

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re: § Chapter 11
AZURE MIDSTREAM §
PARTNERS, LP, *et al.*, § Case No. 17-[_____] (____)
§
Debtors.¹ § Joint Administration Requested
§
§ (Emergency Hearing Requested)

EMERGENCY MOTION OF DEBTORS FOR ENTRY OF INTERIM AND FINAL ORDERS (I) AUTHORIZING DEBTORS TO (A) PAY PREPETITION WAGES, SALARIES, AND OTHER COMPENSATION, (B) MAINTAIN EMPLOYEE BENEFIT PROGRAMS AND PAY RELATED ADMINISTRATIVE OBLIGATIONS, AND (C) PAY TEMPORARY EMPLOYEE OBLIGATIONS, AND (II) DIRECTING FINANCIAL INSTITUTIONS TO RECEIVE, PROCESS, HONOR, AND PAY ALL CHECKS PRESENTED FOR PAYMENT AND TO HONOR ALL FUND TRANSFER REQUESTS RELATED TO SUCH OBLIGATIONS PURSUANT TO SECTIONS 105(a), 363(b), AND 507 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULES 6003 AND 6004

THIS MOTION SEEKS AN ORDER THAT MAY ADVERSELY AFFECT YOU. IF YOU OPPOSE THE MOTION, YOU SHOULD IMMEDIATELY CONTACT THE MOVING PARTY TO RESOLVE THE DISPUTE. IF YOU AND THE MOVING PARTY CANNOT AGREE, YOU MUST FILE A RESPONSE AND SEND A COPY TO THE MOVING PARTY. YOU MUST FILE AND SERVE YOUR RESPONSE WITHIN 21 DAYS OF THE DATE THIS WAS SERVED ON YOU. YOUR RESPONSE MUST STATE WHY THE MOTION SHOULD NOT BE GRANTED. IF YOU DO NOT FILE A TIMELY RESPONSE, THE RELIEF MAY BE GRANTED WITHOUT FURTHER NOTICE TO YOU. IF YOU OPPOSE THE MOTION AND HAVE NOT REACHED AN AGREEMENT, YOU MUST ATTEND THE HEARING. UNLESS THE PARTIES AGREE OTHERWISE, THE COURT MAY CONSIDER EVIDENCE AT THE HEARING AND MAY DECIDE THE MOTION AT THE HEARING.

EMERGENCY RELIEF HAS BEEN REQUESTED. IF THE COURT CONSIDERS THE MOTION ON AN EMERGENCY BASIS, THEN YOU WILL HAVE LESS THAN 21 DAYS TO ANSWER. IF YOU OBJECT TO THE REQUESTED RELIEF OR IF YOU BELIEVE THAT THE EMERGENCY CONSIDERATION IS NOT WARRANTED, YOU SHOULD FILE AN IMMEDIATE RESPONSE.

REPRESENTED PARTIES SHOULD ACT THROUGH THEIR ATTORNEY.

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number are: Azure Midstream Partners, LP (7595), Azure ETG, LLC (3388), Azure Holdings GP, LLC (0537), Azure Midstream Partners GP, LLC (8089), Azure TGG, LLC (6233), Marlin G&P I, LLC (6073), Marlin Logistics, LLC (8460), Marlin Midstream Finance Corp. (0130), Marlin Midstream, LLC (2587), Murvaul Gas Gathering, LLC (0826), Talco Midstream Assets, Ltd. (7004), and Turkey Creek Pipeline, LLC (1161).



Azure Midstream Partners, LP, its subsidiaries, and certain affiliates in the above-captioned chapter 11 cases, as debtors and debtors in possession (collectively, the “**Debtors**”), respectfully represent as follows in support of this motion (this “**Motion**”):

Relief Requested

1. Pursuant to sections 105(a), 363(b), and 507 of title 11 of the United States Code (the “**Bankruptcy Code**”) and Rules 6003 and 6004 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”), the Debtors respectfully request authority to:

(i) pay, in their sole discretion, prepetition obligations relating to Base Compensation Obligations, Payroll Servicer Fees, Payroll Taxes, Severance Obligations (if any, pursuant to a final order), and Mileage Reimbursements (each as defined below and related expenses, and fees and costs incident to the foregoing) (collectively, the “**Employee Obligations**”); (ii) maintain and continue to honor and pay, in their sole discretion, amounts with respect to the Debtors’ business practices, programs, and policies for their employees (the “**Benefits Plans**”) as currently in effect and as may be modified or supplemented from time to time in the ordinary course of business; and (iii) pay, in their sole discretion, pre- and postpetition obligations for Temporary Employees. The Debtors also request that the Court authorize and direct financial institutions at which the Debtors maintain disbursement accounts, to receive, process, honor, and pay all checks presented for payment and to honor all fund transfer requests related to such obligations.

2. A proposed form of order granting the relief requested herein on an interim basis is annexed hereto as **Exhibit A** (the “**Proposed Interim Order**”) and, pending a final hearing on the relief requested herein, on a final basis as **Exhibit B** (the “**Proposed Final Order**”).

Jurisdiction

3. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

Background

4. On the date hereof (the “**Petition Date**”), each of the Debtors commenced with this Court a voluntary case under chapter 11 of the Bankruptcy Code. The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee, examiner, or statutory committee of creditors has been appointed in these chapter 11 cases.

5. The Debtors are a publicly-traded master limited partnership organized for the purpose of acquiring, developing, and operating midstream energy assets relating to (i) the gathering, transport, and processing of liquid natural gas and (ii) crude oil logistics services. The Debtors consist of eight operating entities, including Azure Midstream Partners, LP (“**Azure**”) and Azure Midstream Partners GP, LLC (“**Azure General Partner**”), and four non-operating entities (collectively, with the operating entities, the “**Company**”). Azure General Partner owns the general partnership interest in Azure. Approximately 97.7% of all outstanding limited partner interests in Azure are publicly held. Non-Debtor privately-held affiliate Azure Midstream Energy, LLC (“**AME**”) owns all the general partnership interests of Azure General Partner. AME also owns midstream energy assets, independent of its interests in Azure General Partner, either directly or through its affiliates (AME and such non-Debtor affiliates, collectively, the “**Non-Debtor Affiliate Company**”).

