

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

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

**NOTICE OF DEBTORS’ MOTION FOR ENTRY OF
AN ORDER (A) AUTHORIZING MIDWEST GENERATION, LLC
TO GRANT FIRST PRIORITY LIENS ON UNENCUMBERED ASSETS AND
SECOND PRIORITY LIENS ON ENCUMBERED ASSETS, IN CONNECTION WITH
THE MWG BRIDGE LOAN, AND (B) GRANTING RELATED RELIEF**

PLEASE TAKE NOTICE that on the **6th day of November, 2013, at 10:30 a.m. (Central Time)** or as soon thereafter as counsel may be heard, the above-captioned debtors and debtors in possession (collectively, the “Debtors”) shall appear before the Honorable Jacqueline P. Cox or any other judge who may be sitting in her place and stead, in Courtroom 680 in the United States Courthouse, 219 South Dearborn Street, Chicago, Illinois, and present the attached *Debtors’ Motion for Entry of an Order (A) Authorizing Midwest Generation, LLC to Grant First Priority Liens on Unencumbered Assets and Second Priority Liens of Encumbered Assets, In Connection With the MWG Bridge Loan, and (B) Granting Related Relief* (the “Motion”).

PLEASE TAKE FURTHER NOTICE that any objection to the Motion must be filed with the Court by **October 30, 2013, at 4:00 p.m. (Central Time)** (the “Objection Deadline”) and served so as to be actually received by such time on: (a) counsel to the Debtors; (b) the Office of the U.S. Trustee for the Northern District of Illinois; (c) members of and counsel to the official committee of unsecured creditors appointed in these chapter 11 cases; (d) the indenture trustee for the Debtors’ senior unsecured notes; (e) counsel to the ad hoc committee of certain holders of the Debtors’ senior unsecured notes; (f) the indenture trustee for the lessor notes related to the Debtors’ Powerton generating station in Pekin, Illinois and units 7 and 8 of the

¹ 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 Finance Co. (9202); 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); EME Homer City Generation L.P. (6938); Homer City Property Holdings, Inc. (1685); 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.

Debtors' Joliet generating station and the pass-through trustee for the related pass-through certificates; (g) the lender under Debtor Edison Mission Energy's letter-of-credit facility; (h) the state attorneys general for states in which the Debtors conduct business; (h) United States Attorney for the Northern District of Illinois; (j) the Internal Revenue Service; (k) the Securities and Exchange Commission; (l) the Environmental Protection Agency and similar state environmental agencies for states in which the Debtors conduct business; (m) counsel to NRG Energy, Inc., and (n) those parties who have requested service of papers in this case pursuant to Rule 2002 of the Federal Rules of Bankruptcy Procedure and the *Order Establishing Certain Notice, Case Management and Administrative Procedures* [Docket No. 128].

PLEASE TAKE FURTHER NOTICE that copies of all documents filed in these chapter 11 cases are available free of charge by visiting the case website maintained by GCG, Inc., the Debtors' notice and claims agent for these chapter 11 cases, available at www.edisonmissionrestructuring.com or by calling (866) 241-6491. You may also obtain copies of any pleadings by visiting the Court's website at www.ilnb.uscourts.gov in accordance with the procedures and fees set forth therein.

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Dated: October 23, 2013

/s/ David R. Seligman, P.C.

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**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

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

**DEBTORS’ MOTION FOR ENTRY
OF AN ORDER (A) AUTHORIZING MIDWEST GENERATION, LLC
TO GRANT FIRST PRIORITY LIENS ON UNENCUMBERED ASSETS AND
SECOND PRIORITY LIENS ON ENCUMBERED ASSETS, IN CONNECTION WITH
THE MWG BRIDGE LOAN, AND (B) GRANTING RELATED RELIEF**

The above-captioned debtors and debtors in possession (collectively, the “Debtors”) state as follows in support of this motion (this “Motion”):²

Relief Requested

1. By this motion, the Debtors request entry of an order (substantially in the form attached hereto as **Exhibit A**, the “Order”): (a) authorizing Debtor Midwest Generation, LLC (“MWG” or “Borrower”) to grant (i) first priority liens on unencumbered assets, and (ii) second priority liens on encumbered assets, in each instance to secure the MWG Bridge Loan (as defined herein); and (b) granting related relief.

¹ 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.

² Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in that certain Plan Sponsor Agreement (the “Plan Sponsor Agreement”) attached as Exhibit 1 to Exhibit A of the *Debtors’ Motion to Approve (I) Entry Into Plan Sponsor Agreement, (II) Sponsor Protections, and (III) Related Relief* [Docket No. 1375].

Preliminary Statement

2. MWG seeks authority to grant the Liens (as defined herein) to Edison Mission Energy (“EME” or “Lender”) in exchange for EME’s provision of a delayed-draw term loan facility to MWG (the “MWG Bridge Loan”),³ on the terms referenced herein. The MWG Bridge Loan is necessary to satisfy MWG’s liquidity requirements as the parties work towards implementation of the NRG Transaction (defined herein) and an assumption of the leveraged lease structure for the Debtors’ Powerton and Joliet facilities. The MWG Bridge Loan itself, and the contemplated Liens to be granted in connection therewith, were heavily negotiated provisions in the recently agreed upon Plan Sponsor Agreement that is supported by each of the Debtors’ major creditor constituencies. More specifically, the MWG Bridge Loan is aptly titled a “bridge” as it ensures that MWG functions from an operational standpoint during the period of time between now and the projected closing of the NRG Transaction. Thus, the MWG Bridge Loan is an essential component of the comprehensive restructuring solution memorialized in the Plan Sponsor Agreement and should be approved.

