The Grantor hereby appoints the Beneficiary as its attorney-in-fact to, subject to the Orders, pursue any and all rights of the Grantor to liens in the Hydrocarbons securing payment of proceeds of runs attributable to the Hydrocarbons. In addition to the liens granted to the Trustee and/or the Beneficiary in Article II, the Grantor hereby further transfers and assigns to the Beneficiary any and all such liens, security interests, financing statements or similar interests of the Grantor attributable to its interest in the As-Extracted Collateral, any other Hydrocarbons and proceeds of runs therefrom arising under or created by said statutory provision, judicial decision or otherwise. The power of attorney granted to the Beneficiary in this Section 3.01, being coupled with an interest, shall be irrevocable until Payment in Full, at which time the rights and properties assigned to Beneficiary under this Article III shall be reassigned to the Grantor. Until such time as an Event of Default has occurred and is continuing, Beneficiary hereby grants to Grantor a license to sell such Hydrocarbons and receive proceeds from the sale of Hydrocarbons, which license shall automatically terminate upon such Event of Default and for so long as the same continues.

Section 3.02 No Modification of Payment Obligations. Nothing herein contained shall modify or otherwise alter the obligation of the Grantor to make prompt payment of all amounts constituting Secured Obligations when and as the same become due regardless of whether the proceeds of the As-Extracted Collateral and Hydrocarbons are sufficient to pay the same and the rights provided in accordance with the foregoing assignment provision shall be cumulative of all other security of any and every character now or hereafter existing to secure payment of the Secured Obligations. Nothing in this Article III is intended to be an acceptance of collateral in satisfaction of the Secured Obligations.

Section 3.03 Rights of Producers. Grantor hereby grants, sells, assigns, sets over and mortgages unto Trustee during the term hereof, all of Grantor's rights and interests pursuant to any provision of applicable law granting producers of oil and gas a Lien on the oil and gas produced by them and on the proceeds thereof, including the resulting accounts receivable, including, without limitation, the provisions of Section 9-343 of the Uniform Commercial Code, hereby vesting in Trustee all of Grantor's rights as an interest owner to the continuing security interest in and lien upon such produced oil and gas and the proceeds thereof.

ARTICLE IV REPRESENTATIONS, WARRANTIES AND COVENANTS

The Grantor hereby represents, warrants and covenants as follows:

Section 4.01 Title. To the extent of the undivided interests specified on Exhibit A, the Grantor has good and defensible title to and is possessed of the Deed of Trust Property and has good and marketable title to the UCC Collateral. The Collateral is free and clear of all Liens and irregularities, deficiencies and defects in title, except for Permitted Liens and minor irregularities, deficiencies and defects in title that, individually or in the aggregate, do not, and could not reasonably be expected to, interfere with its ability to conduct its business as currently conducted or to utilize such property for its intended purpose.

Section 4.02 Defend Title. This Deed of Trust is, and always will be kept, a direct first priority Lien upon the Collateral; provided that Permitted Liens may exist, but no intent to subordinate the priority of the Liens created hereby is intended or inferred by such existence. The Grantor will not create or suffer to be created or permit to exist any Lien prior or junior to or on a parity with the Lien of this Deed of Trust upon the Collateral or any part thereof other than such Permitted Liens. The Grantor will warrant and defend the title to the Collateral against the claims and demands of all other Persons whomsoever and will maintain and preserve the Lien created hereby (and its priority) until Payment in Full. If (i) an adverse claim be made against or a cloud develop upon the title to any part of the Collateral other than a Permitted Lien or (ii) any Person, including the holder of a Permitted Lien, shall challenge the priority or validity of the Liens created by this Deed of Trust, then the Grantor agrees to immediately defend against such adverse claim, take appropriate action to remove such cloud or subordinate such Permitted Lien, in each case, at the Grantor's sole cost and expense. The Grantor further agrees that the Trustee and/or the Beneficiary may take such other action as they deem advisable to protect and preserve their interests in the Collateral, and in such event the Grantor will indemnify the Trustee and the Beneficiary against any and all cost, attorneys' fees and other expenses which they may incur in defending against any such adverse claim or taking action to remove any such cloud.

Section 4.03 Not a Foreign Person. The Grantor is not a "foreign person" within the meaning of the Internal Revenue Code of 1986, as amended (hereinafter called the "Code"), Sections 1445 and 7701 (i.e. the Grantor is not a non-resident alien, foreign corporation, foreign partnership, foreign trust or foreign estate as those terms are defined in the Code and any regulations promulgated thereunder).

Section 4.04 Power to Create Lien and Security. Subject to the Orders, the Grantor has full power and lawful authority to grant, bargain, sell, assign, transfer, mortgage and convey a

security interest in all of the Collateral in the manner and form herein provided. No authorization, approval, consent or waiver of any lessor, sublessor, Governmental Authority or other party or parties whomsoever is required in connection with the execution and delivery by the Grantor of this Deed of Trust.

Section 4.05 Revenue and Cost Bearing Interest. The Grantor's ownership of the Oil and Gas Property and the undivided interests therein as specified on Exhibit A will, after giving full effect to all Permitted Liens, afford the Grantor not less than those net interests (expressed as a fraction, percentage or decimal) in the production from or which is allocated to such Oil and Gas Property specified as Net Revenue Interest (as specified on Exhibit A) on attached Exhibit A and will cause the Grantor to bear not more than that portion (expressed as a fraction, percentage or decimal), specified as Working Interest on Exhibit A, of the costs of drilling, developing and operating the wells identified on Exhibit A except to the extent of any proportionate corresponding increase in the Net Revenue Interest.

Section 4.06 Rentals Paid; Leases in Effect. All rentals and royalties due and payable in accordance with the terms of any leases or subleases comprising a part of the Deed of Trust Property have been duly paid or provided for, and all leases or subleases comprising a part of the Oil and Gas Property are in full force and effect.

Section 4.07 Sales and Abandonment. The Grantor will not sell, lease, assign, transfer or otherwise dispose or abandon any of the Collateral except as permitted by the Credit Agreement.

Section 4.08 Failure to Perform. The Grantor agrees that if it fails to perform any act or to take any action which it is required to perform or take hereunder or pay any money which the Grantor is required to pay hereunder, each of the Beneficiary and the Trustee, in the Grantor's name or its or their own name, may, subject to the Orders, but shall not be obligated to, perform or cause to perform such act or take such action or pay such money, and any expenses so incurred by either of them and any money so paid by either of them shall be a demand obligation owing by the Grantor to the Beneficiary or the Trustee, as the case may be, and each of the Beneficiary and the Trustee, upon making such payment, shall be subrogated to all of the rights of the Person receiving such payment. Each amount due and owing by the Grantor to each of the Beneficiary and the Trustee pursuant to this Deed of Trust shall bear interest from the date of such expenditure or payment to such Person until paid at the Post-Default Rate.

ARTICLE V RIGHTS AND REMEDIES

Section 5.01 Event of Default. An Event of Default under the Credit Agreement shall be an "Event of Default" under this Deed of Trust.

Section 5.02 Foreclosure and Sale.

(a) If an Event of Default shall occur and be continuing, to the extent provided by applicable law and subject to the Orders, the Beneficiary shall have the right and option to proceed with foreclosure by (i) with respect to that portion of the Deed of Trust Property located in any Deed of Trust State, directing the Trustee to proceed by power of sale or

in any other manner permitted by applicable law (and to take any steps associated therewith and required or appropriate under the law of the Deed of Trust State in order to exercise such rights), and (ii) with respect to that portion of the Deed of Trust Property located in any Mortgage State, (A) judicial action or proceeding, or (B) if permitted in any Mortgage State, by statutory advertisement and sale pursuant to the power of sale herein granted in accordance with applicable law with regards to all or any portion of such Deed of Trust Property. Trustee or Beneficiary may sell said Deed of Trust Property at one or more sales, as an entirety or in parcels, at such place or places and in otherwise such manner and upon such notice as may be required by law, or, in the absence of any such requirement, as the Trustee or Beneficiary may deem appropriate, and to make conveyance to the purchaser or purchasers. Where the Deed of Trust Property is situated in more than one jurisdiction, notice as above provided shall be posted and filed in all such jurisdictions (if such notices are required by law), and all such Deed of Trust Property may be sold in any such jurisdiction and any such notice shall designate the jurisdiction where such Deed of Trust Property is to be sold. Nothing contained in this Section 5.02 shall be construed so as to limit in any way any rights to sell the Deed of Trust Property or any portion thereof by private sale if and to the extent that such private sale is permitted under the laws of the applicable jurisdiction or by public or private sale after entry of a judgment by any court of competent jurisdiction so ordering. The Grantor hereby irrevocably appoints the Trustee, with respect to the Deed of Trust Property located in any Deed of Trust State, and the Beneficiary, with respect to the Deed of Trust Property located in any Mortgage State with full power of substitution, to be the attorneys-in-fact of the Grantor and in the name and on behalf of the Grantor to execute and deliver any deeds, transfers, conveyances, assignments, assurances and notices which the Grantor ought to execute and deliver and do and perform any and all such acts and things which the Grantor ought to do and perform under the covenants herein contained and generally, to use the name of the Grantor in the exercise of all or any of the powers hereby conferred on the Trustee and/or the Beneficiary. At any such sale: (i) whether made under the power herein contained or any other legal enactment, or by virtue of any judicial proceedings or any other legal right, remedy or recourse, it shall not be necessary for the Trustee or the Beneficiary, as appropriate, to have physically present, or to have constructive possession of, the Deed of Trust Property (the Grantor hereby covenanting and agreeing to deliver any portion of the Deed of Trust Property not actually or constructively possessed by the Trustee or the Beneficiary immediately upon his or its demand) and the title to and right of possession of any such property shall pass to the purchaser thereof as completely as if the same had been actually present and delivered to purchaser at such sale, (ii) each instrument of conveyance executed by the Trustee or the Beneficiary shall contain a general warranty of title, binding upon the Grantor and its successors and assigns, (iii) each and every recital contained in any instrument of conveyance made by the Trustee or the Beneficiary shall conclusively establish the truth and accuracy of the matters recited therein, including, without limitation, nonpayment of the Secured Obligations, advertisement and conduct of such sale in the manner provided herein and otherwise by law and appointment of any successor trustee hereunder, (iv) any and all prerequisites to the validity thereof shall be conclusively presumed to have been performed, (v) the receipt of the Trustee, the Beneficiary or of such other party or officer making the sale shall be a sufficient discharge to the purchaser or purchasers for its purchase money and no such purchaser or purchasers, or its assigns or personal representatives, shall thereafter be obligated to see to the application of such purchase money, or be in any way answerable for any loss, misapplication or nonapplication thereof, (vi) to the fullest extent permitted by law, the Grantor shall be

completely and irrevocably divested of all of its right, title, interest, claim and demand whatsoever, either at law or in equity, in and to the property sold and such sale shall be a perpetual bar both at law and in equity against the Grantor, and against any and all other persons claiming or to claim the property sold or any part thereof, by, through or under the Grantor, and (vii) to the extent and under such circumstances as are permitted by law, the Beneficiary may be a purchaser at any such sale, and shall have the right, after paying or accounting for all costs of said sale or sales, to credit the amount of the bid upon the amount of the Secured Obligations (in the order of priority set forth in Section 5.14) in lieu of cash payment.

(b) If an Event of Default shall occur and be continuing, then, subject to the Orders, (i) the Beneficiary shall be entitled to all of the rights, powers and remedies afforded a secured party by the Uniform Commercial Code with reference to the Collateral or (ii) the Trustee or the Beneficiary may proceed as to any Collateral in accordance with the rights and remedies granted under this Deed of Trust or applicable law in respect of the Collateral. Such rights, powers and remedies shall be cumulative and in addition to those granted to the Trustee or the Beneficiary under any other provision of this Deed of Trust or under any other Loan Document. Written notice mailed to the Grantor as provided herein at least ten (10) days prior to the date of public sale of any part of the Collateral which is personal property subject to the provisions of the Uniform Commercial Code, or prior to the date after which private sale of any such part of the Collateral will be made, shall constitute reasonable notice.

Section 5.03 Substitute Trustees and Agents. The Trustee or Beneficiary may appoint or delegate any one or more persons as agent to perform any act or acts necessary or incident to any sale held by the Trustee or Beneficiary, including the posting of notices and the conduct of sale, but in the name and on behalf of the Trustee or Beneficiary. If the Trustee or Beneficiary shall have given notice of sale hereunder, any successor or substitute trustee or Beneficiary agent thereafter appointed may complete the sale and the conveyance of the property pursuant thereto as if such notice had been given by the successor or substitute trustee or Beneficiary agent conducting the sale.

Section 5.04 Judicial Foreclosure; Receivership. If any of the Secured Obligations shall become due and payable and shall not be promptly paid, the Trustee or the Beneficiary shall have the right and power to proceed by a suit or suits in equity or at law, whether for the specific performance of any covenant or agreement herein contained or in aid of the execution of any power herein granted, or for any foreclosure hereunder or for the sale of the Collateral under the judgment or decree of any court or courts of competent jurisdiction, or for the appointment of a receiver pending any foreclosure hereunder or the sale of the Collateral under the order of a court or courts of competent jurisdiction or under executory or other legal process, or for the enforcement of any other appropriate legal or equitable remedy. Any money advanced by the Trustee and/or the Beneficiary in connection with any such receivership shall be a demand obligation (which obligation the Grantor hereby expressly promises to pay) owing by the Grantor to the Trustee and/or the Beneficiary and shall bear interest from the date of making such advance by the Trustee and/or the Beneficiary until paid at the Post-Default Rate.

Section 5.05 Foreclosure for Installments. The Beneficiary shall also have the option to proceed with foreclosure in satisfaction of any installments of the Secured Obligations which have not been paid when due either through the courts or by directing the Trustee to proceed

with foreclosure in satisfaction of the matured but unpaid portion of the Secured Obligations as if under a full foreclosure, conducting the sale as herein provided and without declaring the entire principal balance and accrued interest and other Secured Obligations then due; such sale may be made subject to the unmatured portion of the Secured Obligations, and any such sale shall not in any manner affect the unmatured portion of the Secured Obligations, but as to such unmatured portion of the Secured Obligations this Deed of Trust shall remain in full force and effect just as though no sale had been made hereunder. It is further agreed that several sales may be made hereunder without exhausting the right of sale for any unmatured part of the Secured Obligations, it being the purpose hereof to provide for a foreclosure and sale of the security for any matured portion of the Secured Obligations without exhausting the power to foreclose and sell the Deed of Trust Property for any subsequently maturing portion of the Secured Obligations.

Section 5.06 Separate Sales. Subject to the Orders, the Collateral may be sold in one or more parcels and to the extent permitted by applicable law in such manner and order as the Beneficiary, in its sole discretion, may elect, it being expressly understood and agreed that the right of sale arising out of any Event of Default shall not be exhausted by any one or more sales.

Section 5.07 Possession of Collateral. If an Event of Default shall have occurred and be continuing, then, to the extent permitted by applicable law and subject to the Orders, the Trustee or the Beneficiary shall have the right and power to enter into and upon and take possession of all or any part of the Collateral in the possession of the Grantor, its successors or assigns, or its or their agents or servants, and may exclude the Grantor, its successors or assigns, and all persons claiming under the Grantor, and its or their agents or servants wholly or partly therefrom; and, holding the same, the Beneficiary may use, administer, manage, operate and control the Collateral and conduct the business thereof to the same extent as the Grantor, its successors or assigns, might at the time do and may exercise all rights and powers of the Grantor, in the name, place and stead of the Grantor, or otherwise as the Beneficiary shall deem best. All costs, expenses and liabilities of every character incurred by the Trustee and/or the Beneficiary in administering, managing, operating, and controlling the Deed of Trust Property shall constitute a demand obligation (which obligation the Grantor hereby expressly promises to pay) owing by the Grantor to the Trustee and/or the Beneficiary and shall bear interest from date of expenditure until paid at the Post-Default Rate.

Section 5.08 Occupancy After Foreclosure. In the event there is a foreclosure sale hereunder and at the time of such sale the Grantor or the Grantor's heirs, devisees, representatives, successors or assigns or any other person claiming any interest in the Collateral by, through or under the Grantor, are occupying or using the Deed of Trust Property or any part thereof, each and all shall immediately become the tenant of the purchaser at such sale, which tenancy shall be a tenancy from day to day, terminable at the will of either the landlord or tenant, or at a reasonable rental per day based upon the value of the property occupied, such rental to be due daily to the purchaser; to the extent permitted by applicable law, the purchaser at such sale shall, notwithstanding any language herein apparently to the contrary, have the sole option to demand immediate possession following the sale or to permit the occupants to remain as tenants at will. In the event the tenant fails to surrender possession of said property upon demand, the purchaser shall be entitled to institute and maintain a summary action for possession of the Deed

of Trust Property (such as an action for forcible entry and detainer) in any court having jurisdiction.

Section 5.09 Remedies Cumulative, Concurrent and Nonexclusive. Every right, power, privilege and remedy herein given to the Trustee or the Beneficiary shall be cumulative and in addition to every other right, power and remedy herein specifically given or now or hereafter existing in equity, at law or by statute (including specifically those granted by the Uniform Commercial Code in effect and applicable to the Collateral or any portion thereof). Each and every right, power, privilege and remedy whether specifically herein given or otherwise existing may be exercised from time to time and so often and in such order as may be deemed expedient by the Trustee or the Beneficiary, and the exercise, or the beginning of the exercise, or the abandonment, of any such right, power, privilege or remedy shall not be deemed a waiver of the right to exercise, at the same time or thereafter any other right, power, privilege or remedy. No delay or omission by the Trustee or the Beneficiary or any Other Secured Person in the exercise of any right, power or remedy shall impair any such right, power, privilege or remedy or operate as a waiver thereof or of any other right, power, privilege or remedy then or thereafter existing.

Section 5.10 Discontinuance of Proceedings. If the Trustee or the Beneficiary shall have proceeded to invoke any right, remedy or recourse permitted hereunder or under any Loan Document or available at law and shall thereafter elect to discontinue or abandon same for any reason, then it shall have the unqualified right so to do and, in such an event, the parties shall be restored to their former positions with respect to the Secured Obligations, this Deed of Trust, the Credit Agreement, the Collateral and otherwise, and the rights, remedies, recourses and powers of the Trustee and the Beneficiary, as applicable, shall continue as if same had never been invoked.

Section 5.11 No Release of Obligations. Neither the Grantor, any guarantor nor any other person hereafter obligated for payment of all or any part of the Secured Obligations shall be relieved of such obligation by reason of: (a) the failure of the Trustee to comply with any request of the Grantor, or any guarantor or any other Person so obligated to foreclose the Lien of this Deed of Trust or to enforce any provision hereunder or under the Credit Agreement; (b) the release, regardless of consideration, of the Deed of Trust Property or any portion thereof or interest therein or the addition of any other property to the Deed of Trust Property; (c) any agreement or stipulation between any subsequent owner of the Deed of Trust Property and the Beneficiary extending, renewing, rearranging or in any other way modifying the terms of this Deed of Trust without first having obtained the consent of, given notice to or paid any consideration to the Grantor, any guarantor or such other Person, and in such event the Grantor, guarantor and all such other persons shall continue to be liable to make payment according to the terms of any such extension or modification agreement unless expressly released and discharged in writing by the Beneficiary; or (d) by any other act or occurrence save and except Payment in Full.

Section 5.12 Release of and Resort to Collateral. The Beneficiary may release, regardless of consideration, any part of the Collateral without, as to the remainder, in any way impairing, affecting, subordinating or releasing the Lien created in or evidenced by this Deed of Trust or its stature as a first and prior Lien in and to the Collateral, and without in any way releasing or diminishing the liability of any Person liable for the repayment of the Secured

Obligations. For payment of the Secured Obligations, the Beneficiary may resort to any other security therefor held by the Beneficiary or the Trustee in such order and manner as the Beneficiary may elect.

Section 5.13 Waiver of Redemption, Notice and Marshalling of Assets, Etc. To the fullest extent permitted by law, the Grantor hereby irrevocably and unconditionally waives and releases (a) all benefits that might accrue to the Grantor by virtue of any present or future moratorium law or other law exempting the Collateral from attachment, levy or sale on execution or providing for any appraisal, valuation, stay of execution, exemption from civil process, redemption or extension of time for payment; (b) all notices of any Event of Default or of the Beneficiary's or any other secured Person's intention to accelerate maturity of the Secured Obligations or of any election to exercise or any actual exercise of any right, remedy or recourse provided for hereunder or under any Loan Document or available at law; and (c) any right to a marshalling of assets or a sale in inverse order of alienation. The right to plead any and all statutes of limitation as a defense to any demand secured by or made pursuant to this Deed of Trust is hereby waived to the full extent permitted by law. If any law referred to in this Deed of Trust and now in force, of which the Grantor or its successor or successors might take advantage despite the provisions hereof, shall hereafter be repealed or cease to be in force, such law shall thereafter be deemed not to constitute any part of the contract herein contained or to preclude the operation or application of the provisions hereof. If the laws of any state which provides for a redemption period do not permit the redemption period to be waived, the redemption period shall be specifically reduced to the minimum amount of time allowable by statute. Trustee and Beneficiary may enforce its rights hereunder without prior judicial process or judicial hearing to the extent permitted by law, and to the extent permitted by law, Grantor expressly waives any and all legal rights which might otherwise require Trustee or Beneficiary to enforce its rights by judicial process. Grantor waives and agrees not to assert any rights or privileges which it may acquire under the Uniform Commercial Code or any other applicable law. Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay its Secured Obligations and the fees and disbursements of any attorneys employed by Trustee, Beneficiary and any Lender to collect such deficiency.

Section 5.14 Application of Proceeds. The proceeds of any sale of the Deed of Trust Property or any part thereof and all other monies received in any proceedings for the enforcement hereof or otherwise, whose application has not elsewhere herein been specifically provided for, shall be applied:

(a) First, to the payment of all reasonable expenses incurred by the Trustee or the Beneficiary incident to the enforcement of this Deed of Trust, the Credit Agreement or any Loan Document to collect any portion of the Secured Obligations (including, without limiting the generality of the foregoing, expenses of any entry or taking of possession, of any sale, of advertisement thereof, and of conveyances, and court costs, compensation of agents and employees, legal fees and a reasonable commission to the Trustee acting, if applicable), and to the payment of all other reasonable charges, expenses, liabilities and advances incurred or made by the Trustee or the Beneficiary under this Deed of Trust or in executing any trust or power hereunder; and

(b) Second, as set forth in Section 7.03 of the Credit Agreement.

Section 5.15 Resignation of Operator. In addition to all rights and remedies under this Deed of Trust, at law and in equity, if any Event of Default shall occur and the Trustee or the Beneficiary shall exercise any remedies under this Deed of Trust with respect to any portion of the Deed of Trust Property (or the Grantor shall transfer any Deed of Trust Property “in lieu of” foreclosure) whereupon the Grantor is divested of its title to any of the Collateral, the Beneficiary shall have the right to request that any operator of any Deed of Trust Property which is either the Grantor or any Affiliate of the Grantor to resign as operator under the joint operating agreement applicable thereto, and no later than sixty (60) days after receipt by the Grantor of any such request, the Grantor shall resign (or cause such other Person to resign) as operator of such Collateral.

Section 5.16 Indemnity. THE INDEMNITEES SHALL NOT BE LIABLE, IN CONNECTION WITH ANY ACTION TAKEN, FOR ANY LOSS SUSTAINED BY THE GRANTOR RESULTING FROM AN ASSERTION THAT THE BENEFICIARY HAS RECEIVED FUNDS FROM THE PRODUCTION OF HYDROCARBONS CLAIMED BY THIRD PERSONS OR ANY ACT OR OMISSION OF ANY INDEMNITEE IN ADMINISTERING, MANAGING, OPERATING OR CONTROLLING THE DEED OF TRUST PROPERTY **INCLUDING SUCH LOSS WHICH MAY RESULT FROM THE ORDINARY NEGLIGENCE OF AN INDEMNITEE** UNLESS SUCH LOSS IS CAUSED BY THE WILLFUL MISCONDUCT OR GROSS NEGLIGENCE OF THE INDEMNITEE SEEKING INDEMNITY. NO INDEMNITEE SHALL BE OBLIGATED TO PERFORM OR DISCHARGE ANY OBLIGATION, DUTY OR LIABILITY OF THE GRANTOR. THE GRANTOR SHALL AND DOES HEREBY AGREE TO INDEMNIFY EACH INDEMNITEE FOR, AND TO HOLD EACH INDEMNITEE HARMLESS FROM, ANY AND ALL LIABILITY, LOSS OR DAMAGE WHICH MAY OR MIGHT BE INCURRED BY ANY INDEMNITEE BY REASON OF THIS DEED OF TRUST OR THE EXERCISE OF RIGHTS OR REMEDIES HEREUNDER. IF ANY INDEMNITEE SHALL MAKE ANY EXPENDITURE ON ACCOUNT OF ANY SUCH LIABILITY, LOSS OR DAMAGE, THE AMOUNT THEREOF, INCLUDING COSTS, EXPENSES AND REASONABLE ATTORNEYS’ FEES, SHALL BE A DEMAND OBLIGATION (WHICH OBLIGATION THE GRANTOR HEREBY EXPRESSLY PROMISES TO PAY) OWING BY THE GRANTOR TO SUCH INDEMNITEE AND SHALL BEAR INTEREST FROM THE DATE EXPENDED UNTIL PAID AT THE POST-DEFAULT RATE. THE GRANTOR HEREBY ASSENTS TO, RATIFIES AND CONFIRMS ANY AND ALL ACTIONS OF EACH INDEMNITEE WITH RESPECT TO THE DEED OF TRUST PROPERTY TAKEN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS DEED OF TRUST. THE LIABILITIES OF THE GRANTOR AS SET FORTH IN THIS SECTION 5.16 SHALL SURVIVE THE TERMINATION OF THIS DEED OF TRUST.

ARTICLE VI THE TRUSTEE

Section 6.01 Duties, Rights, and Powers of Trustee. The Trustee shall have no duty to see to any recording, filing or registration of this Deed of Trust or any other instrument in addition or supplemental thereto, or to give any notice thereof, or to see to the payment of or be under any duty in respect of any tax or assessment or other governmental charge which may be levied or assessed on the Deed of Trust Property, or any part thereof, or against the Grantor, or to see to the performance or observance by the Grantor of any of the covenants and agreements contained herein. The Trustee shall not be responsible for the execution, acknowledgment or validity of this Deed of Trust or of any instrument in addition or supplemental hereto or for the sufficiency of the security purported to be created hereby, and makes no representation in respect thereof or in respect of the rights of the Beneficiary. The Trustee shall have the right to advise with counsel upon any matters arising hereunder and shall be fully protected in relying as to legal

matters on the advice of counsel. The Trustee shall not incur any personal liability hereunder except for the Trustee's own willful misconduct; and the Trustee shall have the right to rely on any instrument, document or signature authorizing or supporting any action taken or proposed to be taken by him hereunder, believed by him in good faith to be genuine.

Section 6.02 Successor Trustee. The Trustee may resign by written notice addressed to the Beneficiary or be removed at any time with or without cause by an instrument in writing duly executed on behalf of the Beneficiary. In case of the death, resignation or removal of the Trustee, a successor may be appointed by the Beneficiary by instrument of substitution complying with any applicable governmental requirements, or, in the absence of any such requirement, without formality other than appointment and designation in writing. Written notice of such appointment and designation shall be given by the Beneficiary to the Grantor, but the validity of any such appointment shall not be impaired or affected by failure to give such notice or by any defect therein. Such appointment and designation shall be full evidence of the right and authority to make the same and of all the facts therein recited. Upon the making of any such appointment and designation, this Deed of Trust shall vest in the successor all the estate and title in and to all of the Deed of Trust Property in or adjacent to any Deed of Trust State, and the successor shall thereupon succeed to all of the rights, powers, privileges, immunities and duties hereby conferred upon the Trustee named herein, and one such appointment and designation shall not exhaust the right to appoint and designate an additional successor but such right may be exercised repeatedly until Payment in Full. To facilitate the administration of the duties hereunder, the Beneficiary may appoint multiple trustees to serve in such capacity or in such jurisdictions as the Beneficiary may designate.

Section 6.03 Retention of Moneys. All moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys (except to the extent required by law) and the Trustee shall be under no liability for interest on any moneys received by him hereunder.

ARTICLE VII STATE SPECIFIC PROVISIONS

Section 7.01 Oklahoma.

(a) This instrument is to be filed of record against the tract index in the real estate records in every county where the Deed of Trust Property is located as a fixture filing.

(b) **A POWER OF SALE HAS BEEN GRANTED IN THIS DEED OF TRUST. A POWER OF SALE MAY ALLOW THE BENEFICIARY TO TAKE THE DEED OF TRUST PROPERTY AND SELL IT WITHOUT GOING TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY THE GRANTOR UNDER THIS DEED OF TRUST.**

(c) In addition to, and not in limitation of, any other remedy provided for herein or by applicable law, Grantor hereby grants to, and confers upon, Beneficiary a power of sale pursuant to the Oklahoma Power of Sale Mortgage Foreclosure Act, Title 46, Sections 40-48

of the Oklahoma Statutes (the “Oklahoma Act”) and any future amendments thereof or under any future law granting the same or similar rights, conferring on Beneficiary pursuant to Title 46, Section 43D, and the option to elect to foreclose upon the Deed of Trust Property in the manner provided in Section 686 of Title 12 of the Oklahoma Statutes. Upon the occurrence and during the continuance of an Event of Default or if any of the Secured Obligations shall become due and payable, and Grantor shall not promptly pay the same, Beneficiary is expressly authorized and empowered, subject to the Orders, to proceed in accordance with the provisions of the Oklahoma Act or other future law to have the Deed of Trust Property sold, or Beneficiary may, at its option, exercise its rights at any time prior to completion of the sale, institute suit to foreclose this Deed of Trust in any court having jurisdiction. Beneficiary is expressly authorized and empowered to sell the Deed of Trust Property as an entirety or in such lots, parcels or divisions as the Beneficiary may elect, but subject always to any right which Grantor may have by law to suggest the lots, parcels or divisions in which such Deed of Trust Property is to be sold. Notwithstanding anything contained in this Deed of Trust to the contrary, any notices of sale given in accordance with the requirements of the Oklahoma Act shall constitute sufficient notice of sale. The conduct of a sale pursuant to a power of sale shall be sufficient hereunder if conducted in accordance with the requirements of the Oklahoma Act and other applicable laws of the State of Oklahoma in effect at the time of such sale, notwithstanding any other provision contained in this instrument to the contrary. The proceeds of any sale of the Deed of Trust Property pursuant to the power of sale herein granted shall be applied in accordance with the Oklahoma Act and any other applicable laws of the State of Oklahoma in effect at the time of such sale. In the event of conflict between the provisions hereof and the Oklahoma Act, the Oklahoma Act shall control. Sale of a part of the Deed of Trust Property shall not exhaust the power of sale, but sales may be made from time to time until the Secured Obligations are paid in full. If default is made in the payment of any installment of any of the Secured Obligations, Beneficiary may, at its option, at once or at any time thereafter while any matured installment remains unpaid, without declaring all of the entire Secured Obligations to be due and payable, enforce the power of sale created by this instrument and sell all or any portion of the Deed of Trust Property in satisfaction of such matured Secured Obligations. Sales made without maturing any of the unmatured balance of the Secured Obligations may be made hereunder whenever there is a default in the payment of any installment of any of the Secured Obligations without exhausting the power of sale granted hereby and without affecting in any way the power of sale granted under this Section, the unmatured balance of any of the Secured Obligations (except as to any proceeds of any sale which Beneficiary may apply as prepayment of the Secured Obligations), or the liens securing payment of the Secured Obligations. If any questions should be raised as to the regularity or validity of any sale hereunder, Beneficiary shall have the right and is hereby authorized to make resale of said property so as to remove any questions or doubt as to the regularity or validity of the previous sale, and as many resales may be made as may be appropriate.

(d) Appraisal of the Deed of Trust Property located in the State of Oklahoma is expressly waived or not, at the option of the Beneficiary, such option to be exercised prior to or at the time judgment is rendered in any foreclosure hearing.

(e) Grantor hereby voluntarily and expressly consents and stipulates to the appointment of a receiver over the Deed of Trust Property in the event Beneficiary elects to seek the appointment of a receiver following Grantor's non-performance, breach, default or violation of any condition, covenant or other agreement in this Deed of Trust or the Secured Obligations

and failure to cure within the applicable grace period, if any. In such event Beneficiary shall be entitled to appointment of a receiver **without** the necessity of establishing that the property is probably insufficient to discharge the mortgage debt, the express purpose and intent of this clause being hereby acknowledged to provide for the appointment of a receiver in accordance with the provisions of 12 O.S. §1551(2)(c), as amended, upon the occurrence of any breach, default, violation or other non-performance under this Deed of Trust by Grantor. If Grantor is then occupying the Deed of Trust Property or any part thereof, such receiver shall be entitled to collect rent from Grantor equal to the fair market rent for the portion of the Deed of Trust Property occupied by Grantor, all of which shall be rents under this Deed of Trust.

ARTICLE VIII MISCELLANEOUS

Section 8.01 Instrument Construed as Deed of Trust, Etc. With respect to any portions of the Deed of Trust Property located in or adjacent to any state or other jurisdiction the laws of which do not provide for the use or enforcement of a deed of trust or the office, rights and authority of the Trustee as herein provided, the general language of conveyance hereof to the Trustee is intended and the same shall be construed as words of mortgage unto and in favor of the Beneficiary and the rights and authority granted to the Trustee herein may be enforced and asserted by the Beneficiary in accordance with the laws of the jurisdiction in which such portion of the Deed of Trust Property is located and the same may be foreclosed at the option of the Beneficiary as to any or all such portions of the Deed of Trust Property in any manner permitted by the laws of the jurisdiction in which such portions of the Deed of Trust Property is situated. This Deed of Trust may be construed as a mortgage, deed of trust, conveyance, assignment, security agreement, fixture filing, pledge, financing statement, hypothecation or contract, or any one or more of them, in order fully to effectuate the Lien hereof and the purposes and agreements herein set forth.

Section 8.02 Releases.

(a) Full Release. Upon Payment in Full, the Beneficiary shall forthwith cause satisfaction and discharge of this Deed of Trust to be entered upon the record at the expense of the Grantor and shall execute and deliver or cause to be executed and delivered such instruments of satisfaction and reassignment as may be appropriate. Otherwise, this Deed of Trust shall remain and continue in full force and effect.

(b) Partial Release. If any of the Deed of Trust Property shall be sold, transferred or otherwise disposed of by the Grantor in a transaction permitted by the Credit Agreement, then the Beneficiary, at the request and sole expense of the Grantor, shall promptly execute and deliver to the Grantor all releases, re-conveyances or other documents reasonably necessary or desirable for the release of the Liens created hereby on the Deed of Trust Property. At the request and sole expense of the Borrower, the Grantor shall be released from its obligations hereunder in the event that all of the equity interests of the Grantor shall be sold, transferred or otherwise disposed of in a transaction permitted by the Credit Agreement; provided that the Borrower shall have delivered to the Beneficiary, at least five (5) Business Days prior to the date of the proposed release, a written request of a senior officer of the Borrower for release identifying the Grantor and the terms of the sale or other disposition in

reasonable detail, including the price thereof and any expenses in connection therewith, together with a certification by the Borrower stating that such transaction is in compliance with the Credit Agreement and the other Loan Documents.

Section 8.03 Severability. If any provision hereof is invalid or unenforceable in any jurisdiction, the other provisions hereof shall remain in full force and effect in such jurisdiction and the remaining provisions hereof shall be liberally construed in favor of the Trustee, the Beneficiary and the Other Secured Persons in order to effectuate the provisions hereof. The invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of any such provision in any other jurisdiction.

Section 8.04 Successors and Assigns. The terms used to designate any party or group of persons shall be deemed to include the respective heirs, legal representatives, successors and assigns of such Persons.

Section 8.05 Satisfaction of Prior Encumbrance. To the extent that proceeds of the Credit Agreement are used to pay indebtedness secured by any outstanding Liens against the Deed of Trust Property the parties agree that: (a) such proceeds have been advanced at the Grantor's request, and (b) the Beneficiary and the Lenders shall be subrogated to any and all rights and Liens owned by any owner or holder of such outstanding Liens, irrespective of whether said Liens are or have been released. It is expressly understood that, in consideration of the payment of such other indebtedness, the Grantor hereby waives and releases all demands and causes of action for offsets and payments to, upon and in connection with the said indebtedness. This Deed of Trust is made with full substitution and subrogation of the Trustee and the Beneficiary and his successors in this trust and his and their assigns in and to all covenants and warranties by others heretofore given or made in respect of the Deed of Trust Property or any part thereof.

Section 8.06 Application of Payments to Certain Obligations. If any part of the Secured Obligations cannot be lawfully secured by this Deed of Trust or if any part of the Deed of Trust Property cannot be lawfully subject to the Lien hereof to the full extent of the Secured Obligations, then all payments made shall be applied on said Secured Obligations first in discharge of that portion thereof which is not secured by this Deed of Trust.

Section 8.07 Nature of Covenants. The covenants and agreements herein contained shall constitute covenants running with the land and interests covered or affected hereby and shall be binding upon the heirs, legal representatives, successors and assigns of the parties hereto.

Section 8.08 Notices. All notices, requests, consents, demands and other communications required or permitted hereunder shall be in writing and shall be deemed sufficiently given or furnished if delivered by registered or certified United States mail, postage prepaid, or by personal service (including express or courier service) at the addresses specified in Section 8.12 (unless changed by similar notice in writing given by the particular party whose address is to be changed). Any such notice or communication shall be deemed to have been given either at the time of personal delivery or, in the case of delivery at the address and in the manner provided herein, upon receipt; provided that, service of notice as required by the laws of

any state in which portions of the Deed of Trust Property may be situated shall for all purposes be deemed appropriate and sufficient with the giving of such notice.

Section 8.09 Counterparts. This Deed of Trust is being executed in several counterparts, all of which are identical, except that to facilitate recordation, if the Deed of Trust Property is situated in more than one county, descriptions of only those portions of the Deed of Trust Property located in the county in which a particular counterpart is recorded may be attached as Exhibit A thereto. Each of such counterparts shall for all purposes be deemed to be an original and all such counterparts shall together constitute but one and the same instrument. Complete copies of this Deed of Trust containing the entire Exhibit A have been retained by the Beneficiary.

Section 8.10 Governing Law. Insofar as permitted by otherwise applicable law, this Deed of Trust shall be construed under and governed by the laws of the State of New York (excluding choice of law and conflict of law rules); provided, however, that the laws of the State in which the Deed of Trust Property or Collateral is located shall apply to the extent of procedural and substantive matters relating only to the creation, perfection, foreclosure of liens and enforcement of rights and remedies against the Deed of Trust Property or Collateral.

Section 8.11 Financing Statement; Fixture Filing. This Deed of Trust shall be effective as a financing statement filed as a fixture filing with respect to all Fixtures included within the Deed of Trust Property and is to be filed or filed for record in the real estate records, mortgage records or other appropriate records of each jurisdiction where any part of the Deed of Trust Property (including said fixtures) are situated. This Deed of Trust shall also be effective as a financing statement covering As-Extracted Collateral (including oil and gas and all other substances of value which may be extracted from the ground) and accounts financed at the wellhead or minehead of wells or mines located on the properties subject to the Uniform Commercial Code and is to be filed for record in the real estate records, UCC records or other appropriate records of each jurisdiction where any part of the Deed of Trust Property is situated.

Section 8.12 Execution of Financing Statements. Pursuant to the Uniform Commercial Code, the Grantor authorizes the Beneficiary, its counsel or its representative, at any time and from time to time, to file or record financing statements, continuation statements, amendments thereto and other filing or recording documents or instruments with respect to the Deed of Trust Property without the signature of the Beneficiary in such form and in such offices as the Beneficiary reasonably determines appropriate to perfect the security interests of the Beneficiary under this Agreement. The Grantor also authorizes the Beneficiary, its counsel or its representative, at any time and from time to time, to file or record such financing statements that describe the collateral covered thereby as “all assets of the Beneficiary”, “all personal property of the Beneficiary” or words of similar effect. The Grantor shall pay all costs associated with the filing of such instruments.

In that regard, the following information is provided:

Name of Grantor:	Parallel Energy LP
Address of Grantor:	1323 East 71 st Street Tulsa, Oklahoma 74136

State of Formation/Location Delaware
Organizational ID Number DE 4948175
Facsimile: (760) 636-1623
Telephone: (760) 636-1623

Principal Place of
Business of Borrower: 1323 East 71st Street
Tulsa, Oklahoma 74136

Name of Secured Party: Canadian Imperial Bank of Commerce,
as Agent
Address of Secured Party: Agent's Branch of Account
40 Dundas Street West, 5th Floor
Toronto, Ontario M5G 2C2
Attention: Canadian Agency Services

Facsimile: (416) 980-8150
Telephone: (416) 980-8085

Section 8.13 Exculpation Provisions. EACH OF THE PARTIES HERETO SPECIFICALLY AGREES THAT IT HAS A DUTY TO READ THIS DEED OF TRUST; AND AGREES THAT IT IS CHARGED WITH NOTICE AND KNOWLEDGE OF THE TERMS OF THIS DEED OF TRUST; THAT IT HAS IN FACT READ THIS DEED OF TRUST AND IS FULLY INFORMED AND HAS FULL NOTICE AND KNOWLEDGE OF THE TERMS, CONDITIONS AND EFFECTS OF THIS DEED OF TRUST; THAT IT HAS BEEN REPRESENTED BY INDEPENDENT LEGAL COUNSEL OF ITS CHOICE THROUGHOUT THE NEGOTIATIONS PRECEDING ITS EXECUTION OF THIS DEED OF TRUST; AND HAS RECEIVED THE ADVICE OF ITS ATTORNEY IN ENTERING INTO THIS DEED OF TRUST; AND THAT IT RECOGNIZES THAT CERTAIN OF THE TERMS OF THIS DEED OF TRUST RESULT IN ONE PARTY ASSUMING THE LIABILITY INHERENT IN SOME ASPECTS OF THE TRANSACTION AND RELIEVING THE OTHER PARTY OF ITS RESPONSIBILITY FOR SUCH LIABILITY. EACH PARTY HERETO AGREES AND COVENANTS THAT IT WILL NOT CONTEST THE VALIDITY OR ENFORCEABILITY OF ANY EXCULPATORY PROVISION OF THIS DEED OF TRUST ON THE BASIS THAT THE PARTY HAD NO NOTICE OR KNOWLEDGE OF SUCH PROVISION OR THAT THE PROVISION IS NOT “CONSPICUOUS.”

Section 8.14 No Oral Agreements. THE LOAN DOCUMENTS EMBODY THE ENTIRE AGREEMENT AND UNDERSTANDING BETWEEN THE PARTIES AND SUPERSEDE ALL OTHER AGREEMENTS AND UNDERSTANDINGS BETWEEN SUCH PARTIES RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF. THE LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section 8.15 References. The words “herein,” “hereof,” “hereunder” and other words of similar import when used in this Deed of Trust refer to this Deed of Trust as a whole, and not to any particular article, section or subsection. Any reference herein to a Section shall be deemed to refer to the applicable Section of this Deed of Trust unless otherwise stated herein.

Any reference herein to an exhibit or schedule shall be deemed to refer to the applicable exhibit or schedule attached hereto unless otherwise stated herein.

[SIGNATURES BEGIN NEXT PAGE]

EXECUTED this ____ day of _____, 2015, to be effective as of the ____ day of _____, 2015.

PARALLEL ENERGY LP,
as Grantor

By: Parallel Energy GP LLC, its General Partner

By: _____
Name:
Title:

EXHIBIT A

to

DEED OF TRUST, ASSIGNMENT OF AS-EXTRACTED COLLATERAL, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING STATEMENT

Introduction

The capitalized terms used but not defined in this Exhibit A are used as defined in the Deed of Trust. For purposes of this Exhibit A the capitalized terms not defined in the Deed of Trust are as follows:

1. "Working Interest" or "Gross Working Interest" and "W.I." or "G.W.I." means an interest owned in an oil, gas and mineral lease that determines the cost bearing percentage of the owner of such interest.
2. "Net Revenue Interest" or "N.R.I." means an interest (expressed as a percentage or decimal fraction), determined net of all royalties, overriding royalties, production payments or other burdens payable out of production, in and to all Hydrocarbons produced and saved from or attributable to a Well. In the case of any Well listed in Exhibit A, the Net Revenue Interest specified for such Well shall mean the sum of the percentage or decimal fraction set forth after the words "Net Revenue Interest" in the portion applicable to such Well plus, in the case of any Well with respect to which a royalty interest and/or overriding royalty is stated in this Exhibit A and applicable to such Well, the percentage or decimal fraction set forth after the words "Royalty Interest" or "Overriding Royalty Interest" in each such portion of Exhibit A.
3. "Before Payout" or "BPO" means the Working Interest and/or Net Revenue Interest of a party before the point in time when the Well has recovered from production all costs as specified in underlying farmout, assignments or other documents in the chain of title, usually including costs of drilling, completing and equipping a well or wells plus costs of operating the well or wells during the recoupment period.
4. "After Payout" or "APO" means the Working Interest and/or Net Revenue Interest of a party after the point in time when the Well has recovered from production all costs as specified in the underlying farmout, assignments or other documents in the chain of title, usually including costs of drilling, completing and equipping a well or wells plus costs of operating the well or wells during the recoupment period.
5. "Well" means (i) any existing well identified in Exhibit A, including replacement well drilled in lieu thereof from which gas is now or hereafter produced and (ii) any well at any time producing or capable of producing gas attributable to the Hydrocarbons as defined above, including any well which has been shut-in, has temporarily ceased production or on which workover, reworking, plugging and abandonment or other operations are being conducted or planned.

All references contained in this Exhibit A to the Oil and Gas Properties are intended to include references to (i) the volume or book and page, file, entry or instrument number of the appropriate records of the particular county in the state where each such lease or other instrument is recorded and (ii) all valid and existing amendments to such lease or other instrument of record in such county records regardless of whether such amendments are expressly described herein. A special reference is here made to each such lease or other instrument and the record thereof for a more particular description of the property and interests sought to be affected by the Deed of Trust and for all other purposes.

For recording purposes, in regards to each county or parish portion to this Exhibit A, this Introduction may be attached to an original executed copy of the Deed of Trust, Assignment of As-Extracted Collateral, Security Agreement, Fixture Filing and Financing Statement to be separately filed of record in each county.

EXHIBIT C
FORM OF ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the “Assignment and Assumption”) is dated as of the Effective Date set forth below and is entered into by and between [the][each]¹ Assignor identified in item 1 below ([the][each, an] “Assignor”) and [the][each]² Assignee identified in item 2 below ([the][each, an] “Assignee”). [It is understood and agreed that the rights and obligations of [the Assignors][the Assignees]³ hereunder are several and not joint.]⁴ Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the “Credit Agreement”), receipt of a copy of which is hereby acknowledged by [the][each] Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, [the][each] Assignor hereby irrevocably sells and assigns to [the Assignee][the respective Assignees], and [the][each] Assignee hereby irrevocably purchases and assumes from [the Assignor][the respective Assignors], subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of [the Assignor’s][the respective Assignors’] rights and obligations in [its capacity as a Lender][their respective capacities as Lenders] under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of [the Assignor][the respective Assignors] under the respective facilities identified below, and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of [the Assignor (in its capacity as a Lender)][the respective Assignors (in their respective capacities as Lenders)] against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned by [the][any] Assignor to [the][any] Assignee pursuant to clauses (i) and (ii) above being referred to herein collectively as [the][an] “Assigned Interest”). Each such sale and assignment is without recourse to [the][any] Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by [the][any] Assignor.

1. Assignor[s]: _____

¹ For bracketed language here and elsewhere in this form relating to the Assignor(s), if the assignment is from a single Assignor, choose the first bracketed language. If the assignment is from multiple Assignors, choose the second bracketed language.

² For bracketed language here and elsewhere in this form relating to the Assignee(s), if the assignment is to a single Assignee, choose the first bracketed language. If the assignment is to multiple Assignees, choose the second bracketed language.

³ Select as appropriate.

⁴ Include bracketed language if there are either multiple Assignors or multiple Assignees.

2. Assignee[s]: _____

[Assignee is an [Affiliate][Approved Fund] of [*identify Lender*]

3. Borrower(s): Parallel Energy LP

4. Administrative Agent: Canadian Imperial Bank of Commerce, as the administrative agent under the Credit Agreement

5. Credit Agreement: The \$10,500,000 Credit Agreement dated as of November 9, 2015 among Parallel Energy LP, the Lenders parties thereto, Canadian Imperial Bank of Commerce, as Administrative Agent, and the other agents parties thereto

6. Assigned Interest[s]:

Assignor[s] ⁵	Assignee[s] ⁶	Aggregate Amount of Commitment/Loans for all Lenders ⁷	Amount of Commitment/Loans Assigned ⁸	Percentage Assigned of Commitment/Loans ⁸	CUSIP Number (if any)
		\$	\$	%	
		\$	\$	%	
		\$	\$	%	

[7. Trade Date: _____]⁹

[Page break]

⁵ List each Assignor, as appropriate.

⁶ List each Assignee, as appropriate.

⁷ Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

⁸ Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

⁹ To be completed if the Assignor(s) and the Assignee(s) intend that the minimum assignment amount is to be determined as of the Trade Date.

Effective Date: _____, 20__ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR[S]¹⁰
[NAME OF ASSIGNOR]

By: _____
Title:

[NAME OF ASSIGNOR]

By: _____
Title:

ASSIGNEE[S]¹¹
[NAME OF ASSIGNEE]

By: _____
Title:

[NAME OF ASSIGNEE]

By: _____
Title:

[Consented to and]¹² Accepted:

[NAME OF ADMINISTRATIVE AGENT], as
Administrative Agent

By: _____
Title:

[Consented to:]¹³

¹⁰ Add additional signature blocks as needed. Include both Fund/Pension Plan and manager making the trade (if applicable).

¹¹ Add additional signature blocks as needed. Include both Fund/Pension Plan and manager making the trade (if applicable).

¹² To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.

[NAME OF RELEVANT PARTY]

By: _____

Title:

¹³ To be added only if the consent of the Borrower and/or other parties is required by the terms of the Credit Agreement.

[_____]¹⁴

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor[s]. [The][Each] Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of [the][the relevant] Assigned Interest, (ii) [the][such] Assigned Interest is free and clear of any lien, encumbrance or other adverse claim, (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and (iv) it is not a Defaulting Lender; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document, or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee[s]. [The][Each] Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all the requirements to be an assignee under Section 9.06 of the Credit Agreement (subject to such consents, if any, as may be required thereunder), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of [the][the relevant] Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and either it, or the Person exercising discretion in making its decision to acquire the Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Credit Agreement, and has received or has been accorded the opportunity to receive copies of the most recent financial statements delivered pursuant to Section 5.01 thereof, as applicable, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase [the][such] Assigned Interest, (vi) it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Assignment and Assumption and to purchase [the][such] Assigned Interest, and (vii) if it is a Foreign Lender attached to the Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by [the][such] Assignee; and (b) agrees that (i) it will,

¹⁴ Describe Credit Agreement at option of Administrative Agent.
Exhibit C

independently and without reliance on the Administrative Agent, [the][any] Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of [the][each] Assigned Interest (including payments of principal, interest, fees and other amounts) to [the][the relevant] Assignor for amounts which have accrued to but excluding the Effective Date and to [the][the relevant] Assignee for amounts which have accrued from and after the Effective Date. Notwithstanding the foregoing, the Administrative Agent shall make all payments of interest, fees or other amounts paid or payable in kind from and after the Effective Date to [the][the relevant] Assignee.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of New York.

Exhibit C

EXHIBIT E
FORM OF NOTE

THIS NOTE AND THE OBLIGATIONS REPRESENTED HEREBY MAY NOT BE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE TERMS AND PROVISIONS OF THE CREDIT AGREEMENT REFERRED TO BELOW. TRANSFERS OF THIS NOTE AND THE OBLIGATIONS REPRESENTED HEREBY MUST BE RECORDED IN THE REGISTER MAINTAINED BY THE ADMINISTRATIVE AGENT PURSUANT TO THE TERMS OF SUCH CREDIT AGREEMENT.

\$ _____

New York, New York
_____, 201__

FOR VALUE RECEIVED, the undersigned borrower (the "Borrower"), HEREBY UNCONDITIONALLY PROMISES TO PAY to _____ (the "Lender") or its registered assigns at the Register specified in the Credit Agreement (as hereinafter defined) in Dollars and in immediately available funds, the principal amount of (a) _____ DOLLARS (\$ _____), or, if less, (b) the aggregate unpaid principal amount of all Loans owing to the Lender under the Credit Agreement. The principal amount shall be paid in the amounts and on the dates specified in Section 2.03 of the Credit Agreement. The Borrower further agrees to pay interest in like money at such office on the unpaid principal amount hereof from time to time outstanding at the rates and on the dates specified in the Credit Agreement.

The holder of this Note is authorized to indorse on the schedule annexed hereto and made a part hereof or on a continuation thereof which shall be attached hereto and made a part hereof the date, the amount of the Loan and the date and amount of each payment or prepayment of principal thereof. Each such indorsement shall constitute prima facie evidence of the accuracy of the information indorsed. The failure to make any such indorsement or any error in any such indorsement shall not affect the obligations of the Borrowers in respect of the Loans.

This Note (a) is one of the Notes issued pursuant to the Credit Agreement, dated as of November 9, 2015, among the Borrower, the Lenders from time to time party thereto and Canadian Imperial Bank of Commerce, as Administrative Agent (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), (b) is subject to the provisions of the Credit Agreement, which are hereby incorporated by reference, (c) is subject to optional and mandatory prepayment in whole or in part as provided in the Credit Agreement and (d) is secured and guaranteed as provided in the Loan Documents. Reference is hereby made to the Credit Agreement for a statement of all the terms and conditions under which the Loans evidenced hereby are to be repaid. Reference is hereby made to the Loan Documents for a description of the properties and assets in which a security interest has been granted, the nature and extent of the security and the guarantees, the terms and conditions upon which the security interests and each guarantee were granted and the rights of the holder of this Note in respect thereof. The principal balance of the Loans owing to the Lender, the rates of interest applicable thereto and the date and amount of each payment made on account of the principal thereof, shall be recorded by the Lender on its books; provided that the failure of the Lender to make any such recordation shall not affect the obligation of the Borrower to make a payment when due of any amount owing under the Credit Agreement or this Note.

Upon the occurrence and during the continuance of any one or more Events of Default, to the extent permitted under the Credit Agreement, all principal and all accrued interest then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable, all as provided

in the Credit Agreement. No failure in exercising any rights hereunder or under the other Loan Documents on the part of the Lender shall operate as a waiver of such rights.

All parties now and hereafter liable with respect to this Note, whether maker, principal, surety, guarantor, indorser or otherwise, hereby expressly waive presentment, demand, protest and all other notices or requirements of any kind.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

The Borrower shall be released from its obligations hereunder in accordance with the terms set forth in the Credit Agreement.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN OR IN THE CREDIT AGREEMENT, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT PURSUANT TO AND IN ACCORDANCE WITH THE REGISTRATION AND OTHER PROVISIONS OF THE CREDIT AGREEMENT.

[Signature page follows.]

**THIS NOTE AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES
HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN
ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

PARALLEL ENERGY LP.

By: PARALLEL ENERGY GP LLC,
its general partner

BY: _____

NAME:

TITLE:

Exhibit E-1

EXHIBIT F-1
FORM OF U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Lenders That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Credit Agreement dated as of November 9, 2015 (together with all amendments, restatements, supplements or other modifications thereto, the "Credit Agreement") among Parallel Energy LP, a Delaware limited partnership (the "Borrower"), the several banks and other financial institutions or entities from time to time parties hereto (the "Lenders") and Canadian Imperial Bank of Commerce, as administrative agent for the Lenders (together with its permitted successors and assigns in such capacity, the "Administrative Agent") and as collateral agent for the Secured Parties (together with its successors and permitted assigns in such capacity, the "Collateral Agent").

Pursuant to the provisions of Section 2.11 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrower with a certificate of its non-U.S. Person status on IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent, and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By: _____

Name:

Title:

Date: _____, 20[]

Exhibit F-1

EXHIBIT F-2
FORM OF U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Participants That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Credit Agreement dated as of November 9, 2015 (together with all amendments, restatements, supplements or other modifications thereto, the “Credit Agreement”) among Parallel Energy LP, a Delaware limited partnership (the “Borrower”), the several banks and other financial institutions or entities from time to time parties hereto (the “Lenders”) and Canadian Imperial Bank of Commerce, as administrative agent for the Lenders (together with its permitted successors and assigns in such capacity, the “Administrative Agent”) and as collateral agent for the Secured Parties (together with its successors and permitted assigns in such capacity, the “Collateral Agent”).

Pursuant to the provisions of Section 2.11 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the participation in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code, and (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with a certificate of its non-U.S. Person status on IRS Form W-8BEN or Form W-8BEN-E, as applicable. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender in writing, and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By: _____

Name:

Title:

Date: _____, 20[]

Exhibit F-2

EXHIBIT F-3
FORM OF U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Participants That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Credit Agreement dated as of November 9, 2015 (together with all amendments, restatements, supplements or other modifications thereto, the "Credit Agreement") among Parallel Energy LP, a Delaware limited partnership (the "Borrower"), the several banks and other financial institutions or entities from time to time parties hereto (the "Lenders") and Canadian Imperial Bank of Commerce, as administrative agent for the Lenders (together with its permitted successors and assigns in such capacity, the "Administrative Agent") and as collateral agent for the Secured Parties (together with its successors and permitted assigns in such capacity, the "Collateral Agent").

Pursuant to the provisions of Section 2.11 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the participation in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such participation, (iii) with respect such participation, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN, (ii) IRS Form W-8BEN-E or (iii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN (or IRS Form W-8BEN-E, as applicable) from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By: _____

Name:

Title:

Date: _____, 20[]

Exhibit F-3

EXHIBIT F-4
FORM OF U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Lenders That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Credit Agreement dated as of November 9, 2015 (together with all amendments, restatements, supplements or other modifications thereto, the “Credit Agreement”) among Parallel Energy LP, a Delaware limited partnership (the “Borrower”), the several banks and other financial institutions or entities from time to time parties hereto (the “Lenders”) and Canadian Imperial Bank of Commerce, as administrative agent for the Lenders (together with its permitted successors and assigns in such capacity, the “Administrative Agent”) and as collateral agent for the Secured Parties (together with its successors and permitted assigns in such capacity, the “Collateral Agent”).

Pursuant to the provisions of Section 2.11 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such Loan(s) (as well as any Note(s) evidencing such Loan(s)), (iii) with respect to the extension of credit pursuant to this Credit Agreement or any other Loan Document, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrower with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN, (ii) IRS Form W-8BEN-E or (iii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN (or IRS Form W-8BEN-E, as applicable) from each of such partner’s/member’s beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent, and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By: _____

Name:

Exhibit F-4

Title:

Date: _____, 20[]

Exhibit F-4

EXHIBIT G
FORM OF BORROWING NOTICE

Date: _____

Canadian Imperial Bank of Commerce, as Agent
Credit Processing Services, Security Department
595 Bay Street, 5th Floor,
Toronto, Ontario M5G 2C2

Attention: Wilma Sevilleja
Facsimile: (416) 956-3830

Dear Sirs:

Re: PARALLEL ENERGY LP

We refer to the Credit Agreement dated as of November 9, 2015 among Parallel Energy LP, a Delaware limited partnership (the "*Company*"), certain lenders (the "*Lenders*"), Canadian Imperial Bank of Commerce as Administrative Agent and Collateral Agent and the other parties from time to time party thereto (as the same may be amended, supplemented, restated or otherwise modified from time to time, the "*Credit Agreement*"). Capitalized terms used herein have the same meaning as in the Credit Agreement. The undersigned is an officer of Parallel Energy GP LLC, being the general partner of the Borrower and is authorized to make and deliver this notice on behalf of the Borrower pursuant to the Credit Agreement.

We hereby give notice pursuant to Section 2.02(a) and 4.01(l) of the Credit Agreement particulars of which are as follows:

- (a) Borrowing Date: _____
- (b) Amount: _____
- (c) Payment Instructions (if any): _____

Exhibit G

Yours very truly,

PARALLEL ENERGY LP

By: PARALLEL ENERGY GP LLC,
its general partner

By: _____
Name:
Title:

Exhibit G

**EXHIBIT H
FORM OF INTERIM ORDER**

[Attached]

Exhibit H

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

PARALLEL ENERGY LP, *et al.*
Debtors.¹

Chapter 11

Case No. - _____ (_____)

Joint Administration Pending

INTERIM ORDER (I) AUTHORIZING DEBTORS TO OBTAIN POSTPETITION FINANCING PURSUANT TO SECTION 364 OF THE BANKRUPTCY CODE, (II) AUTHORIZING THE USE OF CASH COLLATERAL PURSUANT TO SECTION 363 OF THE BANKRUPTCY CODE, (III) GRANTING ADEQUATE PROTECTION TO THE PREPETITION SECURED PARTIES PURSUANT TO SECTIONS 361, 362, 363 AND 364 OF THE BANKRUPTCY CODE, (IV) GRANTING LIENS AND SUPERPRIORITY CLAIMS, (V) MODIFYING AUTOMATIC STAY, AND (VI) SCHEDULING A FINAL HEARING

Upon the motion, dated November [___], 2015 (the “DIP Motion”), of the Borrower (as defined below), and the other debtors and debtors-in-possession (collectively, the “Debtors”), in the above-referenced chapter 11 cases (the “Cases”), seeking entry of an interim order (this “Interim Order”) pursuant to sections 105, 361, 362, 363(b), 363(c)(2), 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), 364(e), 507, and 552 of chapter 11 of title 11 of the United States Code (as amended, the “Bankruptcy Code”), Rules 2002, 4001, 6004, and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) and Rule 4001-2 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”), that, among other things:

(i) authorizes the Debtor designated as “Borrower” under, and as defined in, the DIP Credit Agreement (as defined below) (the “Borrower”) to obtain, and the guarantor (the “DIP Guarantor”) under the DIP Loan Documents (as defined below) to unconditionally guaranty the

¹ The Debtors are Parallel Energy LP and Parallel Energy GP LLC.

Borrower's obligations in respect of, senior secured priming and superpriority postpetition financing, which if approved on a final basis, would consist of a term loan facility for up to \$9,400,000 (the "DIP Facility") pursuant to the terms of (x) this Interim Order, (y) that certain Credit Agreement, dated as of November 9, 2015 (as the same may be amended, restated, supplemented, or otherwise modified from time to time in accordance with its terms, the "DIP Credit Agreement"),² by and among the Borrower, Canadian Imperial Bank of Commerce as administrative agent and collateral agent (in such capacities, the "DIP Agent"), and the other financial institutions party to the DIP Credit Agreement as "Lenders" under, and as defined in, the DIP Credit Agreement (the "DIP Lenders," and together with the DIP Agent and any other party to which DIP Obligations (as defined below) are owed, the "DIP Secured Parties"), in substantially the form attached to the DIP Motion, and (z) any and all other Loan Documents (as defined in the DIP Credit Agreement, and together with the DIP Credit Agreement, collectively, the "DIP Loan Documents"), to: (A) finance operating expenses, specified capital expenditures, restructuring costs, professional fees, and general corporate purposes of the Debtors, (B) grant, as of the Petition Date and in accordance with the relative priorities set forth herein, certain adequate protection to the Prepetition Secured Parties (each term as defined below) as described below, (C) pay certain transaction fees and other costs and expenses of administration of the Cases, and (D) pay fees and expenses (including, without limitation, reasonable attorneys' fees and expenses) owed to the DIP Agent and the DIP Lenders under the DIP Loan Documents and this Interim Order;

(ii) approves the terms of, and authorizes the Debtors to execute and deliver, and perform under, the DIP Credit Agreement and the other DIP Loan Documents and to perform

² Unless otherwise specified, all capitalized terms used herein without definition shall have the respective meanings given to such terms in the DIP Credit Agreement. A copy of the DIP Credit Agreement is attached hereto as Exhibit B.

such other and further acts as may be required in connection with the DIP Loan Documents and this Interim Order;

(iii) grants (x) to the DIP Agent, for the benefit of itself and the other DIP Secured Parties, Liens (as defined in the DIP Credit Agreement) on all of the DIP Collateral (as defined below) pursuant to sections 364(c)(2), (c)(3) and (d) of the Bankruptcy Code, which Liens shall be senior to the Primed Liens (as defined below) and shall be junior solely to any valid, enforceable and non-avoidable Liens that are (A) in existence on the Petition Date, (B) either perfected as of the Petition Date or perfected subsequent to the Petition Date solely to the extent permitted by section 546(b) of the Bankruptcy Code, and (C) senior in priority to the Prepetition First Priority Liens (as defined below) after giving effect to any intercreditor or subordination agreement (including, without limitation: (1) up to \$100,000 of cash held in a separate account maintained at Wells Fargo Bank, N.A. (the “MasterCard Program Account”) as security for the Debtors’ Wells Fargo Obligations (as defined in the Cash Management Motion)³ incurred in connection with the Debtors’ business MasterCard (the “Wells Fargo Business MasterCard”) and (2) all funds securing the Existing Letters of Credit (as defined in the DIP Credit Agreement) (the “Existing Letters of Credit Security”)) (all such liens, collectively, the “Prepetition Senior Permitted Encumbrances”) and (y) to the DIP Secured Parties, pursuant to section 364(c)(1) of the Bankruptcy Code, superpriority administrative claims having recourse to all prepetition and postpetition property of the Debtors’ estates, now owned or hereafter acquired, including any Debtors’ rights under section 506(c) of the Bankruptcy Code and the proceeds thereof;

(iv) authorizes the Debtors to use “cash collateral,” as such term is defined in section 363 of the Bankruptcy Code (the “Cash Collateral”), including, without limitation, Cash

³ The “Cash Management Motion” means the *Motion of the Debtors for Interim and Final Orders Approving (A) Maintenance of Pre-Petition Bank Accounts and Cash Management System and (B) Continued Use of Existing Checks and Business Forms.*

Collateral in which the Prepetition Secured Parties (as defined below) and/or the DIP Secured Parties have a Lien or other interest, in each case whether existing on the Petition Date, arising pursuant to this Interim Order or otherwise, and provides the Prepetition Secured Parties (as defined below) the Prepetition Secured Parties' Adequate Protection (as defined below) as set forth herein;

(v) vacates the automatic stay imposed by section 362 of the Bankruptcy Code solely to the extent necessary to implement and effectuate the terms and provisions of the DIP Loan Documents and this Interim Order;

(vi) authorizes the Borrower at any time prior to the entry of the Final Order (as defined herein) to borrow under the DIP Facility and use Cash Collateral (as defined below) in an aggregate outstanding principal amount not to exceed \$5,400,000, and authorizes the DIP Guarantor to unconditionally guaranty such obligations;

(vii) schedules a final hearing on the DIP Motion (the "Final Hearing") to consider entry of a final order which grants all of the relief requested in the DIP Motion on a final basis and which final order shall be in form and substance (including with respect to any subsequent modifications to the form or substance made in response to objections of other creditors or the Court) acceptable to the DIP Agent and "Required Lenders" (as defined in the DIP Credit Agreement) (the "Final Order"); and

(viii) waives any applicable stay (including under Bankruptcy Rule 6004) and provides for immediate effectiveness of this Interim Order.

Having considered the DIP Motion, the DIP Credit Agreement, the *Declaration of Richard N. Miller in Support of Voluntary Petitions and First Day Motions* (the "Miller Declaration"), and the evidence submitted or proffered at the hearing on this Interim Order (the

“Interim Hearing”); and in accordance with Bankruptcy Rules 2002, 4001(b), (c), and (d) and 9014 and all applicable Local Rules, notice of the DIP Motion and the Interim Hearing having been provided pursuant to Bankruptcy Rule 4001(b)(1)(C); an Interim Hearing having been held and concluded on November [___], 2015; and it appearing that approval of the interim relief requested in the DIP Motion is necessary to avoid immediate and irreparable harm to the Debtors pending the Final Hearing and otherwise is fair and reasonable and in the best interests of the Debtors, their creditors, their estates and all parties in interest, and is essential for the continued operation of the Debtors’ business; and it appearing that this Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that the Motion is a core proceeding pursuant to 28 U.S.C. § 157(b)(2) and the Court may enter a final order consistent with Article III of the United States Constitution; and it appearing that venue of this proceeding and the Motion in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and after due deliberation and consideration, and for good and sufficient cause appearing therefor:

THE COURT MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS OF LAW:⁴

A. **Petition Date.** On November 9, 2015 (the “Petition Date”), each of the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the District of Delaware (this “Court”). The Debtors have continued in the management and operation of their businesses and properties as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. No statutory committee of unsecured creditors (to the extent such committee is appointed, the “Committee”), trustee, or

⁴ Findings of fact shall be construed as conclusions of law, and conclusions of law shall be construed as findings of fact, as appropriate, pursuant to Bankruptcy Rule 7052. In the event of any inconsistency between the terms and conditions of any of the DIP Loan Documents, the provisions of any other order entered by this Court in these Chapter 11 Cases, and this Interim Order, the provisions of this Interim Order shall govern and control.

examiner has been appointed in the Cases.

B. **Jurisdiction and Venue.** This Court has core jurisdiction over the Cases, the DIP Motion and the parties and property affected hereby pursuant to 28 U.S.C. §§ 157(b) and 1334. Venue for the Cases and proceedings on the DIP Motion is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicates for the relief sought herein are sections 105, 361, 362, 363, 364, 507 and 552 of the Bankruptcy Code, Bankruptcy Rules 2002, 4001, 6004, and 9014 and the Local Rules.

C. **Restructuring Support Agreement.** The Debtors, the Prepetition Agent (as defined below), and the Consenting Lenders (as defined in the Restructuring Support Agreement), among others, have entered into that certain Restructuring Support Agreement dated as of November 8, 2015 (the "Restructuring Support Agreement"), pursuant to which the Debtors, the Prepetition Agent, and the Consenting Lenders agreed to support the Debtors' restructuring as more fully set forth therein.

D. **Notice.** The Interim Hearing is being held pursuant to the authorization of Bankruptcy Rule 4001. Notice of the Interim Hearing and the emergency relief requested in the DIP Motion has been provided by the Debtors, whether by facsimile, electronic mail, overnight courier or hand delivery, to certain parties in interest, including: (i) the Office of the United States Trustee for the District of Delaware (the "United States Trustee"), (ii) those entities or individuals included on the Debtors' list of 25 largest unsecured creditors on a consolidated basis, (iii) counsel to the Prepetition Agent (as defined below), (iv) the Prepetition Agent, (v) the DIP Agent, (vi) counsel to the DIP Agent, and (vii) any party that has requested notice pursuant to Bankruptcy Rule 2002. Under the circumstances, such notice of the DIP Motion, the relief requested therein and the Interim Hearing complies with Bankruptcy Rule 4001(b), (c) and (d)

and the Local Rules, and no other notice need be provided for entry of this Interim Order.