6. Additional information regarding the circumstances leading to the commencement of these chapter 11 cases and information regarding the Debtors' business and capital structure is set forth in the *Declaration of Ed Mosley in Support of the Debtors' Chapter 11 Petitions and Related Requests for Relief* (the "**Mosley Declaration**"), which has been filed contemporaneously herewith.

Overview of the Employees

7. As of the Petition Date, the Debtors employ approximately 96 employees (the "**Employees**"), all but one on a full-time basis.² The Employees are located in Texas (72), Louisiana (22), and Utah (2). The majority of Employees provide operational services at the Debtors' processing plants and gas gathering systems in East Texas and Northern Louisiana. Two Employees provide operational services at the Debtors' crude oil transloading facilities in Utah. The remaining Employees provide a variety of management, administrative, and other support services in the Debtors' offices in Dallas and Katy, Texas. The Employees' skills and knowledge of the Debtors' infrastructure and operations are essential to the continued operation of the Debtors' businesses. Without the Employees' continued, uninterrupted services, the Debtors' businesses will be significantly harmed.

8. All Employees are legally employed by Debtor Azure General Partner, though some provide services to the Non-Debtor Affiliate Company, for which the Non-Debtor Affiliate Company pays. Specifically, 38 Employees provide services exclusively to the Debtors (the "**Dedicated Employees**"), 26 Employees provide services exclusively to the Non-Debtor Affiliate Company, and 32 Employees provide services to both the Debtors and Non-Debtor Affiliate Company (the "**Shared Employees**").

² One Employee provides specialized compressor services on an as-needed basis and is paid a day rate. The Debtors do not owe this Employee any prepetition amounts.

**Relationship Between the Debtors and the
Non-Debtor Affiliate Company with Respect to Employee Obligations**

9. The Debtors employ and are legally responsible for satisfying the payroll and benefit obligations for all Employees. Satisfaction of these employee-related obligations is made in accordance with a certain Omnibus Agreement dated February 27, 2015 (the “**Omnibus Agreement**”) by and among Debtors Azure and Azure General Partner and Non-Debtor AME.³ Pursuant to the Omnibus Agreement, AME funds payroll-related obligations for all Employees by depositing funds into a bank account of Azure General Partner prior to each semi-monthly payroll period. Azure General Partner uses these funds to satisfy payroll obligations on the fifteenth and the final day of each month.

10. The Debtors reimburse AME for their allocated portion of the payroll obligations (*i.e.* payroll and related expenses for Dedicated Employees and a *pro rata* portion for Shared Employees) in a monthly omnibus payment (each, a “**Monthly Omnibus Payment**”). The Debtors do not expect to make a Monthly Omnibus Payment prior to a final hearing on this Motion.

11. By this Motion, the Debtors request authority to satisfy prepetition wages owed to certain Employees and continue to pay Employees in the ordinary course of business in accordance with the Omnibus Agreement. The Debtors also seek authority to pay prepetition amounts owed directly to temporary employees. In addition, because there are no prepetition amounts owed for Benefits Plans, the Debtors only seek authority to maintain their Benefits Plans and satisfy postpetition obligations in accordance with the Omnibus Agreement. The Debtors are not seeking authority in this Motion to pay any amounts for work by Employees that

³ Additional detail regarding the Omnibus Agreement, including the Monthly Omnibus Payment and additional non-employee related reimbursement obligations, is provided in the Debtors’ “first-day” cash management motion filed contemporaneously herewith.

is allocable to the Non-Debtor Affiliate Company under the Omnibus Agreement. In the “first-day” cash management motion, the Debtors are seeking authority to continue to perform under the Omnibus Agreement, which will result in the Debtors (i) passing on to Employees funds provided by AME to pay Employees for work done for the benefit of the Non-Debtor Affiliate Company; and (ii) paying amounts for certain Benefits Plans (*i.e.*, matching 401k contributions and health and welfare benefits) to Employees for work done for the benefit of the Non-Debtor Affiliate Company, which amounts will be reimbursed by AME under the Omnibus Agreement.

12. For informational purposes, the specific components comprising the Employee Obligations and Benefits Plans are described in further detail below.

The Employee Obligations

A. Base Compensation Obligations

13. As the legal employer of all Employees, the Debtors are obligated to pay base compensation for all Employees (the “**Base Compensation Obligations**”). There are approximately 44 salaried Employees (the “**Salaried Employees**”),⁴ who are paid semi-monthly on the fifteenth and the last day of each month for services rendered for the previous fifteen days leading up to and including pay day. To the best of the Debtors’ knowledge, there are no unpaid prepetition Base Compensation Obligations for Salaried Employees accrued as of the Petition Date. The Debtors, however, will be required to satisfy postpetition Base Compensation Obligations for Salaried Employees in the ordinary course.

14. In addition, there are approximately 51 hourly Employees (the “**Hourly Employees**”),⁵ who are also paid semi-monthly on the fifteenth and last day of the month. Unlike the Salaried Employees, the Hourly Employees are paid approximately three weeks in

⁴ Of the 44 Salaried Employees, 15 are Dedicated Employees and 19 are Shared Employees.

⁵ Of the 51 Hourly Employees, 23 are Dedicated Employees and 13 are Shared Employees.

arrears. For example, on January 30, 2017, the Debtors paid Hourly Employees for services rendered between December 25, 2016 and January 7, 2017. As of the Petition Date, the Debtors have incurred approximately \$240,000 in aggregate unpaid prepetition Base Compensation Obligations for Hourly Employees, which amount is scheduled to be paid by the Debtors on or about February 15 and February 28, 2017 using funds provided by the Non-Debtor Affiliate Company pursuant to the terms of the Omnibus Agreement.

15. Pursuant to the Proposed Interim Order, the Debtors request authority to pay the prepetition Base Compensation Obligations owed to Hourly Employees and to pay any postpetition Base Compensation Obligations due to Hourly and Salaried Employees using funds provided by the Non-Debtor Affiliate Company in accordance with the procedures discussed above. Pursuant to the Proposed Final Order, the Debtors request authority to satisfy Base Compensation Obligations in the ordinary course of business. No proposed payment to any Hourly Employee on account of prepetition Base Compensation Obligations will exceed the \$12,850 priority cap imposed by section 507(a)(4) of the Bankruptcy Code. In addition, no proposed payment to a Salaried or Hourly Employee is subject to section 503(c) of the Bankruptcy Code.

