

**DEVELOPMENTS IN THE CHAPTER 11 BANKRUPTCY CASE OF
WESTINGHOUSE ELECTRIC COMPANY, LLC, *ET AL.*, AND MATTERS
REGARDING THE GUARANTIES OF TOSHIBA CORPORATION
DURING THE PERIOD OF JUNE 28, 2017 THROUGH JULY 12, 2017**

This memorandum summarizes developments and the current status of matters in the Chapter 11 bankruptcy case of Westinghouse Electric Company, LLC and 29 of its affiliated companies (collectively, “Westinghouse”), all of which are in joint administration under Case No. 17-10751 (MEW) in the United States Bankruptcy Court for the Southern District of New York. The focus of this summary is on matters affecting, or potentially affecting, the Virgil C. Summer Nuclear Plant in Fairfield County, South Carolina (the “V.C. Summer Plant”), the owners of that plant, South Carolina Electric & Gas Company (“SCE&G”) and South Carolina Public Service Authority (“Santee Cooper”), and the rate payers served by SCE&G and Santee Cooper. The matters include the guaranty of Toshiba Corporation (“Toshiba”) given to SCE&G and Santee Cooper for Westinghouse’s contract obligations in regard to the V.C. Summer Plant. This memorandum covers the period from June 28, 2017 through July 12, 2017.

The present status of matters may be summarized as follows:

1. SCE&G and Santee Cooper, as the owners of the V.C. Summer Plant (the “SC Owners”), continue in their analysis and assessment of whether to complete or abandon the Plant, or to complete one reactor but abandon the second new reactor at the Plant, or to pursue some other, as of yet undetermined, course of action. The SC Owners have not reached an agreement with Westinghouse regarding its engineering, procurement and construction contracts (collectively, the “EPC Contract”) for the V.C. Summer Plant, and they have not yet reached an agreement with Toshiba resolving Toshiba’s liability on its guaranty to them.

The analysis and assessment of the course of action for the SC Owners to pursue entails projections of time and costs to complete the Plant, and a determination of the sources to fund the completion of the Plant if the decision is made to complete it. The projection of time and costs is made more difficult given the incredible variances in time and costs actually incurred in comparison to Westinghouse’s previous quotes and projections of time and costs. The funding aspect of the analysis necessarily includes assessment of the amounts and timing of payments that the SC Owners may receive from Westinghouse and Toshiba.

The Interim Assessment Agreement for the V.C. Summer Plant, under which the SC Owners are responsible for funding all costs for work, materials and services incurred for the Plant after the bankruptcy filing on March 29, 2017 through termination of the Agreement, currently is set to expire on August 10, 2017. The SC Owners have indicated that they intend to make their decision on how to proceed by that date.

2. As discussed in the prior report, Westinghouse and Toshiba each reached an agreement with Georgia Power Company (“GPC”), acting for itself and as the agent of the owners of the Alvin W. Vogtle Electric Generating Plant (the “Vogtle Plant”) in Burke County, Georgia. In connection with the agreement it reached with GPC, Westinghouse filed its

Motion of Debtors Pursuant to 11 U.S.C. §§ 363(b), 365(a), and 105(a) for Entry of Order Authorizing Debtors to (I) Enter Into Services Agreement with Vogtle Owners, (II) Assume and Assign Certain Executory Contracts to Vogtle Owners, (III) Assume and Amend Certain Executory Contracts, and (IV) Reject the Vogtle EPC Contract (the “Vogtle Contracts Motion”) on June 23, 2017. The Vogtle Contracts Motion seeks to assume, and then assign to GPC, some of the contracts with contractors and vendors for the Vogtle Plant. A requirement for the assumption of a contract is that the monetary defaults under it must be paid, referred to as the “cure” payment.

For the contracts Westinghouse proposes to assume and assign to GPC, the Vogtle Contracts Motion includes the cure payment amounts that Westinghouse asserts are owed. The counterparty to the contract (*e.g.*, a subcontractor) is allowed to object to the amount, and either that contract party and Westinghouse will reach an agreement on the cure payment amount, or the Bankruptcy Court will determine the correct cure payment amount. Numerous contract parties have filed objections to the Vogtle Contracts Motion, not to oppose the assumption and assignment of the contract, but to oppose the cure payment amount. It is likely that many, probably most, of these objections will be resolved by agreement on an amount.

The hearing on the Vogtle Contracts Motion, including objections to cure amounts stated in the motion, is scheduled for July 18, 2017.

If the SC Owners reach an agreement with Westinghouse which contemplates the completion of the V.C. Summer Plant, it is likely that Westinghouse will file a motion similar to the Vogtle Contracts Motion for the V.C. Summer Plant contracts. If so, the same procedure regarding cure amounts for the assumption and assignment of contracts will likely also be used for the V.C. Summer Plant contracts.