3. Although the Debtors’ key parties in interest all support the MWG Bridge Loan, and MWG already has preexisting authority pursuant to the Court’s cash management order⁴ to enter into the MWG Bridge Loan, the Debtors respectfully seek approval through this Motion for MWG to be able to grant the Liens to EME for borrowed money under the terms of the MWG Bridge Loan.

³ A summary of the terms of the MWG Bridge Loan is provided in that certain Summary of Terms and Conditions of MWG Bridge Loan filed in conjunction with the Plan Sponsor Agreement (defined herein) [Docket No. 1375] (the “MWG Bridge Loan Term Sheet”), and is attached to the Order as Exhibit 1.

⁴ See Final Order for Authorization to (A) Continue Using Cash Management System; (B) Maintain Existing Bank Accounts and Business Forms; (C) Maintain Existing Investment Practices; (D) Continue Intercompany Transactions; and (E) Grant Superpriority Administrative Expense Status to Postpetition Intercompany Payments [Docket No. 768] (the “Cash Management Order”).

4. By this Motion, the Debtors simply seek authority to grant the Liens required under the terms of the MWG Bridge Loan—specifically, to provide EME with first priority liens on MWG’s unencumbered assets and second priority liens on MWG’s encumbered assets, each as security for the MWG Bridge Loan.⁵

5. The Debtors submit that granting the Liens is fair and reasonable under the circumstances, and necessary to provide MWG with adequate liquidity at this critical time. Further, the Supporting Noteholders, as EME’s largest creditor group, insisted that they would only support a MWG Bridge Loan if it was provided on a secured basis. The Debtors therefore request that this Court authorize MWG to grant the Liens in favor of EME, pursuant to the terms of the MWG Bridge Loan Term Sheet.

Jurisdiction

6. The United States Bankruptcy Court for the Northern District of Illinois (the “Court”) has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2).

7. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

8. The statutory bases for the relief requested herein are section 364 of title 11 of the United States Code (the “Bankruptcy Code”), Rules 2002, 4001, and 6004(h) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and Rule 4001-2(A) of the Local Rules of the United States Bankruptcy Court for the Northern District of Illinois (the “Local Rules”).

⁵ Out of an abundance of caution, the Debtors here also request specific approval of all of the terms of the MWG Bridge Loan.

Background

9. EME, together with its Debtor and non-Debtor affiliates, is a leading independent power producing enterprise specializing in developing, operating, and selling energy and capacity from over 40 generating facilities in 12 states and the Republic of Turkey. The Debtors have approximately 950 employees and maintain headquarters in Chicago, Illinois and Santa Ana, California.

10. On December 17, 2012 (the "Petition Date"), each of the Debtors filed a petition with this Court under chapter 11 of the Bankruptcy Code. The Debtors continue 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 procedurally consolidated and jointly administered pursuant to Bankruptcy Rule 1015(b). No party has requested the appointment of a trustee or examiner in these chapter 11 cases. A statutory committee of unsecured creditors (the "Creditors' Committee") has been appointed by the Office of the United States Trustee for the Northern District of Illinois (the "U.S. Trustee").

I. The Plan Sponsor Agreement and the MWG Bridge Loan

11. On October 18, 2013, the Debtors filed a motion [Docket No. 1375] seeking approval of the Debtors' entry into the Plan Sponsor Agreement, dated October 18, 2013, by and among NRG, EME and certain of its Debtor subsidiaries, the Creditors' Committee, the Supporting Noteholders, and certain parties related to the Debtors' Powerton and Joliet facilities. Pursuant to the Plan Sponsor Agreement, the parties to the Plan Sponsor Agreement agreed to support a plan of reorganization that, among other things, provides for a transaction (the "NRG Transaction"), which, if completed, will result in NRG acquiring all of the assets of MWG.

12. As part of the Plan Sponsor Agreement, EME has agreed to provide the MWG Bridge Loan to MWG to fund operating expenses and ensure adequate liquidity prior to the

closing of the NRG Transaction. In addition, the MWG Bridge Loan will afford MWG with sufficient funds to, if necessary, implement a shutdown of some or all of its facilities if the NRG Transaction is not completed.

13. The Debtors believe that MWG is generally authorized to borrow funds under the MWG Bridge Loan pursuant to the Cash Management Order on an unsecured basis.⁶ Nevertheless, the Debtors are requesting specific Court approval thereof out of an abundance of caution and in particular, with respect to the granting of the Liens.

II. Summary of MWG Bridge Loan Terms.

14. The Debtors shall prepare definitive documentation for the MWG Bridge Loan consistent with the terms of the MWG Bridge Loan Term Sheet. The following summarizes the significant terms of the MWG Bridge Loan, including a description of the provisions highlighted by Local Rule 4001-2:⁷

MATERIAL TERMS OF MWG BRIDGE LOAN	
<p><u>Parties</u> [Fed. R. Bankr. P. 4001(c)(1)(B)]</p>	<p>MWG as Borrower EME as Lender</p>
<p><u>Amounts</u> [Fed. R. Bankr. P. 4001(c)(1)(B)]</p>	<p>\$60 million; <u>provided, however</u>, that the foregoing shall be subject to upward adjustments on a dollar-for-dollar basis to the extent of the Borrower’s forbearance payments in respect of its obligations associated with the leveraged leases of its Powerton and Joliet Coal Facilities (i.e., \$3.75 million per month from January 2014 through June 2014, totaling \$22.5 million in the aggregate (as so adjusted, the “<u>Commitment</u>”).</p>

⁶ See Cash Management Order ¶ 18.

