

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION**

In re:

PATRIOT COAL CORPORATION, et al.,

Debtors.

**Chapter 11
Case No. 12-51502-659
(Jointly Administered)**

**Objection Deadline:
October 15, 2013 at 4:00 p.m.
(prevailing Central Time)**

**Hearing Date (if necessary):
October 22, 2013 at 10:00 a.m.
(prevailing Central Time)**

**Hearing Location:
Courtroom 7 North**

**SUMMARY SHEET PURSUANT TO UNITED STATES TRUSTEE GUIDELINES
AND LOCAL RULES FOR REVIEWING APPLICATIONS FOR
COMPENSATION AND REIMBURSEMENT OF EXPENSES FILED UNDER
11 U.S.C. §§ 330 AND 331**

THIRD INTERIM APPLICATION

NAME OF APPLICANT:	Davis Polk & Wardwell LLP
TIME PERIOD:	February 1, 2013 through and including July 31, 2013
ROLE IN THE CASE:	Counsel to the Debtors
CURRENT APPLICATION¹:	Total Fees Requested: \$14,923,542.25 Total Expenses Requested: \$345,862.02

¹ These amounts reflect (i) voluntary reductions of fees and expenses of \$271,745.78, (ii) reductions of fees and expenses on account of the Local Rules and U.S. Trustee guidelines of \$176,807.90 and (iii) \$18,398.00 in further fee concessions agreed to by Davis Polk with respect to certain litigation work, as reflected in Davis Polk's monthly fee statements.

PRIOR APPLICATIONS:

July 9, 2012 – September 30, 2012

Fees Previously Requested: \$8,145,882.50

Fees Previously Allowed: \$7,974,882.50

Expenses Previously Requested: \$272,375.68

Expenses Previously Allowed: \$272,375.68

October 1, 2012 through January 31, 2013

Fees Previously Requested: \$8,935,027.00

Fees Previously Allowed: \$8,795,027.00

Expenses Previously Requested: \$220,793.09

Expenses Previously Allowed: \$216,383.15

I. Partners/Counsel

NAME OF PARTNER/ COUNSEL	YEAR ADMITTED	DEPARTMENT	TOTAL HOURS BILLED	HOURLY RATE	TOTAL FEES
Partners					
Sarah E. Beshar	1986-NY	Capital Markets	33.0	\$985	32,505.00
Jeffrey P. Crandall	1983-NY	Employment	1.2	\$985	1,182.00
Kathleen Ferrell	1998-NY	Tax	8.9	\$985	8,766.50
Edmond T. FitzGerald	1992-NY	Executive Compensation and Employee Benefits	34.9	\$985	34,376.50
Marshall Huebner	1994-NY	Insolvency & Restructuring	516.3	\$985	508,555.50
Benjamin S. Kaminetzky	1996-NY	Litigation	612.1	\$985	602,918.50
Paul R. Kingsley	1984-NY	Mergers & Acquisitions	1.3	\$985	1,280.50
Kyoko T. Lin	1997-NY	Employment	0.1	\$985	98.50
Elliot Moskowitz	2002-NY	Litigation	1,015.1	\$975	989,722.50
Brian M. Resnick	2004-NY	Insolvency & Restructuring	682.2	\$975	665,145.00
Paula A. Ryan	1987-NY	Trusts & Estates	0.4	\$985	394.00
Damian S. Schaible	2002-NY	Insolvency & Restructuring	23.4	\$985	23,049.00
Amelia T. R. Starr	1995-NY	Litigation	369.9	\$985	364,351.50
Mischa Travers	1998-NY	Corporate	94.7	\$985	93,279.50
Waide Warner	1980-NY	Credit	19.5	\$985	19,207.50
Lawrence E. Wieman	1986-NY 1987-DC	Credit	0.4	\$985	394.00
Robert F. Wise, Jr.	1973-NY	Litigation	0.3	\$985	295.50
Simon Witty	1987-UK	Corporate	4.5	\$985	4,432.50

NAME OF PARTNER/ COUNSEL	YEAR ADMITTED	DEPARTMENT	TOTAL HOURS BILLED	HOURLY RATE	TOTAL FEES
Counsel					
Ron M. Aizen	2006-NY	Executive Compensation and Employee Benefits	156.2	\$915	142,923.00
Hayden S. Baker	2003-NY	Environmental	134.6	\$915	123,159.00
Ning Chiu	1996-NY	Capital Markets	0.5	\$985	492.50
Erin K. Cho	1998-NY	Executive Compensation and Employee	150.9	\$985	148,636.50
Betty M. Huber	1997-NY	Environmental	1.2	\$985	1,182.00
Lawrence E. Jacobs	1986-NY	Litigation	0.4	\$915	366.00
Jonathan D. Martin	2004-NY	Litigation	746.4	\$915	682,956.00
Michael Russano	2002-NY	Litigation	969.8	\$915	887,367.00
David B. Toscano	1993-NY	Litigation: Insolvency & Restructuring	0.6	\$985	591.00
John T. Wright	1982-NY	Employment	1.6	\$985	1,576.00
Total Partners and Counsel			5,580.4		5,339,203.00

II. Associates²

NAME OF ASSOCIATE	YEAR ADMITTED	DEPARTMENT	TOTAL HOURS BILLED	HOURLY RATE	TOTAL FEES
Jeremy Adler	2010-NY	Litigation	251.1	\$750	188,325.00
Jessica Agostinho	2011-NY	Executive Compensation and Employee Benefits	208.1	\$675	140,467.50
Adam Balin	2012-NY	Litigation	117.3	\$575	67,447.50
Patrick W. Blakemore	2013-NY	Litigation	178.1	\$465	82,816.50
Jeffrey Brenner	2012-NY	Capital Markets	48.9	\$575	28,117.50
Maxwell P. Chapman	2013-NY	Insolvency and Restructuring	401.0	\$465	186,465.00
Tenley L. Chepiga	2009-NY	Credit	16.4	\$795	13,038.00
Boyoon Choi	2009-NY	Mergers and Acquisitions	10.6	\$795	8,427.00
Kevin J. Coco	2010-NY	Insolvency and Restructuring	1,188.8	\$750	891,600.00
Deryn Darcy	2010-NJ	Litigation	393.6	\$675	265,680.00
Nicholas J. Dashman	2010-CA	Corporate	14.3	\$675	9,652.50
Alexandre de Richemont	2012-NY	Insolvency and Restructuring	48.9	\$575	28,117.50
Andrew N. DeLaney	2009-NY	Litigation	7.7	\$795	6,121.50
Amishi Desai	2012-NY	Litigation	234.4	\$275/\$575	132,590.00
Lauren Howard Elbert	2010-NY	Litigation	148.1	\$750	111,075.00
Richard Estacio	2010-NY	Litigation	491.6	\$750	368,700.00
Aryeh Falk	2013-NY	Insolvency and Restructuring	185.9	\$465	86,443.50
Dharma B. Frederick	2007-NY	Litigation	97.5	\$795	77,512.50
Joshua Friedman	2012-NY	Litigation	110.5	\$575	63,537.50

² Multiple rates listed for individual timekeepers reflect the \$275 per hour cap on work performed for certain litigation work, instituted as an accommodation to the Debtors.

