

Malcolm H. Goodrich  
Maggie W. Stern  
GOODRICH LAW FIRM, P.C.  
2619 St. Johns Avenue, Suite F  
P.O. Box 1899  
Billings, MT 59103-3663  
Telephone: (406) 256-3663  
Fax: (406) 256-3660  
Bar No. 2551  
Bar No. 8149

*Counsel for Debtor*

Steven M. Johnson  
CHURCH, HARRIS, JOHNSON & WILLIAMS, P.C.  
114 Third Street South  
P.O. Box 1645  
Great Falls, MT 59403  
Telephone: 406.761.3000  
Fax: 406.453.2313  
E-mail: [sjohnson@chjw.com](mailto:sjohnson@chjw.com)

Jonathan B. Alter  
BINGHAM McCUTCHEN LLP  
One State Street  
Hartford, CT 06103-3178  
Telephone: 860.240.2700  
Fax: 860.240.2800  
E-mail: [jonathan.alter@bingham.com](mailto:jonathan.alter@bingham.com)

*Counsel for the Noteholders*

UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF MONTANA

|                             |   |                      |
|-----------------------------|---|----------------------|
| In re                       | ) |                      |
|                             | ) |                      |
| SOUTHERN MONTANA ELECTRIC   | ) |                      |
| GENERATION AND TRANSMISSION | ) | Case No. 11-62031-11 |
| COOPERATIVE, INC.           | ) |                      |
|                             | ) |                      |
| Debtor.                     | ) |                      |
|                             | ) |                      |

---

**STIPULATION FOR EXTENSION OF FINAL ORDER (I) AUTHORIZING USE OF CASH COLLATERAL PURSUANT TO SECTION 363 OF THE BANKRUPTCY CODE AND (II) PROVIDING ADEQUATE PROTECTION TO PREPETITION SECURED PARTIES PURSUANT TO SECTIONS 105, 361, 362, 363 AND 507 OF THE BANKRUPTCY CODE, AND APPROVAL OF SUPPLEMENTAL APPROVED BUDGET**

---

1. Come now Southern Montana Electric Generation and Transmission Cooperative, Inc. (the “**Debtor**”), successor in interest to Lee A. Freeman, the former duly-appointed Chapter 11 trustee for Southern Montana Electric Generation and Transmission Cooperative, Inc. (the “**Trustee**”), and certain holders consisting of The Prudential Insurance Company of America, Universal Prudential Arizona Reinsurance Company, Prudential Investment Management, Inc., as successor in interest to Forethought Life Insurance Company, and Modern Woodmen of America (collectively, the “**Noteholders**”) and for their Stipulation for Extension of Final Order (I) Authorizing Use of Cash Collateral Pursuant to Section 363 of the Bankruptcy Code, and (II) Providing Adequate Protection to Prepetition Secured Parties, and Approval of Supplemental Approved Budget (the “**Stipulation**”) state as follows:

2. On October 21, 2011, the Debtor commenced its Chapter 11 case by filing a voluntary petition for relief. On November 29, 2011, upon motion by the Office of the U.S. Trustee, the Court appointed the Trustee. This Court has jurisdiction over the Chapter 11 Case, the parties, and the Debtor’s property pursuant to 28 U.S.C. §§157(b)(2)(M) and 1334. This is a core proceeding pursuant to 28 U.S.C. §157(b)(2)(M). Venue for the Chapter 11 Case and the Motion is proper under 28 U.S.C. §§ 1408 and 1409. An official committee of unsecured creditors (the “**Committee**”) was appointed in the Chapter 11 Case by the U.S. Trustee on November 28, 2011.

3. On May 2, 2012, this Court entered that certain Final Order (I) Authorizing Use of Cash Collateral Pursuant to Section 363 of the Bankruptcy Code and (II) Providing Adequate Assurance to Prepetition Secured Parties Pursuant to Sections 105, 361, 362, 363 and 507 of the Bankruptcy Code (the “**Final Order**”) (Docket No. 413). Pursuant to the terms of the Final Order, the Trustee and the Noteholders may agree on a supplemental budget and on an extension of the consensual use of cash collateral beyond the Termination Date, as contemplated by the Final Order. Final Order, paragraph 3(a).

4. On October 30, 2012, this Court approved the Chapter 11 Trustee’s Motion for Approval of Stipulation for Extension of Final Cash Collateral Order and Supplemental Budget, filed October 10, 2012 (Docket No. 582), including approving the stipulation and supplemental budget associated therewith.

5. On February 19, 2013, this Court approved the Chapter 11 Trustee’s Motion for Approval of Stipulation for Extension of Final Cash Collateral Order and Supplemental Budget, filed January 29, 2013 (Docket No. 690), including approving the stipulation and supplemental budget associated therewith.