E. **Debtors' Stipulations Regarding the Prepetition Credit Facility.**

Without prejudice to the rights of parties in interest solely to the extent set forth in Paragraph 6 below, the Debtors, on their behalf and on behalf of their estates, admit, stipulate, acknowledge, and agree (Paragraph E hereof shall be referred to herein as the "Debtors' Stipulations") as follows:

(i) Prepetition Credit Facility. Pursuant to that certain Credit Agreement (as amended, restated or otherwise modified from time to time prior to the Petition Date, the "Prepetition Credit Agreement," and collectively with any other agreements and documents executed or delivered in connection therewith, including, without limitation, the "Loan Documents" as defined therein, each as may be amended, restated, supplemented, or otherwise modified from time to time, the "Prepetition Loan Documents"), among (a) Parallel Energy Commercial Trust, as Canadian Borrower, (b) Parallel Energy Acquisitions LP (now known as Parallel Energy LP), as U.S. Borrower, (c) the financial institutions party thereto as "Syndicated Lenders," as defined therein, (d) Canadian Imperial Bank of Commerce, in its capacity as "Operating Lender," as defined therein (the Syndicated Lenders and the Operating Lender, collectively, the "Prepetition Lenders"), and (e) Canadian Imperial Bank of Commerce, in its capacity as administrative agent (in such capacity, the "Prepetition Agent" and, together with the Prepetition Lenders and any other party to which Prepetition Credit Obligations (as defined below) are owed, the "Prepetition Secured Parties"), the Syndicated Lenders agreed to extend loans and other financial accommodations to the U.S. Borrower under the Syndicated Facility (as defined in the Prepetition Credit Agreement) and the Operating Lender agreed to extend loans and other financial accommodations to the Canadian Borrower under the Operating

Facility (as defined in the Prepetition Credit Agreement). Pursuant to the Prepetition Loan Documents, Debtor Parallel Energy GP unconditionally guaranteed the obligations owed by the U.S. Borrower under the Syndicated Facility and each of the Debtors unconditionally guaranteed the obligations owed by the Canadian Borrower under the Operating Facility. All obligations of the Debtors arising under the Prepetition Credit Agreement (including, without limitation, any applicable “Secured Obligations,” as defined therein) or the other Prepetition Loan Documents shall collectively be referred to herein as the “Prepetition Credit Obligations.”

(ii) Prepetition First Priority Liens and Prepetition Collateral. Pursuant to the documents evidencing the Security (as defined in the Prepetition Credit Agreement) (as such documents are amended, restated, supplemented, or otherwise modified from time to time prior to the Petition Date, the “Prepetition Collateral Documents”), by and among each of the U.S. Loan Parties (as defined in the Prepetition Credit Agreement) and the Prepetition Agent, each U.S. Loan Party granted to the Prepetition Agent, for the benefit of itself and the Prepetition Secured Parties, to secure the Prepetition Credit Obligations, a first priority security interest in and continuing lien (the “Prepetition First Priority Liens”) on substantially all of such U.S. Loan Party’s assets and properties (which, for the avoidance of doubt, includes Cash Collateral, the Pledged Accounts (as defined in the DIP Credit Agreement), the Wind-Down Account (as defined below), the MasterCard Program Account, and all right, title, and interest of the Borrower and the DIP Guarantor in and to such accounts, and the proceeds and products thereof) and all other proceeds, products, accessions, rents, and profits thereof, in each case whether then owned or existing or thereafter acquired or arising. All “Collateral” as defined in the Prepetition Credit Agreement granted or pledged by such U.S. Loan Parties pursuant to any Prepetition Collateral Document or any other Prepetition Loan Document shall collectively be referred to

herein as the “Prepetition Collateral.” As of the Petition Date, (I) the Prepetition First Priority Liens (a) are valid, binding, enforceable, and perfected liens, (b) were granted to, or for the benefit of, the Prepetition Secured Parties for fair consideration and reasonably equivalent value, (c) are not subject to avoidance, recharacterization, or subordination pursuant to the Bankruptcy Code or applicable non-bankruptcy law (except for the priming contemplated herein), and (d) are under this Interim Order to be subject and subordinate only to (A) the DIP Liens (as defined below), (B) the Carve-Out (as defined below), and (C) the Prepetition Senior Permitted Encumbrances (as defined below), and (II) (w) the Prepetition Credit Obligations constitute legal, valid, and binding obligations of the applicable Debtors, enforceable in accordance with the terms of the applicable Prepetition Loan Documents (other than in respect of the stay of enforcement arising from section 362 of the Bankruptcy Code), (x) no setoffs, recoupments, offsets, defenses, or counterclaims to any of the Prepetition Credit Obligations exist, and (y) no portion of the Prepetition Credit Obligations or any payments made to any or all of the Prepetition Secured Parties are subject to avoidance, recharacterization, recovery, subordination, attack, offset, counterclaim, defense, or “claim” (as defined in the Bankruptcy Code) of any kind pursuant to the Bankruptcy Code or applicable non-bankruptcy law.

(iii) Amounts Owed under Prepetition Loan Documents. As of the Petition Date, (a) the applicable Debtors owed the Prepetition Secured Parties, pursuant to the Prepetition Loan Documents, without defense, counterclaim, or offset of any kind, in respect of loans made and other financial accommodations made by the Prepetition Secured Parties, an aggregate principal amount of not less than \$153,500,000 with respect to the Syndicated Facility (as defined in the Prepetition Credit Agreement) and (b) the applicable Debtors owed the Operating Lender, pursuant to the Prepetition Loan Documents, without defense, counterclaim, or offset of

any kind, in respect of loans made and other financial accommodations made by the Operating Lender, an aggregate principal amount of not less than \$9,989,742 with respect to the Operating Facility (as defined in the Prepetition Credit Agreement), *plus*, in the case of both (a) and (b) above, all accrued and hereafter accruing and unpaid interest thereon and any additional fees, expenses (including any reasonable attorneys', accountants', appraisers', and financial advisors' fees and expenses that are chargeable or reimbursable under the Prepetition Loan Documents), and other amounts now or hereafter due under the Prepetition Credit Agreement and the other Prepetition Loan Documents.

(iv) Release of Claims. Subject to the reservation of rights set forth in Paragraph 6 below, each Debtor and its estate shall be deemed to have forever waived, discharged, and released each of the Prepetition Secured Parties and their respective members, managers, equity holders, affiliates, agents, attorneys, financial advisors, consultants, officers, directors, employees and other representatives (all of the foregoing, collectively, the "Prepetition Secured Party Releases") of any and all "claims" (as defined in the Bankruptcy Code), counterclaims, causes of action (including, without limitation, causes of action in the nature of "lender liability"), defenses, setoff, recoupment, or other offset rights against any and all of the Prepetition Secured Party Releases, whether arising at law or in equity, relating to and/or otherwise in connection with the Prepetition Credit Obligations, the Prepetition First Priority Liens, or the debtor-creditor relationship between any of the Prepetition Secured Parties, on the one hand, and any of the Debtors, on the other hand, including, without limitation, (I) any recharacterization, subordination, avoidance, or other claim arising under or pursuant to section 105 or chapter 5 of the Bankruptcy Code or under any other similar provisions of applicable state law, federal law, or municipal law and (II) any right or basis to challenge or object to the

amount, validity, or enforceability of the Prepetition Credit Obligations or any payments made on account of the Prepetition Credit Obligations, or the validity, enforceability, priority, or non-avoidability of the Prepetition First Priority Liens securing the Prepetition Credit Obligations.

F. **Findings Regarding the DIP Facility.**

(i) **Need for Postpetition Financing.** The Debtors have an immediate need to obtain the DIP Facility and use Cash Collateral to, among other things, permit the orderly continuation of the operation of their businesses, to maintain business relationships with vendors, suppliers, and customers, to make payroll, to make capital expenditures, to satisfy other working capital and operation needs, to complete the Debtors' sale process and to otherwise preserve the enterprise value of the Debtors' estates. The Debtors' access to sufficient working capital and liquidity through the use of Cash Collateral and borrowing under the DIP Facility is vital to otherwise preserve the enterprise value of the Debtors and their estates. Immediate and irreparable harm will be caused to the Debtors and their estates if immediate financing is not obtained and permission to use Cash Collateral is not granted, in each case in accordance with the terms of this Interim Order and the DIP Loan Documents.

(ii) **No Credit Available on More Favorable Terms.** As set forth in the DIP Motion and in the Miller Declaration in support thereof, the Debtors have determined, at the time hereof, that no acceptable financing on more favorable terms from sources other than the DIP Secured Parties under the DIP Loan Documents and this Interim Order is available. The Debtors are unable to obtain unsecured credit allowable under section 503(b)(1) of the Bankruptcy Code as an administrative expense. The Debtors are also unable to obtain secured credit on terms acceptable to the Debtors allowable only under sections 364(c)(1), 364(c)(2), or 364(c)(3) of the Bankruptcy Code. The Debtors are unable to obtain secured credit under section

364(d)(1) of the Bankruptcy Code without (a) granting to the DIP Secured Parties the rights, remedies, privileges, benefits, and protections provided herein and in the DIP Loan Documents, including, without limitation, the DIP Liens and the DIP Superpriority Claims (each as defined below), (b) allowing the DIP Secured Parties to provide the loans and other financial accommodations under the DIP Facility on the terms set forth herein and in the DIP Loan Documents (all of the foregoing described in clauses (a) and (b) above, including, without limitation, the DIP Liens and the DIP Superpriority Claims, collectively, the “DIP Protections”), and (c) providing the Prepetition Secured Parties the adequate protection more fully described in Paragraphs 4 and 5 below.

G. **Interim Financing**. During the Interim Period (as defined below), the DIP Agent, the other DIP Secured Parties, and, as applicable, the Prepetition Secured Parties, are willing to provide financing to the Debtors and/or consent to the use of Cash Collateral by the Debtors, as applicable, subject to (i) the entry of this Interim Order, (ii) the terms and conditions of the DIP Loan Documents, and (iii) findings by the Court that such interim postpetition financing and use of Cash Collateral is essential to the Debtors’ estates, that the terms of such interim financing and use of Cash Collateral were negotiated in good faith and at arm’s length, and that the DIP Liens, the DIP Superpriority Claims, and the other protections granted pursuant to this Interim Order and the DIP Loan Documents with respect to such interim financing and use of Cash Collateral will not be affected by any subsequent reversal, modification, vacatur, or amendment of this Interim Order or any other order, as provided in section 364(e) of the Bankruptcy Code or this Interim Order. Without limiting the foregoing, any advances made to the Debtors and Cash Collateral use by the Debtors under the DIP Loan Documents and this Interim Order during the Interim Period shall be entitled to the protections provided by

section 364(e) of the Bankruptcy Code. The DIP Agent, the other DIP Secured Parties and the Prepetition Secured Parties have each acted in good faith in, as applicable, negotiating, consenting to, and agreeing to provide the postpetition financing arrangements and/or use of Cash Collateral on an interim basis as contemplated by this Interim Order and the DIP Loan Documents, and the reliance by the DIP Agent, the other DIP Secured Parties and the Prepetition Secured Parties on the assurances referred to above is in good faith.

H. **Adequate Protection for Prepetition Secured Parties.** The Prepetition Secured Parties have negotiated in good faith regarding the Debtors' use of the Prepetition Collateral (including the Cash Collateral) to fund the administration of the Debtors' estates and continued operation of their businesses. The Prepetition Secured Parties have agreed to permit the Debtors to use the Prepetition Collateral, including the Cash Collateral, during the Interim Period, subject to the terms and conditions set forth herein, including the protections afforded a party acting in "good faith" under section 364(e) of the Bankruptcy Code. In addition, the DIP Facility contemplated hereby provides for the priming of the Prepetition Liens pursuant to section 364(d) of the Bankruptcy Code. The Prepetition Secured Parties are entitled to the adequate protection as set forth herein pursuant to sections 361, 362, 363, and 364 of the Bankruptcy Code. Based on the DIP Motion and on the record presented to the Court at the Interim Hearing, the terms of the proposed adequate protection arrangements, use of the Cash Collateral, and the DIP Facility contemplated hereby are fair and reasonable, reflect the Debtors' prudent exercise of their business judgment, and constitute reasonably equivalent value and fair consideration for the consent of the Prepetition Secured Parties.

I. **Section 552.** In light of the subordination of their Liens and superpriority administrative claims to (i) the Carve-Out (as defined below) in the case of the DIP Secured

Parties, and (ii) the Carve-Out, the DIP Liens and the Prepetition Adequate Protection Liens in the case of the Prepetition Secured Parties, each of the DIP Secured Parties and the Prepetition Secured Parties is entitled to all of the rights and benefits of section 552(b) of the Bankruptcy Code, and, subject to the entry of the Final Order, the “equities of the case” exception shall not apply.

J. **Business Judgment and Good Faith Pursuant to Section 364(e).**

(i) The DIP Secured Parties have indicated a willingness to provide postpetition secured financing via the DIP Facility to the Debtors in accordance with the DIP Loan Documents and this Interim Order.

(ii) The terms and conditions of the DIP Facility as set forth in the DIP Loan Documents and this Interim Order, and the fees paid and to be paid thereunder, are fair, reasonable, and the best available under the circumstances, and the Debtors’ agreement to the terms and conditions of the DIP Loan Documents and to the payment of such fees reflect the Debtors’ exercise of prudent business judgment consistent with their fiduciary duties. Such terms and conditions are supported by reasonably equivalent value and fair consideration.

(iii) The DIP Facility, the DIP Loan Documents and the Prepetition Secured Parties’ Adequate Protection (as defined below) were negotiated in good faith and at arm’s length among the Debtors, the DIP Secured Parties and the Prepetition Secured Parties, respectively, with the assistance and counsel of their respective advisors, and all of the DIP Obligations and Prepetition Secured Parties’ Adequate Protection (as defined below) shall be deemed to have been extended by the DIP Secured Parties and their affiliates and consented to by the requisite Prepetition Secured Parties for valid business purposes and uses and in good faith, as that term is used in section 364(e) of the Bankruptcy Code, and in express reliance upon

the protections offered by section 364(e) of the Bankruptcy Code or this Interim Order, and the DIP Liens, the DIP Superpriority Claims (as defined below), the other DIP Protections and the Prepetition Secured Parties' Adequate Protection (as defined below) shall be entitled to the full protection of section 364(e) of the Bankruptcy Code and this Interim Order in the event this Interim Order or any other order or any provision hereof or thereof is vacated, reversed, amended, or modified, on appeal or otherwise.

K. **Relief Essential; Best Interest.** For the reasons stated above, the Debtors have requested immediate entry of this Interim Order pursuant to Bankruptcy Rules 4001(b)(2), 4001(c)(2), and the Local Rules. Absent granting the relief set forth in this Interim Order, the Debtors' estates and their ability to preserve the enterprise value of the Debtors and their estates will be immediately and irreparably harmed. Consummation of the DIP Facility and authorization of the use of Cash Collateral in accordance with this Interim Order and the DIP Loan Documents is therefore in the best interests of the Debtors' estates and consistent with their fiduciary duties.

NOW, THEREFORE, on the Debtor's DIP Motion and the record before this Court with respect to the DIP Motion, and with the consent of the Prepetition Agent (on behalf of the Prepetition Secured Parties), and the DIP Agent (on behalf of the DIP Secured Parties) to the form and entry of this Interim Order, and good and sufficient cause appearing therefor,

IT IS ORDERED that:

1. **Motion Granted.** The DIP Motion is hereby granted in accordance with the terms and conditions set forth in this Interim Order and the DIP Loan Documents. Any objections to the DIP Motion with respect to the entry of this Interim Order that have not been

withdrawn, waived, or settled, and all reservations of rights included therein, are hereby denied and overruled.

2. **DIP Loan Documents and DIP Protections.**

(a) **Approval of DIP Loan Documents.** The Debtors are expressly and immediately authorized to establish the DIP Facility, to execute, deliver, and perform under the DIP Loan Documents and this Interim Order, to incur the DIP Obligations (as defined below) in accordance with, and subject to, the terms of this Interim Order and the DIP Loan Documents, and to execute, deliver, and perform under all other instruments, certificates, agreements, and documents which may be required or necessary for the performance by the applicable Debtors under the DIP Loan Documents and the creation and perfection of the DIP Liens described in, and provided for, by this Interim Order and the DIP Loan Documents. The Debtors are hereby authorized and directed to do and perform all acts and pay the principal, interest, fees, expenses, and other amounts described in the DIP Loan Documents as such become due pursuant to the DIP Loan Documents and this Interim Order, including, without limitation, all closing fees, administrative fees, commitment fees, and reasonable attorneys', financial advisors', and accountants' fees, and disbursements arising under the DIP Loan Documents and this Interim Order, which amounts shall not be subject to further approval of this Court and shall be non-refundable and not subject to challenge in any respect. Upon their execution and delivery, the DIP Loan Documents shall represent valid and binding obligations of the applicable Debtors enforceable against such Debtors in accordance with their terms. Each officer of a Debtor acting singly is hereby authorized to execute and deliver each of the DIP Loan Documents, such execution and delivery to be conclusive of such officer's respective authority to act in the name of and on behalf of the Debtors.

(b) DIP Obligations. For purposes of this Interim Order, the term “DIP Obligations” shall mean all amounts and other obligations and liabilities owing by the respective Debtors under the DIP Credit Agreement and other DIP Loan Documents (including, without limitation, all “Obligations” as defined in the DIP Credit Agreement) and shall include, without limitation, the principal of, interest on, fees, costs, expenses, and other charges owing in respect of, such amounts (including, without limitation, any reasonable attorneys’, accountants’, financial advisors’, and other fees, costs, and expenses that are chargeable or reimbursable under the DIP Loan Documents and/or this Interim Order), and any obligations in respect of indemnity claims, whether contingent or otherwise.

(c) Authorization to Incur DIP Obligations. To enable the Debtors to continue to operate their business and preserve and maximize the value of their estates, during the period from the entry of this Interim Order through and including the earliest to occur of (i) the entry of the Final Order, or (ii) the Cash Collateral Termination Date, in each case unless extended by written agreement of the DIP Agent and the Prepetition Agent (the period from the entry of this Interim Order through and including such earliest date, the “Interim Period”), and subject to the terms and conditions of this Interim Order and the DIP Loan Documents, including, without limitation, the Budget Covenants as defined and contained in Paragraph 2(e) below, the Borrower is hereby authorized to use Cash Collateral and borrow under the DIP Facility in an aggregate outstanding principal amount for all such borrowings and Cash Collateral usage not to exceed \$5,400,000 under the DIP Facility (following the entry of the Final Order, the Borrower’s authority to incur further DIP Obligations, if any, and use further Cash Collateral will be governed by the terms of such Final Order). All DIP Obligations shall be unconditionally guaranteed by the DIP Guarantor, as further provided in the DIP Loan Documents. To the extent

a Final Order is entered, the Debtors shall, subject to the terms of the DIP Loan Documents and the Final Order, be entitled to borrow all amounts under the DIP Loan Documents to fund the Debtors' working capital and other general corporate needs and pay such other amounts required or allowed to be paid pursuant to the DIP Loan Documents, the Final Order, and any other orders of this Court.

(d) Budget. Attached hereto as Exhibit A is a rolling 13-week cash flow budget (the "Initial Approved Budget") which reflects on a line-item basis the Debtors' (i) weekly projected cash receipts, (ii) weekly projected disbursements (including ordinary course operating expenses, bankruptcy-related expenses under the Cases, capital expenditures, asset sales, and estimated fees and expenses of the DIP and Prepetition Agent (including counsel and financial advisors therefor), and any other fees and expenses relating to the DIP Facility), (iii) the sum of weekly unused availability under the DIP Facility plus unrestricted cash on hand (collectively, "Aggregate Liquidity"), and (iv) the weekly outstanding principal balance of the loan made under the DIP Facility (labeled as "Proposed DIP Facility" in the Approved Budget (as defined below)). Commencing on the first Wednesday following the Petition Date and continuing every Wednesday thereafter (or if such Wednesday is not a Business Day, the following Business Day) (i.e., every week), the Debtors shall prepare and deliver simultaneously to the DIP Agent and the Prepetition Agent: (i) an updated "rolling" 13-week budget, which, once approved in writing by the DIP Agent and the Required Lenders, in their respective sole discretion, shall supplement and replace the Approved Budget or Supplemental Approved Budget, as applicable, then in effect (each such updated budget that has been approved in writing by the DIP Agent and the Required Lenders, a "Supplemental Approved Budget") without further notice, motion, or application to, order of, or hearing before, this Court; provided, however, that the DIP Agent, at the direction of

the Required Lenders shall have two (2) Business Days to approve each updated “rolling budget” (any such party that fails to timely provide the Debtors and each of the other aforementioned parties written notice of any objection to such updated “rolling budget” shall be deemed to have approved such updated “rolling budget”); provided that any portion of the updated “rolling budget” that relates to periods covered by a previous Initial Approved Budget or Supplemental Approved Budget, as applicable, shall automatically be deemed approved to the extent that no changes have been made to such Initial Approved Budget or Supplemental Approved Budget, as applicable; provided, further, however, that unless and until the DIP Agent has approved (or be deemed to have approved as provided above) such updated budget, the Debtors shall still be subject to and be governed by the terms of the Initial Approved Budget or Supplemental Approved Budget, as applicable, then in effect in accordance with this Interim Order, and the DIP Agent, the other DIP Secured Parties, and the Prepetition Secured Parties shall, as applicable, have no obligation to fund to such updated “rolling budget” or permit the use of Cash Collateral with respect thereto, as applicable; and (ii) a Variance Report (as defined in the DIP Credit Agreement), in form acceptable to the DIP Agent and the Required Lenders, setting forth the actual cash receipts and actual expenditures for each line item in the Approved Budget (as defined below) covering each of the previous calendar week and the previous four calendar weeks and comparing the foregoing amounts with the budgeted cash receipts and budgeted expenditures, respectively, set forth in the Approved Budget for such line item during such one week period. The Variance Report shall include an explanation as to any variance identified in such report in accordance with the foregoing that is greater than \$5,000 or varies by 10% from the budgeted amount. Such explanation shall include, among other things, whether such variance is permanent or relates solely to timing and, to the extent related to timing, when such

variance is expected to be corrected. The aggregate, without duplication, of all items in the Initial Approved Budget and any Supplemental Approved Budgets shall constitute the “Approved Budget.” Notwithstanding anything to the contrary in this Interim Order, the reasonable professional fees, costs and expenses of the DIP Agent’s advisors and the Prepetition Agent’s advisors (with respect to the Prepetition Agent, during the Interim Period with all future periods being subject to entry of a Final Order), respectively, shall be due, payable and paid in accordance with the terms of this Interim Order notwithstanding any budgeted amounts for such fees, costs and expenses set forth in the Approved Budget.

(e) Budget Covenants. The Debtors shall only incur DIP Obligations and expend Cash Collateral and other DIP Collateral proceeds in accordance with the specific purposes, and at the specific time periods, set forth in the Approved Budget (and in the case of the costs and expenses of the DIP Agent and Prepetition Agent, in accordance with the DIP Loan Documents and this Interim Order), subject to the following permitted variances, which shall be tested initially on the first Wednesday following the Petition Date (the “First Testing Date”) (testing the period from the Petition Date through and including the First Testing Date (such initial testing period, the “First Testing Period”) and continuing on each Wednesday thereafter (or if such Wednesday is not a Business Day, the following Business Day) (each, a “Subsequent Testing Date”) (in each case, testing the trailing four week period ending on the Wednesday before the applicable Subsequent Testing Date (each, a “Four Week Testing Period”)): (i) the Debtors’ total expenditures (excluding any legal or advisory fees incurred on behalf of the DIP Agent and the DIP Lenders paid before October 2, 2015) for the prior four week period shall not have exceeded 110% of the amount of total expenditures for such four week period as set forth in the Approved Budget; (ii) the Debtors’ net cash receipts (equal to gross revenue less

production tax, royalties, processing costs, oxygen removal fee and NGPL transportation costs), on an aggregate basis, for such four week period were not less than 90% of the aggregate amount of cash receipts included in the Approved Budget for such four week period; (iii) in the event the cash receipts on an aggregate basis for the past four weeks is less than 90% of the Approved Budget for the past four weeks, for reasons outside the control of the Debtors, the cash flow test set forth in clause (ii) above shall not apply and, in the alternative, the average daily barrel of oil equivalent produced during the prior four week period will not be less than 6,350 for the calendar month of October 2015, 6,300 for the calendar month of November 2015, 6,250 for the calendar month of December 2015, 6,200 for the calendar month of January 2016, and 6,200 for the calendar month of February 2016 and for each month thereafter. The foregoing budget-related covenants are collectively referred to herein as the “Budget Covenants.”

(f) Interest, Fees, Costs and Expenses. The DIP Obligations shall bear interest at the rates, and be due and payable (and paid), as set forth in, and in accordance with the terms and conditions of, this Interim Order and the DIP Loan Documents, in each case without further notice, motion, or application to, order of, or hearing before, this Court. The Debtors shall pay on demand all fees, costs, expenses (including reasonable out-of-pocket legal and other professional fees and expenses of the DIP Agent) and other charges payable under the terms of the DIP Loan Documents. All such fees, costs, expenses and disbursements, whether incurred, paid or required to be paid prepetition or post-petition, are hereby affirmed, ratified, authorized and payable (and any funds held by the DIP Agent and/or its professionals as of the Petition Date for payment of such fees, costs, expenses and disbursements may be applied for payment)

as contemplated in this Interim Order and the DIP Loan Documents filed with the Court, and shall be non-refundable and not subject to challenge in any respect.

(g) Use of DIP Facility and Proceeds of DIP Collateral. The Borrower shall apply the proceeds of all DIP Collateral (as defined below) solely in accordance with this Interim Order and the applicable provisions of the DIP Loan Documents. For the avoidance of doubt, the Debtors shall, in accordance with the applicable provisions of the DIP Loan Documents, and subject to the Carve-Out, pay, or cause to be paid, (i) all proceeds of any sale of all or a portion of the DIP Collateral outside the ordinary course of business, (ii) all funds released to the Borrower from the Escrow Account (as defined in the DIP Credit Agreement), (iii) all remaining funds in the MasterCard Program Account after Payment In Full of the Wells Fargo Obligations incurred in connection with the Wells Fargo Business MasterCard and (iv) all funds securing the Existing Letters of Credit after such Existing Letters of Credit are released *first* to the DIP Agent for application in accordance with the DIP Loan Documents and this Interim Order until the DIP Obligations are Paid in Full, *second*, to a segregated account held by the DIP Agent (the “Wind-Down Account”), solely in an amount necessary to fund the wind-down of the Debtors’ estates and the closure of the Chapter 11 Cases, in accordance with a wind-down budget prepared by the Debtors and acceptable to the DIP Agent and the Required Lenders, in their respective sole discretion; and *third*, to the Prepetition Agent for application in accordance with the DIP Loan Documents and this Interim Order until the Prepetition Credit Obligations are Paid in Full. Notwithstanding the foregoing, solely in the event of a Topping Sale Transaction (as defined in the Purchase and Sale Agreement (as defined in the Miller Declaration)), prior to any payment or distribution pursuant to the immediately preceding sentence, the Debtors shall pay, or cause to be paid, all proceeds of such Topping Sale

Transaction to the DIP Agent for payment of the Break-Up Fee and Expense Reimbursement (each as defined in the Purchase and Sale Agreement) to Scout Energy Group II, LP. Notwithstanding the foregoing, the Debtors shall be permitted to pay all outstanding obligations pursuant to the Approved Budget on the Effective Date of the Sale. Without limiting the foregoing, the Debtors shall not be permitted to make any payments on account of any prepetition debt or obligation prior to the effective date of a confirmed chapter 11 plan or plans with respect to any of the Debtors, except (a) with respect to the Prepetition Credit Obligations as set forth in this Interim Order and a Final Order; (b) as provided in the First Day Orders, which First Day Orders shall be in form and substance acceptable to the DIP Agent and the Required Lenders; (c) as provided in other motions, orders, and requests for relief, each in form and substance acceptable to the DIP Agent and the Required Lenders prior to such motion, order, or request for such relief being filed, including, without limitation, any motions, orders, or requests for relief in connection with any structured dismissal of the Cases; or (d) as otherwise provided in the DIP Credit Agreement.

(h) Conditions Precedent. The DIP Secured Parties and Prepetition Secured Parties each have no obligation to extend credit under the DIP Facility or permit use of any DIP Collateral proceeds, including Cash Collateral, as applicable, during the Interim Period unless and until all conditions precedent to the extension of credit and/or use of DIP Collateral or proceeds thereof under the DIP Loan Documents and this Interim Order have been satisfied in full or waived by the requisite DIP Secured Parties and the Prepetition Secured Parties in accordance with the DIP Loan Documents or Prepetition Credit Agreement, as applicable, and this Interim Order.

(i) DIP Liens. As security for the DIP Obligations, the following security interests and liens, which shall immediately and without any further action by any Person, be valid, binding, permanent, perfected, continuing, enforceable, and non-avoidable upon the entry of this Interim Order, are hereby granted by the Debtors to the DIP Agent, for its own benefit and the ratable benefit of the DIP Secured Parties, on all property of the Debtors, now existing or hereinafter acquired, including, without limitation, all cash and cash equivalents (whether maintained with the DIP Agent or otherwise), and any investment in such cash or cash equivalents, money, inventory, goods, accounts receivable, other rights to payment, intercompany loans and other investments, investment property, contracts, contract rights, properties, plants, equipment, machinery, general intangibles, payment intangibles, accounts, deposit accounts (including the Pledged Accounts (as defined in the DIP Credit Agreement), the Wind-Down Account, the MasterCard Program Account, the Existing Letters of Credit Security, and all right, title, and interest of the Borrower and the DIP Guarantor in and to such accounts, and the proceeds and products thereof), documents, instruments, chattel paper, documents of title, letters of credit, letter of credit rights, supporting obligations, leases and other interests in leaseholds, real property, fixtures, patents, copyrights, trademarks, trade names, other intellectual property, intellectual property licenses, capital stock of subsidiaries, tax and other refunds, insurance proceeds, commercial tort claims, Avoidance Actions and proceeds relating thereto, rights under section 506(c) of the Bankruptcy Code, all other Collateral (as defined in the DIP Loan Documents), and all other “property of the estate” (as defined in section 541 of the Bankruptcy Code) of any kind or nature, real or personal, tangible, intangible, or mixed, now existing or hereafter acquired or created (other than any “Building” (as defined in the applicable Flood Insurance Regulation) or “Manufactured (Mobile) Home” (as defined in the applicable

Flood Insurance Regulation) with a fair market value in excess of \$50,000 individually or \$100,000 in the aggregate), and all rents, products, substitutions, accessions, profits, replacements, and cash and non-cash proceeds of all of the foregoing, as provided below (all of the foregoing collateral collectively referred to as the “DIP Collateral,” and all such Liens granted to the DIP Agent for the benefit of all the DIP Secured Parties pursuant to this Interim Order and the DIP Loan Documents, the “DIP Liens”):

(I) pursuant to section 364(c)(2) of the Bankruptcy Code, a perfected, binding, continuing, enforceable, and non-avoidable first priority Lien on all unencumbered DIP Collateral and the Debtors’ claims and causes of action under sections 502(d), 544, 545, 547–550 and 553 of the Bankruptcy Code and any other avoidance or similar action under the Bankruptcy Code or similar state or municipal law and the proceeds of each of the foregoing (collectively, the “Avoidance Actions”), whether received by judgment, settlement, or otherwise;

(II) pursuant to section 364(c)(3) of the Bankruptcy Code, a perfected, binding, continuing, enforceable, and non-avoidable junior Lien upon all DIP Collateral that is subject solely to the Prepetition Senior Permitted Encumbrances, other than liens which are expressly stated to be primed by the liens to be granted to the DIP Agent described in clause (III) below; and

(III) pursuant to section 364(d)(1) of the Bankruptcy Code, a perfected first priority, senior priming lien on all DIP Collateral (including, without limitation, Cash Collateral) that is senior to the Adequate Protection Replacement Liens (as defined below) and senior and priming to (x) the Prepetition Liens and (y) any Liens that are junior to the Prepetition Liens and the Adequate Protection Replacement Liens, after giving effect to any intercreditor or subordination agreements (the liens referenced in clauses (x) and (y), collectively, the “Primed Liens”); provided, however, that the liens described in this subsection (III) shall be junior solely to the Carve-Out and the Prepetition Senior Permitted Encumbrances.

(j) DIP Lien Priority. Notwithstanding anything to the contrary contained in this Interim Order or the DIP Loan Documents, for the avoidance of doubt, the DIP Liens granted to the DIP Agent for the ratable benefit of the DIP Secured Parties shall in each and every case be first priority senior liens that (i) are subject only to the Prepetition Senior Permitted Encumbrances, and to the extent provided in this Interim Order and the DIP Loan Documents,

shall also be subject to the Carve-Out, and (ii) except as provided in the immediately preceding sub-clause (i), are senior to all prepetition and postpetition liens of any other person or entity (including, without limitation, the Primed Liens and the Adequate Protection Replacement Liens). The DIP Liens and the DIP Superpriority Claims (as defined below): (A) shall not be subject to sections 506, 510, 549, 550, or 551 of the Bankruptcy Code or the “equities of the case” exception of section 552 of the Bankruptcy Code, (B) shall not be subordinate to, or *pari passu* with, (x) any lien that is avoided and preserved for the benefit of the Debtors and their estates under section 551 of the Bankruptcy Code or otherwise or (y) any intercompany or affiliate liens or claims of the Debtors, and (C) shall be valid and enforceable against any trustee or any other estate representative appointed in the Cases, upon the conversion of any of the Cases to a case under chapter 7 of the Bankruptcy Code or in any other proceedings related to any of the foregoing (each, a “Successor Case”), and/or upon the dismissal of any of the Cases.

(k) Enforceable Obligations. The DIP Loan Documents shall constitute and evidence the valid and binding DIP Obligations of the Debtors, which DIP Obligations shall be enforceable against the Debtors, their estates and any successors thereto (including, without limitation, any trustee or other estate representative in any Successor Case), and their creditors and other parties in interest, in accordance with their terms. No obligation, payment, transfer, or grant of security under the DIP Credit Agreement, the other DIP Loan Documents, or this Interim Order shall be stayed, restrained, voidable, avoidable, or recoverable under the Bankruptcy Code or under any applicable law (including, without limitation, under sections 502(d), 544, 547, 548, or 549 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act, or similar statute or common law), or subject to any avoidance, reduction, setoff, recoupment, offset, recharacterization,

subordination (whether equitable, contractual, or otherwise), counterclaim, cross-claim, defense, or any other challenge under the Bankruptcy Code or any applicable law or regulation by any person or entity.

(l) Superpriority Administrative Claim Status. In addition to the DIP Liens granted herein, effective immediately upon entry of this Interim Order, all of the DIP Obligations shall constitute allowed superpriority administrative claims pursuant to section 364(c)(1) of the Bankruptcy Code, which shall have priority, subject only to the payment of the Carve-Out in accordance with this Interim Order, over all administrative expense claims, adequate protection and other diminution claims (including the Prepetition Adequate Protection Superpriority Claims (as defined below)), unsecured claims, and all other claims against the Debtors, now existing or hereafter arising, of any kind or nature whatsoever, including, without limitation, administrative expenses or other claims of the kinds specified in, or ordered pursuant to, sections 105, 326, 328, 330, 331, 503(a), 503(b), 506(c), 507(a), 507(b), 546, 726, 1113, and 1114 or any other provision of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment lien or other non-consensual lien, levy, or attachment (the “DIP Superpriority Claims”). The DIP Superpriority Claims shall, for purposes of section 1129(a)(9)(A) of the Bankruptcy Code, be considered administrative expenses allowed under section 503(b) of the Bankruptcy Code, shall be against each Debtor on a joint and several basis, and shall be payable from and have recourse to all prepetition and postpetition property of the Debtors and all proceeds thereof. Other than as expressly provided in the DIP Credit Agreement and/or this Interim Order with respect to the Carve-Out, no costs or expenses of administration, including, without limitation, professional fees allowed and payable under sections 328, 330, and 331 of the Bankruptcy Code and professional fees of the respective described in Paragraph 4(iii) hereof, or

otherwise, that have been or may be incurred in these proceedings, or in any Successor Cases, and no priority claims are, or will be, senior to, prior to, or on a parity with the DIP Superpriority Claims or the DIP Obligations, or with any other claims of the DIP Secured Parties arising under the DIP Loan Documents and/or this Interim Order.

3. **Authorization to Use Cash Collateral and Proceeds of the DIP Facility.**

Subject to the terms and conditions of this Interim Order and the DIP Loan Documents, including, without limitation, the Budget Covenants set forth in Paragraph 2(e) hereof, (a) the Debtors are authorized to use proceeds of credit extended under the DIP Facility from and after the Closing Date (as defined in the DIP Credit Agreement), and (b) the Debtors are authorized to use Cash Collateral; provided, however, that each Debtor shall be prohibited from at any time using proceeds of DIP Collateral (including Cash Collateral) and/or advances under the DIP Facility, in each case, except in accordance with the terms and conditions of this Interim Order and the DIP Loan Documents. To fund the Debtors' working capital and other general corporate needs pending the Final Hearing, in accordance with the terms of this Interim Order, the DIP Loan Documents, and the Approved Budget, the Debtors may request advances and other financial accommodations under the DIP Facility. The DIP Agent and the other DIP Secured Parties may terminate the applicable Debtors' right to use proceeds of extensions of credit under the DIP Facility, DIP Collateral, Prepetition Collateral, and Cash Collateral without further notice, motion, or application to, order of, or hearing before, the Court, in accordance with Paragraph 15 below, immediately upon notice to such effect by the DIP Agent to the Debtors after the occurrence and during the continuance of any Termination Event. Upon the occurrence and during the continuance of a Termination Event (subject to Paragraph 15 below), any of the DIP Agent (on behalf of the DIP Secured Parties) and the Prepetition Agent (on behalf of the

Prepetition Secured Parties) may terminate the consensual Cash Collateral use arrangement contained herein without further notice, motion, or application to, order of, or hearing before, the Court; provided, that the rights of the DIP Secured Parties and the Prepetition Secured Parties under this Interim Order or otherwise shall not be affected by the waiver of any Termination Event by any other party. The earliest date upon which the consensual Cash Collateral use arrangement described in this Interim Order is terminated pursuant to this Paragraph 3 shall be referred to herein as the “Cash Collateral Termination Date.”

4. **Adequate Protection for Prepetition Secured Parties**. In consideration for the use of the Prepetition Collateral (including Cash Collateral) and the priming of the Prepetition First Priority Liens, the Prepetition Agent, for the benefit of the Prepetition Secured Parties, shall receive the following adequate protection (collectively referred to as the “Prepetition Secured Parties’ Adequate Protection”):

(i) **Prepetition Adequate Protection Liens**. To the extent there is a diminution in value of the interests of the Prepetition Secured Parties in the Prepetition Collateral (including Cash Collateral) from and after the Petition Date resulting from the use, sale, or lease by the Debtors of the applicable Prepetition Collateral (including Cash Collateral), the granting of the DIP Superpriority Claims, the granting of the DIP Liens, the subordination of the Prepetition First Priority Liens thereto and to the Carve-Out, and the imposition or enforcement of the automatic stay of section 362(a) of the Bankruptcy Code (“Diminution in Prepetition Collateral Value”), the Prepetition Agent, for the benefit of all the Prepetition Secured Parties, is hereby granted, subject to the terms and conditions set forth below, pursuant to sections 361, 363(e), and 364 of the Bankruptcy Code, replacement Liens upon all of the DIP Collateral (such adequate protection replacement liens, the “Prepetition Adequate Protection Liens”), which

Prepetition Adequate Protection Liens on such DIP Collateral shall be subject and subordinate only to the DIP Liens, the Prepetition Senior Permitted Encumbrances, and the Carve-Out and shall be senior in priority to the Prepetition First Priority Liens. The Prepetition Adequate Protection Liens and the Prepetition Adequate Protection Superpriority Claim (as defined below) (A) shall not be subject to sections 510, 549, 550, or 551 of the Bankruptcy Code or, subject to entry of the Final Order, section 506(c) of the Bankruptcy Code or the “equities of the case” exception of section 552 of the Bankruptcy Code, (B) shall not be subordinate to, or *pari passu* with, (x) any lien that is avoided and preserved for the benefit of the Debtors and their estates under section 551 of the Bankruptcy Code or otherwise or (y) any intercompany or affiliate liens or claims of the Debtors, and (C) shall be valid and enforceable against any trustee or any other estate representative appointed in the Cases or any Successor Cases, and/or upon the dismissal of any of the Cases.

(ii) Prepetition Adequate Protection Superpriority Claims. To the extent of Diminution in Value of the Prepetition Collateral, the Prepetition Secured Parties are hereby further granted allowed superpriority administrative claims (such adequate protection superpriority claims, the “Prepetition Adequate Protection Superpriority Claims”), pursuant to section 507(b) of the Bankruptcy Code, with priority over all administrative expense claims and unsecured claims against the Debtors and their estates, now existing or hereafter arising, of any kind or nature whatsoever, including, without limitation, administrative expenses of the kind specified in or ordered pursuant to sections 105, 326, 328, 330, 331, 503(a), 503(b), 506(c), 507(a), 507(b), 546(c), 546(d), 726 (to the extent permitted by law), 1113, and 1114 and any other provision of the Bankruptcy Code, junior only to the DIP Superpriority Claims and the Carve-Out to the extent provided herein and in the DIP Loan Documents, and payable from and

having recourse to all prepetition and postpetition property of the Debtors and all proceeds thereof; provided, however, that the Prepetition Secured Parties shall not receive or retain any payments, property, or other amounts in respect of the Prepetition Adequate Protection Superpriority Claims unless and until (x) all DIP Obligations have been Paid in Full (as defined below). Subject to the relative priorities set forth above, the Prepetition Adequate Protection Superpriority Claims against each Debtor shall be against each Debtor on a joint and several basis. For purposes of this Interim Order, the terms "Paid in Full," "Repaid in Full," "Repay in Full," and "Payment in Full" shall mean, with respect to any referenced DIP Obligations and/or Prepetition Credit Obligations, (i) the indefeasible payment in full in cash of such obligations and (ii) the termination of all credit commitments under the DIP Loan Documents and/or Prepetition Loan Documents, as applicable.

(iii) Interest and Professional Fees. As further adequate protection, and without limiting any rights of the Prepetition Agent and the other Prepetition Secured Parties under section 506(b) of the Bankruptcy Code which are hereby preserved, and in consideration, and as a requirement, for obtaining the consent of the Prepetition Secured Parties to the entry of this Interim Order and the Debtors' consensual use of Cash Collateral as provided herein, the Debtors shall (i) pay or reimburse in cash the Prepetition Agent for any and all fees, costs, expenses, and charges to the extent, and at the times, payable under the Prepetition Loan Documents, including, without limitation, any unpaid fees, costs and expenses accrued prior to the Petition Date, (ii) five (5) Business Days following the last day of each calendar month commencing after the Closing Date, pay to the Prepetition Agent for prompt distribution to the applicable Prepetition Secured Parties any and all of the interest accruing on the Prepetition Credit Obligations under the Prepetition Credit Agreement at the default rate(s) set forth therein,

unless the Prepetition Secured Parties elect to defer all or a portion of such interest by payment of such interest in kind, in which case any such accrued interest shall be added to the principal amount of the Prepetition Credit Obligations on the last day of each calendar month commencing after the Closing Date, and (iii) pay currently all reasonable out-of-pocket fees, costs, and expenses of the Prepetition Agent (including, without limitation, the fees, costs, and expenses of counsel and financial advisors for the Prepetition Agent), in the case of each of sub-clauses (i), (ii), and (iii) above, all whether accrued prepetition or postpetition and whether or not budgeted in the Approved Budget, and without further notice (except as provided in Paragraph 20(b) below with respect to postpetition professional fees, costs, and expenses), motion, or application to, order of, or hearing before, this Court.

(iv) Consent to Priming and Adequate Protection. The Prepetition Agent, on behalf of the Prepetition Secured Parties, consents to the Prepetition Secured Parties' Adequate Protection and the priming provided for herein; provided, however, that such consent of the Prepetition Agent to the priming of the Prepetition First Priority Liens, the use of Cash Collateral, and the sufficiency of the Prepetition Secured Parties' Adequate Protection provided for herein is expressly conditioned upon the entry of this Interim Order, and such consent shall not be deemed to extend to any other Cash Collateral usage or other replacement financing or debtor-in-possession financing other than the DIP Facility provided under the DIP Loan Documents; and provided, further, that such consent shall be of no force and effect in the event this Interim Order is not entered or is entered and subsequently reversed, modified, stayed, or amended (unless such reversal, modification, stay, or amendment is acceptable to the Prepetition Agent and the Prepetition Lenders in their respective sole discretion) or the DIP Loan Documents and DIP Facility as set forth herein are not approved.

(v) Right to Seek Additional Adequate Protection. Under the circumstances and given that the above-described adequate protection is consistent with the Bankruptcy Code, including section 506(b) thereof, the Court finds that the adequate protection provided herein is reasonable and sufficient to protect the interests of the Prepetition Lenders. However, the Prepetition Agent, on behalf of the Prepetition Secured Parties, may request Court approval for additional or alternative adequate protection, without prejudice to any objection of the Debtors or any other party in interest to the grant of any additional or alternative adequate protection; provided that any such additional or alternative adequate protection shall at all times be subordinate and junior to the claims and Liens of the DIP Lenders granted under this Interim Order and the DIP Loan Documents.

5. **Automatic Postpetition Lien Perfection.** This Interim Order shall be sufficient and conclusive evidence of the validity, enforceability, perfection, and priority of the DIP Liens and the Prepetition Adequate Protection Liens without the necessity of (a) filing or recording any financing statement, deed of trust, mortgage, or other instrument or document which may otherwise be required under the law of any jurisdiction or (b) taking any other action to validate or perfect the DIP Liens and the Prepetition Adequate Protection Liens or to entitle the DIP Liens and the Prepetition Adequate Protection Liens to the priorities granted herein. Notwithstanding the foregoing, each of the DIP Agent and the Prepetition Secured Parties (in the latter case, solely with respect to the Prepetition Adequate Protection Liens) may, each in their sole discretion, enter into and file, as applicable, financing statements, mortgages, security agreements, notices of liens, and other similar documents, and is hereby granted relief from the automatic stay of section 362 of the Bankruptcy Code in order to do so, and all such financing statements, mortgages, security agreements, notices, and other agreements or documents shall be

deemed to have been filed or recorded at the time and on the Petition Date. The applicable Debtors shall execute and deliver to the DIP Agent and/or the Prepetition Agent, as applicable, all such financing statements, mortgages, notices, and other documents as such parties may reasonably request to evidence and confirm the contemplated priority of, the DIP Liens and the Prepetition Adequate Protection Liens, as applicable, granted pursuant hereto. Without limiting the foregoing, each of the DIP Agent and the Prepetition Agent may in its discretion, file a photocopy of this Interim Order as a financing statement with any recording officer designated to file financing statements or with any registry of deeds or similar office in any jurisdiction in which any Debtor has real or personal property, and in such event, the subject filing or recording officer shall be authorized to file or record such copy of this Interim Order. Subject to the entry of the Final Order, any provision of any lease, loan document, easement, use agreement, proffer, covenant, license, contract, organizational document, or other instrument or agreement that requires the payment of any fees or obligations to any governmental entity or non-governmental entity in order for the Debtors to pledge, grant, mortgage, sell, assign, or otherwise transfer any fee or leasehold interest or the proceeds thereof or other DIP Collateral, is and shall be deemed to be inconsistent with the provisions of the Bankruptcy Code, and shall have no force or effect with respect to the Liens on such leasehold interests or other applicable DIP Collateral or the proceeds of any assignment and/or sale thereof by any Debtor, in favor of the DIP Secured Parties in accordance with the terms of the DIP Loan Documents and this Interim Order or in favor of the Prepetition Secured Parties in accordance with this Interim Order. To the extent that the Prepetition Agent is the secured party under any security agreement, mortgage, leasehold mortgage, landlord waiver, financing statement, or account control agreements, listed as loss payee under any of the Debtors' insurance policies, or is the secured party under any of the

Prepetition Loan Documents, the DIP Agent shall also be deemed to be the secured party under such account control agreements, loss payee under the Debtors' insurance policies, and the secured party under each such Prepetition Loan Document, shall have all rights and powers attendant to that position (including, without limitation, rights of enforcement), and shall act in that capacity and distribute any proceeds recovered or received first, for the benefit of the DIP Secured Parties in accordance with the DIP Loan Documents and second, subsequent to Payment in Full of all DIP Obligations, for the benefit of the Prepetition Secured Parties. The Prepetition Agent shall serve as agent for the DIP Agent for purposes of perfecting its respective Liens on all DIP Collateral that is of a type such that perfection of a lien therein may be accomplished only by possession or control by a secured party.

6. **Reservation of Certain Third Party Rights and Bar of Challenges and Claims.** The Debtors' Stipulations shall be binding upon the Debtors in all circumstances upon entry of this Interim Order. The Debtors' Stipulations shall be binding upon each other party in interest, including the Committee, unless such Committee or any other party in interest (including any Chapter 11 trustee appointed) other than the Debtors (or if the Cases are converted to cases under chapter 7 prior to the expiration of the Challenge Period (as defined below), the chapter 7 trustee in such Successor Case), *first*, commences within seventy-five (75) calendar days following the Petition Date (such time period, as the same may be extended in accordance with this Paragraph 6, shall be referred to as the "Challenge Period," and the date that is the next calendar day after the termination of the Challenge Period in the event that either (i) no Challenge (as defined below) is properly raised during the Challenge Period or (ii) with respect only to those parties who properly file a Challenge (as defined below), such Challenge is fully and finally adjudicated, shall be referred to as the "Challenge Period Termination Date"),

(A) a contested matter, adversary proceeding, or other action or “claim” (as defined in the Bankruptcy Code) challenging or otherwise objecting to the admissions, stipulations, findings, or releases included in the Debtors’ Stipulations, or (B) a contested matter, adversary proceeding, or other action against any or all of the Prepetition Secured Parties in connection with or related to the Prepetition Credit Obligations, or the actions or inactions of any of the Prepetition Secured Parties arising out of or related to the Prepetition Credit Obligations or otherwise, including, without limitation, any claim against any or all of the Prepetition Secured Parties in the nature of a “lender liability” cause of action, setoff, counterclaim, or defense to the Prepetition Credit Obligations (including, but not limited to, those under sections 506, 544, 547, 548, 549, 550, and/or 552 of the Bankruptcy Code or by way of suit against any of the Prepetition Secured Parties) (clauses (i) and (ii) collectively, the “Challenges” and, each individually, a “Challenge”), and *second*, obtains a final, non-appealable order in favor of such party in interest sustaining any such Challenge in any such timely-filed contested matter, adversary proceeding, or other action. If a Chapter 7 trustee or a Chapter 11 trustee is appointed during the Challenge Period, the Challenge Period Termination Date with respect to such trustee only, shall be the later of (i) the last day of the Challenge Period and (ii) the date that is twenty (20) days after the date on which such trustee is appointed. For the avoidance of doubt, a Challenge must be brought no later than seventy-five (75) calendar days following the Petition Date, whether brought by a statutory Committee or any other party in interest (other than a Chapter 7 trustee or a Chapter 11 trustee). Except as otherwise expressly provided herein, from and after the Challenge Period Termination Date and for all purposes in these Cases and any Successor Cases, (i) all payments made to or for the benefit of the Prepetition Secured Parties pursuant to, or otherwise authorized by, this Interim Order or otherwise (whether made prior to, on, or after the Petition Date) shall be indefeasible

and not be subject to counterclaim, set-off, subordination, recharacterization, defense, or avoidance, (ii) any and all such Challenges by any party in interest shall be deemed to be forever released, waived, and barred; (iii) the Prepetition Credit Obligations shall be deemed to be a fully allowed secured claim within the meaning of section 506 of the Bankruptcy Code and (iv) the Debtors' Stipulations, including the release provisions therein, shall be binding on all parties in interest, including any Committee. Notwithstanding the foregoing, to the extent any Challenge is timely asserted in any such adversary proceeding, contested matter or other action or proceeding, the Debtors' Stipulations and the other provisions in clauses (i) through (iv) in the immediately preceding sentence shall nonetheless remain binding and preclusive on any Committee and on any other party in interest from and after the Challenge Period Termination Date, except to the extent that such Debtors' Stipulations or the other provisions in clauses (i) through (iv) of the immediately preceding sentence were expressly challenged with particularity in such adversary proceeding, contested matter, or other action. The Challenge Period may only be extended with the written consent of the Prepetition Agent in its sole discretion. Notwithstanding any provision to the contrary herein, nothing in this Interim Order shall be construed to grant standing on any party in interest, including any Committee, to bring any Challenge on behalf of the Debtors' estates. The failure of any party in interest, including any Committee, to obtain an order of this Court prior to the Challenge Period Termination Date granting standing to bring any Challenge on behalf of the Debtors' estates shall not be a defense to failing to commence a Challenge prior to the Challenge Period Termination Date as required under this Paragraph 6.

7. **Carve-Out.** Subject to the terms and conditions contained in this Paragraph 7, each of the DIP Liens, the DIP Superpriority Claims, the Prepetition Liens, the Prepetition Adequate Protection Liens, and the Prepetition Adequate Protection Superpriority Claims shall

be subject and subordinate to payment of the Carve-Out (as defined below) in accordance with the terms of this Interim Order:

(i) Carve-Out. For purposes of this Interim Order, “Carve-Out” means (a) all unpaid fees required to be paid in these Cases to the clerk of the Bankruptcy Court and to the office of the United States Trustee under 28 U.S.C. § 1930(a)(6); (b) subject to the terms and conditions of this Interim Order, the unpaid fees, costs, and disbursements of professionals retained by the Debtors in these Cases other than the Debtors’ ordinary course professionals (collectively, the “Debtors’ Professionals”) that are incurred prior to the delivery by the DIP Agent of a Carve-Out Trigger Notice (as defined below), are in accordance with and limited by the Approved Budget, and are allowed either prior to or after the delivery by the DIP Agent of a Carve-Out Trigger Notice (as defined below) pursuant to an order of the Court under sections 327, 330, or 363 of the Bankruptcy Code and remain unpaid after application of any retainers being held by such professionals; (c) subject to the terms and conditions of this Interim Order, the reasonable unpaid fees, costs, and disbursements of professionals retained by the Committee in these Cases (collectively, the “Committee’s Professionals”) and all reasonable unpaid out-of-pocket expenses of the members of any Committee (“Committee Members”), in each case that are incurred prior to the delivery by the DIP Agent of a Carve-Out Trigger Notice and in accordance with and limited by the Approved Budget, and that are allowed either prior to or after the delivery by the DIP Agent of a Carve-Out Trigger Notice (as defined below) by the Court under sections 328, 330, or 1103 of the Bankruptcy Code and remain unpaid after application of any retainers being held by such professionals; (d) the reasonable unpaid fees, costs, and disbursements of the Debtors’ Professionals that are incurred after the delivery of a Carve-Out Trigger Notice, that are allowed by the Court under sections 327 or 363 of the Bankruptcy Code

and that are in accordance with the Budget (the “Debtors’ Professionals Post-Default Carve-Out”); and (e) the reasonable unpaid fees, costs, and disbursements of the Committee Professionals and the reasonable unpaid expenses of Committee Members that are incurred after the delivery of a Carve-Out Trigger Notice, that are allowed by the Court under sections 328 or 1103 of the Bankruptcy Code and that are in accordance with the Budget (the “Committee Post-Default Carve-Out”) (clauses (a), (b), (c), (d), and (e), collectively, the “Carve-Out”). The Debtors’ Professionals Post-Default Carve-Out and the Committee Post-Default Carve-Out shall not exceed \$500,000 in the aggregate (inclusive of any unapplied retainers held by such professionals) (the “Post-Default Carve-Out Cap”). The term “Carve-Out Trigger Notice” shall mean a written notice delivered by the DIP Agent to the Debtors’ lead counsel, the United States Trustee, and lead counsel to any Committee appointed in these Cases, which notice may be delivered at any time following the occurrence and during the continuation of any Termination Event. Upon the delivery of a Carve-Out Trigger Notice, (A) the Debtors shall immediately fund into the Carve-Out Account (as defined below) an amount equal to the Post-Default Carve-Out Cap, and (B) until the Carve-Out Account (as defined below) has been funded in an additional amount equal to the unpaid fees and expenses that were incurred prior to the delivery of the Carve-Out Trigger Notice in accordance with (b) and (c) above, that have not been disallowed by the Court and for which such Debtors’ Professionals or Committee’s Professionals have submitted a copy of an application to the Court or monthly fee statement, net proceeds of the DIP Collateral thereafter realized by or remitted to the Prepetition Agent that, but for the Carve-Out, would be utilized by the Prepetition Agent to permanently repay the Prepetition Credit Obligations (x) shall be transferred by the Debtors into a segregated account established by the Debtors (the “Carve-Out Account”) and (y) shall not reduce the Prepetition Credit Obligations.

All amounts deposited in the Carve-Out Account shall continue to be subject to the DIP Liens, the Prepetition Adequate Protection Liens and the Prepetition First Priority Liens such that, upon final payment of all allowed amounts due and owing under the Carve-Out, then any funds remaining in the Carve-Out Account shall be remitted to the DIP Agent or the Prepetition Agent, as applicable, in accordance with this Interim Order, for application in accordance with this Interim Order and the DIP Loan Documents or Prepetition Loan Documents, as applicable. No amounts set forth in this subparagraph (i) with respect to the Post-Default Carve-Out Cap may be modified without the prior written consent of the DIP Agent and the Prepetition Agent.

(ii) No Direct Obligation to Pay Professional Fees; No Waiver of Right to Object to Fees. Neither the DIP Secured Parties nor the Prepetition Secured Parties shall be responsible for the direct payment or reimbursement of any fees or disbursements of any of the Debtors' Professionals or Committee's Professionals incurred in connection with the Cases or any Successor Cases under any chapter of the Bankruptcy Code. Nothing in this Interim Order or otherwise shall be construed (i) to obligate any DIP Secured Party or any Prepetition Secured Party in any way to pay compensation to, or to reimburse expenses of, any of the Debtors' Professionals or Committee's Professionals, or to guarantee that the Debtors have sufficient funds to pay such compensation or reimbursement or (ii) to increase the Carve-Out if actual allowed fees and expenses of any of the Debtors' Professionals or Committee's Professionals are higher in fact than the Carve-Out Cap. The respective Prepetition Secured Parties' liens and claims shall be subject to the Carve-Out as set forth in this Interim Order. Notwithstanding any provision in this Paragraph 7 to the contrary, no portion of the Carve-Out, Cash Collateral, Prepetition Collateral, DIP Collateral or proceeds of the DIP Facility shall be utilized for the payment of professional fees and disbursements to the extent restricted under Paragraph 16

hereof. Nothing herein shall be construed as consent to the allowance of any professional fees or expenses of any of the Debtors, any Committee, any other official or unofficial committee in these Cases, or of any other person or entity, or shall affect the right of any DIP Secured Party or any Prepetition Secured Party to object to the allowance and payment of such fees and expenses.

(iii) Payment of Allowed Professional Fees Prior to the Termination Declaration Date.

Prior to the occurrence of the Termination Declaration Date, the Debtors shall be permitted to pay allowed fees of the Debtors' Professionals and the Committee's Professionals (to the extent the fees of the Debtors' Professionals and the Committee's Professionals were incurred in accordance with the Approved Budget), subject to the Bankruptcy Code, the Bankruptcy Rules, the Local Rules and any interim compensation procedures order entered by this Court. The amounts paid prior to the Carve-Out Trigger Notice shall not reduce the Carve-Out.

8. **Waiver of 506(c) Claims.** Subject to the entry of the Final Order, as a further condition of the DIP Facility and any obligation of the DIP Secured Parties to make credit extensions pursuant to the DIP Loan Documents (and their consent to the payment of the Carve-Out to the extent provided herein) and as a further condition to the Debtors' use of Cash Collateral pursuant to this Interim Order and a Final Order, no costs or expenses of administration of the Cases or any Successor Cases shall be charged against or recovered from or against any or all of the DIP Secured Parties and/or the Prepetition Secured Parties, the Prepetition Collateral, the DIP Collateral and the Cash Collateral, in each case pursuant to section 506(c) of the Bankruptcy Code or otherwise, without the prior written consent of the Prepetition Agent and the DIP Agent, and no such consent shall be implied from any other action, inaction, or acquiescence of any or all of the Prepetition Secured Parties and the DIP Secured Parties.

9. **After-Acquired Property.** Except as otherwise expressly provided in this Interim Order, pursuant to section 552(a) of the Bankruptcy Code, all property acquired by the Debtors on or after the Petition Date is not, and shall not be, subject to any Lien of any person or entity resulting from any security agreement entered into by the Debtors prior to the Petition Date, except to the extent that such property constitutes proceeds of property of the Debtors that is subject to a valid, enforceable, perfected, and unavoidable Lien as of the Petition Date which is not subject to subordination or avoidance under the Bankruptcy Code or other provisions or principles of applicable law.

10. **Protection of DIP Secured Parties' Rights.**

(a) Unless the requisite DIP Secured Parties under the DIP Loan Documents shall have provided their prior written consent or all DIP Obligations have been Paid in Full, there shall not be entered in these proceedings, or in any Successor Cases, any order which authorizes any of the following: (i) the obtaining of credit or the incurring of indebtedness that is secured by a security, mortgage, or collateral interest or other Lien on all or any portion of the DIP Collateral and/or that is entitled to administrative priority status, in each case which is superior to or *pari passu* with the DIP Liens, the DIP Superpriority Claims, and/or the other DIP Protections granted pursuant to this Interim Order to the DIP Secured Parties; or (ii) the use of Cash Collateral for any purpose other than to Pay in Full the DIP Obligations or as otherwise permitted in the DIP Loan Documents and this Interim Order.

(b) The Debtors (and/or their legal and financial advisors in the case of clauses (ii) through (iv) below) will (i) maintain books, records, and accounts to the extent and as required by the DIP Loan Documents, (ii) reasonably cooperate, consult with, and provide to the DIP Secured Parties and the Prepetition Secured Parties all such information as required or

allowed under the DIP Loan Documents or the provisions of this Interim Order, (iii) permit representatives of the DIP Agent and the Prepetition Agent such rights to visit and inspect any of the Debtors' respective properties, to examine and make abstracts or copies from any of their respective books and records, to conduct a collateral audit and analysis of their respective inventory and accounts, to tour the Debtors' business premises and other properties, and to discuss, and provide advice with respect to, their respective affairs, finances, properties, business operations, and accounts with their respective officers, employees, and independent public accountants as and to the extent required by the DIP Loan Documents (with the Prepetition Agent being granted the same access and cooperation rights as the DIP Agent for purposes of this subsection (b)), and (iv) permit the DIP Agent and the Prepetition Agent and their respective representatives to consult with the Debtors' management and advisors on matters concerning the Debtors' businesses, financial condition, operations and assets.

11. **Proceeds of Subsequent Financing.** Without limiting the provisions and protections of Paragraph 10 above, if at any time prior to the Payment in Full of all the DIP Obligations (including subsequent to the confirmation of any Chapter 11 plan or plans with respect to any of the Debtors), the Debtors' estates, any trustee, any examiner with enlarged powers, or any responsible officer subsequently appointed shall obtain credit or incur debt pursuant to sections 364(b), 364(c), 364(d), or any other provision of the Bankruptcy Code in violation of the DIP Loan Documents, then all of the cash proceeds derived from such credit or debt and all Cash Collateral shall immediately be turned over to the DIP Agent until Payment in Full of the DIP Obligations.

12. **Cash Collection.** From and after the date of the entry of this Interim Order, all cash and Cash Equivalents (as defined in the DIP Credit Agreement) received by any Debtor,

including collections and proceeds of any DIP Collateral and Prepetition Collateral or services provided by any Debtor and all Cash Collateral which shall at any time come into the possession, custody, or control of any Debtor, or to which any Debtor is now or shall become entitled at any time, shall be promptly deposited in the Loan Account (as defined in the DIP Credit Agreement) (or in such other accounts as are designated by the DIP Agent from time to time).

13. **Disposition of DIP Collateral.** Unless the DIP Obligations and the Prepetition Credit Obligations are Paid in Full upon the closing of a sale or other disposition, the Debtors shall not sell, transfer, lease, encumber, or otherwise dispose of any portion of the DIP Collateral (or enter into any binding agreement to do so) without the prior written consent of the requisite DIP Secured Parties under the DIP Loan Documents and the Prepetition Agent (and no such consent shall be implied from any other action, inaction, or acquiescence by any DIP Secured Party or Prepetition Secured Party or any order of this Court), except as permitted in the DIP Loan Documents and/or the Prepetition Loan Documents, as applicable, and this Interim Order.

14. **Termination Events.** The following shall constitute a termination event under this Interim Order and the DIP Loan Documents unless waived in writing by each of the DIP Agent, the Required Lenders, and the Prepetition Agent (each, a "Termination Event"):

(a) The occurrence of an "Event of Default" under the DIP Credit Agreement, as set forth therein (a "DIP Default Termination Event").

(b) Any other breach, default or other violation by any of the Debtors of the terms and provisions of this Interim Order.

(c) The Debtors' failure to timely and strictly comply with the obligations and deadlines set forth in Exhibit C attached hereto (the "Sale Milestones").

15. **Rights and Remedies Upon Termination Event.**

(a) Any automatic stay otherwise applicable to the DIP Secured Parties is hereby modified, without requiring prior notice to or authorization of this Court, to the extent necessary to permit the DIP Secured Parties to exercise the following remedies immediately upon the occurrence and during the continuance of any Termination Event (as set forth in section 3 of this Interim Order): (i) terminate the DIP Obligations; (ii) declare the principal amount then outstanding of, and the accrued interest on, the DIP Obligations and all other amounts payable by the Debtors under the DIP Loan Documents to be forthwith due and payable, whereupon such amounts shall be immediately due and payable without presentment, demand, protest, or other formalities of any kind, all of which are hereby expressly waived by the Debtors; (iii) terminate the DIP Facility and any DIP Loan Document as to any future liability or obligation of the DIP Secured Parties, but without affecting any of the DIP Obligations or the DIP Liens securing the DIP Obligations; (iv) declare a termination, reduction, or restriction on the ability of the Debtors to use any Cash Collateral (except as permitted in Paragraph 15(b) below), including Cash Collateral derived solely from the proceeds of DIP Collateral (any such declaration to be made in writing to the Debtors, the Prepetition Agent, the respective lead counsel to any Committee, and the United States Trustee shall be referred to herein as a “Termination Declaration” and the date which is the earliest to occur of any such Termination Declaration being herein referred to as the “Termination Declaration Date”); (v) reduce any claim to judgment; (vi) take any other action permitted by law; and/or (vii) take any action permitted to be taken by the DIP Loan Documents during the continuance of any Termination Event.

(b) Five (5) Business Days following a Termination Declaration Date, the DIP Agent shall be deemed to have relief from the automatic stay and may foreclose on all or any portion of the DIP Collateral, collect accounts receivable, and apply the proceeds thereof to the

DIP Obligations, occupy the Debtors' premises to sell or otherwise dispose of the DIP Collateral, or otherwise exercise remedies against the DIP Collateral permitted by applicable nonbankruptcy law. During the 5 Business Day period after a Termination Declaration Date, the Debtors, the DIP Agent, the Prepetition Agent and any Committee shall be entitled to an emergency hearing before the Court for the sole purpose of contesting whether a Termination Event has occurred and section 105 of the Bankruptcy Code may not be invoked by the Debtors, the Committee, or any other party in interest in an effort to restrict or preclude any DIP Secured Party from exercising any rights or remedies set forth in this Interim Order or the DIP Loan Documents. Unless during such period the Court determines that a Termination Event has not occurred and/or is not continuing, the automatic stay, as to the DIP Secured Parties, shall automatically terminate at the end of such five Business Day period, without further notice or order. During such five Business Day period, the Debtors may not use Cash Collateral or any amounts under the DIP Credit Facility except to pay payroll and other expenses critical to keep the business of the Debtors operating in accordance with and otherwise due under the Approved Budget.

(c) All proceeds realized in connection with the exercise of the rights and remedies of the DIP Secured Parties or the Prepetition Secured Parties shall be turned over to the DIP Agent for application to the other DIP Obligations under, and in accordance with, the provisions of the DIP Loan Documents until Payment in Full of the DIP Obligations; provided, that in the event of the liquidation of the Debtors' estates after the occurrence and during the continuance of a Termination Event, the Carve-Out shall be funded into a segregated account exclusively (i) first, from proceeds of any unencumbered assets of the Debtors, and (ii) then from Cash Collateral received by the DIP Agent subsequent to the date of termination of the DIP

Obligations and prior to the distribution of any such Cash Collateral to any other parties in interest.

(d) Subject to entry of the Final Order, and notwithstanding anything contained herein to the contrary, and without limiting any other rights or remedies of the DIP Agent or the other DIP Secured Parties contained in this Interim Order or the DIP Loan Documents, or otherwise available at law or in equity, and subject to the terms of the DIP Loan Documents, upon five (5) Business Days' written notice to the Debtors and any landlord, lienholder, licensor, or other third party owner of any leased or licensed premises or intellectual property that a Termination Event has occurred and is continuing, the DIP Agent (i) may, unless otherwise provided in any separate agreement by and between the applicable landlord or licensor and the DIP Agent (the terms of which shall be reasonably acceptable to the parties thereto), enter upon any leased or licensed premises of the Debtors for the purpose of exercising any remedy with respect to DIP Collateral located thereon and (ii) shall be entitled to all of the Debtors' rights and privileges as lessee or licensee under the applicable license and to use any and all trademarks, trade names, copyrights, licenses, patents, or any other similar assets of the Debtors, which are owned by or subject to a Lien of any third party and which are used by Debtors in their businesses, in either the case of subparagraph (i) or (ii) of this Paragraph 15(d) without interference from lienholders or licensors thereunder, subject to such lienholders' or licensors' rights under applicable law; provided, however, that the DIP Agent, on behalf of the DIP Secured Parties, shall pay only rent and additional rent, fees, royalties, or other monetary obligations of the Debtors that first arise after the written notice referenced above from the DIP Agent and that accrue during the period of such occupancy or use by such DIP Agent calculated on a *per diem* basis. Nothing herein shall require the Debtors, the DIP Agent, or the other DIP

Secured Parties to assume any lease or license under Bankruptcy Code section 365(a) as a precondition to the rights afforded to the DIP Agent and the other DIP Secured Parties in this Paragraph 15(d).

(e) The automatic stay imposed under Bankruptcy Code section 362(a) is hereby modified pursuant to the terms of this Interim Order and the DIP Loan Documents as necessary to (i) permit the Debtors to grant the Prepetition Adequate Protection Liens and the DIP Liens and to incur all liabilities and obligations to the Prepetition Secured Parties and the DIP Secured Parties under the DIP Loan Documents, the DIP Facility, and this Interim Order, (ii) authorize the DIP Secured Parties and the Prepetition Secured Parties to retain and apply payments made in accordance with the DIP Loan Documents and this Interim Order, and (iii) otherwise to the extent necessary to implement and effectuate the provisions of this Interim Order.

16. **Restriction on Use of Proceeds.** Notwithstanding anything herein to the contrary, no loans and/or proceeds from the DIP Facility, DIP Collateral, Cash Collateral (including any retainer held by any professionals for the below-referenced parties), Prepetition Collateral, or any portion of the Carve-Out may be used by (a) any Committee or trustee or other estate representative appointed in the Cases or any Successor Cases, or any other person, party, or entity (or to pay any professional fees and disbursements incurred in connection therewith) to investigate or prosecute any litigation or other action in connection with the value of the Prepetition Collateral or the DIP Collateral at any time; and (b) any of the Debtors, any Committee, and any trustee or other estate representative appointed in the Cases or any Successor Cases, or any other person, party, or entity (or to pay any professional fees and disbursements incurred in connection therewith): (i) request authorization to obtain postpetition

loans or other financial accommodations pursuant to Bankruptcy Code section 364(c) or (d), or otherwise, other than from the DIP Secured Parties; (ii) investigate (except as set forth below), assert, join, commence, support, or prosecute any action for any claim, counter-claim, action, proceeding, application, motion, objection, defense, or other contested matter seeking any order, judgment, determination, or similar relief against, or adverse to the interests of, in any capacity, any or all of the DIP Secured Parties, the Prepetition Secured Parties, and their respective officers, directors, employees, agents, attorneys, affiliates, assigns, or successors, with respect to any transaction, occurrence, omission, action, or other matter (including formal or informal discovery proceedings in anticipation thereof), including, without limitation, (A) any Challenges and any Avoidance Actions or other actions arising under chapter 5 of the Bankruptcy Code; (B) any action with respect to the validity, enforceability, priority, and extent of the DIP Obligations and/or the Prepetition Credit Obligations, or the validity, extent, and priority of the DIP Liens, the Prepetition First Priority Liens, or the Prepetition Adequate Protection Liens (including, with respect to the Prepetition Secured Parties only, the value of the DIP Collateral); (C) any action seeking to invalidate, set aside, avoid, or subordinate, in whole or in part, the DIP Liens, the other DIP Protections, the Prepetition First Priority Liens, the Prepetition Adequate Protection Liens, or the other Prepetition Secured Parties' Adequate Protection; (D) except to contest the occurrence or continuance of any Termination Event as permitted in Paragraph 15, any action seeking, or having the effect of, preventing, hindering, or otherwise delaying any or all of the DIP Secured Parties' (and, after the Payment in Full of the DIP Obligations, the Prepetition Secured Parties' assertion, enforcement, or realization on the Cash Collateral or the DIP Collateral in accordance with the DIP Loan Documents or the Prepetition Loan Documents, as applicable, or this Interim Order); and/or (E) any action seeking to modify any of the rights,

remedies, priorities, privileges, protections, and benefits granted to any or all of the DIP Secured Parties and the Prepetition Secured Parties hereunder or under the DIP Loan Documents or the Prepetition Loan Documents, as applicable; provided, however, up to \$50,000 in the aggregate of the Carve-Out, any DIP Collateral, any Prepetition Collateral, any Cash Collateral and proceeds of the DIP Facility may be used by the Committee (to the extent such Committee is appointed) to investigate (but not document suit or otherwise prosecute) the extent, validity, and priority of the Prepetition Credit Obligations, the Prepetition First Priority Liens, or any other claims against the Prepetition Secured Parties so long as such investigation occurs within the Challenge Period; (iii) pay any fees or similar amounts to any person (other than the Prepetition Secured Parties) who has proposed or may propose to purchase interests in any of the Debtors without the prior written consent of the DIP Agent; or (iv) use or seek to use Cash Collateral or sell or otherwise dispose of DIP Collateral, unless otherwise permitted hereby, without the consent of the DIP Agent and the Prepetition Agent, as applicable.