⁷ This concise statement is intended to summarize certain terms and conditions of the MWG Bridge Loan. It is not intended to be a definitive list of all of the requirements of the Borrower in connection with the MWG Bridge Loan. Capitalized terms used in this summary have the meanings ascribed to them in the MWG Bridge Loan Term Sheet.

MATERIAL TERMS OF MWG BRIDGE LOAN	
<p><u>Purpose</u> [Fed. R. Bankr. P. 4001(c)(1)(B)]</p>	For general corporate purposes including: (i) to fund operating expenses (including capital expenditures) prior to the closing of the NRG Transaction; and (ii) to allow the Borrower to implement a shutdown of any of its facilities, as necessary (the “ <u>Shutdown</u> ”).
<p><u>Maturity & Termination</u> [Fed. R. Bankr. P. 4001(c)(1)(B)]</p>	The earlier of the effective date of a plan of reorganization with respect to Borrower and July 31, 2014.
<p><u>Events of Default and Effect on Financing and Cash Collateral Availability</u> [Fed. R. Bankr. P. 4001(c)(1)(B)]</p>	Usual and customary terms for third-party bank loans to debtors-in-possession.
<p><u>Interest Rates</u> [Fed. R. Bankr. P. 4001(c)(1)(B)]</p>	10% per annum
<p><u>Fees</u> [Fed. R. Bankr. P. 4001(c)(1)(B)]</p>	5% of the Commitment
<p><u>Conditions</u> [Fed. R. Bankr. P. 4001(c)(1)(B)]</p>	The Borrower may not draw funds under the Loan Facility prior to March 1, 2014 unless there is a Shutdown before such date without the consent of the Required Supporting Noteholders and the Committee. The Borrower may draw funds from the Loan Facility solely (i) in \$10 million increments; (ii) upon the Borrower’s cash balance falling below \$20 million; and (iii) to the extent necessary to restore the Borrower’s cash balance to \$20 million.
<p><u>Budget</u> [Local Rule 4001-2(A)(4)]</p>	N/A

MATERIAL TERMS OF MWG BRIDGE LOAN	
<p><u>Liens and Priorities and Effect on Existing Liens</u></p> <p>[Fed. R. Bankr. P. 4001(c)(1)(B)(ii), (xi)]</p> <p>[Local Rule 4001-2(A)(2)(g)]</p>	<p>To secure the obligations of the Borrower under the Loan Facility, the Lender shall receive, pursuant to section 364(c)(2) of the Bankruptcy Code and through the order approving the Loan Facility (effective upon the date of such order, without the necessity of the execution by the Lender or the Borrower or the filing or recordation of mortgages, security agreements, lockbox or control agreements, financing statements, or any other instruments or otherwise by the Lender or the Borrower) valid, fully-perfected and enforceable first priority security interests in, and liens upon, all unencumbered assets of the Borrower, including (A) those certain intercompany notes, dated August 24, 2000, issued by Lender in favor of Borrower, as the same has been or may be amended or modified from time to time; (B) all accounts, instruments, chattel paper, payment intangibles and other accounts receivable or rights to payment arising from the sale of electricity and related products and services or otherwise arising under any electricity sale contract, all supporting obligations in respect thereof and all proceeds and products of any or all of the foregoing; and (C) any other unencumbered assets of the Borrower available to be pledged to Lender (collectively, the “<u>Collateral</u>”); <u>provided, however</u>, that to the extent any of the Collateral shall be subject to an existing security interest or lien, the Lender shall receive pursuant to section 364(c)(3) of the Bankruptcy Code, valid, fully-perfected and enforceable junior security interests in and liens upon all such Collateral, subject only to such prior encumbrances.</p>
<p><u>Carve-Out</u></p> <p>[Fed. R. Bankr. P. 4001(c)(1)(B)]</p> <p>[Local Rule 4001-2(A)(2)(f)]</p>	<p>Usual and customary terms for third-party bank loans to debtors-in-possession.</p>
<p><u>Milestones</u></p> <p>[Fed. R. Bankr. P. 4001(c)(1)(B)(v-vi)]</p>	<p>N/A</p>
<p><u>Joint Liability</u></p> <p>[Local Rule 4001-2(A)(2)(j)]</p>	<p>N/A</p>