NAME OF ASSOCIATE	YEAR ADMITTED	DEPARTMENT	TOTAL HOURS BILLED	HOURLY RATE	TOTAL FEES
Edward Fu	2013-NY	Litigation	12.7	\$275/\$575	\$3,702.50
Andrew Gehring	2010-NY	Litigation	1,071.4	\$750	803,550.00
Elyse Glazer	2010-NY	Litigation	716.2	\$750	537,150.00
Trevor L. Gleason	2011-NY	Litigation	7.7	\$675	5,197.50
Shirin Hakimzadeh	2011-NY	Litigation	253.0	\$675	170,775.00
Brad Hansen	2011-NY	Litigation	1.0	\$750	750.00
Rayiner Hashem	2005-NY	Capital Markets	91.4	\$275/\$475	40,525.00
Wendi Hoeben	2005-NY	Capital Markets	9.0	\$795	7,155.00
Mhairi Immermann	2012-NY	Credit	38.2	\$575	21,965.00
Darren S. Klein	2007-NY	Insolvency and Restructuring	30.5	\$795	24,247.50
Kevin Klesh	2002-NY	Environmental	10.1	\$795	8,029.50
Steven C. Krause	2007-MA 2008-NY	Insolvency and Restructuring	69.4	\$795	55,173.00
Siew Kwok	2012-NY	Insolvency and Restructuring	27.2	\$465	12,648.00
Angela Libby	2012-NY	Insolvency and Restructuring	689.3	\$575	396,347.50
Daniel Loss	2005-NY	Litigation	553.5	\$795	440,032.50
Christopher. Lynch	2008-NY	Litigation	218.6	\$795	173,787.00
Ferrell Maguire	Admission Pending	Executive Compensation and Employee Benefits	2.3	\$465	1,069.50
Tracy L. Matlock	2013-NY	Tax	7.0	\$465	3,255.00
Michelle M. McGreal	2007-NJ 2008-NY	Insolvency and Restructuring	553.7	\$795	440,191.50
Rachel Y. Meagher	2012-MA 2012-NY	Trusts & Estates	1.7	\$575	977.50
Adam Mehes	2011-NY	Litigation	257.5	\$675	173,812.50
Damon P. Meyer	2006-NY	Insolvency and Restructuring	116.5	\$795	92,617.50
Gerald M. Moody, Jr.	2010-MA 2010-NY	Litigation	238.2	\$750	178,650.00
Lina Peng	2013-NY	Litigation	266.8	\$465	124,062.00

NAME OF ASSOCIATE	YEAR ADMITTED	DEPARTMENT	TOTAL HOURS BILLED	HOURLY RATE	TOTAL FEES
John Perry	2008-NY	Credit	26.7	\$795	21,226.50
Pflieger M	Admission Pending	Mergers and Acquisitions	22.2	\$275	6,105.00
Phillips CA	2007-NY	Tax	4.5	\$795	3,577.50
Sagar K. Ravi	2010-NY	Litigation	38.9	\$750	29,175.00
Craig Reiser	2011-NY	Litigation	601.6	\$675	406,080.00
Christopher Robertson	2013-NY	Insolvency and Restructuring	148.0	\$575	85,100.00
Eric L. Ruiz	2010-NY	Insolvency and Restructuring	26.1	\$750	19,575.00
Lara Samet	2008-NJ 2009-NY	Litigation	997.4	\$795	792,933.00
Adam L. Shpeen	2013-NY	Insolvency and Restructuring	3.9	\$465	1,813.50
Daniel M. Silberger	2012-NY	Insolvency and Restructuring	191.8	\$575	110,285.00
Eugene A. Sokoloff	2013-NY	Litigation	532.4	\$465	247,566.00
Robert Stewart	2013-NY	Litigation	293.7	\$465	136,570.50
Marc Tobak	2009-NY	Litigation	358.0	\$795	284,610.00
Amy E. Turner	2009-NY	Environmental	70.4	\$795	55,968.00
Adam VanWagner	Admission Pending	Insolvency and Restructuring	288.5	\$465	134,152.50
Eli James Vonnegut	2008-NY	Insolvency and Restructuring	1.0	\$795	795.00
Amit Vora	2011-NY	Litigation	715.7	\$275/\$675	480,097.50
Daniel T. Young	2013-NY	Litigation	4.0	\$275/\$465	1,613.00
Total Associates			13,720.5		9,289,047.50

III. Summer Associates

NAME OF ASSOCIATE	YEAR ADMITTED	DEPARTMENT	TOTAL HOURS BILLED	HOURLY RATE	TOTAL FEES
Alexandra Cowen			25.0	\$235	\$5,875.00
Stephanie Goldfarb			106.3	\$235	\$24,980.50
James EA			24.3	\$235	5,710.50
Yujia Jiang			5.4	\$235	\$1,269.00
Elina Khodorkovsky			6.0	\$235	\$1,410.00
Total Summer Associates			167.0		\$39,245.00

Attorney Blended Rates

	ATTORNEY BLENDED RATE	TOTAL ATTORNEY HOURS BILLED	TOTAL ATTORNEY FEES
Partners and Counsel	\$956.78	5,580.4	\$5,339,203.00
Associates	\$677.02	13,720.5	\$9,289,047.50
Summer Associates	\$235.00	167.0	\$39,245.00
Total	\$753.42	19,467.9	\$14,667,495.50

IV. Paraprofessionals

NAME OF PARAPROFESSIONAL	DEPARTMENT	TOTAL HOURS BILLED	HOURLY RATE	TOTAL FEES
Bruney T	Legal Assistant Corporate	11.1	\$385	4,273.50
S. Chao	Legal Assistant Corporate	31.1	\$325	10,107.50
C. Downer	Legal Assistant Corporate	3.0	\$325	975.00
Leah K. Edwards	Legal Assistant Corporate	8.4	\$385	3,234.00
Jen Eum	Legal Assistant Corporate	314.5	\$325	102,212.50
Eryn E. Gordon	Legal Assistant Corporate	10.8	\$325	3,510.00
Elliot Law	Legal Assistant Corporate	225.2	\$385	86,702.00
Charles J. Lilly	Legal Assistant Corporate	15.1	\$325	4,907.50
Diego F. Lopez	Legal Assistant Corporate	16.4	\$325	5,330.00
Scott J. Manrose	Legal Assistant Corporate	2.0	\$385	770.00
Lauren E. McGlynn	Legal Assistant Corporate	2.9	\$325	942.50
Marguerite Melvin	Legal Assistant Corporate	41.9	\$400	16,760.00
Song PJ	Legal Assistant Corporate	9.5	\$205	1,947.50
Tumminello CJ	Legal Assistant Corporate	16.8	\$325	5,460.00
T. Wright	Legal Assistant Corporate	11.0	\$385	4,235.00
Rebecca A. Zarett	Legal Assistant Corporate	50.6	\$385	19,481.00
Rachel L. Lange	Legal Assistant Litigation	0.6	\$325	195.00
Michael Pucci	Legal Assistant Litigation	105.9	\$325	34,417.50
E. Echevarria	Document Analyst - Litigation	20.4	\$275	5,610.00
Christopher O'Connell	Document Analyst - Litigation	16.1	\$275	4,427.50