6. On May 15, 2013, this Court approved the Chapter 11 Trustee’s Motion for Approval of Stipulation for Extension of Final Cash Collateral Order and Supplemental Budget, filed April 25, 2013 (Docket No. 847), including approving the stipulation and supplemental budget associated therewith.

7. On August 14, 2013, the Court approved the Chapter 11 Trustee’s Motion for Approval of Stipulation for Extension of Final Cash Collateral Order and Supplemental Budget, filed August 13, 2013 (Docket No. 988), including approving the stipulation and supplemental budget associated therewith.

8. On October 21, 2013, a motion was filed to terminate the appointment of the Trustee (Docket No. 1101), and on November 26, 2013, the motion was granted by Order of the Court (Docket No. 1160).

9. By this Stipulation, the Debtor and the Noteholders hereby agree that (i) the reference in paragraph 5(a)(i) of the Final Order is modified on a prospective basis to provide for a date of February 28, 2014; (ii) the applicable Approved Budget associated with the Final Order shall be hereafter replaced on a prospective basis with the Supplemental Budget attached hereto as Exhibit A and made a part hereof and (iii) the reference in paragraph 7(c) to the amount of the Monthly Payment shall be amended to reflect that as of January 1, 2014, the cash component shall be adjusted from \$1,040,774 to \$780,000.00. All other terms and conditions of the Final Order shall remain the same and unaffected. Nothing contained herein shall impair or affect the finality of the Final Order.

10. The parties hereby stipulate and agree that the immediate approval of this Stipulation and the modification sought to be effected hereby to the Final Order are necessary because the Debtor continues to have an immediate and critical need to use the Cash Collateral (as defined within the Final Order) to operate the business and potentially to effectuate a reorganization of the Debtor's business, which use will be in accordance with the terms of the Stipulation and the Final Order and subject to the Supplemental Budget. Without the use of the Cash Collateral, the Debtor risks having insufficient liquidity to be able to continue to operate the Debtor's business and potentially pursue reorganization efforts.

//

Dated: December 30, 2013.

GOODRICH LAW FIRM, P.C.

/s/ Malcolm H. Goodrich  
Malcolm H. Goodrich  
Maggie W. Stein  
2619 St. Johns Avenue, Suite F  
P.O. Box 1899  
Billings, MT 59103-1899  
Telephone: (406) 256-3663  
Fax: (406) 256-3660  
Bar. No. 2551  
Bar No. 8149

*Counsel for Debtor*

-and-

/s/ Jonathan B. Alter  
Jonathan B. Alter (*Admitted pro hac vice*)  
Bingham McCutchen LLP  
One State Street  
Hartford, CT 06103  
Telephone: (860) 240-2969  
Fax: (860) 240-2800  
E-mail: [jonathan.alter@bingham.com](mailto:jonathan.alter@bingham.com)

/s/Steven M. Johnson  
Steven M. Johnson  
CHURCH, HARRIS, JOHNSON &  
WILLIAMS, P.C.  
114 Third Street South  
P.O. Box 1645  
Great Falls, MT 59403  
Telephone: 406.761.3000  
E-mail: [sjohnson@chjw.com](mailto:sjohnson@chjw.com)

*Counsel for the Noteholders*

**CERTIFICATE OF SERVICE**

I, the undersigned, certify under penalty of perjury that, in accordance with the Trustee's Limited Notice List, on December 30, 2013, or as soon as possible thereafter, copies of the foregoing were served electronically by the Court's ECF notice to all persons/entities requesting special notice or otherwise entitled to the same and that in addition service by mailing a true and correct copy, first class mail, postage prepaid, was made to the following persons/entities:

PPL EnergyPlus, LLC  
2 North Ninth Street  
Allentown, PA 18101

NorthWestern Energy  
40 E. Broadway St.  
Butte, MT 59701-9394

LS Jensen Construction  
4685 Mullan Road  
Missoula, MT 59808

Stanley Consultants  
8000 S. Chester St.  
Centennial, CO 80112

Electrical Consultants, Inc.  
3521 Gabel Road, Ste. 2  
Billings, MT 59102

Corval Group  
1633 Eustis Street  
Saint Paul, MN 55108

Falls Construction Company  
1001 River Drive North  
Great Falls, MT 59401

First Interstate Bank  
PO Box 5010  
Great Falls, MT 59403-5010

Grassman Tractor Service  
512 51st Street South  
Great Falls, MT 59405

Modern Woodmen of America  
Attn: Investment Department  
1701 First Avenue  
Rock Island, IL 61201

National Rural Utilities Co-op Fin.  
20701 Cooperative Way  
Dulles, VA 20166

Prudential Capital Group  
2200 Ross Avenue, Suite 4200E  
Dallas, TX 75201

Yellowstone Electric Company  
1919 4th Avenue North  
Billings, MT 59101

By: /s/ Steven M. Johnson  
Steven M. Johnson

**EXHIBIT A**

**PROPOSED SUPPLEMENTAL BUDGET**