17. **Proofs of Claim.** The Prepetition Secured Parties will not be required to file proofs of claim in any of the Cases or Successor Cases for any claim allowed herein. The Debtors' Stipulations shall be deemed to constitute a timely filed proof of claim for the Prepetition Secured Parties. Notwithstanding any order entered by the Court in relation to the establishment of a bar date in any of the Cases or Successor Cases to the contrary, the Prepetition Agent, for the benefit of itself and the other Prepetition Lenders, is hereby authorized and entitled, in its sole discretion, but not required, to file (and amend and/or supplement, as they see fit) a proof of claim and/or aggregate proofs of claim in each of the Cases or Successor Cases for any claim allowed herein.

18. **Preservation of Rights Granted Under the Interim Order.**

(a) No Non-Consensual Modification or Extension of Interim Order. The Debtors irrevocably waive any right to seek any amendment, modification, or extension of this Interim Order without the prior written consent of the DIP Agent and the Prepetition Agent, and no such consent shall be implied by any other action, inaction, or acquiescence of the DIP Secured Parties or any of the Prepetition Secured Parties. In the event any or all of the provisions of this Interim Order are hereafter modified, amended, or vacated by a subsequent order of this Court or any other court, such modification, amendment, or vacatur shall not affect the validity, perfection, priority, allowability, enforceability, or non-avoidability of any advances, payments, or use of cash whether previously or hereunder, or lien, claim, or priority authorized or created hereby. Based on the findings set forth in this Interim Order and in accordance with section 364(e) of the Bankruptcy Code, which is applicable to the DIP Facility contemplated by this Interim Order, in the event any or all of the provisions of this Interim Order are hereafter reversed, modified, vacated, or stayed by a subsequent order of this Court or any other court, the DIP Secured Parties and the Prepetition Secured Parties shall be entitled to the protections provided in section 364(e) of the Bankruptcy Code, and no such reversal, modification, vacatur, or stay shall affect (i) the validity, priority, or enforceability of any DIP Protections and the Prepetition Secured Parties' Adequate Protection granted or incurred prior to the actual receipt of written notice by the DIP Agent or the Prepetition Agent, as the case may be, of the effective date of such reversal, modification, vacatur, or stay or (ii) the validity, enforceability and non-avoidability of any lien or priority authorized or created hereby or pursuant to the DIP Loan Documents with respect to any DIP Obligations and the Prepetition Secured Parties' Adequate Protection. Notwithstanding any such reversal, modification, vacatur, or stay, any use of Cash Collateral or any DIP Obligations or Prepetition Secured Parties'

Adequate Protection incurred or granted by the Debtors prior to the actual receipt of written notice by the DIP Agent or the Prepetition Agent, as applicable, of the effective date of such reversal, modification, vacatur, or stay shall be governed in all respects by the original provisions of this Interim Order, and the DIP Secured Parties and the Prepetition Secured Parties shall be entitled to all of the DIP Protections and Prepetition Secured Parties' Adequate Protection, as the case may be, and all other rights, remedies, liens, priorities, privileges, protections, and benefits granted in section 364(e) of the Bankruptcy Code, this Interim Order, and pursuant to the DIP Loan Documents with respect to all uses of Cash Collateral and all DIP Obligations and Prepetition Secured Parties' Adequate Protection.

(b) Dismissal. If any order dismissing any of the Cases under section 1112 of the Bankruptcy Code or otherwise is at any time entered, such order shall provide (in accordance with sections 105 and 349 of the Bankruptcy Code), that (i) the DIP Protections and the Prepetition Secured Parties' Adequate Protection shall continue in full force and effect and shall maintain their priorities as provided in this Interim Order until all DIP Obligations have been Paid in Full, the Prepetition Credit Obligations have been Paid in Full (and that all DIP Protections and the Prepetition Secured Parties' Adequate Protection shall, notwithstanding such dismissal, remain binding on all parties in interest), and (ii) this Court shall retain jurisdiction, notwithstanding such dismissal, for the purposes of enforcing such DIP Protections and the Prepetition Secured Parties' Adequate Protection.

(d) Survival of Interim Order. The provisions of this Interim Order and the DIP Loan Documents, any actions taken pursuant hereto or thereto, and all of the DIP Protections, the Prepetition Secured Parties' Adequate Protection, and all other rights, remedies, liens, priorities, privileges, protections, and benefits granted to any or all of the DIP Secured

Parties and the Prepetition Secured Parties, respectively, shall survive, and shall not be modified, impaired, or discharged by, the entry of any order confirming any plan of reorganization in any Case, converting any Case to a case under chapter 7, dismissing any of the Cases, withdrawing of the reference of any of the Cases or any Successor Cases or providing for abstention from handling or retaining of jurisdiction of any of the Cases in this Court, or terminating the joint administration of these Cases or by any other act or omission. The terms and provisions of this Interim Order, including all of the DIP Protections, the Prepetition Secured Parties' Adequate Protection, and all other rights, remedies, liens, priorities, privileges, protections, and benefits granted to any or all of the DIP Secured Parties and the Prepetition Secured Parties, shall continue in full force and effect notwithstanding the entry of any such order, and such DIP Protections and Prepetition Secured Parties' Adequate Protection shall continue in these proceedings and in any Successor Cases, and shall maintain their respective priorities as provided by this Interim Order. Subject to the provisions of this Interim Order and the DIP Loan Documents that permit the treatment of the DIP Obligations under the DIP Facility pursuant to the Plan or any other Chapter 11 plan with respect to any of the Debtors, the DIP Obligations shall not be discharged by the entry of an order confirming the Plan or any other such Chapter 11 plan, the Debtors having waived such discharge pursuant to section 1141(d)(4) of the Bankruptcy Code.

19. **Insurance Policies.** Upon entry of this Interim Order, the DIP Agent and the DIP Lenders shall be, and shall be deemed to be, without any further action or notice, named as additional insureds and loss payees, as applicable, on each insurance policy maintained by the Debtors which in any way relates to the DIP Collateral.

20. **Other Rights and Obligations.**

(a) Expenses. As provided in the DIP Loan Documents (and without limiting the Debtors' respective obligations thereunder), the applicable Debtors will pay all reasonable expenses incurred by the DIP Agent (including, without limitation, the reasonable fees and disbursements of all counsel for the DIP Agent and any internal or third-party appraisers, consultants, advisors and auditors engaged by or for the benefit of the DIP Agent and/or its counsel) in connection with the preparation, execution, delivery, and administration of the DIP Loan Documents, this Interim Order, the Final Order, and any other agreements, instruments, pleadings, or other documents prepared or reviewed in connection with any of the foregoing, whether or not any or all of the transactions contemplated hereby or by the DIP Loan Documents are consummated.

(b) Notice of Professional Fees. Professionals for the DIP Agent and the Prepetition Secured Parties (including, without limitation, professionals engaged by counsel to the DIP Agent or Prepetition Agent, as applicable) (collectively, the "Lender Professionals") shall not be required to comply with the United States Trustee fee guidelines or submit invoices to the Court, United States Trustee, any Committee or any other party in interest absent further court order. Copies of summary invoices submitted to the Debtors by such Lender Professionals shall be forwarded by the Debtors to the United States Trustee, counsel for any Committee, and such other parties as the Court may direct. The summary invoices shall be sufficiently detailed to enable a determination as to the reasonableness of such fees and expenses; provided, however, that such summary invoices may be redacted to the extent necessary to delete any information subject to the attorney-client privilege, any information constituting attorney work product, or any other confidential information, and the provision of such summary invoices shall not constitute any waiver of the attorney-client privilege or of any benefits of the attorney work

product doctrine or other applicable privilege. If the Debtors, United States Trustee, or counsel for any Committee object to the reasonableness of the fees and expenses of any of the Lender Professionals and cannot resolve such objection within ten (10) days of receipt of such invoices, the Debtors, United States Trustee, or the Committee, as the case may be, shall file with the Court and serve on such Lender Professionals an objection (the "Fee Objection") limited to the issue of the reasonableness of such fees and expenses. Any hearing on an objection to payment of any fees, costs, and expenses set forth in a professional fee invoice shall be limited to the reasonableness of the particular items or categories of the fees, costs, and expenses which are the subject of such objection. The Debtors shall timely pay in accordance with the terms and conditions of this Interim Order the undisputed fees, costs, and expenses reflected on any invoice to which a Fee Objection has been timely filed. The Debtors shall indemnify the DIP Agent and the other DIP Secured Parties (and other applicable parties) to the extent set forth in the DIP Loan Documents, including, without limitation, as provided in Section 9.05 of the DIP Credit Agreement. All such unpaid fees, costs, expenses, charges, and indemnities of the DIP Agent that have not been disallowed by this Court on the basis of an objection filed by the United States Trustee or the Committee (or any subsequent trustee of the Debtors' estates) in accordance with the terms hereof shall constitute DIP Obligations and shall be secured by the DIP Collateral as specified in this Interim Order. Any and all fees, commissions, costs, and expenses paid prior to the Petition Date by any Debtor to the DIP Agent or the DIP Lenders in connection with or with respect to the DIP Facility, the DIP Credit Agreement, or the other DIP Loan Documents are hereby approved in full and non-refundable.

(c) Binding Effect. Subject to Paragraph 6 above, the provisions of this Interim Order, including all findings herein, and the DIP Loan Documents shall be binding upon

all parties in interest in these Cases, including, without limitation, the DIP Secured Parties, the Prepetition Secured Parties, any Committee, and the Debtors and their respective successors and assigns (including any chapter 7 or chapter 11 trustee hereinafter appointed or elected for the estate of any of the Debtors, an examiner appointed pursuant to section 1104 of the Bankruptcy Code, or any other fiduciary or responsible person appointed as a legal representative of any of the Debtors or with respect to the property of the estate of any of the Debtors), whether in any of the Cases, in any Successor Cases, or upon dismissal of any such Case or Successor Case; provided, however, that the DIP Secured Parties and the Prepetition Secured Parties shall have no obligation to permit the use of Cash Collateral or to extend any financing to any chapter 7 or chapter 11 trustee or other responsible person appointed for the estates of the Debtors in any Case or Successor Case.

(d) No Waiver. Neither the failure of the Prepetition Secured Parties to seek relief or otherwise exercise their rights and remedies under this Interim Order, the Prepetition Loan Documents, or otherwise (or any delay in seeking or exercising same), nor the failure of the DIP Secured Parties to seek relief or otherwise exercise their respective rights and remedies under this Interim Order, the DIP Loan Documents, or otherwise (or any delay in seeking or exercising same), shall constitute a waiver of any of such parties' rights hereunder, thereunder, or otherwise. Nothing contained in this Interim Order (including, without limitation, the authorization of the use of any Cash Collateral) shall impair or modify any rights, claims, or defenses available in law or equity to any Prepetition Secured Party or any DIP Secured Party, including, without limitation, rights of a party to a swap agreement, securities contract, commodity contract, forward contract, or repurchase agreement with a Debtor to assert rights of setoff or other rights with respect thereto as permitted by law (or the right of a Debtor to contest

such assertion). Except as prohibited by this Interim Order, the entry of this Interim Order is without prejudice to, and does not constitute a waiver of, expressly or implicitly, or otherwise impair, the ability of the Prepetition Secured Parties or the DIP Secured Parties under the Bankruptcy Code or under non-bankruptcy law to (i) request conversion of the Cases to cases under chapter 7, dismissal of the Cases, or the appointment of a trustee in the Cases, (ii) propose, subject to the provisions of section 1121 of the Bankruptcy Code, any Chapter 11 plan or plans with respect to any of the Debtors, or (iii) except as expressly provided herein, exercise any of the rights, claims, or privileges (whether legal, equitable, or otherwise) of the DIP Secured Parties or the Prepetition Secured Parties, respectively. Except to the extent otherwise expressly provided in this Interim Order, neither the commencement of the Cases nor the entry of this Interim Order shall limit or otherwise modify the rights and remedies of the Prepetition Secured Parties with respect to non-Debtor entities or their respective assets, whether such rights and remedies arise under the Prepetition Secured Loan Documents, applicable law, or equity.

(e) No Third Party Rights. Except as explicitly provided for herein or in any DIP Loan Document, this Interim Order does not create any rights for the benefit of any third party, creditor, equity holder, or any direct, indirect, or incidental beneficiary. In determining to make any loan (whether under the DIP Credit Agreement or otherwise) or to permit the use of Cash Collateral or in exercising any rights or remedies as and when permitted pursuant to this Interim Order or the DIP Loan Documents, the DIP Secured Parties and the Prepetition Secured Parties shall not (i) be deemed to be in control of the operations of the Debtors or (ii) owe any fiduciary duty to the Debtors, their respective creditors, shareholders, or estates.

(f) No Marshaling. Neither the DIP Secured Parties nor the Prepetition Secured Parties shall be subject to the equitable doctrine of “marshaling” or any other similar doctrine with respect to any of the DIP Collateral or the Prepetition Collateral, as applicable.

(g) Amendments. The Debtors are authorized and empowered, without further notice and hearing or approval of this Court, to amend, modify, supplement, or waive any provision of the DIP Loan Documents in accordance with the provisions thereof, in each case unless such amendment, modification, supplement, or waiver (i) increases the interest rate (other than as a result of the imposition of the default rate), (ii) increases the aggregate lending commitments of all of the DIP Lenders in respect of the DIP Facility, (iii) changes the Maturity Date (as defined in the DIP Credit Agreement), or (iv) adds or amends (in any respect unfavorable to the Debtors) any Event of Default. No waiver, modification, or amendment of any of the provisions hereof shall be effective unless set forth in writing, signed by or on behalf of all the Debtors and the DIP Agent (after having obtained the approval of the requisite DIP Secured Parties under the DIP Credit Agreement) and, except as provided herein, approved by this Court. Notwithstanding the foregoing, no waiver, modification or amendment of any of the provisions of this Interim Order or the DIP Loan Documents that would directly and adversely affect the rights or interests of the Prepetition Secured Parties, as applicable, shall be effective unless also consented to in writing by the Prepetition Agent (on behalf of the Prepetition Secured Parties).

(h) Inconsistency. In the event of any inconsistency between the terms and conditions of the DIP Loan Documents and of this Interim Order, the provisions of this Interim Order shall govern and control.

(i) Enforceability. This Interim Order shall constitute findings of fact and conclusions of law pursuant to the Bankruptcy Rule 7052 and shall take effect and be fully enforceable *nunc pro tunc* to the Petition Date immediately upon execution hereof. Notwithstanding Bankruptcy Rules 4001(a)(3), 6004(h), 6006(d), 7062 or 9024 or any other Bankruptcy Rule, or Rule 62(a) of the Federal Rules of Civil Procedure, this Interim Order shall be immediately effective and enforceable upon its entry, and there shall be no stay of execution or effectiveness of this Interim Order.

(j) Reservation of Rights. Nothing in this Interim Order shall be deemed to constitute the consent of the DIP Secured Parties or the Prepetition Secured Parties, and each of the foregoing expressly reserve the right to object, to entry of any Order of the Bankruptcy Court that provides for the sale of all or substantially all of the assets of the Debtors to any party unless, in connection and concurrently with any such event, the proceeds of such sale are or will be sufficient to Pay in Full the DIP Obligations, the Prepetition Credit Obligations, the Prepetition Secured Parties' Adequate Protection and all of the foregoing are Paid in Full on the closing date of such sale.

(k) Headings. Paragraph headings used herein are for convenience only and are not to affect the construction of, or to be taken into consideration in, interpreting this Interim Order.

(l) General Cooperation From Debtors; Access to Information. Without limiting any of the Debtors' other obligations in this Interim Order or the DIP Loan Documents, each Debtor shall, and shall cause its senior officers, directors and financial advisors to, reasonably cooperate with the DIP Agent, the Prepetition Agent, and their respective advisors and representatives, in furnishing documents and information as and when reasonably requested

by such parties regarding the DIP Collateral or the Debtors' financial affairs, finances, financial condition, business, and operations. Notwithstanding anything to the contrary contained herein, the Debtors do not waive any right to attorney-client, work product, or similar privilege, and the Debtors shall not be required to provide the DIP Agent, the Prepetition Agent, or their respective financial advisors with any information subject to attorney-client privilege or consisting of attorney work product.

21. **Final Hearing**

(a) The Final Hearing to consider entry of the Final Order and final approval of the DIP Facility is scheduled for _____, 2015, at _____ (prevailing Eastern time) at the United States Bankruptcy Court for the District of Delaware. The proposed Final Order shall be substantially the same as the Interim Order except that (i) those provisions in the Interim Order that are subject to the entry of the Final Order shall be included in the Final Order without such qualification; and (ii) certain provisions of this Interim Order may be modified at or prior to the Final Hearing to address certain objections raised by parties in interest. If no objections to the relief sought in the Final Hearing are filed and served in accordance with this Interim Order, no Final Hearing may be held, and a separate Final Order may be presented by the Debtors and entered by this Court.

(b) **Final Hearing Notice**. On or before _____, 2015 the Debtors shall serve, by United States mail, first-class postage prepaid, (such service constituting adequate notice of the Final Hearing) (i) notice of the entry of this Interim Order and of the Final Hearing (the "**Final Hearing Notice**") and (ii) a copy of this Interim Order, on the parties having been given notice of the Interim Hearing and to any other party that has filed a request for notices with this Court and to any Committee after the same has been appointed, or Committee counsel, if the

same shall have been appointed. The Final Hearing Notice shall state that any party in interest objecting to the entry of the proposed Final Order shall file written objections with the Clerk of the Bankruptcy Court no later than _____, 2015, which objections shall: (i) be in writing; (ii) conform to the Bankruptcy Rules and the Local Rules; and (iii) be filed with the Clerk of the United States Bankruptcy Court for the District of Delaware no later than seven (7) business days before the Final Hearing and served upon the following parties so as to be actually received no later than seven (7) business days before the Final Hearing: (a) proposed counsel for the Debtors: Thompson & Knight LLP, 1722 Routh Street, Suite 1500, Dallas, TX 75201 (Attn: David M. Bennett, Esq.) and Bayard, P.A., 222 Delaware Avenue, Suite 900, Wilmington, DE 19801 (Attn: Neil B. Glassman, Esq., GianClaudio Finizio, Esq.); and (b) counsel for the DIP Agent: Latham & Watkins LLP, 885 Third Avenue, New York, NY 10022-4834 (Attn: Mitchell A. Seider, Esq. and Annemarie V. Reilly, Esq.).

22. **Retention of Jurisdiction.** The Bankruptcy Court has and will retain jurisdiction to enforce this Interim Order according to its terms.

Dated: _____, 2015
Wilmington, Delaware

UNITED STATES BANKRUPTCY JUDGE

**EXHIBIT I
FORM OF WITHDRAWAL REQUEST**

Parallel Energy LP

WITHDRAWAL REQUEST

[DATE]

TO: The Agent (as defined below)

RE: Credit Agreement dated as of November 9, 2015 among Parallel Energy LP, a Delaware limited partnership (the “*Company*”), certain lenders (the “*Lenders*”), Canadian Imperial Bank of Commerce as Administrative Agent and Collateral Agent and the other parties from time to time party thereto (as the same may be amended, supplemented, restated or otherwise modified from time to time, the “*Credit Agreement*”)

Capitalized words and phrases used but not otherwise defined herein have the meanings attributed thereto in the Credit Agreement. The undersigned, _____, being the _____ of Parallel Energy GP LLC, being the general partner of the Company, hereby certifies as an officer of the general partner of the Company and not in any personal capacity as follows:

1. The Company hereby requests a withdrawal of Pre-Funded Amounts held in the Loan Account in an amount equal to \$_____ to the Operating Account;
2. The proposed withdrawal of Pre-Funded Amounts and its intended use are solely to fund payments due and payable in accordance with the Budget and either the Interim Order or the Final Order, as applicable, the proceeds of which shall be deposited into the Operating Account;
3. Each of the representations and warranties made by any Loan Party in or pursuant to the Loan Documents is true and correct in all material respects on and as of the date of the release of Pre-Funded Amounts, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties shall be true and correct in all material respects as of such earlier date); *provided* that any representation and warranty that is qualified by “materiality”, “Material Adverse Effect” or similar language shall be true and correct (after giving effect to any qualification therein) in all respects;
4. No Default or Event of Default exists or would result from the release of Pre-Funded Amounts, as applicable, or from the application of the proceeds thereof;
5. The Debtors are in compliance in all material respects with the Interim Order, Final Order and the Cash Management Order, as the case may be; and

Exhibit I

6. Subject to Section 5.15 of the Credit Agreement, the Debtors are in compliance in all respects with the Budget and release of the Pre-Funded Amounts is in accordance with the Budget and the application of the funds so withdrawn will comply with the terms of Budget and the Credit Agreement in all respects.

THIS CERTIFICATE has been executed effective the date first written above.

PARALLEL ENERGY LP

By: PARALLEL ENERGY GP LLC,
its general partner

BY: _____

NAME:

TITLE:

Exhibit I

EXHIBIT C

EXHIBIT C

Milestones

- 1) On or before the date that is thirty (30) days after the Petition Date, or such later date to which the DIP Agent and the Required Lenders consent in writing in their respective sole discretion, the Bankruptcy Court shall have entered a sales procedures order (the “Sale Procedures Order”) approving the bidding procedures contained in the Sale Procedures Motion, which Sale Procedures Order shall be acceptable to the DIP Agent and the Required Lenders in their respective sole discretion.
- 2) Unless the DIP Agent and the Required Lenders shall have otherwise provided their prior written consent in their respective sole discretion, on or before January 15, 2016, the Bankruptcy Court shall have entered an order (the “Sale Order”), in form and substance satisfactory to the DIP Agent and the Required Lenders, in their respective sole discretion, among other things, approving the 363 Sale.

EXHIBIT B

U.S. \$9,400,000

CREDIT AGREEMENT,

dated as of November 9, 2015,

among

Parallel Energy LP,
as Borrower,

THE LENDERS PARTY HERETO FROM TIME TO TIME

and

Canadian Imperial Bank of Commerce,
as Administrative Agent and Collateral Agent

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Annex A Commitments

SCHEDULES:

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EXHIBITS:

Exhibit B Form of Mortgage
Exhibit C Form of Assignment and Assumption
Exhibit E Form of Note
Exhibit F-1 Form of U.S. Tax Compliance Certificate
Exhibit F-2 Form of U.S. Tax Compliance Certificate
Exhibit F-3 Form of U.S. Tax Compliance Certificate
Exhibit F-4 Form of U.S. Tax Compliance Certificate
Exhibit G Form of Borrowing Notice
Exhibit H Form of Interim Order
Exhibit I Form of Withdrawal Request

CREDIT AGREEMENT, dated as of November 9, 2015 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, this "Agreement"), among Parallel Energy LP, a Delaware limited partnership (the "Borrower"), the several banks and other financial institutions or entities from time to time parties hereto (the "Lenders") and Canadian Imperial Bank of Commerce, as administrative agent for the Lenders (together with its permitted successors and assigns in such capacity, the "Administrative Agent") and as collateral agent for the Secured Parties (together with its successors and permitted assigns in such capacity, the "Collateral Agent").

WITNESSETH:

WHEREAS, on November 9, 2015 (the "Petition Date"), the Borrower and Parallel Energy GP LLC, a Delaware limited liability company ("Parallel GP") (each of the Borrower and Parallel GP, a "Debtor" and collectively, the "Debtors"), voluntarily commenced chapter 11 cases (each a "Case" and collectively, the "Cases") under the Bankruptcy Code (as defined below) with the United States Bankruptcy Court for the District of Delaware, (the "Bankruptcy Court");

WHEREAS, prior to the Petition Date, the Borrower received financing pursuant to that certain Credit Agreement dated as of April 21, 2011, by and among the Borrower, Parallel Energy Commercial Trust, CIBC, as administrative agent (the "Prepetition Agent"), the Operating Lender (as defined therein), and the Syndicated Lenders (as defined therein) from time to time party thereto (collectively, the "Prepetition Lenders") (as amended, supplemented, restated or otherwise modified from time to time prior to the date hereof, the "Prepetition Credit Agreement");

WHEREAS, prior to the Petition Date, the Borrower entered into the Restructuring Support Agreement;

WHEREAS, at this time, the Debtors continue to operate their respective businesses and to manage their respective properties as debtors and debtors-in-possession pursuant to Section 1107(a) and 1108 of the Bankruptcy Code;

WHEREAS, the Borrower has requested that the Lenders extend credit in the form of a senior secured priming and superpriority debtor-in-possession dual-draw term loan credit facility in an aggregate principal amount (subject to entry of the Final Order (as defined below)) equal to \$9,400,000, with the proceeds of such credit facility to be used by the Loan Parties to pay certain fees and expenses (including fees and expenses of the Administrative Agent and its professionals, consultants, advisors and representatives) related to the Transactions and for working capital and other general corporate purposes, in each case in accordance with the Budget as provided herein;

WHEREAS, the Borrower and each other Loan Party desire to secure all of the Obligations by granting to the Collateral Agent, for the benefit of the Secured Parties, a security interest in and Lien upon substantially all of the property and assets of the Borrower and the other Loan Parties, subject to the limitations described herein and in the Security Documents; and

WHEREAS, the Lenders are willing to extend such credit to the Borrower on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the agreements hereinafter set forth, the parties hereto hereby agree as follows:

ARTICLE I DEFINITIONS

Section 1.01 Defined Terms. As used in this Agreement, the terms listed in this Section 1.01 shall have the respective meanings set forth in this Section 1.01.

“363 Sale” shall mean the Sale of all or substantially all of the assets of the Debtors under section 363 of the Bankruptcy Code.

“363 Asset Purchase Agreement” means an asset purchase agreement pursuant to which a buyer will consummate the 363 Sale.

“Administrative Agent” shall have the meaning set forth in the preamble hereto.

“Administrative Questionnaire” shall mean an administrative questionnaire in a form supplied by the Administrative Agent.

“Affiliate” shall mean, with respect to a specified Person, another Person that directly or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified; *provided, however*, that, for purposes of Section 6.08 the term “Affiliate” shall also include any Person that directly or indirectly owns 10% or more of any class of Equity Interests of the Person specified or that is an officer or director of the Person specified.

“Agents” shall mean the collective reference to the Administrative Agent and the Collateral Agent and, for purposes of Section 8.07, Section 8.08 and Section 9.05, the Arranger.

“Agreement” shall have the meaning set forth in the preamble hereto.

“Anti-Corruption Laws” shall mean all laws, rules, and regulations of any jurisdiction applicable to the Borrower or any of its Subsidiaries from time to time concerning or relating to bribery or corruption, including without limitation the United States Foreign Corrupt Practices Act of 1977, as amended, the UK Bribery Act 2010 and other similar legislation in any other jurisdictions.

“Anti-Terrorism Laws” shall mean any laws relating to terrorism or money laundering, including Executive Order No. 13224, the PATRIOT Act, the laws comprising or implementing the Bank Secrecy Act, and the laws administered by the United States Treasury Department’s Office of Foreign Assets Control (as any of the foregoing laws may from time to time be amended, renewed, extended, or replaced).

“Applicable Margin” shall mean 10.25%.

“Approved Electronic Communications” shall mean, collectively, any notice, demand, communication, information, document or other material provided by or on behalf of any Loan Party pursuant to any Loan Document or the transactions contemplated therein which is distributed to any Agent or Lender by means of electronic communications pursuant to Section 9.02(b) or Section 9.02(d), including through the Platform.

“Approved Fund” shall mean any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“Arranger” shall mean CIBC, in its capacity as sole lead arranger of the Credit Facilities.

“Asset Sale” shall mean any Disposition of Property or series of related Dispositions of Property (excluding any Disposition pursuant to Section 6.04(a), Section 6.04(b), Section 6.04(c), Section 6.04(d), Section 6.04(e), Section 6.04(f) or Section 6.04(g)), and shall also include the release of funds from the Escrow Account to the Borrower (or any other Loan Party) for any reason whether or not involving the sale or other Disposition of any Property.

“Assignment and Assumption” shall mean an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 9.06), and accepted by the Administrative Agent, in substantially the form of Exhibit C or any other form approved by the Administrative Agent.

“Avoidance Actions” means any and all actual or potential avoidance, recovery, subordination, or other related claims and causes of action that may be brought by or on behalf of the Debtors or their estates to avoid a transfer of property or an obligation incurred by the Debtors pursuant to any applicable section of the Bankruptcy Code, including sections 506(c), 544, 545, 547, 548, 549, 550, 551, 553(b), and 724(a) of the Bankruptcy Code, or applicable non-bankruptcy law.”

“Bankruptcy Code” shall mean Title 11 of the United States Code entitled “Bankruptcy,” as now and hereafter in effect, or any successor statute.

“Bankruptcy Court” shall have the meaning set forth in the recitals hereto.

“Bankruptcy Rules” shall mean the Federal Rules of Bankruptcy Practice and Procedure.

“Blocked Person” shall have the meaning set forth in Section 3.21(b).

“Board of Governors” shall mean the Board of Governors of the Federal Reserve System of the United States of America, or any successor thereto.

“Borrower” shall have the meaning set forth in the preamble hereto.

“Borrowing Date” shall mean any Business Day specified by the Borrower in a Borrowing Notice as a date on which the Lenders are requested to make Loans hereunder.

“Borrowing Notice” shall mean, with respect to any request for borrowing of Loans hereunder, a notice from the Borrower, substantially in the form of, and containing the information prescribed by, Exhibit G, delivered to the Administrative Agent.

“Budget” shall mean that certain weekly line item budget covering the period of at least 13 calendar weeks following the Petition Date, which shall be tied to the Debtors’ long term sale process (together with all updates thereto) approved by the Agent and the Required Lenders in their sole discretion.

“Business Day” shall mean any day excluding Saturday, Sunday, any day that is a legal holiday under the laws of Toronto, Ontario or is a day on which banking institutions located in such city are authorized or required by law or other governmental action to close and any day which is a legal holiday under the laws of the State of New York or is a day on which banking institutions located in such state are authorized or required by law or other governmental action to close.

“Capital Expenditures” shall mean, for any period, without duplication, with respect to any Person, (a) any expenditure or commitment to expend money for any purchase or other acquisition of any asset, including capitalized leasehold improvements, which would be classified as a fixed or capital asset on a consolidated balance sheet of such Person prepared in accordance with IFRS and (b) Capital Lease Obligations; *provided* that, in any event, “Capital Expenditures” shall exclude any Investment permitted hereunder.

“Capital Lease” shall mean, with respect to any Person, any lease of, or other arrangement conveying the right to use, any property by such Person as lessee that has been or should be accounted for as a capital lease on a balance sheet of such person prepared in accordance with IFRS.

“Capital Lease Obligations” shall mean, with respect to any Person, the obligations of such Person to pay rent or other amounts under any Capital Lease, which obligations are required to be classified and accounted for as Capital Leases on a balance sheet of such person under IFRS, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with IFRS.

“Carve-Out” has the meaning specified in the Interim Order or Final Order, as applicable.

“Carve-Out Claims” has the meaning specified in the Interim Order or Final Order, as applicable.

“Cash Equivalents” shall mean, as at any date of determination, any of the following: (a) marketable securities (i) issued or directly and unconditionally guaranteed as to interest and principal by the government of the United States of America or (ii) issued by any agency of the United States of America and the obligations of which are backed by the full faith and credit of the United States of America, in each case maturing within one year from the date of acquisition; (b) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof, in each case maturing within one year after the date of acquisition and having a rating of at least A-1 from S&P or at least P-1 from Moody’s; (c) certificates of deposit, time deposits, Eurodollar time

deposits or overnight bank deposits having maturities of six months or less from the date of acquisition issued by any Lender or by any commercial bank organized under the laws of the United States of America or any state thereof or the District of Columbia that (i) is at least “adequately capitalized” (as defined in the regulations of its primary Federal banking regulator), (ii) has Tier 1 capital (as defined in such regulations) of not less than \$500,000,000 and (iii) has a rating of at least AA- from S&P and Aa3 from Moody’s; (d) commercial paper of an issuer rated at least A-1 by S&P or P-1 by Moody’s, or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of commercial paper issuers generally, and maturing within six months from the date of acquisition; (e) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States of America, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A by Moody’s; (f) securities with maturities of six months or less from the date of acquisition backed by standby letters of credit issued by any Lender or any commercial bank satisfying the requirements of clause (c) of this definition; and (g) shares of money market, mutual or similar funds which (i) invest exclusively in assets satisfying the requirements of clauses (a) through (f) of this definition; (ii) has net assets of not less than \$500,000,000 and (iii) has the highest rating obtainable from either S&P or Moody’s.

“Cash Flow Report” shall have the meaning set forth in Section 5.01.

“Cash Management Order” shall mean an order of the Bankruptcy Court approving the Motion of the Debtors for Interim and Final Orders Approving (A) Maintenance of Pre-Petition Bank Accounts and Cash Management System; and (B) Continued Use of Existing Checks and Business Forms in a form acceptable to the Administrative Agent and the Required Lenders in their respective sole discretion.

“Change in Law” shall mean the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; *provided* that, notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

“Change of Control” shall mean the occurrence of any of the following events:

(a) any Person or “group” (within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act) other than the Permitted Investors shall have (x) acquired beneficial ownership or control of 35% or more on a fully diluted basis of the voting and/or economic interest in the

Equity Interests of (y) acquired beneficial ownership or control of voting and/or economic interests in the Equity Interests of in excess of those interests owned and controlled by the Permitted Investors at such time; or (z) obtained the power (whether or not exercised) to elect a majority of the members of the board of directors (or similar governing body);

(b) any “change of control” or similar event (however denominated) shall occur under any indenture or other agreement with respect to Material Indebtedness of any Loan Party.

“CIBC” shall mean the Canadian Imperial Bank of Commerce.

“Closing Date” shall mean the date on which the conditions precedent set forth in Section 4.01 shall have been satisfied or waived, which date shall be not later than 2:00 p.m., New York City time, on the Business Day following entry of the Interim Order by the Bankruptcy Court.

“Code” shall mean the Internal Revenue Code of 1986, as amended (unless otherwise provided herein).

“Collateral” shall mean all Property of the Loan Parties, now owned or hereafter acquired, upon which a Lien is purported to be created by any Security Document, including, without limitation, to the extent set forth in the Interim Order or the Final Order, any Avoidance Actions and proceeds thereof and causes of action under Section 549 of the Bankruptcy Code and proceeds thereof, but in any event excluding Excluded Assets.

“Collateral Agent” shall have the meaning set forth in the recitals hereto.

“Commitment” shall mean, with respect to any Lender, such Lender’s Interim Order Commitment and Final Order Commitment, as applicable.

“Commodity Exchange Act” shall mean the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute.

“Connection Income Taxes” means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

“Consolidated Total Assets” shall mean the total assets of the Borrower and its Subsidiaries, determined on a consolidated basis in accordance with IFRS, as shown on the most recent balance sheet of the Borrower delivered pursuant to Section 5.01.

“Contractual Obligation” shall mean, with respect to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its Property is bound.

“Control” shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities or by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

“Credit Extension” shall mean the making of a Loan.

“Credit Facilities” shall mean each of the Commitments and the Loans made thereunder.

“Debtor Relief Laws” shall mean the Bankruptcy Code, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization or similar debtor relief laws of the United States of America or other applicable jurisdictions from time to time in effect.

“Default” shall mean any event, occurrence or condition which is, or upon notice, lapse of time or both would constitute, an Event of Default.

“Defaulting Lender” shall mean, subject to Section 2.13(b), any Lender that (a) has failed to (i) fund all or any portion of its Loans on the date such Loans were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender’s determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder on the date when due, (b) has notified the Borrower or the Administrative Agent in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender’s obligation to fund a Loan hereunder and states that such position is based on such Lender’s determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (*provided* that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower) or (d) except for an Undisclosed Administration, has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, or (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity; *provided* that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States of America or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above shall be conclusive and binding absent manifest error and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.13(b)) upon delivery of written notice of such determination to the Borrower and each Lender.

“Disposition” shall mean, with respect to any Property, any sale, lease, sublease, assignment, conveyance, transfer, exclusive license or other disposition thereof (including by way of merger or consolidation); and the terms “Dispose” and “Disposed of” shall have correlative meanings.

“Disqualified Equity Interests” shall mean any Equity Interests that, by their terms (or by the terms of any security or other Equity Interests into which they are convertible or for which they are exchangeable), or upon the happening of any event or condition, (a) require the payment of any dividends (other than dividends payable solely in shares of Qualified Equity Interests), (b) mature or are mandatorily redeemable or subject to mandatory repurchase or redemption or repurchase at the option of the holders thereof (other than solely for Qualified Equity Interests), in each case in whole or in part and whether upon the occurrence of any event, pursuant to a sinking fund obligation on a fixed date or otherwise (including as the result of a failure to maintain or achieve any financial performance standards) or (c) are or become convertible into or exchangeable for, automatically or at the option of any holder thereof, any Indebtedness, Equity Interests or other assets other than Qualified Equity Interests, in the case of each of clauses (a), (b) and (c), prior to the date that is 91 days after the Maturity Date at the time of issuance of such Equity Interests (other than (i) following Payment in Full or (ii) upon a “change in control”; *provided* that any payment required pursuant to this clause (ii) is subject to the prior Payment in Full; *provided, however*, that if such Equity Interests are issued to any employee or to any plan for the benefit of employees of the Borrower or the Subsidiaries or by any such plan to such employees, such Equity Interests shall not constitute Disqualified Equity Interests solely because they may be required to be repurchased by a Loan Party in order to satisfy applicable statutory or regulatory obligations or as a result of such employee’s termination, death or disability.

“Dollars” or “\$” shall mean lawful money of the United States of America.

“Eligible Assignee” shall mean any Person that meets the requirements to be an assignee under Section 9.06(b)(iii), Section 9.06(b)(v) and Section 9.06(b)(vi) (subject to such consents, if any, as may be required under Section 9.06(b)(iii)).

“Environmental Laws” shall mean any and all laws, rules, orders, regulations, statutes, ordinances, guidelines, codes, decrees, or other legally binding requirements (including, without limitation, principles of common law) of any Governmental Authority, regulating, relating to or imposing liability or standards of conduct concerning pollution, the preservation or protection of the environment, natural resources or human health (including employee health and safety), or the generation, manufacture, use, labeling, treatment, storage, handling, transportation or release of, or exposure to, Materials of Environmental Concern, as has been, is now, or may at any time hereafter be, in effect.

“Environmental Liability” shall mean any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties, attorney or consultant fees or indemnities) resulting from or based upon (a) non-compliance with any Environmental Law or any Environmental Permit, (b) exposure to any Materials of Environmental Concern, (c) Release or threatened Release of any Materials of Environmental Concern, (d) any investigation, remediation, removal, clean-up or monitoring required under Environmental Laws or required by a Governmental Authority (including without limitation

Governmental Authority oversight costs that the party conducting the investigation, remediation, removal, clean-up or monitoring is required to reimburse) or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“Environmental Permits” shall mean any and all permits, licenses, approvals, registrations, notifications, exemptions and other authorizations required under any Environmental Law.

“Equity Interest” shall mean, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents, including membership interests (however designated, whether voting or nonvoting), of equity of such Person, including, if such Person is a partnership, partnership interests (whether general or limited), if such Person is a limited liability company, membership interests, and any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of property of, such partnership, whether outstanding on the date hereof or issued on or after the Closing Date, but excluding debt securities convertible or exchangeable into such equity interests.

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, the regulations promulgated thereunder and any successor thereto.

“ERISA Affiliate” shall mean any trade or business (whether or not incorporated) that, together with any Loan Party, is treated as a single employer under Section 414(b) or (c) of the Code, or solely for purposes of Section 302 or 303 of ERISA or Section 412 or 430 of the Code, is treated as a single employer under Section 414 of the Code. Any former ERISA Affiliate of the Loan Parties shall continue to be considered an ERISA Affiliate of the Loan Parties within the meaning of this definition with respect to the period such entity was an ERISA Affiliate of any Loan Party and with respect to liabilities arising after such period for which any Loan Party could be liable under the Code or ERISA.

“Escrow Account” shall have the meaning given that term under the Escrow Agreement.

“Escrow Agreement” shall mean that certain Escrow Agreement, dated as of November 8, 2015, by and among the Borrower, Scout Energy Group II, LP, Administrative Agent and BOKF, N.A. dba Bank of Texas, in its capacity as escrow agent for the Escrow Account.

“Event of Default” shall mean any of the events specified in Section 7.01; *provided* that any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

“Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

“Excluded Assets” shall mean:

(a) commercial tort claims where the amount of damages claimed by the applicable Loan Party is less than \$10,000;

(b) governmental licenses, state or local franchises, charters and authorizations and any other property and assets to the extent that the Administrative Agent may not validly possess a security interest therein under applicable Requirements of Law (including, without limitation, rules and regulations of any Governmental Authority or agency) or the pledge or creation of a security interest in which would require governmental consent, approval, license or authorization that has not been obtained, other than to the extent such prohibition or limitation on possessing a security interest therein is rendered ineffective under the UCC or other applicable Requirements of Law notwithstanding such prohibition or limitation;

(c) any license to the extent that a grant of a security interest therein is prohibited by applicable Requirements of Law other than to the extent such prohibition is rendered ineffective under the UCC or other applicable Requirements of Law notwithstanding such prohibition; and

(d) any contract, license, agreement, instrument or other document to the extent that the grant of a security interest therein is prohibited by, or constitutes a breach or default under or results in the termination of or gives rise to a right on the part of the parties thereto other than any grantor to terminate (or materially modify) or requires any consent not obtained under, any such contract, license, agreement, instrument or other document, except to the extent that the term in such contract, license, agreement, instrument or other document providing for such prohibition, breach, default or right of termination or modification or requiring such consent is ineffective under Sections 9-406, 9-407, 9-408 or 9-409 of the UCC (or any successor provision or provisions) of any relevant jurisdiction or any other applicable law; provided that no such prohibitions, requirements, restrictions or conditions described herein shall be agreed to in contemplation or for purposes of this provision.

provided, however, that Excluded Assets shall not include any proceeds, substitutions or replacements of any Excluded Assets (unless such Proceeds, substitutions or replacements would independently constitute Excluded Assets).

“Excluded Information” shall mean any non-public information with respect to the Borrower or its Subsidiaries or any of their respective securities to the extent such information could have a material effect upon, or otherwise be material to, an assigning Lender’s decision to assign Loans or a purchasing Lender’s decision to purchase Loans.

“Excluded Perfection Assets” shall mean:

(a) motor vehicles and other assets subject to certificates of title (in each case to the extent not constituting inventory) and airplanes; and

(b) letter of credit rights, except to the extent constituting support obligations for other Collateral as to which perfection of the security interest in such other Collateral is accomplished solely by the filing of a UCC financing statement or another method that is required by the Security Documents for such other Collateral.

“Excluded Taxes” shall mean any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient: (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the

laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan or Commitment or in this Agreement (other than pursuant to an assignment request by the Borrower under Section 2.14) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 2.11, amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient's failure to comply with Section 2.11(g) and (d) any U.S. federal withholding Taxes imposed under FATCA.

"Executive Order No. 13224" shall mean the Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001, as the same as been, or shall hereafter be, renewed, extended, amended or replaced.

"Existing Letters of Credit" shall mean the letters of credit described in Annex A.

"FATCA" shall mean Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code, any intergovernmental agreement between a Governmental Authority and the United States of America with respect to the foregoing and any law, regulation or practice adopted pursuant to any such intergovernmental agreement.

"Federal Funds Effective Rate" shall mean, for any day, the rate *per annum* equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; *provided* that (i) if such day is not a Business Day, the Federal Funds Effective Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day and (ii) if no such rate is so published on such next succeeding Business Day, the Federal Funds Effective Rate for such day shall be the average rate charged to the Administrative Agent on such day on such transactions as determined by the Administrative Agent.

"Final Loan" shall mean a Final Loan made by a Lender pursuant to Section 2.01(b).

"Final Order" shall mean, an order of the Bankruptcy Court authorizing and approving this Agreement pursuant to Section 364(c) and (d), among others, of the Bankruptcy Code and Bankruptcy Rule 4001 and providing other relief, in form and substance satisfactory to the Administrative Agent and the Required Lenders in their sole discretion, among other things, finding that the Lenders are extending credit to the Borrower in good faith pursuant to Section 364(e) of the Bankruptcy Code and waiving the provisions of Section 506(c) of the Bankruptcy Code, which order shall not have been (a) vacated, reversed, or stayed, or (b) amended or

modified, except as otherwise agreed to in writing by the Administrative Agent and the Required Lenders in their respective sole discretion.

“Final Order Commitment” shall mean, as to any Lender, the obligation of such Lender, if any, to make a Final Loan to the Borrower hereunder in a principal amount not to exceed the amount set forth under the heading “Final Order Commitment” opposite such Lender’s name on Annex A. The aggregate principal amount of the Final Order Commitments of all Lenders, together with the Interim Order Commitments of all Lenders, on the Final Order Funding Date is \$9,400,000.

“Final Order Funding Date” shall mean the date on which the conditions precedent set forth in Section 4.02 shall have been satisfied or waived, which date shall be not later than 2:00 p.m., New York City time, on the Business Day following entry of the Final Order by the Bankruptcy Court.

“Flood Insurance Regulations” shall mean (i) the National Flood Insurance Act of 1968 as now or hereafter in effect or any successor statute thereto, (ii) the Flood Disaster Protection Act of 1973 as now or hereafter in effect or any successor statute thereto, (iii) the National Flood Insurance Reform Act of 1994 (amending 42 USC 4001, et seq.), as the same may be amended or recodified from time to time, (iv) the Flood Insurance Reform Act of 2004 and any regulations promulgated thereunder and (e) the Biggert-Waters Flood Insurance Reform Act of 2012 and the regulations issued in connection therewith by the Office of the Comptroller of the Currency, the Federal Reserve Board and other Governmental Authorities.

“Foreign Lender” shall mean a Lender that is not a U.S. Person.

“Funded Debt” shall mean, with respect to any Person, all Indebtedness of such Person of the types described in clauses (a) through (e) and, solely with respect to letters of credit, bankers’ acceptances and similar facilities that have been drawn but not yet reimbursed, clause (f) of the definition of “Indebtedness” to the extent reflected as a liability on the balance sheet in accordance with IFRS.

“Governmental Act” shall mean any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or Governmental Authority.

“Governmental Authority” shall mean the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“Governmental Authorization” shall mean any permit, license, authorization, certification, registration, approval, clearance, plan, directive, marking, consent order or consent decree of or from any Governmental Authority.

“GP Guarantor” shall mean Parallel GP.

“Grantor” shall mean any Loan Party that is party to the Guarantee and Collateral Agreement.

“Guarantee and Collateral Agreement” shall mean the Guarantee and Collateral Agreement, dated as of the date hereof and executed and delivered by the Borrower and the GP Guarantor, as the same may be amended, restated, amended and restated, supplemented or otherwise modified from time to time.

“Guarantee Obligation” shall mean, with respect to any Person (the “guaranteeing person”), any obligation of (a) the guaranteeing person or (b) another Person (including any bank under any letter of credit), if to induce the creation of which the guaranteeing person has issued a reimbursement, counterindemnity or similar obligation, in either case guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations (the “primary obligations”) of any other third Person (the “primary obligor”) in any manner, whether directly or indirectly, including, without limitation, any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any Property constituting direct or indirect security therefor, (ii) to advance or supply funds (A) for the purchase or payment of any such primary obligation or (B) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase Property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; *provided, however*, that the term “Guarantee Obligation” shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the lower of (1) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (2) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person’s maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith.

“Guarantors” shall mean the collective reference to the Borrower and the GP Guarantor.

“Holdings” shall have the meaning set forth in the preamble hereto.

“Highest Lawful Rate” shall mean the maximum lawful interest rate, if any, that at any time or from time to time may be contracted for, charged, or received under the laws applicable to any Lender which are presently in effect or, to the extent allowed by law, under such applicable laws which may hereafter be in effect and which allow a higher maximum non-usurious interest rate than applicable laws now allow.

“Historical Audited Financial Statements” shall mean the audited consolidated balance sheets of Parallel Energy Trust and its Subsidiaries as at the end of the fiscal years ended 2012, 2013 and 2014 and the related consolidated statements of income or operations, changes in stockholders’ equity and cash flows for such fiscal years, including the notes thereto.

“Hydrocarbon Interests” means all rights, titles, interests and estates now or hereafter acquired in and to oil and gas leases, oil, gas and mineral leases, or other liquid or gaseous hydrocarbon leases, mineral fee interests, overriding royalty and royalty interests, net profit interests and production payment interests, including any reserved or residual interests of whatever nature.

“Hydrocarbons” means oil, gas, casinghead gas, drip gasoline, natural gasoline, condensate, distillate, liquid hydrocarbons, gaseous hydrocarbons and all products refined or separated therefrom.

“IAS” shall mean the International Accounting Standards of the International Accounting Standards Board, the independent standards-setting body of the International Financial Reporting Standards Foundation.

“IFRS” shall mean international accounting standards within the meaning of IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements delivered under or referred to herein.

“Indebtedness” shall mean, of any Person at any date, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of Property or services, including seller notes or earn-out obligations appearing on such Person’s balance sheet in accordance with IFRS (other than trade payables incurred in the ordinary course of such Person’s business), (c) all obligations of such Person evidenced by notes, bonds, debentures, loan agreements or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to Property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such Property), (e) all Capital Lease Obligations or Purchase Money Obligations of such Person, (f) all obligations of such Person, contingent or otherwise, as an account party or applicant under bankers’ acceptance, letter of credit or similar facilities, (g) all obligations of such Person in respect of Disqualified Equity Interests of such Person, (h) all Guarantee Obligations of such Person in respect of obligations of the kind referred to in clauses (a) through (g) above, and (i) all obligations of the kind referred to in clauses (a) through (h) above secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on Property (including, without limitation, accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such obligation.

“Indemnified Liabilities” shall have the meaning set forth in Section 9.05(b).

“Indemnified Taxes” shall mean (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Loan Party under any Loan Document and (b) to the extent not otherwise described in clause (a), Other Taxes.

“Indemnitee” shall have the meaning set forth in Section 9.05(b).

“Intellectual Property” shall mean the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States of America, state,

multinational or foreign laws or otherwise, including, without limitation, copyrights, copyright licenses, patents, patent licenses, trademarks, trademark licenses, service-marks, technology, know-how and processes, recipes, formulas, trade secrets, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

“Interest Payment Date” shall mean five Business Days following the last Business Day of each calendar month to occur while the Loans are outstanding, and the Maturity Date.

“Interim Funding Amount” shall mean the lesser of (a) \$5,400,000 and (b) the maximum amount approved by the Bankruptcy Court in the Interim Order to be made available to the Borrower on the Closing Date.

“Interim Order” shall mean, an interim order entered by the Bankruptcy Court in the Cases after an interim hearing and pursuant to the standards prescribed in Section 364 of the Bankruptcy Code, Bankruptcy Rule 4001 and other applicable law, substantially in the form attached hereto as Exhibit H or otherwise in form and substance satisfactory to the Administrative Agent and the Required Lenders in their respective sole discretion.

“Interim Loan” shall mean an Interim Loan made by a Lender pursuant to Section 2.01(a).

“Interim Order Commitment” shall mean, as to any Lender, the obligation of such Lender, if any, to make an Interim Loan to the Borrower hereunder in a principal amount not to exceed the amount set forth under the heading “Interim Order Commitment” opposite such Lender’s name on Annex A. The aggregate principal amount of the Interim Order Commitments on the Closing Date is \$5,400,000.

“Investment” shall mean, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of Equity Interests or debt or other securities of another Person, (b) a loan, advance or capital contribution to, guarantee or assumption of Indebtedness of, or purchase or other acquisition of any other debt or equity participation or interest in, another Person, including any partnership or joint venture interest in such other Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of all or substantially all of the property and assets or business of another Person or assets constituting a business unit, line of business or division of such Person. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

“IRS” shall mean the United States Internal Revenue Service.

“Lenders” shall have the meaning set forth in the preamble hereto, and shall include each Lender that has an Interim Order Commitment, Final Order Commitment or is the holder of an Interim Loan or a Final Loan.

“Lien” shall mean, with respect to any property, (a) any mortgage, deed of trust, lien (statutory or other), judgment liens, pledge, encumbrance, claim, charge, assignment,

hypothecation, deposit arrangement, security interest or encumbrance of any kind or any arrangement to provide priority or preference in the nature of a security interest or any filing of any financing statement under the UCC or any other similar notice of Lien under any similar notice or recording statute of any Governmental Authority, including any easement, servitude, right-of-way or other encumbrance on title to real property, in each of the foregoing cases whether voluntary or imposed or arising by operation of law, and any agreement to give any of the foregoing, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

“Loan Account” shall mean the deposit account held at CIBC in the name of the Borrower, which shall be pledged to the Collateral Agent for the benefit of the Secured Parties and shall be subject to terms, conditions and restrictions satisfactory to the Administrative Agent, and which account shall at all times be subject to the perfected lien created by the Interim Order or the Final Order, as applicable.

“Loan Documents” shall mean, collectively, (i) this Agreement, (ii) the Security Documents, (iii) the Escrow Agreement, (iv) the Existing Letters of Credit and (v) all other documents, certificates, instruments or agreements executed and delivered by or on behalf of a Loan Party for the benefit of any Agent or Lender in connection therewith or herewith on or after the date hereof.

“Loan Parties” shall mean, collectively, the Borrower and each Guarantor.

“Loans” shall mean the Interim Loans and the Final Loans.

“Margin Stock” shall have the meaning assigned to such term in Regulation U of the Board of Governors of the United States Federal Reserve System, or any successor thereto.

“Material Adverse Effect” shall mean a material adverse effect on and/or material adverse developments with respect to (a) the business, operations, properties, assets (including the Oil and Gas Properties of the Borrower or any of its Subsidiaries), or financial condition of the Loan Parties taken as a whole; (b) the ability of any Loan Party to fully and timely perform its Obligations; (c) the legality, validity, binding effect or enforceability against any Loan Party of this Agreement or any other Loan Document to which it is a party; or (d) the rights, remedies and benefits available to, or conferred upon, any Agent, any Lender or any other Secured Party under any Loan Document; provided that (i) the Cases and (ii) the impact on the Loan Parties’ revenues of declining hydrocarbon production (so long as such decline is consistent with the projection contained in Section 5 of the Restructuring Support Agreement), in each case, shall not constitute a Material Adverse Effect under clauses (a), (b) or (c) of this definition.

“Material Environmental Amount” shall mean an amount or amounts payable by any Loan Party, in the aggregate, in excess of \$100,000.

“Material Indebtedness” shall mean Indebtedness (other than the Obligations) of any Loan Party in an individual principal amount of \$50,000 or more.

“Materials of Environmental Concern” shall mean any material, substance or waste that is listed, regulated, or otherwise defined as hazardous, toxic, radioactive, a pollutant or a contaminant (or words of similar regulatory intent or meaning) under applicable Environmental Law, or which could give rise to liability under any Environmental Law, including but not limited to petroleum (including crude oil or any fraction thereof), petroleum by-products, toxic mold, polychlorinated biphenyls, urea-formaldehyde insulation, asbestos or asbestos-containing material, flammable or explosive substances, or pesticides.

“Maturity Date” shall mean the earliest to occur of (i) February 4, 2016, (ii) 30 days after entry of the Interim Order, if the Final Order has not been entered by such 30th day, among other things, containing such additional protections reasonably required by the Required Lenders, with only such modifications thereto as are satisfactory in form and substance to the Administrative Agent and the Required Lenders, (iii) the effective date of a Chapter 11 plan filed in the Cases that is confirmed pursuant to an order entered by the Bankruptcy Court, and (iv) the date on which all Loans shall become due and payable in full hereunder, whether by acceleration or otherwise; *provided* that, if any such day is not a Business Day, the Maturity Date shall be the Business Day immediately succeeding such day.

“Moody’s” shall mean Moody’s Investor Service, Inc. and any successor thereto.

“Mortgaged Properties” shall mean, as of the Final Order Funding Date, all Real Property (including the Oil and Gas Properties) of the Borrower and its Subsidiaries as to which the Collateral Agent for the benefit of the Secured Parties shall be granted a Lien pursuant to the Mortgages and the Final Order. However, notwithstanding any provision in this Agreement, any Mortgage, or any other Security Document to the contrary, in no event shall any Building (as defined in the applicable Flood Insurance Regulation) or Manufactured (Mobile) Home (as defined in the applicable Flood Insurance Regulation) be included in the definition of “Mortgaged Property” and no Building or Manufactured (Mobile) Home shall be encumbered by any Mortgage, Security Document or pursuant to the Final Order.

“Mortgages” shall mean each of the mortgages and deeds of trust made by any Loan Party, substantially in the form of Exhibit B (with such changes thereto as shall be advisable under the laws of the jurisdiction in which such mortgage or deed of trust is to be recorded), in favor of, or for the benefit of, the Collateral Agent for the benefit of the Secured Parties, as the same may be amended, supplemented, replaced or otherwise modified from time to time.

“Multiemployer Plan” shall mean a “multiemployer plan” as defined in Section 3(37) or Section 4001(a)(3) of ERISA.

“Non-Consenting Lender” shall mean any Lender that does not approve any consent, waiver or amendment that (i) requires the approval of each Lender or each affected Lender, in each case in accordance with the terms of Section 9.01 and (ii) has been approved by the Required Lenders.

“Non-Defaulting Lender” shall mean, at any time, each Lender that is not a Defaulting Lender at such time.

“Note” shall have the meaning set forth in Section 2.04(d).

“Obligations” shall mean the unpaid principal of and interest on (including, without limitation, interest accruing after the maturity of the Loans and interest accruing after the filing of any petition in bankruptcy, or the commencement of any proceeding under any Debtor Relief Law, relating to any Loan Party, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) the Loans and all other obligations and liabilities owed by any Loan Party to any Agent, the Arranger or any Lender, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement, any other Loan Document or any other document made, delivered or given in connection herewith or therewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including, without limitation, all fees, charges and disbursements of counsel to the Arranger, the Agents or any Lender that are required to be paid by the Borrower pursuant hereto) or otherwise.

“Oil and Gas Properties” means (a) Hydrocarbon Interests; (b) the Properties now or hereafter pooled or unitized with Hydrocarbon Interests; (c) all presently existing or future unitization, communitization, pooling agreements and declarations of pooled units and the units created thereby (including without limitation all units created under orders, regulations and rules of any Governmental Authority) which may affect all or any portion of the Hydrocarbon Interests; (d) all operating agreements, contracts and other agreements, including production sharing contracts and agreements, which relate to any of the Hydrocarbon Interests or the production, sale, purchase, exchange or processing of Hydrocarbons from or attributable to such Hydrocarbon Interests; (e) all Hydrocarbons in and under and which may be produced and saved or attributable to the Hydrocarbon Interests, including all oil in tanks, and all rents, issues, profits, proceeds, products, revenues and other incomes from or attributable to the Hydrocarbon Interests; (f) all tenements, hereditaments, appurtenances and Properties in any manner appertaining, belonging, affixed or incidental to the Hydrocarbon Interests and (g) all Properties, rights, titles, interests and estates described or referred to above, including any and all Property, real or personal, now owned or hereafter acquired and situated upon, used, held for use or useful in connection with the operating, working or development of any of such Hydrocarbon Interests or Property (excluding drilling rigs, automotive equipment, rental equipment or other personal Property which may be on such premises for the purpose of drilling a well or for other similar temporary uses) and including any and all oil wells, gas wells, injection wells or other wells, buildings, structures, fuel separators, liquid extraction plants, plant compressors, pumps, pumping units, field gathering systems, tanks and tank batteries, fixtures, valves, fittings, machinery and parts, engines, boilers, meters, apparatus, equipment, appliances, tools, implements, cables, wires, towers, casing, tubing and rods, surface leases, rights-of-way, easements and servitudes together with all additions, substitutions, replacements, accessions and attachments to any and all of the foregoing.

“Operating Account” shall mean the deposit account held at CIBC in the name of the Borrower, which account shall be pledged to the Collateral Agent for the benefit of the Secured Parties and shall be subject to terms, conditions and restrictions satisfactory to the Administrative Agent, and which shall at all times be subject to the perfected lien created by the Interim Order or the Final Order, as applicable.

“Operator” means a Person who assumes responsibility for the physical operation and control of a well with respect to any Oil and Gas Properties.

“Organizational Documents” shall mean, collectively, with respect to any Person, (i) in the case of any corporation, the certificate of incorporation or articles of incorporation and by-laws (or similar constitutive documents) of such Person, (ii) in the case of any limited liability company, the certificate or articles of formation or organization and operating agreement or memorandum and articles of association (or similar constitutive documents) of such Person, (iii) in the case of any limited partnership, the certificate of formation and limited partnership agreement (or similar constitutive documents) of such Person (and, where applicable, the equity holders or shareholders registry of such Person), (iv) in the case of any general partnership, the partnership agreement (or similar constitutive document) of such Person, (v) in any other case, the functional equivalent of the foregoing, and (vi) any shareholder, voting trust or similar agreement between or among any holders of Equity Interests of such Person.

“Other Connection Taxes” shall mean, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

“Other Taxes” shall mean all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 2.14).

“Participant” shall have the meaning set forth in Section 9.06(d).

“Participant Register” shall have the meaning set forth in Section 9.06(d).

“PATRIOT Act” shall mean the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), as the same has been, or shall hereafter be, renewed, extended, amended or replaced.

“Payment in Full” shall mean (a) the termination of all Commitments and (b) the payment in full in cash of all Loans and other amounts owing to any Lender, any Agent or the Arranger in respect of the Obligations (other than contingent or indemnification obligations not then due).

“Payment Office” shall mean the office specified from time to time by the Administrative Agent as its payment office by notice to the Borrower and the Lenders.

“Permits” shall mean any and all franchises, licenses, leases, permits, approvals, notifications, certifications, registrations, authorizations, exemptions, qualifications, easements, and rights of way.

“Permitted Liens” shall mean the collective reference to Liens permitted by Section 6.02.

“Person” shall mean any natural Person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“Platform” shall mean Debt Domain, IntraLinks, SyndTrak or a substantially similar electronic transmission system.

“Pledged Accounts” shall mean the Loan Account, the Operating Account and the Escrow Account and each other deposit account held at any deposit bank in the name of the Loan Parties and subject to a deposit account control agreement in form and substance satisfactory to the Administrative Agent and the Lenders.

“Pledged Equity Interests” shall have the meaning set forth in the Guarantee and Collateral Agreement.

“Post-Default Carve-Out Cap” has the meaning specified in the Interim Order or Final Order, as applicable; provided that, after the payment of all the Debtors’ Professionals allowed fees in accordance with the Budget (as defined in the Interim Order or Final Order) and the Committee’s Professionals allowed fees in accordance with the Budget (as defined in the Interim Order or Final Order) up to the Carve-Out Cap, to the extent there remains any unused retainers held by such professionals, such unused retainers shall be returned first to the Secured Parties until the Obligations are indefeasibly paid in full in cash and second to the Prepetition Secured Parties until the Prepetition Credit Obligations are indefeasibly paid in full in cash.

“Pre-Funded Amounts” shall have the meaning set forth in Section 2.01(d).

“Prepetition Agent” shall have the meaning set forth in the recitals.

“Prepetition Credit Agreement” shall have the meaning set forth in the recitals.

“Prepetition First Priority Liens” means the Liens granted to the Prepetition Agent, for the benefit of itself and the other Prepetition Secured Parties, to secure the Prepetition Credit Obligations.

“Prepetition Lenders” shall have the meaning set forth in the recitals.

“Prepetition Credit Obligations” means collectively, all “Secured Obligations,” as defined in the Prepetition Credit Agreement, owed by the Loan Parties in connection with the Syndicated Facility (as defined in the Prepetition Credit Agreement).

“Prepetition Required Lenders” means, collectively, the “Majority Lenders” as defined in the Prepetition Credit Agreement.

“Prepetition Secured Parties” means, collectively, the Prepetition Agent and the Prepetition Lenders.

“Prepetition Senior Permitted Encumbrances” has the meaning specified in the Interim Order or Final Order, as applicable.

“Proceeds” shall mean (a) in connection with any Asset Sale or any Recovery Event, all proceeds thereof in any form (including, without limitation, cash, Cash Equivalents, Equity Interests, other securities and other assets, property, claims and interests of any type) as and when received at any time by any Loan Party (including, without limitation and for the avoidance of doubt, any proceeds released from the Escrow Account), net of reasonable attorneys’ fees payable in connection therewith, taxes paid (or reasonably estimated to be payable (taking into account any available tax credits and deductions and tax sharing arrangements)) in connection therewith and customary fees and expenses actually incurred in connection therewith and (b) in connection with any issuance of Equity Interests or issuance or sale of debt securities or instruments or the incurrence of Indebtedness, the cash proceeds received from such issuance or incurrence.

“Property” shall mean any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible, including, without limitation, Equity Interests. “Purchase Money Obligation” shall mean, for any Person, the obligations of such Person in respect of Indebtedness (including Capital Lease Obligations) incurred for the purpose of financing all or any part of the purchase price of any fixed or capital assets or the cost of installation, construction or improvement of any fixed or capital assets; *provided, however*, that (i) such Indebtedness is incurred within 30 days after such acquisition, installation, construction or improvement of such fixed or capital assets by such Person and (ii) the amount of such Indebtedness does not exceed the lesser of 100% of the fair market value of such fixed or capital asset or the cost of the acquisition, installation, construction or improvement thereof, as the case may be.

“Purchase and Sale Agreement” shall mean that certain Purchase and Sale Agreement dated as of or around the date hereof, between the Borrower and Scout Energy Group II, LP relating to the purchase of substantially all of the assets of the Borrower and the GP Guarantor in a 363 Sale.

“Qualified Equity Interests” shall mean Equity Interests that are not Disqualified Equity Interests.

“Real Property” shall mean all real property held or used by any Loan Party, which relevant Loan Party owns in fee or in which it holds a leasehold interest as a tenant, including as of the Closing Date.

“Recipient” shall mean (a) each Agent and (b) any Lender, as applicable.

“Recovery Event” shall mean the receipt by any Loan Party of any cash payments or proceeds under any casualty insurance policy in respect of a covered loss thereunder or as a result of the taking of any assets of any Loan Party by any Person pursuant to the power of eminent domain, condemnation or otherwise, or pursuant to a sale of any such assets to a purchaser with such power under threat of such a taking.

“Register” shall have the meaning set forth in Section 9.06(c).

“Regulation D” shall mean Regulation D of the Board of Governors as in effect from time to time.

“Regulation H” shall mean Regulation H of the Board of Governors as in effect from time to time.

“Regulation T” shall mean Regulation T of the Board of Governors as in effect from time to time.

“Regulation U” shall mean Regulation U of the Board of Governors as in effect from time to time.

“Regulation X” shall mean Regulation X of the Board of Governors as in effect from time to time.

“Related Parties” shall mean, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person’s Affiliates.

“Release” shall mean, with respect to Materials of Environmental Concern, any release, spill, emission, leaking, pumping, pouring, injection, escaping, deposit, disposal, discharge, dispersal, dumping, leaching or migration into or through the indoor or outdoor environment (including the abandonment or disposal of any barrels, containers or other closed receptacles containing any Materials of Environmental Concern).

“Required Lenders” shall mean, at any time, Lenders having Total Credit Exposures representing more than 66 2/3% of the Total Credit Exposures of all Lenders. The Total Credit Exposure of any Defaulting Lender shall be disregarded in determining Required Lenders at any time.

“Requirement of Law” shall mean, as to any Person, such Person’s Organizational Documents, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its Property or to which such Person or any of its Property is subject.

“Responsible Officer” shall mean, as to any Person, the chief executive officer, president or chief financial officer of such Person, but in any event, with respect to financial matters, the chief financial officer of such Person. Unless otherwise qualified, all references to a “Responsible Officer” shall refer to a Responsible Officer of the Borrower.

“Restricted Payment” shall mean any dividend or other distribution (whether in cash, securities or other property) with respect to any capital stock or other Equity Interest of any Person, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, defeasance, acquisition, cancellation or termination of any such capital stock or other Equity Interest, or on account of any return of capital to any Person’s stockholders, partners or members (or the equivalent of any thereof), or any option, warrant or other right to acquire any such dividend or other distribution or payment.

“Restructuring Support Agreement” means that certain Restructuring Support Agreement, dated as of or around the date hereof, by and among Parallel Energy Trust, Parallel

Energy Commercial Trust, the Debtors, each of the lenders party thereto, and CIBC, as administrative agent.

“S&P” shall mean Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., and any successor thereto.

“Sale and Leaseback” shall have the meaning set forth in Section 6.09.

“Sale Order” shall mean the order entered by the Bankruptcy Court in form and substance satisfactory to the Purchaser, the Administrative Agent and the Required Lenders, in their respective sole discretion, among other things, approving the 363 Sale.

“Sale Procedures Order” shall mean an order approving (a) the bidding procedures to be applicable to the 363 Sale and (b) subject to higher and better bids, the 363 Asset Purchase Agreement, or such other asset purchase agreement with a third-party purchaser, which other asset purchase agreement and which third party purchaser shall be acceptable to the Lenders in their sole discretion.

“Sanctioned Country” shall mean, at any time, a country or territory that is subject to comprehensive Sanctions. For the avoidance of doubt, as of the Closing Date, Sanctioned Countries are the Crimea region of Ukraine, Cuba, Iran, North Korea, Syria and Sudan.

“Sanctioned Person” shall mean, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State, or by the United Nations Security Council, the European Union or any EU member state, (b) any Person operating, organized or resident in a Sanctioned Country or (c) any Person owned or controlled by any such Person.

“Sanctions” shall mean economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State.

“SEC” shall mean the Securities and Exchange Commission or any Governmental Authority succeeding to any of its principal functions.

“Secured Parties” shall have the meaning set forth in the Guarantee and Collateral Agreement.

“Securities Act” shall mean the Securities Act of 1933, as amended from time to time, and any successor statute.

“Security Documents” shall mean the collective reference to the Guarantee and Collateral Agreement, the Mortgages, any control agreements over the Pledged Accounts and any other control agreements required to be delivered pursuant to the Guarantee and Collateral Agreement or any other Loan Document, and all other security documents hereafter delivered to any Agent for the purpose of granting or perfecting a Lien on any Property of any Loan Party to secure the Obligations.

“Single Employer Plan” shall mean any “employee pension benefit plan” as such term is defined in Section 3(2) of ERISA that is covered by Title IV of ERISA, but which is not a Multiemployer Plan.

