

UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

IN RE:	*	Case No. 15-08733
PUTNAM ENERGY, L.L.C.	*	CHAPTER 11
Debtor	*	Honorable Carol A. Doyle

**SECOND INTERIM ORDER FOR USE OF CASH COLLATERAL PURSUANT TO
SECTION 363 OF THE BANKRUPTCY CODE AND PROVIDING PARTIAL
ADEQUATE PROTECTION AND GRANTING LIENS AND SECURITY INTERESTS**

THIS MATTER comes before the Court upon the *Emergency Motion for Entry of Order Pursuant to Sections 361 and 363 of the Bankruptcy Code and Bankruptcy Rule 4001 for Interim and Final Orders: (1) Authorizing Use of Cash Collateral; (2) Granting Adequate Protection; (3) Scheduling and Approving the Form and Method of Notice for a Final Order; and (4) for Related Relief* (the "Motion") filed on March 18, 2015 by Putnam Energy, L.L.C. (the "Debtor"), and upon the consent of Bridgeview Bank Group to the Debtor's interim use of Cash Collateral (defined below) under the terms of this Order. Based upon the Motion and the Debtor's submissions, the Court hereby **FINDS** as follows:

JURISDICTION AND NOTICE

A. This Court has jurisdiction over this proceeding, the parties, and the property of the Debtor's estate affected pursuant to 28 U.S.C. §§ 157(b) and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

STIPULATED FACTS

B. On March 11, 2015 (the "Petition Date"), the Debtor filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code"). Debtor asserts it has revenue of about Forty-Five Thousand Dollars and No/100 (\$45,000.00) per month. The Debtor is currently operating its business by producing oil and gas from mineral interests in Illinois.

C. The Debtor asserts that an immediate and critical need exists for the Debtor to obtain funds in order to continue the operation of its business. Without such funds, the Debtor asserts that it will not be able to pay post-petition direct operating expenses and obtain goods and services needed to carry on its business in a manner that will avoid irreparable harm to the Debtor's estate. At this time, the Debtor asserts that its ability to use cash collateral is necessary to preserve and maintain the going concern value of the Debtor's estate.

D. Bridgeview Bank Group has a judgment against the Debtor in the sum of One Million Seven Hundred Sixty-Three Thousand Six Hundred Twenty-Two Dollars and 24/100 (\$1,763,622.24) as of April 16, 2014, which accrues interest at the statutory rate of 9% per annum plus attorneys' fees and costs. Bridgeview Bank Group asserts a security interest in all of the property of Debtor's estate (the "Property"), including, without limitation, all cash, negotiable instruments, documents of title, securities, deposit accounts, or other cash equivalents whenever acquired in which the Estate has an interest, whether existing before or after the commencement of this Case (the "Cash Collateral").

E. The Debtor seeks authorization to use Cash Collateral to pay the ordinary and necessary operating expenses of the Property (the "Expenses") set forth in the budget attached

hereto as Exhibit "A" (the "Budget") for a period of time commencing with the entry of this order and ending on May 31, 2015 (the "Termination Date").

CASH COLLATERAL

F. Bridgeview Bank Group consents to the Debtor's use of Cash Collateral in strict accordance with the terms of this Order only.

ORDER

Based upon the above representations, the Court, having reviewed the Motion, considering the agreements of the Debtor's and Bridgeview Bank Group's counsel, and otherwise being fully advised, hereby **ORDERS** as follows:

1. **Interim Order.** This Order shall be considered an interim cash collateral order, and shall be binding upon all parties and upon all subsequently appointed court officers, including any trustee appointed under Chapter 11 or Chapter 7 of the Bankruptcy Code.

2. **DIP Operating Account and LincolnLand Pre-Petition Funds.** The Debtor shall maintain a debtor in possession ("DIP") account with a depository institution authorized by the U.S. Trustee to hold such an account, which account shall contain all Cash Collateral (the "DIP Operating Account"), except any Cash Collateral or sums of money to be retained by LincolnLand Agri-Energy, LLC ("LincolnLand") pursuant to the terms of this Order. All Cash Collateral generated before or during the pendency of the Debtor's bankruptcy case, including any cash held in any of the Debtor's pre-petition bank accounts, shall be placed and held in the DIP Operating Account, except any pre-petition Cash Collateral or sums of money to be retained by LincolnLand pursuant to the terms of this Order.