B. Obligations Related to Payroll Taxes

16. The Debtors are required by law to withhold from the Employees' salaries and wages certain amounts related to federal, state, and local income taxes, social security taxes, Medicare taxes, and other taxes imposed by the law (each, a "**Withholding Tax**") and to remit any such withheld amounts to the appropriate taxing authorities (each, a "**Taxing Authority**") according to schedules established by each respective Taxing Authority.

17. The Debtors are also required to make certain additional payments in connection with the Withholding Taxes, which include matching payments on account of social

security and Medicare taxes and, subject to certain limitations, additional amounts based upon a percentage of gross payroll for, among other things, state and federal unemployment insurance (collectively, the “**Contribution Taxes**,” together with each Withholding Tax, the “**Payroll Taxes**”). As with the Base Compensation Obligations, the amounts required to satisfy the Contribution Taxes are provided by the Non-Debtor Affiliate Company and the Debtors reimburse their *pro rata* share as part of the Monthly Omnibus Payment. The Debtors remit federal Contribution Taxes each payroll period and state Contribution Taxes at frequencies determined under applicable law.

18. ADP withdraws Payroll Taxes from the Debtors’ designated bank accounts maintained at JP Morgan Chase Bank and remits them at the frequencies and in the amounts determined under applicable law. The Debtors estimate that, on account of Payroll Taxes, the Debtors withhold and contribute approximately \$130,000 on a semi-monthly basis. As of the Petition Date, the Debtors estimate they owe approximately \$76,000 in outstanding Payroll Tax obligations that were incurred prepetition. Pursuant to the Proposed Interim Order, the Debtors seek authority to withhold, pay, and satisfy all outstanding Payroll Taxes.

C. Garnishments

19. In the ordinary course of processing payroll checks for Employees, the Debtors may be required by law to withhold from certain Employees’ wages amounts for garnishments including tax levies, child support, court-ordered garnishments, and allotments (each, a “**Garnishments**”). Amounts withheld on account of Garnishments are remitted to the appropriate state, federal, or non-U.S. authorities. On average, approximately \$2,500 per month is withheld from Employees’ salaries and wages on account of Garnishments. Pursuant to the Proposed Interim and Final Orders, the Debtors seek authority to continue garnishing Employee Wages and remitting such garnishments in accordance with applicable law.

D. Mileage Reimbursement

20. Employees are entitled to reimbursements based on the number of miles of qualifying work-related travel (“**Mileage Reimbursement**”). AME funds an account held with Concur Technologies, Inc. for, among other things, Mileage Reimbursement. In the ordinary course of business, Employees submit Mileage Reimbursements and are reimbursed from the Concur account. On average, the Debtors reimburse AME between approximately \$3,000 and \$5,000 per month for their allocation of the Mileage Reimbursements via the Monthly Omnibus Payment. As of the Petition Date, the Debtors owe up to approximately \$6,000 and request authority to satisfy the Mileage Reimbursement obligations in the ordinary course in accordance with the Omnibus Agreement pursuant to the Proposed Final Order.

E. Payroll Servicers

21. The Debtors are legally obligated to pay ADP, LLC (“**ADP**” and, obligations related thereto, the “**Payroll Servicer Fees**”) for providing payroll processing, tax computation, payment preparation, payroll transfer administration, and various other administrative services. The services that ADP provides are critical to the smooth functioning of the Debtors’ payroll system. ADP is responsible for ensuring that (i) Employees are paid on time, (ii) appropriate deductions are made, (iii) payroll reporting is accurate, and (iv) appropriate amounts are remitted to the applicable Taxing Authorities and other payees.

22. As of the Petition Date, the Debtors estimate that they owe ADP approximately \$5,000 on account of prepetition Payroll Servicer Fees, of which AME will reimburse them \$2,000 as a setoff in the Monthly Omnibus Payment. Pursuant to the Proposed Interim and Final Orders, the Debtors seek authority to satisfy these obligations in the ordinary course.

Overview of Benefits Plans

23. In the ordinary course of business, the Debtors make various benefit plans available to their Employees (the “**Benefits Plans**”). Benefits Plans fall within the following categories: (i) paid time off including sick days and vacation days, short-term disability benefits (includes maternity leave), bereavement leave, jury duty leave, and military leave (collectively, the “**Employee Leave Benefits**”); (ii) medical, dental, vision, and prescription drug benefits, life insurance, accidental death and dismemberment (“**AD&D**”) insurance, long-term disability, and health savings accounts (together, the “**Health and Welfare Benefits**”); (iii) a 401(k) plan; and (iv) certain severance benefits (each of (i)–(iv), an “**Employee Benefit**”). Although the Debtors maintain certain of the Benefits Plans themselves, some of the Benefits Plans, such as the Health and Welfare Benefits, are maintained by third parties. With respect to the Benefits Plans, the Debtors initially pay premiums and related expenses for all Employees, and, in turn, are reimbursed on a monthly basis by the Non-Debtor Affiliate Company for its allocated portion.⁶

24. Benefits Plans are described in further detail below.

A. Employee Leave Benefits

25. Vacation Days. Hourly Employees and Salaried Employees receive a certain number of paid vacation days each calendar year based upon their individual length of employment with the Debtors. Employees may use vacation days at their discretion. The standard vacation policy for full-time employees regularly scheduled to work 30 hours per week is as follows: (i) upon new/rehire, an Employee is eligible for a prorated amount of vacation during the first year of employment; (ii) on the January following the hire/rehire date, the Employee is eligible for 80 hours of vacation during each calendar year; (iii) on the January following four

⁶ In practice, prior to the Debtors’ reimbursement of AME for their portion of the payroll obligations, the Monthly Omnibus Payment is reduced by the Non-Debtor Affiliate Company’s monthly reimbursement obligation to the Debtors for its portion of, among other things, the Health and Welfare Benefits.

years of service, the Employee is eligible for 120 hours of vacation during each calendar year; and (iv) on the January following nine years of service, the Employee is eligible for 160 hours of vacation during each calendar year. Vacation time is advanced at the beginning of each year and generally must be used in the calendar year it was granted. Vacation time may not be carried forward into the next calendar year unless the employee was required to defer scheduled vacation at the request of his or her supervisor. Upon termination of employment, all accrued but unused vacation time for Eligible Employees is paid at the rate of pay applicable at the time of termination. If the terminated Employee provided services exclusively to the Non-Debtor Affiliate Company, then the Non-Debtor Affiliate Company is required to reimburse the Debtors via the Monthly Omnibus Payment. As of the Petition Date, Employees have accrued approximately \$67,000 in unused vacation days.