“Spot Rate” shall have the meaning set forth in Section 1.06.

“Subsidiary” shall mean, as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a “Subsidiary” or to “Subsidiaries” in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

“Taxes” shall mean all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other similar charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Total Credit Exposure” shall mean, as to any Lender at any time, the outstanding Loans of such Lender at such time.

“Loan Commitment” shall mean the Final Order Commitment less the Interim Funding Amount.

“Transactions” shall mean collectively, the transactions to occur on or prior to the Final Order Funding Date in connection with the Loan Documents, including (a) the execution, delivery and performance of the Loan Documents, the initial and final borrowings hereunder and the use of proceeds thereof; (b) the filing by the Loan Parties of voluntary petitions under Chapter 11 of the Bankruptcy Code commencing the Cases; and (c) the payment of all fees and expenses to be paid on or prior to the Final Order Funding Date and owing in connection with the foregoing, and the other transactions contemplated hereby.

“Undisclosed Administration” shall mean in relation to a Lender the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official by a supervisory authority or regulator under or based on the law in the country where such Lender is subject to home jurisdiction supervision if applicable law requires that such appointment is not to be publicly disclosed.

“Uniform Commercial Code” or “UCC” shall mean the Uniform Commercial Code, as in effect from time to time in any applicable jurisdiction.

“U.S. Person” shall mean any Person that is a “United States person” as defined in Section 7701(a)(30) of the Code.

“U.S. Tax Compliance Certificate” shall have the meaning set forth in Section 2.11(g).

“Variance Report” shall mean a variance report showing actual cash receipts and actual expenditures for each line item in the Budget covering each of the previous calendar week and the previous four calendar weeks, and comparing the foregoing amounts with the budgeted cash receipts and budgeted expenditures, respectively, set forth in the Budget for such line item during such one week period. The Variance Report shall include an explanation as to any variance identified in such report in accordance with the foregoing that is greater than \$5,000 or varies by 10% from the budgeted amount. Such explanation shall include, among other things, whether such variance is permanent or relates solely to timing and, to the extent related to timing, when such variance is expected to be corrected.

“Variance Testing Date” shall have the meaning set forth in Section 5.15.

“Withdrawal Request” shall mean a notice delivered by the Borrower to the Administrative Agent in substantially the form of Exhibit I, requesting a withdrawal of funds from the Loan Account.

“Withholding Agent” shall mean any Loan Party and the Administrative Agent.

Section 1.02 Other Interpretive Provisions. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The word “will” shall be construed to have the same meaning and effect as the word “shall.” Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document (including any Organizational Document) shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person’s permitted successors and assigns, (iii) the words “hereto,” “herein,” “hereof” and “hereunder,” and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof, (iv) all references in a Loan Document to Articles, Sections, recitals, Annexes, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and recitals, Annexes, Exhibits and Schedules to, the Loan Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time and (vi) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word “from” shall mean “from and excluding”, the words “to” and “until” each mean “to but excluding” and the word “through” shall mean “to and including”.

(c) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

Section 1.03 Accounting Terms.

(a) Generally. All accounting terms not specifically defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, IFRS applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the Historical Audited Financial Statements, except as otherwise specifically prescribed herein. Notwithstanding the foregoing, for purposes of determining compliance with any covenant (including the computation of any financial covenant) contained herein, Indebtedness of the Borrower and its Subsidiaries shall be deemed to be carried at 100% of the outstanding principal amount thereof, and the effects of IAS 39 and IAS 32 on financial liabilities shall be disregarded.

Section 1.04 Rounding. Any financial ratios required to be maintained by the Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

Section 1.05 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

Section 1.06 Currency Equivalents Generally. Any amount specified in this Agreement (other than in Article II, Article VIII and Article IX) or any of the other Loan Documents to be in Dollars shall also include the equivalent of such amount in any currency other than Dollars, such equivalent amount thereof in the applicable currency to be determined by the Administrative Agent at such time on the basis of the Spot Rate for the purchase of such currency with Dollars. The “Spot Rate” for a currency means the rate determined by the Administrative Agent to be the rate quoted by the Person acting in such capacity as the spot rate for the purchase by such Person of such currency with another currency through its principal foreign exchange trading office at approximately 11:00 a.m. on the date two Business Days prior to the date of such determination; *provided* that the Administrative Agent may obtain such spot rate from another financial institution designated by the Administrative Agent if the Person acting in such capacity does not have as of the date of determination a spot buying rate for any such currency.

ARTICLE II LOANS

Section 2.01 Commitments.

(a) Interim Order Loans. Subject to the terms and conditions set forth herein, each Lender agrees, severally and not jointly, to make an Interim Loan to the Borrower on the Closing Date in an amount equal to the Interim Order Commitment of such Lender.

(b) Final Order Commitments. Subject to the terms and conditions set forth herein, each Lender agrees, severally and not jointly, to make a Final Loan to the Borrower on the Final Order Funding Date in an amount equal to the Final Order Commitment of such Lender.

(c) The Borrower may make only one borrowing under the Interim Order Commitment and one borrowing under the Final Order Commitment. The borrowing under the Interim Order Commitment shall be on the Closing Date and the borrowing under the Final Order Commitment shall be on the Final Order Funding Date. All proceeds of the Interim Loans and the Final Loans shall be wired directly to the Loan Account upon receipt thereof by the Administrative Agent. All cash and Cash Equivalents received by any Loan Party prior to repayment in full of the Loans shall be deposited into the Loan Account. Amounts in the Loan Account will be disbursed from such account from time to time by the Administrative Agent, as set forth in Section 2.01(d), solely to fund the Cases and the business of the Debtors, subject to and in accordance with the Budget (subject to any variance permitted by Section 5.15), the Interim Order and the Final Order, as applicable. The Loan Account will receive the proceeds of draws made under the Credit Facilities and all other funds received by any Loan Party. Funds shall be withdrawn from the Loan Account only to fund the Operating Account, solely in order for the Borrower to make payments in accordance with the Budget, Interim Order and the Final Order, and only to the extent no Default or Event of Default has occurred and is continuing at the time of such withdrawal.

(d) The Borrower may deliver to the Administrative Agent a Withdrawal Request no later than 12:00 p.m. on any Variance Testing Date. Subject to Section 4.02, and subject to its receipt of a Withdrawal Request (and after a reasonable period of time for examining the contents thereof), the Administrative Agent shall transfer amounts held in the Loan Account (the "Pre-Funded Amounts") in an aggregate principal amount equal to the amount specified in such Withdrawal Request to the account of the Borrower specified in such Withdrawal Request solely to fund payments due and payable in accordance with the Budget, the Interim Order and the Final Order, the proceeds of which shall be deposited into the Operating Account.

(e) Any amount borrowed under this Section 2.01 and subsequently repaid or prepaid may not be reborrowed. Subject to Section 2.06 and Section 2.07, all amounts owed hereunder with respect to the Loans shall be paid in full no later than the Maturity Date. Each Lender's Interim Order Commitment shall terminate immediately and without further action on the Closing Date after giving effect to the funding of such Lender's Interim Order Commitment on the Closing Date and each Lender's Final Order Commitment shall terminate

immediately and without further action on the Final Order Funding Date after giving effect to the funding of such Lender's Final Order Commitment on the Final Order Funding Date.

Section 2.02 Procedure for Borrowings.

(a) The Borrower shall deliver to the Administrative Agent a fully executed Borrowing Notice no later than two Business Days in advance of the proposed Borrowing Date (or such shorter period as may be acceptable to the Administrative Agent). The Administrative Agent shall promptly advise the applicable Lenders of any notice given pursuant to this Section 2.02 (and the contents thereof), and of each Lender's portion of the requested borrowing.

(b) Upon satisfaction or waiver of the conditions precedent specified herein, each Lender shall make its Loan available to the Administrative Agent not later than 12:00 p.m. (New York City time) on the applicable Borrowing Date by wire transfer of same day funds in Dollars, at the principal office designated by the Administrative Agent. Upon satisfaction or waiver of the conditions precedent specified herein, the Administrative Agent shall deposit the proceeds of the Loans in the Loan Account and shall make the proceeds available to the Borrower on the applicable Borrowing Date subject to the requirements set forth in Section 2.01(c) hereof, by causing an amount of same day funds in Dollars equal to the proceeds of all such Loans received by Administrative Agent from the Lenders to be credited to the Loan Account.

Section 2.03 Repayment of Loans.

(a) The Borrower shall repay to the Lenders the aggregate principal amount of all Loans outstanding on the Maturity Date and shall be in an amount equal to the aggregate principal amount of all Loans outstanding on such date.

Section 2.04 Repayment of Loans; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay to the Administrative Agent, for the account of the appropriate Lender the principal amount of each Loan of such Lender as set forth in Section 2.03 (or on such earlier date on which the Loans become due and payable pursuant to Section 7.02).

(b) Lenders' Evidence of Debt. Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the Obligations of the Borrower to such Lender, including the amounts of the Loans made by it and each repayment and prepayment in respect thereof. Any such recordation shall be conclusive and binding on the Borrower, absent manifest error; *provided* that the failure to make any such recordation, or any error in such recordation, shall not affect any Lender's Commitments or the Borrower's Obligations in respect of any applicable Loans; *provided, further*, in the event of any inconsistency between the Register and any Lender's records, the recordations in the Register shall govern.

(c) Register. The Administrative Agent (or its agent or sub-agent appointed by it) shall maintain the Register pursuant to Section 9.06(c), and a subaccount therein for each Lender, in which shall be recorded (i) the amount of each Loan made hereunder and any Note evidencing such Loan, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of

any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof. The entries made in the Register shall be conclusive and binding on the Borrower and each Lender, absent manifest error; *provided* that failure to make any such recordation, or any error in such recordation, shall not affect the Borrower's Obligations in respect of any Loans. The Borrower hereby designates the Administrative Agent to serve as the Borrower's non-fiduciary agent solely for purposes of maintaining the Register as provided in this Section 2.04(c), and the Borrower hereby agrees that, to the extent the Administrative Agent serves in such capacity, the Administrative Agent and its officers, directors, employees, agents, sub-agents and affiliates shall constitute "Indemnites."

(d) Notes. The Borrower agrees that, upon the request to the Administrative Agent by any Lender, the Borrower will promptly execute and deliver to such Lender a promissory note of the Borrower evidencing any Loans of such Lender, substantially in the forms of Exhibit E (a "Note"), with appropriate insertions as to date and principal amount; *provided* that the obligations of the Borrower in respect of each Loan shall be enforceable in accordance with the Loan Documents whether or not evidenced by any Note.

Section 2.05 Fees.

(a) The Borrower agrees to pay on the Maturity Date to each Lender party to this Agreement as a Lender on the Closing Date, as fee compensation for the providing of such Lender's Loan, an arranger fee in an amount equal to 2.00% of the stated principal amount of such Lender's Loan, payable to such Lender from the proceeds of its Loan as and when funded on the Closing Date and the Final Order Funding Date. Such arranger fees shall be in all respects fully earned upon entry of the Interim Order, due and payable on the Maturity Date and non-refundable and non-creditable thereafter.

(b) The Borrower agrees to pay to the Administrative Agent (i) an annual administrative agent fee in an amount equal to \$100,000, which fee shall be earned by, and payable to, CIBC annually in advance for so long as the Credit Facility remains outstanding with the first installment due on the Closing Date, and (ii) the fees in the amounts and on the dates from time to time agreed to in writing by the Borrower and the Administrative Agent.

Section 2.06 Mandatory Prepayments and Commitment Reductions.

(a) Asset Sales. Immediately upon consummation of any Asset Sale or the release to the Borrower of any funds from the Escrow Account, the Borrower shall prepay the Loans in an aggregate amount equal to the Proceeds thereof and such Proceeds together with any other consideration therefor shall be delivered to the Administrative Agent for the benefit of the Lenders.

(b) Recovery Events. Immediately upon receipt by any Loan Party or by the Administrative Agent as loss payee, of any Proceeds of any Recovery Event, the Borrower shall prepay the Loans in an aggregate amount equal to such Proceeds.

(c) Issuance of Debt. No later than the date of receipt by any Loan Party of any Proceeds from the incurrence of any Indebtedness of any Loan Party (other than with respect to any Indebtedness permitted to be incurred pursuant to Section 6.01), the Borrower

shall prepay the Loans as set forth in Section 2.07(a) in an aggregate amount equal to 100% of such Proceeds.

Section 2.07 Application of Payments.

(a) Application of Mandatory Prepayments. Any amount paid or required to be paid pursuant to Section 2.06(a) through Section 2.06(c) shall be applied to prepay the Loans on a pro rata basis (in accordance with the respective outstanding principal amounts thereof);

Section 2.08 Interest Rates and Payment Dates. Each Loan shall bear interest for each day on which it is outstanding at a rate *per annum* equal to the Applicable Margin. Automatically, after the occurrence and during the continuance of an Event of Default the Borrower shall pay interest on all amounts (whether or not past due) owing by it hereunder at a rate *per annum* at all times, after as well as before judgment, equal to the rate otherwise applicable to such Loan pursuant to this Section 2.08, as applicable, plus 2.00% per annum from the date of such Event of Default until such Event of Default is cured or waived.

Section 2.09 Payments Generally; Administrative Agent's Clawback.

(a) General. All payments to be made by the Borrower hereunder, whether on account of principal, interest, fees or otherwise, shall be made free and clear of and without condition or deduction for any counterclaim, defense, recoupment or setoff. All payments by the Borrower hereunder shall be made to the Administrative Agent, for the account of the respective Lenders to which such payment is owed, at the Payment Office, in Dollars and in immediately available funds prior to 1:00 p.m. (New York City time) on the date specified herein. Any payment made by the Borrower hereunder that is received by the Administrative Agent after 1:00 p.m. (New York City time) on any Business Day shall be deemed to have been received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. The Administrative Agent shall distribute such payments to the Lenders by wire transfer promptly upon receipt in like funds as received. If any payment hereunder becomes due and payable on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be. In the case of any extension of any payment of principal pursuant to the preceding sentence, interest thereon shall be payable at the then applicable rate during such extension.

(b) Reserved.

(c) Reserved.

(d) Obligations of Lenders Several. The obligations of the Lenders hereunder to make Loans and to make payments pursuant to Section 9.05(c) are several and not joint. The failure of any Lender to make any Loan, to fund any such participation or to make any payment under Section 9.05(c) on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan, to purchase its participation or to make its payment under Section 9.05(c).

(e) Funding Source. Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

(f) Insufficient Funds. If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied (i) first, toward payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, toward payment of principal then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal then due to such parties.

Section 2.10 Increased Costs; Capital Adequacy.

(a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement reflected in the Eurodollar Rate);

(ii) subject any Recipient to any Taxes (other than (A) Indemnified Taxes, (B) Excluded Taxes and (C) Connection Income Taxes) on its Loans, Loan principal or other Obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on any Lender or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement or Loans made by such Lender or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender or such other Recipient, by an amount which such Lender or such other Recipient deems to be material, of making, converting to, continuing or maintaining any Loan, or to increase the cost to such Lender or such other Recipient of participating in, or to reduce the amount of any sum received or receivable by such Lender or other Recipient hereunder (whether of principal, interest or any other amount) then, upon the request of such Lender or other Recipient, the Borrower will promptly pay to such Lender or other Recipient, as the case may be, such additional amount or amounts as will compensate such Lender or other Recipient, as the case may be, for such additional costs incurred or reduction suffered. If any Lender becomes entitled to claim any additional amounts pursuant to this Section 2.10, it shall promptly notify the Borrower (with a copy to the Administrative Agent) of the event by reason of which it has become so entitled.

(b) If any Lender determines that any Change in Law affecting such Lender or any lending office of such Lender or such Lender's holding company, if any, regarding capital or liquidity requirements, has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by, such Lender to a

level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered on an after-tax basis.

(c) A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in Section 2.10(a) or Section 2.10(b) and delivered to the Borrower (with a copy to the Administrative Agent), shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender to demand compensation pursuant to this Section 2.10 shall not constitute a waiver of such Lender's right to demand such compensation; *provided* that the Borrower shall not be required to compensate a Lender pursuant to this Section 2.10 for any increased costs incurred or reductions suffered more than nine months prior to the date that such Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions, and of such Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

(e) The obligations of the Borrower pursuant to this Section 2.10 shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

Section 2.11 Taxes.

(a) Defined Terms. For purposes of this Section 2.11, the term "applicable law" includes FATCA.

(b) Payments Free of Taxes. Any and all payments by or on account of any obligation of any Loan Party under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by the applicable Loan Party shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section 2.11) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(c) Payment of Other Taxes by the Loan Parties. The Loan Parties shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(d) Indemnification by the Loan Parties. The Loan Parties shall jointly and severally indemnify each Recipient, within ten (10) days after written demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 2.11) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable out-of-pocket expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority; *provided* that the Loan Parties shall not be required to compensate any Recipient pursuant to this Section 2.11(d) for any interest, additions to tax or penalties that accrue more than 180 days after the date such Recipient first receives notice of the relevant Indemnified Taxes. Any Recipient claiming indemnity pursuant to this Section 2.11(d) shall notify the Loan Parties of the imposition of the relevant Indemnified Taxes as soon as practicable after the Recipient becomes aware of such imposition. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender or Agent (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender or Agent, shall be conclusive absent manifest error.

(e) Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent, within ten (10) days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that any Loan Party has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Loan Parties to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 9.06(d) relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this Section 2.11(e).

(f) Evidence of Payments. As soon as practicable after any payment of Taxes by any Loan Party to a Governmental Authority pursuant to this Section 2.11, such Loan Party shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(g) Status of Lenders. (i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall

deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 2.11(g)(ii)(A), Section 2.11(g)(ii)(B) and Section 2.11(g)(ii)(D) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing,

(A) any Lender that is a U.S. Person shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed copies of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(1) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed copies of IRS Form W-8BEN or W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, executed copies of IRS Form W-8BEN or W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(2) executed copies of IRS Form W-8ECI;

(3) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit F-1 to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10-percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B)

of the Code or a “controlled foreign corporation” described in Section 881(c)(3)(C) of the Code (a “U.S. Tax Compliance Certificate”) and (y) executed copies of IRS Form W-8BEN or W-8BEN-E; or

(4) to the extent a Foreign Lender is not the beneficial owner, executed copies of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN or W-8BEN-E, a U.S. Tax Compliance Certificate substantially in the form of Exhibit F-2 or Exhibit F-3, IRS Form W-9 and/or other certification documents from each beneficial owner, as applicable; *provided* that, if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit F-4 on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed copies of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender’s obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this Section 2.11(g)(ii)(D), “FATCA” shall include any amendments made to FATCA after the date of this Agreement.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect it shall update such form or certification or promptly notify the Borrower and the Administrative Agent of legal inability to do so.

(h) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 2.11 (including by the payment of additional

amounts pursuant to this Section 2.11), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section 2.11 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this Section 2.11(h) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this Section 2.11(h), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this Section 2.11(h), the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This Section 2.11(h) shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(i) Survival. Each party's obligations under this Section 2.11 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Document.

Section 2.12 Pro Rata Treatment.

(a) Each borrowing of Loans by the Borrower and any reduction of the Commitments shall be allocated pro rata as among the Lenders.

(b) Each repayment by the Borrower in respect of principal or interest on the Loans and each payment in respect of fees or expenses payable hereunder shall be applied to the amounts of such obligations owing to the Lenders entitled thereto pro rata in accordance with the respective amounts then due and owing to such Lenders. Each mandatory prepayment by the Borrower of the Loans shall be applied pro rata in accordance with the respective principal amounts of the outstanding Loans then held by the Lenders.

(c) Each payment of the Loans shall be accompanied by accrued interest to the date of such payment on the amount paid.

Section 2.13 Defaulting Lenders.

(a) Defaulting Lender Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by applicable law:

(i) Waivers and Amendments. Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this

Agreement shall be restricted as set forth in Section 9.01(a) and the definition of “Required Lenders”.

(ii) Defaulting Lender Waterfall. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Section 7.02 or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 9.07 shall be applied at such time or times as may be determined by the Administrative Agent as follows: *first*, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; *second*, as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; *third*, if so determined by the Administrative Agent and the Borrower, to be held in a deposit account and released pro rata in order to satisfy such Defaulting Lender’s potential future funding obligations with respect to Loans under this Agreement; *fourth*, to the payment of any amounts owing to the Lenders as a result of any judgment of a court of competent jurisdiction obtained by any Lender against such Defaulting Lender as a result of such Defaulting Lender’s breach of its obligations under this Agreement; *fifth*, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender’s breach of its obligations under this Agreement; and *sixth*, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; *provided* that if (x) such payment is a payment of the principal amount of any Loans in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made at a time when the conditions set forth in Section 4.02 were satisfied or waived, such payment shall be applied solely to pay the Loans of all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of such Defaulting Lender until such time as all Loans are held by the Lenders pro rata in accordance with the Commitments. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(b) Defaulting Lender Cure. If the Borrower, the Administrative Agent and each non-Defaulting Lender agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein, that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans to be held pro rata by the Lenders in accordance with the Commitments under the Credit Facility, whereupon such Lender will cease to be a Defaulting Lender; *provided* that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; *provided, further*, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder

from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

Section 2.14 Mitigation Obligations; Replacement of Lenders.

(a) Designation of a Different Lending Office. If any Lender requests compensation under Section 2.10, or requires the Borrower to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.11, then such Lender shall (at the request of the Borrower) use reasonable efforts (subject to overall policy considerations of such Lender) to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the sole judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.10 or Section 2.11, as the case may be, in the future, and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) Replacement of Lenders. If any Lender requests compensation under Section 2.10, or if the Borrower is required to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.11 and, in each case, such Lender has declined or is unable to designate a different lending office in accordance with Section 2.14(a), or if any Lender is a Defaulting Lender or a Non-Consenting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 9.06), all of its interests, rights (other than its existing rights to payments pursuant to Section 2.10 or Section 2.11) and obligations under this Agreement and the related Loan Documents to an Eligible Assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); *provided* that any Non-Consenting Lender shall be deemed to have consented to the assignment and delegation of its interests, rights and obligations if it does not execute and deliver an Assignment and Assumption to the Administrative Agent within one Business Day after having received a request therefor; *provided, further*, that:

(i) the Borrower shall have paid to the Administrative Agent the assignment fee (if any) specified in Section 9.06;

(ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);

(iii) in the case of any such assignment resulting from a claim for compensation under Section 2.10 or payments required to be made pursuant to

Section 2.11, such assignment will result in a reduction in such compensation or payments thereafter;

(iv) such assignment does not conflict with applicable law; and

(v) in the case of any assignment resulting from a Lender becoming a Non-Consenting Lender, the applicable assignee shall have consented to the applicable amendment, waiver or consent.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

ARTICLE III REPRESENTATIONS AND WARRANTIES

To induce the Agents and the Lenders to enter into this Agreement and to make the Loans, the Borrower hereby represents and warrants to each Agent and each Lender as of the date of the entry of the Interim Order and upon each Credit Extension thereafter that:

Section 3.01 Existence, Qualification and Power. Each Loan Party (a) is duly incorporated or organized, validly existing and, as applicable, in good standing under the laws of the jurisdiction of its incorporation or organization, (b) has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to own or lease its assets and carry on its business as now conducted and (c) is duly qualified and licensed and, as applicable, in good standing under the laws of each jurisdiction where such qualification or license or, if applicable, good standing is required; except, in the case of clauses (b) and (c) above, where such failure could not reasonably be expected to have a Material Adverse Effect.

Section 3.02 Authorization; Enforceability. The Transactions to be entered into by each Loan Party are within such Loan Party's powers and have been duly authorized by all necessary corporate or other organizational action on the part of each such Loan Party. This Agreement has been duly executed and delivered by each Loan Party party hereto and constitutes, and each other Loan Document to which any Loan Party is to be a party, when executed and delivered by such Loan Party, will constitute, a legal, valid and binding obligation of such Loan Party, enforceable against such Loan Party in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally, regardless of whether considered in a proceeding in equity or at law.

Section 3.03 No Conflicts. Except as a result of the Cases, the Transactions (i) do not require any consent, exemption, authorization or approval of, registration or filing with, or any other action by, any Governmental Authority, except (A) such as have been obtained or made and are in full force and effect, (B) filings necessary to perfect or maintain the perfection or priority of the Liens created by the Security Documents and (C) consents, approvals, exemptions, authorizations, registrations, filings, permits or actions the failure of which to obtain or perform could not reasonably be expected to have a Material Adverse Effect, (ii) will not violate the Organizational Documents of any Loan Party, (iii) will not violate or result in a default or require any consent or approval under any indenture, instrument, agreement, or other document binding

upon any Loan Party or its property or to which any Loan Party or its property is subject, or give rise to a right thereunder to require any payment to be made by any Loan Party, except for violations, defaults or the creation of such rights that could not reasonably be expected to have a Material Adverse Effect, (iv) will not violate any Requirement of Law in any material respect and (v) will not result in the creation or imposition of any Lien on any property of any Loan Party, except Liens created by the Security Documents.

Section 3.04 Financial Statements; Budget; No Material Adverse Effect.

(a) The Borrower has heretofore delivered to the Agents and the Lenders the Budget. The Budget has been prepared in good faith by the Borrower based upon (i) the assumptions stated therein (which assumptions are believed by the Loan Parties on the date of delivery thereof, on the Closing Date and on the Final Order Funding Date to be reasonable), and (ii) the best information available to the Borrower and its Subsidiaries as of the date of delivery, the Closing Date and the Final Order Funding Date.

(b) Since the Petition Date, there has been no event, change, circumstance, condition, development or occurrence that has had, or could reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect.

Section 3.05 Intellectual Property. Each Loan Party owns or is licensed to use, free and clear of all Liens (other than Permitted Liens), all Intellectual Property, necessary for the conduct of its business as currently conducted, except for those which the failure to own or license, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

Section 3.06 Properties.

(a) Each Loan Party has good and defensible title to all its Oil and Gas Properties and good and marketable title to, or valid leasehold interests in, all its other property material to its business, free and clear of all Liens and irregularities, deficiencies and defects in title, except for Permitted Liens and minor irregularities, deficiencies and defects in title that, individually or in the aggregate, do not, and could not reasonably be expected to, interfere with its ability to conduct its business as currently conducted or to utilize such property for its intended purpose.

(b) The property of the Loan Parties (other than the Oil and Gas Properties which are addressed in Section 5.06), taken as a whole, (i) is in good operating order, condition and repair (ordinary wear and tear excepted), and (ii) constitutes all the property which is required for the business and operations of the Loan Parties as presently conducted.

(c) No Loan Party has ownership or leasehold (leased, subleased or otherwise occupied or utilized by any Loan Party, as lessee, sub-lessee, franchisee or licensee) interests in Real Property other than with respect to (i) Oil and Gas Properties and (ii) general office leasehold interests with net annualized aggregate rent obligations of \$170,000 or less.

(d) Each Loan Party owns or has rights to use all of its property and all rights with respect to any of the foregoing which are required for the business and operations of the

Loan Parties as presently conducted. The use by each Loan Party of its property and all such rights with respect to the foregoing do not infringe on the rights or other interests of any person, other than any infringement that could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. No claim has been made and remains outstanding that any Loan Party's use of any of its property does or may violate the rights of any third party that, individually or in the aggregate, has had, or could reasonably be expected to result in, a Material Adverse Effect.

(e) Except as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, there is no pending or threatened condemnation or eminent domain proceeding with respect to, or that could affect, any of the Real Property of any Loan Party.

(f) Other than pursuant to the Purchase and Sale Agreement and preferential purchase rights referenced in Exhibit H thereto, no Loan Party is obligated under, or a party to, any option, right of first refusal or other contractual right to sell, assign or dispose of any Oil and Gas Property or any portion thereof or interest therein.

Section 3.07 Equity Interests and Subsidiaries. Schedule 3.07 sets forth (i) each Loan Party and its jurisdiction of incorporation or organization as of the Closing Date and (ii) the number of each class of its Equity Interests authorized, and the number outstanding, on the Closing Date and the number of Equity Interests covered by all outstanding options, warrants, rights of conversion or purchase and similar rights on the Closing Date. All Equity Interests of each Loan Party are duly and validly issued and are fully paid and non-assessable, and, other than the Equity Interests of the Borrower and the GP Guarantor, are owned by the Borrower, directly or indirectly. Each Loan Party is the record and beneficial owner of, and has good and marketable title to, the Equity Interests pledged by (or purported to be pledged by) it under the Security Documents, free of any and all Liens, rights or claims of other persons, and, as of the Closing Date, there are no outstanding warrants, options or other rights (including derivatives) to purchase, or shareholder, voting trust or similar agreements outstanding with respect to, or property that is convertible into, or that requires the issuance or sale of, any such Equity Interests (or any economic or voting interests therein).

Section 3.08 Litigation. Except for the Cases, there are no actions, suits, claims, disputes or proceedings at law or in equity by or before any Governmental Authority now pending or, to the best of the knowledge of the Borrower, threatened against or affecting any Loan Party or any business, property or rights of any Loan Party.

Section 3.09 Investment Company Act. No Loan Party is an "investment company" or a company "controlled" by an "investment company," as defined in, or subject to regulation under, the Investment Company Act of 1940, as amended.

Section 3.10 Federal Reserve Regulations.

(a) No Loan Party is engaged principally, or as one of its important activities, in the business of purchasing or carrying Margin Stock, or extending credit for the purpose of purchasing or carrying Margin Stock.

(b) No part of the proceeds of any Credit Extension will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, for purchasing or carrying Margin Stock or for any other purpose that entails a violation of, or that is inconsistent with, the provisions of the regulations of the Board of Governors, including Regulation T, Regulation U or Regulation X.

Section 3.11 Taxes. Each Loan Party has (a) filed or caused to be filed all material Tax returns that are required to be filed by it and (b) paid or caused to be paid all material Taxes required to be paid by it, except Taxes that are being contested in good faith by appropriate proceedings and for which such Loan Party has set aside on its books adequate reserves in accordance with IFRS. Each Loan Party has made adequate provisions in accordance with IFRS for all Taxes not yet due and payable. No Loan Party has knowledge (or could reasonably have knowledge upon due inquiry) of any proposed or pending tax assessments, deficiencies, audits or other proceedings and no proposed or pending tax assessments, deficiencies, audits or other proceedings have had, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. No Loan Party has ever “participated” in a “reportable transaction” within the meaning of Treasury Regulation Section 1.6011-4. No Loan Party is party to any tax sharing or similar agreement.

Section 3.12 No Material Misstatements.

(a) The Borrower has disclosed to the Administrative Agent and the Lenders all agreements, instruments and corporate or other restrictions to which it or any of its Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect. At the time any report, financial statement, certificate or other written information (other than forecasts and other forward-looking information, budgets, estimates and information of a general economic or industry-specific nature) is furnished, by or on behalf of any Loan Party to the Administrative Agent or any Lender in connection with the transactions contemplated hereby and the negotiation of this Agreement or delivered hereunder or under any other Loan Document (as modified or supplemented by other information so furnished) are complete and correct in all material respects and do not (when taken as a whole) contain any material misstatement of fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) The Budgets have been prepared in good faith in consultation with financial advisors based upon assumptions believed by the Borrower to be reasonable at the time made and at the time furnished (it being recognized that (i) such Budgets are not to be viewed as facts and that no assurance can be given that any particular financial projections or budgets (including the Budgets) will be realized, that actual results may differ significantly from projected results and that such Budgets are not a guarantee of performance and (ii) projections concerning volumes attributable to the oil and gas properties of the Borrower and its Subsidiaries and production and cost estimates contained in each Budget are necessarily based upon professional opinions, estimates and projections and that the Borrower and its Subsidiaries do not warrant that such opinions, estimates and projections will ultimately prove to have been accurate).

Section 3.13 Labor Matters.

(a) There are no strikes, lockouts, stoppages or slowdowns or other labor disputes affecting any Loan Party pending or, to the knowledge of the Loan Parties, threatened.

(b) The consummation of the Transactions will not give rise to any right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which any Loan Party is bound.

(c) Except for immaterial obligations that arise in the event of a termination of an employee's employment, all payments due from any Loan Party, or for which any claim may be made against any Loan Party, on account of wages and employee health and welfare insurance and other benefits, have been paid or accrued as a liability on the books of such Loan Party.

(d) The hours worked by and payments made to employees of any Loan Party have not been in violation of the Fair Labor Standards Act of 1938, as amended.

Section 3.14 ERISA. Neither Loan Party maintains, contributes to, is required to contribute to, or otherwise has any liability (whether absolute or contingent and including, without limitation, any liability as a result of either Loan Party's relationship with any ERISA Affiliate) with respect to any Single Employer Plan, Multiemployer Plan or any employee benefit plan that is subject to the laws of any jurisdiction outside the United States of America. Neither Loan Party is a party to any collective bargaining agreement with any labor union, organization, group or association, nor has any Loan Party voluntarily recognized, or negotiated a collective bargaining agreement or agreed to negotiate a collective bargaining agreement with any labor union, organization, group or association.

Section 3.15 Environmental Matters. Other than exceptions to any of the following that could not, individually or in the aggregate, reasonably be expected to result in the Loan Parties incurring Environmental Liability in excess of a Material Environmental Amount:

(a) the Loan Parties: (i) are, and have been, in compliance with all applicable Environmental Laws including obtaining, maintaining and complying with all Environmental Permits required for their current or intended operations or for any property owned, leased, or otherwise operated by any of them; and (ii) reasonably believe that compliance with any Environmental Law that is or is expected to become applicable to any of them will be timely attained and maintained, without material expense;

(b) Materials of Environmental Concern have not been Released and are not present at, on, under, in, or about any real property now or formerly owned, leased or operated by any Loan Party, to the knowledge of the Borrower, at any real property formerly owned, leased or operated by any Loan Party or at any other location (including, without limitation, any location to which Materials of Environmental Concern have been sent for re-use, recycling, treatment, storage, or disposal) in a quantity, manner or condition which could reasonably be expected to (i) require investigation, removal, or remediation under Environmental Law or otherwise give rise to Environmental Liability of any Loan Party,

(ii) interfere with any Loan Party's continued operations, or (iii) impair the fair saleable value of any Collateral;

(c) there are no pending or, to the knowledge of the Borrower, threatened in writing actions, suits, claims, disputes or proceedings at law or in equity, administrative or judicial, by or before any Governmental Authority (including any notice of violation or alleged violation or seeking to revoke, cancel, or amend any Environmental Permit) under or relating to any Environmental Law to which any Loan Party is, or to the knowledge of the Borrower, will be, named as a party or affecting any Loan Party or any business, property or rights of any Loan Party;

(d) no Loan Party has received any written request for information, or been otherwise notified that it is a potentially responsible party under or relating to the federal Comprehensive Environmental Response, Compensation, and Liability Act or any similar Environmental Law, or with respect to any Release of Materials of Environmental Concern;

(e) No real property currently owned or leased by any Loan Party is subject to any Lien imposed pursuant to Environmental Law and, to the knowledge of the Loan Parties, there are no existing facts, circumstances or conditions that would reasonably be expected to result in any such Lien attaching to any such property;

(f) no Loan Party has entered into or agreed to any consent decree, order, or settlement or other agreement, or is subject to any judgment, decree, or order or other agreement, in any judicial, administrative, arbitral, or other forum for dispute resolution, relating to compliance with Environmental Law or any Environmental Liability; and

(g) no Loan Party has assumed or retained, by contract or operation of law, any Environmental Liabilities of any kind, whether fixed or contingent, known or unknown.

Section 3.16 Insurance. Schedule 3.16 sets forth a true, complete and accurate description in reasonable detail of all insurance maintained by each Loan Party as of the Closing Date. Each Loan Party is insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which it is engaged. No Loan Party (i) has received notice from any insurer or agent of such insurer that substantial capital improvements or other material expenditures will have to be made in order to continue such insurance or (ii) has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers.

Section 3.17 Security Documents.

(a) The Guarantee and Collateral Agreement is effective to create in favor of the Collateral Agent, for the benefit of the Secured Parties, a legal, valid, binding and enforceable security interest in the Collateral described therein and proceeds and products thereof. In the case of (i) Pledged Equity Interests represented by certificates, (x) when such certificates are delivered to the Collateral Agent or (y) when financing statements in appropriate form are filed in the offices specified on Schedule 3.17(a), (ii) the Pledged Accounts, each such account shall be subject to a fully perfected Lien on, and security interest

in, all right, title and interest of the Loan Parties in and to such account, and the proceeds and products thereof, as security for the Obligations, in each case, prior and superior in right to any other Person, and (iii) the other Collateral described in the Guarantee and Collateral Agreement, when financing statements in appropriate form are filed in the offices specified on Schedule 3.17(a) and such other filings as are specified on Schedule 2 to the Guarantee and Collateral Agreement have been completed, the Lien created by the Guarantee and Collateral Agreement shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in such Collateral and the proceeds and products thereof, as security for the Secured Obligations (as defined in the Guarantee and Collateral Agreement).

(b) Each of the Mortgages is effective to create in favor of the Collateral Agent, for the benefit of the Secured Parties, a legal, valid, binding and enforceable Lien on the Mortgaged Properties described therein and proceeds and products thereof, and when the Mortgages are filed in the offices specified on Schedule 3.17(b) (in the case of Mortgages to be executed and delivered on the Closing Date) or in the recording office designated by the Borrower (in the case of any Mortgage to be executed and delivered pursuant to Section 5.12), each Mortgage shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in the Mortgaged Properties described therein and the proceeds and products thereof, as security for the Obligations (as defined in the relevant Mortgage).

Section 3.18 Improved Real Estate. The Real Property of the Borrower and its subsidiaries does not include any “Building” (as defined in the applicable Flood Insurance Regulation) or “Manufactured (Mobile) Home” (as defined in the applicable Flood Insurance Regulation) with a fair market value in excess of \$50,000 individually or \$100,000 in the aggregate.

Section 3.19 Bankruptcy Representations.

(a) Commencement of the Cases. The Cases were commenced in accordance with applicable Law and proper notice thereof and of the hearings for the approval of the Interim Order or the Final Order, as applicable, shall have been given. The Borrower has given, on a timely basis as specified in the Interim Order or the Final Order, as applicable, all notices required to be given to all parties specified in the Interim Order or the Final Order, as applicable.

(b) Creation of Security Interest; Valid Liens. After giving effect to the Interim Order or the Final Order, the provisions of the Loan Documents and the Interim Order or the Final Order, as applicable, (i) are effective to create in favor of the Administrative Agent, for the benefit of the Secured Parties, legal, valid and perfected first priority priming and senior Liens on and security interests in all rights, title and interests in the Collateral subject and subordinate only to the Carve-Out (subject to the limitations set forth herein and in the Interim Order) and the Prepetition Senior Permitted Encumbrances and (ii) are enforceable against the Loan Parties.

(c) Obligations as Administrative Superpriority Expense Claims. Pursuant to Section 364(c)(1) of the Bankruptcy Code and the Interim Order or the Final Order, as applicable, all Obligations hereunder and all other obligations of the Loan Parties under the

Loan Documents, on a joint and several basis, (i) constitute allowed superpriority administrative expense claims in the Cases having priority, subject only to the payment of the Carve-Out in accordance with the Interim Order, over all administrative expense claims, adequate protection and other diminution claims, and unsecured claims of any kind whatsoever against the Loan Parties, whether now existing or hereafter arising, including, without limitation, all administrative expense claims of the kind specified in Sections 105, 326, 328, 330, 331, 503(a), 503(b), 506(c) (subject to entry of the Final Order), 507(a), 507(b), 546, 726, 1113, 1114 or any other provision of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment lien or other non-consensual lien, levy, or attachment, and (ii) are senior to the rights of the Loan Parties and any successor trustee or estate representative in the Cases or any subsequent proceeding or case under the Bankruptcy Code.

(d) Effectiveness of the Interim and the Final Order. The Interim Order or the Final Order, as applicable, (i) is in full force and effect and (ii) has not been reversed, stayed, modified, amended, vacated, or subjected to a stay pending appeal without the prior written consent of the Administrative Agent and the Required Lenders in their respective sole discretion.

(e) Avoidance. The Liens securing the Obligations shall not be junior to, or pari passu with, any Lien avoided and preserved for the benefit of the Debtors and their estates pursuant to Section 551 of the Bankruptcy Code.

Section 3.20 PATRIOT Act, etc. To the extent applicable, each Loan Party is in compliance, in all material respects, with (i) the Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto, and (ii) the PATRIOT Act. No part of the proceeds of the Loans will be used, directly or indirectly, for any payment to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

Section 3.21 Anti-Terrorism Laws.

(a) None of the Loan Parties or any Subsidiary is in violation of any Anti-Terrorism Law or engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

(b) None of the Loan Parties or any Subsidiary or their respective agents acting or benefiting in any capacity in connection with the Loans, the Transactions or the other transactions hereunder, is any of the following (each a "Blocked Person"):

(i) a Person that is listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224;

(ii) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224;

(iii) a Person with which any Agent or Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law;

(iv) a Person that commits, threatens or conspires to commit or supports “terrorism” (as defined in Executive Order No. 13224);

(v) a Person that is named as a “specially designated national” on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control at its official website or any replacement website or other replacement official publication of such list; or

(vi) a Person affiliated or associated with any Person described in Section 3.21(b)(i) through Section 3.21(b)(v) above.

(c) No Loan Party or, to the knowledge of any Loan Party, any of its agents acting in any capacity in connection with the Loans, the Transactions or the other transactions hereunder (i) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Blocked Person or (ii) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to Executive Order No. 13224.

Section 3.22 Anti-Corruption Laws and Sanctions.

(a) The Borrower has implemented and maintains in effect policies and procedures designed to ensure compliance by the Borrower, its Subsidiaries and their respective officers and employees with Anti-Corruption Laws and applicable Sanctions.

(b) The Borrower and its Subsidiaries and their respective officers and employees and to the knowledge of any Loan Party, the agents of the Borrower and its Subsidiaries, are in compliance with Anti-Corruption Laws and applicable Sanctions.

(c) (i) No Loan Party and none of its officers or employees, and (ii) to the knowledge of any Loan Party, no agent of such Loan Party that will act in any capacity in connection with or benefit from the credit facility established hereby, is a Sanctioned Person.

Section 3.23 Use of Proceeds. The Borrower will use the proceeds of the Loans only for the purposes specified in the recitals to this Agreement. The proceeds of the Loans will not be used in violation of Anti-Corruption Laws or applicable Sanctions.

Section 3.24 Marketing of Production. No agreements exist which are not cancelable on 60 days’ notice or less without penalty or detriment for the sale of production from Oil and Gas Properties of the Borrower and its Subsidiaries (including, without limitation, calls on or other rights to purchase, production, whether or not the same are currently being exercised) that

(a) pertain to the sale of production at a fixed price and (b) have a maturity or expiry date of longer than six (6) months from the date hereof or the date of entry therein, as applicable.

ARTICLE IV CONDITIONS PRECEDENT

Section 4.01 Conditions to Initial Credit Extension. The obligation of each Lender to make the initial Credit Extension requested to be made by it hereunder is subject to the satisfaction (or waiver), prior to or concurrently with the making of such Credit Extension, of each of the following conditions precedent:

(a) Loan Documents. The Administrative Agent shall have received (i) this Agreement, executed and delivered by a duly authorized officer of the Borrower, each Agent and each Lender, (ii) a Note, executed and delivered by the Borrower in favor of each Lender that has requested a Note, (iii) the Escrow Agreement, executed and delivered by a duly authorized officer of the Borrower, the Agent and each of the other signatories thereto; (iv) the Guarantee and Collateral Agreement, executed and delivered by a duly authorized officer of the Borrower, GP Guarantor and the Agent and (v) each other Loan Document executed and delivered by a duly authorized officer of each party thereto.

(b) Interim Order. The Bankruptcy Court shall have entered the Interim Order and it shall be in full force and effect and shall not have been reversed, modified, stayed or amended unless such reversal, modification, stay or amendment is acceptable to the Administrative Agent and the Required Lenders in their respective sole discretion.

(c) No Relief. No pleading or application seeking relief affecting the provision of the Credit Facilities shall have been filed in the Bankruptcy Court by any Debtor.

(d) Personal Property Collateral. Each Loan Party shall have delivered to the Collateral Agent:

(i) evidence that each Loan Party shall have taken or caused to be taken any other action, executed and delivered or caused to be executed and delivered any other agreement, document and instrument (including any amendments to the articles of incorporation or other constitutional documents of agreements of such Loan Party pursuant to which any restrictions or inhibitions relating to the enforcement of any Lien created by the Security Documents are removed) and authorized, made or caused to be made any other filing and recording required under any Security Document, and each UCC financing statement shall have been filed, registered or recorded or shall have been delivered to the Collateral Agent and shall be in proper form for filing, registration or recordation, and each of the Pledged Accounts shall be subject to a perfected first priority lien in favor of the Administrative Agent for the benefit of the Secured Parties; and

(ii) the Collateral Agent shall have received (1) the certificates representing the shares of certificated Equity Interests pledged pursuant to the Guarantee and Collateral Agreement, together with an undated stock power or other instrument of transfer for each such certificate executed in blank by a duly authorized officer of the pledgor thereof, (2) an acknowledgement and consent, in form and substance reasonably

satisfactory to the Administrative Agent, duly executed by any issuer of Equity Interests pledged pursuant to the Guarantee and Collateral Agreement that is not itself a party to the Guarantee and Collateral Agreement, and (3) each promissory note pledged pursuant to the Guarantee and Collateral Agreement duly executed (without recourse) in blank (or accompanied by an undated instrument of transfer executed in blank and reasonably satisfactory to the Collateral Agent) by the pledgor thereof.

(e) Fees and Expenses. The Lenders, the Arranger and the Agents shall have received all fees and other amounts due and payable on or prior to the Closing Date, including, to the extent invoiced at least two Business Days prior to the Closing Date, reimbursement or payment of all reasonable out-of-pocket expenses (including reasonable fees, disbursements and other charges of counsel and other advisors) required to be reimbursed or paid under any Loan Document or under the Prepetition Credit Agreement.

(f) Cash Management Order; Other Orders. The Cash Management Order entered by the Bankruptcy Court as of or around the date hereof shall be in full force and effect and has not been amended without the consent of the Administrative Agent and the Required Lenders in their respective sole discretion.

(g) Closing Certificate. The Administrative Agent shall have received a certificate of the Borrower, dated the Closing Date, confirming satisfaction of the conditions set forth in Section 4.02(a) and Section 4.02(b).

(h) Responsible Officer's Certificates. The Administrative Agent shall have received with respect to the Borrower and each other Loan Party:

(i) copies of the Organizational Documents of such Loan Party (including each amendment thereto) certified as of a date reasonably near the Closing Date as being a true and complete copy thereof by the Secretary of State or other applicable Governmental Authority of the jurisdiction in which each such Loan Party is organized;

(ii) a certificate of a Responsible Officer of each Loan Party (or its general partner as applicable) dated the Closing Date and certifying (A) that attached thereto is a true and complete copy of the Organizational Documents of such Loan Party as in effect on the Closing Date, (B) that attached thereto is a true and complete copy of resolutions duly adopted by the board of directors or similar governing body of such Loan Party (and, if applicable, any parent company of such Loan Party) approving and authorizing the execution, delivery and performance of this Agreement and the other Loan Documents to which it is a party and the consummation of the Transactions, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that the certificate or articles of incorporation, formation or organization, as applicable, of such Loan Party have not been amended since the date of the last amendment thereto shown on the certificate of good standing furnished pursuant to clause (iv) below and (D) as to the incumbency and specimen signature of each Person authorized to execute any Loan Document or any other document delivered in connection herewith on behalf of such Loan Party;

(iii) a certificate of another officer as to the incumbency and specimen signature of the Responsible Officer executing the certificate pursuant to clause (ii) above; and

(iv) a copy of the certificate of good standing of such Loan Party from the Secretary of State or other applicable Governmental Authority of the jurisdiction in which each such Loan Party is organized (dated as of a date reasonably near the Closing Date).

(i) Prepetition Lender Consent. In accordance with the provisions of the Prepetition Credit Agreement, the Prepetition Agent and the Prepetition Required Lenders shall have consented to the priming of the Prepetition Secured Parties' Liens under the Prepetition Credit Agreement and the Loan Documents under and as defined in the Prepetition Credit Agreement by the Liens in favor of the Collateral Agent for the benefit of the Secured Parties, and such consent shall be binding on all Prepetition Secured Parties. The Prepetition Agent and the Prepetition Required Lenders execution and delivery of the Restructuring Support Agreement shall be deemed satisfaction of this condition in Section 4.01(i).

(j) Bank Regulatory Information. At least five Business Days prior to the Closing Date, the Agents and the Lenders shall have received all documentation and other information required by bank regulatory authorities or reasonably requested by any Agent or any Lender under or in respect of applicable "know-your-customer" and anti-money laundering rules and regulations, including the PATRIOT Act, that was requested at least eight Business Days prior to the Closing Date.

(k) Reserved.

(l) Letter of Direction. The Administrative Agent shall have received a funds flow memorandum and duly executed borrowing notice and letter of direction from the Borrower addressed to the Administrative Agent, on behalf of itself and Lenders, directing the disbursement on the Closing Date of the proceeds of the Loans made on such date.

(m) Environmental Matters. The Administrative Agent shall be reasonably satisfied with the environmental condition of the Oil and Gas Properties of the Borrower and its Subsidiaries, and shall have received a copy of any environmental site assessments in the possession or control of the Borrower or any of its Subsidiaries that was performed within the past three (3) years on any Oil and Gas Properties of the Borrower and its Subsidiaries.

(n) No Litigation. There shall not exist any action, suit, investigation, litigation, proceeding, injunction, hearing or other legal or regulatory developments, pending or threatened in writing in any court or before any arbitrator or Governmental Authority that individually or in the aggregate materially impairs the Transactions, the financing thereof or any of the other transactions contemplated by the Loan Documents.

(o) Budget. The Administrative Agent and the Lenders shall have received from the Debtors the Budget and such other information as may be requested by the Administrative Agent or the Lenders, in each case in form and substance satisfactory to the Administrative Agent and the Required Lenders;

(p) Governmental Authorizations and Consents. Each Loan Party shall have obtained all Governmental Authorizations and all consents of other Persons, in each case that are necessary in connection with the financing contemplated by the Loan Documents, and each of the foregoing shall be in full force and effect and in form and substance reasonably satisfactory to the Administrative Agent;

(q) CCAA Order. The Alberta Court of Queen's Bench shall have entered an initial order providing relief to Parallel Energy Trust, Parallel Energy Commercial Trust and Parallel Energy Inc. and approving a Canadian debtor-in-possession financing facility.

Each Lender, by delivering its signature page to this Agreement and funding a Loan on the Closing Date, shall be deemed to have consented to, approved or accepted or to be satisfied with, each Loan Document and each other document required thereunder to be consented to, approved by or acceptable or satisfactory to a Lender, unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

Section 4.02 Conditions to Each Credit Extension and Release of Pre-Funded Amounts. The obligation of each Lender to make any Credit Extension requested to be made by it hereunder, and each release of Pre-Funded Amounts to the Borrower from the Loan Account, in each case on any date, is subject to the satisfaction or waiver of the following conditions precedent:

(a) Representations and Warranties. Each of the representations and warranties made by any Loan Party in or pursuant to the Loan Documents shall be true and correct in all material respects on and as of the date of such Credit Extension or release of such Pre-Funded Amounts, as applicable, with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties shall be true and correct in all material respects as of such earlier date); *provided* that any representation and warranty that is qualified by "materiality", "Material Adverse Effect" or similar language shall be true and correct (after giving effect to any qualification therein) in all respects.

(b) No Default. No Default or Event of Default shall exist or would result from such Credit Extension or release of such Pre-Funded Amounts, as applicable, or from the application of the proceeds thereof.

(c) Borrowing Notice. In the case of any request by the Borrower for any Credit Extension, the Administrative Agent shall have received a fully executed Borrowing Notice in accordance with Section 2.02(a).

(d) Withdrawal Request. In the case of any request by the Borrower to a release of any Pre-Funded Amounts, the Administrative Agent shall have received a Withdrawal Request with respect to such release in accordance with Section 2.01(d).

(e) Effectiveness of Orders. The Interim Order, the Final Order and the Cash Management Order, as the case may be, shall have been entered by the Bankruptcy Court, shall be in full force and effect and shall not have been reversed, modified, stayed or amended

unless such reversal, modification, stay or amendment is acceptable to the Administrative Agent and the Required Lenders in their respective sole discretion.

(f) Compliance with Orders. The Debtors shall be in compliance in all material respects with the Interim Order, Final Order and the Cash Management Order, as the case may be.

(g) Compliance with Budget. Subject to Section 5.15, the Debtors shall be in compliance in all respects with the Budget and any Credit Extension or release of Pre-Funded Amounts (i) shall be in accordance with the Budget, (ii) the relevant Borrowing Notice or Withdrawal Request shall contain a certification by the Borrower that the withdrawal request pursuant thereto complies, and the application of the funds so withdrawn will comply, with the terms of this Agreement in all respects, and the Administrative Agent shall be entitled to conclusively rely on such certification, absent manifest error.

(h) Payment of Fees and Expenses. The Administrative Agent shall have received evidence of payment of the fees, expenses, and other consideration then due and payable under Section 2.05 and Section 9.05 (other than fees and expenses of counsel to the Lenders, the Arranger, and the Agents, which may be paid after any such Credit Extension or release of Pre-Funded Amounts in accordance with Section 9.05).

(i) Restructuring Support Agreement. The Restructuring Support Agreement shall be in full force and effect and shall not have been terminated without the consent of the Administrative Agent and the Required Lenders.

(j) Additional Matters. The Administrative Agent shall have received on or prior to the date of such requested Credit Extension or release of Pre-Funded Amounts, as applicable, such additional documents and information as any Lender, through the Administrative Agent, may reasonably request on or prior to the date of the Notice of Borrowing or Withdrawal Request, as applicable.

Each delivery of a Borrowing Notice or Withdrawal Notice and the acceptance by the Borrower of the proceeds of such Credit Extension or release of any Pre-Funded Amounts, as applicable, shall constitute a representation and warranty by the Borrower that on the date of such Credit Extension or release of Pre-Funded Amounts, as the case may be (both immediately before and after giving effect to such Credit Extension or release of Pre-Funded Amounts and the application of the proceeds thereof), the conditions contained in this Section 4.02 have been satisfied. The Borrower shall provide such information as the Administrative Agent may reasonably request to confirm that the conditions in this Section 4.02 have been satisfied.

ARTICLE V AFFIRMATIVE COVENANTS

The Borrower hereby agrees that, until Payment in Full, the Borrower shall, and shall (except in the case of the covenants set forth in Section 5.01, Section 5.02 and Section 5.03) cause each of its Subsidiaries to:

Section 5.01 Financial Statements. Deliver to the Administrative Agent and each Lender:

(a) beginning on the first Wednesday following the Petition Date, and each Wednesday thereafter, by no later than 12:00 p.m. (prevailing Eastern time) on each such Wednesday, deliver or cause to be delivered to the Agent and the Lenders:

(i) a written report summarizing the Loan Parties' actual cash flow ending on Friday of the prior week, as compared to the cash flow for such week as set forth in the Budget (the "Cash Flow Report"), each such report to be in a form and with such level of detail as shall be satisfactory to the Lenders, acting reasonably; and

(ii) a written report setting forth the Loan Parties' working capital position (including a summary of priority payables) ending on Friday of the prior week, such report to include all supporting ledgers, analysis and other information (including a transaction report from bank accounts in the Loan Parties' names), each such report to be in form and with such level of detail as shall be satisfactory to the Lenders, acting reasonably.

(b) as soon as available but in no event later than 12:00 p.m. (prevailing Eastern time) on the 30th day of each month following the Petition Date, deliver or cause to be delivered to the Agent and the Lenders an unaudited consolidated balance sheet of the Loan parties as at the end of the prior month and unaudited consolidated statements of income and changes in financial position of the Loan Parties prepared in accordance with IFRS consistently applied except for the accounting of the carrying value of the Loan Parties' fixed assets and for the provision of depletion, depreciation and amortization.

Section 5.02 Certificates; Other Information. Deliver to the Administrative Agent and each Lender, in form and detail reasonably satisfactory to the Administrative Agent and the Required Lenders:

(a) concurrently with the delivery of the financial statements referred to in Section 5.01, a certificate of an officer of the Loan Parties in customary form certifying such financial statements and stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default, or, if any such Default or Event of Default shall exist, stating the nature and status of such event;

(b) Reserved;

(c) promptly after any request by the Administrative Agent or any Lender, copies of any detailed audit reports, management letters or recommendations submitted to the board of directors (or the audit committee of the board of directors) of the Borrower or any of its Subsidiaries by independent accountants in connection with the accounts or books of the Borrower or any of its Subsidiaries or any audit of any of them;

(d) a reasonable period of time prior to filing with the Bankruptcy Court, copies of all material pleadings, motions, applications, judicial, or financial information and

other documents filed by or on behalf of any of the Debtors with the Bankruptcy Court or distributed to any Committee or any creditors or equity holders of the Debtors.

(e) promptly after the furnishing thereof, copies of any statement or report furnished to any holder of debt securities of the Borrower or any of its Subsidiaries pursuant to the terms of any indenture, loan or credit or similar agreement and not otherwise required to be furnished to the Lenders pursuant to Section 5.01 or any other clause of this Section 5.02;

(f) as soon as available, but in any event within 30 days after the end of each fiscal year of the Borrower, a report summarizing the insurance coverage (specifying type, amount and carrier) in effect for the Borrower and its Subsidiaries and containing such additional information as the Administrative Agent, or any Lender through the Administrative Agent, may reasonably specify;

(g) promptly, and in any event within five Business Days after receipt thereof by the Borrower or any of its Subsidiaries, copies of all notices, requests and other documents (including amendments, waivers and other modifications) received under or pursuant to any instrument, indenture, loan or credit or similar agreement regarding or related to any breach or default by any party thereto or any other event that could materially impair the value of the interests or the rights of the Borrower or any of its Subsidiaries or otherwise have a Material Adverse Effect and, from time to time upon request by the Administrative Agent, such information and reports regarding such instruments, indentures and loan and credit and similar agreements as the Administrative Agent may reasonably request;

(h) concurrently with the delivery of the financial statements referred to in Section 5.01, (i) a list of (A) the purchasers that accounted for at least 75% of the aggregate volume of Hydrocarbons purchased from the Loan Parties in the six-month period prior to the “as of” date of such financials (in descending order based on volumes purchased) and (B) to the extent not included in the group of purchasers described in clause (i)(A), each purchaser that accounted for at least 15% of the aggregate volume of Hydrocarbons purchased from the Loan Parties in such period and (ii) lease operating statements for each fiscal quarter during the then current fiscal year to date with respect to the Oil and Gas Properties of the Borrower and its Subsidiaries; and

(i) promptly, such additional information regarding the business, financial, legal or corporate affairs of the Borrower or any of its Subsidiaries, or compliance with the terms of the Loan Documents, as the Administrative Agent or any Lender may from time to time reasonably request.

Section 5.03 Notices. Promptly give written notice to the Administrative Agent and each Lender of:

(a) the occurrence of any Default or Event of Default;

(b) any development or event that has had, or could reasonably be expected to have, a Material Adverse Effect, including without limitation (i) any breach or non-performance of, or any default under, a Contractual Obligation of the Borrower or any Subsidiary; (ii) any dispute, litigation, investigation, proceeding or suspension between the

Borrower or any Subsidiary and any Governmental Authority (other than the Cases); or (iii) the commencement of, or any material development in, any litigation or proceeding affecting the Borrower or any Subsidiary;

(c) the occurrence of any of the following events, as soon as possible and in any event within five days after any Loan Party knows or has reason to know thereof: (i) the adoption of any Single Employer Plan or any employee benefit plan that is subject to the laws of any jurisdiction outside the United States of America by any Loan Party or any of their respective ERISA Affiliates, (ii) the commencement of contributions by any Loan Party or any of their respective ERISA Affiliates to a Multiemployer Plan, Single Employer Plan or any employee benefit plan that is subject to the laws of any jurisdiction outside the United States of America, or (iii) any Loan Party becoming a party to any collective bargaining agreement with any labor union, organization, group or association, or any Loan Party voluntarily recognizing, or negotiating a collective bargaining agreement or agreeing to negotiate a collective bargaining agreement with any labor union, organization, group or association;

(d) any material change in accounting policies or financial reporting practices by any Loan Party or any Subsidiary thereof;

(e) the (i) occurrence of any Disposition of Property or assets for which the Borrower is required to make a mandatory prepayment pursuant to Section 2.06(a), (ii) incurrence or issuance of any Indebtedness for which the Borrower is required to make a mandatory prepayment pursuant to Section 2.06(c) and (iii) receipt of any Proceeds of any Recovery Event for which the Borrower is required to make a mandatory prepayment pursuant to Section 2.06(b); and

(f) promptly after the assertion or occurrence thereof, notice of any action or proceeding against, or of any noncompliance by, the Borrower or any of its Subsidiaries in respect of or with any Environmental Law or Environmental Permit that could (i) reasonably be expected to result in any Environmental Liability in excess of a Material Environmental Amount or (ii) reasonably be expected to cause any property described in the Mortgages to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law.

Each notice pursuant to this Section 5.03 (other than Section 5.03(e)) shall be accompanied by a statement of a Responsible Officer of the Borrower setting forth details of the occurrence referred to therein and stating what action the Borrower has taken or proposes to take with respect thereto. Each notice pursuant to Section 5.03(a) shall describe with particularity any and all provisions of this Agreement and any other Loan Document that have been breached.

Section 5.04 Payment of Obligations. (a) Pay, discharge or otherwise satisfy as the same shall become due and payable in the normal conduct of its business all its obligations and liabilities in respect of Taxes imposed upon it or upon its income or profits or in respect of its property, except, in each case, (i) to the extent any such Tax is being contested in good faith and by appropriate proceedings for which appropriate reserves have been established in accordance with IFRS, or (ii) if such failure to pay or discharge such obligations and liabilities would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect and

(b) timely and accurately file all federal, state and other material Tax returns including any extensions required to be filed.

Section 5.05 Preservation of Existence, Etc. (a) Preserve, renew and maintain in full force and effect its legal existence and good standing under the laws of the jurisdiction of its organization, except in a transaction permitted by Section 6.03 and Section 6.04; (b) take all reasonable action to maintain all rights, privileges, permits, licenses and franchises necessary or desirable in the normal conduct of its business, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (c) preserve or renew all of its registered patents, trademarks, trade names and service marks, the non-preservation of which could reasonably be expected to have a Material Adverse Effect.

Section 5.06 Maintenance of Property.

(a) Maintain, preserve and protect all of its material properties and equipment necessary in the operation of its business in good working order and condition, ordinary wear and tear excepted.

(b) Make all necessary repairs thereto and renewals and replacements thereof except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(c) Operate its Oil and Gas Properties and other material Properties or cause such Oil and Gas Properties and other material Properties to be operated in a careful and efficient manner in accordance with the practices of the industry and in compliance in all material respects with all applicable contracts and agreements and in compliance in all material respects with all Governmental Requirements, including, without limitation, applicable pro ration requirements and Environmental Laws, and all applicable Requirements of Law from time to time constituted to regulate the development and operation of its Oil and Gas Properties and the production and sale of Hydrocarbons and other minerals therefrom.

(d) Promptly pay and discharge when due and payable, or make reasonable and customary efforts to cause to be paid and discharged when due and payable, all delay rentals, royalties, expenses and indebtedness accruing under the leases or other agreements affecting or pertaining to its Oil and Gas Properties and will do all other things necessary to keep materially unimpaired its rights with respect thereto and prevent any forfeiture thereof or default thereunder.

(e) Promptly perform, or make reasonable and customary efforts to cause to be performed, in accordance with industry standards, the obligations required by each and all of the assignments, deeds, leases, sub-leases, contracts and agreements affecting its interests in its Oil and Gas Properties.

(f) The Oil and Gas Properties (and Properties unitized therewith) of the Borrower and its Subsidiaries have been maintained, operated and developed in a good and workmanlike manner and in conformity in all material respects with all Governmental Requirements and in conformity in all material respects with the provisions of all leases, subleases or other contracts comprising a part of the Hydrocarbon Interests and other contracts and agreements forming a part of the Oil and Gas Properties of the Borrower and the Restricted Subsidiaries. Specifically in

connection with the foregoing, (i) no Oil and Gas Property of the Borrower or any of its Subsidiaries is subject to having allowable production reduced below the full and regular allowable (including the maximum permissible tolerance) because of any overproduction (whether or not the same was permissible at the time) and (ii) none of the wells comprising a part of the Oil and Gas Properties (or Properties unitized therewith) of the Borrower and its Subsidiaries is deviated from the vertical more than the maximum permitted by Governmental Requirements, and such wells are, in fact, bottomed under and are producing from, and the well bores are wholly within, the Oil and Gas Properties (or in the case of wells located on Properties unitized therewith, such unitized Properties) of the Borrower and its Subsidiaries. All pipelines, wells, gas processing plants, platforms and other material improvements, fixtures and equipment owned and operated in whole or in part by the Borrower or any of its Subsidiaries that are necessary to conduct normal operations are being maintained in a state adequate to conduct normal operations.

(g) To the extent that the Borrower or a Subsidiary is not the Operator of any Property, the Borrower shall not be obligated to directly perform any undertakings contemplated by the covenants and agreements contained in this Section 5.06 which are performable only by such operators and are beyond the control of the Borrower, but shall be obligated to seek to enforce such Operators' contractual obligations to maintain, develop and operate the Oil and Gas Properties subject to any operating agreements and use commercially reasonable efforts to cause the Operator to comply with this Section 5.06.

Section 5.07 Maintenance of Insurance. Maintain with financially sound and reputable insurance companies not Affiliates of the Borrower insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or a similar business of such types and in such amounts (after giving effect to any self-insurance compatible with the following standards) as are customarily carried under similar circumstances by such other Persons, and all such insurance shall (i) provide for not less than 30 days' prior notice to the Administrative Agent of termination, lapse or cancellation of such insurance, (ii) name the Administrative Agent as loss payee (in the case of property insurance) or additional insured on behalf of the Secured Parties (in the case of liability insurance) and (iii) be reasonably satisfactory in all other respects to the Administrative Agent.

Section 5.08 Books and Records; Inspection Rights.

(a) (i) Maintain proper books of record and account, in which full, true and correct entries in conformity with IFRS consistently applied (except for the accounting of the carrying value of the Loan Parties' fixed assets and for the provision of depletion, depreciation and amortization) shall be made of all financial transactions and matters involving the assets and business of the Borrower or such Subsidiary, as the case may be; and (ii) maintain such books of record and account in material conformity with all applicable requirements of any Governmental Authority having regulatory jurisdiction over the Borrower or such Subsidiary, as the case may be.

(b) Permit representatives and independent contractors of the Administrative Agent and each Lender to visit and inspect any of its properties, to examine its corporate,

financial and operating records, and make copies thereof or abstracts therefrom, and to discuss its affairs, finances and accounts with its directors, officers, and independent public accountants, all at the expense of the Borrower and at such times and as often as may be desired.

Section 5.09 Compliance with Laws. Comply with all Requirements of Law and all orders, writs, injunctions and decrees applicable to it or to its business or property, except in such instances in which (a) such Requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted or (b) the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

Section 5.10 Compliance with Environmental Laws; Notice; Preparation of Environmental Reports.

(a) (i) Comply, and cause all lessees and other Persons operating or occupying its properties to comply, with all applicable Environmental Laws and Environmental Permits; (ii) obtain and renew all Environmental Permits necessary for its operations and properties; (iii) conduct any investigation, study, sampling and testing, and undertake any cleanup, response or other corrective action necessary to address any Releases of Materials of Environmental Concern at, on, under or emanating from any property owned, leased or operated by it in accordance with the requirements of all Environmental Laws, and (iv) make an appropriate response to any investigation, notice, demand, claim, suit or other proceeding asserting Environmental Liability against the Borrower or any of its Subsidiaries and discharge any obligations it may have to any Person thereunder, except in the case of each of clauses (i) through (iv), where the failure to do so could not reasonably be expected to have a result in Environmental Liability in excess of a Material Environmental Amount; *provided* that neither the Borrower nor any of its Subsidiaries shall be required to undertake any such cleanup, removal, remedial or other responsive action to the extent that its obligation to do so is being contested in good faith and by proper proceedings and appropriate reserves are being maintained with respect to such circumstances in accordance with IFRS.

(b) At the reasonable request of the Required Lenders from time to time, based upon a reasonable belief that Borrower or any of its Subsidiaries is in breach of its obligations under this Section 5.10 or at any other time if an Event of Default has occurred and is continuing provide to the Lenders within 30 days after such request, at the expense of the Borrower, an environmental assessment report for any properties owned, leased or operated by it described in such request, prepared by an environmental consulting firm acceptable to the Administrative Agent, indicating the presence or absence of Materials of Environmental Concern or noncompliance with Environmental Law and the estimated cost of any compliance, response or other corrective action to address any Materials of Environmental Concern on such properties; without limiting the generality of the foregoing, if the Administrative Agent determines at any time that a material risk exists that any such report will not be provided within the time referred to above, the Administrative Agent may retain an environmental consulting firm to prepare such report at the expense of the Borrower, and the Borrower hereby grants and agrees to cause any Subsidiary that owns or leases any property described in such request to grant the Administrative Agent, the Lenders, such firm and any agents or representatives thereof an irrevocable non-exclusive license, subject to the rights of tenants or

necessary consent of landlords, to enter onto their respective properties to undertake such an assessment.

Section 5.11 Use of Proceeds. Use the proceeds of the Loans only for the purposes specified in the recitals to this Agreement and in compliance with the Budget. The Borrower will not request any Credit Extension, and the Borrower shall not use, and shall procure that its Subsidiaries and its or their respective directors, officers, employees and agents shall not use, the proceeds of any Credit Extension (a) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (b) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country or (c) in any manner that would result in the violation of any Sanctions applicable to any party hereto.

Section 5.12 Covenant to Guarantee Obligations and Give Security.

(a) If at any time following the entry of the Interim Order, the transaction pursuant to the Purchase and Sale Agreement shall have been abandoned or the Purchase and Sale Agreement shall have been terminated then not later than 30 days following such abandonment or termination:

(i) The Collateral Agent shall have received Mortgages, duly executed by the Borrower and its Subsidiaries creating Liens prior and superior in right to any other Person (other than with respect to Liens expressly permitted by Section 6.02), on all of the Oil and Gas Properties of the Borrower and its Subsidiaries.

(ii) The Administrative Agent shall have received title information in form and substance reasonably satisfactory to the Collateral Agent setting forth the status of title to Oil and Gas Properties of the Borrower and its Subsidiaries.

(iii) The Administrative Agent shall have received an opinion of counsel (which counsel shall be reasonably satisfactory to the Administrative Agent) in each state in which a Mortgage is required with respect to the enforceability of such Mortgage to be recorded in such state and such other matters as the Administrative Agent may reasonably request, in each case in form and substance reasonably satisfactory to the Administrative Agent.

(b) Execute any and all further documents, financing statements, agreements and instruments, and take all further action (including filing Uniform Commercial Code and other financing statements, Mortgages and deeds of trust) that may be required under applicable Requirements of Law, or that the Required Lenders, the Administrative Agent or the Collateral Agent may reasonably request, in order to effectuate the Transactions contemplated by the Loan Documents and in order to grant, preserve, protect and perfect the validity and priority of the security interests created or intended to be created by the Security Documents.