3. LincolnLand shall wire \$23,000 to Debtor (which sum Debtor shall immediately deposit into the DIP Operating Account) within 24 hours of service of this order from the sums

that LincolnLand is holding pursuant to the citation proceedings pending in, and turnover orders entered by, the Circuit Court of Crawford County, Illinois in the case of *Bridgeview Bank Group v. Putnam Energy, L.L.C., et al.*, Case No. 2014 L 15 (the “LincolnLand Pre-Petition Funds”). LincolnLand shall pay \$8,500 from the LincolnLand Pre-Petition Funds to Bridgeview Bank Group as and for a provisional and partial adequate protection payment, which sum shall be subject to disgorgement if the Court later determines Bridgeview Bank Group is not entitled to such a payment. LincolnLand shall continue to hold the remainder of the LincolnLand Pre-Petition Funds, and refrain from paying them to Debtor, Bridgeview Bank Group or any other person or entity, until further order of this Court, or until LincolnLand receives a written direction signed by an authorized agent of both Debtor and Bridgeview Bank Group instructing LincolnLand regarding how the remaining funds are to be distributed. The Debtor shall provide notice to Trinity Leasing of any written direction provided by the Debtor and Bridgeview Bank Group to LincolnLand. LincolnLand is authorized to pay any sums for post-petition goods directly to the Debtor.

4. Debtor shall account to Bridgeview Bank Group for all Cash Collateral that the Debtor possesses, or which the Debtor might hereafter obtain.

5. **Terms of Cash Collateral Use.** The Debtor is hereby authorized to use the Cash Collateral strictly in accordance with the terms of the Budget and this Order from the date this Order is entered through the Termination Date. The Debtor is further authorized to collect and receive all accounts receivable and other operating revenues and deposit them into the DIP Operating Account.

6. The Debtor shall not: (i) incur expenses for any line item in the Budget for an amount that exceeds the budgeted amount for such line item by more than 10% without the prior

written approval of Bridgeview Bank Group, and (ii) exceed the aggregate of all the line items in the Budget by more than 10% without the prior written approval of Bridgeview Bank Group. In addition to the items on the Budget, the Debtor may pay to the U.S. Trustee and to the Bankruptcy Clerk any fees assessed by either.

7. The Debtor is hereby authorized to enter into all agreements pursuant to the terms of this Order necessary to allow the Debtor to use Cash Collateral subject to the terms of this Order in the amounts and for the expenses set forth on the Budget.

8. The Debtor is authorized to make all reasonable and necessary emergency unbudgeted repairs with Bridgeview Bank Group's prior consent and approval. The Debtor shall immediately notify Bridgeview Bank Group twenty-four (24) hours in advance of any proposed emergency expenditure for repairs and inform Bridgeview Bank Group of: (i) the repairs to be made; (ii) the reason for the repairs; (iii) the cause for the emergency repairs; (iv) the cost of the repairs; and (v) who is making the repairs, if known. If Bridgeview Bank Group refuses to consent to an emergency expenditure pursuant to this Paragraph, Debtor must seek approval from this Court before using any Cash Collateral for the expenditure. Bridgeview Bank Group consents to an expedited setting of the hearing on such request. The prevailing party in any litigation regarding a disputed emergency expenditure shall be entitled to reimbursement of its reasonable attorneys' fees and costs related to the litigation.

9. Unless set forth in the Budget, the Debtor shall not make any payment to or for the benefit of any insider of the Debtor, as that term is defined in Section 101(31) of the Bankruptcy Code.

10. **Application of Cash:** In the event the Debtor possesses and has a valid ownership interest in any unencumbered cash during the pendency of this Chapter 11 case that is

not Bridgeview Bank Group's Cash Collateral, such cash shall be used (or deemed to have been used) by the Debtor prior to the use of any Cash Collateral

11. **Replacement Liens.** As partial adequate protection for the Debtor's use of Cash Collateral, Bridgeview Bank Group is hereby granted, effective as of the Petition Date, valid, binding, enforceable, and automatically perfected liens (the "Replacement Liens"), in all currently owned or hereafter acquired property and assets of the Debtor, of any kind or nature, whether real or personal, tangible or intangible, wherever located, now owned or hereafter acquired or arising and all proceeds and products, including, without limitation, all cash, goods, accounts receivable, furniture, general intangibles, deposit accounts, and equipment. This additional adequate protection is being given to the extent of any diminution in value of the Property as a result of the Debtor's use of Cash Collateral post-petition. The Replacement Liens granted pursuant to this Order shall have priority over all other liens in the property and assets of the Debtor to which they attach.

