THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF TEXAS, HOUSTON DIVISION. THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THE INFORMATION IN THIS DISCLOSURE STATEMENT IS SUBJECT TO CHANGE. THIS DISCLOSURE STATEMENT IS NOT AN OFFER TO SELL ANY SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY ANY SECURITIES.

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re:	§	**Chapter 11**
TALEN ENERGY SUPPLY, LLC, *et al.*,	§	**Case No. 22-90054 (MI)**
Debtors.[1]	§	**(Jointly Administered)**

DISCLOSURE STATEMENT FOR JOINT CHAPTER 11 PLAN OF TALEN ENERGY SUPPLY, LLC AND ITS AFFILIATED DEBTORS

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and Debtors in Possession

Dated: October 24, 2022
Houston, Texas

[1] A complete list of the Debtors in the chapter 11 cases may be obtained on the website of the Debtors' claims and noticing agent at https://cases.ra.kroll.com/talenenergy. The Debtors' primary mailing address is 1780 Hughes Landing Boulevard, Suite 800, The Woodlands, Texas 77380.

DISCLOSURE STATEMENT, DATED OCTOBER 24, 2022

Solicitation of Votes on the
Joint Chapter 11 Plan of

TALEN ENERGY SUPPLY, LLC, *ET AL.*

THIS SOLICITATION OF VOTES (THE "SOLICITATION") IS BEING CONDUCTED TO OBTAIN SUFFICIENT VOTES TO ACCEPT THE PLAN (AS DEFINED HEREIN).

THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS 5:00 P.M. (PREVAILING CENTRAL TIME) ON DECEMBER 6, 2022 UNLESS EXTENDED BY THE DEBTORS (AS DEFINED HEREIN).

THE RECORD DATE FOR DETERMINING WHICH HOLDERS OF CLAIMS MAY VOTE ON THE PLAN IS OCTOBER 26, 2022 (THE "VOTING RECORD DATE").

RECOMMENDATION BY THE DEBTORS

The Restructuring Committee of the Board of Managers of Talen Energy Supply, LLC and each of the governing bodies for each of its affiliated Debtors have approved the transactions contemplated by the Plan. The Debtors believe the Plan is in the best interests of all stakeholders and recommend that all creditors whose votes are being solicited submit ballots to accept the Plan.

Subject to the terms and provisions of that certain *Restructuring Support Agreement* dated as of May 9, 2022 (including any exhibits thereto and as subsequently amended and as may be further modified, amended, or supplemented from time to time, and together with all exhibits and schedules thereto, the "**RSA**"), the following parties have agreed to support and/or vote in favor of the Plan:

- holders of approximately 83% of the aggregate outstanding principal amount of the Unsecured Notes;
- holders of approximately 86% in aggregate principal amount of Claims under the Debtors' Prepetition CAF Agreement;
- holders of approximately 98% in aggregate principal amount of Claims under the Debtors' Prepetition TLB Agreement;
- holders of approximately 48% of the aggregate outstanding principal amount of the Secured Notes; and
- the holder of 100% of the Existing Equity Interests.

HOLDERS OF CLAIMS OR INTERESTS SHOULD NOT CONSTRUE THE CONTENTS OF THIS DISCLOSURE STATEMENT AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL, OR TAX ADVICE AND SHOULD CONSULT WITH THEIR OWN ADVISORS BEFORE CASTING A VOTE WITH RESPECT TO THE PLAN.

NEITHER THIS DISCLOSURE STATEMENT NOR THE MOTION SEEKING APPROVAL THEREOF CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SECURITIES IN ANY STATE OR JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL.

THE OFFER, ISSUANCE, AND DISTRIBUTION UNDER THE PLAN OF THE NEW COMMON EQUITY (I) TO THE HOLDERS OF UNSECURED NOTES CLAIMS AND GENERAL UNSECURED CLAIMS AND (II) CONSTITUTING THE BACKSTOP PERIODIC PREMIUM OR BACKSTOP PUT PREMIUM WILL, IN EACH CASE, BE EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND ANY OTHER APPLICABLE SECURITIES LAWS PURSUANT TO SECTION 1145 OF THE BANKRUPTCY CODE. THE OFFER, SALE, ISSUANCE AND DISTRIBUTION UNDER THE PLAN OF THE RIGHTS OFFERING EQUITY TO BE ISSUED PURSUANT TO THE 1145 RIGHTS OFFERING WILL BE EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT AND ANY OTHER APPLICABLE SECURITIES LAWS PURSUANT TO SECTION 1145 OF THE BANKRUPTCY CODE. THE NEW COMMON EQUITY ISSUED IN THE 4(A)(2) RIGHTS OFFERING (INCLUDING THE BACKSTOP SHARES AND THE BACKSTOP DIRECT INVESTMENT SHARES) WILL BE EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT AND ANY OTHER APPLICABLE SECURITIES LAWS PURSUANT TO SECTION 4(A)(2) OF THE SECURITIES ACT AND REGULATION D THEREUNDER.

WITH RESPECT TO THE SECURITIES ISSUED PURSUANT TO THE EXEMPTION UNDER SECTION 1145 OF THE BANKRUPTCY CODE, SUCH SECURITIES MAY BE RESOLD WITHOUT REGISTRATION UNDER THE SECURITIES ACT OR OTHER FEDERAL SECURITIES LAWS PURSUANT TO THE EXEMPTION PROVIDED BY SECTION 4(A)(1) OF THE SECURITIES ACT, UNLESS THE HOLDER IS AN "UNDERWRITER" WITH RESPECT TO SUCH SECURITIES, AS THAT TERM IS DEFINED IN SECTION 1145(B) OF THE BANKRUPTCY CODE. IN ADDITION, SUCH SECURITIES GENERALLY MAY BE RESOLD WITHOUT REGISTRATION UNDER STATE SECURITIES LAWS PURSUANT TO VARIOUS EXEMPTIONS PROVIDED BY THE RESPECTIVE LAWS OF THE SEVERAL STATES.