(c) In the event that any Person becomes a Subsidiary of the Borrower or any other Loan Party, the Borrower shall, and shall cause each other such Person to (a) within 10 days after such event (or such longer period of time reasonably acceptable to the Collateral

Agent), cause such Person referred to in clause (x) or (y), as applicable, to become a Guarantor and a Grantor under (and as defined in) the Guarantee and Collateral Agreement by executing and delivering to the Collateral Agent a counterpart agreement or supplement to the Guarantee and Collateral Agreement in accordance with its terms and (b) take all such actions and execute and deliver, or cause to be executed and delivered, all such documents, instruments, agreements, and certificates reasonably requested by Collateral Agent in order to cause the Collateral Agent, for the benefit of the Secured Parties, to have a Lien on all assets of such Person (other than Excluded Assets), which Lien shall (other than with respect to assets constituting Excluded Perfection Assets) be perfected and shall be of first priority (subject to in the case of all such assets, Permitted Liens, and subject and subordinate only to the Carve-Out (subject to the limitations set forth herein and in the Interim Order) and the Prepetition Senior Permitted Encumbrances) and shall deliver or cause to be delivered to the Administrative Agent and the Collateral Agent, items as are similar to those described in Section 4.01(d) and Section 4.01(h) hereof, and Section 4.2 of the Guarantee and Collateral Agreement. With respect to each such Subsidiary of the Borrower or any other Loan Party, the Borrower shall, within 10 days of such event (or such longer period of time reasonably acceptable to the Administrative Agent and the Collateral Agent), send to Administrative Agent written notice setting forth with respect to such Person (i) the date on which such Person became a Subsidiary of the Borrower and (ii) all of the data required to be set forth in Schedule 3.17(a) with respect to all Subsidiaries of the Borrower, and such written notice shall be deemed to supplement Schedule 3.17(a) for all purposes hereof.

(d) In the event that after the Final Order Funding Date (i) any Loan Party acquires any Oil and Gas Properties or (ii) any Person becomes a Subsidiary of the Borrower or any other Loan Party and such Person owns Oil and Gas Properties at such time, and such interest in such Oil and Gas Property has not otherwise been made subject to the Lien of the Security Documents in favor of Collateral Agent for the benefit of the Secured Parties, then the Borrower shall, or shall cause such Subsidiary to, within 10 days of such event (or such longer period of time reasonably acceptable to the Collateral Agent), take all such actions and execute and deliver, or cause to be executed and delivered, all such Mortgages, documents, instruments, agreements and certificates, including those which are similar to those described in Section 5.12(a) with respect to each such Oil and Gas Property that the Collateral Agent shall reasonably request to create in favor of the Collateral Agent, for the benefit of the Secured Parties, a valid first-priority security interest (subject and subordinate only to the Carve-Out (subject to the limitations set forth herein and in the Interim Order) and the Prepetition Senior Permitted Encumbrances) in such Oil and Gas Property and shall deliver to the Collateral Agent opinions and other items as are similar to those described in Section 5.12(a) with respect to such Oil and Gas Properties. In addition to the foregoing, the Borrower shall, at the request of the Collateral Agent, deliver, from time to time, to the Collateral Agent such title information and environmental information with respect to the Oil and Gas Properties as the Collateral Agent may request.

Section 5.13 Further Assurances. Promptly upon request by the Administrative Agent, or any Lender through the Administrative Agent, (a) correct any material defect or error that may be discovered in any Loan Document or in the execution, acknowledgment, filing or recordation thereof, and (b) do, execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register any and all such further acts, deeds, certificates, assurances and other instruments as the

Administrative Agent, or any Lender through the Administrative Agent, may reasonably require from time to time in order to (i) carry out more effectively the purposes of the Loan Documents, (ii) to the fullest extent permitted by applicable law, subject any Loan Party's properties, assets, rights or interests to the Liens now or hereafter intended to be covered by any of the Security Documents, (iii) perfect and maintain the validity, effectiveness and priority of any of the Security Documents and any of the Liens intended to be created thereunder and (iv) assure, convey, grant, assign, transfer, preserve, protect and confirm more effectively unto the Secured Parties the rights granted or now or hereafter intended to be granted to the Secured Parties under any Loan Document or under any other instrument executed in connection with any Loan Document to which any Loan Party or any of its Subsidiaries is or is to be a party.

Section 5.14 Weekly Cash Flow Projections. (i) On each Wednesday (or if such Wednesday is not a Business Day, the following Business Day) by 4:00 p.m., commencing on the Petition Date, deliver an updated, "rolling" 13-week cash flow projection for the period commencing from the end of the previous week through and including thirteen weeks thereafter (each, a "Proposed Budget"), which shall reflect the Borrower's good faith projections, reflect reversal of any timing variances set forth in any Variance Report, include a description of changes from the previously approved Proposed Budget and be in form and detail consistent with the initial Budget and subject to the approval of the Administrative Agent and the Required Lenders. The Proposed Budget shall also be delivered to the Administrative Agent and the Lenders hereunder by the Borrower; provided that unless and until the Administrative Agent and the Required Lenders have approved of such Proposed Budget, the Debtors shall still be subject to and be governed by the terms of the Budget then in effect and neither the Administrative Agent nor the other Secured Parties shall have any obligation to fund to or make disbursements pursuant to any Proposed Budget not constituting the approved Budget. The Administrative Agent, at the direction of the Required Lenders, shall have two (2) Business Days following receipt of each Proposed Budget to approve or reject such Proposed Budget upon written notice to the Borrower; provided that any portion of a Proposed Budget that relates to periods covered by a previously approved Proposed Budget shall automatically be deemed approved to the extent that no changes have been made to the Proposed Budget for such periods; provided, further, that, for the avoidance of doubt, the Borrower, the Administrative Agent and the Required Lenders may nonetheless mutually agree to modify line items in a Proposed Budget for weeks that have been previously approved by the Administrative Agent and Required Lenders. Upon receipt of a notice of rejection, the Borrower shall, within 24 hours of receipt of such notice, engage in good faith negotiations with the Administrative Agent and Required Lenders in order to develop a Proposed Budget that is acceptable to the Administrative Agent and Required Lenders in their respective sole discretion (such revised Proposed Budget to be submitted within two (2) Business Days of the Borrower's receipt of a notice of rejection).

Section 5.15 Variance Report.

(a) On each Wednesday (or if such Wednesday is not a Business Day, the following Business Day) following the Petition Date, deliver to the Administrative Agent and the Lenders a Variance Report (such date, the "Variance Testing Date").

(b) The Loan Parties shall cause the Variance Report delivered on each Variance Testing Date to comply with the following: (A) the Loan Parties' total expenditures

(excluding any legal or advisory fees incurred on behalf of the Agent and the Lenders paid before October 2, 2015) for the prior four week period shall not have exceeded 110% of the amount of total expenditures for such four week period as set forth in the Budget; (B) the Loan Parties' net cash receipts (equal to gross revenue less production tax, royalties, processing costs, oxygen removal fee and NGPL transportation costs), on an aggregate basis, for such four week period were not less than 90% of the aggregate amount of cash receipts included in the Budget for such four week period; (C) in the event the cash receipts on an aggregate basis for the past four weeks is less than 90% of the Budget for the past four weeks, for reasons outside the control of the Loan Parties, the cash flow test set forth in (B) above shall not apply and, in the alternative, the average daily barrel of oil equivalent produced during the prior four week period will not be less than 6,350 for the calendar month of October 2015, 6,300 for the calendar month of November 2015, 6,250 for the calendar month of December 2015, 6,200 for the calendar month of January 2016, and 6,200 for the calendar month of February 2016 and for each month thereafter.

Section 5.16 Entry of Final Order. The Final Order shall have been entered by the Bankruptcy Court not later than 30 days following the entry of the Interim Order. Subject to (and promptly after) the entry of the Final Order, the Debtors shall cash collateralize all Existing Letters of Credit in an amount equal to 100% of the face amount of all such Existing Letters of Credit.

Section 5.17 Lender Calls. The Borrower, its officers and its advisors (including any investment banker and any financial advisor retained by any Debtor) shall make themselves available to participate in conference calls to be held on a weekly basis (or more frequently as the Administrative Agent or the other Secured Parties may request) with the Administrative Agent and/or the other Secured Parties to discuss the Budget (and all updates and Variance Reports related thereto), the sales and marketing process related to the 363 Sale or any other issues as may be requested by the Administrative Agent and/or the other Secured Parties, and such conference calls may be held without the participation of the Loan Parties or any other representative or advisor of the Loan Parties.

Section 5.18 Opposition to Certain Pleadings. Each Loan Party shall promptly and diligently oppose all pleadings filed by Persons in the Bankruptcy Court to lift the stay on the Collateral (other than pleadings filed by the Administrative Agent and/or the Required Lenders), all pleadings filed by Persons in the Bankruptcy Court to terminate the exclusive right of the Debtors to file a plan of reorganization, and all other pleadings filed by Persons in the Bankruptcy Court that, if granted, could reasonably be expected to have a material adverse effect on the Administrative Agent or any Lender or any Collateral.

Section 5.19 Compliance with Milestones.

The Debtors shall be required to comply with the following milestones (the "Milestones"):

(a) On or before the date that is thirty (30) days after the Petition Date, or such later date to which the Administrative Agent and the Required Lenders consent in writing in

their respective sole discretion, the Bankruptcy Court shall have entered the Sale Procedures Order.

(b) Unless the Administrative Agent and the Required Lenders shall have otherwise provided their prior written consent in their respective sole discretion, on or before January 15, 2016, the Bankruptcy Court shall have entered the Sale Order approving the 363 Sale.

Section 5.20 Post-Closing Undertakings. Within the time periods specified on Schedule 5.20 (or such later date to which the Administrative Agent consents in its sole discretion), comply with the provisions set forth in Schedule 5.20.

ARTICLE VI NEGATIVE COVENANTS

The Borrower hereby agrees that, until Payment in Full, the Borrower shall not, and shall not permit any Subsidiary to, directly or indirectly, without the prior written consent of the Administrative Agent and the Required Lenders:

Section 6.01 Limitation on Indebtedness. Create, incur, assume or suffer to exist any Indebtedness, except:

- (a) Indebtedness of any Loan Party created hereunder and under the other Loan Documents;
- (b) Indebtedness expressly contemplated by the Budget;
- (c) Indebtedness in respect of the Prepetition Credit Agreement;
- (d) all premium (if any), interest (including post-petition interest), fees, expenses, charges, amortization of original issue discount, interest paid in kind and additional or contingent interest on obligations described in Section 6.01(a) through Section 6.01(c) above;
- (e) Indebtedness incurred by any Loan Party constituting surety and similar bonds, completion guarantees and reimbursement obligations with respect to letters of credit, in each case, issued in the ordinary course of business in respect of plugging and abandonment obligations of any Loan Party arising by operation of law in the ordinary course of its oil and gas business; provided that (i) upon the drawing of such letters of credit or such Indebtedness otherwise becoming non-contingent, such obligations are reimbursed within 30 days following such drawing or event and (ii) such Loan Party shall have complied in all material respects with all applicable laws, rules and regulations in respect of such plugging and abandonment obligations (including complying with any applicable financial assurance requirements to the extent the Loan Parties are not exempted therefrom); and

(f) Indebtedness in respect of self-insurance obligations or bid, appeal, reimbursement, performance, surety and similar bonds and completion guarantees provided by any Loan Party in the ordinary course of business or obligations and workers' compensation claims in the ordinary course of business.

Section 6.02 Limitation on Liens. Create, incur, assume or suffer to exist any Lien upon any of its Property, whether now owned or hereafter acquired, except for:

- (a) Liens pursuant to any Loan Document;
- (b) Liens granted and properly perfected prior to the Petition Date in respect of the Prepetition Credit Obligations and pursuant to the Prepetition Credit Agreement and adequate protection liens granted in respect thereof;
- (c) Liens expressly permitted by the Prepetition Credit Agreement that either (i) arise by operation of law or are inchoate Liens or (ii) were granted and properly perfected prior to the Petition Date, and adequate protection liens granted in respect thereof;
- (d) Liens on cash deposited to secure Indebtedness permitted under Section 6.01(e);
- (e) Liens on cash or securities pledged to secure performance of tenders, surety and appeal bonds, government contracts, performance and return of money bonds, bids, trade contracts, leases, statutory obligations, regulatory obligations and other obligations of a like nature incurred in the ordinary course of business; and
- (f) Liens granted and properly perfected prior to the Petition Date in respect of the "Parallel Energy LP MasterCard Collateral Account" held at Wells Fargo Bank N.A., provided the net aggregate amount in such account shall not exceed \$100,000.

Section 6.03 Limitation on Fundamental Changes. Enter into any merger, acquisition, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or Dispose of (whether in one transaction or in a series of transactions) all or substantially all of its Property or business (whether now owned or hereafter acquired) without the prior written consent of the Administrative Agent and the Required Lenders in their respective sole discretion; provided that no consent shall be required in connection with the Purchase and Sale Agreement.

Section 6.04 Limitation on Dispositions. Dispose of any of its Property (including, without limitation, receivables and leasehold interests), whether now owned or hereafter acquired, or, in the case of any Subsidiary, issue or sell any Equity Interests of such Subsidiary to any Person, without the prior written consent of the Administrative Agent and the Required Lenders in their respective sole discretion, except:

- (a) Dispositions of surplus, obsolete or worn out Property and Property no longer used or useful in the conduct of the business of the Borrower or any of its Subsidiaries in the ordinary course of business;

(b) the lapse, abandonment, cancellation or non-exclusive license of any immaterial Intellectual Property in the ordinary course of business;

(c) Dispositions of inventory or goods held for sale in the ordinary course of business;

(d) transfers of condemned Property as a result of the exercise of “eminent domain” or other similar policies to the respective Governmental Authority or agency that has condemned the same (whether by deed in lieu of condemnation or otherwise), and transfers of properties that have been subject to a casualty to the respective insurer of such Property as part of an insurance settlement;

(e) the sale or discount, in each case without recourse and in the ordinary course of business, of overdue accounts receivable arising in the ordinary course of business, but only in connection with the compromise or collection thereof consistent with customary industry practice (and not as part of any bulk sale or financing of receivables);

(f) dispositions and/or terminations of leases, subleases, licenses and sublicenses in the ordinary course of business and which do not materially interfere with the business of the Borrower or any of its Subsidiaries; and

(g) Dispositions of Cash Equivalents.

To the extent any Collateral is Disposed of as expressly permitted by this Section 6.04 to any Person that is not a Loan Party, such Collateral shall be sold free and clear of the Liens created by the Loan Documents, and the Administrative Agent or the Collateral Agent, as applicable, shall be authorized to take any actions deemed appropriate in order to effectuate the foregoing.

Section 6.05 Limitation on Restricted Payments. Declare or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so.

Section 6.06 Limitation on Investments. Make or hold, directly or indirectly, any Investments, except:

(a) Investments consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the grant of trade credit in the ordinary course of business, and Investments received in satisfaction or partial satisfaction thereof from financially troubled account debtors and other credits to suppliers in the ordinary course of business;

(b) Investments by the Borrower or any of its Subsidiaries in cash and Cash Equivalents and Investments in assets that were Cash Equivalents when such Investment was made;

(c) guarantees by the Borrower or any of its Subsidiaries of leases (other than Capital Leases) or of other obligations of the Borrower or any of its Subsidiaries that do not constitute Indebtedness, in each case entered into in the ordinary course of business; and

(d) Investments (including debt obligations and Equity Interests) received in the ordinary course of business by the Borrower or any Subsidiary in connection with the bankruptcy or reorganization of suppliers and customers and in settlement of delinquent obligations of, and other disputes with, suppliers and customers arising out of the ordinary course of business or upon the foreclosure with respect to any secured Investment or other transfer of title with respect to any secured Investment.

Section 6.07 Limitation on Prepayments; Modifications of Debt Instruments and Organizational Documents.

(a) Make or offer to make (or give any notice in respect thereof) any mandatory, optional or voluntary payment, prepayment, repurchase or redemption of, or voluntarily or optionally defease, or otherwise satisfy in any manner, any Funded Debt (other than the Obligations), or segregate funds for any such payment, prepayment, repurchase, redemption or defeasance;

(b) amend, modify, waive or otherwise change, or consent or agree to any amendment, modification, waiver or other change to, any of the terms of any Funded Debt (other than the Obligations);

(c) amend, restate, supplement or otherwise modify any of its Organizational Documents or any agreement to which it is a party with respect to its Equity Interests (including any stockholders' agreement), or enter into any new agreement with respect to its Equity Interests, other than any such amendments, modifications or changes or such new agreements which are not, and could not reasonably be expected to be, adverse in any material respect to the interests of the Lenders.

Section 6.08 Limitation on Transactions with Affiliates.

Enter into, directly or indirectly, any transaction or series of related transactions, whether or not in the ordinary course of business, with any Affiliate of the Borrower or any Subsidiary (other than between or among Loan Parties), unless such transaction is (i) otherwise not prohibited under this Agreement and (ii) upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary, as the case may be, than it would obtain in a comparable arm's length transaction with a Person that is not an Affiliate, except that the following shall be permitted:

(a) the Transactions as contemplated by, and in accordance with, the Loan Documents;

(b) Restricted Payments permitted under Section 6.05;

(c) Investments permitted under Section 6.06;

(d) payments made, in accordance with the Budget, under any key employee incentive plan approved by the Bankruptcy Court; and

(e) payments made, in accordance with the Budget, under any key employee retention plan approved by the Bankruptcy Court.

For the avoidance of doubt, nothing herein shall limit the ability of the Borrower or any Subsidiary to make reasonable and customary payments in the ordinary course on account of ordinary employee compensation and other benefits in accordance with the Budget.

Section 6.09 Limitation on Sale and Leasebacks.

Enter into any arrangement, directly or indirectly, with any Person whereby it shall Dispose of any Property used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such Property or other Property which it intends to use for substantially the same purpose or purposes as the Property being sold or transferred (any such transaction, a "Sale and Leaseback").

Section 6.10 Limitation on Changes in Fiscal Periods.

Permit the fiscal year of the Borrower to end on a day other than December 31 or change the Borrower's method of determining fiscal quarters.

Section 6.11 Limitation on Burdensome Agreements. Enter into or suffer to exist or become effective any agreement or other arrangement that prohibits, restricts or imposes any condition (a) upon any Loan Party that results in the creation or assumption of any Lien upon its properties, revenues or assets, whether now owned or hereafter acquired (provided that this provision is not intended to limit in any manner the Loan Parties' obligations to grant Liens securing the Collateral as otherwise set forth in this Agreement or any of the Loan Documents), or (b) on the ability of any Loan Party to amend or otherwise modify this Agreement of any other Loan Document.

Section 6.12 Limitation on Lines of Business. Enter into any material line of business, except for those lines of business in which the Borrower and its Subsidiaries are engaged on the Closing Date or that are reasonably related thereto or are reasonable extensions thereof.

Section 6.13 Bankruptcy Provisions.

(a) No Loan Party shall: (i) file or approve a plan of reorganization or liquidation (unless such plan contains provisions providing that the Obligations and the Prepetition Credit Obligations have been indefeasibly paid in full in cash on or before the effective date of such confirmed plan of reorganization or liquidation) without the written consent of the Administrative Agent and the Required Lenders; (ii) seek or consummate a sale of assets under a plan of reorganization, Section 363(b) of the Bankruptcy Code or otherwise (other than the 363 Sale) without the written consent of the Administrative Agent and the Required Lenders; (iii) seek to dismiss the Case or convert the Case to a Chapter 7 case; (iv) incur any superpriority or other administrative expense claims pari passu with or senior to the Obligations; (v) seek or consent to any modification, stay, vacatur or amendment with respect to (I) any motion made on the Petition Date and any order entered in connection therewith (which motions and orders in respect thereof shall be acceptable in form and substance to the Administrative Agent and the Required Lenders in their respective sole discretion), (II) the

Interim Order, (III) the Final Order or (IV) the Loan Documents, except in each case as agreed to in writing by the Administrative Agent and Required Lenders in their respective sole discretion; (vi) create any Lien that ranks senior to, or *pari passu* with, the Liens securing the Obligations or the Prepetition Credit Obligations; (vii) make cash expenditures on account of claims incurred (I) by critical vendors prior to the Petition Date or (II) pursuant to Section 503(b)(9) of the Bankruptcy Code, except in each case as agreed to in writing by the Administrative Agent and the Required Lenders or as permitted by the Budget; (viii) make any payment, by way of adequate protection or otherwise, in respect of any prepetition debt or other obligations, other than as approved by the Bankruptcy Court and in accordance with the Budget and the Interim Order or the Final Order, as applicable, or (ix) seek or consent to any order seeking authority to take any action prohibited by the Interim Order or Final Order without the written consent of the Administrative Agent and the Required Lenders or otherwise required by any Requirement of Law.

(b) Each of the Loan Parties agrees that (i) the Obligations shall not be discharged by the entry of an order confirming a chapter 11 plan (and each of the Debtors pursuant to Section 1141(d) of the Bankruptcy Code hereby waives any such discharge), (ii) the superpriority claim granted to the Administrative Agent and the Lenders pursuant to the Interim Order and the Final Order and the Liens granted to the Administrative Agent and the other Secured Parties pursuant to such orders and the Security Documents shall not be affected in any manner by the entry of an order confirming a chapter 11 plan, and (iii) none of the Loan Parties shall propose or support any chapter 11 plan without the written consent of the Administrative Agent and the Required Lenders in their respective sole discretion.

Section 6.14 Compliance with Budget. No Loan Party shall make any cash disbursement that is not contemplated by the Budget.

Section 6.15 Limitation on Capital Expenditures. Make, commit to make or permit any Capital Expenditures of the Borrower or any Subsidiary in the ordinary course of business for any fiscal year of the Borrower (or, for the fiscal year in which the Closing Date occurs, the period from the Closing Date to the end of such fiscal year) ending with the last day of any fiscal year to exceed the aggregate amount of \$100,000 in any fiscal quarter.

Section 6.16 Gas Imbalances, Take-or-Pay or Other Prepayments. Other than to the extent existing on the Closing Date as set forth on Schedule 6.16, the Borrower shall not, nor shall it permit any of its Subsidiaries to, allow (on a net basis and excluding monthly nominations for transportation made in good faith and consistent with past practice) gas imbalances, take-or-pay or other prepayments with respect to the Oil and Gas Properties of the Borrower or any Subsidiary which would require the Borrower or any Subsidiary to deliver their respective Hydrocarbons produced on a monthly basis from such Oil and Gas Properties at some future time without then or thereafter receiving full payment therefor other than gas imbalances, take-or-pay or other prepayments incurred in the ordinary course of business and which do not result in the Borrower or any Subsidiary having net aggregate liability in excess of \$10,000.

**ARTICLE VII
EVENTS OF DEFAULT AND REMEDIES**

Section 7.01 Events of Default. Each of the following events shall constitute an Event of Default:

(a) the Borrower or any Loan Party shall fail to pay (i) any principal of any Loan when due in accordance with the terms hereof, whether at the due date thereof or at a fixed date for payment thereof or by acceleration thereof or otherwise or (ii) any interest on any Loan or any fee or other amount (other than an amount referred to in clause (i)) payable hereunder or under any other Loan Document within two Business Days after any such interest or other amount becomes due in accordance with the terms hereof or thereof; or

(b) any representation, warranty, certification or statement of fact made or deemed made by or on behalf of the Borrower or any other Loan Party herein, in any other Loan Document or in any document or certificate delivered in connection herewith or therewith shall be incorrect or misleading in any material respect when made or deemed made; or

(c) (i) any Loan Party shall fail to observe or perform any covenant, condition or agreement contained in Section 5.03(a) or Section 5.05(a) (with respect to the Borrower only), Section 5.01, Section 5.11, Section 5.19 or Article VI or in Section 4 of the Guarantee and Collateral Agreement; or (ii) an “Event of Default” under and as defined in any Mortgage shall exist and be continuing; or

(d) any Loan Party shall fail to observe or perform any other covenant, condition or agreement contained in this Agreement or any other Loan Document (other than as provided in Section 7.01(a), Section 7.01(b) or Section 7.01(c)), and such failure continues unremedied or unwaived for a period of 30 days after the earlier of (i) the date an officer of such Loan Party becomes aware of such default and (ii) receipt by the Borrower of notice from the Administrative Agent or any Lender of such default; or

(e) any Loan Party shall (A) fail to pay any principal or interest, regardless of amount, due in respect of any Material Indebtedness (except for any failure to pay any principal or interest not permitted to be paid under the Interim Order or the Final Order, as applicable), when and as the same shall become due and payable beyond any applicable grace period in respect thereof; or (B) fail to observe or perform any other term, covenant, agreement or condition relating to any Material Indebtedness (except for any failure to observe or perform such other term, covenant, agreement or condition not permitted to be observed or performed under the Interim Order or Final Order, as applicable) or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holders or beneficiaries of such Material Indebtedness (or a trustee or agent on behalf of such holders or beneficiaries) to cause, with or without the giving of notice, the lapse of time or both, such Material Indebtedness to become due prior to its stated maturity or become subject to a mandatory offer to purchase by the obligor; or

(f) the Bankruptcy Court shall enter, or any Loan Party shall seek or support the entry of, any order providing for any of the following: (i) dismissal of any Case or conversion of any Case to a Chapter 7 case; (ii) appointment of a Chapter 11 trustee, a responsible officer or an examiner with enlarged powers (beyond those set forth in Section 1106(a)(3) and (4) of the Bankruptcy Code) relating to the operation of the business of any Debtor in any Case; (iii) other than the Carve-Out, the granting of any superpriority claim or lien which is *pari passu* with or senior to the claims or Liens of the Agent and the Lenders in any Case; (iv) the entry of any order in any Case charging any of the Collateral under Section 552(b) of the Bankruptcy Code or, subject to the Final Order, Section 506(c) of the Bankruptcy Code, or the commencement of other actions by the Debtors, or the entry of any order, adverse to the rights and remedies of the Secured Parties under the Credit Facility, in their sole discretion without the consent of the Administrative Agent and the Required Lenders; (v) entry of an order by the Bankruptcy Court terminating the use of cash collateral; (vi) the entry of an order or orders granting relief from any stay of proceeding (including, without limitation, the automatic stay) so as to allow a third party or third parties to proceed against any assets of any Debtor or to permit other actions that individually or in the aggregate would have a material adverse effect on any Debtor or its estate; or (vii) termination of the Debtors' exclusive periods to file and/or solicit acceptances to a plan of reorganization; or

(g) (i) any Loan Party adopts, maintains, contributes to, is required to contribute to, or otherwise incurs any liability (whether absolute or contingent and including, without limitation, any liability as a result of either Loan Party's relationship with any ERISA Affiliate) with respect to any Single Employer Plan, Multiemployer Plan or any employee benefit plan that is subject to the laws of any jurisdiction outside the United States of America; (ii) any Loan Party becomes a party to any collective bargaining agreement with any labor union, organization, group or association, or voluntarily recognizes, or negotiates a collective bargaining agreement or agrees to negotiate a collective bargaining agreement with any labor union, organization, group or association; or (iii) any Loan Party otherwise incurs any liability (whether absolute or contingent and including, without limitation, any liability as a result of either Loan Party's relationship with any ERISA Affiliate) pursuant to Title IV of ERISA; or

(h) one or more judgments shall be rendered against any Loan Party and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to levy upon assets or properties of any Group Member to enforce any such judgment and such judgment either (i) is for the payment of money in an aggregate amount in excess of \$50,000 or (ii) is for injunctive relief and could reasonably be expected to result in a Material Adverse Effect; or

(i) at any time after the execution and delivery thereof, (i) the guarantee contained in Section 8 of the Guarantee and Collateral Agreement for any reason other than Payment in Full shall cease to be in full force and effect (other than in accordance with its terms) or shall be declared to be null and void or any Guarantor shall repudiate its obligations thereunder, (ii) this Agreement or any Security Document ceases to be in full force and effect (other than by reason of a release of Collateral in accordance with the terms hereof or thereof or Payment in Full) or shall be declared null and void, or the Collateral Agent shall not have or shall cease to have a valid and perfected Lien in any Collateral purported to be covered by the

Security Documents with the priority required by the relevant Security Document, in each case, for any reason other than (x) as a result of the sale or other disposition of the applicable Collateral in a transaction permitted under the Loan Documents or (y) as a result of the Collateral Agent's failure to maintain possession of any stock certificates or other instruments delivered to it under the Security Documents, or (iii) any Loan Party shall contest the validity or enforceability of any Loan Document in writing or deny in writing that it has any further liability, including with respect to future advances by Lenders, under any Loan Document to which it is a party or shall contest the validity or perfection of any Lien on any Collateral (other than, solely with respect to perfection, any Excluded Perfection Assets) purported to be covered by the Security Documents; or

(j) any Change of Control shall occur; or

(k) any Funded Debt (other than the Obligations) or any guarantees thereof shall cease for any reason to be validly subordinated to the Obligations as provided in the documentation governing such Funded Debt (other than the Obligations) or any Loan Party shall contest the subordination of any Funded Debt (other than the Obligations) or any guarantees thereof; or

(l) failure of the Final Order to be entered within 30 days after the Petition Date; or

(m) failure of the Interim Order or Final Order to be in full force and effect, including by the entry of an order reversing, amending, supplementing, staying for any period, vacating or otherwise modifying, in a manner that is adverse to the Secured Parties in their sole discretion, without the prior consent of the Administrative Agent and the Required Lenders, in their respective sole discretion; or

(n) failure of any Debtor to comply with the terms of the Interim Order or Final Order; or

(o) the payment by any Loan Party (by way of adequate protection or otherwise) of any principal or interest or other amount on account of any pre-petition indebtedness or payables (other than as provided in the Budget or as to certain other exceptions to be agreed by the Agent and the Required Lenders in their sole discretion); or

(p) the assertion (or support) by the Loan Parties of any investigation, claim or action against (x) the Agent, the Arranger, or any other Secured Party or (y) the Prepetition Secured Parties (other than, in the case of clause (y) only, a customary claim and lien investigation conducted by an official statutory committee for a period of no longer than 60 days from the date of such committee's formation or, if no such committee is appointed, by a party in interest granted standing for a period of no longer than 75 days from the Petition Date); or

(q) a sale of all or any substantial portion of the Debtors' assets except as approved by the Administrative Agent and the Required Lenders in their respective sole discretion; or

(r) cessation of work otherwise contemplated by the Budget adversely affecting material current or planned business operations; or

(s) any governmental or other authorization or consent necessary for the Loan Parties' performance under the Definitive Documentation shall be withdrawn or shall otherwise cease to be in full force and effect; or

(t) Reserved;

(u) actual, or assertion by the Debtors of, lack of legality, validity, enforceability or perfection of guarantees or liens in favor of DIP Secured Parties; or

(v) the filing of a chapter 11 plan of reorganization or liquidation without the written consent of the Administrative Agent and the Required Lenders, in their respective sole discretion; or

(w) the Borrower or any Loan Party shall suffer to exist any Lien on any asset of any Loan Party (other than Permitted Liens) that constitutes Collateral unless such Lien shall be expunged promptly; or

(x) the Restructuring Support Agreement is terminated pursuant to the terms thereof; or

(y) the Borrower or any Loan Party shall terminate the Asset Purchase Agreement without the prior written consent of the Administrative Agent and the Lenders.

Section 7.02 Remedies Upon Event of Default. If any Event of Default occurs and is continuing, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders take any or all of the following actions:

(a) declare the commitment of each Lender to make Loans, whereupon such commitments and obligation shall be terminated;

(b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower; and

(c) exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents or at law or in equity;

provided, however, that upon the occurrence of any Event of Default described in Section 7.01(f), the obligation of each Lender to make Loans shall automatically terminate, the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, without further act of the Administrative Agent or any Lender.

Section 7.03 Application of Funds. After the exercise of remedies provided for in Section 7.02 (or after the Loans have automatically become immediately due and payable as set forth in the proviso to Section 7.02), any amounts received on account of the Obligations shall, subject to the provisions of Section 2.13, be applied by the Administrative Agent in the following order:

first, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to the Administrative Agent and Collateral Agent) payable to the Administrative Agent and the Collateral Agent in their capacities as such;

second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal and interest) payable to the Lenders arising under the Loan Documents, ratably among them in proportion to the respective amounts described in this clause Second payable to them;

third, to payment of that portion of the Obligations constituting accrued and unpaid interest on the Loans and other Obligations arising under the Loan Documents, ratably among the Lenders in proportion to the respective amounts described in this clause Third payable to them; and

last, the balance, if any, after Payment in Full, to the Borrower or as otherwise required by Law.

ARTICLE VIII THE ADMINISTRATIVE AGENT

Section 8.01 Appointment and Authority. Each of the Lenders hereby irrevocably appoints CIBC to act on its behalf as the Administrative Agent and the Collateral Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent and the Collateral Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent and the Collateral Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article VIII (other than as expressly provided herein) are solely for the benefit of the Agents the Lenders, and neither the Borrower nor any Loan Party shall have any rights as a third-party beneficiary of any such provisions (other than as expressly provided herein). It is understood and agreed that the use of the term “agent” herein or in any other Loan Documents (or any other similar term) with reference to the Administrative Agent or any other Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable Requirements of Law. Instead such term is used as a matter of market custom, and is intended to create or reflect only an administrative relationship between contracting parties.

Section 8.02 Rights as a Lender. Any Person serving as the Administrative Agent or the Collateral Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent or the Collateral Agent, and the term “Lender” or “Lenders” shall, unless otherwise expressly

indicated or unless the context otherwise requires, include any Person serving as the Administrative Agent or the Collateral Agent hereunder in its capacity as a Lender. Such Person and its Affiliates may accept deposits from, lend money to, own securities of, act as the financial advisor or in any other advisory capacity for, and generally engage in any kind of business with, the Borrower or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent or the Collateral Agent hereunder and without any duty to account therefor to the Lenders.

Section 8.03 Exculpatory Provisions.

(a) The Administrative Agent and the Collateral Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents, and its duties hereunder shall be administrative in nature. Without limiting the generality of the foregoing, the Administrative Agent and the Collateral Agent:

(i) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default or Event of Default has occurred and is continuing;

(ii) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent or the Collateral Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents); *provided* that neither the Administrative Agent nor the Collateral Agent shall be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent or the Collateral Agent to liability or that is contrary to any Loan Document or applicable Requirements of Law, including for the avoidance of doubt any action that may be in violation of the automatic stay under any Debtor Relief Law or that may effect a forfeiture, modification or termination of property of a Defaulting Lender in violation of any Debtor Relief Law; and

(iii) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by any Person serving as the Administrative Agent or the Collateral Agent or any of its Affiliates in any capacity.

(b) The Administrative Agent and the Collateral Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided herein or under the other Loan Documents), or (ii) in the absence of its own gross negligence or willful misconduct. The Administrative Agent and the Collateral Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Administrative Agent and the Collateral Agent in writing by the Borrower or a Lender.

(c) The Administrative Agent and the Collateral Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default or Event of Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent and the Collateral Agent.

Section 8.04 Reliance by Administrative Agent. The Administrative Agent and the Collateral Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent and the Collateral Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, that by its terms must be fulfilled to the satisfaction of a Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender unless the Administrative Agent shall have received notice to the contrary from such Lender prior to the making of such Loan. The Administrative Agent and the Collateral Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

Section 8.05 Delegation of Duties. The Administrative Agent and the Collateral Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent or the Collateral Agent, as applicable. The Administrative Agent and the Collateral Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article VIII shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and the Collateral Agent and any such sub-agent, and shall apply to their respective activities as Administrative Agent and Collateral Agent, and all other matters in connection with this Agreement, the Other Loan Documents, the Transactions and any matters arising in connection therewith. The Administrative Agent and the Collateral Agent shall not be responsible for the negligence or misconduct of any sub-agents except to the extent that the Administrative Agent or the Collateral Agent acted with gross negligence or willful misconduct in the selection of such sub-agents as determined by a court of competent jurisdiction in a final and non-appealable judgment.

Section 8.06 Resignation of Administrative Agent or the Collateral Agent.

(a) The Administrative Agent or the Collateral Agent may at any time give notice of its resignation to the Lenders and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right to appoint a successor, which shall be a financial institution with an office in New York City, New York, or an Affiliate of any such financial institution with an office in New York City, New York. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent or Collateral Agent gives notice of its resignation (or such earlier day as shall be agreed by the Required Lenders) (the “Resignation Effective Date”), then the retiring Administrative Agent or Collateral Agent may (but shall not be obligated to), on behalf of the Lenders, appoint a successor Administrative Agent or Collateral Agent meeting the qualifications set forth above; *provided* that in no event shall any such successor Administrative Agent or Collateral Agent be a Defaulting Lender or an Affiliated Lender. Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date.

(b) If the Person serving as Administrative Agent or Collateral Agent is a Defaulting Lender pursuant to clause (d) of the definition thereof, the Required Lenders may, to the extent permitted by applicable Requirements of Law, by notice in writing to the Borrower and such Person, remove such Person as Administrative Agent or Collateral Agent and appoint a successor. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days (or such earlier day as shall be agreed by the Required Lenders) (the “Removal Effective Date”), then such removal shall nonetheless become effective in accordance with such notice on the Removal Effective Date.

(c) With effect from the Resignation Effective Date (i) the retiring Administrative Agent or Collateral Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent or Collateral Agent on behalf of the Lenders under any of the Loan Documents, the retiring or removed Administrative Agent or Collateral Agent shall continue to hold such collateral security until such time as a successor Administrative Agent or Collateral Agent is appointed) and (ii) except for any indemnity payments owed to the retiring Administrative Agent or Collateral Agent, all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, until such time, if any, as the Required Lenders appoint a successor Administrative Agent or Collateral Agent as provided for above. Upon the acceptance of a successor’s appointment as Administrative Agent or Collateral Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring Administrative Agent or Collateral Agent (other than any rights to indemnity payments owed to the retiring Administrative Agent or Collateral Agent), and the retiring or removed Administrative Agent or Collateral Agent shall be discharged from all of its duties and obligations hereunder and under the other Loan Documents. The fees payable by the Borrower to a successor Administrative Agent or Collateral Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring or removed Administrative Agent’s or Collateral Agent’s resignation hereunder and under the other Loan Documents, the provisions of this Article VIII

and Section 9.05 shall continue in effect for the benefit of such retiring Administrative Agent or Collateral Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent or Collateral Agent was acting as Administrative Agent or Collateral Agent, as applicable.

Section 8.07 Non-Reliance on Administrative Agent and Other Lenders. Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent, the Collateral Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent, the Collateral Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

Section 8.08 No Other Duties, Etc. Anything herein to the contrary notwithstanding, none of the Arranger or the Agents shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent, the Collateral Agent or a Lender hereunder or thereunder.

Section 8.09 Administrative Agent May File Proofs of Claim. In case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered (but not obligated) by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Section 2.05 and Section 9.05) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Section 2.05 and Section 9.05.

Section 8.10 Collateral and Guaranty Matters.

(a) Each of the Lenders irrevocably authorizes the Administrative Agent and the Collateral Agent to:

(i) release any Lien on any property granted to or held by the Collateral Agent under any Loan Document (x) upon Payment in Full, (y) that is sold or otherwise disposed of as part of or in connection with any sale or other Disposition permitted under the Loan Documents or (z) subject to Section 9.01, if approved, authorized or ratified in writing by the Required Lenders or such other number or percentage of Lenders required hereby;

(ii) release any Guarantor from its obligations under the Guarantee and Collateral Agreement upon Payment in Full.

Any such release of guarantee obligations or security interests shall be deemed subject to the provision that such guarantee obligations shall be reinstated if after such release any portion of any payment in respect of the Obligations shall be rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or any Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Borrower or any Guarantor or any substantial part of its property, or otherwise, all as though such payment had not been made.

Upon request by the Administrative Agent or the Collateral Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's or the Collateral Agent's authority to release or subordinate its interest in particular types or items of property, or to release any Guarantor from its obligations under the Guaranty pursuant to this Section 8.10.

(b) The Administrative Agent and the Collateral Agent shall not be responsible for or have a duty to ascertain or inquire into any representation or warranty regarding the existence, value or collectability of the Collateral, the existence, priority or perfection of the Collateral Agent's Lien thereon, or any certificate prepared by any Loan Party in connection therewith, nor shall the Administrative Agent or the Collateral Agent be responsible or liable to the Lenders or any other Secured Party for any failure to monitor or maintain any portion of the Collateral.

(c) Anything contained in any of the Loan Documents to the contrary notwithstanding, the Borrower, the Administrative Agent, the Collateral Agent and each Lender hereby agree that (i) no Secured Party shall have any right individually to realize upon any of the Collateral or to enforce the Guarantee and Collateral Agreement or any other Security Document, it being understood and agreed that all powers, rights and remedies under any of the Security Documents may be exercised solely by the Administrative Agent or the Collateral Agent, as applicable, for the benefit of the Secured Parties in accordance with the terms thereof and all powers, rights and remedies under the Security Documents may be exercised solely by the Collateral Agent for the benefit of the Secured Parties in accordance with the terms thereof, and (ii) in the event of a foreclosure or similar enforcement action by

the Collateral Agent on any of the Collateral pursuant to a public or private sale or other Disposition (including, without limitation, pursuant to Section 363(k), Section 1129(b)(2)(a)(ii) or otherwise of the Bankruptcy Code), the Collateral Agent (or any Lender, except with respect to a “credit bid” pursuant to Section 363(k), Section 1129(b)(2)(a)(ii) or otherwise of the Bankruptcy Code,) may be the purchaser or licensor of any or all of such Collateral at any such sale or other Disposition and the Collateral Agent, as agent for and representative of the Secured Parties (but not any Lender or Lenders in its or their respective individual capacities) shall be entitled, upon instructions from the Required Lenders, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold at any such sale or Disposition, to use and apply any of the Obligations as a credit on account of the purchase price for any collateral payable by the Collateral Agent at such sale or other Disposition.

Section 8.11 Additional Secured Parties. The benefit of the provisions of the Loan Documents directly relating to the Collateral or any Lien granted thereunder shall extend to and be available to any Secured Party that is not an Agent or Lender as long as, by accepting such benefits, such Secured Party agrees, as among the Administrative Agent and all other Secured Parties, that such Secured Party is bound by (and, if requested by the Administrative Agent or the Collateral Agent, shall confirm such agreement in a writing in form and substance acceptable to the Administrative Agent or the Collateral Agent) this Article VIII and the decisions and actions of the Administrative Agent, the Collateral Agent and the Required Lenders (or, where expressly required by the terms of this Agreement, a greater proportion of the Lenders or other parties hereto as required herein) to the same extent a Lender is bound; *provided, however*, that, notwithstanding the foregoing, (a) such Secured Party shall be bound by Section 9.05(c) only to the extent of liabilities, costs and expenses with respect to or otherwise relating to the Collateral, (b) each of the Administrative Agent, Collateral Agent and Lenders shall be entitled to act without regard to the interest of such Secured Party, regardless of whether any Obligation to such Secured Party thereafter remains outstanding, is deprived of the benefit of the Collateral, becomes unsecured or is otherwise affected or put in jeopardy thereby, and without any duty or liability to such Secured Party or any such Obligation and (c) except as otherwise set forth herein, such Secured Party shall not have any right to be notified of, consent to, direct, require or be heard with respect to, any action taken or omitted in respect of the Collateral or under any Loan Document.

ARTICLE IX MISCELLANEOUS

Section 9.01 Amendments and Waivers. (a) None of the terms or provisions of this Agreement or any other Loan Document may be waived, supplemented or otherwise modified except in accordance with the provisions of this Section 9.01. The Required Lenders and each Loan Party party to the relevant Loan Document may, or (with the written consent of the Required Lenders) the Administrative Agent (or the Collateral Agent as applicable) and each Loan Party party to the relevant Loan Document may, from time to time, (x) enter into written amendments, supplements or modifications hereto and to the other Loan Documents (including amendments and restatements hereof or thereof) for the purpose of adding any provisions to this Agreement or the other Loan Documents or changing in any manner the rights of the Lenders or of the Loan Parties hereunder or thereunder or (y) waive, on such terms and conditions as may be

specified in the instrument of waiver, any of the requirements of this Agreement or the other Loan Documents or any Default or Event of Default and its consequences; *provided, however*, that, in addition to such Required Lender consent (except as otherwise set forth below), no such waiver, amendment, supplement or modification shall:

(i) forgive the principal amount or extend the final scheduled date of maturity of any Loan, postpone, extend or delay any scheduled date of any amortization payment, or reduce or waive any amortization payment in respect of any Loan, postpone, extend or delay any date fixed for, or reduce or waive the stated rate of, any interest, premium, fee or other amounts (other than principal) due to the Lenders and payable hereunder or under any other Loan Document (except that, for the avoidance of doubt, mandatory prepayments pursuant to Section 2.07 may be postponed, extended, delayed, reduced, waived or modified with the consent of the Required Lenders), or increase the amount or extend the expiration date of any Commitment of any Lender, in each case without the written consent of each Lender directly and adversely affected thereby;

(ii) amend, modify or waive any provision of this Section 9.01 or reduce any percentage specified in the definition of "Required Lenders", consent to the assignment or transfer by the Borrower of any of its rights or obligations under this Agreement or the other Loan Documents, release all or substantially all of the Collateral or release all or substantially all of the value of the Guarantee Obligations of the GP Guarantor under the Guarantee and Collateral Agreement and the other Loan Documents other than in accordance with the provisions of the Loan Documents, in each case without the consent of all Lenders;

(iii) amend, modify or waive any provision of Article VIII or any other provision affecting the rights, duties and obligations of the Administrative Agent without the consent of the Administrative Agent;

(iv) amend, modify or waive any provision of Article VIII or any other provision affecting the rights, duties and obligations of the Collateral Agent without the consent of the Collateral Agent;

(v) amend, modify or waive the pro rata sharing provisions of Section 2.09, Section 2.12 or Section 9.07(a) without the consent of each Lender directly and adversely affected thereby; or

(vi) impose modifications or restrictions on assignments and participations that are more restrictive than, or additional to, those set forth in Section 9.06 without the consent of each Lender.

Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Loan Parties, the Lenders, the Administrative Agent, the Collateral Agent and all future holders of the Loans. In the case of any waiver, the Loan Parties, the Lenders, the Administrative Agent and the Collateral Agent shall be restored to their former position and rights hereunder and under the other Loan Documents, and any Default

or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon. Any such waiver, amendment, supplement or modification shall be effected by a written instrument signed by the parties required to sign pursuant to the foregoing provisions of this Section 9.01. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder (and any amendment, waiver or consent which by its terms requires the consent of all Lenders or each affected Lender may be effected with the consent of the applicable Lenders other than Defaulting Lenders), except that (x) the Commitment of any Defaulting Lender may not be increased or extended without the consent of such Lender and (y) any waiver, amendment or modification requiring the consent of all Lenders or each affected Lender that by its terms affects any Defaulting Lender disproportionately adversely relative to other affected Lenders shall require the consent of such Defaulting Lender.

(b) Notwithstanding anything to the contrary contained in this Section 9.01 or any other provision of this Agreement or any other Loan Document, this Agreement and any other Loan Document may be amended solely with the consent of the Administrative Agent and the Borrower without the need to obtain the consent of any other Lender if such amendment is consummated in order (x) to correct or cure any ambiguities, errors, omissions, mistakes, inconsistencies or defects jointly identified by the Borrower and the Administrative Agent, (y) to effect administrative changes of a technical or immaterial nature or (z) to fix incorrect cross-references or similar inaccuracies in this Agreement or the applicable Loan Document. The Security Documents and related documents in connection with this Agreement and the other Loan Documents may be in a form reasonably determined by the Administrative Agent and the Collateral Agent and may be, together with this Agreement, amended, supplemented and waived with the consent of the Administrative Agent and the Collateral Agent at the request of the Borrower without the need to obtain the consent of any other Lender if such amendment, supplement or waiver is delivered in order (i) to comply with local Law or advice of local counsel, or (ii) to cause such Security Documents or other documents to be consistent with this Agreement and the other Loan Documents.

Section 9.02 Notices.

(a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in Section 9.02(b)), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile as follows:

(i) if to the Administrative Agent, to CIBC at CIBC as Administrative Agent on behalf of the Lenders; Credit Processing Services, Security Department; 595 Bay Street, 5th Floor, Toronto, Ontario M5G 2C2, Attention of Wilma Sevilleja (Facsimile No. 416-956-3830; Telephone No. 416-542-4821; email address Wilma.Sevilleja@cibc.ca);

(ii) if to the Collateral Agent, to CIBC at CIBC as Collateral Agent on behalf of the Lenders; Credit Processing Services, Security Department; 595 Bay Street, 5th Floor, Toronto, Ontario M5G 2C2, Attention of Wilma Sevilleja (Facsimile No. 416-956-3830; Telephone No. 416-542-4821; email address Wilma.Sevilleja@cibc.ca);

(iii) if to a Lender, to it at its address (or facsimile number) set forth in its Administrative Questionnaire.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received. Notices sent by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient). Notices delivered through electronic communications, to the extent provided in Section 9.02(b), shall be effective as provided in Section 9.02(b).

(b) Electronic Communications.

(i) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including email and internet or intranet websites) pursuant to procedures approved by the Administrative Agent. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; *provided* that approval of such procedures may be limited to particular notices or communications.

(ii) Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an email address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return email or other written acknowledgement) and (ii) notices or communications posted to an internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient, at its email address as described in the foregoing clause (i), of notification that such notice or communication is available and identifying the website address therefor; *provided* that, in the case of each of the foregoing clauses (i) and (ii), if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next Business Day for the recipient.

(c) Change of Address, etc. Any party hereto may change its address or facsimile number for notices and other communications hereunder by notice to the Borrower and the Administrative Agent.

(d) Platform.

(i) The Borrower agrees that the Administrative Agent may, but shall not be obligated to, make any Approved Electronic Communications available to the Lenders by posting such Approved Electronic Communications on the Platform.

(ii) The Platform and any Approved Electronic Communications are provided “as is” and “as available.” None of the Agents nor any of their respective Related Parties warrant the accuracy, adequacy or completeness of the Platform or any Approved Electronic Communications and each expressly disclaims liability for errors or omissions in the Approved Electronic Communications. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third-party rights or freedom from viruses or other code defects, is made by any Agent or any of their respective Related Parties in connection with the Platform or the Approved Electronic Communications. Each party hereto agrees that no Agent has any responsibility for maintaining or providing any equipment, software, services or any testing required in connection with any Approved Electronic Communication or otherwise required for the Platform. In no event shall any Agent or any of its Related Parties have any liability to any Loan Party, any Lender or any other Person or entity for damages of any kind, whether or not based on strict liability and including, without limitation, (A) direct damages, losses or expenses (whether in tort, contract or otherwise) arising out of any Loan Party’s or any Agent’s transmission of communications through the Platform or (B) indirect, special, incidental or consequential damages, losses or expenses (whether in tort, contract or otherwise) arising out of any Loan Party’s or any Agent’s transmission of communications through the Platform. In no event shall any Agent or any of its Related Parties have any liability for any damages arising from the use by others of any information or other materials obtained through internet, electronic, telecommunications or other information transmission systems, except to the extent the same resulted primarily from the gross negligence or willful misconduct of such Agent or its Related Parties, in each case as determined by a court of competent jurisdiction in a final and non-appealable judgment.

(iii) Each Loan Party, each Lender and each Agent agrees that the Administrative Agent may, but shall not be obligated to, store any Approved Electronic Communications on the Platform in accordance with the Administrative Agent’s customary document retention procedures and policies.

(iv) All uses of the Platform shall be governed by and subject to, in addition to this Section 9.02, separate terms and conditions posted or referenced in such Platform and related agreements executed by the Lenders and their Affiliates in connection with the use of such Platform.

(v) Each Loan Party understands that the distribution of material through an electronic medium is not necessarily secure and that there are confidentiality and other risks associated with such distribution and agrees and assumes the risks associated with such electronic distribution, except to the extent caused by the willful misconduct or gross negligence of the Administrative Agent, in each case as determined by a court of competent jurisdiction in a final and non-appealable judgment.

(vi) Any notice of Default or Event of Default may be provided by telephone if confirmed promptly thereafter by delivery of written notice thereof.

Section 9.03 No Waiver by Course of Conduct; Cumulative Remedies. None of the Arranger, the Agents or the Lenders shall by any act (except by a written instrument pursuant to Section 9.01), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. No failure to exercise, nor any delay in exercising, on the part of any Arranger, Agent or Lender, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by any Arranger, Agent or Lender of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which such Arranger, Agent or Lender would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

Section 9.04 Survival of Representations, Warranties, Covenants and Agreements. All representations, warranties, covenants and agreements made herein, in the other Loan Documents and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery hereof and thereof and the making of the Loans and other extensions of credit hereunder, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default at the time of any Credit Extension hereunder, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied and so long as the Commitments have not expired or been terminated. The provisions of Section 2.10, Section 2.11, Section 9.05, Section 9.19, Section 9.21 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the Payment in Full and the Commitments or the termination of this Agreement or any provision hereof.

Section 9.05 Payment of Expenses; Indemnity.

(a) Costs and Expenses. The Borrower shall pay (i) all reasonable out-of-pocket costs and expenses incurred by the Administrative Agent, the other Agents and their respective Affiliates in connection with the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents, or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), including the reasonable fees, charges and disbursements of counsel and (ii) all out-of-pocket costs and expenses incurred by the Administrative Agent, the other Agents each Lender (including the fees, charges and disbursements of any counsel for the Administrative Agent, any Lender) in connection with the enforcement or protection of any rights and remedies under this Agreement and the other Loan Documents, including all such costs and expenses incurred during any legal proceeding, including any proceeding under any Debtor Relief Law, and including in connection with any workout, restructuring or negotiations in respect of the Obligations, the credit facilities extended pursuant to this Agreement, and any other matters arising in connection with the Loan Documents, including the reasonable fees, charges and disbursements of counsel.

(b) Indemnification by the Borrower. The Borrower shall indemnify the Administrative Agent (and any sub-agent thereof), each other Agent each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an “Indemnitee”) against, and hold each Indemnitee harmless from, any and all liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs (including settlement costs), disbursements and out-of-pocket fees and expenses (including the fees, charges and disbursements of any counsel for any Indemnitee), joint or several, of any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted or awarded against any Indemnitee in any way relating to or arising out of or in connection with or by reason of (i) any actual or prospective claim, litigation, investigation or proceeding in any way relating to, arising out of, in connection with or by reason of any of the following, whether based on contract, tort or any other theory (including any investigation of, preparation for, or defense of any pending or threatened claim, litigation or proceeding): (x) the execution, delivery, enforcement, performance or administration of any Loan Document or any other document delivered in connection with the transactions contemplated thereby or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated) or the consummation of the transactions contemplated thereby or (y) any Commitment, any Credit Extension or the use or proposed use of the proceeds thereof; *provided* that such indemnity shall not, as to any Indemnitee, be available to the extent that such liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs, fees and expenses arise from any dispute solely among Indemnities (other than any claims against an Indemnitee in its capacity or in fulfilling its role as an agent or arranger or any similar role hereunder or under any other Loan Document and other than any claims arising out of any act or omission of the Borrower or any of its Subsidiaries); or (ii) any actual or alleged presence or release of Materials of Environmental Concern on or from any property currently or formerly owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries (clauses (i) and (ii), collectively, the “Indemnified Liabilities”), in all cases, whether or not caused by or arising, in whole or in part, out of the negligence of such Indemnitee and regardless of whether such Indemnitee is a party thereto, and whether or not any such claim, litigation, investigation or proceeding is brought by the Borrower, its equity holders, its affiliates, its creditors or any other Person. This Section 9.05(b) shall not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim. The indemnity provided for in this Section 9.05(b) shall not, as to any Indemnitee, be available to the extent that such liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs, disbursements, fees or expenses (1) are determined by a court of competent jurisdiction by final and non-appealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (2) result from a claim brought by Borrower or any other Loan Party against an Indemnitee for breach in bad faith of such Indemnitee’s obligations hereunder or under any other Loan Document, if Borrower or such Loan Party has obtained a final and non-appealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

(c) Reimbursement by the Lenders. To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under Section 9.05(a) or Section 9.05(b) to be paid by it to the Administrative Agent or Collateral Agent (or any sub-agent thereof),

each Lender severally agrees to pay to the Administrative Agent or Collateral Agent (or any such sub-agent), such Lender's pro rata share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought based on each Lender's share of the Total Credit Exposure at such time) of such unpaid amount (including any such unpaid amount in respect of a claim asserted by such Lender); *provided* that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent or Collateral Agent (or any such sub-agent). The obligations of the Lenders under this Section 9.05(c) are several and not joint.

(d) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable Requirements of Law, the Borrower shall not assert (and shall cause its Subsidiaries not to assert), and hereby waives (and agrees to cause its Subsidiaries to waive), any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any other document contemplated hereby, the transactions contemplated hereby or thereby, any Commitment or any Credit Extension, or the use of the proceeds thereof or such Indemnitee's activities in connection therewith (whether before or after the Closing Date); *provided* that such waiver of special, indirect, consequential or punitive damages shall not limit the indemnification obligations of the Borrower under this Section 9.05. No Indemnitee shall be liable for any damages arising from the use by others of any information or other materials distributed by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement, the other Loan Documents or the transactions contemplated hereby or thereby.

(e) Payments. All amounts due under this Section 9.05 shall be payable promptly.

Section 9.06 Successors and Assigns; Participations and Assignments.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender (and any such assignment without such consent shall be null and void), and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of Section 9.06(b), (ii) by way of participation in accordance with the provisions of Section 9.06(d), or (iii) by way of pledge or assignment of a security interest subject to the restrictions of Section 9.06(e). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in Section 9.06(d) and, to the extent expressly contemplated hereby, Indemnitees and the Related Parties of each of the Administrative Agent, the Collateral Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. (1) Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); *provided* that any such assignee be required to execute a joinder agreement to the Restructuring Support Agreement; *provided further*, that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts.

(A) In the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and/or the Loans at the time owing to it or contemporaneous assignments to related Approved Funds (determined after giving effect to such assignments) that equal at least the amount specified in Section 9.06(b)(i)(B) in the aggregate or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned.

(B) In any case not described in Section 9.06(b)(i)(A), the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the applicable Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "trade date" is specified in the Assignment and Assumption, as of such date) shall not be less than \$1,000,000, unless each of the Administrative Agent (such consent not to be unreasonably withheld or delayed).

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement.

(iii) Required Consents. No consent shall be required for any assignment except to the extent required by Section 9.06(b)(i)(B) and, in addition:

(A) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required for assignments in respect of (i) any unfunded Final Order Commitments if such assignment is to a Person that is not a Lender, an Affiliate of any such Lender or an Approved Fund with respect to such Lender, or (ii) any Loans to a Person who is not a Lender, an Affiliate of a Lender or an Approved Fund.

(iv) Processing Fee; Administrative Questionnaire. The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500; *provided* that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

(v) No Assignment to Certain Persons. No such assignment shall be made to (A) the Borrower or any of the Borrower's Affiliates or Subsidiaries.

(vi) No Assignment to Natural Persons. No such assignment shall be made to a natural Person (or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural Person).

(vii) Certain Additional Payments. In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower and the Administrative Agent, the applicable pro rata share of Loans previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent and each other Lender hereunder (and interest accrued thereon), and (y) acquire (and fund as appropriate) its full pro rata share of all Loans. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under applicable Requirements of Law without compliance with the provisions of this clause (vii), then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

(2) Subject to acceptance and recording thereof by the Administrative Agent pursuant to Section 9.06(c), from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Section 2.10, Section 2.11 and Section 9.05 with respect to facts and circumstances occurring prior to the effective date of such assignment; *provided* that, except to the extent otherwise expressly agreed by the affected parties, no assignment by a Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 9.06(b) shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 9.06(d).

(c) Register. The Administrative Agent, acting solely for this purpose as a non-fiduciary agent of the Borrower, shall maintain at one of its offices in Toronto, Ontario, a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts (and stated interest) of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive absent manifest error, and the Borrower, the Administrative Agent and the Lenders shall treat each Person whose name is

recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower and any Lender (with respect to (i) any entry relating to such Lender's Loans, (ii) the identity of the other Lenders (but not any information with respect to such other Lenders' Loans) and (iii) any entry relating to the Loans of Affiliated Lenders) at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural Person, or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural Person, a Defaulting Lender or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); *provided* that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. For the avoidance of doubt, each Lender shall be responsible for the indemnity under Section 9.05(c) with respect to any payments made by such Lender to its Participants.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; *provided* that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in clauses (i), (ii), (iii), (iv), (ix), (x) and (xii) of the proviso to Section 9.01(a) that affects such Participant. The Borrower agrees that each Participant shall be entitled to the benefits of Section 2.10 and Section 2.11 (subject to the requirements and limitations therein, including the requirements in Section 2.11(g) (it being understood that the documentation required under Section 2.11(g) shall be delivered to the participating Lender)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 9.06(b); *provided* that such Participant (A) agrees to be subject to the provisions of Section 2.14 as if it were an assignee under Section 9.06(b); and (B) shall not be entitled to receive any greater payment under Section 2.10 or Section 2.11 with respect to any participation than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation. Each Lender that sells a participation agrees, at the Borrower's request and expense, to use reasonable efforts to cooperate with the Borrower to effectuate the provisions of Section 2.14(a) with respect to any Participant. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.07(b) as though it were a Lender; *provided* that such Participant agrees to be subject to Section 9.07(a) as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "Participant Register"); *provided* that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information

relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(e) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank or other central bank having jurisdiction over such Lender; *provided* that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

Section 9.07 Sharing of Payments by Lenders; Set-off.

(a) If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or other obligations hereunder resulting in such Lender receiving payment of a proportion of the aggregate amount of its Loans and accrued interest thereon or other such obligations greater than its pro rata share thereof as provided herein, then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans and such other obligations of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them; *provided* that:

(i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(ii) the provisions of this Section 9.07(a) shall not be construed to apply to (x) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Lender), or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Borrower or any Subsidiary thereof, as to which the provisions of this Section 9.07(a) shall apply), as to which the provision of this Section 9.07(a) shall apply].

The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable Requirements of Law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of setoff and counterclaim with

respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(b) The Borrower hereby irrevocably authorizes each Lender at any time and from time to time while an Event of Default shall have occurred and be continuing, without notice to the Borrower, any such notice being expressly waived by the Borrower, to set-off and appropriate and apply any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such party to or for the credit or the account of the Borrower, or any part thereof in such amounts as such Lender may elect, against and on account of the obligations and liabilities of the Borrower to such Lender hereunder and claims of every nature and description of such Lender against the Borrower, in any currency, whether arising hereunder, under any other Loan Document or otherwise, as such Lender may elect, whether or not any Lender has made any demand for payment and although such obligations, liabilities and claims may be contingent or unmatured; *provided* that such Lender complies with Section 9.07(a). Each Lender exercising any right of set-off shall notify the Borrower promptly of any such set-off and the application made by such Lender of the proceeds thereof; *provided* that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender under this Section 9.07 are in addition to other rights and remedies (including, without limitation, other rights of set-off) which such Lender may have.

Section 9.08 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by facsimile or other electronic imaging means), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Agreement by facsimile or other electronic transmission (e.g. “pdf” or “tif” format) shall be effective as delivery of a manually executed counterpart hereof. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

Section 9.09 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. The parties hereto shall endeavor in good-faith negotiations to replace any invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

Section 9.10 Section Headings. The Section headings and Table of Contents used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

Section 9.11 Integration. This Agreement and the other Loan Documents represent the entire agreement of the parties hereto with respect to the subject matter hereof and thereof and supersede any and all previous agreements and understandings, oral or written, relating to the

subject matter hereof and thereof. There are no promises, undertakings, representations or warranties by the Arranger, any Agent or any Lender relative to the subject matter hereof not expressly set forth or referred to herein or in the other Loan Documents.

Section 9.12 Governing Law. THIS AGREEMENT AND ANY DISPUTE, CLAIM OR CONTROVERSY ARISING OUT OF OR RELATING TO THIS AGREEMENT (WHETHER ARISING IN CONTRACT, TORT OR OTHERWISE) SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICTS OF LAW RULES THAT WOULD RESULT IN THE APPLICATION OF A DIFFERENT GOVERNING LAW.

Section 9.13 Submission to Jurisdiction; Waivers.

(a) Each party hereto hereby irrevocably and unconditionally:

(i) agrees that any legal action or proceeding with respect to any Loan Document shall be brought in the Bankruptcy Court or if, the Bankruptcy Court does not have or does not exercise jurisdiction, the courts of the State of New York located in the City of New York, Borough of Manhattan, or of the United States of America for the Southern District of New York and, by execution and delivery of this Agreement, each of Holdings and the Borrower hereby accepts for itself and in respect of its property, generally and unconditionally, the sole and exclusive jurisdiction of the aforesaid courts;

(ii) agrees that all claims in respect of any such action or proceeding shall be heard and determined in such courts or, to the fullest extent permitted by applicable Requirements of Law, in such federal court;

(iii) agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law and that nothing in this Agreement or any other Loan Document shall affect any right that the Arranger, the Agents or the Lenders may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against it or any of its assets in the courts of any jurisdiction;

(iv) waives, to the fullest extent permitted by applicable Requirements of Law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in Section 9.13(a) (and irrevocably waives to the fullest extent permitted by applicable Requirements of Law the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court);

(v) consents to service of process in the manner provided in Section 9.02 (and agrees that nothing in this Agreement will affect the right of any party hereto to serve process in any other manner permitted by applicable Requirements of Law);

(vi) agrees that service of process as provided in Section 9.02 is sufficient to confer personal jurisdiction over the applicable party in any such proceeding in any such court, and otherwise constitutes effective and binding service in every respect; and

(vii) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover any special, exemplary, punitive or consequential damages.

Section 9.14 Acknowledgments. The Borrower hereby acknowledges and agrees that:

(a) it was represented by counsel in connection with the negotiation, execution and delivery of this Agreement and the other Loan Documents to which it is a party, that it and its counsel reviewed and participated in the preparation and negotiation hereof and thereof and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be employed in the interpretation hereof or thereof; and

(b) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Arranger, the Agents and the Lenders or among the Loan Parties, the Arranger, the Agents and the Lenders.

Section 9.15 Confidentiality. Each of the Agents and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Related Parties (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential in accordance with customary practices); (b) to the extent required or requested by any regulatory or similar authority (including any self-regulatory authority, such as the National Association of Insurance Commissioners or any other similar organization) purporting to have jurisdiction over such Person or its Related Parties; (c) to the extent required by applicable Requirements of Law or regulations or by any subpoena or similar legal process; (d) to any other party hereto; (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder; (f) subject to an agreement containing provisions substantially the same (or at least as restrictive) as those of this Section 9.15 (or as may otherwise be reasonably acceptable to the Borrower), to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights and obligations under this Agreement, or (ii) any actual or prospective party (or its Related Parties) to any swap, derivative other transaction under which payments are to be made by reference to the Borrower and its obligations, this Agreement or payments hereunder; (g) with the consent of the Borrower; or (h) to the extent that such Information (x) becomes publicly available other than as a result of a breach of this Section 9.15, or (y) becomes available to any Agent, any Lender or any of their respective Affiliates on a non-confidential basis from a source other than the Borrower. In addition, each of the Agents and the Lenders may disclose the existence of this Agreement and information about this Agreement to market data collectors, similar service providers to the lending industry and service providers to the Agents and the Lenders in connection with the administration of this Agreement, the other Loan Documents and the Credit Extensions.

For purposes of this Section 9.15, “Information” shall mean all information received from the Borrower or any of its Subsidiaries relating to the Borrower or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to any Agent, any Lender on a non-confidential basis prior to disclosure by the Borrower or any of its Subsidiaries; *provided* that, in the case of information received from the Borrower or any of its Subsidiaries after the Closing Date, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section 9.15 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Section 9.16 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE REQUIREMENTS OF LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT, BREACH OF DUTY, COMMON LAW, STATUTE OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.16. EACH PARTY HERETO FURTHER REPRESENTS AND WARRANTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

Section 9.17 PATRIOT Act Notice. Each Lender, the Administrative Agent (for itself and not on behalf of any Lender) and the Collateral Agent hereby notifies each Loan Party that pursuant to the requirements of the PATRIOT Act, it is required to obtain, verify and record information that identifies the Loan Parties, which information includes the name, address and taxpayer information number of each Loan Party and other information that will allow such Lender, the Administrative Agent or the Collateral Agent, as applicable, to identify such Loan Party in accordance with the PATRIOT Act. The Borrower shall, promptly following a request by any Lender, the Administrative Agent or the Collateral Agent, provide all documentation and other information that such Lender, the Administrative Agent or the Collateral Agent, as applicable, requests in order to comply with its ongoing obligations under applicable “know your customer” and anti-money-laundering rules and regulations, including the PATRIOT Act.

Section 9.18 Usury Savings Clause. Notwithstanding any other provision herein, the aggregate interest rate charged with respect to any of the Obligations, including all charges or fees in connection therewith deemed in the nature of interest under applicable Requirements of Law, shall not exceed the Highest Lawful Rate. If the rate of interest (determined without regard to the preceding sentence) under this Agreement at any time exceeds the Highest Lawful Rate,

the outstanding amount of the Loans made hereunder shall bear interest at the Highest Lawful Rate until the total amount of interest due hereunder equals the amount of interest which would have been due hereunder if the stated rates of interest set forth in this Agreement had at all times been in effect. In addition, if when the Loans made hereunder are repaid in full the total interest due hereunder (taking into account the increase provided for above) is less than the total amount of interest which would have been due hereunder if the stated rates of interest set forth in this Agreement had at all times been in effect, then to the extent permitted by law, the Borrower shall pay to Administrative Agent an amount equal to the difference between the amount of interest paid and the amount of interest which would have been paid if the Highest Lawful Rate had at all times been in effect. Notwithstanding the foregoing, it is the intention of the Lenders and the Borrower to conform strictly to any applicable usury laws. Accordingly, if any Lender contracts for, charges, or receives any consideration which constitutes interest in excess of the Highest Lawful Rate, then any such excess shall be cancelled automatically and, if previously paid, shall at such Lender's option be applied to the outstanding amount of the Loans made hereunder or be refunded to the Borrower.

Section 9.19 Payments Set Aside. To the extent that any payment by or on behalf of the Borrower is made to the Administrative Agent, the Collateral Agent or any Lender, or the Administrative Agent, the Collateral Agent or any Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent, the Collateral Agent or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Lender severally agrees to pay to the Administrative Agent or the Collateral Agent, as applicable, upon demand its applicable share (without duplication) of any amount so recovered from or repaid by the Administrative Agent or the Collateral Agent (as applicable), plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Effective Rate from time to time in effect.

Section 9.20 No Advisory or Fiduciary Responsibility. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), the Borrower acknowledges and agrees, and acknowledges its Affiliates' understanding, that: (a) (i) no fiduciary, advisory or agency relationship between the Loan Parties and any Agent or any other Lender is intended to be or has been created in respect of the transactions contemplated hereby or by the other Loan Documents, irrespective of whether any Agent or any other Lender has advised or is advising the Borrower or any Subsidiary on other matters, (ii) the arranging and other services regarding this Agreement provided by the Agents and the other Lenders are arm's-length commercial transactions between the Borrower and its Affiliates, on the one hand, and the Agents and the other Lenders, on the other hand, (iii) the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent that it has deemed appropriate and (iv) the Borrower is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; and (b) (i) the Agents and the other Lenders each is and has been acting solely as a principal and, except as expressly

agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Borrower or any of its Affiliates or any other Person; (ii) none of the Agents and the other Lenders has any obligation to the Borrower or any of its Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (iii) the Agents and the other Lenders and their respective Affiliates may be engaged, for their own accounts or the accounts of customers, in a broad range of transactions that involve interests that differ from those of the Borrower and its Affiliates, and none of the Agents and the other Lenders has any obligation to disclose any of such interests to the Borrower or its Affiliates. To the fullest extent permitted by law, the Borrower hereby waives and releases any claims that it may have against the Agents and the other Lenders with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

Section 9.21 Judgment Currency. In respect of any judgment or order given or made for any amount due under this Agreement or any other Loan Document that is expressed and paid in a currency (the “judgment currency”) other than Dollars, the Loan Parties will indemnify Administrative Agent and any Lender against any loss incurred by them as a result of any variation as between (i) the rate of exchange at which the Dollar amount is converted into the judgment currency for the purpose of such judgment or order and (ii) the rate of exchange, as quoted by the Administrative Agent or by a known dealer in the judgment currency that is designated by the Administrative Agent, at which the Administrative Agent or such Lender is able to purchase Dollars with the amount of the judgment currency actually received by the Administrative Agent or such Lender. The foregoing indemnity shall constitute a separate and independent obligation of the Loan Parties and shall survive any termination of this Agreement and the other Loan Documents, and shall continue in full force and effect notwithstanding any such judgment or order as aforesaid. The term “rate of exchange” shall include any premiums and costs of exchange payable in connection with the purchase of or conversion into Dollars.

