

Southern Montana Electric G&T Cooperative, Inc.
Accounting Update - July 18, 2014

Page 2-3 Summary of Cash Inflows/Outflows on the Effective Date (June 27, 2014)

The actual cash balance in the General Operating Account after all payments were made was \$1,563,249.63.

Any payments made on behalf of the HGS Trust after the effective date will be reimbursed. We are working to transition most accounts to the Trust, but there are a few which will have to remain in Southern's name.

Page 4 Summary of Cash Position for June 28-July 31, 2014

Includes actual figures thru July 18th and projections for July 19th-July 31st

Please note that we are currently working with the accounting firm, Hein & Associates on the accounting entries and adjustments related to the reorganization plan. We will provide draft financial statements once they have been completed.

Please let us know if you need any further information or have any questions in the interim.

**SOUTHERN MONTANA ELECTRIC GENERATION AND TRANSMISSION
COOPERATIVE, INC. - EFFECTIVE DATE: JUNE 27, 2014**

(US \$'s)

BEGINNING CASH BALANCE		5,492,409.56
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EFFECTIVE DATE CASH INFLOWS		
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NorthWestern Energy - Partial Return of Deposit		420,000.00
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EFFECTIVE DATE PAYMENTS		
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NorthWestern Energy - Partial Return of Deposit to Noteholders	(420,000.00)	
Construction Lienholders		
Corval Constructors, Inc.	(117,324.28)	
Falls Construction Company	(46,579.26)	
The Energy Corporation	(125,240.08)	
Yellowstone Electric Company	(43,769.23)	
Land Supply, Inc.	(41,977.71)	
Thermal Mechanical Insulation, LLC	(7,308.82)	
Grass Man Tractor Services	(4,792.28)	
EPC Services Company	(438,008.34)	
ATCO Structures & Logistics, LTD	(55,005.00)	1
Subtotal - Construction Lienholders	<u>(880,005.00)</u>	
Priority Tax Claims		
Cascade County Treasurer (total with penalties/interest)	(212,474.02)	
Priority Claims		
Employee Accrued Vacation - Earned Prepetition	(11,725.00)	
Contract Cure Amounts		
NorthWestern Energy	(73,313.01)	
HGS Trust	(1,000,000.00)	
Per Stipulation - PPL EnergyPlus, LLC	(400,000.00)	
Per Stipulation - Unsecured Creditor's Committee	(300,000.00)	
Deferred Adequate Protection Payment	(600,000.01)	2
Professional Fees (Noteholder's Professionals)		3
Bingham McCutchen LLP	(185,238.91)	
Alvarez and Marsal	(228,861.48)	
Church, Harris, Johnson & Williams, P.C.	(10,606.00)	
Van Ness Feldman	(9,384.50)	
U.S. Bank National Association	(17,552.00)	
Subtotal - Professional Fees (Noteholder's Professionals)	<u>(451,642.89)</u>	
TOTAL EFFECTIVE DATE PAYMENTS (BEFORE RESERVES)		<u>(4,349,159.93)</u>
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ACTUAL BALANCE IN GENERAL OPERATING ACCOUNT		<u>1,563,249.63</u>

Reserve - Court Approved Professional Fees	4	
Goodrich Law Firm, P.C.		(111,765.07)
McGuireWoods LLP		(222,364.42)
Dye and Moe, P.L.L.P.		(58,693.22)
Katten and Temple LLP		(70,000.00)
Hein & Associates LLP		(11,008.00)
Subtotal - Court Approved Professional Fees		<u>(473,830.71)</u>
 Reserve - Working Capital		
Minimum Reserve		<u>(1,000,000.00)</u>
 Total - Reserve Payments		 <u>(1,473,830.71)</u>
 ENDING CASH BALANCE NET OF INTERNAL RESERVES	 5	 <u><u>89,418.92</u></u>

1 Funds will be set aside in a separate checking account until it is determined whether or not a payment will be required to be made to ATCO

2 Adequate Protection Payment may be reduced to reflect an amount necessary to holdback for operations

3 Represents budgeted amount for June Fees/Expenses. This will be adjusted to reflect either up-to-date estimates or actual billing information

4 Represents budgeted professional fees that will require final court approval prior to payment

5 Ending Balance Cash Balance on this schedule takes into account two internal reserves made on the effective date. These reserves were not transferred from the account and the actual balance in the checking account on June 27, 2014 was \$1,563,249.63.