WITH RESPECT TO ANY SECURITIES ISSUED IN RELIANCE ON THE EXEMPTION FROM REGISTRATION SET FORTH IN SECTION 4(A)(2) OF THE SECURITIES ACT AND REGULATION D THEREUNDER, SUCH SECURITIES WILL BE EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT AND CONSIDERED "RESTRICTED SECURITIES" (WITHIN THE MEANING OF RULE 144 UNDER THE SECURITIES ACT) AND MAY NOT BE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OR UNDER AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE AVAILABILITY OF THE EXEMPTION UNDER SECTION 1145 OF THE BANKRUPTCY CODE, SECTION 4(A)(2) OF THE SECURITIES ACT AND REGULATION D THEREUNDER, OR ANY OTHER APPLICABLE SECURITIES LAWS WILL NOT BE A CONDITION TO THE OCCURRENCE OF THE EFFECTIVE DATE.

THE SECURITIES ISSUED PURSUANT TO THE PLAN HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR BY ANY STATE SECURITIES COMMISSION OR SIMILAR PUBLIC, GOVERNMENTAL, OR REGULATORY AUTHORITY, AND NEITHER THE SEC NOR ANY SUCH AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT OR UPON THE MERITS OF THE PLAN. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CERTAIN STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING STATEMENTS INCORPORATED BY REFERENCE, PROJECTED FINANCIAL INFORMATION (SUCH AS THAT REFERRED TO UNDER THE CAPTION "FINANCIAL PROJECTIONS" ELSEWHERE IN THIS DISCLOSURE STATEMENT), THE LIQUIDATION ANALYSIS (AS DEFINED HEREIN), AND OTHER FORWARD-LOOKING STATEMENTS, ARE BASED ON ESTIMATES AND ASSUMPTIONS. THERE CAN BE NO ASSURANCE THAT SUCH STATEMENTS WILL BE REFLECTIVE OF ACTUAL OUTCOMES. FORWARD-LOOKING STATEMENTS SHOULD BE EVALUATED IN THE CONTEXT OF THE ESTIMATES, ASSUMPTIONS, UNCERTAINTIES, AND RISKS DESCRIBED HEREIN.

FURTHERMORE, READERS ARE CAUTIONED THAT ANY FORWARD-LOOKING STATEMENTS HEREIN, INCLUDING ANY PROJECTIONS, ARE SUBJECT TO A NUMBER OF ASSUMPTIONS, RISKS, AND UNCERTAINTIES, MANY OF WHICH ARE BEYOND THE CONTROL OF THE DEBTORS. IMPORTANT ASSUMPTIONS AND OTHER IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY INCLUDE, BUT ARE NOT LIMITED TO, THOSE FACTORS, RISKS AND UNCERTAINTIES DESCRIBED IN MORE DETAIL UNDER THE HEADING "CERTAIN RISK FACTORS TO BE CONSIDERED" BELOW, AS WELL AS FUEL SUPPLY COST AND AVAILABILITY, WEATHER CONDITIONS AFFECTING GENERATION AND CUSTOMER ENERGY USE, OPERATING COSTS OF EXISTING GENERATION FACILITIES, VOLATILITY IN MARKET DEMAND AND PRICES FOR ENERGY, COMPETITION IN WHOLESALE POWER AND NATURAL GAS MARKETS, VOLATILITY IN FINANCIAL AND COMMODITY MARKETS, THE DEBTORS' ABILITY TO ENGAGE IN HEDGING, CHANGES IN LAW AND REGULATORY MATTERS AND OTHER RISKS INHERENT IN THE DEBTORS' BUSINESS. PARTIES ARE CAUTIONED THAT THE FORWARD-LOOKING STATEMENTS SPEAK AS OF THE DATE MADE, ARE BASED ON THE DEBTORS' CURRENT BELIEFS, INTENTIONS AND EXPECTATIONS, AND ARE NOT GUARANTEES OF FUTURE PERFORMANCE. ACTUAL RESULTS OR DEVELOPMENTS MAY DIFFER MATERIALLY FROM THE EXPECTATIONS EXPRESSED OR IMPLIED IN THE FORWARD-LOOKING STATEMENTS, AND THE

DEBTORS UNDERTAKE NO OBLIGATION TO UPDATE ANY SUCH STATEMENTS. THE DEBTORS AND REORGANIZED DEBTORS, AS APPLICABLE, DO NOT INTEND AND UNDERTAKE NO OBLIGATION TO UPDATE OR OTHERWISE REVISE ANY FORWARD-LOOKING STATEMENTS, INCLUDING ANY PROJECTIONS CONTAINED HEREIN, TO REFLECT EVENTS OR CIRCUMSTANCES EXISTING OR ARISING AFTER THE DATE HEREOF OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS OR OTHERWISE, UNLESS INSTRUCTED TO DO SO BY THE BANKRUPTCY COURT.

NO INDEPENDENT AUDITOR OR ACCOUNTANT HAS REVIEWED OR APPROVED THE FINANCIAL PROJECTIONS OR THE LIQUIDATION ANALYSIS HEREIN.

THE DEBTORS HAVE NOT AUTHORIZED ANY PERSON TO GIVE ANY INFORMATION OR ADVICE, OR TO MAKE ANY REPRESENTATION, IN CONNECTION WITH THE PLAN OR THIS DISCLOSURE STATEMENT.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS OTHERWISE SPECIFIED. THE TERMS OF THE PLAN GOVERN IN THE EVENT OF ANY INCONSISTENCY WITH THE SUMMARIES IN THIS DISCLOSURE STATEMENT.