Section 9.22 Waiver of Sovereign Immunity. The Borrower, in respect of itself, its process agents, and its properties and revenues, hereby irrevocably agrees that, to the extent that such Person or any of its properties has or may hereafter acquire any right of immunity, whether characterized as sovereign immunity or otherwise, from any legal proceedings, whether in the United States of America or elsewhere, to enforce or collect upon the Loans or any Loan Document or any other liability or obligation of such Person related to or arising from the transactions contemplated by any of the Loan Documents, including, without limitation, immunity from suit, immunity from service of process, immunity from jurisdiction or judgment of any court or tribunal, immunity from execution of a judgment, and immunity of any of its property from attachment prior to any entry of judgment, or from attachment in aid of execution upon a judgment, such Person hereby expressly waives, to the fullest extent permissible under applicable Requirements of Law, any such immunity, and agrees not to assert any such right or claim in any such proceeding, whether in the United States of America or elsewhere. Without limiting the generality of the foregoing, the Borrower further agrees that the waivers set forth in this Section 9.22 shall be effective to the fullest extent permitted under the Foreign Sovereign Immunities Act of 1976 of the U.S. and are intended to be irrevocable for purposes of such Act.

Section 9.23 Holdback. The Administrative Agent and Lenders hereby agree that the Debtors may deposit proceeds of the Collateral, solely in accordance with the Interim Order or

Final Order (as applicable) and the applicable provisions of the Loan Documents, into a segregated account (the “Wind Down Account”) held by the Administrative Agent, solely in an amount necessary to fund the wind-down of the Debtors’ estates and the closure of the Cases, in accordance with a wind-down budget prepared by the Debtors and acceptable to the Administrative Agent and the Required Lenders in their respective sole discretion.

Section 9.24 Flood Insurance Provisions. Notwithstanding anything in this Agreement or any other Loan Document to the contrary, in no event is any “Building” (as defined in the applicable Flood Insurance Regulation) or “Manufactured (Mobile) Home” (as defined in the applicable Flood Insurance Regulation) included in the definition of “Mortgaged Property” (as defined in any Loan Document) and no “Building” or “Manufactured (Mobile) Home” is hereby encumbered by this Agreement, any other Loan Document or the Final Order.

[Remainder of page left intentionally blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

PARALLEL ENERGY LP, as Borrower

By: PARALLEL ENERGY GP LLC,
its general partner

By: _____
Name: Richard N. Miller
Title: Chief Financial Officer

CANADIAN IMPERIAL BANK OF
COMMERCE, as Administrative Agent, Collateral
Agent and as a Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

WELLS FARGO BANK, N.A. CANADIAN
BRANCH, as a Lender

By: _____
Name:
Title:

ROYAL BANK OF CANADA, as a Lender

By: _____
Name:
Title:

THE BANK OF NOVA SCOTIA, as a Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

ANNEX A

COMMITMENTS

Lender	Interim Order Commitment	Final Order Commitment	Pro Rata Share
Canadian Imperial Bank of Commerce	\$1,834,615.00	\$ 3,193,589.08	33.97%
The Bank of Nova Scotia	\$ 1,549,634.07	\$ 2,697,511.16	28.70%
Royal Bank of Canada	\$ 1,549,634.07	\$ 2,697,511.16	28.70%
Wells Fargo Bank, N.A. Canadian Branch	\$ 466,116.85	\$ 811,388.59	8.63%
Total	\$5,400,000.00	\$9,400,000.00	100%

EXISTING LETTERS OF CREDIT

- Beneficiary: Natural Gas Pipeline Company of America LLC
Start date: August 16, 2013
Expiry: August 14, 2016
Amount: \$130,000.00
Type: Standby Letter of Credit with Automatic Renewal clause

SCHEDULE 3.07

Equity Interests

- | (i) | <u>Loan Party</u> | <u>Jurisdiction of Organization</u> |
|-----|--------------------------|--|
| | Parallel Energy LP | Delaware |
| | Parallel Energy GP LLC | Delaware |
- (ii) **Number of Parallel Energy LP's Equity Interests authorized:** Not applicable.
Number of Parallel Energy LP's Equity Interests outstanding: Not applicable.
Parallel Energy LP's Equity Interests covered by outstanding options, warrants, rights of conversion or purchase and similar rights: None.
- Number of Parallel Energy GP LLC's Equity Interests authorized:**
Not applicable.
- Number of Parallel Energy GP LLC's Equity Interests outstanding:**
Not applicable.
- Parallel Energy GP LLC's Equity Interests covered by outstanding options, warrants, rights of conversion or purchase and similar rights:** None.

SCHEDULE 3.16**Insurance**

Policy Type	Carrier	Underwriter	Broker/Agent	Effective Period	Policy Number
Worker's Compensation	Federal Insurance Company	Chubb Group of Insurance	Willis of Oklahoma	7/1/15 – 7/1/16	(16)7174-64-59
Umbrella	Lloyd's of London	Global Special Risks, LLC	Willis of Canada	7/1/15 – 7/1/16	USUMB1510173
Property	Federal Insurance Company	Chubb Group of Insurance	Willis of Oklahoma	7/1/15 – 7/1/16	3597-16-39 DAL
General Liability	Lloyd's of London	Global Special Risks, LLC	Willis of Canada	7/1/15 – 7/1/16	USGL1510172
Business Auto	Federal Insurance Company	Chubb Group of Insurance	Willis of Oklahoma	7/1/15 – 7/1/16	(15)7357-67-85
Operator's Extra Expense	Lloyd's of London	Global Special Risks, LLC	Willis of Canada	7/1/15 – 7/1/16	USOEE1510171
D&O Policy	Liberty International Underwriters	Chubb Group of Insurance		4/21/15 – 4/21/16	DOCGAADVOL005
Excess D&O	ENCON Group Inc.	Chubb Group of Insurance	Willis of Canada	4/21/15 – 4/21/16	DOX452140
Excess D&O	Chubb Group of Insurance	Chubb Group of Insurance		4/21/15 – 4/21/16	8223-7064
Excess D&O	Arch Insurance Canada Ltd.			4/21/15 – 4/21/16	ABX0056429-02
Excess D&O	Axis Reinsurance Company		Willis of Canada	4/21/15 – 4/21/16	CTSS766874/01/2015
Excess D&O	Starr Insurance & Reinsurance Limited			4/21/15 – 4/21/16	100015003151

SCHEDULE 3.17(A)

UCC Filing Jurisdictions

Loan Party

Parallel Energy LP

Parallel Energy GP LLC

Filing Office

Secretary of State of the State of Delaware

Secretary of State of the State of Delaware

SCHEDULE 3.17(B)

Mortgage Filing Jurisdictions

Filing Offices for Mortgages of Parallel Energy LP

Potter County, Texas

Moore County, Texas

Hutchison County, Texas

Carson County, Texas

Gray County, Texas

Roberts County, Texas

Jefferson County, Oklahoma

Garfield County, Oklahoma

Filing Offices for Mortgages of Parallel Energy GP LLC

Not applicable.

SCHEDULE 5.20

Post-Closing Undertakings

1. Insurance. Within 5 Business Days from the Closing Date (or such later date to which the Administrative Agent consents in its sole discretion), the Administrative Agent shall have received a copy of, or a certificate as to coverage under, the insurance policies required by Section 5.07 and the applicable provisions of the Security Documents, each of which shall be endorsed or otherwise amended to include a “standard” or “New York” lender’s loss payable or mortgage endorsement (as applicable) and shall name the Collateral Agent, on behalf of the Secured Parties, as additional insured or loss payee, as applicable, in form and substance reasonably satisfactory to the Administrative Agent and the Collateral Agent.

SCHEDULE 6.16

Gas Imbalances

<u>Well</u>	<u>Date</u>	<u>Status</u>	<u>Amount (Mcf)</u>
Barrett 1G (#11420)	9-30-15	Over produced	110

**EXHIBIT B
FORM OF MORTGAGE**

[Attached]

Exhibit B

WHEN RECORDED OR FILED,
PLEASE RETURN TO:
Latham & Watkins LLP
811 Main Street
Suite 3700
Houston, Texas 77002
Attention: Dee Alaniz
Telephone: (713) 546-7448

(OK, TX)

Space above for County Recorder's Use

**DEED OF TRUST, MORTGAGE, MULTIPLE INDEBTEDNESS MORTGAGE,
ASSIGNMENT OF AS-EXTRACTED COLLATERAL, SECURITY AGREEMENT,
FIXTURE FILING AND FINANCING STATEMENT**

FROM

PARALLEL ENERGY LP, AS GRANTOR

**IN THE CASE OF THE DEED OF TRUST PROPERTY (AS HEREIN DEFINED)
LOCATED IN A DEED OF TRUST STATE (AS HEREIN DEFINED),**

TO

DOUG BROWN, AS TRUSTEE

FOR THE BENEFIT OF

**CANADIAN IMPERIAL BANK OF COMMERCE,
AS AGENT AND THE OTHER SECURED PERSONS**

**IN THE CASE OF THE DEED OF TRUST PROPERTY (AS HEREIN DEFINED)
LOCATED IN A MORTGAGE STATE (AS HEREIN DEFINED),**

IN FAVOR OF

**CANADIAN IMPERIAL BANK OF COMMERCE,
AS AGENT FOR THE OTHER SECURED PERSONS**

A CARBON, PHOTOGRAPHIC, OR OTHER REPRODUCTION OF THIS INSTRUMENT IS
SUFFICIENT AS A FINANCING STATEMENT.

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

A POWER OF SALE HAS BEEN GRANTED IN THIS INSTRUMENT. IN CERTAIN STATES, A POWER OF SALE MAY ALLOW THE TRUSTEE OR THE BENEFICIARY TO TAKE THE DEED OF TRUST PROPERTY AND SELL IT WITHOUT GOING TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY THE GRANTOR UNDER THIS INSTRUMENT.

THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS.

THIS INSTRUMENT SECURES PAYMENT OF FUTURE ADVANCES.

THIS INSTRUMENT COVERS PROCEEDS OF THE DEED OF TRUST PROPERTY AND UCC COLLATERAL.

THIS INSTRUMENT COVERS MINERALS, AS-EXTRACTED COLLATERAL, AND OTHER SUBSTANCES OF VALUE WHICH MAY BE EXTRACTED FROM THE EARTH (INCLUDING WITHOUT LIMITATION OIL AND GAS) AND THE ACCOUNTS RELATED THERETO, WHICH WILL BE FINANCED AT THE WELLHEADS OF THE WELL OR WELLS LOCATED ON THE PROPERTIES DESCRIBED IN THE EXHIBIT HERETO. THIS INSTRUMENT COVERS GOODS WHICH ARE OR ARE TO BECOME FIXTURES ON THE LAND DESCRIBED IN OR REFERRED TO IN THE EXHIBIT HERETO. THIS INSTRUMENT IS TO BE FILED FOR RECORD (INCLUDING AS A FIXTURE FILING AND AS A FINANCING STATEMENT COVERING AS-EXTRACTED COLLATERAL), AMONG OTHER PLACES, IN THE REAL PROPERTY RECORDS OR SIMILAR RECORDS OF THE RECORDERS OF THE COUNTIES LISTED ON THE EXHIBIT HERETO. THE GRANTOR HAS AN INTEREST OF RECORD IN THE REAL ESTATE CONCERNED, WHICH INTEREST IS DESCRIBED IN THE EXHIBIT ATTACHED HERETO. THIS INSTRUMENT IS ALSO TO BE INDEXED IN THE INDEX OF FINANCING STATEMENTS. THE ADDRESSES OF GRANTOR AND BENEFICIARY ARE CONTAINED IN THIS INSTRUMENT.

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Exhibit A - Oil and Gas Properties

THIS DEED OF TRUST, MORTGAGE, MULTIPLE INDEBTEDNESS MORTGAGE, ASSIGNMENT OF AS-EXTRACTED COLLATERAL, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING STATEMENT (as the same may from time to time be amended, supplemented, amended and restated or otherwise modified, this “Deed of Trust”) is entered into as of [____], 2015 (the “Effective Date”) by PARALLEL ENERGY LP, as a debtor and debtor in possession under Chapter 11 of the Bankruptcy Code, a Delaware limited partnership (formerly known as Parallel Energy Acquisitions LP and hereinafter, the “Grantor”), in favor of (i) in the case of the Deed of Trust Property (as hereinafter defined) located in a Deed of Trust State (as hereinafter defined), in favor of DOUG BROWN, as Trustee for the benefit of CANADIAN IMPERIAL BANK OF COMMERCE, as Agent, and the Other Secured Persons with respect to all Deed of Trust Properties located in or adjacent to the Deed of Trust State and (ii) in the case of the Deed of Trust Property located in a Mortgage State (as hereinafter defined) and all UCC Collateral, in favor of CANADIAN IMPERIAL BANK OF COMMERCE, as Agent for its benefit and the benefit of the Other Secured Persons (in its capacity under each of (i) and (ii) above, together with its successors and assigns in such capacity, being herein referred to as “Beneficiary”).

RECITALS

A. On [____], Grantor, as borrower, each of the Lenders from time to time party thereto (the “Lenders”), and Beneficiary, as administration agent and collateral agent for the Lenders, entered into a Credit Agreement (such agreement, as it may from time to time be amended, amended and restated, supplemented or otherwise modified from time to time, the “Credit Agreement”), pursuant to which, upon the terms and conditions stated therein, the Lenders have agreed to make certain extensions of credit to the Grantor.

B. Beneficiary and the Lenders have conditioned their obligations under the Credit Agreement upon the execution and delivery by Grantor of this Deed of Trust, and Grantor has agreed to enter into this Deed of Trust to secure the Secured Obligations (as defined herein), including the obligations of the Grantor under the Credit Agreement.

C. The execution, delivery, and performance of this Deed of Trust and the grant of a security interest, pledge and lien on the Collateral to secure the Secured Obligations have been authorized by the Interim Order and, after the entry thereof, will have been so authorized by the Final Order (each as defined in the Credit Agreement, and collectively, the “Orders”).

D. To supplement the Orders without in any way diminishing or limiting the effect of the Orders or the security interest, pledge and lien granted thereunder, the parties hereto desire to more fully set forth their respective rights in connection with such security interest, pledge, and lien.

E. Therefore, in order to comply with the terms and conditions of the Credit Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor hereby agrees as follows:

ARTICLE I DEFINITIONS

Section 1.01 Terms Defined Above. As used in this Deed of Trust, each term defined above has the meaning indicated above.

Section 1.02 UCC and Other Defined Terms. Unless otherwise defined in the Uniform Commercial Code, each capitalized term used in this Deed of Trust and not defined in this Deed of Trust shall have the meaning ascribed to such term in the Credit Agreement. Any capitalized term not defined in either this Deed of Trust or the Credit Agreement shall have the meaning ascribed to such term in the Uniform Commercial Code.

Section 1.03 Definitions. As used herein, the following terms have the meanings specified below:

“Beneficiary” has the meaning ascribed to such term in the introductory paragraph hereto.

“Collateral” means collectively the Deed of Trust Property and the UCC Collateral.

“Credit Agreement” has the meaning ascribed to such term in the recitals hereto.

“Deed of Trust” has the meaning ascribed to such term in the introductory paragraph hereto.

“Deed of Trust Property” has the meaning ascribed to such term in Section 2.01.

“Deed of Trust State” has the meaning ascribed to such term in Section 2.01.

“Effective Date” has the meaning ascribed to such term in the introductory paragraph hereto.

“Event of Default” has the meaning ascribed to such term in Section 5.01.

“Grantor” has the meaning ascribed to such term in the introductory paragraph hereto.

“Hydrocarbon Interests” has the meaning ascribed to such term in Section 2.01(c)(i)(A).

“Lenders” has the meaning ascribed to such term in the recitals hereto.

“Mortgage State” has the meaning ascribed to such term in Section 2.01.

“Oil and Gas Properties” has the meaning ascribed to such term in Section 2.01(c)(i).

“Oklahoma Act” has the meaning ascribed to such term in Section 7.01(c).

“Orders” has the meaning ascribed to such term in the recitals hereto.

“Other Secured Persons” means the Agent, each Lender, each Indemnitee and any legal owner, holder, assignee or pledgee of any of the Secured Obligations.

“Post-Default Rate” means the interest rate payable after the occurrence and during the continuance of an Event of Default as set forth in Section 2.08 of the Credit Agreement, but in no event to exceed the maximum rate permitted by applicable law.

“Secured Obligations” has the meaning assigned to such term in Section 2.03.

“Trustee” means Doug Brown of Canada, whose address for notice hereunder is 855 - 2nd Street S.W., 9th Floor, Calgary, AB T2P 2P2 and any successors and substitutes in trust hereunder.

“UCC Collateral” means the property and other assets described in Section 2.02.

“Uniform Commercial Code” or “UCC” means the Uniform Commercial Code as from time to time in effect in the State of New York; provided, however, that, in the event that, by reason of mandatory provisions of law, any of the attachment, perfection or priority of any Lien on any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, the term “Uniform Commercial Code” shall mean the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such attachment, perfection, the effect thereof or priority and for purposes of definitions related to such provisions.

ARTICLE II GRANT OF LIEN AND SECURED OBLIGATIONS

Section 2.01 Grant of Liens. To secure payment of the Secured Obligations, the Grantor does by these presents hereby:

(a) GRANT, BARGAIN, SELL, ASSIGN, MORTGAGE, TRANSFER and CONVEY to the Trustee, and grant to the Trustee, in trust for the use and benefit of the Beneficiary and the Other Secured Persons, a POWER OF SALE (pursuant to this Deed of Trust and applicable law) with respect to, in each case, the Deed of Trust Property that is located in (or cover or relate to properties located in) the State of Texas (the “Deed of Trust State”).

(b) GRANT, BARGAIN, SELL, ASSIGN, MORTGAGE, TRANSFER and CONVEY to the Beneficiary and grant to Beneficiary a POWER OF SALE (pursuant to this Deed of Trust and applicable law) with respect to, in each case, the Deed of Trust Property that is not granted to Trustee in clause (a) above and shall include, without limitation, the Deed of Trust Property that is located in (or cover or relate to properties located in) the State of Oklahoma (the “Mortgage State”)

(c) The “Deed of Trust Property” shall mean, with respect to clauses (a) or (b) above, as the case may be, Grantor’s rights, title and interest in all the following properties, rights and interests:

(i) All rights, titles, interests and estates now owned or hereafter acquired by Grantor in and to the following (collectively, the “Oil and Gas Properties”):

(A) the oil, gas, and/or other mineral properties, mineral servitudes, overriding royalty interests, and/or other mineral rights and interests described in Exhibit A, including, without limitation, the oil, gas and/or other mineral leases or other agreements described in Exhibit A and the lands described or referred to in Exhibit A (or described in any of the instruments described or referred to in Exhibit A) (collectively, the “Hydrocarbon Interests”), and

(B) any and all properties now or hereafter pooled or unitized with any of the Hydrocarbon Interests, including any and all presently existing or future unitization, communitization, and pooling agreements and declarations of pooled units and the units created thereby (including, without limitation, all units created under orders, regulations, rules or other official acts of any federal, state or other governmental body or agency having jurisdiction and any units created solely among working interest owners pursuant to operating agreements or otherwise) which may affect all or any portion of any Hydrocarbon Interest, including, without limitation, those units which may be described or referred to on Exhibit A,

without regard to any limitations as to specific lands or depths that may be set forth in Exhibit A, it being agreed and understood that the Hydrocarbon Interests and the Oil and Gas Properties shall include (1) all of Grantor’s rights, titles, interests, and estates therein even though Grantor’s interests therein may be incorrectly described or a description of a part or all thereof or of Grantor’s interests therein be omitted or incomplete, it being intended by Grantor and Beneficiary herein to cover and affect hereby all interests which Grantor may now own or may hereafter acquire therein and thereto notwithstanding that the interests as specified on Exhibit A may be limited to particular lands, specified depths or particular types of property interests, and (2) any enlargements thereof arising from the discharge of any payments out of production or by the removal of any charges or Permitted Liens to which any of the Hydrocarbon Interests or Oil and Gas Properties are subject, or otherwise.

(ii) All rights, titles, interests and estates now owned or hereafter acquired by Grantor in and to all operating agreements, production sales agreements, farmout agreements, farm-in agreements, area of mutual interest agreements, equipment leases and other agreements described or referred to in this Deed of Trust or that relate to any of the Oil and Gas Properties or any interests in any of the Oil and Gas Properties or to the production, sale, purchase, exchange, processing, handling, storage, transporting or marketing of Hydrocarbons (herein defined) from or attributable to any of the Oil and Gas Properties.

(iii) All rights, titles, interests, and estates now owned or hereafter acquired by Grantor in and to all geological, geophysical, engineering, accounting, title, legal, and other technical or business data concerning any of the Oil and Gas Properties, any Hydrocarbons, or any other item of Deed of Trust Property which are in the possession of Grantor or in which Grantor can otherwise grant a security interest, and all books, files, records, magnetic media, computer records, and other forms of recording or obtaining access to such data.

(iv) All rights, titles, interests, and estates now owned or hereafter acquired by Grantor in and to the surface of all lands relating to the Oil and Gas Properties, including without limitation such as are described in Exhibit A, and all compressor sites, settling ponds, equipment or pipe yards, office sites, office buildings and property and fixtures located thereon, whether such lands, compressor sites, settling ponds, equipment or pipe yards, office sites, and office buildings are fee simple estates, leasehold estates or otherwise, together with all present and future rights, titles, easements and estates now owned or hereafter acquired by Grantor under or in connection with such any such interest.

(v) All rights, titles, interests and estates now owned or hereafter acquired by Grantor in and to all oil, gas, casinghead gas, drip gasoline, natural gasoline, condensate, distillate, liquid hydrocarbons, gaseous hydrocarbons and all products refined or separated therefrom and all other minerals (collectively, "Hydrocarbons") in and under and which may be produced and saved from or attributable to any of the Oil and Gas Properties, including all oil in tanks and all rents, issues, profits, proceeds, products, revenues and other income from or attributable to any of the Oil and Gas Properties, including specifically but without limitation all Liens securing payment of proceeds from the sale of Hydrocarbons, including, without limitation, those liens and security interests provided in Section 9.343 of the Uniform Commercial Code as enacted in the State of Texas, the Oil and Gas Owners' Lien Act of 2010 (52 Okl.St. Ann §§549.1, et al.) as enacted in the State of Oklahoma and in the correlative provisions of the Uniform Commercial Code as enacted in the other states in which Deed of Trust Property is located.

(vi) All tenements, hereditaments, appurtenances and properties in any way appertaining, belonging, affixed or incidental to any of the Oil and Gas Properties that are now owned or which may hereafter be acquired by Grantor, including, without limitation, any and all property, real or personal, now owned or hereafter acquired and situated upon, used, held for use, or useful in connection with the operating, working or development of any of the Oil and Gas Properties and including any and all oil wells, gas wells, injection wells or other wells, buildings, structures, field separators, liquid extraction plants, plant compressors, pumps, pumping units, pipelines, sales and flow lines, gathering systems, field gathering systems, salt water disposal facilities, tanks and tank batteries, fixtures, valves, fittings, machinery and parts, engines, boilers, steam generation facilities, meters, apparatus, equipment, appliances, tools, implements, cables, wires, towers, casing, tubing and rods, surface leases, rights-of-way, easements,

servitudes, licenses and other surface and subsurface rights together with all additions, substitutions, replacements, accessions and attachments to any and all of the foregoing properties.

(vii) Any property that may from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien and security interest hereof by Grantor or by anyone on Grantor's behalf (and Trustee is hereby authorized to receive the same at any time as additional security hereunder).

(viii) Any and all renewals and extensions of any of the Deed of Trust Property described in paragraphs (a) through (g) above, including all contracts and agreements supplemental to or amendatory of or in substitution for the contracts and agreements described or mentioned above, and any and all additional interests of any kind hereafter acquired by Grantor therein or thereto.

(ix) All property of every kind and character which Grantor has or at any time hereafter acquires, whether real or personal property, tangible or intangible, or mixed, all other interests of every kind and character which Grantor has or at any time hereafter acquires in and to the types and items of property and interests described in paragraphs (a) through (g) preceding, all property which is used or useful in connection with the Deed of Trust Property or otherwise, and the proceeds and products of all of the foregoing, whether now owned or hereafter acquired, including, without limitation:

(A) All present and future personal property;

(B) All present and future increases, profits, combinations, reclassifications, improvements and products of, accessions, attachments and other additions to, tools, parts and equipment used in connection with, and substitutes and replacements for, all or any part of the Deed of Trust Property described in this or any other clause of this Section 2.01(c)(ix);

(C) All present and future As-extracted collateral, Accounts, Equipment, Inventory, contract rights, General Intangibles, Chattel Paper, Documents, Instruments, Fixtures, cash and noncash Proceeds and other rights arising from or by virtue of, or from the voluntary or involuntary sale or other disposition of, or collections with respect to, or insurance proceeds or unearned insurance premiums payable with respect to, or proceeds payable by virtue of warranty or other claims against manufacturers of, or claims against any other person or entity with respect to, all or any part of the Deed of Trust Property; and

(D) All present and future security for the payment to Grantor of any of the Deed of Trust Property and goods which gave or will give rise to any of such Deed of Trust Property or are evidenced, identified, or represented therein or thereby.

Any fractions or percentages specified on Exhibit A in referring to the Grantor's interests are solely for purposes of the warranties made by the Grantor pursuant to Section 4.01 and Section 4.05 and shall in no manner limit the quantum of interest affected by this Section 2.01 with respect to any Oil and Gas Property or with respect to any unit or well identified on Exhibit A.

TO HAVE AND TO HOLD the Deed of Trust Property located in the State of Texas unto Trustee and to his successors and assigns forever to secure the payment of the Secured Obligations and to secure the performance of the covenants, agreements, and obligations of Grantor herein contained.

Section 2.02 Grant of Security Interest. To further secure the Secured Obligations, the Grantor hereby grants to the Beneficiary, for its benefit and the benefit of the Other Secured Persons, a security interest in the Grantor's right, title and interest in and to all of the following (whether now owned or hereafter acquired, by operation of law or otherwise):

- (a) all Accounts;
- (b) all Chattel Paper (whether Electronic Chattel Paper or Tangible Chattel Paper);
- (c) all Deposit Accounts (other than payroll, withholding tax and other fiduciary Deposit Accounts), all Commodities Accounts and all Securities Accounts;
- (d) all Documents;
- (e) all General Intangibles (including, without limitation, rights in and under any Payment Intangible or Swap) and all rights under insurance contracts and rights to insurance proceeds;
- (f) all Instruments;
- (g) all Goods (including, without limitation, all Inventory, all Equipment and all Fixtures whether or not relating to the Deed of Trust Property);
- (h) all Letter of Credit rights (whether or not the letter of credit is evidenced by a writing);
- (i) all As-Extracted Collateral;
- (j) all books and records pertaining to the Collateral;
- (k) all Fixtures;
- (l) all Hydrocarbons;

(m) to the extent not otherwise included, any other property insofar as the it consists of personal property of any kind or character defined in and subject to the Uniform Commercial Code; and

(n) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing and all collateral security, guarantees and other obligations given with respect to any of the foregoing.

Section 2.03 Secured Obligations. This Deed of Trust is executed and delivered by the Grantor to secure and enforce the following (the “Secured Obligations”):

(a) Payment of and performance of any and all indebtedness, fees, interest, indemnities, reimbursements, obligations and liabilities of the Borrower (including interest accruing during the pendency of an insolvency or liquidation proceeding, regardless of whether allowed or allowable in such insolvency or liquidation proceeding) pursuant to the Credit Agreement, this Deed of Trust or any other Loan Document, whether now existing or hereafter arising.

(b) Any sums which may be advanced or paid by the Trustee or the Beneficiary or any Other Secured Person under the terms hereof or of the Credit Agreement or any Loan Document on account of the failure of the Borrower or any other Loan Party to comply with the covenants of the Grantor contained herein, in the Credit Agreement or any other Loan Document whether pursuant to Section 4.08 or otherwise and all other obligations, liabilities and indebtedness of the Borrower, any other Loan Party or any other guarantor arising pursuant to the provisions of this Deed of Trust or any Loan Document.

(c) Any additional loans made by the Beneficiary or any Lender to the Borrower. The Beneficiary and the Lenders may lend additional sums to the Borrower from time to time, but shall not be obligated to do so, and the Grantor agrees that any such additional loans shall be secured by this Deed of Trust.

(d) Any and all renewals, modifications, substitutions, rearrangements or extensions of any of the foregoing, whether in whole or in part.

Section 2.04 Fixture Filing, Etc. Without in any manner limiting the generality of any of the other provisions of this Deed of Trust: (i) some portions of the goods described or to which reference is made herein are or are to become Fixtures on the land described or to which reference is made herein or on Exhibit A; (ii) the security interests created hereby under applicable provisions of the Uniform Commercial Code will attach to all As-Extracted Collateral (all minerals including oil and gas and the Accounts resulting from the sale thereof at the wellhead or minehead located on the Oil and Gas Properties described or to which reference is made herein or on Exhibit A) and all other Hydrocarbons; (iii) this Deed of Trust is to be filed of record in the real estate records or other appropriate records of the county in which the Deed of Trust Property is located as a financing statement, a fixture filing and an As-Extracted Collateral filing; and (iv) the Grantor is the record owner of the real estate or interests in the real estate comprised of the Deed of Trust Property. A carbon, photographic, facsimile or other reproduction of this Deed of Trust or of any financing statement relating to this Deed of Trust

shall be sufficient as a financing statement for any of the purposes referred to in this Section 2.04.

Section 2.05 Pro Rata Benefit. This Deed of Trust is executed and granted for the pro rata benefit and security of the Beneficiary and the Other Secured Persons to secure the Secured Obligations.

**ARTICLE III
ASSIGNMENT OF AS-EXTRACTED COLLATERAL**

Section 3.01 Assignment.

(a) The Grantor has absolutely and unconditionally assigned, transferred, conveyed and granted a security interest, and does hereby absolutely and unconditionally assign, transfer, convey and grant a security interest, unto the Beneficiary in and to:

(i) all of its As-Extracted Collateral located in or relating to the Deed of Trust Properties located in the county where this Deed of Trust is filed, including without limitation, all As-Extracted Collateral relating to the Oil and Gas Properties, the Hydrocarbons and all products obtained or processed therefrom;

(ii) the revenues and proceeds now and hereafter attributable to such Deed of Trust Properties, including the Hydrocarbons, and said products and all payments in lieu, such as “take or pay” payments or settlements; and

(iii) all amounts and proceeds hereafter payable to or to become payable to the Grantor or now or hereafter relating to any part of such Deed of Trust Properties and all amounts, sums, monies, revenues and income which become payable to the Grantor from, or with respect to, any of the Deed of Trust Properties, present or future, now or hereafter constituting a part of the Oil and Gas Properties.

(b) The Hydrocarbons and products are to be delivered into pipe lines connected with the Deed of Trust Property, or to the purchaser thereof, to the credit of the Beneficiary, for its benefit and the benefit of the Other Secured Persons, free and clear of all taxes, charges, costs and expenses; and all such revenues and, subject to the Orders, proceeds shall be paid directly to the Beneficiary, at its offices in Toronto, Ontario, Canada, with no duty or obligation of any party paying the same to inquire into the rights of the Beneficiary to receive the same, what application is made thereof, or as to any other matter.

(c) The Grantor agrees to perform all such acts, and to execute all such further assignments, transfers and division orders and other instruments as may be required or desired by the Beneficiary or any party in order to have said proceeds and revenues so paid to the Beneficiary. In addition to any and all rights of a secured party under Sections 9-607 and 9-609 of the Uniform Commercial Code, the Beneficiary is fully authorized to receive and receipt for said revenues and proceeds; to endorse and cash any and all checks and drafts payable to the order of the Grantor or the Beneficiary for the account of the Grantor received from or in connection with said revenues or proceeds and to hold the proceeds thereof in a Deposit Account with the Beneficiary, a Lender or other acceptable commercial bank as additional collateral

securing the Secured Obligations; and to execute transfer and division orders in the name of the Grantor, or otherwise, with warranties binding the Grantor. All proceeds received by the Beneficiary pursuant to this grant and assignment shall be applied as provided in Section 5.14.

(d) The Beneficiary shall not be liable for any delay, neglect or failure to effect collection of any proceeds or to take any other action in connection therewith or hereunder; but the Beneficiary shall have the right, at its election, in the name of the Grantor or otherwise, to prosecute and defend any and all actions or legal proceedings deemed advisable by the Beneficiary in order to collect such funds and to protect the interests of the Beneficiary and/or the Grantor, with all costs, expenses and attorneys' fees incurred in connection therewith being paid by the Grantor.

(e) The Grantor hereby appoints the Beneficiary as its attorney-in-fact to, subject to the Orders, pursue any and all rights of the Grantor to liens in the Hydrocarbons securing payment of proceeds of runs attributable to the Hydrocarbons. In addition to the liens granted to the Trustee and/or the Beneficiary in Article II, the Grantor hereby further transfers and assigns to the Beneficiary any and all such liens, security interests, financing statements or similar interests of the Grantor attributable to its interest in the As-Extracted Collateral, any other Hydrocarbons and proceeds of runs therefrom arising under or created by said statutory provision, judicial decision or otherwise. The power of attorney granted to the Beneficiary in this Section 3.01, being coupled with an interest, shall be irrevocable until Payment in Full, at which time the rights and properties assigned to Beneficiary under this Article III shall be reassigned to the Grantor. Until such time as an Event of Default has occurred and is continuing, Beneficiary hereby grants to Grantor a license to sell such Hydrocarbons and receive proceeds from the sale of Hydrocarbons, which license shall automatically terminate upon such Event of Default and for so long as the same continues.

Section 3.02 No Modification of Payment Obligations. Nothing herein contained shall modify or otherwise alter the obligation of the Grantor to make prompt payment of all amounts constituting Secured Obligations when and as the same become due regardless of whether the proceeds of the As-Extracted Collateral and Hydrocarbons are sufficient to pay the same and the rights provided in accordance with the foregoing assignment provision shall be cumulative of all other security of any and every character now or hereafter existing to secure payment of the Secured Obligations. Nothing in this Article III is intended to be an acceptance of collateral in satisfaction of the Secured Obligations.

Section 3.03 Rights of Producers. Grantor hereby grants, sells, assigns, sets over and mortgages unto Trustee during the term hereof, all of Grantor's rights and interests pursuant to any provision of applicable law granting producers of oil and gas a Lien on the oil and gas produced by them and on the proceeds thereof, including the resulting accounts receivable, including, without limitation, the provisions of Section 9-343 of the Uniform Commercial Code, hereby vesting in Trustee all of Grantor's rights as an interest owner to the continuing security interest in and lien upon such produced oil and gas and the proceeds thereof.

ARTICLE IV REPRESENTATIONS, WARRANTIES AND COVENANTS

The Grantor hereby represents, warrants and covenants as follows:

Section 4.01 Title. To the extent of the undivided interests specified on Exhibit A, the Grantor has good and defensible title to and is possessed of the Deed of Trust Property and has good and marketable title to the UCC Collateral. The Collateral is free and clear of all Liens and irregularities, deficiencies and defects in title, except for Permitted Liens and minor irregularities, deficiencies and defects in title that, individually or in the aggregate, do not, and could not reasonably be expected to, interfere with its ability to conduct its business as currently conducted or to utilize such property for its intended purpose.

Section 4.02 Defend Title. This Deed of Trust is, and always will be kept, a direct first priority Lien upon the Collateral; provided that Permitted Liens may exist, but no intent to subordinate the priority of the Liens created hereby is intended or inferred by such existence. The Grantor will not create or suffer to be created or permit to exist any Lien prior or junior to or on a parity with the Lien of this Deed of Trust upon the Collateral or any part thereof other than such Permitted Liens. The Grantor will warrant and defend the title to the Collateral against the claims and demands of all other Persons whomsoever and will maintain and preserve the Lien created hereby (and its priority) until Payment in Full. If (i) an adverse claim be made against or a cloud develop upon the title to any part of the Collateral other than a Permitted Lien or (ii) any Person, including the holder of a Permitted Lien, shall challenge the priority or validity of the Liens created by this Deed of Trust, then the Grantor agrees to immediately defend against such adverse claim, take appropriate action to remove such cloud or subordinate such Permitted Lien, in each case, at the Grantor's sole cost and expense. The Grantor further agrees that the Trustee and/or the Beneficiary may take such other action as they deem advisable to protect and preserve their interests in the Collateral, and in such event the Grantor will indemnify the Trustee and the Beneficiary against any and all cost, attorneys' fees and other expenses which they may incur in defending against any such adverse claim or taking action to remove any such cloud.

Section 4.03 Not a Foreign Person. The Grantor is not a "foreign person" within the meaning of the Internal Revenue Code of 1986, as amended (hereinafter called the "Code"), Sections 1445 and 7701 (i.e. the Grantor is not a non-resident alien, foreign corporation, foreign partnership, foreign trust or foreign estate as those terms are defined in the Code and any regulations promulgated thereunder).

Section 4.04 Power to Create Lien and Security. Subject to the Orders, the Grantor has full power and lawful authority to grant, bargain, sell, assign, transfer, mortgage and convey a

security interest in all of the Collateral in the manner and form herein provided. No authorization, approval, consent or waiver of any lessor, sublessor, Governmental Authority or other party or parties whomsoever is required in connection with the execution and delivery by the Grantor of this Deed of Trust.

Section 4.05 Revenue and Cost Bearing Interest. The Grantor's ownership of the Oil and Gas Property and the undivided interests therein as specified on Exhibit A will, after giving full effect to all Permitted Liens, afford the Grantor not less than those net interests (expressed as a fraction, percentage or decimal) in the production from or which is allocated to such Oil and Gas Property specified as Net Revenue Interest (as specified on Exhibit A) on attached Exhibit A and will cause the Grantor to bear not more than that portion (expressed as a fraction, percentage or decimal), specified as Working Interest on Exhibit A, of the costs of drilling, developing and operating the wells identified on Exhibit A except to the extent of any proportionate corresponding increase in the Net Revenue Interest.

Section 4.06 Rentals Paid; Leases in Effect. All rentals and royalties due and payable in accordance with the terms of any leases or subleases comprising a part of the Deed of Trust Property have been duly paid or provided for, and all leases or subleases comprising a part of the Oil and Gas Property are in full force and effect.

Section 4.07 Sales and Abandonment. The Grantor will not sell, lease, assign, transfer or otherwise dispose or abandon any of the Collateral except as permitted by the Credit Agreement.

Section 4.08 Failure to Perform. The Grantor agrees that if it fails to perform any act or to take any action which it is required to perform or take hereunder or pay any money which the Grantor is required to pay hereunder, each of the Beneficiary and the Trustee, in the Grantor's name or its or their own name, may, subject to the Orders, but shall not be obligated to, perform or cause to perform such act or take such action or pay such money, and any expenses so incurred by either of them and any money so paid by either of them shall be a demand obligation owing by the Grantor to the Beneficiary or the Trustee, as the case may be, and each of the Beneficiary and the Trustee, upon making such payment, shall be subrogated to all of the rights of the Person receiving such payment. Each amount due and owing by the Grantor to each of the Beneficiary and the Trustee pursuant to this Deed of Trust shall bear interest from the date of such expenditure or payment to such Person until paid at the Post-Default Rate.

ARTICLE V RIGHTS AND REMEDIES

Section 5.01 Event of Default. An Event of Default under the Credit Agreement shall be an "Event of Default" under this Deed of Trust.

Section 5.02 Foreclosure and Sale.

(a) If an Event of Default shall occur and be continuing, to the extent provided by applicable law and subject to the Orders, the Beneficiary shall have the right and option to proceed with foreclosure by (i) with respect to that portion of the Deed of Trust Property located in any Deed of Trust State, directing the Trustee to proceed by power of sale or

in any other manner permitted by applicable law (and to take any steps associated therewith and required or appropriate under the law of the Deed of Trust State in order to exercise such rights), and (ii) with respect to that portion of the Deed of Trust Property located in any Mortgage State, (A) judicial action or proceeding, or (B) if permitted in any Mortgage State, by statutory advertisement and sale pursuant to the power of sale herein granted in accordance with applicable law with regards to all or any portion of such Deed of Trust Property. Trustee or Beneficiary may sell said Deed of Trust Property at one or more sales, as an entirety or in parcels, at such place or places and in otherwise such manner and upon such notice as may be required by law, or, in the absence of any such requirement, as the Trustee or Beneficiary may deem appropriate, and to make conveyance to the purchaser or purchasers. Where the Deed of Trust Property is situated in more than one jurisdiction, notice as above provided shall be posted and filed in all such jurisdictions (if such notices are required by law), and all such Deed of Trust Property may be sold in any such jurisdiction and any such notice shall designate the jurisdiction where such Deed of Trust Property is to be sold. Nothing contained in this Section 5.02 shall be construed so as to limit in any way any rights to sell the Deed of Trust Property or any portion thereof by private sale if and to the extent that such private sale is permitted under the laws of the applicable jurisdiction or by public or private sale after entry of a judgment by any court of competent jurisdiction so ordering. The Grantor hereby irrevocably appoints the Trustee, with respect to the Deed of Trust Property located in any Deed of Trust State, and the Beneficiary, with respect to the Deed of Trust Property located in any Mortgage State with full power of substitution, to be the attorneys-in-fact of the Grantor and in the name and on behalf of the Grantor to execute and deliver any deeds, transfers, conveyances, assignments, assurances and notices which the Grantor ought to execute and deliver and do and perform any and all such acts and things which the Grantor ought to do and perform under the covenants herein contained and generally, to use the name of the Grantor in the exercise of all or any of the powers hereby conferred on the Trustee and/or the Beneficiary. At any such sale: (i) whether made under the power herein contained or any other legal enactment, or by virtue of any judicial proceedings or any other legal right, remedy or recourse, it shall not be necessary for the Trustee or the Beneficiary, as appropriate, to have physically present, or to have constructive possession of, the Deed of Trust Property (the Grantor hereby covenanting and agreeing to deliver any portion of the Deed of Trust Property not actually or constructively possessed by the Trustee or the Beneficiary immediately upon his or its demand) and the title to and right of possession of any such property shall pass to the purchaser thereof as completely as if the same had been actually present and delivered to purchaser at such sale, (ii) each instrument of conveyance executed by the Trustee or the Beneficiary shall contain a general warranty of title, binding upon the Grantor and its successors and assigns, (iii) each and every recital contained in any instrument of conveyance made by the Trustee or the Beneficiary shall conclusively establish the truth and accuracy of the matters recited therein, including, without limitation, nonpayment of the Secured Obligations, advertisement and conduct of such sale in the manner provided herein and otherwise by law and appointment of any successor trustee hereunder, (iv) any and all prerequisites to the validity thereof shall be conclusively presumed to have been performed, (v) the receipt of the Trustee, the Beneficiary or of such other party or officer making the sale shall be a sufficient discharge to the purchaser or purchasers for its purchase money and no such purchaser or purchasers, or its assigns or personal representatives, shall thereafter be obligated to see to the application of such purchase money, or be in any way answerable for any loss, misapplication or nonapplication thereof, (vi) to the fullest extent permitted by law, the Grantor shall be

completely and irrevocably divested of all of its right, title, interest, claim and demand whatsoever, either at law or in equity, in and to the property sold and such sale shall be a perpetual bar both at law and in equity against the Grantor, and against any and all other persons claiming or to claim the property sold or any part thereof, by, through or under the Grantor, and (vii) to the extent and under such circumstances as are permitted by law, the Beneficiary may be a purchaser at any such sale, and shall have the right, after paying or accounting for all costs of said sale or sales, to credit the amount of the bid upon the amount of the Secured Obligations (in the order of priority set forth in Section 5.14) in lieu of cash payment.

(b) If an Event of Default shall occur and be continuing, then, subject to the Orders, (i) the Beneficiary shall be entitled to all of the rights, powers and remedies afforded a secured party by the Uniform Commercial Code with reference to the Collateral or (ii) the Trustee or the Beneficiary may proceed as to any Collateral in accordance with the rights and remedies granted under this Deed of Trust or applicable law in respect of the Collateral. Such rights, powers and remedies shall be cumulative and in addition to those granted to the Trustee or the Beneficiary under any other provision of this Deed of Trust or under any other Loan Document. Written notice mailed to the Grantor as provided herein at least ten (10) days prior to the date of public sale of any part of the Collateral which is personal property subject to the provisions of the Uniform Commercial Code, or prior to the date after which private sale of any such part of the Collateral will be made, shall constitute reasonable notice.

Section 5.03 Substitute Trustees and Agents. The Trustee or Beneficiary may appoint or delegate any one or more persons as agent to perform any act or acts necessary or incident to any sale held by the Trustee or Beneficiary, including the posting of notices and the conduct of sale, but in the name and on behalf of the Trustee or Beneficiary. If the Trustee or Beneficiary shall have given notice of sale hereunder, any successor or substitute trustee or Beneficiary agent thereafter appointed may complete the sale and the conveyance of the property pursuant thereto as if such notice had been given by the successor or substitute trustee or Beneficiary agent conducting the sale.

Section 5.04 Judicial Foreclosure; Receivership. If any of the Secured Obligations shall become due and payable and shall not be promptly paid, the Trustee or the Beneficiary shall have the right and power to proceed by a suit or suits in equity or at law, whether for the specific performance of any covenant or agreement herein contained or in aid of the execution of any power herein granted, or for any foreclosure hereunder or for the sale of the Collateral under the judgment or decree of any court or courts of competent jurisdiction, or for the appointment of a receiver pending any foreclosure hereunder or the sale of the Collateral under the order of a court or courts of competent jurisdiction or under executory or other legal process, or for the enforcement of any other appropriate legal or equitable remedy. Any money advanced by the Trustee and/or the Beneficiary in connection with any such receivership shall be a demand obligation (which obligation the Grantor hereby expressly promises to pay) owing by the Grantor to the Trustee and/or the Beneficiary and shall bear interest from the date of making such advance by the Trustee and/or the Beneficiary until paid at the Post-Default Rate.

Section 5.05 Foreclosure for Installments. The Beneficiary shall also have the option to proceed with foreclosure in satisfaction of any installments of the Secured Obligations which have not been paid when due either through the courts or by directing the Trustee to proceed

with foreclosure in satisfaction of the matured but unpaid portion of the Secured Obligations as if under a full foreclosure, conducting the sale as herein provided and without declaring the entire principal balance and accrued interest and other Secured Obligations then due; such sale may be made subject to the unmatured portion of the Secured Obligations, and any such sale shall not in any manner affect the unmatured portion of the Secured Obligations, but as to such unmatured portion of the Secured Obligations this Deed of Trust shall remain in full force and effect just as though no sale had been made hereunder. It is further agreed that several sales may be made hereunder without exhausting the right of sale for any unmatured part of the Secured Obligations, it being the purpose hereof to provide for a foreclosure and sale of the security for any matured portion of the Secured Obligations without exhausting the power to foreclose and sell the Deed of Trust Property for any subsequently maturing portion of the Secured Obligations.

Section 5.06 Separate Sales. Subject to the Orders, the Collateral may be sold in one or more parcels and to the extent permitted by applicable law in such manner and order as the Beneficiary, in its sole discretion, may elect, it being expressly understood and agreed that the right of sale arising out of any Event of Default shall not be exhausted by any one or more sales.

Section 5.07 Possession of Collateral. If an Event of Default shall have occurred and be continuing, then, to the extent permitted by applicable law and subject to the Orders, the Trustee or the Beneficiary shall have the right and power to enter into and upon and take possession of all or any part of the Collateral in the possession of the Grantor, its successors or assigns, or its or their agents or servants, and may exclude the Grantor, its successors or assigns, and all persons claiming under the Grantor, and its or their agents or servants wholly or partly therefrom; and, holding the same, the Beneficiary may use, administer, manage, operate and control the Collateral and conduct the business thereof to the same extent as the Grantor, its successors or assigns, might at the time do and may exercise all rights and powers of the Grantor, in the name, place and stead of the Grantor, or otherwise as the Beneficiary shall deem best. All costs, expenses and liabilities of every character incurred by the Trustee and/or the Beneficiary in administering, managing, operating, and controlling the Deed of Trust Property shall constitute a demand obligation (which obligation the Grantor hereby expressly promises to pay) owing by the Grantor to the Trustee and/or the Beneficiary and shall bear interest from date of expenditure until paid at the Post-Default Rate.

Section 5.08 Occupancy After Foreclosure. In the event there is a foreclosure sale hereunder and at the time of such sale the Grantor or the Grantor's heirs, devisees, representatives, successors or assigns or any other person claiming any interest in the Collateral by, through or under the Grantor, are occupying or using the Deed of Trust Property or any part thereof, each and all shall immediately become the tenant of the purchaser at such sale, which tenancy shall be a tenancy from day to day, terminable at the will of either the landlord or tenant, or at a reasonable rental per day based upon the value of the property occupied, such rental to be due daily to the purchaser; to the extent permitted by applicable law, the purchaser at such sale shall, notwithstanding any language herein apparently to the contrary, have the sole option to demand immediate possession following the sale or to permit the occupants to remain as tenants at will. In the event the tenant fails to surrender possession of said property upon demand, the purchaser shall be entitled to institute and maintain a summary action for possession of the Deed

of Trust Property (such as an action for forcible entry and detainer) in any court having jurisdiction.

Section 5.09 Remedies Cumulative, Concurrent and Nonexclusive. Every right, power, privilege and remedy herein given to the Trustee or the Beneficiary shall be cumulative and in addition to every other right, power and remedy herein specifically given or now or hereafter existing in equity, at law or by statute (including specifically those granted by the Uniform Commercial Code in effect and applicable to the Collateral or any portion thereof). Each and every right, power, privilege and remedy whether specifically herein given or otherwise existing may be exercised from time to time and so often and in such order as may be deemed expedient by the Trustee or the Beneficiary, and the exercise, or the beginning of the exercise, or the abandonment, of any such right, power, privilege or remedy shall not be deemed a waiver of the right to exercise, at the same time or thereafter any other right, power, privilege or remedy. No delay or omission by the Trustee or the Beneficiary or any Other Secured Person in the exercise of any right, power or remedy shall impair any such right, power, privilege or remedy or operate as a waiver thereof or of any other right, power, privilege or remedy then or thereafter existing.

Section 5.10 Discontinuance of Proceedings. If the Trustee or the Beneficiary shall have proceeded to invoke any right, remedy or recourse permitted hereunder or under any Loan Document or available at law and shall thereafter elect to discontinue or abandon same for any reason, then it shall have the unqualified right so to do and, in such an event, the parties shall be restored to their former positions with respect to the Secured Obligations, this Deed of Trust, the Credit Agreement, the Collateral and otherwise, and the rights, remedies, recourses and powers of the Trustee and the Beneficiary, as applicable, shall continue as if same had never been invoked.

Section 5.11 No Release of Obligations. Neither the Grantor, any guarantor nor any other person hereafter obligated for payment of all or any part of the Secured Obligations shall be relieved of such obligation by reason of: (a) the failure of the Trustee to comply with any request of the Grantor, or any guarantor or any other Person so obligated to foreclose the Lien of this Deed of Trust or to enforce any provision hereunder or under the Credit Agreement; (b) the release, regardless of consideration, of the Deed of Trust Property or any portion thereof or interest therein or the addition of any other property to the Deed of Trust Property; (c) any agreement or stipulation between any subsequent owner of the Deed of Trust Property and the Beneficiary extending, renewing, rearranging or in any other way modifying the terms of this Deed of Trust without first having obtained the consent of, given notice to or paid any consideration to the Grantor, any guarantor or such other Person, and in such event the Grantor, guarantor and all such other persons shall continue to be liable to make payment according to the terms of any such extension or modification agreement unless expressly released and discharged in writing by the Beneficiary; or (d) by any other act or occurrence save and except Payment in Full.

Section 5.12 Release of and Resort to Collateral. The Beneficiary may release, regardless of consideration, any part of the Collateral without, as to the remainder, in any way impairing, affecting, subordinating or releasing the Lien created in or evidenced by this Deed of Trust or its stature as a first and prior Lien in and to the Collateral, and without in any way releasing or diminishing the liability of any Person liable for the repayment of the Secured

Obligations. For payment of the Secured Obligations, the Beneficiary may resort to any other security therefor held by the Beneficiary or the Trustee in such order and manner as the Beneficiary may elect.

Section 5.13 Waiver of Redemption, Notice and Marshalling of Assets, Etc. To the fullest extent permitted by law, the Grantor hereby irrevocably and unconditionally waives and releases (a) all benefits that might accrue to the Grantor by virtue of any present or future moratorium law or other law exempting the Collateral from attachment, levy or sale on execution or providing for any appraisal, valuation, stay of execution, exemption from civil process, redemption or extension of time for payment; (b) all notices of any Event of Default or of the Beneficiary's or any other secured Person's intention to accelerate maturity of the Secured Obligations or of any election to exercise or any actual exercise of any right, remedy or recourse provided for hereunder or under any Loan Document or available at law; and (c) any right to a marshalling of assets or a sale in inverse order of alienation. The right to plead any and all statutes of limitation as a defense to any demand secured by or made pursuant to this Deed of Trust is hereby waived to the full extent permitted by law. If any law referred to in this Deed of Trust and now in force, of which the Grantor or its successor or successors might take advantage despite the provisions hereof, shall hereafter be repealed or cease to be in force, such law shall thereafter be deemed not to constitute any part of the contract herein contained or to preclude the operation or application of the provisions hereof. If the laws of any state which provides for a redemption period do not permit the redemption period to be waived, the redemption period shall be specifically reduced to the minimum amount of time allowable by statute. Trustee and Beneficiary may enforce its rights hereunder without prior judicial process or judicial hearing to the extent permitted by law, and to the extent permitted by law, Grantor expressly waives any and all legal rights which might otherwise require Trustee or Beneficiary to enforce its rights by judicial process. Grantor waives and agrees not to assert any rights or privileges which it may acquire under the Uniform Commercial Code or any other applicable law. Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay its Secured Obligations and the fees and disbursements of any attorneys employed by Trustee, Beneficiary and any Lender to collect such deficiency.

Section 5.14 Application of Proceeds. The proceeds of any sale of the Deed of Trust Property or any part thereof and all other monies received in any proceedings for the enforcement hereof or otherwise, whose application has not elsewhere herein been specifically provided for, shall be applied:

(a) First, to the payment of all reasonable expenses incurred by the Trustee or the Beneficiary incident to the enforcement of this Deed of Trust, the Credit Agreement or any Loan Document to collect any portion of the Secured Obligations (including, without limiting the generality of the foregoing, expenses of any entry or taking of possession, of any sale, of advertisement thereof, and of conveyances, and court costs, compensation of agents and employees, legal fees and a reasonable commission to the Trustee acting, if applicable), and to the payment of all other reasonable charges, expenses, liabilities and advances incurred or made by the Trustee or the Beneficiary under this Deed of Trust or in executing any trust or power hereunder; and

(b) Second, as set forth in Section 7.03 of the Credit Agreement.

Section 5.15 Resignation of Operator. In addition to all rights and remedies under this Deed of Trust, at law and in equity, if any Event of Default shall occur and the Trustee or the Beneficiary shall exercise any remedies under this Deed of Trust with respect to any portion of the Deed of Trust Property (or the Grantor shall transfer any Deed of Trust Property “in lieu of” foreclosure) whereupon the Grantor is divested of its title to any of the Collateral, the Beneficiary shall have the right to request that any operator of any Deed of Trust Property which is either the Grantor or any Affiliate of the Grantor to resign as operator under the joint operating agreement applicable thereto, and no later than sixty (60) days after receipt by the Grantor of any such request, the Grantor shall resign (or cause such other Person to resign) as operator of such Collateral.

Section 5.16 Indemnity. THE INDEMNITEES SHALL NOT BE LIABLE, IN CONNECTION WITH ANY ACTION TAKEN, FOR ANY LOSS SUSTAINED BY THE GRANTOR RESULTING FROM AN ASSERTION THAT THE BENEFICIARY HAS RECEIVED FUNDS FROM THE PRODUCTION OF HYDROCARBONS CLAIMED BY THIRD PERSONS OR ANY ACT OR OMISSION OF ANY INDEMNITEE IN ADMINISTERING, MANAGING, OPERATING OR CONTROLLING THE DEED OF TRUST PROPERTY **INCLUDING SUCH LOSS WHICH MAY RESULT FROM THE ORDINARY NEGLIGENCE OF AN INDEMNITEE** UNLESS SUCH LOSS IS CAUSED BY THE WILLFUL MISCONDUCT OR GROSS NEGLIGENCE OF THE INDEMNITEE SEEKING INDEMNITY. NO INDEMNITEE SHALL BE OBLIGATED TO PERFORM OR DISCHARGE ANY OBLIGATION, DUTY OR LIABILITY OF THE GRANTOR. THE GRANTOR SHALL AND DOES HEREBY AGREE TO INDEMNIFY EACH INDEMNITEE FOR, AND TO HOLD EACH INDEMNITEE HARMLESS FROM, ANY AND ALL LIABILITY, LOSS OR DAMAGE WHICH MAY OR MIGHT BE INCURRED BY ANY INDEMNITEE BY REASON OF THIS DEED OF TRUST OR THE EXERCISE OF RIGHTS OR REMEDIES HEREUNDER. IF ANY INDEMNITEE SHALL MAKE ANY EXPENDITURE ON ACCOUNT OF ANY SUCH LIABILITY, LOSS OR DAMAGE, THE AMOUNT THEREOF, INCLUDING COSTS, EXPENSES AND REASONABLE ATTORNEYS’ FEES, SHALL BE A DEMAND OBLIGATION (WHICH OBLIGATION THE GRANTOR HEREBY EXPRESSLY PROMISES TO PAY) OWING BY THE GRANTOR TO SUCH INDEMNITEE AND SHALL BEAR INTEREST FROM THE DATE EXPENDED UNTIL PAID AT THE POST-DEFAULT RATE. THE GRANTOR HEREBY ASSENTS TO, RATIFIES AND CONFIRMS ANY AND ALL ACTIONS OF EACH INDEMNITEE WITH RESPECT TO THE DEED OF TRUST PROPERTY TAKEN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS DEED OF TRUST. THE LIABILITIES OF THE GRANTOR AS SET FORTH IN THIS SECTION 5.16 SHALL SURVIVE THE TERMINATION OF THIS DEED OF TRUST.

ARTICLE VI THE TRUSTEE

Section 6.01 Duties, Rights, and Powers of Trustee. The Trustee shall have no duty to see to any recording, filing or registration of this Deed of Trust or any other instrument in addition or supplemental thereto, or to give any notice thereof, or to see to the payment of or be under any duty in respect of any tax or assessment or other governmental charge which may be levied or assessed on the Deed of Trust Property, or any part thereof, or against the Grantor, or to see to the performance or observance by the Grantor of any of the covenants and agreements contained herein. The Trustee shall not be responsible for the execution, acknowledgment or validity of this Deed of Trust or of any instrument in addition or supplemental hereto or for the sufficiency of the security purported to be created hereby, and makes no representation in respect thereof or in respect of the rights of the Beneficiary. The Trustee shall have the right to advise with counsel upon any matters arising hereunder and shall be fully protected in relying as to legal

matters on the advice of counsel. The Trustee shall not incur any personal liability hereunder except for the Trustee's own willful misconduct; and the Trustee shall have the right to rely on any instrument, document or signature authorizing or supporting any action taken or proposed to be taken by him hereunder, believed by him in good faith to be genuine.

Section 6.02 Successor Trustee. The Trustee may resign by written notice addressed to the Beneficiary or be removed at any time with or without cause by an instrument in writing duly executed on behalf of the Beneficiary. In case of the death, resignation or removal of the Trustee, a successor may be appointed by the Beneficiary by instrument of substitution complying with any applicable governmental requirements, or, in the absence of any such requirement, without formality other than appointment and designation in writing. Written notice of such appointment and designation shall be given by the Beneficiary to the Grantor, but the validity of any such appointment shall not be impaired or affected by failure to give such notice or by any defect therein. Such appointment and designation shall be full evidence of the right and authority to make the same and of all the facts therein recited. Upon the making of any such appointment and designation, this Deed of Trust shall vest in the successor all the estate and title in and to all of the Deed of Trust Property in or adjacent to any Deed of Trust State, and the successor shall thereupon succeed to all of the rights, powers, privileges, immunities and duties hereby conferred upon the Trustee named herein, and one such appointment and designation shall not exhaust the right to appoint and designate an additional successor but such right may be exercised repeatedly until Payment in Full. To facilitate the administration of the duties hereunder, the Beneficiary may appoint multiple trustees to serve in such capacity or in such jurisdictions as the Beneficiary may designate.

Section 6.03 Retention of Moneys. All moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys (except to the extent required by law) and the Trustee shall be under no liability for interest on any moneys received by him hereunder.

ARTICLE VII STATE SPECIFIC PROVISIONS

Section 7.01 Oklahoma.

(a) This instrument is to be filed of record against the tract index in the real estate records in every county where the Deed of Trust Property is located as a fixture filing.

(b) **A POWER OF SALE HAS BEEN GRANTED IN THIS DEED OF TRUST. A POWER OF SALE MAY ALLOW THE BENEFICIARY TO TAKE THE DEED OF TRUST PROPERTY AND SELL IT WITHOUT GOING TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY THE GRANTOR UNDER THIS DEED OF TRUST.**

(c) In addition to, and not in limitation of, any other remedy provided for herein or by applicable law, Grantor hereby grants to, and confers upon, Beneficiary a power of sale pursuant to the Oklahoma Power of Sale Mortgage Foreclosure Act, Title 46, Sections 40-48

of the Oklahoma Statutes (the "Oklahoma Act") and any future amendments thereof or under any future law granting the same or similar rights, conferring on Beneficiary pursuant to Title 46, Section 43D, and the option to elect to foreclose upon the Deed of Trust Property in the manner provided in Section 686 of Title 12 of the Oklahoma Statutes. Upon the occurrence and during the continuance of an Event of Default or if any of the Secured Obligations shall become due and payable, and Grantor shall not promptly pay the same, Beneficiary is expressly authorized and empowered, subject to the Orders, to proceed in accordance with the provisions of the Oklahoma Act or other future law to have the Deed of Trust Property sold, or Beneficiary may, at its option, exercise its rights at any time prior to completion of the sale, institute suit to foreclose this Deed of Trust in any court having jurisdiction. Beneficiary is expressly authorized and empowered to sell the Deed of Trust Property as an entirety or in such lots, parcels or divisions as the Beneficiary may elect, but subject always to any right which Grantor may have by law to suggest the lots, parcels or divisions in which such Deed of Trust Property is to be sold. Notwithstanding anything contained in this Deed of Trust to the contrary, any notices of sale given in accordance with the requirements of the Oklahoma Act shall constitute sufficient notice of sale. The conduct of a sale pursuant to a power of sale shall be sufficient hereunder if conducted in accordance with the requirements of the Oklahoma Act and other applicable laws of the State of Oklahoma in effect at the time of such sale, notwithstanding any other provision contained in this instrument to the contrary. The proceeds of any sale of the Deed of Trust Property pursuant to the power of sale herein granted shall be applied in accordance with the Oklahoma Act and any other applicable laws of the State of Oklahoma in effect at the time of such sale. In the event of conflict between the provisions hereof and the Oklahoma Act, the Oklahoma Act shall control. Sale of a part of the Deed of Trust Property shall not exhaust the power of sale, but sales may be made from time to time until the Secured Obligations are paid in full. If default is made in the payment of any installment of any of the Secured Obligations, Beneficiary may, at its option, at once or at any time thereafter while any matured installment remains unpaid, without declaring all of the entire Secured Obligations to be due and payable, enforce the power of sale created by this instrument and sell all or any portion of the Deed of Trust Property in satisfaction of such matured Secured Obligations. Sales made without maturing any of the unmatured balance of the Secured Obligations may be made hereunder whenever there is a default in the payment of any installment of any of the Secured Obligations without exhausting the power of sale granted hereby and without affecting in any way the power of sale granted under this Section, the unmatured balance of any of the Secured Obligations (except as to any proceeds of any sale which Beneficiary may apply as prepayment of the Secured Obligations), or the liens securing payment of the Secured Obligations. If any questions should be raised as to the regularity or validity of any sale hereunder, Beneficiary shall have the right and is hereby authorized to make resale of said property so as to remove any questions or doubt as to the regularity or validity of the previous sale, and as many resales may be made as may be appropriate.

(d) Appraisal of the Deed of Trust Property located in the State of Oklahoma is expressly waived or not, at the option of the Beneficiary, such option to be exercised prior to or at the time judgment is rendered in any foreclosure hearing.

(e) Grantor hereby voluntarily and expressly consents and stipulates to the appointment of a receiver over the Deed of Trust Property in the event Beneficiary elects to seek the appointment of a receiver following Grantor's non-performance, breach, default or violation of any condition, covenant or other agreement in this Deed of Trust or the Secured Obligations

and failure to cure within the applicable grace period, if any. In such event Beneficiary shall be entitled to appointment of a receiver **without** the necessity of establishing that the property is probably insufficient to discharge the mortgage debt, the express purpose and intent of this clause being hereby acknowledged to provide for the appointment of a receiver in accordance with the provisions of 12 O.S. §1551(2)(c), as amended, upon the occurrence of any breach, default, violation or other non-performance under this Deed of Trust by Grantor. If Grantor is then occupying the Deed of Trust Property or any part thereof, such receiver shall be entitled to collect rent from Grantor equal to the fair market rent for the portion of the Deed of Trust Property occupied by Grantor, all of which shall be rents under this Deed of Trust.

ARTICLE VIII MISCELLANEOUS

Section 8.01 Instrument Construed as Deed of Trust, Etc. With respect to any portions of the Deed of Trust Property located in or adjacent to any state or other jurisdiction the laws of which do not provide for the use or enforcement of a deed of trust or the office, rights and authority of the Trustee as herein provided, the general language of conveyance hereof to the Trustee is intended and the same shall be construed as words of mortgage unto and in favor of the Beneficiary and the rights and authority granted to the Trustee herein may be enforced and asserted by the Beneficiary in accordance with the laws of the jurisdiction in which such portion of the Deed of Trust Property is located and the same may be foreclosed at the option of the Beneficiary as to any or all such portions of the Deed of Trust Property in any manner permitted by the laws of the jurisdiction in which such portions of the Deed of Trust Property is situated. This Deed of Trust may be construed as a mortgage, deed of trust, conveyance, assignment, security agreement, fixture filing, pledge, financing statement, hypothecation or contract, or any one or more of them, in order fully to effectuate the Lien hereof and the purposes and agreements herein set forth.

Section 8.02 Releases.

(a) Full Release. Upon Payment in Full, the Beneficiary shall forthwith cause satisfaction and discharge of this Deed of Trust to be entered upon the record at the expense of the Grantor and shall execute and deliver or cause to be executed and delivered such instruments of satisfaction and reassignment as may be appropriate. Otherwise, this Deed of Trust shall remain and continue in full force and effect.

(b) Partial Release. If any of the Deed of Trust Property shall be sold, transferred or otherwise disposed of by the Grantor in a transaction permitted by the Credit Agreement, then the Beneficiary, at the request and sole expense of the Grantor, shall promptly execute and deliver to the Grantor all releases, re-conveyances or other documents reasonably necessary or desirable for the release of the Liens created hereby on the Deed of Trust Property. At the request and sole expense of the Borrower, the Grantor shall be released from its obligations hereunder in the event that all of the equity interests of the Grantor shall be sold, transferred or otherwise disposed of in a transaction permitted by the Credit Agreement; provided that the Borrower shall have delivered to the Beneficiary, at least five (5) Business Days prior to the date of the proposed release, a written request of a senior officer of the Borrower for release identifying the Grantor and the terms of the sale or other disposition in

reasonable detail, including the price thereof and any expenses in connection therewith, together with a certification by the Borrower stating that such transaction is in compliance with the Credit Agreement and the other Loan Documents.

Section 8.03 Severability. If any provision hereof is invalid or unenforceable in any jurisdiction, the other provisions hereof shall remain in full force and effect in such jurisdiction and the remaining provisions hereof shall be liberally construed in favor of the Trustee, the Beneficiary and the Other Secured Persons in order to effectuate the provisions hereof. The invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of any such provision in any other jurisdiction.

Section 8.04 Successors and Assigns. The terms used to designate any party or group of persons shall be deemed to include the respective heirs, legal representatives, successors and assigns of such Persons.

Section 8.05 Satisfaction of Prior Encumbrance. To the extent that proceeds of the Credit Agreement are used to pay indebtedness secured by any outstanding Liens against the Deed of Trust Property the parties agree that: (a) such proceeds have been advanced at the Grantor's request, and (b) the Beneficiary and the Lenders shall be subrogated to any and all rights and Liens owned by any owner or holder of such outstanding Liens, irrespective of whether said Liens are or have been released. It is expressly understood that, in consideration of the payment of such other indebtedness, the Grantor hereby waives and releases all demands and causes of action for offsets and payments to, upon and in connection with the said indebtedness. This Deed of Trust is made with full substitution and subrogation of the Trustee and the Beneficiary and his successors in this trust and his and their assigns in and to all covenants and warranties by others heretofore given or made in respect of the Deed of Trust Property or any part thereof.

Section 8.06 Application of Payments to Certain Obligations. If any part of the Secured Obligations cannot be lawfully secured by this Deed of Trust or if any part of the Deed of Trust Property cannot be lawfully subject to the Lien hereof to the full extent of the Secured Obligations, then all payments made shall be applied on said Secured Obligations first in discharge of that portion thereof which is not secured by this Deed of Trust.

Section 8.07 Nature of Covenants. The covenants and agreements herein contained shall constitute covenants running with the land and interests covered or affected hereby and shall be binding upon the heirs, legal representatives, successors and assigns of the parties hereto.

Section 8.08 Notices. All notices, requests, consents, demands and other communications required or permitted hereunder shall be in writing and shall be deemed sufficiently given or furnished if delivered by registered or certified United States mail, postage prepaid, or by personal service (including express or courier service) at the addresses specified in Section 8.12 (unless changed by similar notice in writing given by the particular party whose address is to be changed). Any such notice or communication shall be deemed to have been given either at the time of personal delivery or, in the case of delivery at the address and in the manner provided herein, upon receipt; provided that, service of notice as required by the laws of

any state in which portions of the Deed of Trust Property may be situated shall for all purposes be deemed appropriate and sufficient with the giving of such notice.

Section 8.09 Counterparts. This Deed of Trust is being executed in several counterparts, all of which are identical, except that to facilitate recordation, if the Deed of Trust Property is situated in more than one county, descriptions of only those portions of the Deed of Trust Property located in the county in which a particular counterpart is recorded may be attached as Exhibit A thereto. Each of such counterparts shall for all purposes be deemed to be an original and all such counterparts shall together constitute but one and the same instrument. Complete copies of this Deed of Trust containing the entire Exhibit A have been retained by the Beneficiary.

Section 8.10 Governing Law. Insofar as permitted by otherwise applicable law, this Deed of Trust shall be construed under and governed by the laws of the State of New York (excluding choice of law and conflict of law rules); provided, however, that the laws of the State in which the Deed of Trust Property or Collateral is located shall apply to the extent of procedural and substantive matters relating only to the creation, perfection, foreclosure of liens and enforcement of rights and remedies against the Deed of Trust Property or Collateral.

Section 8.11 Financing Statement; Fixture Filing. This Deed of Trust shall be effective as a financing statement filed as a fixture filing with respect to all Fixtures included within the Deed of Trust Property and is to be filed or filed for record in the real estate records, mortgage records or other appropriate records of each jurisdiction where any part of the Deed of Trust Property (including said fixtures) are situated. This Deed of Trust shall also be effective as a financing statement covering As-Extracted Collateral (including oil and gas and all other substances of value which may be extracted from the ground) and accounts financed at the wellhead or minehead of wells or mines located on the properties subject to the Uniform Commercial Code and is to be filed for record in the real estate records, UCC records or other appropriate records of each jurisdiction where any part of the Deed of Trust Property is situated.

