

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

**In re:**

**PATRIOT COAL CORPORATION, *et al.*,**

**Debtors.<sup>1</sup>**

Chapter 11

Case No. 12-12900 (SCC)

(Jointly Administered)

**ORDER (i) AUTHORIZING THE DEBTORS'  
EMPLOYMENT AND RETENTION OF AP SERVICES, LLC AND (ii) DESIGNATING  
KENNETH A. HILTZ AS CHIEF RESTRUCTURING OFFICER  
AS OF JULY 17, 2012**

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Upon the application (the “**Application**”)<sup>2</sup> of the Debtors for entry of an order (this “**Order**”) (i) authorizing the employment and retention of AP Services, LLC (“**APS**”) to provide interim management and restructuring services *nunc pro tunc* to the Petition Date and (ii) designating Kenneth A. Hiltz as Chief Restructuring Officer as of July 17, 2012, all as further described in the Application; and the Court having jurisdiction to consider the Application and the relief requested therein pursuant to 28 U.S.C. § 1334; and consideration of the Application being a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and notice of the Application being adequate and appropriate under the particular circumstances; and a hearing having been held to consider the relief requested in the Application (the “**Hearing**”); and upon consideration of the First Day Declaration, the Hiltz Declaration, the record of the Hearing, and all proceedings had before the Court; and the Court having found and determined that the relief sought in the Application is in the best interests of the Debtors’ estates, their creditors and other parties in

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<sup>1</sup> The Debtors are the entities listed on Schedule 1 attached to the Application. The employer tax identification numbers and addresses for each of the Debtors are set forth in the Debtors’ chapter 11 petitions.

<sup>2</sup> All capitalized terms used but otherwise not defined herein shall have the meanings set forth in the Application.

interest and that the legal and factual bases set forth in the Application establish just cause for the relief granted herein; and any objections to the requested relief having been withdrawn or overruled on the merits; and after due deliberation and sufficient cause appearing therefor, it is hereby ORDERED:

1. The Application is granted to the extent set forth herein.
2. The Debtors are authorized to (i) employ and retain APS to provide interim management and restructuring services *nunc pro tunc* to the Petition Date and (ii) designate Kenneth A. Hiltz as Chief Restructuring Officer as of July 17, 2012 pursuant to section 363(b) of the Bankruptcy Code and in accordance with the terms and conditions set forth in the Engagement Letter, as modified herein,.

3. APS is authorized to provide the following services to the Debtors:

Restructuring Activities

- Provide overall leadership of the restructuring process, including working with a wide range of stakeholder groups, together with the Debtors' senior management.
- Assist the Debtors in the design and implementation of a restructuring strategy, together with the Debtors' other professionals, which is designed to maximize enterprise value, and take into account the unique interests of all constituencies.
- Provide assistance to management in connection with the Debtors' development of their revised business plan, and such other related forecasts as may be required by the bank lenders in connection with negotiations or by the Debtors for other corporate purposes.
- Assist the Debtors in managing the "working group" of professionals who are assisting the Debtors in the reorganization process or who are working for the Debtors' various stakeholders to improve coordination of their effort and individual work product to be consistent with the Debtors' overall restructuring goals.
- Assist in obtaining and presenting information required by parties in interest in the Debtors' bankruptcy process including official committees appointed by the Court and the Court itself.
- Assist the Debtors in developing and implementing employee, customer and vendor communications programs.
- Assist in the development and implementation of a vendor management process to maximize on-going support from the vendor community, enhance or at least maintain

liquidity and negotiate new contracts and relationships as appropriate.

- Assist the Debtors in other business and financial aspects of a Chapter 11 proceeding, including development of and support for the approval and confirmation process for a disclosure statement and plan of reorganization.

#### On-Going Chapter 11 Administration Tasks

- Assist the Debtors in the review and direction of the statement of affairs, schedules and other regular reports required by the Court as well as providing assistance in such areas as testimony before the Court on matters that are within APS' areas of expertise.
- Assist the Debtors in developing and implementing accounting procedures and controls to "operationalize" the requirements of the bankruptcy proceeding, including both the filing and subsequent activities through completion of the Chapter 11 Cases. Subsequent activities include vendor management, employee benefits claims, claims reconciliation, filing of Monthly Operating Reports with the Court and other matters.
- Assist the Debtors with electronic data collection.