THE INFORMATION IN THIS DISCLOSURE STATEMENT IS BEING PROVIDED SOLELY FOR PURPOSES OF VOTING TO ACCEPT OR REJECT THE PLAN OR OBJECTING TO CONFIRMATION. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE USED BY ANY PARTY FOR ANY OTHER PURPOSE.

NOTHING IN THIS DISCLOSURE STATEMENT SHALL PREJUDICE OR WAIVE THE RIGHTS OF ANY PARTY WITH RESPECT TO THE CLASSIFICATION, TREATMENT, IMPAIRMENT OF ANY CLAIMS SHOULD THIS PLAN NOT BE CONFIRMED.

ALL EXHIBITS TO THIS DISCLOSURE STATEMENT ARE INCORPORATED INTO AND ARE A PART OF THIS DISCLOSURE STATEMENT AS IF SET FORTH IN FULL HEREIN.

THE PLAN PROVIDES THAT THE FOLLOWING PARTIES ARE DEEMED TO GRANT THE RELEASES PROVIDED FOR THEREIN: (I) THE HOLDERS OF ALL CLAIMS OR INTERESTS THAT VOTE TO ACCEPT THE PLAN; (II) THE HOLDERS OF ALL CLAIMS OR INTERESTS WHOSE VOTE TO ACCEPT OR REJECT THE PLAN IS SOLICITED BUT THAT DO NOT VOTE EITHER TO ACCEPT OR TO REJECT THE PLAN; (III) THE HOLDERS OF ALL CLAIMS OR INTERESTS THAT VOTE, OR ARE DEEMED, TO REJECT THE PLAN BUT DO NOT OPT OUT OF GRANTING THE RELEASES SET FORTH IN ARTICLE VIII.D OF THE PLAN; (IV) THE HOLDERS OF ALL CLAIMS AND INTERESTS THAT WERE GIVEN NOTICE OF THE OPPORTUNITY TO OPT OUT OF GRANTING THE RELEASES SET FORTH IN ARTICLE VIII.D OF THE PLAN BUT DID NOT OPT OUT; AND (V) THE RELEASED PARTIES (AS DEFINED IN THE PLAN).

HOLDERS OF CLAIMS IN VOTING CLASSES (3A, 3B, 4, 5, AND 6) HAVE RECEIVED A BALLOT THAT INCLUDES THE OPTION TO OPT OUT OF THE RELEASES CONTAINED IN ARTICLE VIII OF THE PLAN. HOLDERS OF CLAIMS AND INTERESTS IN NON-VOTING CLASSES (1, 2, 9, AND 11) HAVE RECEIVED A RELEASE OPT-OUT FORM ATTACHED TO THEIR NOTICE OF NON-VOTING STATUS AND NOTICE OF RIGHT TO OPT OUT OF CERTAIN RELEASES. SEE EXHIBIT B FOR A DESCRIPTION OF THE RELEASES AND RELATED PROVISIONS.

PLEASE BE ADVISED THAT ARTICLE VIII OF THE PLAN CONTAINS RELEASE, EXCULPATION, AND INJUNCTION PROVISIONS. YOU SHOULD REVIEW AND CONSIDER THE PLAN CAREFULLY BECAUSE YOUR RIGHTS MAY BE AFFECTED.

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I.
INTRODUCTION

Talen Energy Supply, LLC ("**TES**") and its debtor affiliates in the above-captioned chapter 11 cases (each, a "**Debtor**" and, collectively, the "**Debtors**") submit this disclosure statement (including any exhibits and schedules hereto and as may be further modified, amended, or supplemented, the "**Disclosure Statement**") in connection with the Solicitation of votes on the *Joint Chapter 11 Plan of Talen Energy Supply, LLC and Its Affiliated Debtors* dated October 24, 2022 attached hereto as **Exhibit A** (including any exhibits and schedules thereto and as may be modified, amended, or supplemented from time to time, the "**Plan**").[2] On May 9, 2022 (the "**Petition Date**"), the Debtors commenced voluntary cases under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101–1532 (the "**Bankruptcy Code**"), in the United States Bankruptcy Court for the Southern District of Texas (the "**Bankruptcy Court**"). The Debtors' chapter 11 cases are being jointly administered for procedural purposes only (together, the "**Chapter 11 Cases**").

The purpose of this Disclosure Statement is to provide adequate information of a kind, and in sufficient detail, to enable creditors of the Debtors that are entitled to vote on the Plan to make an informed decision on whether to vote to accept or reject the Plan. This Disclosure Statement contains, among other things, summaries of the Plan, certain statutory provisions, events contemplated in the Chapter 11 Cases, and certain documents related to the Plan.

A. Preliminary Statement

The Debtors form one of the largest competitive power generation companies in North America. Their generation portfolio consists of 16 facilities that are collectively capable of producing approximately 12,500 megawatts (MW) of power. The Debtors' fleet is diverse in both its fuel sources and technology—the Debtors' power generation facilities are fueled by nuclear power, natural gas, oil, or coal, and certain facilities are capable of using multiple fuel sources.

As explained in more detail below, the Debtors commenced the Chapter 11 Cases in large part due to immediate and significant liquidity concerns that can be traced back to the sudden and sustained rise of natural gas prices in late 2021, which sharply increased the collateral requirements for the Debtors' hedging activities, resulting in an unexpected squeeze on available cash.

