UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MONTANA

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

ORDER CONFIRMING THE DEBTOR'S AMENDED CHAPTER 11 PLAN OF REORGANIZATION

At Butte in said District this 20th day of June, 2014.

On October 21, 2011 (the "Petition Date"), Southern Montana Electric Generation and Transmission Cooperative, Inc. (the "Debtor") filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101, et seq. (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Montana (the "Bankruptcy Court").

Shortly following the Petition Date in this chapter 11 case (the "Case"), a chapter 11 trustee was appointed, however, the appointment was terminated by Order dated November 26, 2013, and since that date, the Debtor has managed its affairs and conducted its businesses as a debtor in possession, pursuant to §§ 1107 and 1108 of the Bankruptcy Code. The Debtor has succeeded to the interests of the chapter 11 trustee in this Case pursuant to Bankruptcy Rule 2012(b).

On November 28, 2011, the Office of the United States Trustee for the District of Montana (the "U.S. Trustee") appointed the Official Committee of Unsecured Creditors of the

Debtor (the "Committee") in this Case.

On April 21, 2014, the Debtor, as proponent, filed its Chapter 11 Plan of Reorganization (the "Original Plan") and the Disclosure Statement Related to the Chapter 11 Plan of Reorganization (the "Original Disclosure Statement"). The Original Disclosure Statement was an amendment to the disclosure statement initially filed by the chapter 11 trustee at docket entry no. 1049, and approved by order of the Bankruptcy Court dated October 13, 2013.

On May 9, 2014, the Bankruptcy Court conducted a hearing on approval of the Original Disclosure Statement at which the Debtor announced proposed limited modifications to the Original Disclosure Statement to reflect comments by the Noteholders (defined below). At the May 9, 2014 hearing, the Bankruptcy Court indicated that provided revisions to the Original Disclosure Statement were filed by May 12, 2014, the Bankruptcy Court would approve the Disclosure Statement on an interim, conditional basis, subject to final approval at the Confirmation Hearing. On May 16, 2014, the Debtor filed the Amended Disclosure Statement Related to its Amended Chapter 11 Plan of Reorganization (the "Disclosure Statement") [Docket No. 1370] and the Amended Chapter 11 Plan of Reorganization of (the "Plan")[Docket No.1369].[1] On June 6, 2014, the Debtor filed the following stipulations clarifying the treatment of certain Classes or certain other terms and conditions under the Plan: (i) Stipulation with the Official Committee of Unsecured Creditors [Docket No. 1414] which was approved by order of the Bankruptcy Court dated June 6, 2014 [Docket No. 1416]; (ii) Stipulation with PPL Energy Plus, LLC [Docket No. 1413] which was approved by order of the Bankruptcy Court dated June 6, 2014 [Docket No. 1417]; (iii) Stipulation with Construction Lienholders [Docket No. 1425] (the "Construction Lienholder Stipulation") which was approved by order of the Bankruptcy

1 Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to such terms in the Plan. A true and correct copy of the Plan is attached hereto as Exhibit A.

Court dated June 11, 2014 [Docket No. 1429] and which Construction Lienholder Stipulation was supplemented on June 18, 2014 [Docket No. 1453] (the "Construction Lienholder Stipulation Supplement") and approved by order of the Bankruptcy Court dated June 19, 2014 [Docket No. 1457]; and (iv) Stipulation with the Noteholders [Docket No. 1419] which was approved by order of the Bankruptcy Court dated June 9, 2014 [Docket No. 1423] (collectively, the "Plan Stipulations").

On May 15, 2014, the Bankruptcy Court entered an Order Conditionally Approving the Disclosure Statement and setting the Confirmation Hearing (the "Disclosure Statement Order") [Docket No. 1367]. The Disclosure Statement Order, among other things, (i) established May 29, 2014, as the deadline for voting on the Plan, (ii) established May 30, 2014, as the deadline for filing objections to the Plan, and (iii) scheduled a hearing to consider final approval of the Disclosure Statement and confirmation of the Plan (the "Confirmation Hearing") for June 2, 2014, at 9:00 a.m. Mountain Standard Time.

On May 16, 2014, the Debtor transmitted solicitation packages in accordance with the Disclosure Statement Order, as attested to in the Certificate of Service of Malcolm Goodrich, filed on May 16, 2014 (the "Solicitation Certificate") [Docket No. 1371].

Objections to confirmation of the Plan were filed by the following parties: (i) Western Area Power Administration (with respect to the Original Plan) [Docket No. 1357]; (ii) PPL EnergyPlus, LLC [Docket No. 1377]; (iii) Official Committee of Unsecured Creditors [Docket No. 1380]; (iv) EPC Services Company [Docket No. 1382]; (v) Yellowstone Electric Co. [Docket No. 1383]; (vi) Corval Group, Inc. [Docket No. 1385]; (vii) Energy Corporation [Docket No. 1386]; (viii) Energy West Resources, Inc. and Energy West Montana [Docket No. 1387] (collectively, "Energy West"); and Falls Construction Company [Docket No. 1388]

(collectively, the "Objections"). In addition to the Objections, Energy West Montana, Inc. filed with the Bankruptcy Court a Declaration Regarding Ownership of Easements and Rights of Way Related to the HGS Pipeline (the "Energy West Declaration").

On May 30, 2014, the Docketing Clerk of the Court filed a Ballot Report (the "Ballot Report") [Docket No. 1406].

On May 20, 2014, the Debtor filed the Plan Supplement, which included, *inter alia*, draft forms of amended Corporate Governance Agreements, Restructured Notes, the HGS Holding Trust, and amended All Requirements Contracts [Docket No. 1374] (as amended, the "Plan Supplement"). On June 12, 2014, the Debtor filed an Amended Plan Supplement, which included final proposed forms of the previously filed documents and agreements other than the Third Supplemental Indenture [Docket No. 1440]. A fully agreed form of the Third Supplemental Indenture was filed with the Bankruptcy Court on June 18, 2014 [Docket No. 1455].

On December 31, 2013, Energy West filed with the Bankruptcy Court a Request for Allowance And Payment Of Administrative Expense Claims (the "Energy West Request") [Docket No. 1219], and the Debtor and the Noteholders filed objection to the Energy West Request [Docket Nos. 1302 and 1304]. On June 6, 2014 [Docket No. 1415], the parties submitted the matter to the Court on stipulated facts. On June 14, 2014, the Court entered a Memorandum of Decision ("Memorandum of Decision") [Docket No. 1431] and Order [Docket No. 1432] denying the Energy West Request.

The Confirmation Hearing was originally scheduled for June 2, 2014, however, on May 29, 2014, the Debtor filed a Motion to Continue Hearing on Confirmation of the Plan [Docket No. 1389], which was granted pursuant to order of the Bankruptcy Court dated May 29, 2014

[Docket No. 1390]. The adjourned Confirmation Hearing was scheduled by the Bankruptcy Court for June 13, 2014, and the Confirmation Hearing concluded on June 13, 2014. At this Confirmation Hearing, the Bankruptcy Court orally confirmed the Plan, subject, however, to the submission by the Debtor of (i) the Construction Lienholder Stipulation Supplement, (ii) the Third Supplemental Indenture, and (iii) a proposed form of Confirmation Order in respective forms acceptable to the Bankruptcy Court.

NOW, THEREFORE, the Bankruptcy Court having considered the Plan, the Solicitation Certificate, the Tabulation Affidavit, the Plan Supplement, the Objections, all evidence proffered or adduced and the arguments of counsel at the Confirmation Hearing, and the entire record of this Case, and after due deliberation thereon and good cause appearing therefore, the Bankruptcy Court hereby makes and issues the following Findings of Fact and Conclusions of Law and hereby orders:

FINDINGS OF FACT AND CONCLUSIONS OF LAW

This Order constitutes the Bankruptcy Court's findings of fact and conclusions of law under Federal Rule of Civil Procedure 52, made applicable by Federal Rules of Bankruptcy Procedure 7052 and 9014. Any and all findings of fact shall constitute findings of fact even if they are stated as conclusions of law, and any and all conclusions of law shall constitute conclusions of law even if they are stated as findings of fact.