Section 8.12 Execution of Financing Statements. Pursuant to the Uniform Commercial Code, the Grantor authorizes the Beneficiary, its counsel or its representative, at any time and from time to time, to file or record financing statements, continuation statements, amendments thereto and other filing or recording documents or instruments with respect to the Deed of Trust Property without the signature of the Beneficiary in such form and in such offices as the Beneficiary reasonably determines appropriate to perfect the security interests of the Beneficiary under this Agreement. The Grantor also authorizes the Beneficiary, its counsel or its representative, at any time and from time to time, to file or record such financing statements that describe the collateral covered thereby as “all assets of the Beneficiary”, “all personal property of the Beneficiary” or words of similar effect. The Grantor shall pay all costs associated with the filing of such instruments.

In that regard, the following information is provided:

Name of Grantor:	Parallel Energy LP
Address of Grantor:	1323 East 71 st Street Tulsa, Oklahoma 74136

State of Formation/Location Delaware
Organizational ID Number DE 4948175
Facsimile: (760) 636-1623
Telephone: (760) 636-1623

Principal Place of
Business of Borrower: 1323 East 71st Street
Tulsa, Oklahoma 74136

Name of Secured Party: Canadian Imperial Bank of Commerce,
as Agent
Address of Secured Party: Agent's Branch of Account
40 Dundas Street West, 5th Floor
Toronto, Ontario M5G 2C2
Attention: Canadian Agency Services
Facsimile: (416) 980-8150
Telephone: (416) 980-8085

Section 8.13 Exculpation Provisions. EACH OF THE PARTIES HERETO SPECIFICALLY AGREES THAT IT HAS A DUTY TO READ THIS DEED OF TRUST; AND AGREES THAT IT IS CHARGED WITH NOTICE AND KNOWLEDGE OF THE TERMS OF THIS DEED OF TRUST; THAT IT HAS IN FACT READ THIS DEED OF TRUST AND IS FULLY INFORMED AND HAS FULL NOTICE AND KNOWLEDGE OF THE TERMS, CONDITIONS AND EFFECTS OF THIS DEED OF TRUST; THAT IT HAS BEEN REPRESENTED BY INDEPENDENT LEGAL COUNSEL OF ITS CHOICE THROUGHOUT THE NEGOTIATIONS PRECEDING ITS EXECUTION OF THIS DEED OF TRUST; AND HAS RECEIVED THE ADVICE OF ITS ATTORNEY IN ENTERING INTO THIS DEED OF TRUST; AND THAT IT RECOGNIZES THAT CERTAIN OF THE TERMS OF THIS DEED OF TRUST RESULT IN ONE PARTY ASSUMING THE LIABILITY INHERENT IN SOME ASPECTS OF THE TRANSACTION AND RELIEVING THE OTHER PARTY OF ITS RESPONSIBILITY FOR SUCH LIABILITY. EACH PARTY HERETO AGREES AND COVENANTS THAT IT WILL NOT CONTEST THE VALIDITY OR ENFORCEABILITY OF ANY EXCULPATORY PROVISION OF THIS DEED OF TRUST ON THE BASIS THAT THE PARTY HAD NO NOTICE OR KNOWLEDGE OF SUCH PROVISION OR THAT THE PROVISION IS NOT “CONSPICUOUS.”

Section 8.14 No Oral Agreements. THE LOAN DOCUMENTS EMBODY THE ENTIRE AGREEMENT AND UNDERSTANDING BETWEEN THE PARTIES AND SUPERSEDE ALL OTHER AGREEMENTS AND UNDERSTANDINGS BETWEEN SUCH PARTIES RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF. THE LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section 8.15 References. The words “herein,” “hereof,” “hereunder” and other words of similar import when used in this Deed of Trust refer to this Deed of Trust as a whole, and not to any particular article, section or subsection. Any reference herein to a Section shall be deemed to refer to the applicable Section of this Deed of Trust unless otherwise stated herein.

Any reference herein to an exhibit or schedule shall be deemed to refer to the applicable exhibit or schedule attached hereto unless otherwise stated herein.

[SIGNATURES BEGIN NEXT PAGE]

EXECUTED this ____ day of _____, 2015, to be effective as of the ____ day of _____, 2015.

PARALLEL ENERGY LP,
as Grantor

By: Parallel Energy GP LLC, its General Partner

By: _____
Name:
Title:

EXHIBIT A

to

DEED OF TRUST, ASSIGNMENT OF AS-EXTRACTED COLLATERAL, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING STATEMENT

Introduction

The capitalized terms used but not defined in this Exhibit A are used as defined in the Deed of Trust. For purposes of this Exhibit A the capitalized terms not defined in the Deed of Trust are as follows:

1. "Working Interest" or "Gross Working Interest" and "W.I." or "G.W.I." means an interest owned in an oil, gas and mineral lease that determines the cost bearing percentage of the owner of such interest.
2. "Net Revenue Interest" or "N.R.I." means an interest (expressed as a percentage or decimal fraction), determined net of all royalties, overriding royalties, production payments or other burdens payable out of production, in and to all Hydrocarbons produced and saved from or attributable to a Well. In the case of any Well listed in Exhibit A, the Net Revenue Interest specified for such Well shall mean the sum of the percentage or decimal fraction set forth after the words "Net Revenue Interest" in the portion applicable to such Well plus, in the case of any Well with respect to which a royalty interest and/or overriding royalty is stated in this Exhibit A and applicable to such Well, the percentage or decimal fraction set forth after the words "Royalty Interest" or "Overriding Royalty Interest" in each such portion of Exhibit A.
3. "Before Payout" or "BPO" means the Working Interest and/or Net Revenue Interest of a party before the point in time when the Well has recovered from production all costs as specified in underlying farmout, assignments or other documents in the chain of title, usually including costs of drilling, completing and equipping a well or wells plus costs of operating the well or wells during the recoupment period.
4. "After Payout" or "APO" means the Working Interest and/or Net Revenue Interest of a party after the point in time when the Well has recovered from production all costs as specified in the underlying farmout, assignments or other documents in the chain of title, usually including costs of drilling, completing and equipping a well or wells plus costs of operating the well or wells during the recoupment period.
5. "Well" means (i) any existing well identified in Exhibit A, including replacement well drilled in lieu thereof from which gas is now or hereafter produced and (ii) any well at any time producing or capable of producing gas attributable to the Hydrocarbons as defined above, including any well which has been shut-in, has temporarily ceased production or on which workover, reworking, plugging and abandonment or other operations are being conducted or planned.

All references contained in this Exhibit A to the Oil and Gas Properties are intended to include references to (i) the volume or book and page, file, entry or instrument number of the appropriate records of the particular county in the state where each such lease or other instrument is recorded and (ii) all valid and existing amendments to such lease or other instrument of record in such county records regardless of whether such amendments are expressly described herein. A special reference is here made to each such lease or other instrument and the record thereof for a more particular description of the property and interests sought to be affected by the Deed of Trust and for all other purposes.

For recording purposes, in regards to each county or parish portion to this Exhibit A, this Introduction may be attached to an original executed copy of the Deed of Trust, Assignment of As-Extracted Collateral, Security Agreement, Fixture Filing and Financing Statement to be separately filed of record in each county.

EXHIBIT C
FORM OF ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the “Assignment and Assumption”) is dated as of the Effective Date set forth below and is entered into by and between [the][each]¹ Assignor identified in item 1 below ([the][each, an] “Assignor”) and [the][each]² Assignee identified in item 2 below ([the][each, an] “Assignee”). [It is understood and agreed that the rights and obligations of [the Assignors][the Assignees]³ hereunder are several and not joint.]⁴ Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the “Credit Agreement”), receipt of a copy of which is hereby acknowledged by [the][each] Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, [the][each] Assignor hereby irrevocably sells and assigns to [the Assignee][the respective Assignees], and [the][each] Assignee hereby irrevocably purchases and assumes from [the Assignor][the respective Assignors], subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of [the Assignor’s][the respective Assignors’] rights and obligations in [its capacity as a Lender][their respective capacities as Lenders] under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of [the Assignor][the respective Assignors] under the respective facilities identified below, and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of [the Assignor (in its capacity as a Lender)][the respective Assignors (in their respective capacities as Lenders)] against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned by [the][any] Assignor to [the][any] Assignee pursuant to clauses (i) and (ii) above being referred to herein collectively as [the][an] “Assigned Interest”). Each such sale and assignment is without recourse to [the][any] Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by [the][any] Assignor.

1. Assignor[s]: _____

¹ For bracketed language here and elsewhere in this form relating to the Assignor(s), if the assignment is from a single Assignor, choose the first bracketed language. If the assignment is from multiple Assignors, choose the second bracketed language.

² For bracketed language here and elsewhere in this form relating to the Assignee(s), if the assignment is to a single Assignee, choose the first bracketed language. If the assignment is to multiple Assignees, choose the second bracketed language.

³ Select as appropriate.

⁴ Include bracketed language if there are either multiple Assignors or multiple Assignees.

2. Assignee[s]: _____

[Assignee is an [Affiliate][Approved Fund] of [*identify Lender*]

3. Borrower(s): Parallel Energy LP

4. Administrative Agent: Canadian Imperial Bank of Commerce, as the administrative agent under the Credit Agreement

5. Credit Agreement: The \$10,500,000 Credit Agreement dated as of November 9, 2015 among Parallel Energy LP, the Lenders parties thereto, Canadian Imperial Bank of Commerce, as Administrative Agent, and the other agents parties thereto

6. Assigned Interest[s]:

Assignor[s] ⁵	Assignee[s] ⁶	Aggregate Amount of Commitment/Loans for all Lenders ⁷	Amount of Commitment/Loans Assigned ⁸	Percentage Assigned of Commitment/Loans ⁸	CUSIP Number (if any)
		\$	\$	%	
		\$	\$	%	
		\$	\$	%	

[7. Trade Date: _____]⁹

[Page break]

⁵ List each Assignor, as appropriate.

⁶ List each Assignee, as appropriate.

⁷ Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

⁸ Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

⁹ To be completed if the Assignor(s) and the Assignee(s) intend that the minimum assignment amount is to be determined as of the Trade Date.

Effective Date: _____, 20__ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR[S]¹⁰
[NAME OF ASSIGNOR]

By: _____
Title:

[NAME OF ASSIGNOR]

By: _____
Title:

ASSIGNEE[S]¹¹
[NAME OF ASSIGNEE]

By: _____
Title:

[NAME OF ASSIGNEE]

By: _____
Title:

[Consented to and]¹² Accepted:

[NAME OF ADMINISTRATIVE AGENT], as
Administrative Agent

By: _____
Title:

[Consented to:]¹³

¹⁰ Add additional signature blocks as needed. Include both Fund/Pension Plan and manager making the trade (if applicable).

¹¹ Add additional signature blocks as needed. Include both Fund/Pension Plan and manager making the trade (if applicable).

¹² To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.

[NAME OF RELEVANT PARTY]

By: _____

Title:

¹³ To be added only if the consent of the Borrower and/or other parties is required by the terms of the Credit Agreement.

[_____]¹⁴

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor[s]. [The][Each] Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of [the][the relevant] Assigned Interest, (ii) [the][such] Assigned Interest is free and clear of any lien, encumbrance or other adverse claim, (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and (iv) it is not a Defaulting Lender; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document, or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee[s]. [The][Each] Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all the requirements to be an assignee under Section 9.06 of the Credit Agreement (subject to such consents, if any, as may be required thereunder), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of [the][the relevant] Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and either it, or the Person exercising discretion in making its decision to acquire the Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Credit Agreement, and has received or has been accorded the opportunity to receive copies of the most recent financial statements delivered pursuant to Section 5.01 thereof, as applicable, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase [the][such] Assigned Interest, (vi) it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Assignment and Assumption and to purchase [the][such] Assigned Interest, and (vii) if it is a Foreign Lender attached to the Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by [the][such] Assignee; and (b) agrees that (i) it will,

¹⁴ Describe Credit Agreement at option of Administrative Agent.
Exhibit C

independently and without reliance on the Administrative Agent, [the][any] Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of [the][each] Assigned Interest (including payments of principal, interest, fees and other amounts) to [the][the relevant] Assignor for amounts which have accrued to but excluding the Effective Date and to [the][the relevant] Assignee for amounts which have accrued from and after the Effective Date. Notwithstanding the foregoing, the Administrative Agent shall make all payments of interest, fees or other amounts paid or payable in kind from and after the Effective Date to [the][the relevant] Assignee.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of New York.

Exhibit C

EXHIBIT E
FORM OF NOTE

THIS NOTE AND THE OBLIGATIONS REPRESENTED HEREBY MAY NOT BE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE TERMS AND PROVISIONS OF THE CREDIT AGREEMENT REFERRED TO BELOW. TRANSFERS OF THIS NOTE AND THE OBLIGATIONS REPRESENTED HEREBY MUST BE RECORDED IN THE REGISTER MAINTAINED BY THE ADMINISTRATIVE AGENT PURSUANT TO THE TERMS OF SUCH CREDIT AGREEMENT.

\$ _____

New York, New York
_____, 201__

FOR VALUE RECEIVED, the undersigned borrower (the "Borrower"), HEREBY UNCONDITIONALLY PROMISES TO PAY to _____ (the "Lender") or its registered assigns at the Register specified in the Credit Agreement (as hereinafter defined) in Dollars and in immediately available funds, the principal amount of (a) _____ DOLLARS (\$ _____), or, if less, (b) the aggregate unpaid principal amount of all Loans owing to the Lender under the Credit Agreement. The principal amount shall be paid in the amounts and on the dates specified in Section 2.03 of the Credit Agreement. The Borrower further agrees to pay interest in like money at such office on the unpaid principal amount hereof from time to time outstanding at the rates and on the dates specified in the Credit Agreement.

The holder of this Note is authorized to indorse on the schedule annexed hereto and made a part hereof or on a continuation thereof which shall be attached hereto and made a part hereof the date, the amount of the Loan and the date and amount of each payment or prepayment of principal thereof. Each such indorsement shall constitute prima facie evidence of the accuracy of the information indorsed. The failure to make any such indorsement or any error in any such indorsement shall not affect the obligations of the Borrowers in respect of the Loans.

This Note (a) is one of the Notes issued pursuant to the Credit Agreement, dated as of November 9, 2015, among the Borrower, the Lenders from time to time party thereto and Canadian Imperial Bank of Commerce, as Administrative Agent (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), (b) is subject to the provisions of the Credit Agreement, which are hereby incorporated by reference, (c) is subject to optional and mandatory prepayment in whole or in part as provided in the Credit Agreement and (d) is secured and guaranteed as provided in the Loan Documents. Reference is hereby made to the Credit Agreement for a statement of all the terms and conditions under which the Loans evidenced hereby are to be repaid. Reference is hereby made to the Loan Documents for a description of the properties and assets in which a security interest has been granted, the nature and extent of the security and the guarantees, the terms and conditions upon which the security interests and each guarantee were granted and the rights of the holder of this Note in respect thereof. The principal balance of the Loans owing to the Lender, the rates of interest applicable thereto and the date and amount of each payment made on account of the principal thereof, shall be recorded by the Lender on its books; provided that the failure of the Lender to make any such recordation shall not affect the obligation of the Borrower to make a payment when due of any amount owing under the Credit Agreement or this Note.

Upon the occurrence and during the continuance of any one or more Events of Default, to the extent permitted under the Credit Agreement, all principal and all accrued interest then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable, all as provided

in the Credit Agreement. No failure in exercising any rights hereunder or under the other Loan Documents on the part of the Lender shall operate as a waiver of such rights.

All parties now and hereafter liable with respect to this Note, whether maker, principal, surety, guarantor, indorser or otherwise, hereby expressly waive presentment, demand, protest and all other notices or requirements of any kind.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

The Borrower shall be released from its obligations hereunder in accordance with the terms set forth in the Credit Agreement.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN OR IN THE CREDIT AGREEMENT, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT PURSUANT TO AND IN ACCORDANCE WITH THE REGISTRATION AND OTHER PROVISIONS OF THE CREDIT AGREEMENT.

[Signature page follows.]

**THIS NOTE AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES
HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN
ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

PARALLEL ENERGY LP.

By: PARALLEL ENERGY GP LLC,
its general partner

BY: _____

NAME:

TITLE:

Exhibit E-1

EXHIBIT F-1
FORM OF U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Lenders That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Credit Agreement dated as of November 9, 2015 (together with all amendments, restatements, supplements or other modifications thereto, the "Credit Agreement") among Parallel Energy LP, a Delaware limited partnership (the "Borrower"), the several banks and other financial institutions or entities from time to time parties hereto (the "Lenders") and Canadian Imperial Bank of Commerce, as administrative agent for the Lenders (together with its permitted successors and assigns in such capacity, the "Administrative Agent") and as collateral agent for the Secured Parties (together with its successors and permitted assigns in such capacity, the "Collateral Agent").

Pursuant to the provisions of Section 2.11 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrower with a certificate of its non-U.S. Person status on IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent, and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By: _____

Name:

Title:

Date: _____, 20[]

Exhibit F-1

EXHIBIT F-2
FORM OF U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Participants That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Credit Agreement dated as of November 9, 2015 (together with all amendments, restatements, supplements or other modifications thereto, the “Credit Agreement”) among Parallel Energy LP, a Delaware limited partnership (the “Borrower”), the several banks and other financial institutions or entities from time to time parties hereto (the “Lenders”) and Canadian Imperial Bank of Commerce, as administrative agent for the Lenders (together with its permitted successors and assigns in such capacity, the “Administrative Agent”) and as collateral agent for the Secured Parties (together with its successors and permitted assigns in such capacity, the “Collateral Agent”).

Pursuant to the provisions of Section 2.11 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the participation in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code, and (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with a certificate of its non-U.S. Person status on IRS Form W-8BEN or Form W-8BEN-E, as applicable. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender in writing, and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By: _____

Name:

Title:

Date: _____, 20[]

Exhibit F-2

EXHIBIT F-3
FORM OF U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Participants That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Credit Agreement dated as of November 9, 2015 (together with all amendments, restatements, supplements or other modifications thereto, the “Credit Agreement”) among Parallel Energy LP, a Delaware limited partnership (the “Borrower”), the several banks and other financial institutions or entities from time to time parties hereto (the “Lenders”) and Canadian Imperial Bank of Commerce, as administrative agent for the Lenders (together with its permitted successors and assigns in such capacity, the “Administrative Agent”) and as collateral agent for the Secured Parties (together with its successors and permitted assigns in such capacity, the “Collateral Agent”).

Pursuant to the provisions of Section 2.11 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the participation in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such participation, (iii) with respect such participation, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN, (ii) IRS Form W-8BEN-E or (iii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN (or IRS Form W-8BEN-E, as applicable) from each of such partner’s/member’s beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By: _____

Name:

Title:

Date: _____, 20[]

Exhibit F-3

EXHIBIT F-4
FORM OF U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Lenders That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Credit Agreement dated as of November 9, 2015 (together with all amendments, restatements, supplements or other modifications thereto, the "Credit Agreement") among Parallel Energy LP, a Delaware limited partnership (the "Borrower"), the several banks and other financial institutions or entities from time to time parties hereto (the "Lenders") and Canadian Imperial Bank of Commerce, as administrative agent for the Lenders (together with its permitted successors and assigns in such capacity, the "Administrative Agent") and as collateral agent for the Secured Parties (together with its successors and permitted assigns in such capacity, the "Collateral Agent").

Pursuant to the provisions of Section 2.11 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such Loan(s) (as well as any Note(s) evidencing such Loan(s)), (iii) with respect to the extension of credit pursuant to this Credit Agreement or any other Loan Document, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrower with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN, (ii) IRS Form W-8BEN-E or (iii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN (or IRS Form W-8BEN-E, as applicable) from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent, and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By: _____

Name:

Exhibit F-4

Title:

Date: _____, 20[]

Exhibit F-4

EXHIBIT G
FORM OF BORROWING NOTICE

Date: _____

Canadian Imperial Bank of Commerce, as Agent
Credit Processing Services, Security Department
595 Bay Street, 5th Floor,
Toronto, Ontario M5G 2C2

Attention: Wilma Sevilleja
Facsimile: (416) 956-3830

Dear Sirs:

Re: PARALLEL ENERGY LP

We refer to the Credit Agreement dated as of November 9, 2015 among Parallel Energy LP, a Delaware limited partnership (the “*Company*”), certain lenders (the “*Lenders*”), Canadian Imperial Bank of Commerce as Administrative Agent and Collateral Agent and the other parties from time to time party thereto (as the same may be amended, supplemented, restated or otherwise modified from time to time, the “*Credit Agreement*”). Capitalized terms used herein have the same meaning as in the Credit Agreement. The undersigned is an officer of Parallel Energy GP LLC, being the general partner of the Borrower and is authorized to make and deliver this notice on behalf of the Borrower pursuant to the Credit Agreement.

We hereby give notice pursuant to Section 2.02(a) and 4.01(l) of the Credit Agreement particulars of which are as follows:

- (a) Borrowing Date: _____
- (b) Amount: _____
- (c) Payment Instructions (if any): _____

Exhibit G

Yours very truly,

PARALLEL ENERGY LP

By: PARALLEL ENERGY GP LLC,
its general partner

By: _____

Name:

Title:

Exhibit G

**EXHIBIT H
FORM OF INTERIM ORDER**

[Attached]

Exhibit H

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

PARALLEL ENERGY LP, *et al.*
Debtors.¹

Chapter 11

Case No. - _____ (_____)

Joint Administration Pending

**INTERIM ORDER (I) AUTHORIZING DEBTORS TO OBTAIN POSTPETITION
FINANCING PURSUANT TO SECTION 364 OF THE BANKRUPTCY CODE,
(II) AUTHORIZING THE USE OF CASH COLLATERAL PURSUANT TO SECTION 363
OF THE BANKRUPTCY CODE, (III) GRANTING ADEQUATE PROTECTION TO THE
PREPETITION SECURED PARTIES PURSUANT TO SECTIONS 361, 362, 363 AND 364
OF THE BANKRUPTCY CODE, (IV) GRANTING LIENS AND SUPERPRIORITY
CLAIMS, (V) MODIFYING AUTOMATIC STAY, AND
(VI) SCHEDULING A FINAL HEARING**

Upon the motion, dated November [___], 2015 (the “DIP Motion”), of the Borrower (as defined below), and the other debtors and debtors-in-possession (collectively, the “Debtors”), in the above-referenced chapter 11 cases (the “Cases”), seeking entry of an interim order (this “Interim Order”) pursuant to sections 105, 361, 362, 363(b), 363(c)(2), 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), 364(e), 507, and 552 of chapter 11 of title 11 of the United States Code (as amended, the “Bankruptcy Code”), Rules 2002, 4001, 6004, and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) and Rule 4001-2 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”), that, among other things:

(i) authorizes the Debtor designated as “Borrower” under, and as defined in, the DIP Credit Agreement (as defined below) (the “Borrower”) to obtain, and the guarantor (the “DIP Guarantor”) under the DIP Loan Documents (as defined below) to unconditionally guaranty the

¹ The Debtors are Parallel Energy LP and Parallel Energy GP LLC.

Borrower's obligations in respect of, senior secured priming and superpriority postpetition financing, which if approved on a final basis, would consist of a term loan facility for up to \$9,400,000 (the "DIP Facility") pursuant to the terms of (x) this Interim Order, (y) that certain Credit Agreement, dated as of November 9, 2015 (as the same may be amended, restated, supplemented, or otherwise modified from time to time in accordance with its terms, the "DIP Credit Agreement"),² by and among the Borrower, Canadian Imperial Bank of Commerce as administrative agent and collateral agent (in such capacities, the "DIP Agent"), and the other financial institutions party to the DIP Credit Agreement as "Lenders" under, and as defined in, the DIP Credit Agreement (the "DIP Lenders," and together with the DIP Agent and any other party to which DIP Obligations (as defined below) are owed, the "DIP Secured Parties"), in substantially the form attached to the DIP Motion, and (z) any and all other Loan Documents (as defined in the DIP Credit Agreement, and together with the DIP Credit Agreement, collectively, the "DIP Loan Documents"), to: (A) finance operating expenses, specified capital expenditures, restructuring costs, professional fees, and general corporate purposes of the Debtors, (B) grant, as of the Petition Date and in accordance with the relative priorities set forth herein, certain adequate protection to the Prepetition Secured Parties (each term as defined below) as described below, (C) pay certain transaction fees and other costs and expenses of administration of the Cases, and (D) pay fees and expenses (including, without limitation, reasonable attorneys' fees and expenses) owed to the DIP Agent and the DIP Lenders under the DIP Loan Documents and this Interim Order;

(ii) approves the terms of, and authorizes the Debtors to execute and deliver, and perform under, the DIP Credit Agreement and the other DIP Loan Documents and to perform

² Unless otherwise specified, all capitalized terms used herein without definition shall have the respective meanings given to such terms in the DIP Credit Agreement. A copy of the DIP Credit Agreement is attached hereto as Exhibit B.

such other and further acts as may be required in connection with the DIP Loan Documents and this Interim Order;

(iii) grants (x) to the DIP Agent, for the benefit of itself and the other DIP Secured Parties, Liens (as defined in the DIP Credit Agreement) on all of the DIP Collateral (as defined below) pursuant to sections 364(c)(2), (c)(3) and (d) of the Bankruptcy Code, which Liens shall be senior to the Primed Liens (as defined below) and shall be junior solely to any valid, enforceable and non-avoidable Liens that are (A) in existence on the Petition Date, (B) either perfected as of the Petition Date or perfected subsequent to the Petition Date solely to the extent permitted by section 546(b) of the Bankruptcy Code, and (C) senior in priority to the Prepetition First Priority Liens (as defined below) after giving effect to any intercreditor or subordination agreement (including, without limitation: (1) up to \$100,000 of cash held in a separate account maintained at Wells Fargo Bank, N.A. (the “MasterCard Program Account”) as security for the Debtors’ Wells Fargo Obligations (as defined in the Cash Management Motion)³ incurred in connection with the Debtors’ business MasterCard (the “Wells Fargo Business MasterCard”) and (2) all funds securing the Existing Letters of Credit (as defined in the DIP Credit Agreement) (the “Existing Letters of Credit Security”)) (all such liens, collectively, the “Prepetition Senior Permitted Encumbrances”) and (y) to the DIP Secured Parties, pursuant to section 364(c)(1) of the Bankruptcy Code, superpriority administrative claims having recourse to all prepetition and postpetition property of the Debtors’ estates, now owned or hereafter acquired, including any Debtors’ rights under section 506(c) of the Bankruptcy Code and the proceeds thereof;

(iv) authorizes the Debtors to use “cash collateral,” as such term is defined in section 363 of the Bankruptcy Code (the “Cash Collateral”), including, without limitation, Cash

³ The “Cash Management Motion” means the *Motion of the Debtors for Interim and Final Orders Approving (A) Maintenance of Pre-Petition Bank Accounts and Cash Management System and (B) Continued Use of Existing Checks and Business Forms.*

Collateral in which the Prepetition Secured Parties (as defined below) and/or the DIP Secured Parties have a Lien or other interest, in each case whether existing on the Petition Date, arising pursuant to this Interim Order or otherwise, and provides the Prepetition Secured Parties (as defined below) the Prepetition Secured Parties' Adequate Protection (as defined below) as set forth herein;

(v) vacates the automatic stay imposed by section 362 of the Bankruptcy Code solely to the extent necessary to implement and effectuate the terms and provisions of the DIP Loan Documents and this Interim Order;

(vi) authorizes the Borrower at any time prior to the entry of the Final Order (as defined herein) to borrow under the DIP Facility and use Cash Collateral (as defined below) in an aggregate outstanding principal amount not to exceed \$5,400,000, and authorizes the DIP Guarantor to unconditionally guaranty such obligations;

(vii) schedules a final hearing on the DIP Motion (the "Final Hearing") to consider entry of a final order which grants all of the relief requested in the DIP Motion on a final basis and which final order shall be in form and substance (including with respect to any subsequent modifications to the form or substance made in response to objections of other creditors or the Court) acceptable to the DIP Agent and "Required Lenders" (as defined in the DIP Credit Agreement) (the "Final Order"); and

(viii) waives any applicable stay (including under Bankruptcy Rule 6004) and provides for immediate effectiveness of this Interim Order.

Having considered the DIP Motion, the DIP Credit Agreement, the *Declaration of Richard N. Miller in Support of Voluntary Petitions and First Day Motions* (the "Miller Declaration"), and the evidence submitted or proffered at the hearing on this Interim Order (the

“Interim Hearing”); and in accordance with Bankruptcy Rules 2002, 4001(b), (c), and (d) and 9014 and all applicable Local Rules, notice of the DIP Motion and the Interim Hearing having been provided pursuant to Bankruptcy Rule 4001(b)(1)(C); an Interim Hearing having been held and concluded on November [___], 2015; and it appearing that approval of the interim relief requested in the DIP Motion is necessary to avoid immediate and irreparable harm to the Debtors pending the Final Hearing and otherwise is fair and reasonable and in the best interests of the Debtors, their creditors, their estates and all parties in interest, and is essential for the continued operation of the Debtors’ business; and it appearing that this Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that the Motion is a core proceeding pursuant to 28 U.S.C. § 157(b)(2) and the Court may enter a final order consistent with Article III of the United States Constitution; and it appearing that venue of this proceeding and the Motion in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and after due deliberation and consideration, and for good and sufficient cause appearing therefor:

THE COURT MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS OF LAW:⁴

A. **Petition Date.** On November 9, 2015 (the “Petition Date”), each of the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the District of Delaware (this “Court”). The Debtors have continued in the management and operation of their businesses and properties as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. No statutory committee of unsecured creditors (to the extent such committee is appointed, the “Committee”), trustee, or

⁴ Findings of fact shall be construed as conclusions of law, and conclusions of law shall be construed as findings of fact, as appropriate, pursuant to Bankruptcy Rule 7052. In the event of any inconsistency between the terms and conditions of any of the DIP Loan Documents, the provisions of any other order entered by this Court in these Chapter 11 Cases, and this Interim Order, the provisions of this Interim Order shall govern and control.

examiner has been appointed in the Cases.

B. **Jurisdiction and Venue.** This Court has core jurisdiction over the Cases, the DIP Motion and the parties and property affected hereby pursuant to 28 U.S.C. §§ 157(b) and 1334. Venue for the Cases and proceedings on the DIP Motion is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicates for the relief sought herein are sections 105, 361, 362, 363, 364, 507 and 552 of the Bankruptcy Code, Bankruptcy Rules 2002, 4001, 6004, and 9014 and the Local Rules.

C. **Restructuring Support Agreement.** The Debtors, the Prepetition Agent (as defined below), and the Consenting Lenders (as defined in the Restructuring Support Agreement), among others, have entered into that certain Restructuring Support Agreement dated as of November 8, 2015 (the “Restructuring Support Agreement”), pursuant to which the Debtors, the Prepetition Agent, and the Consenting Lenders agreed to support the Debtors’ restructuring as more fully set forth therein.

D. **Notice.** The Interim Hearing is being held pursuant to the authorization of Bankruptcy Rule 4001. Notice of the Interim Hearing and the emergency relief requested in the DIP Motion has been provided by the Debtors, whether by facsimile, electronic mail, overnight courier or hand delivery, to certain parties in interest, including: (i) the Office of the United States Trustee for the District of Delaware (the “United States Trustee”), (ii) those entities or individuals included on the Debtors’ list of 25 largest unsecured creditors on a consolidated basis, (iii) counsel to the Prepetition Agent (as defined below), (iv) the Prepetition Agent, (v) the DIP Agent, (vi) counsel to the DIP Agent, and (vii) any party that has requested notice pursuant to Bankruptcy Rule 2002. Under the circumstances, such notice of the DIP Motion, the relief requested therein and the Interim Hearing complies with Bankruptcy Rule 4001(b), (c) and (d)

and the Local Rules, and no other notice need be provided for entry of this Interim Order.

E. **Debtors' Stipulations Regarding the Prepetition Credit Facility.**

Without prejudice to the rights of parties in interest solely to the extent set forth in Paragraph 6 below, the Debtors, on their behalf and on behalf of their estates, admit, stipulate, acknowledge, and agree (Paragraph E hereof shall be referred to herein as the "Debtors' Stipulations") as follows:

(i) Prepetition Credit Facility. Pursuant to that certain Credit Agreement (as amended, restated or otherwise modified from time to time prior to the Petition Date, the "Prepetition Credit Agreement," and collectively with any other agreements and documents executed or delivered in connection therewith, including, without limitation, the "Loan Documents" as defined therein, each as may be amended, restated, supplemented, or otherwise modified from time to time, the "Prepetition Loan Documents"), among (a) Parallel Energy Commercial Trust, as Canadian Borrower, (b) Parallel Energy Acquisitions LP (now known as Parallel Energy LP), as U.S. Borrower, (c) the financial institutions party thereto as "Syndicated Lenders," as defined therein, (d) Canadian Imperial Bank of Commerce, in its capacity as "Operating Lender," as defined therein (the Syndicated Lenders and the Operating Lender, collectively, the "Prepetition Lenders"), and (e) Canadian Imperial Bank of Commerce, in its capacity as administrative agent (in such capacity, the "Prepetition Agent" and, together with the Prepetition Lenders and any other party to which Prepetition Credit Obligations (as defined below) are owed, the "Prepetition Secured Parties"), the Syndicated Lenders agreed to extend loans and other financial accommodations to the U.S. Borrower under the Syndicated Facility (as defined in the Prepetition Credit Agreement) and the Operating Lender agreed to extend loans and other financial accommodations to the Canadian Borrower under the Operating

Facility (as defined in the Prepetition Credit Agreement). Pursuant to the Prepetition Loan Documents, Debtor Parallel Energy GP unconditionally guaranteed the obligations owed by the U.S. Borrower under the Syndicated Facility and each of the Debtors unconditionally guaranteed the obligations owed by the Canadian Borrower under the Operating Facility. All obligations of the Debtors arising under the Prepetition Credit Agreement (including, without limitation, any applicable “Secured Obligations,” as defined therein) or the other Prepetition Loan Documents shall collectively be referred to herein as the “Prepetition Credit Obligations.”

(ii) Prepetition First Priority Liens and Prepetition Collateral. Pursuant to the documents evidencing the Security (as defined in the Prepetition Credit Agreement) (as such documents are amended, restated, supplemented, or otherwise modified from time to time prior to the Petition Date, the “Prepetition Collateral Documents”), by and among each of the U.S. Loan Parties (as defined in the Prepetition Credit Agreement) and the Prepetition Agent, each U.S. Loan Party granted to the Prepetition Agent, for the benefit of itself and the Prepetition Secured Parties, to secure the Prepetition Credit Obligations, a first priority security interest in and continuing lien (the “Prepetition First Priority Liens”) on substantially all of such U.S. Loan Party’s assets and properties (which, for the avoidance of doubt, includes Cash Collateral, the Pledged Accounts (as defined in the DIP Credit Agreement), the Wind-Down Account (as defined below), the MasterCard Program Account, and all right, title, and interest of the Borrower and the DIP Guarantor in and to such accounts, and the proceeds and products thereof) and all other proceeds, products, accessions, rents, and profits thereof, in each case whether then owned or existing or thereafter acquired or arising. All “Collateral” as defined in the Prepetition Credit Agreement granted or pledged by such U.S. Loan Parties pursuant to any Prepetition Collateral Document or any other Prepetition Loan Document shall collectively be referred to

herein as the “Prepetition Collateral.” As of the Petition Date, (I) the Prepetition First Priority Liens (a) are valid, binding, enforceable, and perfected liens, (b) were granted to, or for the benefit of, the Prepetition Secured Parties for fair consideration and reasonably equivalent value, (c) are not subject to avoidance, recharacterization, or subordination pursuant to the Bankruptcy Code or applicable non-bankruptcy law (except for the priming contemplated herein), and (d) are under this Interim Order to be subject and subordinate only to (A) the DIP Liens (as defined below), (B) the Carve-Out (as defined below), and (C) the Prepetition Senior Permitted Encumbrances (as defined below), and (II) (w) the Prepetition Credit Obligations constitute legal, valid, and binding obligations of the applicable Debtors, enforceable in accordance with the terms of the applicable Prepetition Loan Documents (other than in respect of the stay of enforcement arising from section 362 of the Bankruptcy Code), (x) no setoffs, recoupments, offsets, defenses, or counterclaims to any of the Prepetition Credit Obligations exist, and (y) no portion of the Prepetition Credit Obligations or any payments made to any or all of the Prepetition Secured Parties are subject to avoidance, recharacterization, recovery, subordination, attack, offset, counterclaim, defense, or “claim” (as defined in the Bankruptcy Code) of any kind pursuant to the Bankruptcy Code or applicable non-bankruptcy law.

(iii) Amounts Owed under Prepetition Loan Documents. As of the Petition Date, (a) the applicable Debtors owed the Prepetition Secured Parties, pursuant to the Prepetition Loan Documents, without defense, counterclaim, or offset of any kind, in respect of loans made and other financial accommodations made by the Prepetition Secured Parties, an aggregate principal amount of not less than \$153,500,000 with respect to the Syndicated Facility (as defined in the Prepetition Credit Agreement) and (b) the applicable Debtors owed the Operating Lender, pursuant to the Prepetition Loan Documents, without defense, counterclaim, or offset of

any kind, in respect of loans made and other financial accommodations made by the Operating Lender, an aggregate principal amount of not less than \$9,989,742 with respect to the Operating Facility (as defined in the Prepetition Credit Agreement), *plus*, in the case of both (a) and (b) above, all accrued and hereafter accruing and unpaid interest thereon and any additional fees, expenses (including any reasonable attorneys', accountants', appraisers', and financial advisors' fees and expenses that are chargeable or reimbursable under the Prepetition Loan Documents), and other amounts now or hereafter due under the Prepetition Credit Agreement and the other Prepetition Loan Documents.

(iv) Release of Claims. Subject to the reservation of rights set forth in Paragraph 6 below, each Debtor and its estate shall be deemed to have forever waived, discharged, and released each of the Prepetition Secured Parties and their respective members, managers, equity holders, affiliates, agents, attorneys, financial advisors, consultants, officers, directors, employees and other representatives (all of the foregoing, collectively, the "Prepetition Secured Party Releases") of any and all "claims" (as defined in the Bankruptcy Code), counterclaims, causes of action (including, without limitation, causes of action in the nature of "lender liability"), defenses, setoff, recoupment, or other offset rights against any and all of the Prepetition Secured Party Releases, whether arising at law or in equity, relating to and/or otherwise in connection with the Prepetition Credit Obligations, the Prepetition First Priority Liens, or the debtor-creditor relationship between any of the Prepetition Secured Parties, on the one hand, and any of the Debtors, on the other hand, including, without limitation, (I) any recharacterization, subordination, avoidance, or other claim arising under or pursuant to section 105 or chapter 5 of the Bankruptcy Code or under any other similar provisions of applicable state law, federal law, or municipal law and (II) any right or basis to challenge or object to the

amount, validity, or enforceability of the Prepetition Credit Obligations or any payments made on account of the Prepetition Credit Obligations, or the validity, enforceability, priority, or non-avoidability of the Prepetition First Priority Liens securing the Prepetition Credit Obligations.

F. **Findings Regarding the DIP Facility.**

(i) **Need for Postpetition Financing.** The Debtors have an immediate need to obtain the DIP Facility and use Cash Collateral to, among other things, permit the orderly continuation of the operation of their businesses, to maintain business relationships with vendors, suppliers, and customers, to make payroll, to make capital expenditures, to satisfy other working capital and operation needs, to complete the Debtors' sale process and to otherwise preserve the enterprise value of the Debtors' estates. The Debtors' access to sufficient working capital and liquidity through the use of Cash Collateral and borrowing under the DIP Facility is vital to otherwise preserve the enterprise value of the Debtors and their estates. Immediate and irreparable harm will be caused to the Debtors and their estates if immediate financing is not obtained and permission to use Cash Collateral is not granted, in each case in accordance with the terms of this Interim Order and the DIP Loan Documents.

(ii) **No Credit Available on More Favorable Terms.** As set forth in the DIP Motion and in the Miller Declaration in support thereof, the Debtors have determined, at the time hereof, that no acceptable financing on more favorable terms from sources other than the DIP Secured Parties under the DIP Loan Documents and this Interim Order is available. The Debtors are unable to obtain unsecured credit allowable under section 503(b)(1) of the Bankruptcy Code as an administrative expense. The Debtors are also unable to obtain secured credit on terms acceptable to the Debtors allowable only under sections 364(c)(1), 364(c)(2), or 364(c)(3) of the Bankruptcy Code. The Debtors are unable to obtain secured credit under section

364(d)(1) of the Bankruptcy Code without (a) granting to the DIP Secured Parties the rights, remedies, privileges, benefits, and protections provided herein and in the DIP Loan Documents, including, without limitation, the DIP Liens and the DIP Superpriority Claims (each as defined below), (b) allowing the DIP Secured Parties to provide the loans and other financial accommodations under the DIP Facility on the terms set forth herein and in the DIP Loan Documents (all of the foregoing described in clauses (a) and (b) above, including, without limitation, the DIP Liens and the DIP Superpriority Claims, collectively, the “DIP Protections”), and (c) providing the Prepetition Secured Parties the adequate protection more fully described in Paragraphs 4 and 5 below.

G. **Interim Financing**. During the Interim Period (as defined below), the DIP Agent, the other DIP Secured Parties, and, as applicable, the Prepetition Secured Parties, are willing to provide financing to the Debtors and/or consent to the use of Cash Collateral by the Debtors, as applicable, subject to (i) the entry of this Interim Order, (ii) the terms and conditions of the DIP Loan Documents, and (iii) findings by the Court that such interim postpetition financing and use of Cash Collateral is essential to the Debtors’ estates, that the terms of such interim financing and use of Cash Collateral were negotiated in good faith and at arm’s length, and that the DIP Liens, the DIP Superpriority Claims, and the other protections granted pursuant to this Interim Order and the DIP Loan Documents with respect to such interim financing and use of Cash Collateral will not be affected by any subsequent reversal, modification, vacatur, or amendment of this Interim Order or any other order, as provided in section 364(e) of the Bankruptcy Code or this Interim Order. Without limiting the foregoing, any advances made to the Debtors and Cash Collateral use by the Debtors under the DIP Loan Documents and this Interim Order during the Interim Period shall be entitled to the protections provided by

section 364(e) of the Bankruptcy Code. The DIP Agent, the other DIP Secured Parties and the Prepetition Secured Parties have each acted in good faith in, as applicable, negotiating, consenting to, and agreeing to provide the postpetition financing arrangements and/or use of Cash Collateral on an interim basis as contemplated by this Interim Order and the DIP Loan Documents, and the reliance by the DIP Agent, the other DIP Secured Parties and the Prepetition Secured Parties on the assurances referred to above is in good faith.

H. **Adequate Protection for Prepetition Secured Parties.** The Prepetition Secured Parties have negotiated in good faith regarding the Debtors' use of the Prepetition Collateral (including the Cash Collateral) to fund the administration of the Debtors' estates and continued operation of their businesses. The Prepetition Secured Parties have agreed to permit the Debtors to use the Prepetition Collateral, including the Cash Collateral, during the Interim Period, subject to the terms and conditions set forth herein, including the protections afforded a party acting in "good faith" under section 364(e) of the Bankruptcy Code. In addition, the DIP Facility contemplated hereby provides for the priming of the Prepetition Liens pursuant to section 364(d) of the Bankruptcy Code. The Prepetition Secured Parties are entitled to the adequate protection as set forth herein pursuant to sections 361, 362, 363, and 364 of the Bankruptcy Code. Based on the DIP Motion and on the record presented to the Court at the Interim Hearing, the terms of the proposed adequate protection arrangements, use of the Cash Collateral, and the DIP Facility contemplated hereby are fair and reasonable, reflect the Debtors' prudent exercise of their business judgment, and constitute reasonably equivalent value and fair consideration for the consent of the Prepetition Secured Parties.

I. **Section 552.** In light of the subordination of their Liens and superpriority administrative claims to (i) the Carve-Out (as defined below) in the case of the DIP Secured

Parties, and (ii) the Carve-Out, the DIP Liens and the Prepetition Adequate Protection Liens in the case of the Prepetition Secured Parties, each of the DIP Secured Parties and the Prepetition Secured Parties is entitled to all of the rights and benefits of section 552(b) of the Bankruptcy Code, and, subject to the entry of the Final Order, the “equities of the case” exception shall not apply.

J. **Business Judgment and Good Faith Pursuant to Section 364(e).**

(i) The DIP Secured Parties have indicated a willingness to provide postpetition secured financing via the DIP Facility to the Debtors in accordance with the DIP Loan Documents and this Interim Order.

(ii) The terms and conditions of the DIP Facility as set forth in the DIP Loan Documents and this Interim Order, and the fees paid and to be paid thereunder, are fair, reasonable, and the best available under the circumstances, and the Debtors’ agreement to the terms and conditions of the DIP Loan Documents and to the payment of such fees reflect the Debtors’ exercise of prudent business judgment consistent with their fiduciary duties. Such terms and conditions are supported by reasonably equivalent value and fair consideration.

(iii) The DIP Facility, the DIP Loan Documents and the Prepetition Secured Parties’ Adequate Protection (as defined below) were negotiated in good faith and at arm’s length among the Debtors, the DIP Secured Parties and the Prepetition Secured Parties, respectively, with the assistance and counsel of their respective advisors, and all of the DIP Obligations and Prepetition Secured Parties’ Adequate Protection (as defined below) shall be deemed to have been extended by the DIP Secured Parties and their affiliates and consented to by the requisite Prepetition Secured Parties for valid business purposes and uses and in good faith, as that term is used in section 364(e) of the Bankruptcy Code, and in express reliance upon

the protections offered by section 364(e) of the Bankruptcy Code or this Interim Order, and the DIP Liens, the DIP Superpriority Claims (as defined below), the other DIP Protections and the Prepetition Secured Parties' Adequate Protection (as defined below) shall be entitled to the full protection of section 364(e) of the Bankruptcy Code and this Interim Order in the event this Interim Order or any other order or any provision hereof or thereof is vacated, reversed, amended, or modified, on appeal or otherwise.

K. **Relief Essential; Best Interest.** For the reasons stated above, the Debtors have requested immediate entry of this Interim Order pursuant to Bankruptcy Rules 4001(b)(2), 4001(c)(2), and the Local Rules. Absent granting the relief set forth in this Interim Order, the Debtors' estates and their ability to preserve the enterprise value of the Debtors and their estates will be immediately and irreparably harmed. Consummation of the DIP Facility and authorization of the use of Cash Collateral in accordance with this Interim Order and the DIP Loan Documents is therefore in the best interests of the Debtors' estates and consistent with their fiduciary duties.

NOW, THEREFORE, on the Debtor's DIP Motion and the record before this Court with respect to the DIP Motion, and with the consent of the Prepetition Agent (on behalf of the Prepetition Secured Parties), and the DIP Agent (on behalf of the DIP Secured Parties) to the form and entry of this Interim Order, and good and sufficient cause appearing therefor,

IT IS ORDERED that:

1. **Motion Granted.** The DIP Motion is hereby granted in accordance with the terms and conditions set forth in this Interim Order and the DIP Loan Documents. Any objections to the DIP Motion with respect to the entry of this Interim Order that have not been

withdrawn, waived, or settled, and all reservations of rights included therein, are hereby denied and overruled.

2. **DIP Loan Documents and DIP Protections.**

(a) **Approval of DIP Loan Documents.** The Debtors are expressly and immediately authorized to establish the DIP Facility, to execute, deliver, and perform under the DIP Loan Documents and this Interim Order, to incur the DIP Obligations (as defined below) in accordance with, and subject to, the terms of this Interim Order and the DIP Loan Documents, and to execute, deliver, and perform under all other instruments, certificates, agreements, and documents which may be required or necessary for the performance by the applicable Debtors under the DIP Loan Documents and the creation and perfection of the DIP Liens described in, and provided for, by this Interim Order and the DIP Loan Documents. The Debtors are hereby authorized and directed to do and perform all acts and pay the principal, interest, fees, expenses, and other amounts described in the DIP Loan Documents as such become due pursuant to the DIP Loan Documents and this Interim Order, including, without limitation, all closing fees, administrative fees, commitment fees, and reasonable attorneys', financial advisors', and accountants' fees, and disbursements arising under the DIP Loan Documents and this Interim Order, which amounts shall not be subject to further approval of this Court and shall be non-refundable and not subject to challenge in any respect. Upon their execution and delivery, the DIP Loan Documents shall represent valid and binding obligations of the applicable Debtors enforceable against such Debtors in accordance with their terms. Each officer of a Debtor acting singly is hereby authorized to execute and deliver each of the DIP Loan Documents, such execution and delivery to be conclusive of such officer's respective authority to act in the name of and on behalf of the Debtors.

(b) DIP Obligations. For purposes of this Interim Order, the term “DIP Obligations” shall mean all amounts and other obligations and liabilities owing by the respective Debtors under the DIP Credit Agreement and other DIP Loan Documents (including, without limitation, all “Obligations” as defined in the DIP Credit Agreement) and shall include, without limitation, the principal of, interest on, fees, costs, expenses, and other charges owing in respect of, such amounts (including, without limitation, any reasonable attorneys’, accountants’, financial advisors’, and other fees, costs, and expenses that are chargeable or reimbursable under the DIP Loan Documents and/or this Interim Order), and any obligations in respect of indemnity claims, whether contingent or otherwise.

(c) Authorization to Incur DIP Obligations. To enable the Debtors to continue to operate their business and preserve and maximize the value of their estates, during the period from the entry of this Interim Order through and including the earliest to occur of (i) the entry of the Final Order, or (ii) the Cash Collateral Termination Date, in each case unless extended by written agreement of the DIP Agent and the Prepetition Agent (the period from the entry of this Interim Order through and including such earliest date, the “Interim Period”), and subject to the terms and conditions of this Interim Order and the DIP Loan Documents, including, without limitation, the Budget Covenants as defined and contained in Paragraph 2(e) below, the Borrower is hereby authorized to use Cash Collateral and borrow under the DIP Facility in an aggregate outstanding principal amount for all such borrowings and Cash Collateral usage not to exceed \$5,400,000 under the DIP Facility (following the entry of the Final Order, the Borrower’s authority to incur further DIP Obligations, if any, and use further Cash Collateral will be governed by the terms of such Final Order). All DIP Obligations shall be unconditionally guaranteed by the DIP Guarantor, as further provided in the DIP Loan Documents. To the extent

a Final Order is entered, the Debtors shall, subject to the terms of the DIP Loan Documents and the Final Order, be entitled to borrow all amounts under the DIP Loan Documents to fund the Debtors' working capital and other general corporate needs and pay such other amounts required or allowed to be paid pursuant to the DIP Loan Documents, the Final Order, and any other orders of this Court.

(d) Budget. Attached hereto as Exhibit A is a rolling 13-week cash flow budget (the "Initial Approved Budget") which reflects on a line-item basis the Debtors' (i) weekly projected cash receipts, (ii) weekly projected disbursements (including ordinary course operating expenses, bankruptcy-related expenses under the Cases, capital expenditures, asset sales, and estimated fees and expenses of the DIP and Prepetition Agent (including counsel and financial advisors therefor), and any other fees and expenses relating to the DIP Facility), (iii) the sum of weekly unused availability under the DIP Facility plus unrestricted cash on hand (collectively, "Aggregate Liquidity"), and (iv) the weekly outstanding principal balance of the loan made under the DIP Facility (labeled as "Proposed DIP Facility" in the Approved Budget (as defined below)). Commencing on the first Wednesday following the Petition Date and continuing every Wednesday thereafter (or if such Wednesday is not a Business Day, the following Business Day) (i.e., every week), the Debtors shall prepare and deliver simultaneously to the DIP Agent and the Prepetition Agent: (i) an updated "rolling" 13-week budget, which, once approved in writing by the DIP Agent and the Required Lenders, in their respective sole discretion, shall supplement and replace the Approved Budget or Supplemental Approved Budget, as applicable, then in effect (each such updated budget that has been approved in writing by the DIP Agent and the Required Lenders, a "Supplemental Approved Budget") without further notice, motion, or application to, order of, or hearing before, this Court; provided, however, that the DIP Agent, at the direction of

the Required Lenders shall have two (2) Business Days to approve each updated “rolling budget” (any such party that fails to timely provide the Debtors and each of the other aforementioned parties written notice of any objection to such updated “rolling budget” shall be deemed to have approved such updated “rolling budget”); provided that any portion of the updated “rolling budget” that relates to periods covered by a previous Initial Approved Budget or Supplemental Approved Budget, as applicable, shall automatically be deemed approved to the extent that no changes have been made to such Initial Approved Budget or Supplemental Approved Budget, as applicable; provided, further, however, that unless and until the DIP Agent has approved (or be deemed to have approved as provided above) such updated budget, the Debtors shall still be subject to and be governed by the terms of the Initial Approved Budget or Supplemental Approved Budget, as applicable, then in effect in accordance with this Interim Order, and the DIP Agent, the other DIP Secured Parties, and the Prepetition Secured Parties shall, as applicable, have no obligation to fund to such updated “rolling budget” or permit the use of Cash Collateral with respect thereto, as applicable; and (ii) a Variance Report (as defined in the DIP Credit Agreement), in form acceptable to the DIP Agent and the Required Lenders, setting forth the actual cash receipts and actual expenditures for each line item in the Approved Budget (as defined below) covering each of the previous calendar week and the previous four calendar weeks and comparing the foregoing amounts with the budgeted cash receipts and budgeted expenditures, respectively, set forth in the Approved Budget for such line item during such one week period. The Variance Report shall include an explanation as to any variance identified in such report in accordance with the foregoing that is greater than \$5,000 or varies by 10% from the budgeted amount. Such explanation shall include, among other things, whether such variance is permanent or relates solely to timing and, to the extent related to timing, when such

variance is expected to be corrected. The aggregate, without duplication, of all items in the Initial Approved Budget and any Supplemental Approved Budgets shall constitute the “Approved Budget.” Notwithstanding anything to the contrary in this Interim Order, the reasonable professional fees, costs and expenses of the DIP Agent’s advisors and the Prepetition Agent’s advisors (with respect to the Prepetition Agent, during the Interim Period with all future periods being subject to entry of a Final Order), respectively, shall be due, payable and paid in accordance with the terms of this Interim Order notwithstanding any budgeted amounts for such fees, costs and expenses set forth in the Approved Budget.

(e) Budget Covenants. The Debtors shall only incur DIP Obligations and expend Cash Collateral and other DIP Collateral proceeds in accordance with the specific purposes, and at the specific time periods, set forth in the Approved Budget (and in the case of the costs and expenses of the DIP Agent and Prepetition Agent, in accordance with the DIP Loan Documents and this Interim Order), subject to the following permitted variances, which shall be tested initially on the first Wednesday following the Petition Date (the “First Testing Date”) (testing the period from the Petition Date through and including the First Testing Date (such initial testing period, the “First Testing Period”)) and continuing on each Wednesday thereafter (or if such Wednesday is not a Business Day, the following Business Day) (each, a “Subsequent Testing Date”) (in each case, testing the trailing four week period ending on the Wednesday before the applicable Subsequent Testing Date (each, a “Four Week Testing Period”)): (i) the Debtors’ total expenditures (excluding any legal or advisory fees incurred on behalf of the DIP Agent and the DIP Lenders paid before October 2, 2015) for the prior four week period shall not have exceeded 110% of the amount of total expenditures for such four week period as set forth in the Approved Budget; (ii) the Debtors’ net cash receipts (equal to gross revenue less

production tax, royalties, processing costs, oxygen removal fee and NGPL transportation costs), on an aggregate basis, for such four week period were not less than 90% of the aggregate amount of cash receipts included in the Approved Budget for such four week period; (iii) in the event the cash receipts on an aggregate basis for the past four weeks is less than 90% of the Approved Budget for the past four weeks, for reasons outside the control of the Debtors, the cash flow test set forth in clause (ii) above shall not apply and, in the alternative, the average daily barrel of oil equivalent produced during the prior four week period will not be less than 6,350 for the calendar month of October 2015, 6,300 for the calendar month of November 2015, 6,250 for the calendar month of December 2015, 6,200 for the calendar month of January 2016, and 6,200 for the calendar month of February 2016 and for each month thereafter. The foregoing budget-related covenants are collectively referred to herein as the “Budget Covenants.”

(f) Interest, Fees, Costs and Expenses. The DIP Obligations shall bear interest at the rates, and be due and payable (and paid), as set forth in, and in accordance with the terms and conditions of, this Interim Order and the DIP Loan Documents, in each case without further notice, motion, or application to, order of, or hearing before, this Court. The Debtors shall pay on demand all fees, costs, expenses (including reasonable out-of-pocket legal and other professional fees and expenses of the DIP Agent) and other charges payable under the terms of the DIP Loan Documents. All such fees, costs, expenses and disbursements, whether incurred, paid or required to be paid prepetition or post-petition, are hereby affirmed, ratified, authorized and payable (and any funds held by the DIP Agent and/or its professionals as of the Petition Date for payment of such fees, costs, expenses and disbursements may be applied for payment)

as contemplated in this Interim Order and the DIP Loan Documents filed with the Court, and shall be non-refundable and not subject to challenge in any respect.

(g) Use of DIP Facility and Proceeds of DIP Collateral. The Borrower shall apply the proceeds of all DIP Collateral (as defined below) solely in accordance with this Interim Order and the applicable provisions of the DIP Loan Documents. For the avoidance of doubt, the Debtors shall, in accordance with the applicable provisions of the DIP Loan Documents, and subject to the Carve-Out, pay, or cause to be paid, (i) all proceeds of any sale of all or a portion of the DIP Collateral outside the ordinary course of business, (ii) all funds released to the Borrower from the Escrow Account (as defined in the DIP Credit Agreement), (iii) all remaining funds in the MasterCard Program Account after Payment In Full of the Wells Fargo Obligations incurred in connection with the Wells Fargo Business MasterCard and (iv) all funds securing the Existing Letters of Credit after such Existing Letters of Credit are released *first* to the DIP Agent for application in accordance with the DIP Loan Documents and this Interim Order until the DIP Obligations are Paid in Full, *second*, to a segregated account held by the DIP Agent (the “Wind-Down Account”), solely in an amount necessary to fund the wind-down of the Debtors’ estates and the closure of the Chapter 11 Cases, in accordance with a wind-down budget prepared by the Debtors and acceptable to the DIP Agent and the Required Lenders, in their respective sole discretion; and *third*, to the Prepetition Agent for application in accordance with the DIP Loan Documents and this Interim Order until the Prepetition Credit Obligations are Paid in Full. Notwithstanding the foregoing, solely in the event of a Topping Sale Transaction (as defined in the Purchase and Sale Agreement (as defined in the Miller Declaration)), prior to any payment or distribution pursuant to the immediately preceding sentence, the Debtors shall pay, or cause to be paid, all proceeds of such Topping Sale

Transaction to the DIP Agent for payment of the Break-Up Fee and Expense Reimbursement (each as defined in the Purchase and Sale Agreement) to Scout Energy Group II, LP. Notwithstanding the foregoing, the Debtors shall be permitted to pay all outstanding obligations pursuant to the Approved Budget on the Effective Date of the Sale. Without limiting the foregoing, the Debtors shall not be permitted to make any payments on account of any prepetition debt or obligation prior to the effective date of a confirmed chapter 11 plan or plans with respect to any of the Debtors, except (a) with respect to the Prepetition Credit Obligations as set forth in this Interim Order and a Final Order; (b) as provided in the First Day Orders, which First Day Orders shall be in form and substance acceptable to the DIP Agent and the Required Lenders; (c) as provided in other motions, orders, and requests for relief, each in form and substance acceptable to the DIP Agent and the Required Lenders prior to such motion, order, or request for such relief being filed, including, without limitation, any motions, orders, or requests for relief in connection with any structured dismissal of the Cases; or (d) as otherwise provided in the DIP Credit Agreement.

(h) Conditions Precedent. The DIP Secured Parties and Prepetition Secured Parties each have no obligation to extend credit under the DIP Facility or permit use of any DIP Collateral proceeds, including Cash Collateral, as applicable, during the Interim Period unless and until all conditions precedent to the extension of credit and/or use of DIP Collateral or proceeds thereof under the DIP Loan Documents and this Interim Order have been satisfied in full or waived by the requisite DIP Secured Parties and the Prepetition Secured Parties in accordance with the DIP Loan Documents or Prepetition Credit Agreement, as applicable, and this Interim Order.

(i) DIP Liens. As security for the DIP Obligations, the following security interests and liens, which shall immediately and without any further action by any Person, be valid, binding, permanent, perfected, continuing, enforceable, and non-avoidable upon the entry of this Interim Order, are hereby granted by the Debtors to the DIP Agent, for its own benefit and the ratable benefit of the DIP Secured Parties, on all property of the Debtors, now existing or hereinafter acquired, including, without limitation, all cash and cash equivalents (whether maintained with the DIP Agent or otherwise), and any investment in such cash or cash equivalents, money, inventory, goods, accounts receivable, other rights to payment, intercompany loans and other investments, investment property, contracts, contract rights, properties, plants, equipment, machinery, general intangibles, payment intangibles, accounts, deposit accounts (including the Pledged Accounts (as defined in the DIP Credit Agreement), the Wind-Down Account, the MasterCard Program Account, the Existing Letters of Credit Security, and all right, title, and interest of the Borrower and the DIP Guarantor in and to such accounts, and the proceeds and products thereof), documents, instruments, chattel paper, documents of title, letters of credit, letter of credit rights, supporting obligations, leases and other interests in leaseholds, real property, fixtures, patents, copyrights, trademarks, trade names, other intellectual property, intellectual property licenses, capital stock of subsidiaries, tax and other refunds, insurance proceeds, commercial tort claims, Avoidance Actions and proceeds relating thereto, rights under section 506(c) of the Bankruptcy Code, all other Collateral (as defined in the DIP Loan Documents), and all other “property of the estate” (as defined in section 541 of the Bankruptcy Code) of any kind or nature, real or personal, tangible, intangible, or mixed, now existing or hereafter acquired or created (other than any “Building” (as defined in the applicable Flood Insurance Regulation) or “Manufactured (Mobile) Home” (as defined in the applicable

Flood Insurance Regulation) with a fair market value in excess of \$50,000 individually or \$100,000 in the aggregate), and all rents, products, substitutions, accessions, profits, replacements, and cash and non-cash proceeds of all of the foregoing, as provided below (all of the foregoing collateral collectively referred to as the “DIP Collateral,” and all such Liens granted to the DIP Agent for the benefit of all the DIP Secured Parties pursuant to this Interim Order and the DIP Loan Documents, the “DIP Liens”):

(I) pursuant to section 364(c)(2) of the Bankruptcy Code, a perfected, binding, continuing, enforceable, and non-avoidable first priority Lien on all unencumbered DIP Collateral and the Debtors’ claims and causes of action under sections 502(d), 544, 545, 547–550 and 553 of the Bankruptcy Code and any other avoidance or similar action under the Bankruptcy Code or similar state or municipal law and the proceeds of each of the foregoing (collectively, the “Avoidance Actions”), whether received by judgment, settlement, or otherwise;

(II) pursuant to section 364(c)(3) of the Bankruptcy Code, a perfected, binding, continuing, enforceable, and non-avoidable junior Lien upon all DIP Collateral that is subject solely to the Prepetition Senior Permitted Encumbrances, other than liens which are expressly stated to be primed by the liens to be granted to the DIP Agent described in clause (III) below; and

(III) pursuant to section 364(d)(1) of the Bankruptcy Code, a perfected first priority, senior priming lien on all DIP Collateral (including, without limitation, Cash Collateral) that is senior to the Adequate Protection Replacement Liens (as defined below) and senior and priming to (x) the Prepetition Liens and (y) any Liens that are junior to the Prepetition Liens and the Adequate Protection Replacement Liens, after giving effect to any intercreditor or subordination agreements (the liens referenced in clauses (x) and (y), collectively, the “Primed Liens”); provided, however, that the liens described in this subsection (III) shall be junior solely to the Carve-Out and the Prepetition Senior Permitted Encumbrances.

(j) DIP Lien Priority. Notwithstanding anything to the contrary contained in this Interim Order or the DIP Loan Documents, for the avoidance of doubt, the DIP Liens granted to the DIP Agent for the ratable benefit of the DIP Secured Parties shall in each and every case be first priority senior liens that (i) are subject only to the Prepetition Senior Permitted Encumbrances, and to the extent provided in this Interim Order and the DIP Loan Documents,

shall also be subject to the Carve-Out, and (ii) except as provided in the immediately preceding sub-clause (i), are senior to all prepetition and postpetition liens of any other person or entity (including, without limitation, the Primed Liens and the Adequate Protection Replacement Liens). The DIP Liens and the DIP Superpriority Claims (as defined below): (A) shall not be subject to sections 506, 510, 549, 550, or 551 of the Bankruptcy Code or the “equities of the case” exception of section 552 of the Bankruptcy Code, (B) shall not be subordinate to, or *pari passu* with, (x) any lien that is avoided and preserved for the benefit of the Debtors and their estates under section 551 of the Bankruptcy Code or otherwise or (y) any intercompany or affiliate liens or claims of the Debtors, and (C) shall be valid and enforceable against any trustee or any other estate representative appointed in the Cases, upon the conversion of any of the Cases to a case under chapter 7 of the Bankruptcy Code or in any other proceedings related to any of the foregoing (each, a “Successor Case”), and/or upon the dismissal of any of the Cases.

(k) Enforceable Obligations. The DIP Loan Documents shall constitute and evidence the valid and binding DIP Obligations of the Debtors, which DIP Obligations shall be enforceable against the Debtors, their estates and any successors thereto (including, without limitation, any trustee or other estate representative in any Successor Case), and their creditors and other parties in interest, in accordance with their terms. No obligation, payment, transfer, or grant of security under the DIP Credit Agreement, the other DIP Loan Documents, or this Interim Order shall be stayed, restrained, voidable, avoidable, or recoverable under the Bankruptcy Code or under any applicable law (including, without limitation, under sections 502(d), 544, 547, 548, or 549 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act, or similar statute or common law), or subject to any avoidance, reduction, setoff, recoupment, offset, recharacterization,

subordination (whether equitable, contractual, or otherwise), counterclaim, cross-claim, defense, or any other challenge under the Bankruptcy Code or any applicable law or regulation by any person or entity.

(l) Superpriority Administrative Claim Status. In addition to the DIP Liens granted herein, effective immediately upon entry of this Interim Order, all of the DIP Obligations shall constitute allowed superpriority administrative claims pursuant to section 364(c)(1) of the Bankruptcy Code, which shall have priority, subject only to the payment of the Carve-Out in accordance with this Interim Order, over all administrative expense claims, adequate protection and other diminution claims (including the Prepetition Adequate Protection Superpriority Claims (as defined below)), unsecured claims, and all other claims against the Debtors, now existing or hereafter arising, of any kind or nature whatsoever, including, without limitation, administrative expenses or other claims of the kinds specified in, or ordered pursuant to, sections 105, 326, 328, 330, 331, 503(a), 503(b), 506(c), 507(a), 507(b), 546, 726, 1113, and 1114 or any other provision of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment lien or other non-consensual lien, levy, or attachment (the “DIP Superpriority Claims”). The DIP Superpriority Claims shall, for purposes of section 1129(a)(9)(A) of the Bankruptcy Code, be considered administrative expenses allowed under section 503(b) of the Bankruptcy Code, shall be against each Debtor on a joint and several basis, and shall be payable from and have recourse to all prepetition and postpetition property of the Debtors and all proceeds thereof. Other than as expressly provided in the DIP Credit Agreement and/or this Interim Order with respect to the Carve-Out, no costs or expenses of administration, including, without limitation, professional fees allowed and payable under sections 328, 330, and 331 of the Bankruptcy Code and professional fees of the respective described in Paragraph 4(iii) hereof, or

otherwise, that have been or may be incurred in these proceedings, or in any Successor Cases, and no priority claims are, or will be, senior to, prior to, or on a parity with the DIP Superpriority Claims or the DIP Obligations, or with any other claims of the DIP Secured Parties arising under the DIP Loan Documents and/or this Interim Order.

3. **Authorization to Use Cash Collateral and Proceeds of the DIP Facility.**

Subject to the terms and conditions of this Interim Order and the DIP Loan Documents, including, without limitation, the Budget Covenants set forth in Paragraph 2(e) hereof, (a) the Debtors are authorized to use proceeds of credit extended under the DIP Facility from and after the Closing Date (as defined in the DIP Credit Agreement), and (b) the Debtors are authorized to use Cash Collateral; provided, however, that each Debtor shall be prohibited from at any time using proceeds of DIP Collateral (including Cash Collateral) and/or advances under the DIP Facility, in each case, except in accordance with the terms and conditions of this Interim Order and the DIP Loan Documents. To fund the Debtors' working capital and other general corporate needs pending the Final Hearing, in accordance with the terms of this Interim Order, the DIP Loan Documents, and the Approved Budget, the Debtors may request advances and other financial accommodations under the DIP Facility. The DIP Agent and the other DIP Secured Parties may terminate the applicable Debtors' right to use proceeds of extensions of credit under the DIP Facility, DIP Collateral, Prepetition Collateral, and Cash Collateral without further notice, motion, or application to, order of, or hearing before, the Court, in accordance with Paragraph 15 below, immediately upon notice to such effect by the DIP Agent to the Debtors after the occurrence and during the continuance of any Termination Event. Upon the occurrence and during the continuance of a Termination Event (subject to Paragraph 15 below), any of the DIP Agent (on behalf of the DIP Secured Parties) and the Prepetition Agent (on behalf of the

Prepetition Secured Parties) may terminate the consensual Cash Collateral use arrangement contained herein without further notice, motion, or application to, order of, or hearing before, the Court; provided, that the rights of the DIP Secured Parties and the Prepetition Secured Parties under this Interim Order or otherwise shall not be affected by the waiver of any Termination Event by any other party. The earliest date upon which the consensual Cash Collateral use arrangement described in this Interim Order is terminated pursuant to this Paragraph 3 shall be referred to herein as the “Cash Collateral Termination Date.”

4. **Adequate Protection for Prepetition Secured Parties**. In consideration for the use of the Prepetition Collateral (including Cash Collateral) and the priming of the Prepetition First Priority Liens, the Prepetition Agent, for the benefit of the Prepetition Secured Parties, shall receive the following adequate protection (collectively referred to as the “Prepetition Secured Parties’ Adequate Protection”):

(i) **Prepetition Adequate Protection Liens**. To the extent there is a diminution in value of the interests of the Prepetition Secured Parties in the Prepetition Collateral (including Cash Collateral) from and after the Petition Date resulting from the use, sale, or lease by the Debtors of the applicable Prepetition Collateral (including Cash Collateral), the granting of the DIP Superpriority Claims, the granting of the DIP Liens, the subordination of the Prepetition First Priority Liens thereto and to the Carve-Out, and the imposition or enforcement of the automatic stay of section 362(a) of the Bankruptcy Code (“Diminution in Prepetition Collateral Value”), the Prepetition Agent, for the benefit of all the Prepetition Secured Parties, is hereby granted, subject to the terms and conditions set forth below, pursuant to sections 361, 363(e), and 364 of the Bankruptcy Code, replacement Liens upon all of the DIP Collateral (such adequate protection replacement liens, the “Prepetition Adequate Protection Liens”), which

Prepetition Adequate Protection Liens on such DIP Collateral shall be subject and subordinate only to the DIP Liens, the Prepetition Senior Permitted Encumbrances, and the Carve-Out and shall be senior in priority to the Prepetition First Priority Liens. The Prepetition Adequate Protection Liens and the Prepetition Adequate Protection Superpriority Claim (as defined below) (A) shall not be subject to sections 510, 549, 550, or 551 of the Bankruptcy Code or, subject to entry of the Final Order, section 506(c) of the Bankruptcy Code or the “equities of the case” exception of section 552 of the Bankruptcy Code, (B) shall not be subordinate to, or *pari passu* with, (x) any lien that is avoided and preserved for the benefit of the Debtors and their estates under section 551 of the Bankruptcy Code or otherwise or (y) any intercompany or affiliate liens or claims of the Debtors, and (C) shall be valid and enforceable against any trustee or any other estate representative appointed in the Cases or any Successor Cases, and/or upon the dismissal of any of the Cases.