#### Treasury & Cash Management

- Assist the Debtors in areas of the treasury and risk management function that are expected to be impacted by the bankruptcy process including cash management and banking accounts, worker's compensation and other self insured programs, letter of credit and or bonding obligations, lease obligations and capital programs and the DIP financing process.
- Work with the Debtors and their team to further identify and implement both short-term and long-term liquidity generating initiatives.
- Assist in developing and implementing cash management strategies, tactics and processes.
- Assist the Debtors and their management in managing their short-term cash flow forecasting tool(s) and related methodologies and to assist with planning for alternatives as requested by the Debtors.
- Assist the Debtors with such other matters as may be requested that fall within APS' expertise and that are mutually agreeable.

4. APS shall be compensated for its services and reimbursed for any related expenses in accordance with the rates (as adjusted from time to time) and disbursement policies as set forth in the Application, the Hiltz Declaration, the Engagement Letter, and any other applicable orders of this Court.

5. APS and its personnel shall be required to: (i) maintain contemporaneous time records in tenth of an hour increments and (ii) conform to any schedule of hourly rates contained in the Engagement Letters.

6. APS is not required to submit fee applications pursuant to sections 330 and 331 of the Bankruptcy Code, but will instead submit monthly invoices to the Debtors, and the Debtors are hereby authorized to pay, in the ordinary course of business, all reasonable amounts invoiced by APS for fees and expenses.

7. APS shall submit to the Court, with copies to the U.S. Trustee and the proposed counsel to the Creditors' Committee (the "**Notice Parties**"), contemporaneously with such filing, quarterly reports of compensation earned, and parties-in-interest in these Chapter 11 Cases shall have the right to object to fees paid and expenses reimbursed to APS within 20 days after APS files such reports.

8. Each month, APS shall file with the Court (and serve copies to the Notice Parties) a report on staffing on the engagement for the previous month. Such report shall include the names and functions of the individuals assigned. All staffing shall be subject to review by the Court in the event an objection is filed.

9. APS shall apply any amounts of its prepetition retainer remaining, after applying such retainer to prepetition amounts (as described in the Application), as a credit toward postpetition fees and expenses, after such postpetition fees and expenses are approved pursuant to the first order of the Court awarding fees and expenses to APS.

10. Notwithstanding anything in the Application, the Hiltz Declaration or the Engagement Letter, the Debtors shall only indemnify those APS employees serving as officers of the Debtors on the same terms as provided to the Debtors' other officers and directors under the

Debtors' by-laws and applicable state law, along with insurance coverage under the Debtors' D&O policies. The indemnification provisions set forth in the first paragraph of section 7 of the Engagement Letter shall not apply to APS.

11. Notwithstanding anything in the Application or the Engagement Letter to the contrary, APS shall (i) to the extent APS uses the services of independent contractors (the "**Contractors**") in these cases, APS shall pass-through the cost of such Contractors to the Debtors at the same rate that APS pays the Contractors; (ii) seek reimbursement for actual costs only; and (iii) ensure that the Contractors are subject to the same conflict checks as required for APS and (iv) shall file with the Court such disclosures required by Bankruptcy Rule 2014.

12. APS shall file on the Court's docket and provide ten business days notice to the Debtors, the U.S. Trustee, and any official committee of unsecured creditors then appointed in these Chapter 11 Cases of any increase of the hourly rates as set forth on Schedule 1 of the Engagement Letter.

13. APS shall use its reasonable efforts to avoid any unnecessary duplication of services provided by any of the Debtors' other retained professionals in these Chapter 11 Cases.

14. To the extent that there may be any inconsistency between the terms of the Application, the Hiltz Declaration or the Engagement Letter and this Order, the terms of this Order shall govern.

15. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Application.

16. Notice of the Application as provided therein shall be deemed good and sufficient notice of such application, and the requirements of the Local Bankruptcy Rules are satisfied by the contents of the Application.

17. The terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

18. This Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order.

Dated: August 15, 2012  
New York, New York

*/s/ Shelley C. Chapman*  
HONORABLE SHELLEY C. CHAPMAN  
UNITED STATES BANKRUPTCY JUDGE