After extensive hard-fought, arm's-length negotiations, the Debtors and an ad hoc group of TES' unsecured noteholders (the "**Consenting Parties**") entered into that certain *Restructuring Support Agreement*, dated as of May 9, 2022 (including any exhibits thereto and as subsequently amended and as may be further modified, amended, or supplemented from time to time, the "**RSA**"), prior to filing the Chapter 11 Cases. Subsequently, on August 4, 2022 and August 10, 2022, the Debtors and the Consenting Parties executed the first and second amendments to the RSA (respectively, the "**RSA First Amendment**" and the "**RSA Second**

[2] Capitalized terms used in this Disclosure Statement, but not defined herein, have the meanings ascribed to them in the Plan. To the extent any inconsistencies exist between this Disclosure Statement and the Plan, the Plan will govern.

Amendment") to address increased funding needs, implement a Sale Process (as defined below), and update the milestones provided in the RSA.[3]

Pursuant to the RSA First Amendment, on August 26, 2022, the Debtors launched a process (the "**Sale Process**") to solicit, initiate, facilitate, encourage, develop and negotiate one or more alternative restructuring proposals for an alternative restructuring to the Equitization Transaction (as defined below). The Sale Process provides a public and competitive forum in which the Debtors sought bids for proposals for potential Sale Transactions: if such transactions would provide the Debtors' Estates with higher or otherwise better value than the Equitization Transaction, then the Debtors would effectuate a Sale Transaction in lieu of the Equitization Transaction. However, as further detailed below in Section VI.Q, at this time, the Sale Process has revealed that there are no transactions likely to result in higher or otherwise better value than the Equitization Transaction. As further detailed below, given that none of the IOIs received to date are likely to lead to a Qualified Bid or otherwise actionable transaction, the Debtors anticipate moving forward with the Equitization Transaction. However, the Debtors will continue to consider actionable proposals that would result in higher or otherwise better value to the Debtors' Estates than the Equitization Transaction, in accordance with the Bidding Procedures.

On August 27, 2022, the Debtors and the Consenting Parties entered into (i) the third amendment and limited joinder to the RSA (the "**RSA Third Amendment**") with certain Holders of Prepetition CAF Claims (the "**CAF Consenting Parties**" and, the resulting settlement, the "**CAF Settlement**") and (ii) the fourth amendment and limited joinder to the RSA (the "**RSA Fourth Amendment**") with certain Holders of Prepetition TLB Claims and Secured Notes Claims (the "**First Lien Non-CAF Consenting Parties**" and, the resulting settlement, the "**First Lien Non-CAF Settlement**"), each of which provides for the settlement and allowance of certain Prepetition First Lien Secured Claims and joins the parties to the RSA in connection therewith.[4]

On August 29, 2022, the Debtors and the Consenting Parties entered into a fifth amendment and limited joinder to the RSA (the "**RSA Fifth Amendment**") with Talen Energy Corporation ("**TEC**" and, together with its direct and indirect subsidiaries, the "**Company**") and certain entities affiliated with Riverstone Holdings LLC (collectively, "**Riverstone**" and, together with TEC, the "**TEC Consenting Parties**"), which provides for the settlement of certain matters between the Debtors, TEC, Riverstone, and certain of the Cumulus Affiliates (such settlement, the "**TEC Global Settlement**" and, collectively with the CAF Settlement and the First Lien Non-CAF Settlement, the "**Plan Settlements**") and joins the parties to the RSA in connection therewith.[5]

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[3] The RSA First Amendment is annexed as Exhibit A to the *Notice of (I) Filing (A) First Amendment to RSA and Amended Restructuring Term Sheet and (B) Amended and Restated BCL, and (II) Hearing on BCL Motion* [Docket No. 1015] filed on August 5, 2022. The RSA Second Amendment is annexed as Exhibit A to the *Notice of (I) Reset of Hearing on BCL Motion and (II) Filing (A) Second Amendment to RSA and (B) Amended and Restated BCL* [Docket No. 1046] filed on August 10, 2022.

[4] The RSA Third Amendment is annexed as Exhibit A and the RSA Fourth Amendment is annexed as Exhibit B to the *Notice of Third Amendment and Fourth Amendment to Restructuring Support Agreement* [Docket No. 1125] filed on August 27, 2022.

[5] The RSA Fifth Amendment is annexed as Exhibit A to the *Notice of Fifth Amendment to Restructuring Support Agreement* [Docket No. 1138] filed on August 29, 2022.

The RSA provides that the Consenting Parties, the CAF Consenting Parties, the First Lien Non-CAF Consenting Parties, and the TEC Consenting Parties will support the Plan and the restructuring transactions contemplated thereby, subject to the terms and provisions of the RSA.

As of the date of this Disclosure Statement, (i) the Consenting Parties are Holders of over 83% of the aggregate outstanding principal amount of the Unsecured Notes Claims, (ii) the CAF Consenting Parties are Holders of 86% of the aggregate principal amount of the Prepetition CAF Claims, (iii) the First Lien Non-CAF Consenting Parties are Holders of 98% of the aggregate principal amount of the Prepetition TLB Claims and 48% of the aggregate outstanding principal amount of the Secured Notes Claims, and (iv) TEC, a TEC Consenting Party, is the Holder of 100% of the Existing Equity Interests.

Pursuant to the RSA, the Debtors have agreed to move forward expeditiously with the confirmation and consummation of the Plan, and to be subject to certain milestones which, if not achieved, enable the Requisite Consenting Parties to terminate the RSA. The relevant milestones to be achieved include, among others:

- filing of the Plan and a motion to approve this Disclosure Statement no later than September 15, 2022;
- entry of an order approving the Disclosure Statement by no later October 26, 2022;
- commencement of the hearing to approve the Confirmation Order by no later than December 21, 2022;
- entry of the Confirmation Order by no later than December 29, 2022; and
- the occurrence of the Effective Date of the Plan by no later than May 9, 2023; *provided*, that this milestone may be extended by up to six months solely to obtain regulatory approvals.