SOUTHERN MONTANA ELECTRIC GENERATION AND TRANSMISSION COOPERATIVE, INC.

Week Ending (US \$'s)	<u>7/4/14</u> Actual	<u>7/11/14</u> Actual	<u>7/18/14</u> Actual	<u>7/25/14</u> Projected	<u>7/31/14</u> Projected	<u>Monthly Total</u> Projected
Beginning Cash Balance	\$ 1,563,250	\$ 1,492,926	\$ 1,476,414	\$ 993,237	\$ 1,698,093	\$ 1,563,250
Collections (June Power)						
Beartooth	\$ -	\$ -	\$ -	\$ 329,852	\$ -	\$ 329,852
Fergus	-	-	-	1,276,207	-	1,276,207
Mid-Yellowstone	-	-	-	168,813	-	168,813
Tongue River	-	-	-	376,766	-	376,766
Other Collections	-	-	-	-	-	-
Reimbursements from HGS Holding Trust	-	-	68,948	-	-	68,948
Total Collections	\$ -	\$ -	\$ 68,948	\$ 2,151,638	\$ -	\$ 2,220,586
Operating Disbursements						
Energy Provider (August Prepayment)	-	-	-	(1,427,734)	-	(1,427,734)
NorthWestern Energy (Trans)	-	-	(225,061)	-	-	(225,061)
NorthWestern Energy (Imbalance)	-	-	17,282	-	-	17,282
Western Area Power Administration	-	-	(211,885)	-	-	(211,885)
Metering Telephone	-	(1,204)	-	-	-	(1,204)
Operating Disbursements	\$ -	\$ (1,204)	\$ (419,663)	\$ (1,427,734)	\$ -	\$ (1,848,601)
Corporate Disbursements						
Payroll (includes tax & benefits)	(39,964)	-	(2,421)	-	(29,380)	(71,765)
Rent	(1,475)	-	(160)	-	(1,475)	(3,110)
Telephone	(306)	(246)	-	-	-	(552)
Office Supplies & Utilities	-	(429)	(91)	-	-	(520)
Regulatory, Bank & Other Fees	(122)	-	-	(48)	-	(170)
Professional Fees - Legal	-	-	(79,258)	-	(263,189)	(342,447)
Professional Fees - Compliance	-	(756)	-	-	-	(756)
Professional Fees - Audit	-	-	-	-	-	-
Professional Fees - Accounting	-	-	-	-	-	-
Professional Fees - ACES/Pwr Mkting	-	-	-	(19,000)	-	(19,000)
Board Expenses	-	-	-	-	-	-
Staff Travel	-	-	-	-	-	-
Dues & Subscriptions	(26,612)	-	-	-	(5,425)	(32,037)
Corporate Disbursements	\$ (68,478)	\$ (1,431)	\$ (81,931)	\$ (19,048)	\$ (299,469)	\$ (470,356)
Net Cash Flow From Operations	\$ (68,478)	\$ (2,635)	\$ (432,646)	\$ 704,856	\$ (299,469)	\$ (98,372)
Other Disbursements						
Minimum Payments to Noteholders	-	-	-	-	(212,738)	(212,738)
Interest Payments to Noteholders	-	-	-	-	(72,188)	(72,188)
Interest Payment on Deposit	-	-	-	-	-	-
Designated Fund for Construction Pymts	-	-	-	-	-	-
Payments to Construction Lienholders	-	-	-	-	-	-
Payments to U.S. Trustee	-	-	(13,000)	-	-	(13,000)
Professional Fees (Noteholders)	-	(1,222)	-	-	-	(1,222)
HGS Pymts (accrued prior to effective date)	-	(7,691)	(34,946)	-	-	(42,636)
Pymts on behalf of HGS Holding Trust*	(1,846)	(4,964)	(2,607)	-	-	(9,418)
Funds Transfer (UCC Funds held)	-	-	300,000	-	-	300,000
Distributions to Unsecured Creditors	-	-	(299,978)	-	-	(299,978)
Net Cash Flow After Other Disbursements	(70,324)	(16,511)	(483,177)	704,856	(584,394)	(449,551)
Ending Cash	\$ 1,492,926	\$ 1,476,414	\$ 993,237	\$ 1,698,093	\$ 1,113,699	\$ 1,113,699

*Will be reimbursed

Projected to be Swept to Noteholders

113,699