A. Jurisdiction and Venue. The Bankruptcy Court has jurisdiction over this Case to confirm the Plan pursuant to 28 U.S.C. §§ 157 and 1334. Venue of this Case is proper before the Bankruptcy Court pursuant to 28 U.S.C. §§ 1408 and 1409. Confirmation of the Plan is a core proceeding under 28 U.S.C. § 157(b)(2)(A), (L), and (O). The Debtor was qualified to be a debtor under § 109 of the Bankruptcy Code. The Bankruptcy Court has exclusive jurisdiction to

determine whether the Plan complies with the applicable provisions of the Bankruptcy Code and should be confirmed.

B. Burden of Proof. The Debtor, as proponent of the Plan, has the burden of proving the elements of § 1129(a) of the Bankruptcy Code by a preponderance of the evidence, and, as set forth below, the Debtor has met that burden.

C. Judicial Notice. The Bankruptcy Court takes judicial notice of the docket in this Case maintained by the clerk of the Bankruptcy Court including, without limitation, all pleadings, notices, and other documents filed, all orders entered, and all evidence and arguments made, proffered or adduced at the hearings held before the Bankruptcy Court during this Case, including, without limitation, the hearings to consider the adequacy of the Disclosure Statement and the Confirmation Hearing.

D. The Record. On June 10, 2014, the Debtor filed with the Bankruptcy Court a Request for Judicial Notice of Matters and Pleadings for Confirmation Hearing on June 13, 2014. Pursuant to Federal Rule of Evidence 201 [Docket No. 1427], and the Request for Judicial Notice was approved by the Bankruptcy Court pursuant to an order dated June 11, 2014 [Docket No. 1430]. The following record (the "Record") was established to support confirmation of the Plan:

i. All documents identified by the Debtor at the Confirmation Hearing, including those identified on the Debtor's Exhibit List for Confirmation Hearing filed with the Bankruptcy Court on June 10, 2014, including, without limitation, the Plan, the Disclosure Statement and all exhibits, schedules and attachments thereto and filed in connection therewith, and the Plan Supplement, all of which were admitted into evidence without objection;

ii. The Solicitation Certification;

iii. The Voting Report;

iv. The Plan Stipulations;

v. The entire record of this Case and the docket maintained by the Clerk of the Bankruptcy Court, including, without limitation, all pleadings and other documents filed, all orders entered, and evidence and argument made, proffered, or adduced at the hearings held before the Bankruptcy Court during the pendency of this Case, as to all of which the Bankruptcy Court took judicial notice at the Confirmation Hearing; and

vi. The statements and argument of counsel on the record at the Confirmation Hearing, and all papers and pleadings filed with the Bankruptcy Court in support of, in opposition to, or otherwise in connection with, confirmation of the Plan.

The evidence that was admitted into the Record in support of confirmation of the Plan and all related matters demonstrates, by a clear preponderance of the evidence, that the Plan should be confirmed.

E. Resolution of Objections. As presented at the Confirmation Hearing, the consensual resolutions of all Objections other than that of Energy West satisfy all applicable requirements of the Bankruptcy Code and the Bankruptcy Rules and are in the best interest of the Debtor and its Estate and supported by the Record, and therefore should be approved. The Objection of Energy West was not resolved through a Plan Stipulation, but was instead addressed by the Bankruptcy Court in the Memorandum Decision, the effect of which was to overrule the Objection of Energy West. The Energy West Declaration is not a pleading that requires a ruling by the Bankruptcy Court, nor otherwise affects the Plan.

F. Solicitation and Notice. To obtain the requisite acceptance of the Plan, on May 16, 2014, the Debtor completed solicitation of acceptances and rejection of the Plan by distributing the Disclosure Statement, Plan, Ballots and related material to the holders of Claims against or Interests in the Debtor classified in impaired classes entitled to vote under the Plan.

i. As evidenced by the Solicitation Certification, and in compliance with the requirements of the Disclosure Statement, Bankruptcy Code and Bankruptcy Rules, on May 16, 2014, the Debtor transmitted to all known holders of Claims against and Interests in the Debtor entitled to vote under the Plan: (a) the Disclosure Statement (including the Plan); (b) the Disclosure Statement Order; (c) an applicable Ballot; (d) voting instructions; and (e) a return envelope (collectively, the "Solicitation Packages").

ii. The Solicitation Packages were distributed to holders of Class 2A – Noteholders Claims; Class 2(B) Other Secured Loan Claims; Other Secured Loan Claims; Class 3- Construction Lien Claims; Class 4 – General Unsecured Claims; Class 5 – Member Reserve Account Claims; and Class 8 - PPL Claims.

iii. Additionally, the Debtor transmitted the same documents for purposes of notice only to the holders of Claims or Interests in non-voting classes (Class 1 – Priority Non-Tax Claims; Class 6 – Member Capital Claims; and Class 7 – Member Interests), because such classes were unimpaired and deemed to have accepted the Plan.

iv. Furthermore, the Debtor distributed a Solicitation Package to the U.S. Internal Revenue Service and the Office of the U.S. Trustee.

v. The Debtor complied with the Disclosure Statement Order, the Bankruptcy Code,

the Bankruptcy Rules (including Bankruptcy Rule 3016(b)) and all other applicable laws and regulations in connection with the solicitation of votes on the Plan and the provision of notice of (i) the hearing to consider confirmation of the Plan, (ii) the May 29, 2014, deadline for the submission of Ballots voting to accept or reject the Plan; (iii) the May 30, 2014, deadline for filing and serving objections to confirmation of the Plan, and (iv) all other relevant deadlines related to the Plan. As such, the notice provided was due and proper with respect to all matters relating to the solicitation of votes on, and the confirmation of, the Plan and satisfied the requirements of due process with respect to all creditors, equity holders and parties in interest who were provided actual or constructive notice. No further notice is or shall be required.

G. Notice of Confirmation Hearing. The Clerk of the Bankruptcy Court or the Debtor provided adequate and sufficient notice of the Confirmation Hearing and the deadlines for voting on and filing objections to the Plan in compliance with the Bankruptcy Rules, the Local Rules, and the Disclosure Statement Order, and no other or further notice is or shall be required. The filing with the Bankruptcy Court and service of the version of the Plan referenced in the Disclosure Statement Order constitute due and sufficient notice of the Plan.

H. Voting. The Debtor solicited votes on the Plan after the disclosure of "adequate information" as defined in § 1125 of the Bankruptcy Code. On May 30, 2014, the Docketing Clerk of the Court filed the Ballot Report with respect to the votes cast on the Plan. As evidenced by the Ballot Report, other than Class 3- Construction Lien Claims, each Class, either (i) voted to accept the Plan under § 1126 of the Bankruptcy Code and for purposes of § 1129(a)(8)(A) of the Bankruptcy Code, (ii) is not impaired as provided in §§ 1124 and

1129(a)(8)(B) of the Bankruptcy Code or (iii) did not cast votes to accept or reject the Plan. Votes to accept the Plan have been solicited and tabulated fairly, in good faith, and in a manner consistent with the Disclosure Statement Order, the Bankruptcy Code, the Bankruptcy Rules, and the Local Rules. As a result of the Construction Lienholder Stipulation, Class 3 Claims have changed their Ballots and voted to accept the Plan. Accordingly, no impaired Class under the Plan has actually, or is deemed to have, voted to reject the Plan.

I. Standing. The Debtor has satisfied § 1121 of the Bankruptcy Code in that the Debtor has standing to file a plan. Furthermore, the Plan reflects the date it was filed with the Bankruptcy Court and identifies the entity submitting it as Plan proponent, thereby satisfying Bankruptcy Rule 3016(a).