(ii) Prepetition Adequate Protection Superpriority Claims. To the extent of Diminution in Value of the Prepetition Collateral, the Prepetition Secured Parties are hereby further granted allowed superpriority administrative claims (such adequate protection superpriority claims, the “Prepetition Adequate Protection Superpriority Claims”), pursuant to section 507(b) of the Bankruptcy Code, with priority over all administrative expense claims and unsecured claims against the Debtors and their estates, now existing or hereafter arising, of any kind or nature whatsoever, including, without limitation, administrative expenses of the kind specified in or ordered pursuant to sections 105, 326, 328, 330, 331, 503(a), 503(b), 506(c), 507(a), 507(b), 546(c), 546(d), 726 (to the extent permitted by law), 1113, and 1114 and any other provision of the Bankruptcy Code, junior only to the DIP Superpriority Claims and the Carve-Out to the extent provided herein and in the DIP Loan Documents, and payable from and

having recourse to all prepetition and postpetition property of the Debtors and all proceeds thereof; provided, however, that the Prepetition Secured Parties shall not receive or retain any payments, property, or other amounts in respect of the Prepetition Adequate Protection Superpriority Claims unless and until (x) all DIP Obligations have been Paid in Full (as defined below). Subject to the relative priorities set forth above, the Prepetition Adequate Protection Superpriority Claims against each Debtor shall be against each Debtor on a joint and several basis. For purposes of this Interim Order, the terms “Paid in Full,” “Repaid in Full,” “Repay in Full,” and “Payment in Full” shall mean, with respect to any referenced DIP Obligations and/or Prepetition Credit Obligations, (i) the indefeasible payment in full in cash of such obligations and (ii) the termination of all credit commitments under the DIP Loan Documents and/or Prepetition Loan Documents, as applicable.

(iii) Interest and Professional Fees. As further adequate protection, and without limiting any rights of the Prepetition Agent and the other Prepetition Secured Parties under section 506(b) of the Bankruptcy Code which are hereby preserved, and in consideration, and as a requirement, for obtaining the consent of the Prepetition Secured Parties to the entry of this Interim Order and the Debtors’ consensual use of Cash Collateral as provided herein, the Debtors shall (i) pay or reimburse in cash the Prepetition Agent for any and all fees, costs, expenses, and charges to the extent, and at the times, payable under the Prepetition Loan Documents, including, without limitation, any unpaid fees, costs and expenses accrued prior to the Petition Date, (ii) five (5) Business Days following the last day of each calendar month commencing after the Closing Date, pay to the Prepetition Agent for prompt distribution to the applicable Prepetition Secured Parties any and all of the interest accruing on the Prepetition Credit Obligations under the Prepetition Credit Agreement at the default rate(s) set forth therein,

unless the Prepetition Secured Parties elect to defer all or a portion of such interest by payment of such interest in kind, in which case any such accrued interest shall be added to the principal amount of the Prepetition Credit Obligations on the last day of each calendar month commencing after the Closing Date, and (iii) pay currently all reasonable out-of-pocket fees, costs, and expenses of the Prepetition Agent (including, without limitation, the fees, costs, and expenses of counsel and financial advisors for the Prepetition Agent), in the case of each of sub-clauses (i), (ii), and (iii) above, all whether accrued prepetition or postpetition and whether or not budgeted in the Approved Budget, and without further notice (except as provided in Paragraph 20(b) below with respect to postpetition professional fees, costs, and expenses), motion, or application to, order of, or hearing before, this Court.

(iv) Consent to Priming and Adequate Protection. The Prepetition Agent, on behalf of the Prepetition Secured Parties, consents to the Prepetition Secured Parties' Adequate Protection and the priming provided for herein; provided, however, that such consent of the Prepetition Agent to the priming of the Prepetition First Priority Liens, the use of Cash Collateral, and the sufficiency of the Prepetition Secured Parties' Adequate Protection provided for herein is expressly conditioned upon the entry of this Interim Order, and such consent shall not be deemed to extend to any other Cash Collateral usage or other replacement financing or debtor-in-possession financing other than the DIP Facility provided under the DIP Loan Documents; and provided, further, that such consent shall be of no force and effect in the event this Interim Order is not entered or is entered and subsequently reversed, modified, stayed, or amended (unless such reversal, modification, stay, or amendment is acceptable to the Prepetition Agent and the Prepetition Lenders in their respective sole discretion) or the DIP Loan Documents and DIP Facility as set forth herein are not approved.

(v) Right to Seek Additional Adequate Protection. Under the circumstances and given that the above-described adequate protection is consistent with the Bankruptcy Code, including section 506(b) thereof, the Court finds that the adequate protection provided herein is reasonable and sufficient to protect the interests of the Prepetition Lenders. However, the Prepetition Agent, on behalf of the Prepetition Secured Parties, may request Court approval for additional or alternative adequate protection, without prejudice to any objection of the Debtors or any other party in interest to the grant of any additional or alternative adequate protection; provided that any such additional or alternative adequate protection shall at all times be subordinate and junior to the claims and Liens of the DIP Lenders granted under this Interim Order and the DIP Loan Documents.

5. **Automatic Postpetition Lien Perfection.** This Interim Order shall be sufficient and conclusive evidence of the validity, enforceability, perfection, and priority of the DIP Liens and the Prepetition Adequate Protection Liens without the necessity of (a) filing or recording any financing statement, deed of trust, mortgage, or other instrument or document which may otherwise be required under the law of any jurisdiction or (b) taking any other action to validate or perfect the DIP Liens and the Prepetition Adequate Protection Liens or to entitle the DIP Liens and the Prepetition Adequate Protection Liens to the priorities granted herein. Notwithstanding the foregoing, each of the DIP Agent and the Prepetition Secured Parties (in the latter case, solely with respect to the Prepetition Adequate Protection Liens) may, each in their sole discretion, enter into and file, as applicable, financing statements, mortgages, security agreements, notices of liens, and other similar documents, and is hereby granted relief from the automatic stay of section 362 of the Bankruptcy Code in order to do so, and all such financing statements, mortgages, security agreements, notices, and other agreements or documents shall be

deemed to have been filed or recorded at the time and on the Petition Date. The applicable Debtors shall execute and deliver to the DIP Agent and/or the Prepetition Agent, as applicable, all such financing statements, mortgages, notices, and other documents as such parties may reasonably request to evidence and confirm the contemplated priority of, the DIP Liens and the Prepetition Adequate Protection Liens, as applicable, granted pursuant hereto. Without limiting the foregoing, each of the DIP Agent and the Prepetition Agent may in its discretion, file a photocopy of this Interim Order as a financing statement with any recording officer designated to file financing statements or with any registry of deeds or similar office in any jurisdiction in which any Debtor has real or personal property, and in such event, the subject filing or recording officer shall be authorized to file or record such copy of this Interim Order. Subject to the entry of the Final Order, any provision of any lease, loan document, easement, use agreement, proffer, covenant, license, contract, organizational document, or other instrument or agreement that requires the payment of any fees or obligations to any governmental entity or non-governmental entity in order for the Debtors to pledge, grant, mortgage, sell, assign, or otherwise transfer any fee or leasehold interest or the proceeds thereof or other DIP Collateral, is and shall be deemed to be inconsistent with the provisions of the Bankruptcy Code, and shall have no force or effect with respect to the Liens on such leasehold interests or other applicable DIP Collateral or the proceeds of any assignment and/or sale thereof by any Debtor, in favor of the DIP Secured Parties in accordance with the terms of the DIP Loan Documents and this Interim Order or in favor of the Prepetition Secured Parties in accordance with this Interim Order. To the extent that the Prepetition Agent is the secured party under any security agreement, mortgage, leasehold mortgage, landlord waiver, financing statement, or account control agreements, listed as loss payee under any of the Debtors' insurance policies, or is the secured party under any of the

Prepetition Loan Documents, the DIP Agent shall also be deemed to be the secured party under such account control agreements, loss payee under the Debtors' insurance policies, and the secured party under each such Prepetition Loan Document, shall have all rights and powers attendant to that position (including, without limitation, rights of enforcement), and shall act in that capacity and distribute any proceeds recovered or received first, for the benefit of the DIP Secured Parties in accordance with the DIP Loan Documents and second, subsequent to Payment in Full of all DIP Obligations, for the benefit of the Prepetition Secured Parties. The Prepetition Agent shall serve as agent for the DIP Agent for purposes of perfecting its respective Liens on all DIP Collateral that is of a type such that perfection of a lien therein may be accomplished only by possession or control by a secured party.

6. **Reservation of Certain Third Party Rights and Bar of Challenges and Claims.** The Debtors' Stipulations shall be binding upon the Debtors in all circumstances upon entry of this Interim Order. The Debtors' Stipulations shall be binding upon each other party in interest, including the Committee, unless such Committee or any other party in interest (including any Chapter 11 trustee appointed) other than the Debtors (or if the Cases are converted to cases under chapter 7 prior to the expiration of the Challenge Period (as defined below), the chapter 7 trustee in such Successor Case), *first*, commences within seventy-five (75) calendar days following the Petition Date (such time period, as the same may be extended in accordance with this Paragraph 6, shall be referred to as the "Challenge Period," and the date that is the next calendar day after the termination of the Challenge Period in the event that either (i) no Challenge (as defined below) is properly raised during the Challenge Period or (ii) with respect only to those parties who properly file a Challenge (as defined below), such Challenge is fully and finally adjudicated, shall be referred to as the "Challenge Period Termination Date"),

(A) a contested matter, adversary proceeding, or other action or “claim” (as defined in the Bankruptcy Code) challenging or otherwise objecting to the admissions, stipulations, findings, or releases included in the Debtors’ Stipulations, or (B) a contested matter, adversary proceeding, or other action against any or all of the Prepetition Secured Parties in connection with or related to the Prepetition Credit Obligations, or the actions or inactions of any of the Prepetition Secured Parties arising out of or related to the Prepetition Credit Obligations or otherwise, including, without limitation, any claim against any or all of the Prepetition Secured Parties in the nature of a “lender liability” cause of action, setoff, counterclaim, or defense to the Prepetition Credit Obligations (including, but not limited to, those under sections 506, 544, 547, 548, 549, 550, and/or 552 of the Bankruptcy Code or by way of suit against any of the Prepetition Secured Parties) (clauses (i) and (ii) collectively, the “Challenges” and, each individually, a “Challenge”), and *second*, obtains a final, non-appealable order in favor of such party in interest sustaining any such Challenge in any such timely-filed contested matter, adversary proceeding, or other action. If a Chapter 7 trustee or a Chapter 11 trustee is appointed during the Challenge Period, the Challenge Period Termination Date with respect to such trustee only, shall be the later of (i) the last day of the Challenge Period and (ii) the date that is twenty (20) days after the date on which such trustee is appointed. For the avoidance of doubt, a Challenge must be brought no later than seventy-five (75) calendar days following the Petition Date, whether brought by a statutory Committee or any other party in interest (other than a Chapter 7 trustee or a Chapter 11 trustee). Except as otherwise expressly provided herein, from and after the Challenge Period Termination Date and for all purposes in these Cases and any Successor Cases, (i) all payments made to or for the benefit of the Prepetition Secured Parties pursuant to, or otherwise authorized by, this Interim Order or otherwise (whether made prior to, on, or after the Petition Date) shall be indefeasible

and not be subject to counterclaim, set-off, subordination, recharacterization, defense, or avoidance, (ii) any and all such Challenges by any party in interest shall be deemed to be forever released, waived, and barred; (iii) the Prepetition Credit Obligations shall be deemed to be a fully allowed secured claim within the meaning of section 506 of the Bankruptcy Code and (iv) the Debtors' Stipulations, including the release provisions therein, shall be binding on all parties in interest, including any Committee. Notwithstanding the foregoing, to the extent any Challenge is timely asserted in any such adversary proceeding, contested matter or other action or proceeding, the Debtors' Stipulations and the other provisions in clauses (i) through (iv) in the immediately preceding sentence shall nonetheless remain binding and preclusive on any Committee and on any other party in interest from and after the Challenge Period Termination Date, except to the extent that such Debtors' Stipulations or the other provisions in clauses (i) through (iv) of the immediately preceding sentence were expressly challenged with particularity in such adversary proceeding, contested matter, or other action. The Challenge Period may only be extended with the written consent of the Prepetition Agent in its sole discretion. Notwithstanding any provision to the contrary herein, nothing in this Interim Order shall be construed to grant standing on any party in interest, including any Committee, to bring any Challenge on behalf of the Debtors' estates. The failure of any party in interest, including any Committee, to obtain an order of this Court prior to the Challenge Period Termination Date granting standing to bring any Challenge on behalf of the Debtors' estates shall not be a defense to failing to commence a Challenge prior to the Challenge Period Termination Date as required under this Paragraph 6.

7. **Carve-Out.** Subject to the terms and conditions contained in this Paragraph 7, each of the DIP Liens, the DIP Superpriority Claims, the Prepetition Liens, the Prepetition Adequate Protection Liens, and the Prepetition Adequate Protection Superpriority Claims shall

be subject and subordinate to payment of the Carve-Out (as defined below) in accordance with the terms of this Interim Order:

(i) Carve-Out. For purposes of this Interim Order, “Carve-Out” means (a) all unpaid fees required to be paid in these Cases to the clerk of the Bankruptcy Court and to the office of the United States Trustee under 28 U.S.C. § 1930(a)(6); (b) subject to the terms and conditions of this Interim Order, the unpaid fees, costs, and disbursements of professionals retained by the Debtors in these Cases other than the Debtors’ ordinary course professionals (collectively, the “Debtors’ Professionals”) that are incurred prior to the delivery by the DIP Agent of a Carve-Out Trigger Notice (as defined below), are in accordance with and limited by the Approved Budget, and are allowed either prior to or after the delivery by the DIP Agent of a Carve-Out Trigger Notice (as defined below) pursuant to an order of the Court under sections 327, 330, or 363 of the Bankruptcy Code and remain unpaid after application of any retainers being held by such professionals; (c) subject to the terms and conditions of this Interim Order, the reasonable unpaid fees, costs, and disbursements of professionals retained by the Committee in these Cases (collectively, the “Committee’s Professionals”) and all reasonable unpaid out-of-pocket expenses of the members of any Committee (“Committee Members”), in each case that are incurred prior to the delivery by the DIP Agent of a Carve-Out Trigger Notice and in accordance with and limited by the Approved Budget, and that are allowed either prior to or after the delivery by the DIP Agent of a Carve-Out Trigger Notice (as defined below) by the Court under sections 328, 330, or 1103 of the Bankruptcy Code and remain unpaid after application of any retainers being held by such professionals; (d) the reasonable unpaid fees, costs, and disbursements of the Debtors’ Professionals that are incurred after the delivery of a Carve-Out Trigger Notice, that are allowed by the Court under sections 327 or 363 of the Bankruptcy Code

and that are in accordance with the Budget (the “Debtors’ Professionals Post-Default Carve-Out”); and (e) the reasonable unpaid fees, costs, and disbursements of the Committee Professionals and the reasonable unpaid expenses of Committee Members that are incurred after the delivery of a Carve-Out Trigger Notice, that are allowed by the Court under sections 328 or 1103 of the Bankruptcy Code and that are in accordance with the Budget (the “Committee Post-Default Carve-Out”) (clauses (a), (b), (c), (d), and (e), collectively, the “Carve-Out”). The Debtors’ Professionals Post-Default Carve-Out and the Committee Post-Default Carve-Out shall not exceed \$500,000 in the aggregate (inclusive of any unapplied retainers held by such professionals) (the “Post-Default Carve-Out Cap”). The term “Carve-Out Trigger Notice” shall mean a written notice delivered by the DIP Agent to the Debtors’ lead counsel, the United States Trustee, and lead counsel to any Committee appointed in these Cases, which notice may be delivered at any time following the occurrence and during the continuation of any Termination Event. Upon the delivery of a Carve-Out Trigger Notice, (A) the Debtors shall immediately fund into the Carve-Out Account (as defined below) an amount equal to the Post-Default Carve-Out Cap, and (B) until the Carve-Out Account (as defined below) has been funded in an additional amount equal to the unpaid fees and expenses that were incurred prior to the delivery of the Carve-Out Trigger Notice in accordance with (b) and (c) above, that have not been disallowed by the Court and for which such Debtors’ Professionals or Committee’s Professionals have submitted a copy of an application to the Court or monthly fee statement, net proceeds of the DIP Collateral thereafter realized by or remitted to the Prepetition Agent that, but for the Carve-Out, would be utilized by the Prepetition Agent to permanently repay the Prepetition Credit Obligations (x) shall be transferred by the Debtors into a segregated account established by the Debtors (the “Carve-Out Account”) and (y) shall not reduce the Prepetition Credit Obligations.

All amounts deposited in the Carve-Out Account shall continue to be subject to the DIP Liens, the Prepetition Adequate Protection Liens and the Prepetition First Priority Liens such that, upon final payment of all allowed amounts due and owing under the Carve-Out, then any funds remaining in the Carve-Out Account shall be remitted to the DIP Agent or the Prepetition Agent, as applicable, in accordance with this Interim Order, for application in accordance with this Interim Order and the DIP Loan Documents or Prepetition Loan Documents, as applicable. No amounts set forth in this subparagraph (i) with respect to the Post-Default Carve-Out Cap may be modified without the prior written consent of the DIP Agent and the Prepetition Agent.

(ii) No Direct Obligation to Pay Professional Fees; No Waiver of Right to Object to Fees. Neither the DIP Secured Parties nor the Prepetition Secured Parties shall be responsible for the direct payment or reimbursement of any fees or disbursements of any of the Debtors' Professionals or Committee's Professionals incurred in connection with the Cases or any Successor Cases under any chapter of the Bankruptcy Code. Nothing in this Interim Order or otherwise shall be construed (i) to obligate any DIP Secured Party or any Prepetition Secured Party in any way to pay compensation to, or to reimburse expenses of, any of the Debtors' Professionals or Committee's Professionals, or to guarantee that the Debtors have sufficient funds to pay such compensation or reimbursement or (ii) to increase the Carve-Out if actual allowed fees and expenses of any of the Debtors' Professionals or Committee's Professionals are higher in fact than the Carve-Out Cap. The respective Prepetition Secured Parties' liens and claims shall be subject to the Carve-Out as set forth in this Interim Order. Notwithstanding any provision in this Paragraph 7 to the contrary, no portion of the Carve-Out, Cash Collateral, Prepetition Collateral, DIP Collateral or proceeds of the DIP Facility shall be utilized for the payment of professional fees and disbursements to the extent restricted under Paragraph 16

hereof. Nothing herein shall be construed as consent to the allowance of any professional fees or expenses of any of the Debtors, any Committee, any other official or unofficial committee in these Cases, or of any other person or entity, or shall affect the right of any DIP Secured Party or any Prepetition Secured Party to object to the allowance and payment of such fees and expenses.

(iii) Payment of Allowed Professional Fees Prior to the Termination Declaration Date.

Prior to the occurrence of the Termination Declaration Date, the Debtors shall be permitted to pay allowed fees of the Debtors' Professionals and the Committee's Professionals (to the extent the fees of the Debtors' Professionals and the Committee's Professionals were incurred in accordance with the Approved Budget), subject to the Bankruptcy Code, the Bankruptcy Rules, the Local Rules and any interim compensation procedures order entered by this Court. The amounts paid prior to the Carve-Out Trigger Notice shall not reduce the Carve-Out.

8. **Waiver of 506(c) Claims.** Subject to the entry of the Final Order, as a further condition of the DIP Facility and any obligation of the DIP Secured Parties to make credit extensions pursuant to the DIP Loan Documents (and their consent to the payment of the Carve-Out to the extent provided herein) and as a further condition to the Debtors' use of Cash Collateral pursuant to this Interim Order and a Final Order, no costs or expenses of administration of the Cases or any Successor Cases shall be charged against or recovered from or against any or all of the DIP Secured Parties and/or the Prepetition Secured Parties, the Prepetition Collateral, the DIP Collateral and the Cash Collateral, in each case pursuant to section 506(c) of the Bankruptcy Code or otherwise, without the prior written consent of the Prepetition Agent and the DIP Agent, and no such consent shall be implied from any other action, inaction, or acquiescence of any or all of the Prepetition Secured Parties and the DIP Secured Parties.

9. **After-Acquired Property.** Except as otherwise expressly provided in this Interim Order, pursuant to section 552(a) of the Bankruptcy Code, all property acquired by the Debtors on or after the Petition Date is not, and shall not be, subject to any Lien of any person or entity resulting from any security agreement entered into by the Debtors prior to the Petition Date, except to the extent that such property constitutes proceeds of property of the Debtors that is subject to a valid, enforceable, perfected, and unavoidable Lien as of the Petition Date which is not subject to subordination or avoidance under the Bankruptcy Code or other provisions or principles of applicable law.

10. **Protection of DIP Secured Parties' Rights.**

(a) Unless the requisite DIP Secured Parties under the DIP Loan Documents shall have provided their prior written consent or all DIP Obligations have been Paid in Full, there shall not be entered in these proceedings, or in any Successor Cases, any order which authorizes any of the following: (i) the obtaining of credit or the incurring of indebtedness that is secured by a security, mortgage, or collateral interest or other Lien on all or any portion of the DIP Collateral and/or that is entitled to administrative priority status, in each case which is superior to or *pari passu* with the DIP Liens, the DIP Superpriority Claims, and/or the other DIP Protections granted pursuant to this Interim Order to the DIP Secured Parties; or (ii) the use of Cash Collateral for any purpose other than to Pay in Full the DIP Obligations or as otherwise permitted in the DIP Loan Documents and this Interim Order.

(b) The Debtors (and/or their legal and financial advisors in the case of clauses (ii) through (iv) below) will (i) maintain books, records, and accounts to the extent and as required by the DIP Loan Documents, (ii) reasonably cooperate, consult with, and provide to the DIP Secured Parties and the Prepetition Secured Parties all such information as required or

allowed under the DIP Loan Documents or the provisions of this Interim Order, (iii) permit representatives of the DIP Agent and the Prepetition Agent such rights to visit and inspect any of the Debtors' respective properties, to examine and make abstracts or copies from any of their respective books and records, to conduct a collateral audit and analysis of their respective inventory and accounts, to tour the Debtors' business premises and other properties, and to discuss, and provide advice with respect to, their respective affairs, finances, properties, business operations, and accounts with their respective officers, employees, and independent public accountants as and to the extent required by the DIP Loan Documents (with the Prepetition Agent being granted the same access and cooperation rights as the DIP Agent for purposes of this subsection (b)), and (iv) permit the DIP Agent and the Prepetition Agent and their respective representatives to consult with the Debtors' management and advisors on matters concerning the Debtors' businesses, financial condition, operations and assets.

11. **Proceeds of Subsequent Financing.** Without limiting the provisions and protections of Paragraph 10 above, if at any time prior to the Payment in Full of all the DIP Obligations (including subsequent to the confirmation of any Chapter 11 plan or plans with respect to any of the Debtors), the Debtors' estates, any trustee, any examiner with enlarged powers, or any responsible officer subsequently appointed shall obtain credit or incur debt pursuant to sections 364(b), 364(c), 364(d), or any other provision of the Bankruptcy Code in violation of the DIP Loan Documents, then all of the cash proceeds derived from such credit or debt and all Cash Collateral shall immediately be turned over to the DIP Agent until Payment in Full of the DIP Obligations.

12. **Cash Collection.** From and after the date of the entry of this Interim Order, all cash and Cash Equivalents (as defined in the DIP Credit Agreement) received by any Debtor,

including collections and proceeds of any DIP Collateral and Prepetition Collateral or services provided by any Debtor and all Cash Collateral which shall at any time come into the possession, custody, or control of any Debtor, or to which any Debtor is now or shall become entitled at any time, shall be promptly deposited in the Loan Account (as defined in the DIP Credit Agreement) (or in such other accounts as are designated by the DIP Agent from time to time).

13. **Disposition of DIP Collateral.** Unless the DIP Obligations and the Prepetition Credit Obligations are Paid in Full upon the closing of a sale or other disposition, the Debtors shall not sell, transfer, lease, encumber, or otherwise dispose of any portion of the DIP Collateral (or enter into any binding agreement to do so) without the prior written consent of the requisite DIP Secured Parties under the DIP Loan Documents and the Prepetition Agent (and no such consent shall be implied from any other action, inaction, or acquiescence by any DIP Secured Party or Prepetition Secured Party or any order of this Court), except as permitted in the DIP Loan Documents and/or the Prepetition Loan Documents, as applicable, and this Interim Order.

14. **Termination Events.** The following shall constitute a termination event under this Interim Order and the DIP Loan Documents unless waived in writing by each of the DIP Agent, the Required Lenders, and the Prepetition Agent (each, a "Termination Event"):

(a) The occurrence of an "Event of Default" under the DIP Credit Agreement, as set forth therein (a "DIP Default Termination Event").

(b) Any other breach, default or other violation by any of the Debtors of the terms and provisions of this Interim Order.

(c) The Debtors' failure to timely and strictly comply with the obligations and deadlines set forth in Exhibit C attached hereto (the "Sale Milestones").

15. **Rights and Remedies Upon Termination Event.**

(a) Any automatic stay otherwise applicable to the DIP Secured Parties is hereby modified, without requiring prior notice to or authorization of this Court, to the extent necessary to permit the DIP Secured Parties to exercise the following remedies immediately upon the occurrence and during the continuance of any Termination Event (as set forth in section 3 of this Interim Order): (i) terminate the DIP Obligations; (ii) declare the principal amount then outstanding of, and the accrued interest on, the DIP Obligations and all other amounts payable by the Debtors under the DIP Loan Documents to be forthwith due and payable, whereupon such amounts shall be immediately due and payable without presentment, demand, protest, or other formalities of any kind, all of which are hereby expressly waived by the Debtors; (iii) terminate the DIP Facility and any DIP Loan Document as to any future liability or obligation of the DIP Secured Parties, but without affecting any of the DIP Obligations or the DIP Liens securing the DIP Obligations; (iv) declare a termination, reduction, or restriction on the ability of the Debtors to use any Cash Collateral (except as permitted in Paragraph 15(b) below), including Cash Collateral derived solely from the proceeds of DIP Collateral (any such declaration to be made in writing to the Debtors, the Prepetition Agent, the respective lead counsel to any Committee, and the United States Trustee shall be referred to herein as a “Termination Declaration” and the date which is the earliest to occur of any such Termination Declaration being herein referred to as the “Termination Declaration Date”); (v) reduce any claim to judgment; (vi) take any other action permitted by law; and/or (vii) take any action permitted to be taken by the DIP Loan Documents during the continuance of any Termination Event.

(b) Five (5) Business Days following a Termination Declaration Date, the DIP Agent shall be deemed to have relief from the automatic stay and may foreclose on all or any portion of the DIP Collateral, collect accounts receivable, and apply the proceeds thereof to the

DIP Obligations, occupy the Debtors' premises to sell or otherwise dispose of the DIP Collateral, or otherwise exercise remedies against the DIP Collateral permitted by applicable nonbankruptcy law. During the 5 Business Day period after a Termination Declaration Date, the Debtors, the DIP Agent, the Prepetition Agent and any Committee shall be entitled to an emergency hearing before the Court for the sole purpose of contesting whether a Termination Event has occurred and section 105 of the Bankruptcy Code may not be invoked by the Debtors, the Committee, or any other party in interest in an effort to restrict or preclude any DIP Secured Party from exercising any rights or remedies set forth in this Interim Order or the DIP Loan Documents. Unless during such period the Court determines that a Termination Event has not occurred and/or is not continuing, the automatic stay, as to the DIP Secured Parties, shall automatically terminate at the end of such five Business Day period, without further notice or order. During such five Business Day period, the Debtors may not use Cash Collateral or any amounts under the DIP Credit Facility except to pay payroll and other expenses critical to keep the business of the Debtors operating in accordance with and otherwise due under the Approved Budget.

(c) All proceeds realized in connection with the exercise of the rights and remedies of the DIP Secured Parties or the Prepetition Secured Parties shall be turned over to the DIP Agent for application to the other DIP Obligations under, and in accordance with, the provisions of the DIP Loan Documents until Payment in Full of the DIP Obligations; provided, that in the event of the liquidation of the Debtors' estates after the occurrence and during the continuance of a Termination Event, the Carve-Out shall be funded into a segregated account exclusively (i) first, from proceeds of any unencumbered assets of the Debtors, and (ii) then from Cash Collateral received by the DIP Agent subsequent to the date of termination of the DIP

Obligations and prior to the distribution of any such Cash Collateral to any other parties in interest.

(d) Subject to entry of the Final Order, and notwithstanding anything contained herein to the contrary, and without limiting any other rights or remedies of the DIP Agent or the other DIP Secured Parties contained in this Interim Order or the DIP Loan Documents, or otherwise available at law or in equity, and subject to the terms of the DIP Loan Documents, upon five (5) Business Days' written notice to the Debtors and any landlord, lienholder, licensor, or other third party owner of any leased or licensed premises or intellectual property that a Termination Event has occurred and is continuing, the DIP Agent (i) may, unless otherwise provided in any separate agreement by and between the applicable landlord or licensor and the DIP Agent (the terms of which shall be reasonably acceptable to the parties thereto), enter upon any leased or licensed premises of the Debtors for the purpose of exercising any remedy with respect to DIP Collateral located thereon and (ii) shall be entitled to all of the Debtors' rights and privileges as lessee or licensee under the applicable license and to use any and all trademarks, trade names, copyrights, licenses, patents, or any other similar assets of the Debtors, which are owned by or subject to a Lien of any third party and which are used by Debtors in their businesses, in either the case of subparagraph (i) or (ii) of this Paragraph 15(d) without interference from lienholders or licensors thereunder, subject to such lienholders' or licensors' rights under applicable law; provided, however, that the DIP Agent, on behalf of the DIP Secured Parties, shall pay only rent and additional rent, fees, royalties, or other monetary obligations of the Debtors that first arise after the written notice referenced above from the DIP Agent and that accrue during the period of such occupancy or use by such DIP Agent calculated on a *per diem* basis. Nothing herein shall require the Debtors, the DIP Agent, or the other DIP

Secured Parties to assume any lease or license under Bankruptcy Code section 365(a) as a precondition to the rights afforded to the DIP Agent and the other DIP Secured Parties in this Paragraph 15(d).

(e) The automatic stay imposed under Bankruptcy Code section 362(a) is hereby modified pursuant to the terms of this Interim Order and the DIP Loan Documents as necessary to (i) permit the Debtors to grant the Prepetition Adequate Protection Liens and the DIP Liens and to incur all liabilities and obligations to the Prepetition Secured Parties and the DIP Secured Parties under the DIP Loan Documents, the DIP Facility, and this Interim Order, (ii) authorize the DIP Secured Parties and the Prepetition Secured Parties to retain and apply payments made in accordance with the DIP Loan Documents and this Interim Order, and (iii) otherwise to the extent necessary to implement and effectuate the provisions of this Interim Order.

16. **Restriction on Use of Proceeds.** Notwithstanding anything herein to the contrary, no loans and/or proceeds from the DIP Facility, DIP Collateral, Cash Collateral (including any retainer held by any professionals for the below-referenced parties), Prepetition Collateral, or any portion of the Carve-Out may be used by (a) any Committee or trustee or other estate representative appointed in the Cases or any Successor Cases, or any other person, party, or entity (or to pay any professional fees and disbursements incurred in connection therewith) to investigate or prosecute any litigation or other action in connection with the value of the Prepetition Collateral or the DIP Collateral at any time; and (b) any of the Debtors, any Committee, and any trustee or other estate representative appointed in the Cases or any Successor Cases, or any other person, party, or entity (or to pay any professional fees and disbursements incurred in connection therewith): (i) request authorization to obtain postpetition

loans or other financial accommodations pursuant to Bankruptcy Code section 364(c) or (d), or otherwise, other than from the DIP Secured Parties; (ii) investigate (except as set forth below), assert, join, commence, support, or prosecute any action for any claim, counter-claim, action, proceeding, application, motion, objection, defense, or other contested matter seeking any order, judgment, determination, or similar relief against, or adverse to the interests of, in any capacity, any or all of the DIP Secured Parties, the Prepetition Secured Parties, and their respective officers, directors, employees, agents, attorneys, affiliates, assigns, or successors, with respect to any transaction, occurrence, omission, action, or other matter (including formal or informal discovery proceedings in anticipation thereof), including, without limitation, (A) any Challenges and any Avoidance Actions or other actions arising under chapter 5 of the Bankruptcy Code; (B) any action with respect to the validity, enforceability, priority, and extent of the DIP Obligations and/or the Prepetition Credit Obligations, or the validity, extent, and priority of the DIP Liens, the Prepetition First Priority Liens, or the Prepetition Adequate Protection Liens (including, with respect to the Prepetition Secured Parties only, the value of the DIP Collateral); (C) any action seeking to invalidate, set aside, avoid, or subordinate, in whole or in part, the DIP Liens, the other DIP Protections, the Prepetition First Priority Liens, the Prepetition Adequate Protection Liens, or the other Prepetition Secured Parties' Adequate Protection; (D) except to contest the occurrence or continuance of any Termination Event as permitted in Paragraph 15, any action seeking, or having the effect of, preventing, hindering, or otherwise delaying any or all of the DIP Secured Parties' (and, after the Payment in Full of the DIP Obligations, the Prepetition Secured Parties' assertion, enforcement, or realization on the Cash Collateral or the DIP Collateral in accordance with the DIP Loan Documents or the Prepetition Loan Documents, as applicable, or this Interim Order); and/or (E) any action seeking to modify any of the rights,

remedies, priorities, privileges, protections, and benefits granted to any or all of the DIP Secured Parties and the Prepetition Secured Parties hereunder or under the DIP Loan Documents or the Prepetition Loan Documents, as applicable; provided, however, up to \$50,000 in the aggregate of the Carve-Out, any DIP Collateral, any Prepetition Collateral, any Cash Collateral and proceeds of the DIP Facility may be used by the Committee (to the extent such Committee is appointed) to investigate (but not document suit or otherwise prosecute) the extent, validity, and priority of the Prepetition Credit Obligations, the Prepetition First Priority Liens, or any other claims against the Prepetition Secured Parties so long as such investigation occurs within the Challenge Period; (iii) pay any fees or similar amounts to any person (other than the Prepetition Secured Parties) who has proposed or may propose to purchase interests in any of the Debtors without the prior written consent of the DIP Agent; or (iv) use or seek to use Cash Collateral or sell or otherwise dispose of DIP Collateral, unless otherwise permitted hereby, without the consent of the DIP Agent and the Prepetition Agent, as applicable.

17. **Proofs of Claim.** The Prepetition Secured Parties will not be required to file proofs of claim in any of the Cases or Successor Cases for any claim allowed herein. The Debtors' Stipulations shall be deemed to constitute a timely filed proof of claim for the Prepetition Secured Parties. Notwithstanding any order entered by the Court in relation to the establishment of a bar date in any of the Cases or Successor Cases to the contrary, the Prepetition Agent, for the benefit of itself and the other Prepetition Lenders, is hereby authorized and entitled, in its sole discretion, but not required, to file (and amend and/or supplement, as they see fit) a proof of claim and/or aggregate proofs of claim in each of the Cases or Successor Cases for any claim allowed herein.

18. **Preservation of Rights Granted Under the Interim Order.**

(a) No Non-Consensual Modification or Extension of Interim Order. The Debtors irrevocably waive any right to seek any amendment, modification, or extension of this Interim Order without the prior written consent of the DIP Agent and the Prepetition Agent, and no such consent shall be implied by any other action, inaction, or acquiescence of the DIP Secured Parties or any of the Prepetition Secured Parties. In the event any or all of the provisions of this Interim Order are hereafter modified, amended, or vacated by a subsequent order of this Court or any other court, such modification, amendment, or vacatur shall not affect the validity, perfection, priority, allowability, enforceability, or non-avoidability of any advances, payments, or use of cash whether previously or hereunder, or lien, claim, or priority authorized or created hereby. Based on the findings set forth in this Interim Order and in accordance with section 364(e) of the Bankruptcy Code, which is applicable to the DIP Facility contemplated by this Interim Order, in the event any or all of the provisions of this Interim Order are hereafter reversed, modified, vacated, or stayed by a subsequent order of this Court or any other court, the DIP Secured Parties and the Prepetition Secured Parties shall be entitled to the protections provided in section 364(e) of the Bankruptcy Code, and no such reversal, modification, vacatur, or stay shall affect (i) the validity, priority, or enforceability of any DIP Protections and the Prepetition Secured Parties' Adequate Protection granted or incurred prior to the actual receipt of written notice by the DIP Agent or the Prepetition Agent, as the case may be, of the effective date of such reversal, modification, vacatur, or stay or (ii) the validity, enforceability and non-avoidability of any lien or priority authorized or created hereby or pursuant to the DIP Loan Documents with respect to any DIP Obligations and the Prepetition Secured Parties' Adequate Protection. Notwithstanding any such reversal, modification, vacatur, or stay, any use of Cash Collateral or any DIP Obligations or Prepetition Secured Parties'

Adequate Protection incurred or granted by the Debtors prior to the actual receipt of written notice by the DIP Agent or the Prepetition Agent, as applicable, of the effective date of such reversal, modification, vacatur, or stay shall be governed in all respects by the original provisions of this Interim Order, and the DIP Secured Parties and the Prepetition Secured Parties shall be entitled to all of the DIP Protections and Prepetition Secured Parties' Adequate Protection, as the case may be, and all other rights, remedies, liens, priorities, privileges, protections, and benefits granted in section 364(e) of the Bankruptcy Code, this Interim Order, and pursuant to the DIP Loan Documents with respect to all uses of Cash Collateral and all DIP Obligations and Prepetition Secured Parties' Adequate Protection.

(b) Dismissal. If any order dismissing any of the Cases under section 1112 of the Bankruptcy Code or otherwise is at any time entered, such order shall provide (in accordance with sections 105 and 349 of the Bankruptcy Code), that (i) the DIP Protections and the Prepetition Secured Parties' Adequate Protection shall continue in full force and effect and shall maintain their priorities as provided in this Interim Order until all DIP Obligations have been Paid in Full, the Prepetition Credit Obligations have been Paid in Full (and that all DIP Protections and the Prepetition Secured Parties' Adequate Protection shall, notwithstanding such dismissal, remain binding on all parties in interest), and (ii) this Court shall retain jurisdiction, notwithstanding such dismissal, for the purposes of enforcing such DIP Protections and the Prepetition Secured Parties' Adequate Protection.

(d) Survival of Interim Order. The provisions of this Interim Order and the DIP Loan Documents, any actions taken pursuant hereto or thereto, and all of the DIP Protections, the Prepetition Secured Parties' Adequate Protection, and all other rights, remedies, liens, priorities, privileges, protections, and benefits granted to any or all of the DIP Secured

Parties and the Prepetition Secured Parties, respectively, shall survive, and shall not be modified, impaired, or discharged by, the entry of any order confirming any plan of reorganization in any Case, converting any Case to a case under chapter 7, dismissing any of the Cases, withdrawing of the reference of any of the Cases or any Successor Cases or providing for abstention from handling or retaining of jurisdiction of any of the Cases in this Court, or terminating the joint administration of these Cases or by any other act or omission. The terms and provisions of this Interim Order, including all of the DIP Protections, the Prepetition Secured Parties' Adequate Protection, and all other rights, remedies, liens, priorities, privileges, protections, and benefits granted to any or all of the DIP Secured Parties and the Prepetition Secured Parties, shall continue in full force and effect notwithstanding the entry of any such order, and such DIP Protections and Prepetition Secured Parties' Adequate Protection shall continue in these proceedings and in any Successor Cases, and shall maintain their respective priorities as provided by this Interim Order. Subject to the provisions of this Interim Order and the DIP Loan Documents that permit the treatment of the DIP Obligations under the DIP Facility pursuant to the Plan or any other Chapter 11 plan with respect to any of the Debtors, the DIP Obligations shall not be discharged by the entry of an order confirming the Plan or any other such Chapter 11 plan, the Debtors having waived such discharge pursuant to section 1141(d)(4) of the Bankruptcy Code.

19. **Insurance Policies.** Upon entry of this Interim Order, the DIP Agent and the DIP Lenders shall be, and shall be deemed to be, without any further action or notice, named as additional insureds and loss payees, as applicable, on each insurance policy maintained by the Debtors which in any way relates to the DIP Collateral.

20. **Other Rights and Obligations.**

(a) Expenses. As provided in the DIP Loan Documents (and without limiting the Debtors' respective obligations thereunder), the applicable Debtors will pay all reasonable expenses incurred by the DIP Agent (including, without limitation, the reasonable fees and disbursements of all counsel for the DIP Agent and any internal or third-party appraisers, consultants, advisors and auditors engaged by or for the benefit of the DIP Agent and/or its counsel) in connection with the preparation, execution, delivery, and administration of the DIP Loan Documents, this Interim Order, the Final Order, and any other agreements, instruments, pleadings, or other documents prepared or reviewed in connection with any of the foregoing, whether or not any or all of the transactions contemplated hereby or by the DIP Loan Documents are consummated.

(b) Notice of Professional Fees. Professionals for the DIP Agent and the Prepetition Secured Parties (including, without limitation, professionals engaged by counsel to the DIP Agent or Prepetition Agent, as applicable) (collectively, the "Lender Professionals") shall not be required to comply with the United States Trustee fee guidelines or submit invoices to the Court, United States Trustee, any Committee or any other party in interest absent further court order. Copies of summary invoices submitted to the Debtors by such Lender Professionals shall be forwarded by the Debtors to the United States Trustee, counsel for any Committee, and such other parties as the Court may direct. The summary invoices shall be sufficiently detailed to enable a determination as to the reasonableness of such fees and expenses; provided, however, that such summary invoices may be redacted to the extent necessary to delete any information subject to the attorney-client privilege, any information constituting attorney work product, or any other confidential information, and the provision of such summary invoices shall not constitute any waiver of the attorney-client privilege or of any benefits of the attorney work

product doctrine or other applicable privilege. If the Debtors, United States Trustee, or counsel for any Committee object to the reasonableness of the fees and expenses of any of the Lender Professionals and cannot resolve such objection within ten (10) days of receipt of such invoices, the Debtors, United States Trustee, or the Committee, as the case may be, shall file with the Court and serve on such Lender Professionals an objection (the "Fee Objection") limited to the issue of the reasonableness of such fees and expenses. Any hearing on an objection to payment of any fees, costs, and expenses set forth in a professional fee invoice shall be limited to the reasonableness of the particular items or categories of the fees, costs, and expenses which are the subject of such objection. The Debtors shall timely pay in accordance with the terms and conditions of this Interim Order the undisputed fees, costs, and expenses reflected on any invoice to which a Fee Objection has been timely filed. The Debtors shall indemnify the DIP Agent and the other DIP Secured Parties (and other applicable parties) to the extent set forth in the DIP Loan Documents, including, without limitation, as provided in Section 9.05 of the DIP Credit Agreement. All such unpaid fees, costs, expenses, charges, and indemnities of the DIP Agent that have not been disallowed by this Court on the basis of an objection filed by the United States Trustee or the Committee (or any subsequent trustee of the Debtors' estates) in accordance with the terms hereof shall constitute DIP Obligations and shall be secured by the DIP Collateral as specified in this Interim Order. Any and all fees, commissions, costs, and expenses paid prior to the Petition Date by any Debtor to the DIP Agent or the DIP Lenders in connection with or with respect to the DIP Facility, the DIP Credit Agreement, or the other DIP Loan Documents are hereby approved in full and non-refundable.

(c) Binding Effect. Subject to Paragraph 6 above, the provisions of this Interim Order, including all findings herein, and the DIP Loan Documents shall be binding upon

all parties in interest in these Cases, including, without limitation, the DIP Secured Parties, the Prepetition Secured Parties, any Committee, and the Debtors and their respective successors and assigns (including any chapter 7 or chapter 11 trustee hereinafter appointed or elected for the estate of any of the Debtors, an examiner appointed pursuant to section 1104 of the Bankruptcy Code, or any other fiduciary or responsible person appointed as a legal representative of any of the Debtors or with respect to the property of the estate of any of the Debtors), whether in any of the Cases, in any Successor Cases, or upon dismissal of any such Case or Successor Case; provided, however, that the DIP Secured Parties and the Prepetition Secured Parties shall have no obligation to permit the use of Cash Collateral or to extend any financing to any chapter 7 or chapter 11 trustee or other responsible person appointed for the estates of the Debtors in any Case or Successor Case.

(d) No Waiver. Neither the failure of the Prepetition Secured Parties to seek relief or otherwise exercise their rights and remedies under this Interim Order, the Prepetition Loan Documents, or otherwise (or any delay in seeking or exercising same), nor the failure of the DIP Secured Parties to seek relief or otherwise exercise their respective rights and remedies under this Interim Order, the DIP Loan Documents, or otherwise (or any delay in seeking or exercising same), shall constitute a waiver of any of such parties' rights hereunder, thereunder, or otherwise. Nothing contained in this Interim Order (including, without limitation, the authorization of the use of any Cash Collateral) shall impair or modify any rights, claims, or defenses available in law or equity to any Prepetition Secured Party or any DIP Secured Party, including, without limitation, rights of a party to a swap agreement, securities contract, commodity contract, forward contract, or repurchase agreement with a Debtor to assert rights of setoff or other rights with respect thereto as permitted by law (or the right of a Debtor to contest

such assertion). Except as prohibited by this Interim Order, the entry of this Interim Order is without prejudice to, and does not constitute a waiver of, expressly or implicitly, or otherwise impair, the ability of the Prepetition Secured Parties or the DIP Secured Parties under the Bankruptcy Code or under non-bankruptcy law to (i) request conversion of the Cases to cases under chapter 7, dismissal of the Cases, or the appointment of a trustee in the Cases, (ii) propose, subject to the provisions of section 1121 of the Bankruptcy Code, any Chapter 11 plan or plans with respect to any of the Debtors, or (iii) except as expressly provided herein, exercise any of the rights, claims, or privileges (whether legal, equitable, or otherwise) of the DIP Secured Parties or the Prepetition Secured Parties, respectively. Except to the extent otherwise expressly provided in this Interim Order, neither the commencement of the Cases nor the entry of this Interim Order shall limit or otherwise modify the rights and remedies of the Prepetition Secured Parties with respect to non-Debtor entities or their respective assets, whether such rights and remedies arise under the Prepetition Secured Loan Documents, applicable law, or equity.

(e) No Third Party Rights. Except as explicitly provided for herein or in any DIP Loan Document, this Interim Order does not create any rights for the benefit of any third party, creditor, equity holder, or any direct, indirect, or incidental beneficiary. In determining to make any loan (whether under the DIP Credit Agreement or otherwise) or to permit the use of Cash Collateral or in exercising any rights or remedies as and when permitted pursuant to this Interim Order or the DIP Loan Documents, the DIP Secured Parties and the Prepetition Secured Parties shall not (i) be deemed to be in control of the operations of the Debtors or (ii) owe any fiduciary duty to the Debtors, their respective creditors, shareholders, or estates.

(f) No Marshaling. Neither the DIP Secured Parties nor the Prepetition Secured Parties shall be subject to the equitable doctrine of “marshaling” or any other similar doctrine with respect to any of the DIP Collateral or the Prepetition Collateral, as applicable.

(g) Amendments. The Debtors are authorized and empowered, without further notice and hearing or approval of this Court, to amend, modify, supplement, or waive any provision of the DIP Loan Documents in accordance with the provisions thereof, in each case unless such amendment, modification, supplement, or waiver (i) increases the interest rate (other than as a result of the imposition of the default rate), (ii) increases the aggregate lending commitments of all of the DIP Lenders in respect of the DIP Facility, (iii) changes the Maturity Date (as defined in the DIP Credit Agreement), or (iv) adds or amends (in any respect unfavorable to the Debtors) any Event of Default. No waiver, modification, or amendment of any of the provisions hereof shall be effective unless set forth in writing, signed by or on behalf of all the Debtors and the DIP Agent (after having obtained the approval of the requisite DIP Secured Parties under the DIP Credit Agreement) and, except as provided herein, approved by this Court. Notwithstanding the foregoing, no waiver, modification or amendment of any of the provisions of this Interim Order or the DIP Loan Documents that would directly and adversely affect the rights or interests of the Prepetition Secured Parties, as applicable, shall be effective unless also consented to in writing by the Prepetition Agent (on behalf of the Prepetition Secured Parties).

(h) Inconsistency. In the event of any inconsistency between the terms and conditions of the DIP Loan Documents and of this Interim Order, the provisions of this Interim Order shall govern and control.

(i) Enforceability. This Interim Order shall constitute findings of fact and conclusions of law pursuant to the Bankruptcy Rule 7052 and shall take effect and be fully enforceable *nunc pro tunc* to the Petition Date immediately upon execution hereof. Notwithstanding Bankruptcy Rules 4001(a)(3), 6004(h), 6006(d), 7062 or 9024 or any other Bankruptcy Rule, or Rule 62(a) of the Federal Rules of Civil Procedure, this Interim Order shall be immediately effective and enforceable upon its entry, and there shall be no stay of execution or effectiveness of this Interim Order.

(j) Reservation of Rights. Nothing in this Interim Order shall be deemed to constitute the consent of the DIP Secured Parties or the Prepetition Secured Parties, and each of the foregoing expressly reserve the right to object, to entry of any Order of the Bankruptcy Court that provides for the sale of all or substantially all of the assets of the Debtors to any party unless, in connection and concurrently with any such event, the proceeds of such sale are or will be sufficient to Pay in Full the DIP Obligations, the Prepetition Credit Obligations, the Prepetition Secured Parties' Adequate Protection and all of the foregoing are Paid in Full on the closing date of such sale.

(k) Headings. Paragraph headings used herein are for convenience only and are not to affect the construction of, or to be taken into consideration in, interpreting this Interim Order.

(l) General Cooperation From Debtors; Access to Information. Without limiting any of the Debtors' other obligations in this Interim Order or the DIP Loan Documents, each Debtor shall, and shall cause its senior officers, directors and financial advisors to, reasonably cooperate with the DIP Agent, the Prepetition Agent, and their respective advisors and representatives, in furnishing documents and information as and when reasonably requested

by such parties regarding the DIP Collateral or the Debtors' financial affairs, finances, financial condition, business, and operations. Notwithstanding anything to the contrary contained herein, the Debtors do not waive any right to attorney-client, work product, or similar privilege, and the Debtors shall not be required to provide the DIP Agent, the Prepetition Agent, or their respective financial advisors with any information subject to attorney-client privilege or consisting of attorney work product.

21. **Final Hearing**

(a) The Final Hearing to consider entry of the Final Order and final approval of the DIP Facility is scheduled for _____, 2015, at _____ (prevailing Eastern time) at the United States Bankruptcy Court for the District of Delaware. The proposed Final Order shall be substantially the same as the Interim Order except that (i) those provisions in the Interim Order that are subject to the entry of the Final Order shall be included in the Final Order without such qualification; and (ii) certain provisions of this Interim Order may be modified at or prior to the Final Hearing to address certain objections raised by parties in interest. If no objections to the relief sought in the Final Hearing are filed and served in accordance with this Interim Order, no Final Hearing may be held, and a separate Final Order may be presented by the Debtors and entered by this Court.

(b) **Final Hearing Notice**. On or before _____, 2015 the Debtors shall serve, by United States mail, first-class postage prepaid, (such service constituting adequate notice of the Final Hearing) (i) notice of the entry of this Interim Order and of the Final Hearing (the "**Final Hearing Notice**") and (ii) a copy of this Interim Order, on the parties having been given notice of the Interim Hearing and to any other party that has filed a request for notices with this Court and to any Committee after the same has been appointed, or Committee counsel, if the

same shall have been appointed. The Final Hearing Notice shall state that any party in interest objecting to the entry of the proposed Final Order shall file written objections with the Clerk of the Bankruptcy Court no later than _____, 2015, which objections shall: (i) be in writing; (ii) conform to the Bankruptcy Rules and the Local Rules; and (iii) be filed with the Clerk of the United States Bankruptcy Court for the District of Delaware no later than seven (7) business days before the Final Hearing and served upon the following parties so as to be actually received no later than seven (7) business days before the Final Hearing: (a) proposed counsel for the Debtors: Thompson & Knight LLP, 1722 Routh Street, Suite 1500, Dallas, TX 75201 (Attn: David M. Bennett, Esq.) and Bayard, P.A., 222 Delaware Avenue, Suite 900, Wilmington, DE 19801 (Attn: Neil B. Glassman, Esq., GianClaudio Finizio, Esq.); and (b) counsel for the DIP Agent: Latham & Watkins LLP, 885 Third Avenue, New York, NY 10022-4834 (Attn: Mitchell A. Seider, Esq. and Annemarie V. Reilly, Esq.).

22. **Retention of Jurisdiction.** The Bankruptcy Court has and will retain jurisdiction to enforce this Interim Order according to its terms.

Dated: _____, 2015
Wilmington, Delaware

UNITED STATES BANKRUPTCY JUDGE

**EXHIBIT I
FORM OF WITHDRAWAL REQUEST**

Parallel Energy LP

WITHDRAWAL REQUEST

[DATE]

TO: The Agent (as defined below)

RE: Credit Agreement dated as of November 9, 2015 among Parallel Energy LP, a Delaware limited partnership (the “*Company*”), certain lenders (the “*Lenders*”), Canadian Imperial Bank of Commerce as Administrative Agent and Collateral Agent and the other parties from time to time party thereto (as the same may be amended, supplemented, restated or otherwise modified from time to time, the “*Credit Agreement*”)

Capitalized words and phrases used but not otherwise defined herein have the meanings attributed thereto in the Credit Agreement. The undersigned, _____, being the _____ of Parallel Energy GP LLC, being the general partner of the Company, hereby certifies as an officer of the general partner of the Company and not in any personal capacity as follows:

1. The Company hereby requests a withdrawal of Pre-Funded Amounts held in the Loan Account in an amount equal to \$_____ to the Operating Account;
2. The proposed withdrawal of Pre-Funded Amounts and its intended use are solely to fund payments due and payable in accordance with the Budget and either the Interim Order or the Final Order, as applicable, the proceeds of which shall be deposited into the Operating Account;
3. Each of the representations and warranties made by any Loan Party in or pursuant to the Loan Documents is true and correct in all material respects on and as of the date of the release of Pre-Funded Amounts, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties shall be true and correct in all material respects as of such earlier date); *provided* that any representation and warranty that is qualified by “materiality”, “Material Adverse Effect” or similar language shall be true and correct (after giving effect to any qualification therein) in all respects;
4. No Default or Event of Default exists or would result from the release of Pre-Funded Amounts, as applicable, or from the application of the proceeds thereof;
5. The Debtors are in compliance in all material respects with the Interim Order, Final Order and the Cash Management Order, as the case may be; and

Exhibit I

6. Subject to Section 5.15 of the Credit Agreement, the Debtors are in compliance in all respects with the Budget and release of the Pre-Funded Amounts is in accordance with the Budget and the application of the funds so withdrawn will comply with the terms of Budget and the Credit Agreement in all respects.

THIS CERTIFICATE has been executed effective the date first written above.

PARALLEL ENERGY LP

By: PARALLEL ENERGY GP LLC,
its general partner

BY: _____

NAME:

TITLE:

Exhibit I

EXHIBIT C

Parallel Energy (US Entities)															
Cash Flow Forecast															
November 6, 2015 to February 5, 2016 ("Forecast Period")															
(\$USD - Unaudited)															
(\$000's)															
Week ending	Note	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Wk 1-13
		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	15-Jan-16	22-Jan-16	29-Jan-16	5-Feb-16	TOTAL
Operating Receipts															
Petroleum and natural gas receipts		-	-	3,492	-	-	-	3,394	-	-	-	3,475	-	-	10,361
Less:															
Royalties	E	-	-	-	(689)	-	-	-	(670)	-	-	-	-	-	(1,358)
Production tax	E	-	(152)	-	-	-	(159)	-	-	-	(154)	-	-	-	(465)
Processing costs	E	-	-	-	(150)	-	-	-	(150)	-	-	-	-	(150)	(450)
Oxygen removal fee	E	-	-	(65)	-	-	-	(65)	-	-	-	-	(65)	-	(195)
Transportation	E	-	(43)	-	-	-	(43)	-	-	-	-	-	-	-	(85)
Total operating receipts (net of royalties, tax, etc)	A	-	(195)	3,427	(839)	-	(201)	3,329	(820)	-	(154)	3,475	(65)	(150)	7,807
Operating Disbursements															
Operating expenses															
Operating costs and workovers - US	B	-	-	466	215	265	415	307	215	265	415	307	215	265	3,350
Salaries and benefits - US	C	-	-	186	-	186	-	-	186	-	186	-	186	-	930
General and administrative costs - US	D	-	-	28	28	28	28	28	28	28	28	28	28	28	308
Critical suppliers - US	E	300	200	100	-	-	-	-	-	-	-	-	-	-	600
Vendor deposits/pre-payments - US	F	300	-	-	-	-	-	-	-	-	-	-	-	-	300
General and administrative costs - CAN		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Salaries and benefits - CAN		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contingency costs	G	23	15	35	16	20	31	23	16	20	31	23	16	20	289
Reimburse Parallel shared expenses (75%)	H	204	19	84	19	76	19	52	43	46	43	46	89	514	1,252
		827	234	899	278	575	493	410	488	359	703	404	534	827	7,029
Net operating receipts (expenses)		(827)	(429)	2,528	(1,116)	(575)	(694)	2,919	(1,308)	(359)	(857)	3,071	(599)	(977)	778
Interest expenses															
Base loan interest		1,056	-	-	1,293	-	-	-	1,336	-	-	-	-	-	3,685
Standby and commitment fee		-	-	-	-	-	-	-	-	-	-	-	-	-	-
	I	1,056	-	-	1,293	-	-	-	1,336	-	-	-	-	-	3,685
Net change in cash flows (before non-operating disbursement and DIP)		(1,883)	(429)	2,528	(2,410)	(575)	(694)	2,919	(2,644)	(359)	(857)	3,071	(599)	(977)	(2,907)
Non-operating receipts															
Other receipts		-	-	-	-	130	-	-	-	-	-	-	-	-	130
Total non-operating receipts	J	-	-	-	-	130	-	-	-	-	-	-	-	-	130
Non-operating disbursements															
Restructuring costs															
Other non-operating disbursements	K/L	855	100	730	-	815	50	665	-	785	50	660	-	265	4,975
Proposed KERP payment	M	-	-	-	-	-	-	-	-	-	-	-	-	305	305
Total non-operating disbursements		855	100	730	-	815	50	665	0	785	50	660	-	570	5,280
Total net change in cash flows		(2,738)	(529)	1,798	(2,410)	(1,260)	(744)	2,254	(2,644)	(1,144)	(907)	2,411	(599)	(1,547)	(8,057)
Proposed DIP Facility															
Opening available cash	N / O	5,400	5,400	5,400	5,400	5,400	9,400	9,400	9,400	9,400	9,400	9,400	9,400	9,400	9,400
Total net change in cash flow		(2,738)	(529)	1,798	(2,410)	(1,260)	(744)	2,254	(2,644)	(1,144)	(907)	2,411	(599)	(1,547)	(8,057)
Cash collateral (Wells Fargo bank account)		(100)	-	-	-	-	-	-	-	-	-	-	-	-	(100)
DIP fees and Interest (10.25%)		(100)	-	-	(32)	-	-	-	(71)	-	-	-	-	(188)	(390)
Ending available cash		2,463	1,934	3,732	1,290	31	3,286	5,540	2,896	1,682	775	3,186	2,587	852	852
Ending bank loan balance	P	2,938	3,466	1,668	4,110	5,369	6,114	3,860	6,504	7,718	8,625	6,214	6,813	8,548	8,548

Foreign Exchange: All amounts forecast to be paid in Canadian currency has been converted to US currency at the ratio of 0.70:1

GENERAL NOTE: This forecast is for the estimated operating receipts and disbursements, non-operating disbursements and professional fees through the currently projected closing of a sale of the Parallel's assets pursuant to Section 363 of the Bankruptcy Code, which is anticipated to occur during the Forecast Period. This forecast does not include any professional fees or other expenses attendant to an orderly wind-down (the "Wind Down Expenses") of Parallel's estate in the US. The Company, with the agreement of the Lenders, contemplate establishing a holdback from the proceeds of the sale of Parallel's assets to fund the Wind Down Expenses. The Company and the Lenders contemplate that the wind down in the US will be accomplished with a structured dismissal or a confirmed plan of liquidation. The Company and the Lenders have agreed to defer discussion of the amount of the holdback and a wind down budget, until a time closer to the consummation of the sale and, at that time, to engage in good faith negotiations with respect to these issues. The notes, which are attached to this forecast, form an integral part to this forecast and should be read in conjunction with this cash flow forecast.

Parallel Energy Trust (US Entities)
Cash Flow Forecast
November 6, 2015 to February 5, 2016 (the "Forecast Period")
\$USD

General Note:

Management of Parallel Energy Trust ("Parallel" or the "Company") has prepared this consolidated forecast cash flow statement of its US entities based on probable and hypothetical assumptions detailed in notes A - P. The forecast has been prepared solely for the Parallel's Chapter 11 filing. As such, readers are cautioned that it may not be appropriate for their purposes.

This forecast is for the estimated operating receipts and disbursements, non-operating disbursements and professional fees through the currently projected closing of a sale of the Parallel's assets pursuant to Section 363 of the Bankruptcy Code, which is anticipated to occur during the Forecast Period. This forecast does not include any professional fees or other expenses attendant to an orderly wind-down (the "Wind Down Expenses") of Parallel's estate in the US. The Company, with the agreement of the Lenders, contemplate establishing a holdback from the proceeds of the sale of Parallel's assets to fund the Wind Down Expenses. The Company and the Lenders contemplate that the wind down in the US will be accomplished with a structured dismissal or a confirmed plan of liquidation. The Company and the Lenders have agreed to defer discussion of the amount of the holdback and a wind down budget, until a time closer to the consummation of the sale and, at that time, to engage in good faith negotiations with respect to these issues.

Notes

- A Net operating receipts are based on gas, NGL and oil production estimates and strip prices. Monthly receipts relate to production from prior month.
- B Operating cost and workover expense forecasts consist of historical operating costs and work over expenses in relation to production volumes. Parallel does not anticipate undertaking any significant capital expenditures on its assets other than general repairs and maintenance and workovers, which has been included in the operating cost forecast. Property taxes and any other potential priority taxes are forecast not to be paid by the Company. Property taxes of approximately \$2.1 million is comes due January 31, 2015 and the Company has assumed that this will be paid as an adjustment to the purchase price. If property taxes are not paid by January 31, 2016, there is a 7% late penalty fee.
- C Salaries and benefits are based on historical payments made to employees.
- D General and administrative cost forecast are based on historical payments and represent payments made on rent, supplies and other miscellaneous in the US.
- E Critical supplier payments of approximately \$600,000 are estimated based on pre-filing amounts owed to certain vendors determined as critical to Parallel's operations and production in accordance with the CCAA and Chapter 11. Total outstanding trade payables as at October 15, 2015 is approximately \$1.7 million. The Company will be paying its pre-filing royalty, processing fee, transportation and other costs in normal course.
- F Vendor deposits/pre-payment costs relate to estimated deposits required to be paid by Parallel to certain vendors (such as trade suppliers, utility and transportation costs) post-filing. The company has estimated approximately \$300,000 that may be requested from vendors and utility companies as deposits held post-filing.
- G Contingency costs are forecast at approximately 7.5% in November 2015 through to January 2015. These contingency costs relate to potential unforeseen expenses that may occur and have not been already accounted for in the Company's cash flows.
- H Payment of shared costs from Parallel Energy GP (US entity) to Parallel Energy Inc. (Canadian entity) for shared costs incurred by Parallel Energy Inc. (Canadian entity) for the account of Parallel Energy GP (US entity) pursuant to a shared services agreement between Parallel Energy Inc. and Parallel Energy GP. Approximately 75% of the certain costs incurred by Parallel Energy Inc. are for the account of and reimbursed from, Parallel Energy GP.
- I Bank loan interest and fees paid relating to the secured loan outstanding with the Lender Syndicate at a rate of 10.25% per annum, subject to court approval.
- J Non-operating receipts forecast relates to cash collateral receipts becoming available in Week 5 as a result of a letter of credit that has expired with a pipeline company in the US.
- K Estimated work fee payable to Evercore Group LLC (marketing agent of Parallel) for the marketing of the Company's producing assets. In addition, it is estimated that Evercore will earn a 1.45% success fee payable upon the total sale proceeds from sale (subject to Court approval) and the earned work fee will be netted against the success fee. The success fee will be paid from the sale proceeds.
- L Restructuring costs consist of forecast professional fees and costs incurred during the Chapter 11, 13-week forecast period as detailed in Schedule A and are forecast to be paid in the US on an accrual basis (not cash basis) given the timing and approval of professional fee payments by the US courts.
- M Proposed key employee retention plan (KERP) is scheduled to be paid to its employees in Week 13 for purposes of this forecast, subject to Court approval, and as described in the Miller Affidavit. The key employee incentive plan ("KEIP") for Parallel's executives is to be paid out of the proceeds from the sale and closing of the Company's producing assets, subject to Court approval.
- N Subject to Court approval, interim (DIP) financing will be required of \$9.4 million and an interim financing interest rate of 10.25%.
- O Opening available cash under the proposed Interim (DIP) Financing credit facility with Lender Syndicate as at November 6, 2015.
- P Ending bank loan (DIP) balance of approximately \$8.54 million.

Parallel Energy Trust (US Entities)													SCHEDULE A		
Cash Flow Forecast															
November 6, 2015 to February 5, 2016															
(\$USD- Unaudited)															
(\$000's)															
Week ending	Note	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Wk 1-13
		13-Nov-16	20-Nov-16	27-Nov-16	4-Dec-16	11-Dec-16	18-Dec-16	25-Dec-16	1-Jan-17	8-Jan-17	15-Jan-17	22-Jan-17	29-Jan-17	5-Feb-17	TOTAL
Non-operating disbursements															
Restructuring costs															
Evercore work fee and success fee	J	-	100	-	-	-	50	-	-	-	50	-	-	-	200
Lender advisor (PwC) fees - US	K	15	-	15	-	15	-	15	-	15	-	15	-	10	100
Lender legal fees - US	K	80	-	80	-	65	-	65	-	65	-	65	-	130	550
Lender Local Counsel - US	K	25	-	25	-	25	-	25	-	25	-	25	-	-	150
Company corporate legal fees - US	K	400	-	400	-	400	-	400	-	400	-	400	-	-	2,400
Company counsel (Delaware) - US	K	60	-	60	-	60	-	60	-	55	-	55	-	-	350
Company advisor fees (A&M) - US	K	130	-	130	-	105	-	80	-	80	-	80	-	-	605
Company Claims Agent - US	K	50	-	-	-	50	-	-	-	50	-	-	-	50	200
Unsecured Creditor Committee legal fees - US	K	50	-	-	-	50	-	-	-	50	-	-	-	50	200
Unsecured Creditor Committee advisor fees - US	K	25	-	-	-	25	-	-	-	25	-	-	-	25	100
Contingency fees and costs	K	20	-	20	-	20	-	20	-	20	-	20	-	-	120
		855	100	730	-	815	50	665	-	785	50	660	-	265	4,975

Foreign Exchange: All amounts forecast to be paid in Canadian currency has been converted to US currency at the ratio of 0.70:1

Parallel Energy Trust (Combined)
Cash Flow Forecast
November 6, 2015 to February 5, 2016 (the "Forecast Period")
\$USD

General Note: Management of Parallel Energy Trust ("Parallel" or the "Company") has prepared this consolidated forecast cash flow statement based on probable and hypothetical assumptions detailed in notes A - Q.

The forecast is for the estimated operating receipts and disbursements, non-operating disbursements and professional fees through the currently projected closing of a sale of the Parallel's assets pursuant to Section 363 of the Bankruptcy Code, which is anticipated to occur during the Forecast Period. This forecast does not include any professional fees or other expenses attendant to an orderly wind-down (the "Wind Down Expenses") of Parallel's estate in the US and Canada. The Company, with the agreement of the Lenders, contemplate establishing a holdback from the proceeds of the sale of Parallel's assets to fund the Wind Down Expenses. The Company and the Lenders contemplate that the wind down in the US will be accomplish with a structured dismissal or a confirmed plan of liquidation and the wind down of the CCAA proceedings. The Company and the Lenders have agreed to defer discussion of the amount of the holdback and a wind down budget, until a time closer to the consummation of the sale and, at that time, to engage in good faith negotiations with respect to these issues.

Notes

- A Net operating receipts are based on gas, NGL and oil production estimates and strip prices. Monthly receipts relate to production from prior month.
- B Operating cost and workover expense (US) forecasts consist of historical operating costs and work over expenses in relation to production volumes. Parallel does not anticipate undertaking any significant capital expenditures on its assets other than general repairs and maintenance and workovers, which has been included in the operating cost forecast. Property taxes and any other potential priority taxes are forecast not to be paid by the Company, but rather as an adjustment to the purchase price.
- C Salaries and benefits are based on historical payments made to employees.
- D General and administrative cost forecast are based on historical payments and represent payments made on rent, supplies and other miscellaneous in the US.
- E Critical supplier payments of approximately \$600,000 are estimated based on pre-filing amounts owed to certain vendors determined as critical to Parallel's operations and production in accordance with the CCAA and Chapter 11. The Company will be paying its pre-filing royalty, processing fee, transportation and other costs in normal course.
- F Vendor deposits/pre-payment costs relate to estimated deposits required to be paid by Parallel to certain vendors (such as trade suppliers, utility and transportation costs) post-filing. The company has estimated approximately \$300,000 that may be requested from vendors and utility companies as deposits held post-filing.
- G General and administrative cost forecast is based on historical payments and represent payments made on insurance, office rent, supplies and other miscellaneous costs in Canada.
- H Contingency costs are forecast at approximately 7.5% in November 2015 through to January 2015. These contingency costs relate to potential unforeseen expenses that may occur and have not been already accounted for in the Company's cash flows.
- I Bank loan interest and fees paid relating to the secured loan outstanding with the Lender Syndicate at a rate of 10.25% per annum, subject to court approval.
- J Estimated work fee payable to Evercore Group LLC (marketing agent of Parallel) for the marketing of the Company's producing assets. In addition, it is estimated that Evercore will earn a 1.45% success fee payable upon the total sale proceeds from sale (subject to Court approval) and the earned work fee will be netted against the success fee. The success fee will be paid from the sale proceeds.
- K Restructuring costs consist of forecast professional fees and costs incurred during the Chapter 11 and CCAA 13-week forecast period as detailed in Schedule A and are forecast to be paid in the US on an accrual basis (not cash basis) given the timing and approval of professional fee payments by the US courts. Canadian fees are forecast on a cash basis.
- L Proposed key employee retention plan (KERP) is scheduled to be paid to its employees in Week 13 for purposes of this forecast, subject to Court approval, and as described in the Miller Affidavit. The key employee incentive plan ("KEIP") for Parallel's executives is to be paid out of the proceeds from the sale and closing of the Company's producing assets (except for the Canadian executives of \$425,000 which is funded from the DIP).
- M Non-operating receipts relate to: (i) the D&O and KERP Charge (the "Charge") payment in Canada for funds being paid and held in a segregated account pursuant to the DIP credit facility as security the proposed KERP and potential directors and officer's obligations in Canada; (ii) cash collateral receipts becoming available in Week 5 as a result of a letter of credit that has expired with a pipeline company in the US.
- N D&O insurance policy premium relating to the acquisition of a 6-year Tail Policy as required by the Indemnity Agreement for Parallel's board of directors. This additional insurance policy is forecast to be paid in Week 1. The company currently holds (in trust) \$250,000 with its counsel relating to pre-filing D&O obligations.
- O Subject to Court approval, interim (DIP) financing will be required of \$11 million and an interim financing interest rate of 10.25%.
- P Opening available cash under the proposed Interim (DIP) Financing credit facility with Lender Syndicate as at November 6, 2015.
- Q Ending bank loan (DIP) balance of approximately \$9.7 million.