3. Westinghouse filed a motion on July 7, 2017 relating to its contracts for the construction of an AP1000® plant in the United Kingdom, and the possibility of other AP1000® plants in Europe in the future. The motion is styled as Motion of Debtors Pursuant to 11 U.S.C. §§ 105(a) and 362 for Authorization to Enter Into a Supplementary Deed and Limited Relief from the Automatic Stay in Connection Therewith. This motion seeks to amend documents to better state the rights and obligations of parties, including Westinghouse and Toshiba, under an agreement, the Shareholders’ Agreement (“SHA”).

The parties to the SHA entered into the agreement in the connection with NuGeneration Limited (“NuGen”), a company which was incorporated in England & Wales in 2009, “to undertake and carry on the development, design, planning, permitting, financing, construction, operation, maintenance, decommissioning, and dismantling of nuclear reactors and associated power generation equipment to be located in the United Kingdom (the “**Project**”).” On June 19, 2014, Westinghouse and the shareholders of NuGen, including Toshiba, entered into the SHA. Westinghouse does not own any shares of NuGen and has never been a shareholder of it; instead, Westinghouse is a party to the SHA for “the sole purpose of obtaining certain regulatory licenses from the UK authorities.”

Under the SHA, Westinghouse may be entitled to payment of up to £24 million from NuGen as reimbursement of its expenses incurred in achieving certain objectives within specified times, if the owners of the Project shut down operations at the Project in accordance with the SHA. Under certain circumstances, Westinghouse also has an exclusive right to an EPC Contract if NuGen proceeds with a new AP1000® plant in the United Kingdom.

The SHA provides that under certain default circumstances, including the filing of the Westinghouse Chapter 11 bankruptcy, two shareholders of NuGen (Engie S.A. and NNB Development Company) may exercise a “put option” requiring that Toshiba purchase all of the shares they hold in NuGen. The SHA includes a provision indicating that, if all shares of NuGen are held by one owner, the SHA will be terminated. The put option and termination provisions are important to the bankruptcy estate because there appears to be some question as to the effect of termination of the SHA on Westinghouse’s right to payment under the SHA.

Westinghouse states in its motion that the supplemental deed it proposes to enter with the other parties to the SHA will provide certainty and clarity as to Westinghouse’s right to payment of the £24 million reimbursement.

The matter is notable both in regard to the possible reimbursement to Westinghouse, and in regard to the disposition and possibility of other AP1000® plants in Europe.

4. An issue may exist in the Westinghouse bankruptcy regarding an audit of or investigation of Westinghouse and its transactions with affiliates and third parties. The matter has been raised in the context of Westinghouse’s application to employ special counsel to represent the “U.S. AP1000 Committee” (the “Special Committee”) of the Westinghouse Board of Directors. The Westinghouse Board appointed the Special Committee to conduct an investigation in such matters. The unsecured claimsholders’ committee (“UCC”) appointed in the case filed a response to the application, stating that the Special Committee and its counsel should not be construed in any way as limiting the UCC’s investigation, and that the UCC’s investigation and findings should be given greater weight than those of the Special Committee. The UCC also questioned the Westinghouse Special Committee’s inclusion of a member “who this court previously found in another chapter 11 case did not take ‘an appropriate position for a fiduciary,’ and who seemed ‘to have succumbed to virtually all’ demands of one of the parties.”
5. The Notice of Deadline for Filing Proofs of Claim was filed and served on creditors and parties in interest in the Westinghouse bankruptcy, pursuant to an Order entered on June 28, 2017. The Notice includes a proof of claim form as an attachment. Proofs of Claim should be sent to the claims agent employed in the case, Kurtzman Carson Consulting LLC (“KCC”), or to the Court.

The deadline, or “Bar Date,” for filing proofs of claim is September 1, 2017, at 5:00 p.m. EST for non-governmental claimants, and September 25, 2017 at 5:00 p.m. for governmental units asserting a claim(s).

Proofs of claim may be filed electronically through the website
<http://www.kccllc.net/westinghouse>.

If by overnight courier, hand delivery or first class mail, proofs of claim should be sent to:
Westinghouse Claims Processing Center
c/o KCC
2335 Alaska Avenue
El Segundo, CA 90245

Or proofs of claim may be hand delivered to the Court:
United States Bankruptcy Court, SDNY
One Bowling Green
New York, NY 10004-1408

Claims will be deemed timely filed only if **actually received** by KCC or the Court by the specified Bar Date and time.

July 12, 2017