J. The Plan Complies with the Bankruptcy Code (Section 1129(a)(1)). As set forth below and as demonstrated by the Record, the Plan complies with all relevant sections of the Bankruptcy Code, Bankruptcy Rules and applicable non-bankruptcy law relating to the confirmation of the Plan. In particular, the Plan complies with all of the requirements of § 1129 of the Bankruptcy Code.

i. Proper Classification (Sections 1122 and 1123(a)(1)). The Plan complies fully with the requirements of §§ 1122 and 1123 of the Bankruptcy Code. The Plan's classifications conform to the statute and separately classify claims based on valid business, factual and legal reasons. The Debtor's classifications have a rational basis because they are based on the respective legal rights of each holder of a Claim against or Interest in the Debtor's Estate and was not proposed to create a consenting impaired class and, thereby, manipulate class voting or unfairly discriminate between or among holders of Claims or Interests. Article III of the

Plan designates classes of Claims and Interests that require classification.

ii. Specified Unimpaired Classes (Section 1123(a)(2)). The Plan complies fully with the requirements of § 1123(a)(2) of the Bankruptcy Code. Article III of the Plan specifies which classes of Claims and Interests are not impaired under the Plan.

iii. Treatment of Impaired Classes (Section 1123(a)(3)). The Plan complies fully with the requirements of § 1123(a)(3) of the Bankruptcy Code. Article IV of the Plan specifies the treatment of classes and interests under the Plan, including those which are impaired.

iv. No Discrimination (Section 1129(a)(4)). The Plan complies fully with the requirements of § 1123(a)(4) of the Bankruptcy Code. As reflected in Article IV of the Plan, the treatment of each of the Claims and Interests in each particular class is the same as the treatment of each of the other Claims and Interests in such class.

v. Implementation of Plan (Section 1123(a)(5)). The Plan complies fully with the requirements of § 1123(a)(5) of the Bankruptcy Code. The Plan provides adequate means for implementation of the Plan through, among other things, the funding of payments by Reorganized Southern, the establishment of the HGS Holding Trust, and the vesting of property of the Debtor in Reorganized Southern and the rights and interests granted to the HGS Holding Trust, respectively, on the Effective Date.

vi. Section 1123(a)(6) Inapplicable. Because the Debtor is a rural electric cooperative and a not-for-profit, § 510(e)(12) tax exempt entity formed under the Montana Rural Electric and Telephone Cooperative Act, MSA Title 35 Chapter

18 (the "Montana Cooperative Act"), applicable Montana law does not permit the issuance of non-voting securities for such entities. Accordingly, the requirements of § 1123(a)(6) of the Bankruptcy Code do not apply to the Debtor. Further, the Plan does not provide for the issuance of non-voting securities.

vii. Designation of Directors and Officers; Selection of HGS Holding Trustee (Section 1123(a)(7)). The Plan complies fully with the requirements of § 1123(a)(7) of the Bankruptcy Code. Under Article 5.6 of the Plan, the current officers of the Debtor will continue their service. Article 5.7 of the Plan provides for the Board of Trustees of Reorganized Southern (the "Initial Board") to be comprised of the same members of the Debtor's Board of Trustees as existed immediately prior to the Confirmation Date. Both of these provisions are consistent with the interests of creditors and holders of Interests. Pursuant to the Plan, Dean E. Swick of Alvarez & Marsal North America, LLC shall serve as the HGS Holding Trustee in accordance with the terms of the HGS Holding Trust.

viii. Section 1123(a)(8) Inapplicable. Section 1123(a)(8) of the Bankruptcy Code is inapplicable because the Debtor is not an individual.

ix. Additional Plan Provisions (Section 1123(b)). The Plan satisfies § 1123(b) of the Bankruptcy Code since the Plan is in all respects appropriate and consistent with the provisions of the Bankruptcy Code.

K. The Debtor's Compliance with the Bankruptcy Code (Section 1129(a)(2)). The Plan complies fully with the requirements of § 1129(a)(2) of the Bankruptcy Code. Pursuant to § 1129(a)(2) of the Bankruptcy Code, the Debtor has complied with the applicable provisions of title 11, including, specifically, §§ 1125 and 1126 of the Bankruptcy Code, the Bankruptcy Rules

and the Disclosure Statement Order governing notice, disclosure and solicitation in connection with the Plan, the Disclosure Statement, and all other matters considered by the Bankruptcy Court in connection with the Case.

L. Plan Proposed in Good Faith (Section 1129(a)(3)). The Plan complies fully with the requirements of § 1129(a)(3) of the Bankruptcy Code. Having examined the totality of the circumstances surrounding the Plan, the Bankruptcy Court has determined that the Plan was proposed in good faith by the Debtor and not by any means forbidden by law. The Plan achieves the rehabilitative and reorganizational goals of the Bankruptcy Code by restructuring the Debtor's obligations and providing the means through which the Debtor may continue to operate as a viable enterprise. The Plan is the result of extensive arm's-length discussions and negotiations among the Debtor, its Members, the Noteholders, the Committee, and other key stakeholders, and is overwhelmingly supported by the creditors, the Members and other parties in interest in this Case. The Plan was proposed with the legitimate and honest purpose of maximizing the value of the Estate and distributing property of the Estate and proceeds of property of the Estate to holders of Claims against the Debtor in accordance with the priority scheme set forth in the Bankruptcy Code.

M. Payment for Services or Costs and Expenses (Section 1129(a)(4)). The Plan complies fully with the requirements of § 1129(a)(4) of the Bankruptcy Code. Article 2.2 of the Plan clearly provides that each Professional who holds or asserts a Fee Claim will be required to file with the Bankruptcy Court a Fee Application within thirty (30) days after the Effective Date. On January 19, 2012, the Bankruptcy Court approved interim application procedures under § 331 of the Bankruptcy Code, pursuant to which the Bankruptcy Court authorized and approved the payment of certain fees and expenses of Professionals retained in the Case [Docket No. 210] and

on January 9, 2014, the Bankruptcy Court extended the interim compensation procedures to apply to Professionals of the Debtor-in-Possession [Docket No. 1240]. All such fees and expenses, as well as all other accrued fees and expenses of Professionals through the Effective Date, remain subject to final review for reasonableness by the Bankruptcy Court under applicable provisions of the Bankruptcy Code. The foregoing procedures for this Court's review and ultimate determination of fees and expenses paid satisfy the objectives of § 1129(a)(4) of the Bankruptcy Code.

N. Directors, Officers and Insiders (Section 1129(a)(5)). The Plan complies fully with the requirements of § 1129(a)(5) of the Bankruptcy Code. Article 5.7 of the Plan describes the continuation of the service of the Members of the current Board of Trustees on the Initial Board. The identities and the affiliations of the Initial Board are included in the Disclosure Statement. Article 5.6 of the Plan provides that the current officers of the Debtor will continue in such positions after the Effective Date. The identification of the proposed officers and directors of Reorganized Southern satisfies § 1129(a)(5) of the Bankruptcy Code. Additionally, the only insiders that will be employed or retained by Reorganized Southern are those employed as officers. The terms under which Dean E. Swick will be employed and compensated after the Effective Date are set forth in the HGS Holding Trust.

O. No Rate Changes (Section 1129(a)(6)). The Debtor is not, and after the Effective Date Reorganized Southern will not, be subject to regulation as a "public utility" under the Federal Power Act, as amended. Accordingly, the Plan does not provide for the change of any rate that is within the jurisdiction of any governmental regulatory commission after the Effective Date. Section 1129(a)(6) of the Bankruptcy Code, therefore, is inapplicable to the Debtor.

P. Best Interests of Creditors (Section 1129(a)(7)). The Plan complies fully with the

requirements of § 1129(a)(7) of the Bankruptcy Code. As evidenced by the Record and as presented at the Confirmation Hearing, the "best interests" test is satisfied as to all impaired classes of Claims and Interests. In accordance with § 1112(c) of the Bankruptcy Code, a non-profit entity's creditors cannot force a non-profit entity such as the Debtor to convert its case to a case under Chapter 7 of the Bankruptcy Code. The Plan permits the value of the Debtor's business to be maximized and allows payment in full or surrender of collateral of all secured creditors other than those that have otherwise agreed to compromise such Claims. General Unsecured Creditors are receiving at least as much as they would receive in a chapter 7 liquidation. A liquidation under chapter 7 would profoundly and adversely affect the ultimate proceeds available for distribution to all holders of Allowed Claims in the Case. Liquidation under chapter 7 would result in smaller distributions being made to creditors than those provided for under the Plan because of (i) the increased costs and expenses of a liquidation under chapter 7 arising from fees payable to a trustee for bankruptcy and professional advisors to such trustee; (ii) the erosion in value of assets in the context of the expeditious liquidation required under chapter 7 and the "forced sale" environment in which such a liquidation would likely occur; and (iii) the substantial increases in claims which would have to be satisfied on a priority basis or on parity with creditors in the Case. Accordingly, confirmation of the Plan will provide each holder of a Claim or Interest with a greater recovery than it would receive pursuant to liquidation of the Debtor under chapter 7. The Plan satisfies the requirements of § 1129(a)(7) of the Bankruptcy Code. Therefore, the "best interests" test, to the extent applicable to non-profit entities, is satisfied with respect to all impaired classes of Claims and Equity Interests.