MATERIAL TERMS OF MWG BRIDGE LOAN	
<p><u>Stipulations of the Debtors</u></p> <p>[Fed. R. Bankr. P. 4001(c)(1)(B)(iii) and (d)(1)(B)]</p> <p><u>Binding Effect of the Debtors' Stipulations on Third Parties; Investigation Periods</u></p> <p>[Fed. R. Bankr. P. 4001(c)(1)(B)(viii) and (d)(1)(B)]</p> <p>[Local Rule 4001-2(A)(2)(b)]</p>	<p>N/A</p>
<p><u>Limitation on Obligation to Fund Activities of Debtors and Committee</u></p> <p>[Local Rule 4001-2(A)(2)(f)]</p>	<p>N/A</p>
<p><u>Waiver/Modification of Automatic Stay</u></p> <p>[Fed. R. Bankr. P. 4001(c)(1)(B)(iv) and (d)(1)(B)]</p> <p>[Local Rule 4001-2(A)(2)(i)]</p>	<p>Usual and customary for third-party bank loans to debtors-in-possession, including, without limitation, relief from the automatic stay to exercise remedies upon the occurrence of an event of default. <u>See Order ¶ 9.</u></p>
<p><u>Section 506(c) Waiver</u></p> <p>[Fed. R. Bankr. P. 4001(c)(1)(B)(x)]</p> <p>[Local Rule 4001-2(A)(2)(c)]</p>	<p>N/A</p>

III. The Proposed Liens

15. As security for full and timely payment, pursuant to the terms of the MWG Bridge Loan Term Sheet and section 364(c)(2) of the Bankruptcy Code, EME shall receive valid, fully-perfected, and enforceable first priority security interests in, and liens (the "First Priority Liens") upon, all unencumbered assets of MWG, including (a) those certain intercompany notes, dated August 24,

2000, issued by Lender in favor of Borrower, as the same has been or may be amended or modified from time to time; (b) all accounts, instruments, chattel paper, payment intangibles and other accounts receivable or rights to payment arising from the sale of electricity and related products and services or otherwise arising under any electricity sale contract, all supporting obligations in respect thereof and all proceeds and products of any or all of the foregoing; and (c) any other unencumbered assets of MWG available to be pledged to EME (collectively, the “Collateral”).

16. In addition, to the extent any of the Collateral shall be subject to an existing security interest or lien, EME shall receive, pursuant to the terms of the MWG Bridge Loan Term Sheet and section 364(c)(3) of the Bankruptcy Code, valid, fully-perfected and enforceable junior security interests in and liens (the “Junior Liens” and, together with the First Priority Liens, the “Liens”) upon all such Collateral, subject only to such prior encumbrances.

17. Moreover, and consistent with the Cash Management Order, all obligations under the MWG Bridge Loan shall constitute allowed superpriority administrative expense claims (the “Superpriority Claims”) with priority over any and all administrative expenses, diminution claims, and all other claims against MWG, now existing or hereafter arising.

MWG’s Financing Needs

18. Based upon its current projections, MWG will require an additional infusion of cash to maintain adequate liquidity and pay for operating expenses before the closing of the NRG Transaction. Moreover, to the extent the NRG Transaction is not consummated, MWG will need access to liquidity to potentially fund an orderly shutdown of certain of its facilities. In light of the Debtors’ current circumstances, there is no third party that could provide the necessary financing to MWG on terms that are better than the MWG Bridge Loan. Accordingly, MWG has secured the commitment for the MWG Bridge Loan from EME.

19. Moreover, through discussions with the Debtors' advisors and certain EME and MWG creditor constituencies, it became apparent that MWG's existing capital structure foreclosed any opportunities for MWG to access credit without granting the Liens. The Debtors believe that the MWG Bridge Loan is a reasonable and measured step that will permit the Debtors to maximize asset values by providing sufficient liquidity for MWG to consummate the NRG Transaction or to otherwise complete an orderly wind down.

20. Importantly, the financial terms and covenants of the MWG Bridge Loan Term Sheet, including the Liens, are standard for financing of this kind. Because the MWG Bridge Loan proceeds are necessary for the Debtors' restructuring goals, the Debtors believe that sufficient justification exists for MWG to agree to all of the terms of the MWG Bridge Loan Term Sheet, including the granting of the Liens. Accordingly, the Debtors believe that MWG's providing of the Liens pursuant to the MWG Bridge Loan is reasonable under the circumstances.

Basis for Relief

I. MWG Should Be Authorized to Obtain Postpetition Financing on a Senior Secured and Superpriority Basis.

21. Section 364 of the Bankruptcy Code authorizes a debtor to obtain, in certain circumstances, postpetition financing on a secured or superpriority basis, or both. Specifically, section 364(c) of the Bankruptcy Code provides, in pertinent part, that the Court, after notice and a hearing, may authorize a debtor that is unable to obtain credit allowable as an administrative expense under section 503(b)(1) of the Bankruptcy Code to obtain credit or incur debt:

- a. with priority over any or all administrative expenses of the kind specified in section 503(b) or 507(b) of [the Bankruptcy Code];
- b. secured by a lien on property of the estate that is not otherwise subject to a lien; or

- c. secured by a junior lien on property of the estate that is subject to a lien.