12. To the extent that 11 U.S.C. § 362, or any applicable non bankruptcy law otherwise would restrict the granting, scope, enforceability, attachment, or perfection of the liens and security interests authorized or created in this Order, or otherwise would impose filing or registration requirements with respect to such replacement liens, such law is hereby preempted to the maximum extent permitted by the Bankruptcy Code, other applicable federal law, and the judicial power of the United States Bankruptcy Court. The liens and interests granted to Bridgeview Bank Group by and through this Order do not require filing, recording, or perfecting and shall be binding and fully enforceable by the entry of this Order; however, the Debtor shall execute any additional instruments required by Bridgeview Bank Group to evidence the post-petition liens and security interests granted herein. Nothing herein shall be construed as granting

any liens on Chapter 5 causes of action, or releasing or impacting any preexisting liens on Chapter 5 causes of action.

13. **Super-Priority Claim.** As partial adequate protection for the Debtor's use of the Cash Collateral, Bridgeview Bank Group is hereby granted an allowed super-priority claim under Section 507(b) of the Bankruptcy Code, with priority in payment over any and all claims and administrative expenses arising under Bankruptcy Code Sections 503(b) and/or 507(a), to the extent that all other adequate protection provided by this Order fails. Notwithstanding anything to the contrary herein, while the Replacement Liens shall not extend to Chapter 5 causes of action, the proceeds thereof shall be subject to Bridgeview Bank Group's Section 507(b) claim, if any. Notwithstanding anything to the contrary herein, if this case is converted to a Chapter 7 case, the priority of Bridgeview Bank Group's claim under Section 507(b) and this Paragraph versus Chapter 7 administrative expenses shall be determined in accordance with existing law.

14. **Reporting and Accounting Requirement.** During the period governed by this Order, the Debtor shall maintain an accounting of all funds deposited into the DIP Operating Account.

15. The Debtor shall serve on Bridgeview Bank Group's counsel any reports required by the United States Trustee, including all monthly operating reports for the prior month's operations.

16. In addition to the foregoing, the Debtor shall provide Bridgeview Bank Group with a report that reconciles the projected income and budgeted expenses against the actual receipts and disbursements for the prior month, with explanation for any variances from the budgeted amounts on the twenty-third (23rd) day of every month.

17. **Proof of Insurance.** Within forty-eight (48) hours of the entry of this Order, the Debtor shall deliver to Bridgeview Bank Group, proof that the Property is adequately insured against risk of loss and that Bridgeview Bank Group is named as loss payee. The Debtor shall maintain insurance throughout the Debtor's bankruptcy case unless otherwise ordered by the Court.

18. **Reservations of Rights.** Subject to and notwithstanding anything to the contrary in this Order:

- a. Entry of this Order is without prejudice to any and all rights, remedies and claims that Bridgeview Bank Group and the Debtor may have against each other or third parties, and does not bar or limit Bridgeview Bank Group or the Debtor from seeking further or additional relief including, *inter alia*, seeking additional adequate protection and seeking to terminate or modify the automatic stay;
- b. Nothing contained in this Order shall be deemed to be a consent by Bridgeview Bank Group to any charge, lien, assessment, or claim against its collateral under 11 U.S.C. § 506(c), or otherwise, and shall be without prejudice to any and all of the Bridgeview Bank Group's rights under the loan documents, judgment and other documents appended to its proof of claim herein or related to its claim, the Bankruptcy Code, and other applicable law, including, *inter alia*, Bridgeview Bank Group's rights under the assignment-of-rents provisions in the applicable loan documents.

19. **Final Hearing:** A final hearing on the Motion shall be held before this Court on _____ at 10:30 a.m. The Debtor shall file with the Court and serve a proposed form of the Final Order on _____.

Dated:

United States Bankruptcy Judge

Prepared by:

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Proposed Attorneys for Putnam Energy, L.L.C.

Exhibit A

(Budget)

<u>Putnam Energy - Use of Cash Collateral (until May 31st)</u>	<u>Amount</u>	<u>Description</u>
Agreed by Bridgeview:		
Natural Gas & Electric	\$5,800.00	compressor pressure for gas line
O Malley Trust	\$2,200.00 est	lease payment (wells 1-5)
Axelson	\$800.00 est	lease payment (wells 7-10)
UST Trustee	-----	quarterly fees
Moria Shoger	\$2,000.00	bookkeeper
Aducci	\$1,000.00	accounting
Travelers Insurance	-----	Insurance
Quail Ridge, LLC	\$2,500.00	office lease
G Friedrich	\$1,000.00	gas marketing and billing
Norris Electric	\$1,200.00 est	utility
Ameron Electric	\$200.00	utility
ATT and Comcast (internet and phone)	\$350.00	utility
Silversmith	\$275.00	gas meter
Silversmith	\$1,845.00	meter sales calibration
D Bonwell and Rj Mehler	\$3,200.00	field operators
USDI	\$175.00	monitor and service pipeline
Well repairs and other miscellaneous work	\$1,000.00	Repairs
Total	\$23,545.00	