NAME OF PARAPROFESSIONAL	DEPARTMENT	TOTAL HOURS BILLED	HOURLY RATE	TOTAL FEES
Anthony Sanfilippo	Document Analyst - Litigation	36.3	\$275	9,982.50
Edward Seiden	Document Analyst - Litigation	13.8	\$275	3,795.00
Maria Sicuranza	Document Analyst - Litigation	24.9	\$275	6,847.50
Avery Strickoff	Document Analyst - Litigation	14.0	\$275	3,850.00
Mohamed Ismail	Document Clerk	33.0	\$105	3,465.00
Andrew S. Lim	Document Clerk	4.5	\$105	472.50
Cavaiuolo JA	Information Systems	27.5	\$160	4,400.00
Chen JW	Litigation Support	2.0	\$285	570.00
Cheong RC	Litigation Support	14.3	\$285	4,075.50
Andrew T. Coleman	Litigation Support	3.5	\$235	822.50
Halford EB	Litigation Support	20.9	\$320	6,688.00
Harrington M	Litigation Support	182.0	\$295	53,690.00
Carla N. Hinton	Litigation Support	2.8	\$350	980.00
Julien K	Litigation Support	0.5	\$285	142.50
Oliva M	Litigation Support	24.5	\$320	7,840.00
Gong R	Litigation Technical Services	45.7	\$185	8,454.50
O'Flaherty D	Litigation Technical Services	3.0	\$285	855.00
Vincent CR	Compliance Reporting Specialist	0.7	\$185	129.50
Carol S. Kelly	Fiduciary Accountant	0.3	\$300	90.00
Robert L. Jones	Managing Attorney's Office	21.5	\$310	6,665.00
Mark Zaleck	Research Services	8.3	\$195	1,618.50
Total Paraprofessionals		1,397.3		440,931.50

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

In re:

PATRIOT COAL CORPORATION, *et al.*,

Debtors.

**Chapter 11
Case No. 12-51502-659
(Jointly Administered)**

**Objection Deadline:
October 15, 2013 at 4:00 p.m.
(prevailing Central Time)**

**Hearing Date (if necessary):
October 22, 2013 at 10:00 a.m.
(prevailing Central Time)**

**Hearing Location:
Courtroom 7 North**

**THIRD INTERIM APPLICATION OF DAVIS POLK & WARDWELL LLP FOR
ALLOWANCE OF COMPENSATION AND REIMBURSEMENT OF EXPENSES**

Davis Polk & Wardwell LLP (“**Davis Polk**”), counsel to Patriot Coal Corporation and its subsidiaries that are debtors and debtors in possession in these proceedings (collectively, the “**Debtors**”), for its third interim application (the “**Application**”), pursuant to sections 330(a) and 331 of title 11 of the United States Code (the “**Bankruptcy Code**”) and rule 2016 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”), for allowance of compensation for professional services performed by Davis Polk during the period commencing February 1, 2013 through and including July 31, 2013 (the “**Compensation Period**”), and for reimbursement of its

actual and necessary expenses incurred during the Compensation Period, respectfully represents:

PRELIMINARY STATEMENT

1. The Debtors' chapter 11 cases are exceedingly complex. The Debtors' July 2013 Monthly Operating Report listed consolidated assets of approximately \$3.56 billion and consolidated liabilities of approximately \$3.96 billion. The Debtors sent their notice of commencement to more than 41,500 entities, and they are party to thousands of contracts. As of the Petition Date, the Debtors employed more than 4,000 people and operated twelve active mining complexes.

2. As lead bankruptcy counsel, it has been necessary for Davis Polk to expend considerable amounts of time, energy and resources in efforts to help the Debtors continue operating their businesses, address the various and complex issues that arise in chapter 11 cases and begin the process of reorganization. In the nearly fourteen months since the Petition Date, Davis Polk has provided assistance and counsel to the Debtors in connection with the Debtors' efforts on multiple fronts to stabilize their businesses, address their unsustainable cost structure and preserve jobs and benefits for thousands of families. During the Compensation Period, the Debtors and Davis Polk dedicated significant time and resources to, among other things, (a) obtaining authority from this Court to modify their collective bargaining agreements and retiree obligations pursuant to sections 1113 and 1114 of the Bankruptcy Code; (b) reaching a consensual, court-approved resolution with the UMWA to modify the Debtors' labor and retiree obligations; (c) achieving a settlement with the non-union retiree committee regarding the modification and termination of certain non-union retiree benefits, and obtaining a court

order authorizing the termination of the Debtors' supplemental 401(k) program;

(d) commencing and prosecuting multiple adversary proceedings related to coal sale contracts, and negotiating and entering into settlements to resolve certain such proceedings, resulting in cost savings to the Debtors of tens of millions of dollars;

(e) negotiating and entering into coal supply agreement stipulations; (f) rejecting over 265 executory contracts that were determined to not be beneficial to the Debtors' estates;

(g) completing the Debtors' real property leases assumption/rejection process (except for certain matters pending before the Court), including obtaining court authority to assume hundreds of leases and reject several leases, negotiating with certain landlords to consensually extend the assumption/rejection decision deadline and/or consensually resolving objections to the assumption or rejection of certain leases and continuing to prosecute adversary proceedings and a contested matter relating to the few real property leases remaining to be assumed or rejected; (i) responding to various automatic stay issues (including with respect to significant environmental obligations); (j) addressing a multitude of creditor, supplier and customer inquiries; (k) successfully defeating a motion to appoint an official committee of equityholders and a motion to appoint a chapter 11 trustee; (l) finalizing and filing the Debtors' schedules of assets and liabilities, income and expenditures and executory contracts and unexpired leases, and their statements of financial affairs; (m) establishing a bar date for the filing of claims and working to reconcile the more than 4,100 proofs of claim filed in these cases; (n) establishing procedures for settlements of, and objections to, proofs of claim; (o) objecting to over 890 claims; (p) negotiating claim settlement agreements with certain claimants (including with respect to significant environmental obligations), and entering into claim settlement

agreements resolving over 1,000 disputed claims; (q) researching, analyzing and investigating potential claims against certain counterparties; (r) evaluating the Debtors' compensation programs and developing, and obtaining Court approval of, an annual incentive program and critical employee retention program and advising as to the implementation of same; (s) conducting preliminary negotiations and drafting regarding a plan of reorganization and disclosure statement; and (t) researching, negotiating, drafting, filing, and defending a motion to pay certain fees and expenses of potential rights offering backstop exit financing parties.

3. Through all of this, Davis Polk has worked as efficiently as possible to minimize cost to the Debtors' estates.

4. A core group of 12 Davis Polk attorneys accounted for more than 50% of the attorney time expended on these cases. Moreover, four partners and two counsel accounted for more than 80% of the partner and counsel hours worked. In addition to the efficient core teams, due to the large number of varied issues in these cases, attorneys from different practice areas were called on to assist with discrete issues within their areas of expertise. Many, of course, billed only a limited number of hours.

BACKGROUND

5. On July 9, 2012 (the "**Petition Date**"), each Debtor commenced with the United States Bankruptcy Court for the Southern District of New York (the "**SDNY Bankruptcy Court**") a voluntary case under chapter 11 the Bankruptcy Code. On December 19, 2012, the SDNY Bankruptcy Court entered an order transferring these

chapter 11 cases to this Court (the “**Transfer Order**”) [ECF No. 1789].¹ The Debtors are authorized to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. These chapter 11 cases are being jointly administered pursuant to Rule 1015(b) of the Bankruptcy Rules and the SDNY Bankruptcy Court’s Joint Administration Order entered on July 10, 2012 [ECF No. 30].

6. Pursuant to the Order Authorizing the Employment and Retention of Davis Polk & Wardwell LLP as Attorneys for the Debtors *nunc pro tunc* to the Petition Date entered by the SDNY Bankruptcy Court on August 2, 2012 [ECF No. 265] (the “**Retention Order**”), the Debtors were authorized to retain Davis Polk as their attorneys to render legal services in the prosecution of their chapter 11 cases *nunc pro tunc* to the Petition Date.