11 U.S.C. § 364(c).

22. To satisfy the requirements of section 364(c) of the Bankruptcy Code, a debtor need only demonstrate “by a good faith effort that credit was not available” to the debtor on an unsecured or administrative expense basis. Bray v. Shenandoah Fed. Savs. & Loan Ass’n (In re Snowshoe Co.), 789 F.2d 1085, 1088 (4th Cir. 1986); see also In re Baxco Corp., 148 B.R. 855, 859 (Bankr. N.D. Ill. 1992) (recognizing that section 364(c) of the Bankruptcy Code provides that if the debtor is unable to obtain unsecured financing postpetition, the court may authorize secured credit after notice and a hearing); In re T.M. Sweeney & Sons LTL Servs., Inc., 131 B.R. 984, 989 (Bankr. N.D. Ill. 1991) (under section 364 of the Bankruptcy Code, “where a trustee or debtor in possession cannot otherwise obtain unsecured post-petition credit, [secured] credit may be obtained under certain carefully proscribed conditions”). “The statute imposes no duty to seek credit from every possible lender before concluding that such credit is unavailable.” Snowshoe Co., 789 F.2d at 1088; see also Pearl-Phil GMT (Far East) Ltd. v. Caldor Corp., 266 B.R. 575, 584 (S.D.N.Y. 2001) (superpriority administrative expenses authorized where debtor could not obtain credit as an administrative expense). When few lenders are likely to be able and willing to extend the necessary credit to a debtor, “it would be unrealistic and unnecessary to require [the debtor] to conduct such an exhaustive search for financing.” In re Sky Valley, Inc., 100 B.R. 107, 113 (Bankr. N.D. Ga. 1988), aff’d sub nom. Anchor Savs. Bank FSB v. Sky Valley, Inc., 99 B.R. 117, 120 n. 4 (N.D. Ga. 1989); see also Ames Dep’t Stores, 115 B.R. at 40 (approving financing facility and holding that the debtor made reasonable efforts to satisfy the standards of section 364(c) where it approached four lending institutions, was rejected by two, and selected the most favorable of the two offers it received).

23. As discussed above, the Debtors believe that no other lender could provide the financing required to MWG on an unsecured basis, or otherwise on terms equal to or better than those of the MWG Bridge Loan. The MWG Bridge Loan is, among other things, necessary to cover costs of a potential shutdown of MWG's facilities in the event that the NRG Transaction is not consummated. No third party would be likely to make a loan intended to cover shutdown costs on any basis (secured or unsecured). In addition, MWG's entry into the MWG Bridge Loan and granting of the Liens is reasonable given that the Debtors already have agreement among their major creditor constituents under the Plan Sponsor Agreement that specifically calls for the Debtors to secure the MWG Bridge Loan with the Liens. Finally, in light of this agreement, there is no justification for spending the time or incurring the expense that would be necessary to seek financing from a third party. The Court should therefore authorize MWG to provide EME with the Liens in connection with the MWG Bridge Loan.

II. Modification of the Automatic Stay Is Warranted.

24. The MWG Bridge Loan Term Sheet contemplates that the automatic stay arising under section 362 of the Bankruptcy Code shall be vacated or modified to the extent necessary to permit the Lender to exercise, upon the occurrence of an event of default, remedies against the Borrower without further order of or application to the Court. Pursuant to Local Rule 4001-2(A)(2)(i), the Debtors are required to notify the Court of provisions modifying the automatic stay or terminating use of cash collateral upon an event of default.

25. The Debtors believe that the provisions of the MWG Bridge Loan permitting the Lender to enforce remedies against the Borrower are justified under the circumstances.

26. Stay modification provisions are ordinary features of debtor-in-possession loan facilities and, in the Debtors' business judgment, are reasonable under the circumstances. See, e.g., In re Qualteq, Inc., d/b/a VCT New Jersey, Inc., No. 12-5861 (ERW) (Bankr. N.D. Ill. Oct.

4, 2012); In re Hostess Brands, Inc., No. 12-22052 (RDD) (Bankr. S.D.N.Y. Feb. 3, 2012); In re United Retail Inc., No. 12-10405 (SMB) (Bankr. S.D.N.Y. Feb. 2, 2012); In re MSR Resort Golf Course LLC, No. 11-10372 (Bankr. S.D.N.Y. Jan. 25, 2012).

Waiver of Bankruptcy Rule 6004(a) and 6004(h)

27. To implement the foregoing successfully, the Debtors request that the Court enter an order providing that notice of the relief requested herein satisfies Bankruptcy Rule 6004(a) and that the Debtors have established cause to exclude such relief from the 14-day stay period under Bankruptcy Rule 6004(h).

Notice

28. The Debtors have provided notice of this Motion to: (a) counsel to the Debtors; (b) the Office of the U.S. Trustee for the Northern District of Illinois; (c) members of and counsel to the Creditors' Committee; (d) the indenture trustee for the Debtors' senior unsecured notes; (e) counsel to the ad hoc committee of certain holders of the Debtors' senior unsecured notes; (f) the indenture trustee for the lessor notes related to the Debtors' Powerton generating station in Pekin, Illinois and units 7 and 8 of the Debtors' Joliet generating station and the pass-through trustee for the related pass-through certificates; (g) the lender under Debtor Edison Mission Energy's letter-of-credit facility; (h) the state attorneys general for states in which the Debtors conduct business; (h) United States Attorney for the Northern District of Illinois; (j) the Internal Revenue Service; (k) the Securities and Exchange Commission; (l) the Environmental Protection Agency and similar state environmental agencies for states in which the Debtors conduct business; (m) counsel to NRG Energy, Inc., and (n) those parties who have requested service of papers in this case pursuant to Rule 2002 of the Federal Rules of Bankruptcy Procedure and the *Order Establishing Certain Notice, Case Management and Administrative*

Procedures [Docket No. 128]. In light of the nature of the relief requested herein, the Debtors respectfully submit that no further notice is necessary.

No Prior Request

29. No prior request for the relief sought in this Motion has been made to this or any other court.

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WHEREFORE, the Debtors respectfully request that the Court enter the Order, substantially in the form attached hereto as **Exhibit A**, granting the relief requested herein and such other and further relief as the Court deems appropriate.