1. *Overview of Restructuring*

The Plan provides for a comprehensive restructuring (the "**Restructuring**") pursuant to either (i) a debt-for-equity exchange in which the equity of New Parent will be distributed to Holders of Unsecured Notes Claims and General Unsecured Claims on account of their Claims and to Holders of Unsecured Notes Claims and General Unsecured Claims that participate in the Rights Offering (the "**Equitization Transaction**") or (ii) one or more sale transactions in which one or more third-party bidder(s) will acquire either the equity of New Parent or all or substantially all of the Debtors' assets, including the equity in the Debtors' subsidiaries (a "**Sale Transaction**").

At this stage, the Debtors believe the Equitization Transaction provided for in the RSA and the Plan will maximize value for the Debtors and their Estates and allow the Debtors' business to reorganize with a substantially reduced debt load and increase their cash flow on a go-forward basis.

(a) Equitization Transaction

The Equitization Transaction is anchored by the Consenting Parties' commitment to equitize their respective holdings of the approximately $1.4 billion in principal amount of Unsecured Notes Claims and backstop $1.55 billion of an up to $1.9 billion equity rights offering. The proposed Equitization Transaction provides for, among other things:

- an up to $1.9 billion common equity rights offering (the "**Rights Offering**"), $1.55 billion of which will be backstopped by the Backstop Parties (the "**Rights Offering Amount**"), pursuant to which eligible Holders of Unsecured Notes Claims and General Unsecured Claims will be distributed subscription rights to purchase shares of New Common Equity issued by New Parent (the "**Rights Offering Equity**") in accordance with the Restructuring Transactions Exhibit (as defined in the Plan), to be included in the Plan Supplement;

- repayment of the DIP Facilities (as defined below) in full in Cash;

- payment in full of Allowed Other Priority Claims and payment in full, reinstatement or such other treatment of Allowed Other Secured Claims as to render such Claims Unimpaired;

- Holders of Allowed Prepetition CAF Claims to receive payment in full in Cash of the Settled CAF Claim Amount (as defined below);

- Holders of Allowed Prepetition First Lien Non-CAF Claims to receive payment in full in Cash of the Settled First Lien Non-CAF Claim Amount (as defined below);

- Holders of Allowed Unsecured Notes Claims to receive their Pro Rata share of 99% of the new common equity in the New Parent (the "**New Common Equity**"), less any New Common Equity distributed to general unsecured creditors pursuant to the Plan (the "**GUC Recovery Equity Pool**") or on account of the Retail PPA Incentive Equity (as defined in the Plan), subject to dilution from the Rights Offering, the Employee Equity Incentive Plan, the New Warrants Equity, the Backstop Periodic Premium, and the Backstop Put Premium (each as defined in the Plan);

- Holders of Allowed Unsecured Notes Claims and Allowed General Unsecured Claims to receive their Pro Rata share (on a Claim by Debtor basis) of the 1145 Subscription Rights (as defined in the Plan) and (i) with respect to an Eligible Holder,[6] solely to the extent such Holder fully exercises its 1145 Subscription Rights, the 4(a)(2) Subscription Rights (as defined in the Plan) or (ii) with respect

[6] "*Eligible Holder*" means each Holder of a Claim (or a Claim temporarily Allowed by the Bankruptcy Court as of the date of the Confirmation Hearing for purposes of the Rights Offering) as of the Rights Offering Subscription Record Date that is an "accredited investor" within the meaning of Rule 501 of Regulation D under the Securities Act, as verified pursuant to the Rights Offering Procedures.

to an Ineligible Holder,[7] solely to the extent such Holder fully exercises its 1145 Subscription Rights, New Common Equity or Cash, at the option of the Requisite Consenting Parties, in the amount equal to the value of the 4(a)(2) Subscription Rights that would have been distributable to the Holder if such Holder was an Eligible Holder;

- Holders of Allowed General Unsecured Claims to receive their Pro Rata share (on a Claim by Debtor basis) of the GUC Recovery Equity Pool, subject to dilution from the Rights Offering, the Backstop Periodic Premium, the Backstop Put Premium, the New Warrants Equity, and the Employee Equity Incentive Plan;

- Holders of Claims that would otherwise be Allowed General Unsecured Claims (i) in an amount of $1,000 or less or (ii) reduced to $1,000 that are designated as General Unsecured Convenience Claims will receive payment in full in Cash;

- the Debtors' Prepetition Cumulus Intercompany Claims and Prepetition Intercompany Claims will be waived or reinstated and are therefore deemed Unimpaired under the Plan;[8]

- the Debtors' collective bargaining agreements, Pension Plans (as defined in the Plan), and asset retirement obligations to be assumed and/or otherwise unimpaired;

- the Debtors' entry into any credit facility in accordance with the RSA, including a priority revolving credit facility, in a principal amount of at least $1,000,000,000 with the capacity for the issuance of letters of credit (the "**Exit Facilities**"); and

- if the TEC Global Settlement remains in effect as of the Effective Date of the Plan, the Reinstatement of Existing Equity Interests so as to maintain the organizational structure of the Company as such structure exists on the Effective Date.

As discussed further in Section VIII.A and Section VIII.B.2(a) below, New Parent may be TEC, TES, or another entity and, if New Parent is TEC, it may file a chapter 11 petition and become a Debtor in order to implement the Restructuring, the specifics of which will be included in the Plan Supplement.

(b) Sale Transaction

Pursuant to the RSA First Amendment, the Debtors are permitted to conduct the Sale Process, which provides a public and competitive forum in which the Debtors may seek bids or proposals for potential Sale Transactions. If such transactions would provide the Debtors' Estates with higher or otherwise better value than the Equitization Transaction, the Debtors will effectuate a Sale Transaction in lieu of the Equitization Transaction. Under the Plan, a Sale Transaction

[7] "*Ineligible Holder*" means each Holder of a Claim who duly certifies in accordance with the Rights Offering Procedures that it is not an "Accredited Investor" as defined in Rule 501(a) of the Securities Act.