26. Sick Leave. Eligible Employees are entitled to take up to 40 hours off annually on uncertified paid leave on account of sickness (“**Sick Leave**”). Employees who require more than 80 hours of Sick Leave per case must produce a medical certificate for each day of absence thereafter and are covered by the Debtors’ Short-Term Disability plan (as defined below). As of the Petition Date, Employees have accrued approximately \$19,000 in unused Sick Leave.

27. Employees are eligible for various other types of paid time off, including: (i) paid holiday leave on each of the annual holidays observed by the Debtors; (ii) unpaid maternity leave for up to twelve weeks; (iii) paid bereavement leave for up to three days; (iv) paid jury duty leave for up to ten calendar days per year; and (v) military leave consistent with the requirements of the Uniformed Services Employment and Reemployment Rights Act of 1994.

B. Health and Welfare Benefits

28. The Debtors sponsor several plans that provide Health and Welfare Benefits to eligible Employees. The Health and Welfare Benefits include: medical, vision, dental, and prescription drug plans; life insurance and AD&D insurance; short-term and long-term disability benefits; flexible spending accounts; and a health reimbursement account plan. Health and Welfare Benefits provided by third-party insurers are described below.

29. Medical, Vision, Dental and Prescription Drug Benefits. The Debtors administer the following health benefits plans through various insurers to eligible Employees and their families, including, among other things: medical, vision, dental, and prescription drug benefits:

<u>Type of Benefits</u>	<u>Benefits Provider</u>
Medical	United Healthcare
Dental	Lincoln Financial Group
Vision	United Healthcare
Health Reimbursement Account Plan	Ameriflex

30. Under most contracts between the Debtors and Health Benefits Providers, the Debtors are required to pay an annual premium in exchange for the benefits provided to Employees. The premiums are funded by the Debtors, but are also partly subsidized by Employee contributions withheld from paychecks. In the ordinary course of business, each Health Benefits Provider premium may vary as the number of Employees enrolled in the Health Benefits Provider plans changes and as prices change.

31. To participate in plans with the Health Benefits Providers, the Debtors pay annual premiums of approximately \$1,450,000. Of these total premiums, the Debtors make monthly payments in advance of, on average, approximately \$121,000 to Health Benefits

Providers on account of their medical, vision, and dental plans for all Employees. The Debtors are reimbursed approximately \$61,000 per month by the Non-Debtor Affiliate Company, which, as discussed above, is reflected in a reduced overall Monthly Omnibus Payment by the Debtors to AME.

32. As of the Petition Date, the Debtors have paid all premiums to Health Benefits Providers for the month of February. Accordingly, the Debtors estimate that, as of the Petition Date, they do not owe any prepetition amounts on account of Health Benefits Provider premiums and have already been reimbursed in full by AME for the Non-Debtor Affiliate Company's *pro rata* share of the February obligations. The Debtors estimate they will owe approximately \$121,000 in premiums for the month of March in February 2017. The Debtors seek authority to make the March premium payment and continue to pay postpetition premium amounts in the ordinary course pursuant to the Proposed Final Order.

33. Life Insurance, AD&D Insurance, and Long-Term Disability. The Debtors administer life insurance (the "**Life Insurance Plans**"), AD&D insurance (the "**AD&D Insurance Plans**"), and long-term and short-term disability insurance (collectively, the "**Disability Plan**") to eligible Employees. The Debtors pay approximately \$7,000 per month on account of Life Insurance, AD&D Insurance, and the Disability Plan for all Employees. The Debtors are reimbursed approximately \$3,500 per month by the Non-Debtor Affiliate Company, which is reflected in a reduced overall Monthly Omnibus Payment by the Debtors to AME.

34. As of the Petition Date, the Debtors paid all premiums owed under these insurance plans for the month of February. Accordingly, the Debtors estimate that, as of the Petition Date, they do not owe any prepetition amounts on account of the Life Insurance Plans, AD&D Insurance Plans, and the Disability Plans. The Debtors will owe approximately \$7,000 in premiums for the month of March in February 2017. The Debtors seek authority to make the

February payment and to continue to pay postpetition amounts in the ordinary course pursuant to the Proposed Final Order.

C. 401(k) Plan

35. The Debtors participate in a 401(k) plan for the benefit of certain eligible Employees (the “**401(k) Plan**”). The 401(k) Plan is provided and administered by the Debtors with the assistance of Transamerica. As of the Petition Date, approximately 87 Employees participate in the 401(k) Plan.

36. Each Employee participant in the 401(k) Plan may elect to contribute up to the lesser of the IRS age limit or 85% of his or her salary to the plan. The Debtors withhold up to 3% of the participant’s wages as contributions to each participating Employee’s 401(k) Plan; further contributions are of the participating Employee’s sole discretion. The Debtors match each Employee contribution to the 401(k) Plan dollar-for-dollar, up to 100% of eligible compensation.⁷ The Debtors’ matching contributions are vested based on years of service: 25% after one year of service, 50% after two years of service, 75% after three years of service, and 100% after four or more years of service with the Debtors.

37. The Debtors’ estimated monthly cost for the 401(k) Plan totals approximately \$71,000. The Debtors are reimbursed by the Non-Debtor Affiliate Company for its *pro rata* share of contributions, which is reflected in a reduced overall Monthly Omnibus Payment by the Debtors to AME. The Debtors estimate that, as of the Petition Date, no prepetition amounts are due on account of the 401(k) Plan. Pursuant to this Motion, the Debtors request authority to maintain the 401(k) Plan.

⁷ “Eligible compensation” consists of an Employee’s base salary, overtime pay, annual bonus, and retention payments.

D. Severance Plan

38. The Debtors provide severance benefits to certain Employees (the “**Severance Obligations**”) in the ordinary course of business. The Debtors accrue certain Severance Obligations as required by law, but such amounts will only become due and owing if eligible Employees are involuntarily terminated without cause. Pursuant to the severance policy, severance eligible employees may receive a severance payment (“**Severance Payment**”) between 8 and 54 weeks of pay, depending on the Employee’s length of service, based on the table below:

Years of Service	Weeks of Pay
Up to 1	8
1 to 2	10
2 to 3	13
3 to 4	16
4 to 5	21
5 to 6	23
6 to 7	29
7 to 8	34
8 to 9	39
10 or more	54

39. Pursuant to certain prepetition retention plans approved by the Debtors on January 16, 2017, if an employee is terminated within one year of receiving payments under the applicable Retention Plan and is entitled to severance, the Severance Payment will be reduced by any retention payments received under the applicable Retention Plan. As such, many of the Employees are not eligible for a Severance Payment, including all of the Debtors’ “insiders.”