7. On July 18, 2012, the Office of the United States Trustee for the Southern District of New York (the “**U.S. Trustee**”) appointed the Creditors’ Committee pursuant to sections 1102(a) and 1102(b) of the Bankruptcy Code. No trustee or examiner has been appointed in the Debtors’ chapter 11 cases.

8. This Court has subject matter jurisdiction to consider and determine this matter pursuant to 28 U.S.C. § 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

¹ Pursuant to the Transfer Order, all orders previously entered in these chapter 11 cases remain in full force and effect in accordance with their terms notwithstanding the transfer of venue.

9. The Debtors filed monthly operating reports for each month since the Petition Date. The Debtors have advised Davis Polk that, to date, they have paid all quarterly fees due to the U.S. Trustee.

10. On November 15, 2012, the Court entered an Order extending the Debtors' exclusive periods within which to file a plan of reorganization and solicit votes thereon to May 5, 2013 and July 4, 2013, respectively. On April 26, 2013, the Court entered an Order extending the Debtors' exclusive periods within which to file a plan of reorganization and solicit votes thereon to September 2, 2013 and November 1, 2013, respectively. On August 21, 2013, the Court entered an Order extending the Debtors' exclusive periods within which to file a plan of reorganization and solicit votes thereon to December 1, 2013 and January 30, 2014, respectively.

11. On November 16, 2012, Davis Polk filed its first interim application for the allowance of compensation and reimbursement of expenses incurred for the period from July 9, 2012 through and including September 30, 2012, in which it requested total fees in the amount of \$8,145,882.50 and expenses in the amount of \$272,375.68. The SDNY Bankruptcy Court entered an order on December 19, 2012 allowing fees in the amount of \$7,974,882.50 and expenses in the amount of \$272,375.68 and authorizing the immediate payment of 100% of such allowed fees and expenses. On April 15, 2013, Davis Polk filed its second interim application for the allowance of compensation and reimbursement of expenses incurred for the period from October 1, 2012 through and including January 31, 2013, in which it requested total fees in the amount of \$8,935,027.00 and expenses in the amount of \$220,793.09. The SDNY Bankruptcy Court entered an order on July 11, 2013 allowing fees in the amount of

\$8,795,027.00 and expenses in the amount of \$216,383.15 and authorizing the immediate payment of 100% of such allowed fees and expenses.

**SUMMARY OF REQUESTED PROFESSIONAL COMPENSATION
AND REIMBURSEMENT OF EXPENSES**

12. This Application has been prepared in accordance with (a) the Local Rules of the Bankruptcy Court for the Eastern District of Missouri (the “**Local Rules**”), (b) the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330 adopted on January 30, 1996 (the “**UST Guidelines**”) and (c) the Order to Establish Procedures for Interim Monthly Compensation and Reimbursement of Expenses of Professionals entered by the Court on August 2, 2012 [ECF No. 262] (the “**Interim Compensation Order**”) and, collectively with the Local Rules and the UST Guidelines, the “**Guidelines**”).

13. In accordance with the Interim Compensation Order, Davis Polk filed a monthly fee statement covering the period from February 1, 2013 through February 28, 2013 on April 24, 2013 [ECF No. 3809], a monthly fee statement covering the period from March 1, 2013 through March 31, 2013 on May 3, 2013 [ECF No. 3932], a monthly fee statement covering the period from April 1, 2013 through April 30, 2013 on May 31, 2013 [ECF No. 4091], a monthly fee statement covering the period from May 1, 2013 through May 31, 2013 on June 25, 2013 [ECF No. 4219], a monthly fee statement covering the period from June 1, 2013 through June 30, 2013 on July 31, 2013 [ECF No. 4430], and a monthly fee statement covering the period from July 1, 2013 through July 31, 2013 on August 27, 2013 [ECF No. 4543].

14. By this Application, Davis Polk seeks allowance in full of interim compensation for professional services rendered to the Debtors during the Compensation Period, in the aggregate amount of \$14,923,542.25, and for reimbursement of actual, necessary expenses incurred in connection with such services in the aggregate amount of \$345,862.02. During the Compensation Period, Davis Polk attorneys and paraprofessionals expended a total of 20,865.2 hours for which compensation is sought.

15. In accordance with the Interim Compensation Order, Davis Polk will have received payments to date totaling \$12,290,517.43 (\$11,938,833.80 of which is for services rendered and \$351,683.63² of which is for reimbursement of expenses) for the Compensation Period. By this Application, Davis Polk seeks payment of the remaining \$2,978,886.84, which amount represents the Court-ordered 20% holdback of Davis Polk's requested fees during the Compensation Period.³ These amounts reflect the more than \$270,000.00 that Davis Polk has already "written off" during the Compensation Period and the approximately \$18,400.00 in fee concessions agreed to by Davis Polk with respect to the first review of certain litigation documents.

16. During the Compensation Period, other than pursuant to the Interim Compensation Order, Davis Polk has received no payment and no promises of

² After the February 2013 fee statement was filed, Davis Polk's expenses were reduced by \$30.97 pursuant to certain corrections. After the March 2013 fee statement was filed, Davis Polk's expenses were reduced by \$1,215.72 pursuant to certain corrections. After the April 2013 fee statement was filed, Davis Polk's expenses were reduced by \$3,572.31 pursuant to certain corrections. After the May 2013 fee statement was filed, Davis Polk's expenses were reduced by \$552.04 pursuant to certain corrections. After the June 2013 fee statement was filed, Davis Polk's expenses were reduced by \$213.46 pursuant to certain corrections. After the July 2013 fee statement was filed, Davis Polk's expenses were reduced by \$237.11 pursuant to certain corrections.

³ For the reasons detailed in Note 2 above, Davis Polk has reduced the requested holdback amount by \$5,821.61 pursuant to certain corrections.

payment from any source for services rendered or to be rendered in any capacity whatsoever in connection with the matters covered by this Application. There is no agreement or understanding between Davis Polk and any other person, other than partners of the firm, for the sharing of compensation to be received for services rendered in these cases.

17. The fees charged by Davis Polk in these cases are billed in accordance with its agreed-upon billing rates and procedures in effect during the Compensation Period. The rates charged by Davis Polk for the services rendered in these chapter 11 cases do not (and will not) exceed the rates Davis Polk customarily charges for services rendered in comparable matters. Such fees are reasonable based on the customary compensation charged by comparably skilled practitioners in comparable assignments in a competitive national legal market.

18. Prior to the filing of this Application, Davis Polk filed with the Court and served on the Debtors, the U.S. Trustee, counsel to the Creditors' Committee and counsel to the Debtors' postpetition lenders monthly fee statements setting forth Davis Polk's fees for professional services rendered and expenses incurred from February 1, 2013 through July 31, 2013. No objections were received to any of these monthly fee statements. In connection with preparing each of the six monthly statements and this Application, Davis Polk has voluntarily adjusted its fees and expenses in favor of the estates. Specifically, Davis Polk voluntarily reduced its fees and expenses for the Compensation Period by \$271,745.78.

19. Pursuant to the UST Guidelines and the Local Rules, annexed to the U.S. Trustee summary section preceding this Application is a schedule setting forth

all Davis Polk professionals and paraprofessionals who have performed services in these chapter 11 cases during the Compensation Period, the capacities in which each such individual is employed by Davis Polk, the department in which each individual practices, the hourly billing rate charged by Davis Polk for services performed by such individual, the year in which each professional was first licensed to practice law and the year in which each professional was licensed to practice in New York, if different and applicable, and the aggregate number of hours expended in this matter and fees billed therefor.