Q. Acceptance by Impaired Classes (Section 1129(a)(8)). The Plan complies fully with the requirements of § 1129(a)(8) of the Bankruptcy Code. All classes have either voted in

favor of the Plan or are not impaired. Section 1129(a)(8) of the Bankruptcy Code is satisfied with respect to all other Claims and Interests, as applicable, Class 2(A) – Noteholder Claims, Class 2(B) – Other Secured Loans Claims, Class 3 – Construction Lien Claims, Class 4 – General Unsecured Claims (some of which are members of the Committee and have accepted the Plan as a result of the Plan Stipulation between the Debtor and the Committee), Class 5 – Member Reserve Account Claims, and Class 8 – PPL Claims have each voted to accept the Plan in accordance with § 1126(c) of the Bankruptcy Code. Additionally, Class 1 – Priority Non-Tax Claims, Class 6 – Member Capital Claims, and Class 7 – Member Interests are not impaired under the Plan and are conclusively presumed to have accepted the Plan in accordance with § 1126(f) of the Bankruptcy Code.

R. Treatment of Administrative Expense Claims, Priority Tax Claims and Priority Non-Tax Claims (Section 1129(a)(9)). The Plan complies fully with the requirements of § 1129(a)(9) of the Bankruptcy Code.

i. Consistent with § 1129(a)(9)(A) of the Bankruptcy Code, on the Effective Date, each holder of an Allowed Administrative Expense Claim shall receive (i) the amount of such holder's Allowed Claim in one Cash payment, or (ii) such other treatment as may be agreed upon in writing by Reorganized Southern and such holder; provided, that an Administrative Expense Claim representing a liability incurred in the ordinary course of business of the Debtor may be paid at Reorganized Southern's election in the ordinary course of business.

ii. As required by § 1129(a)(9)(B) of the Bankruptcy Code, Article 4.1 of the Plan provides that, pursuant to section 1124 of the Bankruptcy Code, all legal, equitable, and contractual rights of each holder of an Allowed Priority Non-Tax

Claim in respect of such Claim shall be fully reinstated and retained, and such holder of an Allowed Priority Non-Tax Claim shall be paid in full in accordance with such reinstated rights on the Effective Date.

iii. Consistent with § 1129(a)(9)(C) of the Bankruptcy Code, Article 2.3 of the Plan provides that, at the election of Reorganized Southern, each holder of an Allowed Priority Tax Claim will receive payment in full satisfaction of such Allowed Priority Tax Claim, unless otherwise agreed with a holder of an Allowed Priority Tax Claim, either: (1) in Cash, in an aggregate amount equal to such Allowed Priority Tax Claim, together with interest from the Effective Date at a fixed annual rate determined by applicable non-bankruptcy law and paid in semi-annual installments of equal amount over a period not exceeding five (5) years from the Petition Date; or (2) in full in Cash on, or as soon thereafter as is reasonably practicable, the later of the Effective Date and the date that is thirty (30) calendar days after the date such Priority Tax Claim becomes an Allowed Priority Tax Claim. Reorganized Southern reserves the right to prepay such Claims, without penalty, at any time.

S. Acceptance by Impaired Classes (Section 1129(a)(10)). The Plan complies fully with the requirements of § 1129(a)(10) of the Bankruptcy Code. At least one class of impaired creditors has voted to accept the Plan.

T. Feasibility (Section 1129(a)(11)). The Plan complies fully with the requirements of § 1129(a)(11) of the Bankruptcy Code. Based on the Record before the Bankruptcy Court, the Bankruptcy Court concludes that the Debtor, and after the Effective Date, Reorganized Southern, will have sufficient means to meet all of its obligations under the Plan. The Record establishes

that Reorganized Southern will emerge from bankruptcy as a viable, financially healthy business enterprise, unlikely to be in need of further financial reorganization. Based on the foregoing findings and conclusions, the Plan satisfies the feasibility standard of § 1129(a)(11).

U. Payment of Fees (Section 1129(a)(12)). The Plan complies fully with the requirements of § 1129(a)(12) of the Bankruptcy Code. Article 2.4 of the Plan provides for the payment of all statutory fees by the Debtor on or before the Effective Date or Reorganized Southern within thirty (30) days following the Effective Date. The Plan accordingly satisfies § 1129(a)(12) of the Bankruptcy Code.

V. Continuation of Retiree Benefits (Section 1129(a)(13)). The Debtor does not pay any retirees benefits (as the term is defined in § 1114 of the Bankruptcy Code). Accordingly, § 1129(a)(13) of the Bankruptcy Code is inapplicable.

W. Sections 1129(a)(14)-(15) of the Bankruptcy Code. Sections 1129(a)(14)-(16) are inapplicable as the Debtor (i) has no domestic support obligations (1129(a)(14)), and (ii) is not an individual (1129(a)(15)).

X. Transfer of Property (Section 1129(a)(16)). The Plan complies fully with the requirements of § 1129(a)(16) of the Bankruptcy Code. The Debtor is a rural generation and transmission cooperative organized under the Montana Cooperative Act and is not a monied business. All transfers of property under the Plan are made in accordance with the Montana Cooperative Act. The Plan accordingly satisfies § 1129(a)(16) of the Bankruptcy Code.

Y. Section 1129(b)(2)(B)(ii). The Plan, at Article 6.3, preserves the Debtor's right to seek confirmation of the Plan in accordance with § 1129(b) of the Bankruptcy Code. Notwithstanding the fact that Class 7 Member Interests retain their interests in Reorganized Southern in accordance with Article 4.7 of the Plan, the absolute priority rule is inapplicable to

not-for-profit entities such as the Debtor. See, In re General Teamsters, Warehousemen and Helpers Union, 265 F.3d 869, 873-77 (9th Cir. 2001), citing In re Wabash Valley Power Association, Inc., 72 F.3d 1305 (7th Cir. 1996).

Z. Principal Purpose of the Plan (Section 1129(d)). The Plan complies fully with the requirements of § 1129(d) of the Bankruptcy Code. The principal purpose of the Plan is not the avoidance of taxes or the avoidance of the application of Article 5 of the Securities Act of 1933, which is not applicable to the Debtor.

AA. Satisfaction of Confirmation Requirements. The Plan satisfies all of the requirements for confirmation set forth in § 1129 of the Bankruptcy Code and should be confirmed.

BB. Modifications to the Plan. The modifications to the Plan, memorialized in the Plan Stipulations, vary from the version of the Plan solicited in accordance with the Disclosure Statement Order, however, these modifications are non-material in that they do not adversely change the treatment of any holder of a Claim against the Debtor or Interest, and do not require the Debtor to re-solicit any votes on the Plan.

CC. Good Faith Solicitation Section 1125(e). Based on the record in this Case, the Debtor and each of its current or former officers, directors, members, employees, agents, representatives, advisors, and attorneys have acted in "good faith" within the meaning of § 1125(e) of the Bankruptcy Code and in compliance with the applicable provisions of the Bankruptcy Code and Bankruptcy Rules in connection with all of their respective activities relating to the solicitation of acceptances to the Plan.

DD. Conditions Precedent to Confirmation. Upon entry of this Order, all conditions precedent to confirmation of the Plan contained in Article 9.1 of the Plan, shall be, and hereby,

are satisfied.

EE. Treatment of Executory Contracts. The treatment of Executory Contracts pursuant to the Plan satisfies § 365 of the Bankruptcy Code and, upon the Effective Date, shall be legal, valid and binding upon the Debtor and all non-Debtor parties to Executory Contracts under and in accordance with § 365 of the Bankruptcy Code.

FF. The All Requirements Contracts. There is no condition in the All Requirements Contracts, in their current form or as amended within the Plan Supplement that (a) there must be a certain number of Members of the Debtor or Reorganized Southern, or (b) HGS must be the source of power from the Debtor or Reorganized Southern to the Members.

It is hereby ORDERED as follows:

ORDER

Confirmation of the Plan

1. The Disclosure Statement contains adequate information and satisfies the requirements of § 1125 of the Bankruptcy Code. The Disclosure Statement is approved on a final basis. The Plan satisfies all provisions of § 1129 of the Bankruptcy Code. The Plan is hereby CONFIRMED. Each of the Objections to the Plan not otherwise withdrawn, resolved or otherwise disposed of, are OVERRULED and denied. All withdrawn Objections are deemed withdrawn with prejudice.