40. The Debtors believe that it is important to continue their Severance Program. As of the Petition Date, the Debtors do not owe any prepetition amounts on account of Severance Obligations and do not expect to incur any such obligations within the next twenty-one days. Thus, the Debtors seek authority to satisfy the Severance Obligations on a postpetition basis solely upon entry of the Proposed Final Order. Importantly, the Debtors do not seek the authority in this Motion to pay any obligations under the Severance Program to any “insider” (as defined in section 101(31) of the Bankruptcy Code). The Debtors, therefore, submit that section 503(c)(2) of the Bankruptcy Code with respect to severance payments to insiders does not apply to the relief requested herein.

Temporary Employee Obligations

41. In the ordinary course of business, and in addition to the Employees, the Debtors rely on the services of approximately 20 temporary employees (each, a “**Temporary Employee**”). The Debtors contract directly with external employment agencies to hire Temporary Employees when it is efficient or cost-effective to do so. The Temporary Employees are licensed and highly skilled workers and are therefore an integral component of the Debtors’ business. The Debtors estimate that, as of the Petition Date, they owe approximately \$117,000 on account of prepetition Temporary Employee obligations (the “**Temporary Employee Obligations**”). These obligations are for services provided solely for the benefit of the Debtors.

42. Pursuant to the Proposed Interim Order, the Debtors request authority to pay the prepetition Temporary Employee Obligations. The Debtors will seek to condition payment of Temporary Employee obligations upon agreement to maintain contract terms during the pendency of these chapter 11 cases that are at least as favorable as the most favorable trade terms existing in the six months before the Petition Date or such other terms acceptable to the Debtors in their sole discretion.

Payment of Employee Obligations and Temporary Employee Obligations Is Essential to the Debtors' Successful Reorganization

43. Employees and Temporary Employees are the most important parts of the Debtors' business. Any delay in paying or failure to pay Employee Obligations or Temporary Employee Obligations could irreparably impair the morale of the Debtors' workforce at the time when their dedication, confidence, retention, and cooperation are most crucial. It could also inflict a significant financial hardship on their families. The Debtors cannot risk such a substantial disruption to their business operations, and it is inequitable to put the Debtors' Employees at risk of such hardship. Moreover, as described in the Mosely Declaration, the Debtors intend to file a motion seeking approval of auction procedures and a sale of substantially all of their assets in an expeditious manner under section 363 of the Bankruptcy Code. The proposed asset sale transaction will maximize value for the Debtors' estates and provide the funds necessary to confirm a chapter 11 plan. Payment of the Employee Obligations will enable the Debtors to maintain the assets and focus on the sale and confirming a chapter 11 plan to the benefit of all key stakeholders. Furthermore, as described above, the Debtors are legally obligated to satisfy Payroll Obligations for all Employees. Failure to timely pay Employee Obligations and Temporary Employee Obligations may place the Debtors in violation of the law, potentially creating additional unnecessary liabilities.

44. Payment of the Mileage Reimbursement is appropriate because any other treatment of Employees would be highly inequitable. Employees should not be forced personally to bear the cost of these expenses that directly benefit the Company when Employees incurred it in the course of their employment by the Debtors and with the understanding that they would be reimbursed for doing so.

45. Payment of Payroll Taxes would not prejudice other creditors because Payroll Taxes generally give rise to priority claims under section 507(a)(8) of the Bankruptcy

Code. In any event, Payroll Taxes are held in trust for the Taxing Authorities. Therefore, any withheld funds are not property of the Debtors' estates under section 541 of the Bankruptcy Code. *See Begier v. IRS*, 496 U.S. 53, 66–67 (1990) (concluding that withholding taxes are property held by a debtor in trust for another and are therefore not property of the debtor's estate).

46. Payment of Payroll Servicer Fees is also necessary and appropriate.

Without the continued service of these administrators, the Debtors will be unable to honor their obligations to Employees under the Benefits Plans in an efficient and cost-effective manner. The Debtors do not seek to alter any of the Benefits Plans pursuant to this Motion. Rather, this Motion only seeks permission for the Debtors, in their discretion, to (i) make payments consistent with existing policies to the extent that such payments could otherwise be inconsistent with the provisions of the Bankruptcy Code and (ii) continue to honor practices, programs, and policies with respect to Employees as such were in effect before the Petition Date.

47. In these chapter 11 cases, prepetition Employee Obligations constitute priority claims under sections 507(a)(4) and (a)(5) of the Bankruptcy Code. As of the Petition Date, the Debtors do not believe any Employee or Temporary Employee is owed an amount in excess of \$12,850 or an amount that exceeds the statutory priorities granted in sections 507(a)(4) and (a)(5). To the extent, however, an Employee is owed an amount in excess of \$12,850, the Debtors will file a supplement to this Motion and reserve the right to pay such amount pursuant to the Proposed Final Order. In addition, for the avoidance of doubt, the Debtors do not seek to make any payment subject to section 503(c) of the Bankruptcy Code.

48. The Debtors cannot operate their businesses without their Employees and Temporary Employees. Failure to pay any amounts owed for work they have already performed would be strongly detrimental to the morale of the Debtors' workforce and could cause a crisis of

confidence among them. Additionally, failure to pay could hamper the Debtors' ability to maximize the value of their assets in the forthcoming section 363 sale. Accordingly, the Court should authorize the Debtors to pay all amounts currently owed to their Employees and Temporary Employees.

49. Courts in this district have frequently approved payment of prepetition claims for compensation, benefits, and expense reimbursements similar to those described herein. *See, e.g., In re Memorial Prod. Partners LP, et al.*, Case No. 17-30262 (MI) (Bankr. S.D. Tex. January 17, 2017) (Docket No. 55); *In re Ultra Petroleum Corp., et al.*, Case No. 16-32202 (MI) (Bankr. S.D. Tex. May 3, 2016) (Docket No. 78); *In re Goodrich Petroleum Corp., et al.*, Case No. 16-31975 (MI) (Bankr. S.D. Tex. Apr. 25, 2016) (Docket No. 97); *In re Sherwin Alumina Co., et al.*, Case No. 16-20012 (DRJ) (Bankr. S.D. Tex. Jan. 13, 2016) (Docket No. 87).⁸ For the reasons set forth above, similar relief is warranted in these chapter 11 cases.