20. Annexed hereto as Exhibit A is a schedule specifying the categories of actual, necessary expenses for which Davis Polk is seeking reimbursement and the total amount for each such expense category.

21. Pursuant to the UST Guidelines and the Local Rules, annexed hereto as Exhibit B is a summary of the number of hours and amounts billed by Davis Polk during the Compensation Period, organized by project categories.

22. Davis Polk maintains computerized records of the time spent by all Davis Polk attorneys, summer associates and paraprofessionals in connection with the Debtors' chapter 11 cases.⁴

23. As of the date hereof, Davis Polk does not hold a retainer.

⁴ Detailed time records were filed with Davis Polk's monthly fee statements. Detailed expense records are not being publicly filed but are being provided to the Debtors, the Court, the U.S. Trustee and the Creditors' Committee. Parties in interest required to be served with monthly fee statements pursuant to the Interim Compensation Order have previously received such records. Copies of these records will be made available to other parties in interest upon reasonable request.

24. To the extent that time or disbursement charges for services rendered or expenses incurred relate to the Compensation Period, but were not processed prior to the preparation of this Application, Davis Polk reserves the right to request compensation for such services and reimbursement of such expenses in a future application.

SUMMARY OF SERVICES

25. Throughout the Compensation Period, Davis Polk was required to render substantial professional services, in some cases under extraordinary time constraints, to assist the Debtors in dealing with numerous matters that must be resolved before the Debtors can formulate and negotiate a successful plan of reorganization. Recitation of each and every item of professional services performed by Davis Polk during the Compensation Period would be extremely burdensome. Hence, the following summary highlights the major areas to which Davis Polk devoted time and attention during the Compensation Period. This summary is organized in accordance with Davis Polk's internal system of project categories. Exhibit B provides a detailed breakdown of the time devoted and fees allocable to each project category.

(a) Asset Dispositions (Project Category 1)

The total number of hours billed for this project was 98.0. The total fees related to this project were \$84,667.50.

Under this project category, Davis Polk worked on matters including:

- Advising the Debtors and coordinating with the Debtors' financial professionals and the Creditors' Committee with respect to various actual and potential asset dispositions and numerous inquiries regarding the same.

(b) Automatic Stay (Project Category 2)

The total number of hours billed for this project was 238.5. The total fees related to this project were \$191,736.00.

Davis Polk provided services in connection with enforcing the automatic stay against creditors seeking to contravene the mandate of the Bankruptcy Code. In this regard, Davis Polk performed services including:

- Defending against and developing strategies with respect to parties filing motions seeking to lift the automatic stay.
- Coordinating and communicating with the Debtors and various parties regarding potential violations of the automatic stay.
- Negotiating and drafting stipulations regarding requests for relief from the automatic stay.
- Seeking limited relief from the automatic stay to permit payment of insurance proceeds.
- Preparing for and participating in all bankruptcy court hearings in connection with the above-referenced matters.

(c) Claims Investigations (Project Category 3)

The total number of hours billed for this project was 2,378.4. The total fees related to this project were \$1,647,627.50.

Davis Polk assisted the Debtors in connection with an investigation to determine, *inter alia*, whether the spinoff from Peabody Energy Corporation (“**Peabody**”) that created Patriot constituted an actual or constructive fraudulent transfer. Such a claim against Peabody, if cognizable and if successfully asserted, could result in sizeable recoveries for the Debtors and their creditors. Davis Polk has also been assisting the Debtors in connection with their investigation into potential claims against Arch Coal Inc. and ArcLight Capital Partners, LLC. In connection with the investigation, Davis Polk worked on matters including:

- Reviewing e-mails of 11 Patriot custodians for the period of April 2006 through June 2009 for relevance and privilege, and producing appropriate documents to the Creditors’ Committee.
- Reviewing documents collected from Patriot’s headquarters for relevance and privilege, and producing appropriate documents to the Creditors’ Committee.

- Successfully obtaining the Bankruptcy Court's leave to seek Rule 2004 discovery from Peabody.
- Coordinating with conflicts counsel in connection with successful motions to seek Rule 2004 discovery from Duff & Phelps and Morgan Stanley.
- Coordinating with the Creditors' Committee to negotiate with Peabody regarding the scope of its document production under Rule 2004, including locations in which to search for documents and search terms to be applied to electronic documents.
- Reviewing documents produced by Peabody.
- Researching issues pertaining to potential claims, including applicable law, limitations periods, and potential venues.
- Monitoring the status of precedent spinoff cases
- Monitoring the status of *Lowe v. Peabody Holding Co.*, No. 2:12-CV-06925 (S.D. W. Va.).

(d) Creditor / Equity Holder / UCC Issues (Project Category 4)

The total number of hours billed for this project was 2,206.6. The total fees related to this project were \$1,631,532.00.

Davis Polk assisted the Debtors with various claims-related issues. In addition, this project category includes communications with the Creditors' Committee or creditors and creditor issues that do not fall into a more specific category. In these regards, Davis Polk worked on matters including:

- Responding to numerous telephone calls and letters from creditors, equity holders and other parties in interest concerning the Debtors' chapter 11 cases, the filing of claims against the Debtors and the rights of creditors under the Bankruptcy Code and conducting associated legal research.
- Analyzing and advising the Debtors with respect to proofs of claim, claim settlements, claim objections and other claim issues.
- Responding to and negotiating with various mechanic's lien claimants, utilities claimants, tax claimants and others.
- Assisting the Debtors with the reclamation process, including negotiation with creditors regarding related issues, as well as defending the Debtors' Reclamation Report.

- Research for and coordination with the Debtors regarding 503(b)(9) claims and negotiation with creditors concerning related issues, as well as defending the Debtors' 503(b)(9) Report.
- Coordinating with the Creditors' Committee regarding various pleadings and administration of the Debtors' estates generally, and responding to comments and concerns of the Creditors' Committee.
- Negotiating with creditors regarding a motion to allow or amend certain proofs of claims.
- Conducting extensive negotiations with creditors regarding filed proofs of claim, including negotiating and entering into claim settlements and filing and defending claim objections where appropriate, as well as preparing documentation in connection therewith.
- Research, analysis, and drafting in response to motion to appoint a Chapter 11 Trustee and preparation, attendance and participation in connection with the hearing on same.

(e) Davis Polk Retention and Fee Issues (Project Category 5)

The total number of hours billed for this project was 92.9. The total fees related to this project were \$51,186.50.

Davis Polk assisted the Debtors with issues surrounding the Debtors' retention of Davis Polk in connection with these cases. Davis Polk also worked to ensure its compliance with applicable guidelines, court rules and orders. In these regards, Davis Polk performed services including:

- Conducting checks for conflicts of interest and correspondence regarding the same.
- Communicating with the U.S. Trustee regarding Davis Polk interim compensation issues and analysis regarding the same.

(f) Employee Labor Issues (Project Category 6)

The total number of hours billed for this project was 10,176.1. The total fees related to this project were \$7,568,674.00.