[8] As of the date of this Disclosure Statement, the Debtors do not anticipate that any Debtor will waive or agree to less favorable treatment of any Prepetition Cumulus Intercompany Claims or Prepetition Intercompany Claims.

would provide for a waterfall distribution of the proceeds from any Sale Transaction (the "**Sale Transaction Proceeds**").

Pursuant to the Plan, the Debtors may elect to pursue a Sale Transaction premised on an Eligible Alternative Restructuring (as defined below). The RSA provides that the Consenting Parties will support a Sale Transaction that is an Eligible Alternative Restructuring. An "Eligible Alternative Restructuring" is an Alternative Restructuring that provides for:

- satisfaction in full, including any accrued but unpaid interest (including postpetition interest at the contract rate, as increased due to the Company's default), of all Claims arising under (i) the DIP Documents, (ii) the Prepetition First Lien Debt Documents (as defined in the DIP Order), including as set forth in the CAF Settlement and the First Lien Non-CAF Settlement, as applicable, and (iii) the Unsecured Notes Indentures;

- payment of any fees due and payable in accordance with the *Order (I) Authorizing the Debtors to Enter into Backstop Commitment Letter, (II) Approving All Obligations Thereunder, and (III) Granting Related Relief* [Docket No. 1133] (the "**Backstop Order**"); and

- treatment of all other Claims against the Company on terms that are no less favorable than as provided in the RSA.

Pursuant to the RSA First Amendment, the Debtors and Consenting Parties have agreed to the following Sale Process timeline:

- launch outreach to third-parties following entry of the Backstop Order on August 29, 2022;

- set deadline to receive non-binding indications of interest no later than September 28, 2022;

- launch second round of bidding no later than October 3, 2022;

- receive all timely binding offers and draft asset purchase agreements, subject to further negotiation, in accordance with the Bidding Procedures no later than November 14, 2022 at 4:00 p.m. (prevailing Central Time); and

- select a winning bidder no later than November 29, 2022.

The Debtors are presently soliciting votes on a Plan premised on either the Equitization Transaction or a toggle to a Sale Transaction that meets the requirements of an Eligible Alternative Restructuring. As set forth above, although the Debtors have not received any actionable proposals in connection with the sale process, the Debtors will continue to consider any offers received, including those that do not meet the requirements of an Eligible Alternative Restructuring. For example, such bids may not contemplate payment of the Claims of Holders of the Unsecured Notes in full, including postpetition interest. Accordingly, if the Debtors elect, in their business

judgment, to pursue a Sale Transaction that does not constitute an Eligible Alternative Restructuring on the terms and conditions set forth in the RSA, the Requisite Consenting Parties may elect to terminate the RSA and the Consenting Parties would not be required to vote in favor of the amended Plan. Upon such termination of the RSA, the Debtors will need to amend the current Plan and obtain Bankruptcy Court approval of an amended Disclosure Statement and authority to re-solicit the amended Plan to some or all Voting Classes.

2. *Plan Settlements*

As a result of the Plan Settlements, the CAF Consenting Parties, the First Lien Non-CAF Consenting Parties, and the TEC Consenting Parties support the Plan. Each of the Plan Settlements' terms have been embodied in the Plan and the Debtors are seeking their approval pursuant to Bankruptcy Rule 9019 and section 1123 of the Bankruptcy Code via entry of the Confirmation Order, which will include findings that, among other things, the compromises and settlements under the Plan, including the CAF Settlement, the First Lien Non-CAF Settlement, and the TEC Global Settlement, are in the best interests of the Debtors, their Estates, their creditors, and other parties in interest, are fair and equitable, and are well within the range of reasonableness.

The Debtors believe that the Plan, including each of the Plan Settlements, represents the best available path to the Debtors to reorganize and maximize value for their stakeholders' benefit. The Plan Settlements are described below.

The Creditors' Committee contends that the Plan should not be confirmed based on their assertions that the Plan Settlements would release valuable estate claims and other challenges for no value, as raised in the Creditors' Committee's Standing Motions (as defined herein). The Committee intends to object to the confirmation of the Plan on this and other grounds. The Court has set aside a portion of the Confirmation Hearing to hear evidence regarding the Plan Settlements. The Debtors disagree with the foregoing assertions and reserve all of their rights with respect thereto.

(a) <u>CAF Settlement</u>

Prior to the Petition Date, an ad hoc group of Prepetition CAF Lenders represented by Akin Gump Strauss Hauer & Feld LLP and Houlihan Lokey Capital, Inc. (the "**CAF Lender Group**") organized. As described further below, the Debtors and the CAF Lender Group disagreed on, among other things, the amount of the CAF Make Whole (as defined herein), and therefore the Allowed amount of the Prepetition CAF Claims.

The Debtors, the Consenting Parties, the CAF Lender Group, and their respective advisors engaged in vigorous, arm's-length negotiations to resolve their respective issues on a consensual basis. On August 27, 2022, the Debtors, together with the Consenting Parties, reached an agreement in principle with the CAF Lender Group (the CAF Consenting Parties), as reflected in the RSA Third Amendment. That agreement is reflected in the Plan and provides, among other things that:

- the Prepetition CAF Claims will be allowed in an amount equal to the sum of:

- (i) $986.76 million, comprising (x) $848 million principal, (y) $133.33 million on account of any and all premiums asserted or assertable under the Prepetition CAF Agreement as of the Petition Date (including, for the avoidance of doubt, any amounts attributable to the MOIC Amount and/or the Make Whole Amount, each as defined in the Prepetition CAF Agreement), and (z) accrued and unpaid prepetition interest in the amount of $5,430,000 (collectively, the "**Settled CAF Prepetition Claim Amount**"); plus