The Court Is Authorized to Grant the Relief Requested

50. Under section 507(a)(4)(A) of the Bankruptcy Code, claims of employees against a debtor for "wages, salaries, or commissions, including vacation, severance, and sick leave pay," that are "earned within 180 days before" the date on which a debtor's chapter 11 case is commenced are afforded priority unsecured status up to \$12,850 per individual. Similarly, under section 507(a)(5) of the Bankruptcy Code, employees' claims for contributions to certain employee benefit plans are also afforded priority unsecured status to the extent of \$12,850 per employee covered by such plans, less any amount paid pursuant to section 507(a)(4) of the Bankruptcy Code.

⁸ Because of the voluminous nature of the orders cited herein, such orders have not been attached to this Motion. Copies of these orders are available upon request of the Debtors' proposed counsel.

51. Under section 363(b)(1) of the Bankruptcy Code, “[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.” In addition, under section 1107(a) of the Bankruptcy Code, a debtor in possession has, among other things, the “implied duty of the debtor-in-possession to ‘protect and preserve the estate, including an operating business’ going-concern value.” *In re CEI Roofing, Inc.*, 315 B.R. 50, 59 (Bankr. N.D. Tex. 2004) (quoting *In re CoServ, L.L.C.*, 273 B.R. 487, 497 (Bankr. N.D. Tex. 2002)). Under section 105(a) of the Bankruptcy Code, “[t]he court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title.” 11 U.S.C. § 105(a); *In re CoServ, L.L.C.*, 273 B.R. at 497 (finding that sections 105 and 1107 of the Bankruptcy Code provide the authority for a debtor-in-possession to pay prepetition claims); *In re CEI Roofing, Inc.*, 315 B.R. at 56; *In re Mirant Corp.*, 296 B.R. 427 (Bankr. N.D. Tex. 2003); *In re Tusa-Expo Holdings, Inc.*, No. 08-45057-DML-11, 2008 WL 4857954, at *1 (Bankr. N.D. Tex. Nov. 7, 2008). Moreover, Bankruptcy Rule 6003 itself implies that the payment of prepetition obligations may be permissible within the first 21 days of a case where doing so is “necessary to avoid immediate and irreparable harm.” Accordingly, the above-referenced sections of the Bankruptcy Code authorize the postpetition payment of prepetition claims when the payments are critical to preserving the going-concern value of the debtor’s estate, as is the case here.

**Applicable Banks Should Be Authorized and Directed
to Honor and Pay Checks Issued and Make Other Transfers to
Pay Employee Obligations and Payroll Servicer Fees**

52. As part of their cash management system, the Debtors and Non-Debtor Affiliate Service Entities maintain disbursement accounts (collectively, the “**Disbursement Accounts**”) at various banks and other financial institutions (collectively, the “**Banks**”). In the ordinary course of business, the Debtors draw upon funds in Disbursement Accounts to satisfy

Employee Obligations and Temporary Employee Obligations. The Debtors request that the Court authorize the Banks and any other applicable financial institutions to receive, process, honor, and pay all checks and electronic funds transfers (“**EFTs**”) used to pay the Employee Obligations and Temporary Employee Obligations, whether requested or presented prior to, on, or after the Petition Date. The Debtors also seek authority to issue new postpetition checks and effect new postpetition EFTs on account of the Employee Obligations and Temporary Employee Obligations to replace any prepetition checks or EFTs that may be dishonored or rejected as a result of the commencement of these chapter 11 cases. The Debtors have sufficient liquidity to pay such amounts as they come due in the ordinary course of the Debtors’ business.

Bankruptcy Rule 6003 Has Been Satisfied

53. Bankruptcy Rule 6003 provides that, to the extent relief is necessary to avoid immediate and irreparable harm, a bankruptcy court may issue an order granting “a motion to use, sell, lease, or otherwise incur an obligation regarding property of the estate, including a motion to pay all or part of a claim that arose before the filing of the petition” before 21 days after filing of the petition. Here, the payment of prepetition Employee Obligations and Temporary Employee Obligations is necessary to avoid immediate and irreparable harm because the Debtors rely on their Employees and Temporary Employees to operate their business. Nonpayment or late payment of Employees or Temporary Employees would have adverse effects on the Debtors’ workforce and may inflict a significant hardship on such Employees and Temporary Employees, many of whose families depend on their income from the Debtors. Accordingly, the Debtors have satisfied the requirements of Bankruptcy Rule 6003.

Request for Bankruptcy Rule 6004 Waivers

54. The Debtors request a waiver of the notice requirements under Bankruptcy Rule 6004(a) and any stay of the order granting the relief requested herein pursuant to

Bankruptcy Rule 6004(h). As explained above and in the Mosley Declaration, the relief requested herein is necessary to avoid immediate and irreparable harm to the Debtors.

Accordingly, ample cause exists to justify the waiver of the notice requirements under Bankruptcy Rule 6004(a) and the 14-day stay imposed by Bankruptcy Rule 6004(h), to the extent such stay applies.

Notice

55. No trustee, examiner, or statutory committee of creditors has been appointed in these chapter 11 cases. Notice of this Motion will be provided to (i) the Office of the United States Trustee for the Southern District of Texas; (ii) the Debtors' thirty (30) largest unsecured creditors on a consolidated basis; (iii) Baker & McKenzie LLP, 452 Fifth Avenue, New York, NY 10018 (Attn: James Donnell, Esq. and Peter S. Goodman, Esq.), counsel to Wells Fargo Bank, N.A., as administrative agent under the Credit Agreement; (iv) the Securities and Exchange Commission; (v) the Internal Revenue Service; and (vi) the United States Attorney's Office for the Southern District of Texas. The Debtors submit that no other or further notice need be provided.

No Previous Request

56. No previous request for the relief sought herein has been made by the Debtors to this or any other court.

WHEREFORE the Debtors respectfully request entry of the Proposed Interim Order and Proposed Final Order granting the relief requested herein and such other and further relief as the Court may deem just and appropriate.