The Employee Labor Issues project category encompasses the services necessary to deal with the Debtors' unionized and non-unionized employees. Entry into chapter 11 mandates analysis of an entirely new set of issues applicable to employees, particularly union workers. To ensure that the Debtors' workforce remains functioning, Davis Polk has worked on matters including:

- Researching and analyzing labor and retiree issues and developing strategies with respect thereto, including related to sections 1113 and 1114 of the Bankruptcy Code.
- Participating in numerous meetings and teleconferences to provide advice to the Debtors' management concerning financial matters (e.g., cost reductions), union negotiations, union and non-union communications, and litigation and non-litigation strategy with respect to labor issues.
- Preparing proposals in connection with section 1113 and 1114 of the Bankruptcy Code and advising the Debtors with respect to the same.
- Communicating and negotiating with professionals engaged by the Debtors' union concerning collective bargaining agreements and various other matters.
- Researching and drafting the Debtors' motion under sections 1113 and 1114 of the Bankruptcy Code, including coordinating the preparation of declarations from employees of the Debtors and professionals engaged by the Debtors with respect to their labor and retiree obligations.
- Responding to objections to the Debtors' motion under sections 1113 and 1114 of the Bankruptcy Code.
- Preparing for and participating in a trial on the Debtors' section 1113 and 1114 motion and coordinating extensive negotiations and discovery with respect thereto, including multiple pre-trial conferences and fifteen depositions.
- Responding to an appeal of the Bankruptcy Court's order granting the Debtors' motion under sections 1113 and 1114 of the Bankruptcy Code.
- Reviewing certain employee compensation and benefit issues, conducting related legal research and advising the Debtors regarding the same.
- Researching, drafting and seeking court approval of motion to modify non-union retiree life insurance benefits and terminate non-union retiree medical benefits.
- Researching, drafting and seeking court approval of motion to terminate the Debtors' supplemental 401(k).
- Researching and drafting in connection with obtaining court approval of an annual incentive program and critical retention program and participating in discovery and hearing preparation in connection with the same.

(g) Executory Contacts (Project Category 7)

The total number of hours billed for this project was 615.7. The total fees related to this project were \$437,570.00.

During the Compensation Period, Davis Polk provided substantial services with respect to the Debtors' executory contracts. Under this project category, Davis Polk worked on matters including:

- Research and analysis related to the Debtors' rights and obligations under coal supply agreements and other commercial contracts.
- Analyzing and defending a motion to assume substantially all of the Debtors' hundreds of real property leases, and rejecting several of the Debtors' real property leases including multiple settlements and contested matters concerning the same.
- Analyzing and researching issues related to numerous executory contracts and advising the Debtors regarding the assumption, rejection and extending the time to assume or reject the same.
- Filing and defending numerous notices rejecting executory contracts.
- Filing and defending multiple motions and stipulations assuming executory contracts, including advising the Debtors with respect to the renegotiation of such contracts.
- Responding to numerous inquiries from contractual counterparties regarding assumption, rejection and other issues.
- Advising the Debtors regarding ordinary course amendments to contracts, re-negotiations, and entry into new contracts.

(h) Financing (Project Category 8)

The total number of hours billed for this project was 248.6. The total fees related to this project were \$183,702.50.

During the Compensation Period, Davis Polk attorneys devoted substantial resources to ensuring that the Debtors' liquidity needs were satisfied so that the Debtors' business operations could continue running smoothly and customer expectations would be met. To that end, Davis Polk worked on matters including:

- Numerous telephone conferences with the lenders, counsel to lenders and other parties in connection with the debtor-in-possession credit facilities.

- Adding an additional subsidiary guarantor and grantor under the debtor-in-possession financing facilities.
- Negotiating and drafting Amendment No. 2 to Credit Agreement to, among other things, lower the minimum cumulative consolidated EBITDA financial covenant threshold beginning with the July 2013 compliance reporting period.
- Providing advice generally to the Debtors about the debtor-in-possession financing facilities.

(i) First Review (Project Category 9)

The total number of hours billed for this project was 186.2. The total fees related to this project were \$51,205.00.

During the Compensation Period, Davis Polk attorneys conducted an extensive first review of the documents collected from Patriot in connection with its investigation of Peabody, reviewing the documents for privilege and relevance. As an accommodation to the Debtors, Davis Polk agreed to cap all rates at \$275 per hour for work performed in this project category.

(j) General Case Administration (Project Category 10)

The total number of hours billed for this project was 862.2. The total fees related to this project were \$555,789.00.

General Case Administration encompasses a multitude of tasks that do not fall within the other project categories. The specific tasks associated with General Case Administration include:

- Participating in numerous meetings and telephone conferences with the Debtors' management and employees covering topics such as the chapter 11 cases generally, interpretation of court orders, determination of the status of claims, contract and lease rejection issues, operational issues and general business issues.
- Participating in numerous telephone conferences with the Office of the U.S. Trustee regarding various procedural, case management and other issues.
- Preparing for, attending and taking part in bankruptcy court hearings.
- Electronic filing and coordinating with the Debtors' claims agent regarding service of court papers.
- Participating in numerous telephone conferences with the advisors to the Creditors' Committee regarding procedural, case management and other issues.

- Maintaining document archives and disseminating substantive project lists, a case calendar and various emails summarizing and discussing documents filed with the Court.
- Maintaining a case calendar and coordinating meetings and scheduling of bankruptcy court hearings.
- Coordinating the transfer of the Debtors' chapter 11 cases to the U.S. Bankruptcy Court for the Eastern District of Missouri pursuant to an Order of the Court.
- Review and filing monthly operating reports.
- Analysis of the Local Rules of the Bankruptcy Court for the Eastern District of Missouri and the Procedures Manual and drafting and negotiating a revised case management order.

(k) Governance Communications (Project Category 11)

The total number of hours billed for this project was 43.6. The total fees related to this project were \$41,467.00.

As part of its representation of the Debtors, Davis Polk analyzed many of the Debtors' disclosure and governance issues. To that end, Davis Polk worked on matters including:

- Advising the Patriot Coal Corporation board of directors regarding fiduciary duty issues, disclosure obligations, business and reorganization issues, the bankruptcy process and its options regarding all of the above.
- Advising the Debtors on corporate communications issues, including responding to press inquiries.

(l) Litigation (Project Category 12)

The total number of hours billed for this project were 1,115.5. The total fees related to this project were \$854,047.00.

Davis Polk performed a variety of litigation services, including:

- Pursuing several adversary proceedings regarding the Debtors' contractual rights under various royalty agreements. Litigation services performed in these adversary proceedings included:
 - Researching and drafting an opposition to a motion to dismiss concerning various procedural issues;

- Researching and drafting motions for judgment on the pleadings and to dismiss opposing parties' counterclaims concerning several complex issues of contract and bankruptcy law;
 - Researching and drafting an objection to a motion to compel concerning payment under a royalty agreement;
 - Researching and drafting answers to opposing parties' counterclaim complaints;
 - Negotiating and drafting stipulations with opposing counsel regarding procedural matters;
 - Responding and objecting to discovery requests;
 - Negotiating and seeking court approval for a settlement agreement;
 - Participating in numerous teleconferences with the Debtors' retention and incentive plans.
- Preparing for and participating in all bankruptcy court hearings in connection with the above-referenced litigation matters.
 - Providing advice in connection with litigation commenced against several executives of the Debtors, including, but not limited to, advice regarding the possibility of seeking a stay of litigation from the bankruptcy court, the impact of the bankruptcy proceedings on the availability of insurance coverage, and the relationship between the case and Patriot's litigation position in other matters.

(m) Non-Davis Polk Retention (Project Category 13)

The total number of hours billed for this project was 203.9. The total fees related to this project were \$118,824.50.

