

1 MALCOLM H. GOODRICH  
2 MAGGIE W. STEIN  
3 GOODRICH LAW FIRM, P.C.  
4 2619 ST. JOHNS, AVENUE, SUITE F  
5 P. O. BOX 1899  
6 BILLINGS, MT 59103-1899  
7 TELEPHONE: (406) 256-3663  
8 FAX: (406) 256-3660  
9 Bar No. 2551  
10 Bar No. 8149

11 ATTORNEYS FOR DEBTORS

12 IN THE UNITED STATES BANKRUPTCY COURT  
13 FOR THE DISTRICT OF MONTANA

14 IN RE: ) Case No.: 11-62031-11  
15 )  
16 SOUTHERN MONTANA ELECTRIC ) **STATUS REPORT OF DEBTOR TO**  
17 GENERATION AND TRANSMISSION ) **COURT IN RESPONSE TO ORDER OF**  
18 COOPERATIVE, INC., ) **FEBRUARY 26, 2014.**  
19 )  
20 Debtor. )

21 \_\_\_\_\_  
22 The Debtor hereby gives its status report to the Court, pursuant to the Court's order of  
23 February 26, 2014, regarding pending matters in the main case:

24 1. The Debtor, the member cooperatives and the secured creditors commonly  
25 referenced as the "Noteholders" (The Prudential Insurance Company of America, Universal  
26 Prudential Arizona Reinsurance Company, Prudential Investment Management, Inc. as  
successor-in-interest to Forethought Life Insurance Company, and Modern Woodmen of  
America) have mediated to agreement their various disputes and matters, including pending  
motions, plans and disclosure statements filed by the parties, the adversary proceedings

1 pending between the parties and the treatment to be accorded to the Noteholders within the  
2 Debtor's bankruptcy. At present, the parties continue to refine their agreement in writing, the  
3 terms of which are complex and which have required substantial reflection and further  
4 discussion by all parties to ensure that they are completed accurately and appropriately. It  
5 appears that the parties are within a few days, hopefully by no later than the end of this week,  
6 based upon current knowledge, of completing that task. Until such time as that agreement is  
7 signed, which is a product of the mediation process and is denoted as the "Term Sheet" by  
8 mediator Leif Clark, the situation remains in mediation and the terms of that Term Sheet are  
9 confidential. Once the Term Sheet is executed by all parties, then its terms will be  
10 implemented by appropriate pleadings placed before the Court and other parties for review.  
11 The Debtor believes that this agreement will allow this case to move forward to a conclusion  
12 in reasonably prompt fashion.  
13

14  
15 2. The Debtor is to respond to the pending adversary matter involving PPL  
16 Energy Plus, LLC (13-00047), which generally concerns allegations of preferences and  
17 equitable subordination, on or before March 21, 2014 and it intends to do so. The Debtor has  
18 discussed the potential for resolution of this situation with counsel for PPL, which is willing  
19 to discuss resolution, but the Debtor has been required to defer from serious negotiation for  
20 potential resolution until the outcome of the confidential mediation process with the  
21 Noteholders can be made public.  
22

23 3. The Debtor is to respond to the administrative claim made by Energy West  
24 Montana in the main case on or before March 21, 2014 and it intends to do so. The Debtor  
25 has discussed the potential for resolution of this situation with counsel for Energy West,  
26

1 which appears receptive to discussions for resolution, but the Debtor has been required to  
2 defer from serious negotiation for potential resolution until the outcome of the confidential  
3 mediation process with the Noteholders can be made public.

4 4. The Debtor believes that other adversary proceeding matters not addressed in  
5 this status report are subject to existing status reports or are currently scheduled for report at  
6 later date.  
7

8 WHEREFORE, the Debtor submits it status report.

9 Dated this 10th day of March, 2014.

10 GOODRICH LAW FIRM PC

11 *By /s/ Malcolm Goodrich*  
12 MALCOLM GOODRICH  
13 Attorney for Debtor

14  
15 CERTIFICATE OF SERVICE

16 The undersigned hereby certifies under penalty of perjury that on March 10, 2014 a  
17 copy of the foregoing pleading was served by electronic means, pursuant to LBR 7005-1  
18 9013-1(c) and 9036-1 on the parties noted in the Court's ECF transmission facilities.

19 GOODRICH LAW FIRM, P.C.

20 */s/ Malcolm Goodrich*  
21 Malcolm H. Goodrich  
22  
23  
24  
25  
26