Dated: October 23, 2013

/s/ David R. Seligman, P.C.

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and Conflicts Counsel to the other Debtors
and Debtors in Possession*

Exhibit A

Proposed Order

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
Eastern Division

In Re:) BK No.: 12-49219
EDISON MISSION ENERGY, et al.,) (Jointly Administered)
) Chapter: 11
) Honorable Jacqueline Cox
)
)
Debtor(s))

Re: Docket No. _____

**ORDER (A) AUTHORIZING MIDWEST GENERATION, LLC
TO GRANT FIRST PRIORITY LIENS ON UNENCUMBERED ASSETS AND
SECOND PRIORITY LIENS ON ENCUMBERED ASSETS, IN CONNECTION WITH
THE MWG BRIDGE LOAN, AND (B) GRANTING RELATED RELIEF**

Upon the motion (the “Motion”) of the above-captioned debtors and debtors in possession (collectively, the “Debtors”) for entry of an order (this “Order”), (a) authorizing Debtor Midwest Generation, LLC (“MWG” or “Borrower”) to grant (i) first priority liens on unencumbered assets and (ii) second priority liens on encumbered assets, each to secure the MWG Bridge Loan; and (b) granting related relief, all as more fully set forth in the Motion; and the Court having found that the relief requested in the Motion 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 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, THE COURT HEREBY FINDS AND CONCLUDES AS FOLLOWS:

A. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157(b) and 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.

B. The Debtors have provided notice of the Motion and Hearing by facsimile, electronic mail, or overnight mail to: (i) counsel to the Debtors; (ii) the Office of the U.S. Trustee for the Northern District of Illinois; (iii) members of and counsel to the official committee of unsecured creditors appointed in these chapter 11 cases; (iv) the indenture trustee for the Debtors’ senior unsecured notes; (v) counsel to the ad hoc committee of certain holders of the Debtors’ senior unsecured notes; (vi) the indenture trustee for the lessor notes related to the Debtors’ Powerton generating station in Pekin, Illinois and units 7 and 8 of the Debtors’ Joliet generating station and the pass-through trustee for the related pass through certificates; (vii) the lender under Debtor Edison Mission Energy’s letter of credit facility; (viii) the state attorneys general for states in which the Debtors conduct business; (ix) United States Attorney for the Northern District of Illinois; (x) the Internal Revenue Service; (xi) the Securities and Exchange Commission; (xii) the Environmental Protection Agency and similar state environmental agencies for states in which the Debtors conduct business; (xiii) counsel to NRG Energy, Inc., and (xiv) those parties who have requested service of papers in this case pursuant to Rule 2002 of the Federal Rules of Bankruptcy Procedure and the Order Establishing Certain Notice, Case Management and Administrative Procedures [Docket No. 128]. The Court concludes that the foregoing notice was

sufficient and adequate under the circumstances and complies with Bankruptcy Rule 4001 in all respects.

C. MWG has a critical need to obtain postpetition financing under the MWG Bridge Loan in order to operate MWG's businesses with appropriate liquidity.

D. The Debtors are unable to obtain (1) adequate unsecured credit allowable either under (a) sections 364(b) and 503(b)(1) of the Bankruptcy Code or (b) section 364(c)(1) of the Bankruptcy Code, or (2) adequate credit secured either by (x) a senior lien on unencumbered assets of the Debtors' estates under section 364(c)(2) of the Bankruptcy Code or (y) a junior lien on encumbered assets of the Debtors' estates under section 364(c)(3) of the Bankruptcy Code from sources other than the Lender on terms more favorable than the terms of the MWG Bridge Loan.

E. Good cause has been shown for immediate entry of this Order. Entry of this Order is in the best interest of the Debtors, their estates, and creditors.

F. Based on the foregoing, and upon the record made before this Court at the Hearing, and good and sufficient cause appearing therefore,

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED THAT:

1. The Motion is approved on the terms and conditions set forth in this Order. Any objections to the Motion that have not previously been withdrawn or resolved are hereby overruled on the merits. This Order shall become effective and binding upon all parties in interest immediately upon its entry. To the extent of conflict between the terms of the MWG Bridge Loan Term Sheet and this Order, this Order shall control.

2. The Debtors are hereby authorized, pursuant to the Cash Management Order and the Plan Sponsor Agreement, to cause MWG and EME to enter into the MWG Bridge Loan, as set forth in the MWG Bridge Loan Term Sheet attached hereto as Exhibit 1, in accordance with the terms and conditions of this Order, and to prepare definitive documentation consistent with the MWG Bridge Loan Term Sheet and this Order.

3. Except as specifically excluded by the terms of the MWG Bridge Loan Term Sheet, as security for full and timely payment, the Lender is hereby granted, pursuant to section 364(c)(2) of the Bankruptcy Code valid, fully-perfected, and enforceable first priority security interests in, and liens (the "First Priority Liens") upon, all unencumbered assets of the Borrower, including (a) those certain intercompany notes, dated August 24, 2000, issued by Lender in favor of Borrower, as the same has been or may be amended or modified from time to time; (b) all accounts, instruments, chattel paper, payment intangibles and other accounts receivable or rights to payment arising from the sale of electricity and related products and services or otherwise arising under any electricity sale contract, all supporting obligations in respect thereof and all proceeds and products of any or all of the foregoing; and (c) any other unencumbered assets of the Borrower available to be pledged to Lender (collectively, the "Collateral"); provided, however, that to the extent any of the Collateral shall be subject to an existing security interest or lien, the Lender shall receive pursuant to section 364(c)(3) of the Bankruptcy Code, valid, fully-perfected and enforceable junior security interests in and liens (the "Junior Liens" and, together with the First Priority Liens, the "Liens") upon all such Collateral, subject only to such prior encumbrances.