Davis Polk assisted the Debtors with issues surrounding the Debtors' retention of professionals retained specifically for these cases and other professionals retained in the ordinary course of the Debtors' businesses. Davis Polk also worked to ensure compliance of such professionals with applicable guidelines, court rules and orders. In these regards, Davis Polk performed services including:

- Assisting with the Debtors' retention of professionals in the Debtors' chapter 11 cases and in the ordinary course of business.
- Reviewing, commenting upon and filing retention applications for the professionals separately retained by the Debtors in these cases.

- Communication and consultation with other retained professionals regarding monthly fee statement requirements, scheduling and procedures.
- Responding to the other retained professionals' retention, monthly fee statement and interim fee application inquiries and various assistance to those professionals.
- Communication with and advice to the Debtors regarding monthly billing schedules and procedures.
- Communication with the Debtors' retained professionals related to establishing the schedule for the second interim fee application process.
- Compiling, filing and serving monthly fee statements on all appropriate parties, pursuant to the terms of the Interim Compensation Order.

(n) Non-Working Travel (Project Category 14)

The total number of hours billed for this project was 425.3. The total fees related to this project were \$167,167.25.

The Non-Working Travel project category isolates Davis Polk's non-working travel time. It includes traveling to and from various destinations as part of Davis Polk's representation of the Debtors, including, but not limited to, this Court and the Debtors' offices in St. Louis, Missouri and Charleston, West Virginia. Per the Guidelines, adjustments in the aggregate amount of \$66,149.00 were made to Davis Polk's monthly statements during the Compensation Period to reflect a 50% reduction in time billed for non-working travel time.

(o) Plan/Disclosure Statement (Project Category 15)

The total number of hours billed for this project was 1,030.9. The total fees related to this project were \$711,423.00.

The Debtors have not yet filed a disclosure statement or a plan of reorganization. However, Davis Polk rendered services regarding the same, including:

- Researching, drafting and filing two motions to extend the period in which the Debtors have the exclusive right to file a plan of reorganization.
- Communications regarding emergence planning.
- Research, analysis, negotiating and drafting in connection with responding to objections to the Debtors' second exclusivity motion.

- Conducting negotiations and drafting regarding a plan of reorganization and disclosure statement, as well as related documentation and analysis.
- Conducting analysis and negotiations concerning exit financing.
- Researching, negotiating, drafting, filing, and defending a motion to pay certain fees and expenses of potential rights offering backstop exit financing parties.

(p) Preparation of Fee Statements/Applications (Project Category 16)

The total number of hours billed for this project was 480.4. The total fees related to this project were \$260,599.00.

Davis Polk began recording time to the Preparation of Fee Statements/Applications project category in January of 2013. Time dedicated to these activities was previously recorded to the Davis Polk Retention and Fee Issues project category. The Preparation of Fee Statements/Applications project category is dedicated to time spent preparing Davis Polk's monthly and interim fee statements and applications and related tasks. In connection therewith, Davis Polk performed services including:

- Drafting, reviewing, and filing the monthly bill submitted for February, March, April, May, June, and July of 2013 in these cases to prevent disclosure of confidential information and to ensure compliance with the Interim Compensation Order and all other applicable rules and guidelines.

(q) Regulatory and Environmental (Project Category 17)

The total number of hours billed for this project was 455.7. The total fees related to this project were \$360,981.50.

Davis Polk has assisted the Debtors with numerous environmental, regulatory and tax issues. In connection therewith, Davis Polk performed services including:

- Researching and analyzing environmental and regulatory issues, including with respect to the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Mine Safety and Health Administration, and advising the Debtors regarding the same.
- Advising the Debtors in connection with their participation in environmental and mining legal proceedings and negotiations.
- Researching and preparing pleadings with respect to the Debtors' pre- and post-petition selenium-related environmental obligations.

- Researching and analyzing tax issues and advising the Debtors regarding the same.
- Preparation and filing of Exchange Act filings.

(r) Securities Class Action (Project Category 18)

The total number of hours billed for this project was 6.7. The total fees related to this project were \$5,448.00.

Under this project category, Davis Polk worked on matters including:

- Reviewing, analyzing, and summarizing securities class action complaint.
- Reviewing, analyzing, and summarizing securities class action motion to dismiss.
- Advising the Debtors and reporting to the Creditors' Committee in connection with the securities class action litigation.

26. The foregoing professional services performed by Davis Polk were necessary and appropriate to the administration of the Debtors' chapter 11 cases. These services were in the best interests of the Debtors and other parties in interest.

Compensation for the foregoing services as requested is commensurate with the complexity, importance and nature of the problems, issues and tasks involved. The services were performed in an efficient manner.

ACTUAL AND NECESSARY EXPENSES

27. As set forth in Exhibit B hereto, Davis Polk has incurred or disbursed \$345,862.02⁵ in expenses in providing professional services to the Debtors during the Compensation Period. These expense amounts are intended to cover Davis Polk's direct operating costs, which costs are not incorporated into the Davis Polk hourly billing rates. Only clients who actually use services of the types set forth in Exhibit A are

⁵ This amount does not include certain additional amounts that Davis Polk voluntarily wrote off during the Compensation Period.

separately charged for such services. The effect of including such expenses as part of the hourly billing rates would unfairly impose additional costs upon clients who do not require extensive photocopying, delivery and other services.

28. In accordance with the Guidelines, Davis Polk is seeking reimbursement for standard photocopying expenses at the lesser of \$0.20 per page or cost and has capped all overtime meals at \$20.00.

29. On several occasions, overnight delivery of documents and other materials was required as a result of circumstances necessitating the use of such express services. These expenses are not included in Davis Polk's overhead for the purpose of setting billing rates. Per the Guidelines, Davis Polk is not seeking reimbursement of the expenses it has incurred delivering documents to Davis Polk attorneys at their homes by radio car or taxi. Davis Polk has made every effort to minimize its expenses in these cases. The actual expenses incurred in providing professional services to the Debtors were necessary, reasonable and justified under the circumstances to serve the needs of the Debtors, their estates and their creditors.

**THE REQUESTED COMPENSATION AND EXPENSE REIMBURSEMENT
SHOULD BE ALLOWED**

30. Section 331 of the Bankruptcy Code provides for compensation of professionals and incorporates the substantive standards of section 330 to govern the Court's award of such compensation. 11 U.S.C. § 331. Section 330 provides that a court may award a professional employed under section 327 of the Bankruptcy Code "reasonable compensation for actual, necessary services rendered . . . and reimbursement

for actual, necessary expenses.” Id. § 330(a)(1). Section 330 also sets forth the criteria for the award of such compensation and reimbursement:

In determining the amount of reasonable compensation to be awarded . . . , the court shall consider the nature, the extent, and the value of such services, taking into account all relevant factors, including –

- (A) the time spent on such services;
- (B) the rates charged for such services;
- (C) whether the services were necessary to the administration of, or beneficial at the time at which the service was rendered toward the completion of, a case under this title;
- (D) whether the services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed;
- (E) with respect to a professional person, whether the person is board certified or otherwise has demonstrated skill and experience in the bankruptcy field; and
- (F) whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under this title.

Id. § 330(a)(3).

31. Local Rule 2016(1)(B) requires that all professional fee applications analyze the 12 factors for allowance of compensation set forth in *Johnson v. Georgia Highway Express*, 388 F.2d 714 (5th Cir. 1974) (the “**Johnson Factors**”); *see also P.A. Novelly v. Palans*, 960 F.2d 728 (8th Cir. 1992); *Chamberlain v. Kula*, 213 B.R. 729, 736-739 (B.A.P. 8th Cir. 1997).