2. The following are hereby incorporated by reference into and made an integral part of this Order: (a) the Plan, (b) the Plan Stipulations, each of which are approved, (c) the exhibits to the Plan, (d) the exhibits and schedules to the Disclosure Statement, and (e) the documents filed with the Bankruptcy Court as part of the Plan Supplement, including the Third Supplemental Indenture. The failure to reference any particular document associated with the Plan, any provision of a Plan Supplement document or the Plan in this Order will have no effect

on the Bankruptcy Court's approval and authorization of, or the validity, binding effect or enforceability of, the Plan and the Plan Supplement in their entirety.

3. The stay contemplated by Bankruptcy Rule 3020(e) shall terminate at noon Mountain Standard Time on June 20, 2014. Notwithstanding any otherwise applicable law, immediately upon the termination of such stay, but subject to the occurrence of the Effective Date, the terms of the Plan (including the exhibits thereto and all documents and agreements executed pursuant to the Plan) and this Order shall be binding upon the Debtor, Reorganized Southern and all holders of Claims against and Interests in the Debtor, whether or not impaired under the Plan, each Person or Entity acquiring property under the Plan, any other party in interest, any Person or Entity making an appearance in this Case and each of the foregoing's respective heirs, successors, assigns, trustees, executors, administrators, affiliates, officers, directors, managers, members, partners, agents, representatives, attorneys, beneficiaries or guardians. To the extent that any provisions of this Order may be inconsistent with the terms of the Plan and any documents and agreements executed pursuant to the Plan, the terms of this Order shall be binding and conclusive.

Classification and Treatment

4. All Claims and Interests shall be, and hereby are, classified and treated as set forth in the Plan. The Plan's classification scheme shall be, and hereby is, approved.

5. The treatment of all Claims and Interests as provided in the Plan and any document included in the Plan Supplement shall be, and hereby is, approved.

Administrative Expense Claims

6. A holder of an Administrative Expense Claim, other than (i) a Fee Professional Claim, (ii) a liability incurred and payable in the ordinary course of business by the Debtor (and not disputed), or (iii) an Administrative Expense Claim that has been Allowed on or before the

Effective Date, must file with the Bankruptcy Court and serve on Reorganized Southern and the U.S. Trustee, notice of such Administrative Expense Claim within thirty (30) days after the Effective Date. Such notice must include at a minimum (a) the name of the holder of the Claim, (b) the amount of the Claim, and (b) the basis of the Claim (including any documentation or evidence supporting such claim). These requirements shall apply to holders of Claims arising under § 503(b)(9) of the Bankruptcy Code. ***Failure to file and serve such notice timely and properly shall result in the Administrative Expense Claim being forever barred, disallowed and discharged without further order of the Bankruptcy Court.***

7. An Administrative Expense Claim with respect to which notice has been properly filed and served pursuant to Article 6.2(a) of the Plan, or a § 503(b)(9) Claim with respect to which a request for allowance has been properly filed and served pursuant to Article 2.1 of the Plan, shall become an Allowed Administrative Expense Claim if no objection is filed within thirty (30) days after the date of service of the applicable notice of Administrative Expense Claim or such later date as may be approved by the Bankruptcy Court on motion of a party in interest. If an objection is filed within such 30-day period (or any extension thereof), the Administrative Expense Claim shall become an Allowed Administrative Expense Claim only to the extent allowed by a Final Order of the Bankruptcy Court.

8. Each Professional entitled to assert a Professional Fee Claim and who holds or asserts a Fee Claim shall be, and hereby is, required to file with the Bankruptcy Court, and serve on all parties required to receive notice, a Fee Application within thirty (30) days after the Effective Date. ***The failure to timely file and serve such Fee Application shall result in the Fee Claim being forever barred and discharged.*** Parties who fail to file an application for approval of fees on a timely basis may not seek Bankruptcy Court approval of any fees or expenses

recovered for the benefit of the Estate. A Professional Fee Claim in respect of which a Fee Application has been properly filed and served pursuant to Article 2.2 of the Plan shall become an Allowed Administrative Expense Claim only to the extent allowed by a Final Order of the Bankruptcy Court. Notwithstanding anything contained in this Order to the contrary, the Secured Lender Professional Fees shall not be subject to any requirement to file any fee applications after the Confirmation Date and such amounts shall be payable as part of the satisfaction of the Allowed Claim of the Secured Lenders. To the extent required, all Secured Lender Professional Fees are hereby approved through the Confirmation Date and shall be paid by the Debtor through the Effective Date.

Enforceability of Plan and Plan Supplement Documents

9. Pursuant to §§ 1123(a), 1141(a) and 1142 of the Bankruptcy Code and the provisions of this Order, the Plan and all Plan-related documents (including, but not limited to, the documents comprising the Plan Supplement) shall be, and hereby are, valid, binding and enforceable notwithstanding any otherwise applicable non-bankruptcy law. Each of the documents comprising the Plan Supplement, including, without limitation, the Indenture, Restructured Notes, the HGS Holding Trust, Amended All Requirements Contracts, and amended Corporate Governance Agreements, is hereby approved. The Debtor, Members and Noteholders, upon mutual agreement may modify, amend or enter into the documents comprising the Plan Supplement, without further order of the Bankruptcy Court.

Authorization to Implement the Plan

10. Upon the entry of this Order, the Debtor is authorized to take or cause to be taken all corporate actions necessary or appropriate to implement all provisions of, and to consummate, the Plan and to execute, enter into, or otherwise make effective all documents arising in connection therewith, including, without limitation, the documents comprising the Plan

Supplement (as they may be amended or modified as contemplated or permitted by the Plan or this Order), prior to, on and after the Effective Date. All such actions taken or caused to be taken shall be, and hereby are, authorized and approved by the Bankruptcy Court such that no further approval, act or action need to be taken under any applicable law, order, rule or regulation including, without limitation, any action otherwise required by the Members or trustees of the Debtor.

11. The approvals and authorizations specifically set forth in this Order are not intended to limit the authority of the Debtor or any officer thereof to take any and all actions necessary or appropriate to implement, effectuate and consummate any and all documents or transactions contemplated by the Plan or this Order.

12. The Initial Board is authorized to serve, is duly qualified, and shall be empowered to act as permitted by applicable non-bankruptcy law on the Effective Date without further reference to the Bankruptcy Court.

Treatment of Debt Instruments and Interests

13. Upon the occurrence of the Effective Date, the Noteholders' Claim shall be allowed and satisfied in accordance with the terms of the Plan. The Series 2010A Notes and Series 2010B Note and Indenture shall be amended as represented by the Amended Indenture and the Restructured Notes. Reorganized Southern shall be authorized and directed (without further approval, act or other determination under applicable law, regulation, order or rule) to take such action as shall be necessary or appropriate in accordance with the Amended Indenture and the Restructured Notes.

14. On the Effective Date, the Member Interests and Member Certificates shall be retained by the Members in accordance with and as provided by the amended Corporate Governance Agreements.

Revesting of Assets

15. Upon the Effective Date, pursuant to § 1141(b) and (c) of the Bankruptcy Code, all property of the Debtor's Estate and any property acquired by the Debtor or Reorganized Southern under the Plan shall vest in Reorganized Southern or the HGS Holding Trust, as the case may be under the Plan and the HGS Holding Trust Agreement, free and clear of all Claims, liens, encumbrances, charges and other interests, except as provided in the Plan or this Order. The Restructured Notes, however, shall continue to be secured by the assets and proceeds of such assets securing the Indenture Trustee and the Noteholders' Claims (including collateral proceeds held at any time by the HGS Holding Trust) in the same order of priority as presently exists. The emergence of the Debtor from this Case on the Effective Date is not, and shall not constitute, a transfer, disposition or change of control for regulatory or other purposes.