4. The Liens shall not be subject to challenge and shall attach and become valid, perfected, enforceable, non-avoidable, and effective by operation of law as of the date hereof without any further action by the Debtors, and without the necessity of execution by the Debtors, or the filing or recordation of any financing statements, security agreements, vehicle lien applications, mortgages, fixture filings, filings with the U.S. Patent and Trademark Office or U.S. Copyright Office, or other documents. All Collateral shall be free and clear of other liens, claims and encumbrances, except the liens permitted pursuant to the terms of the MWG Bridge Loan Term Sheet. If the Lender hereafter requests that the Borrower execute and/or deliver to the Lender any financing statements, security agreements, collateral assignments, mortgages, fixture filings, or other instruments and documents considered by the Lender to be reasonably necessary to further evidence the perfection of the Liens, the Borrower is hereby authorized to execute and/or deliver such financing statements, security agreements, mortgages, fixture filings, collateral assignments, instruments, and documents, and the Lender is hereby authorized to file or record such documents in its reasonable discretion, in which event all such documents shall be deemed to have been filed or recorded at the time and on the date of entry of this Order.

5. In addition to the Liens and security interests granted to the Lender pursuant to this Order, pursuant to section 364(c)(1) of the Bankruptcy Code, all obligations under the MWG Bridge Loan shall constitute allowed superpriority administrative expense claims (the "Superpriority Claims") with priority over any and all administrative expenses, diminution claims, and all other claims against the Borrower, now existing or hereafter arising, of any kind whatsoever, including, without limitation, all administrative expenses or other claims arising under sections 105, 326, 328, 330, 331, 503(b), 506(c), 507(a), 507(b), or 726, or any other provisions of the Bankruptcy Code, which Superpriority Claims shall be payable from and have recourse to all pre- and postpetition property of the Borrower and all proceeds thereof.

6. Except as agreed by the Lender, none of the Liens shall be (a) subject or subordinated to, or made pari passu with, any lien that is avoided and preserved for the benefit of the Debtors' estates under section 551 of the Bankruptcy Code, or (b) except as otherwise provided by this Order or the MWG Bridge Loan Term Sheet, subject or subordinated to, or made, pari passu with, any other lien or security interest, whether under sections 363 or 364 of the Bankruptcy Code.

7. The provisions of this Order shall be binding upon and inure to the benefit of the the Debtors, and their respective successors and permitted assigns. The provisions of this Order and any actions taken pursuant thereto: (a) shall survive the entry of any order (i) confirming any plan of reorganization in these chapter 11 cases, (ii) converting the chapter 11 cases to cases under chapter 7 of the Bankruptcy Code, or (iii) dismissing the chapter 11 cases; and (b) shall continue in full force and effect notwithstanding the entry of any such order, and the claims, Liens, and security interests granted pursuant to this Order shall maintain their priority as provided by this Order until all of the obligations under the MWG Bridge Loan are paid in full (other than contingent obligations not yet due and owing) and discharged in accordance with the terms of the MWG Bridge Loan Term Sheet and this Order.

8. If any or all of the provisions of this Order are hereafter reversed, modified, vacated, or stayed, such reversal, modification, vacatur, or stay shall not affect: (a) the validity of any obligations incurred prior to the actual receipt by the Lender of written notice of the effective date of such reversal, modification, vacatur, or stay; or (b) the validity or enforceability of any claim, Lien, security interest, or priority authorized or created hereby or pursuant to the MWG Bridge Loan Term Sheet with respect to any obligations under the MWG Bridge Loan. Notwithstanding any such reversal, modification, vacatur, or stay, the incurrence of obligations under the MWG Bridge Loan by the Borrower prior to the actual receipt by the Lender of written notice of the effective date of such reversal, modification,

vacatur, or stay, shall be governed in all respects by the provisions of this Order, and the Lender shall be entitled to all of the rights, remedies, protections, and benefits granted under section 364(e) of the Bankruptcy Code, this Order, and the MWG Bridge Loan Term Sheet with respect to the incurrence of the obligations under the MWG Bridge Loan by the Borrower.

9. The automatic stay provisions of section 362 of the Bankruptcy Code are hereby vacated and modified to the extent necessary to permit the Lender to exercise its rights under the MWG Bridge Loan Term Sheet upon the occurrence and during the continuation of any default under the terms of the MWG Bridge Loan.

10. To the extent applicable, Local Rule 4001-2(A)(4) is hereby deemed satisfied.

11. This Order shall constitute the findings of fact and conclusions of law and shall take effect immediately upon execution hereof. There is no just reason to delay enforcement or appeal of this Order.

Enter:

Dated:

United States Bankruptcy Judge

Prepared by:

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Counsel to Debtor Camino Energy Company
and Conflicts Counsel to the other Debtors
and Debtors in Possession

Exhibit 1

MWG Bridge Loan Term Sheet

Summary of Terms and Conditions of MWG Bridge Loan

This Summary of Terms and Conditions (“Summary”) outlines certain terms and conditions of a loan facility (the “Loan Facility”) between Midwest Generation, LLC (“Borrower”) and Edison Mission Energy (“Lender”).

