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April 4, 2013

BY E-MAIL AND OVERNIGHT COURIER

The Honorable Kathy A. Surratt-States
United States Bankruptcy Court
for the Eastern District of Missouri
Thomas F. Eagleton US Courthouse
111 S. 10th Street
St. Louis, Missouri 63102

Re: *In re Patriot Coal Corp., et al.*, Case No. 12-51502-659 (jointly administered)

Dear Judge Surratt-States:

Together with Goldstein & Pressman, P.C., I represent Aurelius Capital Management, LP ("**Aurelius**"), and Knighthead Capital Management, LLC ("**Knighthead**") (collectively, the "**Noteholders**"), solely on behalf of certain funds and accounts they manage or advise, in the above-referenced action. Aurelius and Knighthead manage or advise funds and accounts that, collectively, are the largest creditors of most of the Debtors in this case.[1]

The Noteholders write in response to the Debtors' April 3, 2013 letter. That letter seeks to adjourn the hearing on the Noteholders' motion to appoint a Chapter 11 trustee (the "**Trustee Motion**")[2] from April 23 until the Debtors' next scheduled status hearing date, May 21, or until such other date as the Court directs. The Court should deny that request and hear the Trustee Motion on April 23, as scheduled.

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[1] Funds and accounts managed by Aurelius and Knighthead are the beneficial owners of a majority of Patriot's 8.25% guaranteed notes, and entities managed or advised by Aurelius alone own a substantial amount of Patriot's 3.25% convertible notes.

[2] *See* Motion Of Aurelius Capital Management, LP, And Knighthead Capital Management, LLC, For Entry Of An Order, Pursuant To 11 U.S.C. §§ 105(a) And 1104(a), Directing The Appointment Of A Chapter 11 Trustee [ECF No. 3423].

Adjournment would cause the Noteholders great prejudice. As the Trustee Motion explains, there is an urgent need to appoint a disinterested trustee to control the estates of the eighty-six Debtors that currently have no union-related liability (the "**Non-Obligor Debtors**"). The debtors-in-possession of the Non-Obligor Debtors have proven themselves incapable of discharging their fiduciary duties to their creditors, the Noteholders foremost among them. That is clear from the Debtors' proposal, under Sections 1113 and 1114 (the "**Termination Motion**"),[3] for the Non-Obligor Debtors to incur *one billion dollars* face value of entirely new, union-related debt without receiving *any value in return*. What is more, the Debtors are quickly running out of cash and, as they acknowledge, will soon have no choice but to liquidate. If the Court grants the Trustee Motion, the Noteholders are confident that they and the other creditors can expeditiously elect a trustee who can maximize the value of the Non-Obligor Debtors' estates.

The Debtors offer no basis to adjourn the hearing. Much of their letter simply argues that the Trustee Motion lacks merit. The Noteholders respectfully (and strongly) disagree. Indeed, it is notable that while the Debtors belittle the Trustee Motion as "baseless" and "an unfortunate distraction," they do not deny that the Termination Motion severely prejudices the interests of the very creditors whom the debtors-in-possession of the Non-Obligor Debtors are legally required to protect—quintessential grounds for the appointment of a disinterested trustee. Moreover, a publicly-filed opposition brief—and not a private letter to the Court—is the appropriate forum for the Debtors to present argument against the Trustee Motion.

The Debtors' arguments against the Trustee Motion fail in any event. The Debtors contend that granting the motion would cause the Debtors to default on their post-petition financing facility. But the Debtors have already acknowledged in public filings that they are on track to default on that facility beginning in the third quarter of this year, and this looming default is but one consequence of the Debtors' actions that have necessitated a disinterested trustee in the first place. *See* Trustee Motion, Ex. B at 34. Indeed, the ever-present risk of default is all the *more* reason to appoint promptly a trustee who will act in the best interest of the Non-Obligor Debtors. And, the Noteholders intend to work with the post-petition lenders to ensure that there is adequate financing available to permit a successful reorganization.[4]

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[3] *See* Debtors' Motion To Reject Collective Bargaining Agreements And To Modify Retiree Benefits Pursuant To 11 U.S.C. §§ 1113, 1114 Of The Bankruptcy Code [ECF No. 3214].

[4] The Debtors' other arguments against the Trustee Motion are also meritless. Appointment of a disinterested trustee would scarcely create an "operational crisis." Rather, it would only ensure that the Non-Obligor Debtors are managed as the law requires: To maximize, not *minimize*, the value of their estates. Other than conclusory assertions, the Debtors offer no reason why appointment of a trustee would prevent the Non-Obligor Debtors and the other Debtors from continuing to operate cohesively. Nor are the Debtors correct to impugn the motivation of the Noteholders in filing the Trustee Motion. The Noteholders have filed the Trustee Motion for one reason: To appoint a disinterested trustee who will advance the interests of the Noteholders and other creditors as the law requires, and who will not—as the debtors-in-possession of the Non-Obligor Debtors have done—actively work to harm those interests.

The Debtors next argue that, even though the Trustee Motion is baseless, resolving it will require more time than is available at the April 23 hearing. The Noteholders appreciate that this bankruptcy case involves many interested parties and related proceedings, and that the Court's time is necessarily limited. But assuming *arguendo* that it would be impractical to hear all of the matters currently scheduled to be heard on April 23, the Noteholders respectfully submit that, in light of the urgent need to appoint a disinterested trustee to control the Non-Obligor Debtors, the Trustee Motion merits the Court's prompt attention and should not be postponed. The Debtors' attempt to delay argument on the Trustee Motion is in keeping with their recent efforts to restrict participation by opposing viewpoints (including those of the Noteholders) in the upcoming hearing on the Termination Motion—efforts that the Court just recently rejected.

For these reasons, the Court should deny the Debtors' request for adjournment and should hear the Trustee Motion at the April 23 hearing, as scheduled.

Sincerely,

/s/ Lawrence S. Robbins

Lawrence S. Robbins

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