16. On and after the Effective Date, Reorganized Southern shall continue the Debtor's present business and shall continue to operate as Reorganized Southern, and the Members shall continue to be Members of Reorganized Southern subject to and in accordance with the Plan. On or after the Effective Date, the Debtor may operate its business and may use, acquire or dispose of property and compromise or settle any Claims without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan, the HGS Holding Trust or this Order. Without limiting the foregoing, Reorganized Southern may pay the charges that it incurs on or after the Effective Date for all fees, disbursements, expenses or related support services of Professionals (including fees relating to the preparation of Professional fee applications) without application to, or approval of, the Bankruptcy Court.

Retention of Causes of Action

17. Except as otherwise provided in the Plan, all Causes of Action belonging to the Debtor, upon the occurrence of the Effective Date, shall be vested in Reorganized Southern. The rights of Reorganized Southern to commence, prosecute or settle such Causes of Action, shall be preserved notwithstanding the occurrence of the Effective Date.

18. No Person or Entity may rely on the absence of a specific reference in the Plan or the Disclosure Statement to any Cause of Action against them as any indication that Reorganized Southern, will not pursue any and all available Causes of Action against them. Reorganized Southern expressly reserves all rights to prosecute any and all Causes of Action against any Person or Entity, except as otherwise provided in the Plan. Unless any Causes of Action against a Person or Entity are expressly waived, relinquished, exculpated, released, compromised or settled in the Plan or a Final Order, Reorganized Southern expressly reserves all Causes of Action for later adjudication and, therefore, no preclusion doctrine including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches, shall apply to such Causes of Action, including, but not limited to, the Avoidance Actions, upon or after the confirmation or consummation of the Plan.

19. Except as provided in the Plan, nothing in the Plan or this Order shall be deemed a waiver or relinquishment of any Claim, Cause of Action, right of setoff, or other legal or equitable defense which the Debtor had immediately prior to the Effective Date, against or with respect to any Claims left unimpaired by the Plan, except for avoidance actions pursuant to § 547 of the Bankruptcy Code.

Disbursements

20. Upon the occurrence of the Effective Date, Reorganized Southern, the HGS

Holding Trustee and the Committee Representative shall each, respectively, have all powers, rights, duties and protections to make distributions as provided for under the Plan and the HGS Holding Trust, as applicable. The HGS Holding Trustee shall make specified distributions with respect to the HGS Net Proceeds on account of Noteholders Claims pursuant to the Plan and the HGS Holding Trust.

Procedures for Resolving Disputed Claims

21. After the Effective Date, only Reorganized Southern, or the Committee Representative with respect to Class 4 Claims, may object to the allowance of Claims filed with the Bankruptcy Court. All objections that are filed and prosecuted as provided herein shall be litigated to Final Order or compromised and settled in accordance with Article 7 of the Plan. Such procedures governing procedures for resolving Disputed Claims are fair and reasonable and are approved.

22. Notwithstanding any requirements that may be imposed pursuant to Bankruptcy Rule 9019, from and after the Effective Date, Reorganized Southern shall have authority to settle or compromise all Claims and Causes of Action, without further review or approval of the Bankruptcy Court.

Executory Contracts and Unexpired Leases

23. Except for executory contracts and unexpired leases designated on Exhibit A to the Plan, a final version of which was filed with the Bankruptcy Court on June 11, 2014 [Docket No. 1434], which executory contracts and unexpired leases are assumed under the Plan, and the All Requirements Contracts which are assumed pursuant to Article 5.9 of the Plan without any cure being due, on the Effective Date, all executory contracts and unexpired leases of the Debtor shall be, and hereby are, rejected in accordance with Articles 8.1 and 8.2 of the Plan.

24. The inclusion of a contract, lease or other agreement in on Exhibit A to the Plan

shall not constitute an admission by the Debtor as to the characterization of whether any such included contract, lease, or other agreement is, or is not, an executory contract or unexpired lease. The Debtor reserves all rights with respect to the characterization of any such agreements.

25. At the election of the Debtor or the Noteholders with respect to their contract designation rights relating to HGS in accordance with Article 8.1 of the Plan, with respect to any monetary defaults under any executory contract or unexpired lease to be assumed under the Plan, the cure payments required by § 365(b)(1) of the Bankruptcy Code shall be satisfied pursuant to § 365(b)(1) of the Bankruptcy Code: (a) by payment of the default amount in Cash on the Effective Date or as soon thereafter as practicable; or (b) on such other terms as agreed to by the parties to such executory contract or unexpired lease. In the event of a dispute regarding: (i) the amount of any cure payments; (ii) the ability to provide adequate assurance of future performance under the contract or lease to be assumed or assumed and assigned; or (iii) any other matter pertaining to assumption or assumption and assignment, the cure payments required by § 365(b)(1) of the Bankruptcy Code shall be made following the entry of a Final Order resolving the dispute and approving assumption or assumption and assignment, as applicable.

26. Any non-Debtor counterparty to an agreement listed on Exhibit A to the Plan that disputes the scheduled cure obligation (or objects to the omission of a scheduled cure obligation) contained therein was required to file with the Bankruptcy Court, and serve upon the Debtor, a written objection to the cure obligation, setting forth the basis for the dispute, the alleged correct cure obligation, and any other objection related to the assumption or assumption and assignment of the relevant agreement by the deadline established by the Court for objections to confirmation of the Plan. As no such objections were filed, other than Energy West (where as a result, the Debtor with consent of the Noteholders removed all Energy West contracts from Exhibit A), the

cure obligation set forth on Exhibit A to the Plan is binding upon each non-Debtor counterparty and each such non-Debtor counterparty is deemed to have waived any and all objections to the assumption or assumption and assignment of the relevant agreement as proposed by the Debtor. For further clarity, each such non-Debtor counterparty is deemed to have waived any and all objections to the assignment by the Debtor to the Liquidating Trustee of any agreement listed on Exhibit A to the Plan.

27. As set forth in Article 8.5 of the Plan, claims arising out of the rejection of an executory contract or unexpired lease ("Rejection Damage Claims") must be filed with the Bankruptcy Court and served on Reorganized Southern and the Committee Representative on the later of thirty (30) days after notice of entry of the Confirmation Order or thirty (30) days after entry of a Final Order of Court resolving any pending motion to assume or reject an executory contract or unexpired lease pending prior to the Confirmation Hearing. The foregoing submission deadline applies only to Rejection Damage Claims arising out of executory contracts and unexpired leases that are rejected pursuant to the Plan. Nothing in the Plan or this Order shall alter the submission deadline for a party to an executory contract or unexpired lease that was rejected by separate motion or by operation of law. Properly submitted Rejection Damage Claims shall be treated as Class 4 – General Unsecured Claims under the Plan subject to objection by the Committee Representative. Any such Rejection Damage Claims that are not properly submitted pursuant to Article 8.5(b) of the Plan will forever be barred from assertion and shall not be enforceable against Reorganized Southern its Estate or Assets, or the Committee Representative.

28. The All Requirements Contracts, as amended in the Plan Supplement, shall be binding on and enforceable against Reorganized Southern and the Members on and after the

Effective Date irrespective of whether the Rural Utilities Service ("RUS") has consented to each Member executing its respective amended All Requirements Contract as of the Effective Date. In the event that the RUS were to require any further modification to the All Requirements Contracts after the Effective Date as a condition to RUS approval of a Member's execution of the amended All Requirements Contact, then any such modification shall be subject to Noteholder consent, which consent shall not unreasonably be withheld.

Releases and Exculpations

29. The releases set forth in Articles 10.4 and 10.5 of the Plan shall be, and hereby are, approved, and shall be effective without further action upon the occurrence of the Effective Date. Such releases and exculpations shall not effect actions brought to enforce any rights or obligations under the Plan.

30. On the Effective Date, except as otherwise provided in the Plan, each of the Released Parties shall be released by the Debtor, and its Estate, from any and all Claims including, without limitation, Avoidance Actions, liens, encumbrances, security interests, obligations, suits, judgments, damages, rights, Causes of Action and liabilities whatsoever, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, that the Debtor is entitled to assert in its own right or on behalf of the holder of any claim or equity interest or other Person or Entity, based in whole or in part upon any act or omission, transaction, agreement, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtor, the Case, the formulation, preparation, negotiation, dissemination, implementation, administration, confirmation or consummation of any of the Plan, or the property to be distributed under the Plan, the Disclosure Statement concerning the Plan, any contract, employee pension or other benefit plan, instrument, release or other agreement of document created, modified, amended, terminated or entered into in

connection with either the Plan or any agreement between the Debtor and any Released Party, or any other act taken or omitted to be taken in connection with the Debtor's bankruptcy. Without limitation of the foregoing, each such Released Party shall be released and exculpated from any and all Claims, obligations, suits, judgments, damages, rights, Causes of Action and liabilities whatsoever, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, that any holder of a claim or equity interest is entitled to assert in its own right or on behalf of any other Person or Entity, based in whole or in part upon any act or omission, transaction, agreement, event or other occurrence relating to the Debtor and taking place prior to the Effective Date.