- (ii) postpetition interest pursuant to section 506(b) of the Bankruptcy Code on the full amount of the Settled CAF Prepetition Claim Amount at a rate based on the 1-month LIBOR rate as set forth in the Prepetition CAF Agreement, plus fixed 8.00% interest, plus 2.00% (constituting default interest), from the Petition Date through the Effective Date, and (iii) postpetition interest on a monthly basis on any accrued and unpaid amounts set forth in (ii) above at a rate based on the 1-month LIBOR rate as set forth in the Prepetition CAF Agreement, plus fixed 8.00% interest, plus 2.00% (constituting default interest) (collectively, with the Settled CAF Prepetition Claim Amount, the "**Settled CAF Claim Amount**");

- in the event that the RSA is terminated by the Consenting Parties, the CAF Consenting Parties may continue to support the Plan, including with respect to any Alternative Restructuring that may be implemented under the Plan as a result of the Sale Process; *provided*, that such Plan related to such Alternative Restructuring will incorporate the CAF Settlement; and

- Holders of Prepetition CAF Claims will be separately classified from Prepetition First Lien Non-CAF Claims.

The CAF Settlement resolves of a number of key issues relating to the allowance, classification, amount, treatment, extent and priority of liens, and the accrual of postpetition interest related to the Prepetition CAF Claims, which may have otherwise prompted contentious, lengthy and value-destructive litigation.

The Creditors' Committee is not party to the CAF Settlement and disagrees with the Debtors' characterization of the benefits of that agreement, which was reached between the Debtors, the Consenting Parties, and the CAF Lender Group.

The Creditors' Committee believes there are valuable estate claims and other challenges that could result in (i) the CAF Claims being unsecured, reducing the Debtors' secured debt burden by approximately $1 billion, (ii) the avoidance of CAF Claims asserted against the Debtors, and (iii) the disallowance of the make-whole and other premiums asserted under the CAF. The Creditors' Committee timely filed with the Court a standing motion and a claim objection with respect to such claims. The Creditors' Committee contends that the Plan should not be confirmed based on assertions that the CAF Settlement would forfeit these challenges to the CAF Claims for insufficient value. The Court has set aside a portion of the Confirmation Hearing to hear evidence

regarding the CAF Settlement. The Debtors disagree with the foregoing assertions and reserve all of their rights with respect thereto.

(b) First Lien Non-CAF Settlement

Prior to the Petition Date, an ad hoc group of Prepetition TLB Lenders and Holders of Secured Notes represented by King & Spalding LLP and Houlihan Lokey Capital, Inc. (the "**Non-CAF Lender Group**") organized. The Debtors and the Non-CAF Lender Group disagreed on the amount of interest and premiums owed in connection with the Allowed Prepetition First Lien Non-CAF Claims.

The Debtors, the Consenting Parties, the Non-CAF Lender Group, and their respective advisors engaged in vigorous, arm's-length negotiations to resolve their respective issues on a consensual basis. On August 27, 2022, the Debtors, together with the Consenting Parties, reached an agreement in principle with the Non-CAF Lender Group (the First Lien Non-CAF Consenting Parties), as reflected in the RSA Fourth Amendment. That agreement is reflected in the Plan and provides, among other things that:

- the Prepetition First Lien Non-CAF Claims will be allowed in an amount equal to the sum of:
    - (i) $2,048.00 million, comprising (a) $470 million of 6.625% Secured Notes Debt, (b) $750 million of debt under the 7.25% Secured Notes Debt, (c) $400 million of 7.625% Secured Notes Debt, and (d) $428 million of Prepetition TLB Debt (collectively, the "**Prepetition First Lien Non-CAF Claim Amount**"); plus
    - (ii) accrued and unpaid prepetition interest and postpetition interest at the applicable contract rate (each as increased due to the Company's default); plus (iii) the lesser of (x) $20 million in the aggregate and (y) an amount equal to forty percent (40%) of the premium that would be due and owing under the respective indenture for each of the Secured Notes, as if such notes were optionally redeemed on the Effective Date (collectively, with the Prepetition First Lien Non-CAF Claim Amount, the "**Settled First Lien Non-CAF Claim Amount**");[9]
- each First Lien Non-CAF Consenting Party will be able to elect to waive its Prepetition First Lien Non-CAF Claims and exchange such Claim for participation in the Exit Facilities on a dollar-for-dollar basis, in an aggregate amount (among all such electing First Lien Non-CAF Consenting Parties) not to exceed an aggregate amount of up to 25% of the funded principal amount of the Exit Facilities; and

[9] For the avoidance of doubt, the Pro Rata portion of the Settled First Lien Non-CAF Claim Amount due to any Holder of Prepetition First Lien Non-CAF Claims, including with respect to any prepetition or postpetition interest, default rate interest, Applicable Premium or redemption price premium under each respective instrument, shall be solely apportioned on account of its Pro Rata holdings under the Prepetition TLB Agreement and/or each Secured Notes Indenture, as applicable.

- in the event that the RSA is terminated by the Consenting Parties, the First Lien Non-CAF Consenting Parties may continue to support the Plan, including with respect to any Alternative Restructuring that may be implemented under the Plan as a result of the Sale Process; *provided*, that such Plan related to such Alternative Restructuring will incorporate the First Lien Non-CAF Settlement.

(c) TEC Global Settlement

Throughout the Chapter 11 Cases, the Debtors and the Consenting Parties have engaged in continuous discussions with TEC and Riverstone regarding a potential settlement of all Claims, Interests, and controversies. The Debtors, the Consenting Parties, TEC and Riverstone previously disagreed as to, among other matters, antecedent transactions among the Debtors and Cumulus (as defined herein), the total enterprise value and distributable value of TES, and the future support of Cumulus' businesses, operations, and growth.

