

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

In re:

PATRIOT COAL CORPORATION, *et al.*,

Debtors.¹

Chapter 11

Case No. 12-12900 (SCC)

Jointly Administered

FINAL ORDER AUTHORIZING (i) DEBTORS TO (a) PAY PREPETITION WAGES, SALARIES, EMPLOYEE BENEFITS AND OTHER COMPENSATION AND (b) MAINTAIN EMPLOYEE BENEFITS PROGRAMS AND PAY RELATED ADMINISTRATIVE OBLIGATIONS, (ii) EMPLOYEES AND RETIREES TO PROCEED WITH OUTSTANDING WORKERS' COMPENSATION CLAIMS AND (iii) FINANCIAL INSTITUTIONS TO HONOR AND PROCESS RELATED CHECKS AND TRANSFERS

Upon the motion (the "**Motion**")² of Patriot Coal Corporation and its subsidiaries that are debtors and debtors in possession in these proceedings (collectively, the "**Debtors**") for an interim order (the "**Interim Order**") and final order (this "**Order**") pursuant to sections 105(a), 362(d) and 363(b) of the Bankruptcy Code, authorizing (i) the Debtors to (a) pay certain prepetition wages, salaries, and other compensation owing to Employees and Retirees and, (b) maintain the Employee Programs and pay related administrative obligations, (c) permit Employees and Retirees with claims under the Workers' Compensation Programs to proceed with such claims and insurers to continue using collateral and security under the Workers' Compensation Programs and (d) authorize

¹ The Debtors are the entities listed on Schedule 1 attached to the Motion.

² Unless otherwise defined herein, each capitalized term shall have the meaning ascribed to such term in the Motion.

applicable banks and other financial institutions to receive, process, honor and process related checks and transfers, as more fully described in the Motion; and upon consideration of the Declaration of Mark N. Schroeder, Patriot Coal Corporation's Senior Vice President and Chief Financial Officer, filed in support of the Debtors' first-day pleadings (the "**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 Standing Order M-61 Referring to Bankruptcy Judges for the Southern District of New York Any and All Proceedings Under Title 11, dated July 10, 1984 (Ward, Acting C.J.) as amended by Standing Order M-431, dated February 1, 2012 (Preska, C.J.); and consideration of the Motion and the requested relief being a core proceeding the Bankruptcy Court can determine pursuant to 28 U.S.C. § 157(b); and the Court having entered the Interim Order on July 10, 2012; and due and proper notice of the Motion, the Interim Order and the Final Hearing (as defined below) having been provided to (a) the Office of the United States Trustee for the Southern District of New York, (b) those creditors holding the five largest secured claims against the Debtors' estates on a consolidated basis, (c) those creditors holding the 50 largest unsecured claims against the Debtors' estates on a consolidated basis, (d) attorneys for the administrative agents (the "**DIP Agents**") for the Debtors' postpetition lenders, (e) the Internal Revenue Service, (f) the Securities and Exchange Commission, (g) the United States Environmental Protection Agency and (h) the United States Attorney's Office for the Southern District of New York; and it appearing that no other or further notice need be provided; and the relief requested in the Motion being in the best interests of the Debtors and their estates and creditors; and the

Court having reviewed the Motion and having held an interim hearing on July 16, 2012 (the “**Interim Hearing**”) and a final hearing on August 2, 2012 (the “**Final Hearing**”, and together with the Interim Hearing, the “**Hearings**”), with appearances of parties in interest noted in the transcripts thereof; and the Court having determined that the legal and factual bases set forth in the Motion, the Declaration and at the Hearings establish just cause for the final relief granted herein; and upon all of the proceedings had before the Court and after due deliberation and sufficient cause appearing therefor, it is

ORDERED that, pursuant to sections 105(a), 362(d) and 363(b) of the Bankruptcy Code, the final relief requested in the Motion is hereby granted *nunc pro tunc* to the Petition Date as set forth herein; and it is further

ORDERED that the Debtors shall be, and hereby are, authorized, but not required, to pay, in the exercise of their reasonable business judgment, all amounts required under or related to the Prepetition Employee Obligations³ (other than any payments that would contravene section 503(c) of the Bankruptcy Code, including with respect to insiders); and it is further

ORDERED that the Debtors are authorized, but not required, to, in the exercise of their reasonable business judgment, continue to pay and honor their obligations arising under or related to their plans, practices, programs and policies for their Employees and Retirees as set forth in the Motion, including, without limitation, those giving rise to the Prepetition Employee Obligations (collectively, the “**Employee Programs**”), as those

³ Prepetition Employee Obligations shall not, for purposes of this Order, include employment termination payments on account of Peabody legacy deferred vacation obligations accrued prior to 2001.

