

**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 16, 2017 THROUGH JUNE 27, 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 U. S. Bankruptcy Court for the Southern District of New York. This memorandum covers the period of June 16, 2017 through June 27, 2017.

Beginning Thursday night, June 22, 2017, a number of filings were made in the Westinghouse bankruptcy case relating to the Vogtle Plant in Georgia and the V.C. Summer Plant in South Carolina. The filings and the status of matters relating to the two nuclear power plants may be summarized as follows:

1. South Carolina Electric & Gas Company ("SCE&G") and South Carolina Public Service Authority ("Santee Cooper"), as the owners of the V.C. Summer Plant (the "SC Owners"), have not reached an agreement with Westinghouse regarding the disposition of the Westinghouse engineering, procurements and construction contracts (collectively, the "EPC Contract") for the V. C. Summer Plant. The SC Owners also have not reached an agreement with Toshiba Corporation ("Toshiba") on its guaranty of Westinghouse's obligations under the V.C. Summer EPC Contract.

2. Previously, both the SC Owners and Georgia Power Company ("GPC"), acting for itself and as the agent of the owners of the Vogtle Plant, entered into an Interim Assessment Agreement with Westinghouse for their respective plants, under which the owners agreed to pay and be responsible for all costs for work and materials incurred after the filing of the Westinghouse bankruptcy on March 29, 2017. Following an extension of the initial expiration date, the SC Owners' Interim Assessment Agreement was to expire on June 26, 2017. Westinghouse and the SC Owners agreed to another extension, and the expiration date of the agreement is now set for August 10, 2017. This additional time is to allow the SC Owners to further investigate and assess the likely costs they would incur if they proceed with completion of the V.C. Summer Plant.

3. GPC's Interim Assessment Agreement with Westinghouse was amended several times, including on June 22, 2017, to extend the expiration date of the agreement through June 28, 2017. GPC has reached agreements with Westinghouse and Toshiba regarding Westinghouse's obligations under its EPC Contract for the Vogtle Plant, and Toshiba's guaranty of the Westinghouse obligations. The short extension of the period of the GPC Interim Assessment Agreement appears to reflect the intention and expectation of the parties that they will obtain prompt approval of their settlement agreements.

4. Although the SC Owners do not have agreements with Westinghouse or Toshiba resolving the Westinghouse obligations under the V.C. Summer Plant EPC Contract, or the Toshiba guaranty of those obligations, in the bankruptcy filings made for the settlement

agreements they reached with GPC, Westinghouse and Toshiba state that they contemplate reaching agreements with the SC Owners on terms similar to those with GPC.

5. On June 22, 2017, Westinghouse filed a Motion of Debtors Pursuant to 11 U.S.C. § 105(a) for Entry of Stipulated Order Regarding Distributions in Respect of Claims and Interests of Toshiba Corporation and Affiliates (the “Toshiba Distributions Motion”) in connection with Toshiba’s settlement with GPC of Toshiba’s guaranty of the Westinghouse obligations under the Vogtle Plant EPC Contract. This motion seeks court approval of an order stipulated by Toshiba and GPC which provides, among other things, that any distributions that Toshiba or its affiliates (excluding the Westinghouse companies in bankruptcy) are entitled to receive, either as a creditor or an owner of Westinghouse, will be paid to GPC, not to exceed the balance due on the settlement payment amount Toshiba agreed to pay. The motion specifically states that if Toshiba and the SC Owners reach a settlement agreement, the SC Owners will share with GPC in these distributions.

6. The Settlement Agreement between Toshiba and GPC is attached to the Declaration of Masahiro Horiguchi filed on June 23, 2017 in support of the Toshiba Distributions Motion. The Settlement Agreement provides that Toshiba is to pay \$3.68 billion to GPC. Toshiba is to make monthly payments to GPC as set forth in Schedule 2.2 of the Settlement Agreement, commencing with a \$300 million initial payment on October 1, 2017, and payments in varying amounts (shown in Schedule 2.2) through January 1, 2021 (if the \$3.68 billion is not sooner paid). GPC will also receive the Westinghouse distributions that Toshiba would otherwise receive, not to exceed the balance then due on the \$3.68 billion settlement amount.

7. The Settlement Agreement further provides, in Section 6.6, that Toshiba and GPC will both support a prompt sale of the Westinghouse assets pursuant to a Chapter 11 plan of reorganization or a sale motion under section 363 of the Bankruptcy Code (11 U.S.C. § 363).

8. Also on June 23, 2017, 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”), pursuant to its agreement with GPC. In support of the motion, Westinghouse filed a Declaration by Lisa J. Donahue (of AlixPartners and its affiliate, AP Services, LLC), who is serving as the Chief Transition and Development Officer for Westinghouse in the Chapter 11 case, and the Declaration of David L. McKinney, Vice President of Nuclear Development at Southern Nuclear and Georgia Power Company. The Donahue Declaration states, among other things, that the agreement between Westinghouse and GPC “paves the way for the completion of the Vogtle Project, . . .”.

9. The Vogtle Contracts Motion provides for the rejection (termination) of the EPC Contract for the Vogtle Plant, the assignment to GPC of important contracts that Westinghouse has with vendors and contractors for the Vogtle Plant, and a new services contract between Westinghouse and GPC for the continuation of certain services by Westinghouse for the plant. The Vogtle Contracts Motion states that, “in separate but related negotiations” GPC “entered into an agreement with Toshiba to establish the quantum, timing, and form of payments by Toshiba in connection with the Vogtle Project . . .”.

10. The Vogtle Contracts Motion provides for the assignment to GPC of certain contracts which are deemed important or advantageous to GPC for completion of the Vogtle Plant. In order to assign the contracts, Westinghouse must first assume the contracts and payments must be made to the counterparty to the contract (*e.g.*, a subcontractor) to cure Westinghouse's monetary defaults (if any) under such contracts. GPC is to pay the amounts necessary to cure the monetary defaults of the assumed contracts. Upon assumption and assignment to GPC, GPC will then have all rights under the contracts that Westinghouse had prior to default.

11. The Vogtle Contracts Motion is scheduled for hearing on July 18, 2017.

12. As stated above, the period of the SC Owners' Interim Assessment Agreement with Westinghouse has been extended through August 10, 2017, and this extension is to allow the SC Owners to further investigate and assess the likely costs to complete the V.C. Summer Plant. The allowed period does not preclude the SC Owners from continued review and analysis after the expiration of the Interim Assessment Agreement; however, the agreement is important with regard to the possible assumption and assignment of contracts for services, materials and equipment that may be necessary for or advantageous to the SC Owners to complete the V.C. Summer Plant, if they decide to proceed with completion of the plant.

June 28, 2017