Dated: January 30, 2017
Houston, Texas

/s/ Christopher M. López

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-and-

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*Proposed Attorneys for the Debtors
and Debtors in Possession*

Certificate of Service

I hereby certify that on January 30, 2017, a true and correct copy of the foregoing document was served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas and will be served as set forth in the Affidavit of Service to be filed by the Debtors' proposed claims, noticing, and solicitation agent.

/s/ Christopher M. López
Christopher M. López

Exhibit A

Proposed Interim Order

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re:	§	Chapter 11
	§	
AZURE MIDSTREAM PARTNERS, LP, et al.,	§	Case No. 17-[_____] (____)
	§	
	§	Joint Administration Requested
	§	
Debtors.¹	§	Re: Docket No. __

INTERIM ORDER (I) AUTHORIZING DEBTORS (A) TO PAY PREPETITION WAGES, SALARIES, EMPLOYEE BENEFITS, AND OTHER COMPENSATION, (B) TO MAINTAIN EMPLOYEE BENEFIT PROGRAMS AND PAY RELATED ADMINISTRATIVE OBLIGATIONS, AND (C) TO PAY TEMPORARY EMPLOYEE OBLIGATIONS, AND (II) DIRECTING FINANCIAL INSTITUTIONS TO RECEIVE PROCESS, HONOR, AND PAY ALL CHECKS PRESENTED FOR PAYMENT AND TO HONOR ALL FUND TRANSFER REQUESTS RELATED TO SUCH OBLIGATIONS PURSUANT TO SECTIONS 105(a), 363(b), AND 507 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULES 6003 AND 6004

Upon the motion, dated January 30, 2017 (the “Motion”),² of Azure Midstream Partner, LP, its subsidiaries, and certain affiliates in the above-captioned chapter 11 cases, as debtors and debtors in possession (collectively, the “Debtors”), to (a) pay, in their sole discretion, prepetition obligations relating to Base Compensation Obligations, Payroll Servicer Fees, Payroll Taxes, and Mileage Reimbursements, and related expenses, and fees and costs incidental to the foregoing; (b) maintain and continue to honor and pay, in their sole discretion, amounts with respect to the Benefits Plans, business practices, programs, and policies for Employees as such were in effect as of the commencement of these chapter 11 cases and as such

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, if any, are: Azure Midstream Partners, LP (7595), Azure ETG, LLC (3388), Azure Holdings GP, LLC (0537), Azure Midstream Partners GP, LLC (8089), Azure TGG, LLC (6233), Marlin G&P I, LLC (6073), Marlin Logistics, LLC (8460), Marlin Midstream Finance Corp. (0130), Marlin Midstream, LLC (2587), Murvault Gas Gathering, LLC (0826), Talco Midstream Assets, Ltd. (7004), and Turkey Creek Pipeline, LLC (1161).

² All capitalized terms used, but not otherwise defined, herein shall have the meanings ascribed to such terms in the Motion.

may be modified or supplemented from time to time in the ordinary course of business; and (c) pay, in their sole discretion, Temporary Employee Obligations; and (ii) authorize and direct financial institutions to receive, process, honor, and pay all checks presented for payment and to honor all fund transfer requests related to such obligations, each as more fully set forth in the Motion; and upon consideration of the Mosley Declaration; and the Court having jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334; and consideration of the Motion and the requested relief being a core proceeding pursuant to 28 U.S.C. § 157(b); and it appearing that venue is allowed before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion having been provided, and it appearing that no other or further notice need be provided; and the Court having reviewed the Motion; and the Court having determined that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and it appearing that the relief requested in the Motion is in the best interests of the Debtors and their respective estates and creditors; and upon all of the proceedings had before the Court and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. The Motion is granted on an interim basis as set forth herein.
2. The Debtors are authorized pursuant to sections 105(a), 363(b), and 507 of the Bankruptcy Code to (a) pay, in their sole discretion, obligations relating to the Base Compensation Obligations, Payroll Servicer Fees, Payroll Taxes, and Mileage Reimbursements, related expenses, and all fees and costs incident to the foregoing; (b) maintain and continue to honor and pay, in their sole discretion, amounts with respect to the Debtors' Benefits Plans, business practices, programs, and policies for Employees as such were in effect as of the

commencement of these chapter 11 cases and as such may be modified or supplemented from time to time in the ordinary course of business; and (c) pay, in their sole discretion, Temporary Employee Obligations; provided that the Debtors are authorized to pay only amounts due and payable as of the Petition Date and amounts that become due and payable between the Petition Date and the date that a final order of the Motion is entered.

3. Notwithstanding any other provision of this Interim Order, pending entry of a final order, nothing in this Interim Order shall authorize the Debtors to make any payment to or on behalf of any Employee on account of wages and other compensation obligations in excess of the statutory caps set forth in section 507(a)(4) and (5) of the Bankruptcy Code.

4. All Banks and other financial institutions are authorized and directed to receive, process, honor, and pay all checks presented for payment by the Debtors and to honor all fund transfer requests related to such obligations. The Banks shall not be liable to any party on account of: (a) following the Debtors' representations, instructions, or presentations as to any order of the Court (without any duty of further inquiry); (b) the honoring of any prepetition checks, drafts, wires, or ACH Payments in a good faith belief or upon a representation by the Debtors that the Court has authorized such prepetition check, draft, wire, or ACH Payments; or (c) an innocent mistake made despite implementation of reasonable handling procedures.

5. The Debtors are further authorized to issue postpetition checks, or to effect postpetition fund transfer requests, in replacement of any checks or fund transfer requests that are dishonored as a consequence of these chapter 11 cases with respect to any prepetition amounts that are authorized to be paid pursuant to this Interim Order.

6. Nothing in this Interim Order authorizes a payment subject to Section 503(c) of the Bankruptcy Code.

7. Nothing in this Interim Order shall authorize the Debtors to cash out unpaid vacation/leave time upon termination of an Employee, unless applicable law requires such payment.

8. Notwithstanding anything in this Interim Order to the contrary, the Debtors' authority to use or transfer cash hereunder shall be subject to the limitations and restrictions as are provided for with respect to the use or transfer of cash in any order approving the Debtors' cash collateral motion.