Employee Programs were in effect as of the Petition Date and as such Employee Programs may be modified, terminated, amended or supplemented from time to time in the ordinary course of the Debtors' businesses (other than any payments that would contravene section 503(c) of the Bankruptcy Code, including with respect to insiders); *provided* that the Debtors shall notify the official committee of unsecured creditors and the DIP Agents of any material modifications, changes, discontinuances or additions to the Debtors' compensation and benefit programs; and it is further

ORDERED that the Debtors are authorized, in the exercise of their reasonable business judgment, to continue to administer the Supplemental Savings Plan; *provided* that any postpetition amounts contributed to the Supplemental Savings Plan shall be deemed administrative expenses pursuant to section 503 of the Bankruptcy Code; *provided further* that nothing in this Order authorizes the Debtors to make any payments on account of prepetition contributions to the Supplemental Savings Plan; and it is further

ORDERED that (a) the automatic stay is modified solely to the extent necessary to allow Employees and Retirees to proceed with claims under the Workers' Compensation Programs in the appropriate judicial or administrative fora and to permit insurers under the Workers' Compensation Programs to continue to access collateral and security provided by the Debtors pursuant to the Workers' Compensation Programs and (b) the notice requirements under Bankruptcy Rule 4001(d) with respect to (c) above are waived; and it is further

ORDERED that all applicable banks and other financial institutions are hereby authorized to receive, process, honor, and pay any and all checks, drafts, wires, check

transfer requests or automated clearing house transfers evidencing amounts paid by the Debtors under this Order whether presented prior to or after the Petition Date to the extent the Debtors have good funds standing to their credit with such bank or other financial institution. Such banks and financial institutions are authorized to rely on the representations of the Debtors as to which checks are issued or authorized to be paid pursuant to this Order without any duty of further inquiry and without liability for following the Debtors' instructions; and it is further

ORDERED that nothing in the Motion or this Order, nor any payments made pursuant to this Order, shall be deemed to, or constitute an admission as to, the validity or priority of any claim against the Debtors, or constitute an assumption or postpetition reaffirmation of any agreement, plan, practice, program, policy, executory contract or unexpired lease pursuant to section 365 of the Bankruptcy Code or a waiver of any rights of the Debtors or any other parties in interest; and it is further

ORDERED that nothing contained herein shall (i) convert the priority of any claim from a prepetition claim into an administrative expense claim, (ii) create or enhance any rights or status of any claim held by any person or entity or (iii) acknowledge, grant or otherwise permit any right of offset or recoupment by a non-debtor with respect to any claim asserted against the Debtors; and it is further

ORDERED that nothing in the Motion or this Order shall grant third-party beneficiary status or bestow any additional rights on any third-party, be otherwise enforceable by any third-party, or constitute a promise or guarantee of payment of any Prepetition Employee Obligation; and it is further

ORDERED that nothing in the Motion or this Order shall impair the ability of the Debtors or other parties in interest to contest the validity or amount of any payment made pursuant to this Order; and it is further

ORDERED that nothing in the Motion or this Order shall be construed as impairing the right of the Debtors or other parties in interest to contest the validity or amount of any Prepetition Employee Obligation, including payroll taxes that may be due to any taxing authority; and it is further

ORDERED that to the extent that there may be any inconsistency between the terms of the interim or final order approving the debtor in possession financing, if and when entered, and this Order, the terms of the interim or final order approving the debtor in possession financing, as applicable, shall govern; and it is further

ORDERED that the notice procedures set forth in the Motion are good and sufficient notice and satisfy Bankruptcy Rule 9014 by providing parties with a notice and an opportunity to object and be heard at a hearing; and it is further

ORDERED that the requirements of Bankruptcy Rule 6003 are satisfied by the contents of the Motion and the arguments and evidence presented at the hearing; and it is further

ORDERED that notwithstanding Bankruptcy Rule 6003 and the possible applicability of Bankruptcy Rule 6004(h), the terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

Dated: August 2, 2012
New York, New York

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