Recitals:

WHEREAS, on December 17, 2012, the Borrower and Lender filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code in the United States Bankruptcy Court for the Northern District of Illinois (“Court”). Subsequently on December 18, 2012, the Court authorized, the Borrower to continue operating in the ordinary course of business, which included generating electricity from the Borrower’s coal fired power generation facilities (the “Coal Facilities”).

WHEREAS, the Borrower and the Lender have entered into a binding Plan Support Agreement (the “Plan Support Agreement”) with NRG Energy, Inc. (“NRG”) and others providing for a consensual transaction, which, if completed, will result in NRG acquiring all of the assets of the Borrower, including the Coal Facilities (“Transaction”).

WHEREAS, the Borrower desires to obtain the Loan Facility to fund its operations during the period between the date of the Plan Support Agreement and the closing of the Transaction and to ensure that the Borrower has, if necessary, sufficient funds to implement a shutdown of some or all of the Coal Facilities if the Transaction is not consummated (the “Shutdown”).

Loan Facility:

Delayed-draw term loan facility.

Use of Proceeds:

For general corporate purposes including: (i) to fund operating expenses (including capital expenditures) prior to the closing of the Transaction; and (ii) to the Borrower to implement the Shutdown.

Commitment:

\$60 million; provided, however, that the foregoing shall be subject to upward adjustments on a dollar-for-dollar basis to the extent of the Borrower’s forbearance payments in respect of its obligations associated with the leveraged leases of its Powerton and Joliet Coal Facilities (i.e., \$3.75 million per month from January 2014 through June 2014, totaling \$22.5 million in the aggregate (as so adjusted, the “Commitment”).

Commitment Fee:

5% of the Commitment.

Interest Rate:

10% per annum

Conditions to Draw:

The Borrower may not draw funds under the Loan Facility prior to March 1, 2014 unless there is a Shutdown before such date without the consent of the Required Supporting Noteholders and

the Committee. The Borrower may draw funds from the Loan Facility solely (i) in \$10 million increments; (ii) upon the Borrower's cash balance falling below \$20 million; and (iii) to the extent necessary to restore the Borrower's cash balance to \$20 million.

Prepayment Obligations:

To the extent the Borrower's cash balance exceeds \$22 million, the Borrower shall repay such excess borrowed funds to the Lenders, provided that all amounts repaid may be reborrowed subject to the foregoing Conditions to Draw.

Maturity:

The earlier of (i) the effective date of a plan of reorganization with respect to Borrower; and (ii) July 31, 2014.

Security:

To secure the obligations of the Borrower under the Loan Facility, the Lender shall receive, pursuant to section 364(c)(2) of the Bankruptcy Code and through the order approving the Loan Facility (effective upon the date of such order, without the necessity of the execution by the Lender or the Borrower or the filing or recordation of mortgages, security agreements, lockbox or control agreements, financing statements, or any other instruments or otherwise by the Lender or the Borrower) valid, fully-perfected and enforceable first priority security interests in, and liens upon, all unencumbered assets of the Borrower, including (A) those certain intercompany notes, dated August 24, 2000, issued by Lender in favor of Borrower, as the same has been or may be amended or modified from time to time; (B) all accounts, instruments, chattel paper, payment intangibles and other accounts receivable or rights to payment arising from the sale of electricity and related products and services or otherwise arising under any electricity sale contract, all supporting obligations in respect thereof and all proceeds and products of any or all of the foregoing; and (C) any other unencumbered assets of the Borrower available to be pledged to Lender (collectively, the "Collateral"); provided, however, that to the extent any of the Collateral shall be subject to an existing security interest or lien, the Lender shall receive pursuant to section 364(c)(3) of the Bankruptcy Code, valid, fully-perfected and enforceable junior security interests in and liens upon all such Collateral, subject only to such prior encumbrances.

**Superpriority Administrative
Expense Claim:**

The obligations of the Borrower under the Loan Facility shall constitute, in accordance with section 364(c)(1) of the Bankruptcy Code, a superpriority administrative claim having priority over all administrative expenses of the kind specified in sections 503(b) or 507(b) of the Bankruptcy Code (including, without limitation, any such claims under the Final Order Granting Motion to Authorize to (A) Continue Using Cash Management System; (B) Maintain Existing Bank Accounts and Business Forms; (C) Maintain Existing Investment Practices;

(D) Continue Intercompany Transactions; and (E) Grant Superpriority Administrative Expense Status to Postpetition Intercompany Payments (Docket #768), and over any and all administrative expenses or other claims arising under sections 105, 326, 328, 330, 331, 503(b), 506(c), 507(a), 507(b), 726, 1113 or 1114 of the Bankruptcy Code.

Court Approval:

The Loan Facility shall be subject to entry of an order of the Bankruptcy Court on or before November 8.

Other Terms:

Usual and customary for third-party bank loans to debtors-in-possession, including, without limitation, relief from the automatic stay to exercise remedies upon the occurrence of an event of default, and estate professional carve-outs.

The foregoing is intended to summarize certain terms and conditions of the Loan Facility. It is not intended to be a definitive list of all of the requirements of the Borrower in connection with the Loan Facility.