

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

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In re:	:	Chapter 11
	:	
RAAM GLOBAL ENERGY	:	Case No. 15-35615
COMPANY <u>et al.</u> ,	:	
	:	Jointly Administered
Debtors. ¹	:	
	:	Re: Docket No. 160
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**OBJECTION OF AD HOC GROUP OF SENIOR SECURED
NOTEHOLDERS TO STIPULATION**

The Ad Hoc Group of Senior Secured Noteholders (the “**Ad Hoc Group**”) hereby submits this objection and reservation of rights (the “**Objection**”) with respect to the Stipulation by and among the above-captioned debtors and debtors-in-possession (collectively, the “**Debtors**”), Highbridge Principal Strategies, LLC (“**Highbridge**”), on behalf of the lender parties under the First Lien Credit Agreement,² the Official Committee of Unsecured Creditors (the “**Committee**”), and Ace Insurance Company and its affiliates, filed on November 27, 2015 [Docket No. 160] (the “**Stipulation**”) as a proposed exhibit to the proposed *Order Authorizing and Approving (A) Stalking Horse Purchase Agreement, (B) Bidding Procedures, (C) Procedures for Determining Cure Amounts for Executory Contracts and Unexpired Leases, and (D) Related Relief* [Docket No. 90] (the “**Bidding Procedures Order**”) and the motion seeking approval thereof, the “**Bidding Procedures Motion**”).

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number are RAAM Global Energy Company [2973], Century Exploration New Orleans, LLC [4948], Century Exploration Houston, LLC [9624], and Century Exploration Resources, LLC [7252].

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the *Emergency Motion for Approval of Interim and Final Use of Cash Collateral and Granting Adequate Protection* [Docket No. 11] or the Stipulation, as applicable.

BACKGROUND

1. On October 26, 2015 (the “**Petition Date**”), the Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”) commencing the above-captioned cases (the “**Cases**”).

2. Prior to the Petition Date, RAAM issued certain 12.5% senior secured notes due 2015 (the “**Notes**”). As of September 30, 2015, there was a total of \$238.0 million in principal amount of the Notes outstanding and the total unpaid and accrued interest was \$25.4 million as of July 31, 2015.

3. The Notes are guaranteed on a senior secured basis by each of the other Debtors. The Notes and the guarantees are secured by a security interest in substantially all of the Debtors’ assets to the extent they constitute collateral under the Term Loan Facility, subject to certain exceptions. Pursuant to an Intercreditor Agreement, the lien securing the Notes is subordinated and junior to the liens securing the Term Loan Facility. As of the Petition date, the Ad Hoc Group holds approximately 90% of the outstanding principal amount of the Notes.

OBJECTION

4. Under the Sale proposed by the Debtors, certain affiliates of Highbridge, as Stalking Horse Bidder, propose to purchase substantially all of the Debtors’ assets in exchange for a credit bid in an amount equal to \$58.8 million, cash in an amount equal to \$2.5 million, and the assumption of certain obligations. *See* Bidding Procedures Motion, at ¶ 16. As of September 30, 2015, \$63.8 million was outstanding under the Term Loan Facility. *Id.* at ¶ 8. Accordingly, if the Sale is consummated, the Second Lien Secured Noteholders will hold unsecured deficiency claims in the total face amount of their debt (the “**Noteholder Deficiency Claims**”). Such Noteholder Deficiency Claims rank *pari passu* with all other general unsecured

claims, including those of trade creditors in the General Unsecured Trade Claims Class. It is the Ad Hoc Group's understanding that the Noteholder Deficiency Claims are by far the largest unsecured claims against the Debtors.

5. The Stipulation is inappropriate because it improperly and arbitrarily subordinates the Noteholder Deficiency Claims to the General Unsecured Trade Claims in clear violation of the absolute priority rule set forth in Section 1129(b)(2) of the Bankruptcy Code. Under the Stipulation, the Plan will be amended to provide that holders of General Unsecured Trade Claims shall receive a *pro rata* distribution of \$800,000 of the Sale Proceeds (subject to the terms of the Stipulation), as well as 50% of all other proceeds of the Liquidating Trust Assets. The Second Lien Secured Noteholders, on the other hand, will receive no distribution on account of their claims, which exceed \$260 million. Neither the Stipulation nor the Plan should allow distributions that clearly prefer one unsecured creditor class over another. This proposed distribution scheme is simply impermissible under the Bankruptcy Code.

6. Given the current structure of the Stipulation and the proposed amendments to the Plan provided for therein, the Second Lien Secured Noteholders are concerned that the Committee has not represented the best interests of *all* unsecured creditors in these Cases. The Stipulation provides a substantial recovery for holders of General Unsecured Trade Claims, yet provides for no recovery whatsoever for the Second Lien Secured Noteholders who, on account of the Noteholder Deficiency Claims, are by far the single largest holder of unsecured claims in these Cases.

7. In addition, under the Stipulation, the Committee has agreed to (i) support and not object to or interfere with the acceptance, implementation, or consummation of the Plan, (ii) withdraw any and all and not engage in any further discovery requests, litigation, appeals, or

objections related to the foregoing, and (iii) not agree to or support any other Plan or Sale that is inconsistent with the terms of the Stipulation. Stipulation, at ¶ 11. Such provision limits the Committee's ability to pursue potentially valuable claims against the directors, officers, and former management of the Debtors. The Ad Hoc Group is investigating whether potential insider transactions may have occurred that could result in significant claims against such parties. The Committee, by agreeing to the Stipulation and the proposed amendments to the Plan, has given up the opportunity to investigate and pursue such claims, to the detriment of all unsecured creditors. In addition, the Ad Hoc Group is further concerned about the Purchase Agreement because it provides for Highbridge to acquire unencumbered assets without providing any indication of the value of those assets or the value of the consideration to be given in exchange for those assets.

8. The Ad Hoc Group further objects to paragraph 12 of the Stipulation, which provides that the "order approving this Stipulation shall provide that no Plan or other future order of the Court will abrogate or adversely affect the provisions set forth in the Stipulation." Stipulation, at ¶ 12. The terms of the Plan are more properly addressed at a hearing to consider confirmation of the Plan. The parties to the Stipulation cannot be permitted to strip parties in interest of their rights to object to the Plan and all such rights should be reserved by this Court.

9. Simply put, the proposed Sale and related Plan are structured for the sole benefit of Highbridge. Through the Stipulation, the Debtors, the Committee, and Highbridge have now agreed to provide distributions to holders of General Unsecured Trade Claims in an attempt to ensure the success of such Sale, while simultaneously disenfranchising the Second Lien Secured Noteholders in direct contravention of the Bankruptcy Code.

10. Accordingly, the Ad Hoc Group respectfully requests that the Court (i) deny approval of the Stipulation and (ii) reserve any and all of the parties' rights with respect to the Stipulation, the Plan, and all related matters in these Cases until a hearing to consider confirmation of the Plan (and, with respect to the Sale, until a hearing to consider approval of the Sale).

Dated: December 1, 2015

Respectfully submitted,

By: /s/ Annemarie V. Reilly
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