31. On the Effective Date, except as expressly provided under the Plan, each of the Released Parties shall release each other from any and all Claims including, without limitation, Avoidance Actions, liens, encumbrances, security interests, obligations, suits, judgments, damages, rights, Causes of Action and liabilities whatsoever, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, that any Released Party is entitled to assert against any other Released Party, based in whole or in part upon any act or omission, transaction, agreement, event or occurrence taking place on or before the Effective Date in any way relating to the Debtor, the Case, the formulation, preparation, negotiation, dissemination, implementation, administration, confirmation or consummation of any of the Plan, or the property to be distributed under the Plan, the Disclosure Statement concerning the Plan, any contract, employee pension or other benefit plan, instrument, release or other agreement of document created, modified, amended, terminated or entered into in connection with either the Plan or any agreement between the Debtor and any Released Party, or any other act taken or omitted to be taken in connection with the Debtors' bankruptcy.

Settlement and Compromises Under the Plan

32. The settlements described in the Plan, including, without limitation, the settlements with the Noteholders and the holders of Construction Lien Claims, are hereby approved pursuant to §§ 1123(b)(3) and (6) of the Bankruptcy Code and Bankruptcy Rule 9019, and are incorporated herein by reference. The Debtor is hereby authorized to and shall implement such settlements.

33. Pursuant to Bankruptcy Rule 9019, and in consideration for the classification, distribution, releases, treatment, and other benefits provided under the Plan including, without limitation, the provisions of Articles 4.2, 4.3, 5.2, 5.3, 10.4 and 10.5 of the Plan, the provisions of the Plan shall constitute a good faith settlement of all claims and controversies resolved pursuant to the Plan. The entry of this Order shall constitute the Bankruptcy Court's approval of each of the foregoing settlements and all other settlements provided for in the Plan, and the Bankruptcy Court's findings shall constitute its determination that such settlements are in the best interests of the Debtor, its Estate, creditors, and other parties in interest, are after due notice and an opportunity for a hearing, and are fair, equitable, and within the range of reasonableness.

34. All of the other settlements and compromises contained in the Plan meet the applicable standards under § 1123(b)(3) of the Bankruptcy Code and Bankruptcy Rule 9019 for approval and implementation and are hereby approved.

HGS Holding Trust

35. On the Effective Date, the HGS Holding Trust shall be created on behalf of the Noteholders as the beneficiaries thereof as set forth in the Plan and the HGS Holding Trust. The Debtor is authorized to execute, and shall deliver, and perform under the HGS Holding Trust; and once finalized and executed, subject to the occurrence of the Effective Date, the HGS Holding Trust shall constitute a legal, valid, and binding contract, enforceable in accordance with

its terms. All transfers, conveyances and assignments provided for in the HGS Holding Trust are approved notwithstanding any applicable non-bankruptcy law. The HGS Holding Trustee may operate the HGS Holding Trust, including by paying expenses of the HGS Holding Trust, subject to and in accordance with the Plan and the HGS Holding Trust (including, without limitation, subject to provisions of each regarding the Budget), without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules and in all respects as if there were no pending case under any chapter or provision of the Bankruptcy Code, other than as specifically set forth in the Plan, this Confirmation Order, or the HGS Holding Trust. Effective upon the Effective Date, Dean E. Swick of Alvarez & Marsal North America, LLC is appointed as HGS Holding Trustee, subject to the terms of the HGS Holding Trust Agreement. The HGS Holding Trustee need not post a bond in connection with his service as trustee.

36. On the Effective Date, the HGS Holding Trustee shall assume control over the disposition of HGS and will take all steps as may be necessary or advisable to preserve, maintain, and maximize the value of HGS, including, if necessary, decommissioning, dismantling, transporting, storing, and selling HGS and its component parts, including all associated land. Notwithstanding anything herein to the contrary, the HGS Holding Trust shall have no right to direct or effect any transmission of or wholesale sale of electricity, nor to set any price for such transmission of or wholesale sale, and all such rights and costs shall remain with Reorganized Southern; provided, however, that the HGS Holding Trustee may prevent Reorganized Southern by order of the Bankruptcy Court if necessary, from taking any action with respect to HGS as may, in the HGS Holding Trustee's judgment, be financially injurious to the Noteholders. On the Effective Date, the HGS Holding Trust shall not own HGS. As of the

Effective Date, all pre-Effective Date Liens of the Indenture Trustee on HGS and any HGS Net Proceeds shall encumber all assets held by the HGS Holding Trust.

37. Reorganized Southern, at the expense of the HGS Holding Trust, shall cooperate in good faith with the HGS Holding Trustee, the Indenture Trustee and the Noteholders in the disposition of HGS and any and all licenses, permits and other regulatory documentation associated with the ownership of HGS and associated assets in accordance with the Plan and notwithstanding any applicable non-bankruptcy law. Reorganized Southern shall reasonably cooperate with the reasonable requests of the HGS Holding Trustee relating to the disposition of HGS by exercising ownership and operational control over HGS for purposes of testing, demonstration, and transfer of title without representation or warranty by Reorganized Southern of any kind other than ownership of good title and power and authority to transfer the same, with the HGS Holding Trust bearing all costs and liabilities associated therewith, net of any revenue or value received by Reorganized Southern from any power generated from such operations.

Retention of Jurisdiction

38. Pursuant to §§ 105(a) and 1142 of the Bankruptcy Code, the Bankruptcy Court shall retain and shall have jurisdiction over any matter: (a) arising under the Bankruptcy Code; (b) arising in or related to the Case or the Plan; or (c) that relates to the matters set forth in Article XI of the Plan.

Effect of Confirmation

39. The rights afforded in the Plan and the treatment of all Claims and Interests herein shall be in exchange for and in complete satisfaction, discharge, and release of all Claims and Interests of any nature whatsoever, including any accrued postpetition interest, against the Debtor and the Debtor-in-Possession, or the Estate, including its and their assets, properties, or interests in property. Except as otherwise provided in the Plan and herein, on the Effective Date,

all Claims against and Equity Interests in the Debtor and the Debtor-in-Possession shall be satisfied, discharged, and released in full. Reorganized Southern shall not be responsible for any pre-Effective Date obligations of the Debtor or the Debtor-in-Possession, except those expressly assumed by Reorganized Southern, or otherwise as treated, in accordance with the Plan. Except as otherwise provided in the Plan or herein, all Persons and Entities shall be precluded and forever barred from asserting against Reorganized Southern, its respective successors or assigns, or Estate, assets, properties, or interests in property any event, occurrence, condition, thing, or other or further Claim or Cause of Action based upon any act, omission, transaction, or other activity of any kind or nature that occurred or came into existence prior to the Effective Date, whether or not the facts of or legal bases therefore were known or existed prior to the Effective Date.

40. None of the Debtor or any Released Parties shall be liable for any Cause of Action arising in connection with or out of the administration of the Case, pursuit of confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, except for gross negligence or willful misconduct as determined by Final Order of the Bankruptcy Court.

41. This Order constitutes a judicial determination of discharge of all liabilities of the Debtor, the Estate, and all successors thereto. As provided in § 524 of the Bankruptcy Code and Article 10.3 of the Plan, such discharge shall void any judgment against the Debtor, the Estate, or any successor thereto at any time obtained to the extent it relates to a Claim discharged, and operates as an injunction against the prosecution of any action against Reorganized Southern or property of the Debtor or the Estate to the extent it relates to a discharged Claim.

