

UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

In re:	)	Chapter 11
EDISON MISSION ENERGY, <u>et al.</u> , <sup>1</sup>	)	Case No. 12-49219 (JPC)
Debtors.	)	(Jointly Administered)

**[INTERIM] ORDER AUTHORIZING COMPENSATION OF INSIDER SENIOR EXECUTIVES UNDER EMPLOYEE INCENTIVE PROGRAMS**

Upon the motion (the “Motion”) of the above-captioned debtors and debtors in possession (collectively, the “Debtors”) for entry of an order (this “Order”) authorizing the Debtors to make payments to certain Senior Executives under the Incentive Plans, as more fully set forth in the Motion; and upon the First Day Declaration; and the Court having found that the Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; and the Court having found that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and the Court having found that venue of this proceeding and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and the Court having found that the relief requested in the Motion, as limited by the relief granted in this Order, is in the best interests of the Debtors’ estates, their creditors, and other parties in interest; and the Court having found that the Debtors provided

<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, include: Edison Mission Energy (1807); Camino Energy Company (2601); Chestnut Ridge Energy Company (6590); Edison Mission Energy Fuel Services, LLC (4630); Edison Mission Fuel Resources, Inc. (3014); Edison Mission Fuel Transportation, Inc. (3012); Edison Mission Holdings Co. (6940); Edison Mission Midwest Holdings Co. (6553); Midwest Finance Corp. (9350); Midwest Generation EME, LLC (1760); Midwest Generation, LLC (8558); Midwest Generation Procurement Services, LLC (2634); Midwest Peaker Holdings, Inc. (5282); Mission Energy Westside, Inc. (0657); San Joaquin Energy Company (1346); Southern Sierra Energy Company (6754); and Western Sierra Energy Company (1447). The location of parent Debtor Edison Mission Energy’s corporate headquarters and the Debtors’ service address is: 3 MacArthur Place, Suite 100, Santa Ana, California 92707.

appropriate notice of the Motion and the opportunity for a hearing on the Motion under the circumstances; and the Court having reviewed the Motion and having heard the statements in support of the relief requested therein at a hearing before the Court (the "Hearing"); and the Court having determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and upon all of the proceedings had before the Court; and after due deliberation and sufficient cause appearing therefor, it is HEREBY ORDERED THAT:

1. The Motion is granted solely to the extent set forth herein; provided, however, that the relief requested in the Motion will not apply to the Debtors' LTIP until further order of the Court. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Motion.

2. The Debtors are authorized but not directed to take all actions necessary to compensate the Senior Executives under the STIP on the terms and conditions set forth in the Motion, including, without limitation, making any payments to the Senior Executives under the STIP; provided, however, that the "stretch" levels of performance with regard to 2013 adjusted EBITDAR under the STIP shall be (a) \$33.8 million for the first six-month performance period and (b) \$223.2 million for the second six-month performance period, subject in all respects to the terms and conditions set forth in the STIP (a copy of which was annexed as Exhibit A to the *Declaration of Todd McGovern in Support of Debtors' Insider and Non-Insider Incentive Plans* [D.E. # 216]).

3. Subject to Paragraph 4 of this Order, the Compensation Committee is hereby authorized, in its sole discretion, to administer the STIP, approve or deny participation in the STIP, approve or deny upward or downward adjustments to threshold, target, or stretch

performance goals as justified by unanticipated and/or atypical circumstances, and make any and all other bonus determinations under the STIP.

4. To the extent the Debtors make any material modifications to the STIP, the Debtors shall notify each of the counsel to the official committee of unsecured creditors, the ad hoc committee of certain noteholders of EME, and the Office of the U.S. Trustee for the Northern District of Illinois (collectively, the “Notice Parties”) of any material modifications to be made to the STIP (each notice, a “Modification Notice”). Upon receipt of a Modification Notice, the Notice Parties shall have ten (10) calendar days to notify the Debtors of any objection to the proposed material modifications to the STIP (such 10 calendar day period, the “Informal Objection Notification Period”). If the Notice Parties inform the Debtors that they have no objection or if the Notice Parties fail to notify the Debtors of any objection within the Informal Objection Notification Period, the Debtors may make the proposed material modifications to the STIP. If any of the Notice Parties notify the Debtors of any objection during the Informal Objection Notification Period, the Debtors and the Notice Parties shall work in good faith to resolve the dispute. If the dispute remains unresolved, the Notice Parties may file an objection with the Court within seven (7) calendar days from the end of the Informal Objection Notification Period (such seven (7) calendar day period, the “Formal Objection Period”), and the dispute shall be resolved at a hearing to be set at a mutually agreeable time. For the avoidance of doubt, no material modifications may be made to the STIP unless (a) the Informal Objection Notification Period terminates without any of the Notice Parties notifying the Debtors of any objection, (b) the Formal Objection Period terminates without the filing of any formal objection by any of the Notice Parties, or (c) the Court rules on any formal objection by any of the Notice Parties.

5. All postpetition payments from a Debtor to another Debtor are hereby accorded superpriority administrative expense status and shall have priority over any administrative claims that arise under section 503(b) of the Bankruptcy Code in accordance with the Court's order approving continued use of the Debtors' cash management system.

6. Notice of the Motion as provided therein shall be deemed good and sufficient notice of such Motion and the requirements of Bankruptcy Rule 6004(a) and the Local Rules of the United States Bankruptcy Court for the Northern District of Illinois are satisfied by such notice.

7. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

8. Notwithstanding the relief granted in this Order and any actions taken pursuant to such relief, nothing in this Order shall be deemed: (a) an admission as to the validity of any claim against a Debtor entity; (b) a waiver of the Debtors' right to dispute any claim on any grounds; (c) a promise or requirement to pay any claim; (d) an implication or admission that any particular claim is of a type specified or defined in this Order or the Motion; (e) a request or authorization to assume any agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code; or (f) a waiver of the Debtors' rights under the Bankruptcy Code or any other applicable law.

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

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

Dated: Feb. 5, 2013  
Chicago, Illinois

J.P. Cox *Jacqueline P. Cox*  
Jacqueline P. Cox  
United States Bankruptcy Judge