9. The requirements of Bankruptcy Rule 6003(b) have been satisfied.

10. The requirements of Bankruptcy Rule 6004(a) are waived.

11. Notwithstanding the provisions of Bankruptcy Rule 6004(h), this Interim Order shall be immediately effective and enforceable upon its entry.

12. The Debtors are authorized to take all steps necessary or appropriate to carry out this Interim Order.

13. This Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation, or enforcement of this Interim Order.

14. A final hearing to consider the relief requested in the Motion shall be held on [_____, 2017 at [__:___.m.] (prevailing Central Time) and any objections or responses to the Motion shall be filed and served so as to be actually received on or prior to [_____, 2017 at [__:___.m.] (prevailing Central Time).

Dated: _____, 2017
Houston, Texas

UNITED STATES BANKRUPTCY JUDGE

Exhibit B

Proposed Final Order

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re:	§	Chapter 11
	§	
AZURE MIDSTREAM PARTNERS, LP, et al.,	§	Case No. 17-[_____] (____)
	§	
	§	Joint Administration Requested
	§	
Debtors.¹	§	Re: Docket No. __

FINAL ORDER (I) AUTHORIZING DEBTORS (A) TO PAY PREPETITION WAGES, SALARIES, AND OTHER COMPENSATION, (B) TO MAINTAIN EMPLOYEE BENEFIT PROGRAMS AND PAY RELATED ADMINISTRATIVE OBLIGATIONS, AND (C) TO PAY TEMPORARY EMPLOYEE OBLIGATIONS, AND (II) DIRECTING FINANCIAL INSTITUTIONS TO RECEIVE, PROCESS, HONOR, AND PAY ALL CHECKS PRESENTED FOR PAYMENT AND TO HONOR ALL FUND TRANSFER REQUESTS RELATED TO SUCH OBLIGATIONS PURSUANT TO SECTIONS 105(a), 363(b), AND 507 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULES 6003 AND 6004

Upon the motion, dated January 30, 2017 (the “**Motion**”),² of Azure Midstream Partner, LP, its subsidiaries, and certain affiliates in the above-captioned chapter 11 cases, as debtors and debtors in possession (collectively, the “**Debtors**”) to (a) pay, in their sole discretion, prepetition obligations relating to Base Compensation Obligations, Payroll Servicer Fees, Payroll Taxes, Employee Benefits, Severance Obligations, and Mileage Reimbursements, and related expenses, and fees and costs incidental to the foregoing; (b) maintain and continue to honor and pay, in their sole discretion, amounts with respect to the Benefits Plans, business practices, programs, and policies for Employees as such were in effect as of the commencement of these

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, if any, are: Azure Midstream Partners, LP (7595), Azure ETG, LLC (3388), Azure Holdings GP, LLC (0537), Azure Midstream Partners GP, LLC (8089), Azure TGG, LLC (6233), Marlin G&P I, LLC (6073), Marlin Logistics, LLC (8460), Marlin Midstream Finance Corp. (0130), Marlin Midstream, LLC (2587), Murvault Gas Gathering, LLC (0826), Talco Midstream Assets, Ltd. (7004), and Turkey Creek Pipeline, LLC (1161).

² All capitalized terms used, but not otherwise defined, herein shall have the meanings ascribed to such terms in the Motion.

chapter 11 cases and as such may be modified or supplemented from time to time in the ordinary course of business; and (c) pay, in their sole discretion, Temporary Employee Obligations; and (ii) authorize and direct financial institutions to receive, process, honor, and pay all checks presented for payment and to honor all fund transfer requests related to such obligations, each as more fully set forth in the Motion; and upon consideration of the Mosley Declaration; and the Court having jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334; and consideration of the Motion and the requested relief being a core proceeding pursuant to 28 U.S.C. § 157(b); and it appearing that venue is allowed before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion having been provided to the parties listed therein, and it appearing that no other or further notice need be provided; and all objections to the Motion having been withdrawn, resolved, or overruled; and the Court having determined that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and it appearing that the relief requested in the Motion is in the best interests of the Debtors and their respective estates and creditors; and upon all of the proceedings had before the Court and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. The Motion is granted as set forth herein.
2. The Debtors are authorized, but not directed, pursuant to sections 105(a), 363(b), and 507 of the Bankruptcy Code, to (a) pay, in their sole discretion, obligations relating to Base Compensation Obligations, Payroll Servicer Fees, Payroll Taxes, Employee Benefits, Severance Obligations, and Mileage Reimbursements; all related expenses; and all fees and costs incident to the foregoing; (b) maintain and continue to honor and pay, in their sole discretion,

amounts with respect to the Debtors' business practices, programs, and policies for Employees as such were in effect as of the commencement of these chapter 11 cases and as such may be modified or supplemented from time to time in the ordinary course of business; and (c) pay, in their sole discretion, Temporary Employee Obligations; *provided that* the payments for Base Compensation Obligations, Severance Obligations, and Sick Leave shall not exceed \$12,850 for each individual Employee unless otherwise ordered by this Court.

3. All Banks and other financial institutions are authorized and directed to receive, process, honor, and pay all checks presented for payment by the Debtors and to honor all fund transfer requests related to such obligations. The Banks shall not be liable to any party on account of: (a) following the Debtors' representations, instructions, or presentations as to any order of the Court (without any duty of further inquiry); (b) the honoring of any prepetition checks, drafts, wires, or ACH Payments in a good faith belief or upon a representation by the Debtors that the Court has authorized such prepetition check, draft, wire, or ACH Payments; or (c) an innocent mistake made despite implementation of reasonable handling procedures.

4. The Debtors are further authorized to issue postpetition checks, or to effect postpetition fund transfer requests, in replacement of any checks or fund transfer requests that are dishonored as a consequence of these chapter 11 cases with respect to any prepetition amounts that are authorized to be paid pursuant to this Final Order.

5. Notwithstanding anything in this Final Order to the contrary, the Debtors' authority to use or transfer cash hereunder shall be subject to the limitations and restrictions as are provided for with respect to the use or transfer of cash in any order approving the Debtors' cash collateral motion.

6. Notwithstanding the provisions of Bankruptcy Rule 6004(h), this Final Order shall be immediately effective and enforceable upon its entry.

7. The Debtors are authorized to take all steps necessary or appropriate to carry out this Final Order.

8. This Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation, or enforcement of this Final Order.

Dated: _____, 2017
Houston, Texas

UNITED STATES BANKRUPTCY JUDGE