32. Davis Polk respectfully submits that its Application satisfies all of the *Johnson Factors*, as discussed below.

(a) The time and labor required. Davis Polk's representation of the Debtor as debtor-in-possession required extensive time and effort during a critical period in the Debtors' cases.

(b) The novelty and difficulty of questions. More than 3,600 motions, notices, applications, petitions, orders and other pleadings have been filed in the nearly ten months since the Petition Date (including roughly 1,900 during the Compensation Period). Addressing these motions, negotiations and a multitude of creditor, supplier and customer inquiries has required extensive time and resources, and such efforts have been largely successful. However, the sheer number and scope of issues that have arisen during these cases demonstrate their size and complexity.

(c) The skill required to perform legal services properly. Each of the myriad novel and difficult issues presented in this case have required the dedicated and diligent attention of Davis Polk's attorneys. Davis Polk believes that its attorneys have demonstrated the skill levels necessary for the vigorous representation of the Debtors' interests in this case.

(d) The preclusion of employment due to acceptance of the case. It cannot be known whether this assignment has precluded Davis Polk from other employment, but the professionals involved in this case devoted significant portions (and, with respect to the core members of the team, the overwhelming majority) of their time to the Debtors' affairs and were, to that extent, unable to address other matters.

(e) The customary fee. The rates charged by Davis Polk in this matter are commensurate with rates it charges for similar clients on similar matters.

(f) Whether the fee is fixed or contingent. The fees requested herein are requested on an hourly basis.

(g) Time limitations imposed by the client or the circumstances. This case posed time pressures due to the need for the Debtors to reduce their cost structure and emerge from chapter 11 expeditiously.

(h) The amount involved and the results obtained. As discussed above, the Debtors and their professionals have taken numerous positive steps in these reorganization proceedings. Taking into account the size and complexity of the Debtors' cases, the Debtors have made successful progress toward reducing their cost structure and reorganizing. As would be expected of companies as large as and with businesses as complex as the Debtors', there is more that needs to be done, and Davis Polk anticipates that progress will continue to be made. Davis Polk believes that the amounts involved are commensurate with the successful results obtained and the foundation for future resolutions laid during the Compensation Period.

(i) The experience, reputation, and ability of the attorneys. Davis Polk is widely recognized as one of the premier law firms in the country, particularly in the area of restructuring. The Davis Polk attorneys working on this matter have substantial experience with highly complex restructuring matters.

(j) The undesirability of the case. Davis Polk was and is privileged to have the opportunity to represent the Debtors.

(k) The nature and length of the professional relationship with the client. As discussed in its employment application, Davis Polk has rendered legal services to the Debtors since 2007.

(l) Awards in similar cases. Both the rates charged and hours incurred in this case are proportionate to, and in some instances less than, fees requested in similar large chapter 11 cases throughout the U.S.

33. In the instant case, for the reasons set forth above, Davis Polk respectfully submits that the services for which it seeks compensation and the expenditures for which it seeks reimbursement in this Application were necessary for and beneficial to the orderly administration of the Debtors' estates and their rehabilitation and reorganization effort. Davis Polk worked assiduously to anticipate or respond to the Debtors' needs and assist in the Debtors' chapter 11 process. Such services and expenditures were necessary to and in the best interests of the Debtors' estates and creditors. Davis Polk further submits that the compensation requested herein is reasonable in light of the nature, extent, and value of such services to the Debtors, their estates and all parties in interest.

34. Whenever possible, Davis Polk sought to minimize the costs of its services to the Debtors by utilizing talented junior attorneys and paraprofessionals to handle more routine aspects of case administration. A small group of the same Davis Polk attorneys was utilized for the vast majority of the work in these cases to minimize the costs of intra-Davis Polk communication and education about the Debtors'

circumstances. For example, as mentioned above, a core group of 12 Davis Polk attorneys accounted for more than 50% of the attorney hours worked, and a core group of four partners and two counsel accounted for more than 80% of the partner and counsel hours worked during the Compensation Period.

35. In sum, approval of the compensation for professional services and reimbursement of expenses sought herein is warranted.

CONCLUSION

WHEREFORE Davis Polk respectfully requests (i) an allowance of compensation for professional services rendered during the Compensation Period in the amount of \$14,923,542.25 and reimbursement of actual and necessary expenses Davis Polk incurred during the Compensation Period in the amount of \$345,862.02; (ii) authorization for the Debtors to pay to Davis Polk that portion of the compensation amount not yet paid; (iii) that the allowance of such compensation for professional services rendered and reimbursement of actual and necessary expenses incurred be without prejudice to Davis Polk's right to seek additional compensation for services performed and expenses incurred during the Compensation Period that were not processed at the time of this Application and (iv) such other and further relief as is just.

Dated: St. Louis, Missouri
September 5, 2013

By: /s/ Brian M. Resnick

Marshall S. Huebner
Elliot Moskowitz
Brian M. Resnick
Michelle M. McGreal

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*Counsel to the Debtors
and Debtors in Possession*

INDEX OF EXHIBITS

Exhibit A	Schedule of Expenses
Exhibit B	Summary of Hours and Amounts Billed by Project Category

EXHIBIT A

**ACTUAL AND NECESSARY EXPENSES
INCURRED BY DAVIS POLK & WARDWELL LLP ON
BEHALF OF THE DEBTORS DURING THE COMPENSATION PERIOD**

CATEGORY OF EXPENSES	AMOUNTS
Computer research	\$126,867.79
Duplication	\$30,045.30
Litigation Support	\$1,100.70
Postage, courier & freight	\$4,316.92
Outside Document Retrieval (transcript, PACER, etc.)	\$16,148.93
Court and related fees	\$32,401.47
Travel	\$113,882.45
Office Charges	\$213.40
Meals	\$20,885.06
TOTAL	\$345,862.02

EXHIBIT B

**SUMMARY OF HOURS AND AMOUNTS BILLED DURING
THE COMPENSATION PERIOD BY DAVIS POLK & WARDWELL LLP,
ORGANIZED BY INTERNAL PROJECT CATEGORY**

PROJECT CATEGORY	DESCRIPTION	HOURS	AMOUNT
1.	Asset Dispositions	98.0	\$84,667.50
2.	Automatic Stay / Litigation	238.5	\$191,736.00
3.	Claims Investigations	2,378.4	\$1,647,627.50
4.	Creditor/EquityHolder/UCC Issues	2,206.6	\$1,631,532.00
5.	Davis Polk Retention and Fee Issues	92.9	\$51,186.50
6.	Employee Labor Issues	10,176.1	\$7,568,674.00
7.	Executory Contracts	615.7	\$437,570.00
8.	Financing	248.6	\$183,702.50
9.	First Review	186.2	\$51,205.00
10.	General Case Administration	862.2	\$555,789.00
11.	Governance Communications	43.6	\$41,467.00
12.	Litigation	1,115.5	\$854,047.00
13.	Non-Davis Polk Retention	203.9	\$118,824.50
14.	Non-Working Travel	425.3	\$167,062.25
15.	Plan/Disclosure Statement	1,030.9	\$711,423.00
16.	Preparation of Fee Statements/Applications	480.4	\$260,599.00
17.	Regulatory and Environmental	455.7	\$360,981.50
18.	Securities Class Action	6.7	\$5,448.00
Total Hours and Compensation Requested:		20,865.2	\$14,923,542.25