

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE WESTERN DISTRICT OF LOUISIANA  
LAFAYETTE DIVISION**

IN RE:  KNIGHT ENERGY HOLDINGS, LLC, <i>ET AL.</i> <sup>1</sup>  DEBTORS	CASE NO. 17-51014  (JOINT ADMINISTRATION REQUESTED)  CHAPTER 11  CHIEF JUDGE ROBERT SUMMERHAYS
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**DEBTORS' MOTION FOR ENTRY OF AN ORDER  
AUTHORIZING COMPENSATION AND PAYMENTS TO INSIDERS**

Knight Energy Holdings, LLC; Knight Oil Tools, LLC; Knight Manufacturing, LLC; KDCC, LLC, f/k/a Knight Well Services, LLC; Tri-Drill, LLC; Advanced Safety & Training Management, LLC; Knight Security, LLC; Knight Information Systems, LLC; El Caballero Ranch, Inc.; Rayne Properties, LLC; Knight Aviation, LLC; Knight Research & Development, LLC; Knight Family Enterprises, LLC; HMC Leasing, LLC; and HMC Investments, LLC (collectively, the “Debtors”), as debtors-in-possession, file this *Debtors’ Motion for Entry of an Order Authorizing Compensation and Payments to Insiders* (the “Motion”) and in support thereof, respectfully represent as follows:

<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are Knight Energy Holdings, LLC (1930) (Case No. 17-51014); Knight Oil Tools, LLC (2667) (Case No. 17-51015); Knight Manufacturing, LLC (0600) (Case No. 17-51016); KDCC, LLC, f/k/a Knight Well Services, LLC (4156) (Case No. 17-51017); Tri-Drill, LLC (4957) (Case No. 17-51018); Advanced Safety & Training Management, LLC, (0510) (Case No. 17-51019); Knight Security, LLC (0923) (Case No. 17-51020); Knight Information Systems, LLC (0000) (Case No. 17-51021); El Caballero Ranch, Inc. (7345) (Case No. 17-51022); Rayne Properties, LLC (0000) (Case No. 17-51023); Knight Aviation, LLC (3329) (Case No. 17-51024); Knight Research & Development, LLC (3760) (Case No. 17-51025); Knight Family Enterprises, LLC (7190) (Case No. 17-51026); HMC Leasing, LLC (0814) (Case No. 17-51027) and HMC Investments, LLC (0000) (Case No. 17-51029). The Debtors’ service address is 2272 SE Evangeline Thruway, Lafayette, Louisiana 70508 other than Knight Manufacturing, LLC and Advanced Safety & Training Management, LLC. Knight Manufacturing, LLC’s service address is 2810-A Melancon Road, Broussard, Louisiana 70518 and Advanced Safety & Training Management, LLC’s service address is 1042 Forum Drive, Broussard, Louisiana 70518.

## **Jurisdiction and Venue**

1. The Court has jurisdiction over 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 pursuant to 28 U.S.C. §§ 1408 and 1409.

2. This matter is governed by Local Bankruptcy Rule 2016-2(B).

3. The statutory bases for the relief requested herein are sections 105(a), 363(b), 507(a)(4), 507(a)(5) and 1114(e) of title 11 of the United States Code 11 U.S.C. § 101, *et seq.* (the “Bankruptcy Code”).

## **Background**

4. On this date (the “Petition Date”), each of the Debtors filed a voluntary petition for relief under Chapter 11 of title 11 of the U.S. Code (the “Bankruptcy Code”). The Debtors continue to manage and operate their businesses as debtors-in-possession pursuant to Bankruptcy Code §§ 1107 and 1108.

5. An official committee of unsecured creditors has yet to be appointed in these Chapter 11 cases. Further, no trustee or examiner has been requested or appointed in any of these Chapter 11 cases.

6. The Debtors have filed with the Court the *Statement of Background Information and Declaration in Support of Debtors’ Chapter 11 Petitions and First-Day Motions* (the “First Day Declaration”), which is incorporated by reference in this Motion.

7. The Debtors have filed with the Court the *Debtors’ Motion for an Order Authorizing the Debtors to (A) Use Cash Collateral, (B) Obtain Post-Petition Financing, (C) Granting Security Interests and Superpriority Administrative Expense Status to the DIP Agent and the DIP Lenders, (D) Granting Adequate Protection to Existing Lienholders, (E) Scheduling*

*a Final Hearing, and (F) Granting Related Relief* (the “DIP Motion”) seeking entry of interim and final orders (the “DIP Orders”) which includes a Debtor-proposed 13-week budget (the “Budget”). The terms of the DIP Motion, the DIP Orders, and the Budget are incorporated by reference in this Motion.

### **Basis for Relief Requested**

8. Pursuant to Local Rule 2016-2, the Debtors request the Court enter an order authorizing the Debtors to compensate certain insiders.