42. Pursuant to § 1146(a) of the Bankruptcy Code, the issuance, transfer, or exchange

of any property or interests under the Plan, notes or equity securities under the Plan, the creation of any mortgage, deed of trust, lien, pledge or other security interest under the Plan, the making or assignment of any lease or sublease, or the execution, delivery, or recording of an instrument of transfer under or in connection with the Plan, or the transfer or sale of any real or other property of the Debtor, the Estate, or the HGS Holding Trust under or in connection with the Plan, shall not be taxed under any state, local, or other law imposing a stamp tax, transfer tax, or similar tax or fee. Each recorder of deeds or similar official for any county, city, or governmental unit in which any instrument hereunder is to be recorded is ordered and directed to accept such instrument without requiring the payment of any documentary stamp tax, deed stamps, transfer tax, mortgage recording tax, intangible tax, or similar tax.

43. The provisions of § 1145 of the Bankruptcy Code are applicable to the issuance and distribution of any securities issued under the Plan or any document comprising the Plan Supplement, including, without limitation, the Restructured Notes. Therefore, to the extent that an "offer or sale" is deemed to have occurred, any such securities are exempt from the requirements of Article 5 of the Securities Act and any state or local law requiring registration.

Injunctions

44. On the Effective Date and except as otherwise provided in the Plan and herein, all Persons and Entities who have been, are, or may be holders of Claims against or Interests in the Debtor shall be permanently enjoined from taking any of the following actions against or affecting the Debtor, Reorganized Southern, the Estate, the assets, or any of the Released Parties, or their respective assets and property, with respect to such Claims or Equity Interests (other than actions brought to enforce any rights or obligations under the Plan):

(a) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind (including, without limitation,

all suits, actions, and proceedings that are pending as of the Effective Date, which must be withdrawn or dismissed with prejudice);

(b) enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, whether directly or indirectly, any judgment, award, decree or order;

(c) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance; and

(d) asserting any setoff, right of subrogation or recoupment of any kind; provided, that any defenses, offsets or counterclaims which the Debtor may have or assert in respect of the above referenced Claims are fully preserved in accordance with Article 12.11 of the Plan.

45. Holders of Allowed Priority Tax Claims are bound by the terms of the Plan and this Order from commencing or continuing any action or proceeding against any responsible person, officer, trustee or Member of the Debtor that otherwise would be liable to such holders for payment of such Priority Tax Claims so long as the Debtor is in compliance with Article 2.3 of the Plan.

46. All holders of Claims and Interests are permanently enjoined from asserting or prosecuting any Claim or Cause of Action against any Released Parties as to which such Released Parties has been exculpated from liability pursuant to the Plan and this Order.

Miscellaneous Provisions

47. The stay in effect in the Case pursuant to § 362(a) of the Bankruptcy Code shall continue to be in effect until the Effective Date, and at that time shall be dissolved and of no further force or effect, subject to the injunctions set forth in this Order, Article 10.7 of the Plan and/or §§ 524 and 1141 of the Bankruptcy Code; provided, however, that nothing herein shall bar the filing of financing documents (including Uniform Commercial Code financing statements, security agreements, leases, mortgages, trust agreements and bills of sale) or the taking of such other actions as are necessary to effectuate the transactions contemplated by the Plan, the HGS Holding Trust or by this Order prior to the Effective Date.

48. Except with respect to the treatment of any Claim, nothing in the Plan or this Order shall be construed to modify, discharge, alter, amend, or impair the terms of, or rights under or reserved in, any stipulation or agreement (including any reservations of rights contained therein) between a Debtor and any party in interest that has been approved by a Final Order ("Settlement Agreement"). Nothing in the Plan or this Order creates jurisdiction in the Bankruptcy Court that the Bankruptcy Court otherwise would not have over any such rights under or reserved in any Settlement Agreement.

49. Pursuant to Article 10.11 of the Plan, Effective on the Effective Date, the Committee shall dissolve automatically, whereupon its members, Professionals, and agents shall be released from any further duties and responsibilities in the Case and under the Bankruptcy Code, except with respect to applications for Fee Claims or reimbursement of expenses incurred as a member of the Committee. For purposes of distributions to holders of Allowed Class 4 Claims and the filing and prosecution of objections to Class 4 Claims, if any, on the Effective Date, the Committee Representative shall succeed to the rights and obligations of the Committee with respect to Class 4 General Unsecured Claims.

50. Neither the Debtor, the Estate nor the HGS Holding Trust is subject to regulation as a "public utility" under the Federal Power Act, as amended. The Plan does not provide for the change of any rate that is within the jurisdiction of any governmental regulatory commission after the occurrence of the Effective Date, and the Plan requires no approval or authorization under § 1129(a)(6) of the Bankruptcy Code, nor under § 203 of the Federal Power Act, as amended; provided, however, that a subsequent or post-Plan disposition of the ownership of or control over HGS may require such approval or authorization under § 1129(a)(6) of the Bankruptcy Code, or under § 203 of the Federal Power Act, as amended.

51. The Debtor shall publish as directed by the Bankruptcy Court or required by the Bankruptcy Rules and serve on all known parties in interest and holders of Claims and Equity Interests, notice of the entry of this Order and all relevant deadlines and dates under the Plan, and notice of the occurrence of the Effective Date. Such notice is adequate under the particular circumstance and no other or further notice is required.

52. No voluntary bankruptcy or other insolvency proceeding shall be filed by Reorganized Southern after the Effective Date unless (a) the Restructured Notes are fully satisfied for a period of at least ninety (90) days, or (b) upon unanimous consent of the Board of Trustees of Reorganized Southern and consent by the Indenture Trustee, upon direction by the Noteholders. Any bankruptcy or other insolvency filing by Reorganized Southern in contravention of this provision shall constitute a bad faith filing by Reorganized Southern.

53. Other than a release of the All Requirement Contract of Beartooth consistent with Article 5.2 of the Plan, Reorganized Southern shall not assign, amend or terminate any of the All Requirement Contracts unless (a) the Restructured Notes are fully satisfied for a period of at least ninety (90) days, or (b) unanimous approval of the Board of Trustees and consent by the Indenture Trustee, upon direction of the Noteholders.

54. Without further action by the Members or Reorganized Southern, entry of this Order shall be deemed, effective on the Effective Date, acknowledgement and authorization by the Members and Reorganized Southern of the existing assignment of All Requirement Contracts by the Debtor to the beneficial interest of the Noteholders as valid and perfected collateral for the Restructured Notes on the terms set forth in Article 4.2 of the Plan.

55. Without further action by the Members and Reorganized Southern, entry of this Order shall be deemed, effective on the Effective Date, (a) an acknowledgement of the rights of

Reorganized Southern to assume the All Requirements Contracts in any subsequent bankruptcy proceeding by Reorganized Southern (subject, however, to providing adequate assurance of performance and curing in existing default) and the reliance upon the same as consideration for the Noteholders settlement as reflected in the Plan, and the corresponding rights of Reorganized Southern to assign the All Requirements Contracts in a subsequent bankruptcy or other insolvency proceeding to a Restructured Southern entity, to the Indenture Trustee or designee of the Noteholders, or to an entity able to satisfy or arrange for the satisfaction of power supply obligations of Reorganized Southern and (b) that there is no condition in the All Requirement Contracts, in their current form or as amended within the Plan Supplement that (a) there must be a certain number of Members of the Debtor or Reorganized Southern, or (b) HGS must be the source of power from the Debtor or Reorganized Southern to the Members. The provisions of the paragraph shall only be enforceable by the Indenture Trustee and the Noteholders, and only in the event that the Restructured Notes are not satisfied in full or Reorganized Southern or the Members are in default of, or have failed to comply with, any obligations to the Indenture Trustee and the Noteholders under the Plan.

56. Subject to Article 12.1 of the Plan, the Debtor, subject to consent by the Noteholders and/or the Members, and order of the Bankruptcy Court, may amend or modify the Plan in accordance with § 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan.

57. Upon the Effective Date, the parties to all pending adversary proceedings and contested matters between and among the Debtor, the Members, the Noteholders and the Indenture Trustee settled under the Plan shall promptly take such actions as are necessary to

dismiss such proceedings and matters with prejudice.

58. The failure to include or specifically describe or reference any particular provision of the Plan in this Order shall not diminish or impair the effectiveness of such provision, it being the intent of the Bankruptcy Court that the Plan be approved in its entirety.

59. The Bankruptcy Court specifically retains jurisdiction to determine whether or not any claim or right has been affected by the Plan or this Order.

BY THE COURT

HON. RALPH B. KIRSCHER
U.S. Bankruptcy Judge
United States Bankruptcy Court
District of Montana