9. Local Rule 2016-2 of the Local Rules of this Court provides, in relevant part:

Absent specific authorization from the court, no compensation or other remuneration shall be paid, from assets of the estate, to any present or former insider, affiliate, officer, director or equity-security holder as set forth in 11 U.S.C. § 101. All applications for compensation under this rule shall be accompanied by a sworn disclosure, by the applicant, of all previous compensation, from any source, for services related to the debtor’s proceeding. Further, all applications under this rule shall conform to the following sub-sections, where and as applicable:

A. The Bankruptcy Court may authorize compensation, commensurate with prepetition salaries, to a director or an officer, other than one who is also an “equity security holder,” “affiliate,” or “insider,” as defined in Section 101 of the Bankruptcy Code, upon ex parte application, provided that written notice of the authorizing order shall be served in conformity with Local Bankruptcy Rule 4001-1(c), supra, and upon such other parties as the court may direct. The notice of the order shall state that objections to the order may be filed, and a hearing conducted, if and only if an application to discontinue such compensation, with a request for hearing, is timely filed.

An ex parte application under this sub-section shall include a sworn declaration that the applicant is neither an “affiliate,” nor an “insider,” nor an “equity security holder” as those terms are defined in § 101 of the Bankruptcy Code.

B. The court may authorize compensation for equity security holders, insiders, or affiliates, under circumstances considered reasonable by the court, upon ex parte application provided that a hearing to confirm or revoke such authorization shall be conducted after written notice of the order is served and a hearing scheduled in accordance with Local Bankruptcy Rule 9013-3.

10. The Debtors employ the following insiders: (1) Kelley Knight Sobiesk - Director and equity holder; (2) Bryan Knight - Director and equity holder; (3) Jeff Elmore - President; and (4) Mark Comeaux – Chief Financial Officer.

11. The identified insiders of the Debtors are compensated for their services at a rate at or below that which is paid employees in comparable positions with other businesses similar to the Debtors. As of the filing of the bankruptcy cases, the identified insiders receive the following as salary for services performed:

(1) Kelley Knight Sobiesk	\$5,464.74 per month
(2) Bryan Knight	\$5,408.38 per month
(3) Jeff Elmore	\$20,000.00 per month
(4) Mark Comeaux	\$17,000 per month

Prior to the Petition Date, the insiders received several of the benefits described in the *Motion for Entry of an Order Authorizing Debtors (A) To Pay all Outstanding Pre-petition Wages, Salaries, Other Accrued Compensation, Expense Reimbursements, Benefits, and Related Amounts; and (B) to Continue Specified Benefit Programs in the Ordinary Course of Business* (“Employees Motion”) filed contemporaneously herewith.

12. These compensation packages are commensurate with pre-petition salaries and each identified insider hereby verifies under oath that the identified compensation is the same income that they received from the Debtors prepetition and discloses all compensation that relate to the Debtors for the previous year. See Declarations of the insiders, attached hereto *en globo* as **Exhibit A**.

13. Compensation is and, through this motion is requested to be, paid at the rates described above per insider plus the other identified benefits.

14. The services of all of the identified insiders are vital for the Debtors to continue their operations and necessary for the Debtors to have the chance to successfully reorganize.

15. By separate motion, the Debtors have requested authority to use cash collateral and obtain debtor-in-possession financing to pay necessary expenses and costs of operation and preservation of their estates, including the insiders' salaries and benefits requested herein.

16. No payment may be made to any insider except as otherwise authorized by the order authorizing the use of cash collateral and debtor-in-possession financing and accompanying budget that are in effect as of the time such payment is to be made (or as otherwise authorized by the Court).

#### **Subject to DIP Orders**

17. Notwithstanding any provision herein to the contrary, this Motion and all relief sought hereby shall be subject in all respects to the DIP Orders, the Budget, and any other cash collateral order financing orders granted in the Cases.

#### **Notice**

18. Notice of this Motion has been provided to: (i) the Office of the United States Trustee; (ii) the Debtors and their counsel; (iii) Clearlake Capital Group, L.P. and/or its counsel; (iv) Cantor Fitzgerald Securities and/or its counsel; (v) Whitney National Bank and/or its counsel; (vi) JP Morgan Chase Bank and/or its counsel; (vii) Iberia Bank and/or its counsel; (viii) all other secured creditors; (ix) any party whose interests are directly affected by this specific pleading; (x) those persons who have formally appeared and requested notice and service in these proceedings pursuant to Bankruptcy Rules 2002 and 3017; (xi) counsel for and the members of any official committees appointed by this Court; (xii) the consolidated 30 largest

unsecured creditors of the Debtors; and (xiii) all governmental agencies having a regulatory or statutory interest in these cases. No other or further notice need be provided.

**WHEREFORE**, the Debtors respectfully request that the Court (i) grant the Motion as requested herein and (ii) grant such other and further relief as is just and proper.

Dated: August 8, 2017.

Respectfully submitted,

/s/ William H. Patrick, III  
Douglas S. Draper (LA #5073)  
William H. Patrick, III (LA #10359)  
Tristan E. Manthey (LA #24539)  
Cherie D. Nobles (LA #30476)  
**Heller, Draper, Patrick, Horn & Dabney, L.L.C.**  
650 Poydras Street, Suite 2500  
New Orleans, Louisiana 70130  
Telephone: 504.299.3300  
Facsimile: 504.299.3399  
Email: [ddraper@hellerdraper.com](mailto:ddraper@hellerdraper.com)  
Email: [wpatrick@hellerdraper.com](mailto:wpatrick@hellerdraper.com)

**PROPOSED COUNSEL FOR DEBTORS**