On August 29, 2022, after vigorous, arm's-length negotiations, the Debtors, the Consenting Parties, and the TEC Consenting Parties reached an agreement to resolve their respective issues on a consensual basis, as reflected in the RSA Fifth Amendment. Among other things, the TEC Global Settlement streamlines the Plan structure and continues the corporate consolidation of TES and TEC, and secures TEC's and Riverstone's support for the Plan. The terms of the TEC Global Settlement are reflected in the Plan and provide, among other things that:

- the corporate consolidation of TEC and TES will be continued, saving up to approximately $115 million in potential tax costs if the entities were deconsolidated;

- existing TES unsecured creditors, including the Holders of Unsecured Notes Claims and General Unsecured Claims, will receive 99.0% of pro forma New Common Equity, subject to dilution by the Retail PPA Incentive Equity and dilution upon the exercise of the New Warrants (as defined below);

- the Riverstone Settlement Recipients (as defined in the Plan) will receive 1.00% of the New Common Equity, after giving effect to the Rights Offering and the Backstop Put Premium;

- the Riverstone Settlement Recipients will receive New Common Equity (or cash, as applicable) equal to 25.00% of the net present value of projected savings and actual net savings under an amended Retail PPA (as defined in the TEC Global Settlement Term Sheet) and an amended option power purchase agreement (if exercised), as further described in the TEC Global Settlement Term Sheet and Plan Supplement;

- the Riverstone Settlement Recipients will receive warrants to purchase up to 5.00% of the New Common Equity, after giving effect to the Rights Offering and the Backstop Put Premium, with (i) a tenor of five years, (ii) a strike price set at the Effective Date based on a $3.5 billion equity value, assuming pro forma net debt as of the Effective Date as set forth in Schedule II to the Backstop Commitment Letter

plus any Permitted Indebtedness Upsize (as defined in the Restructuring Term Sheet), and (iii) Black-Scholes protection (determined using the standard Black-Scholes pricing model, assuming 27.5% volatility for the remaining tenor) (the "**New Warrants**"); and

- the reimbursement by the Debtors of up to $15 million in reasonable and documented fees and transaction expenses incurred by the professional advisors to TEC, Cumulus and/or Riverstone (the "**TEC Expense Reimbursement**").

The Plan also provides for a minimum recovery to the Riverstone Settlement Recipients in the event the Debtors pursue an Alternative Restructuring, which includes an Eligible Alternative Restructuring (as defined in the RSA) pursuant to the Sale Process described herein. Under the occurrence of an Alternative Restructuring, the Riverstone Settlement Recipients are entitled to the greater of: (i) the value provided to TEC and/or Riverstone under the TEC Global Settlement Term Sheet, or (ii) the recovery to Class 11 (Existing Equity Interests) as set forth in the Plan.

The TEC Global Settlement incorporates the Cumulus Settlement, the terms of which are described in more detail below. Certain U.S. federal income tax consequences of the TEC Global Settlement are discussed in Section VIII hereof.

The Creditors' Committee is not party to the TEC Global Settlement and disagrees with the Debtors' characterization of the benefits of that agreement, which was reached between the Debtors, the Consenting Parties, and the TEC Consenting Parties.

The Creditors' Committee filed the Avoidance Standing Motion (as defined herein) on August 9, 2022, seeking authority to pursue litigation against Riverstone and its affiliates to recover for the benefit of the Estates a $500 million dividend and over $900,000 in expense reimbursements paid to Riverstone and its affiliates. The Creditors' Committee contends that the Plan should not be confirmed based on their assertions that the TEC Global Settlement would forfeit these challenges for no value. The Court has set aside a portion of the Confirmation Hearing to hear evidence regarding the TEC Global Settlement. The Debtors and the TEC Consenting Parties disagree with the foregoing assertions and reserve all of their rights with respect thereto.

B. Recommendation

The Debtors are confident that they can implement the Restructuring described above to maximize stakeholder recoveries. The dual-track process ensures that the Debtors' business is robustly marketed through a sale process such that any deal ultimately reached is market-tested, while also providing certainty for stakeholders as a result of the Equitization Transaction option.

Confirmation of the Plan with the Equitization Transaction will facilitate a significant deleveraging and recapitalization of the Debtors, through the unimpairment of Holders of Secured Claims and an equity infusion of up to $1.9 billion in Cash to the Debtors' balance sheet. This deleveraging and infusion of new capital is expected to, among other things, allow the Debtors to transition away from coal use at their wholly-owned facilities and transform the Debtors' business model toward a decarbonized future, as well as provide the Debtors with sufficient working capital

post-emergence to provide stability and growth opportunities for the Debtors and their employees. In the alternative, Confirmation of the Plan through a Sale Transaction would facilitate a value-maximizing transaction for all stakeholders that provides treatment that is no less favorable than as provided under the Equitization Transaction.

For these reasons, among others, the Debtors strongly recommend that Holders of Claims entitled to vote on the Plan vote to accept the Plan.

C. Confirmation Timeline

The Debtors seek to move forward expeditiously with the Solicitation of votes and a hearing on Confirmation of the Plan in an effort to minimize the continuing accrual of administrative expenses. Accordingly, subject to the Bankruptcy Court's approval, the Debtors are proceeding on the following timeline with respect to this Disclosure Statement and the Plan:

Hearing on Approval of Disclosure Statement	October 26, 2022 9:00 a.m. (prevailing Central Time)
Plan Supplement Filing	November 29, 2022 11:59 p.m. (prevailing Central Time)
Voting Deadline[10]	December 6, 2022 5:00 p.m. (prevailing Central Time)
Deadline to Object to Confirmation of Plan	December 6, 2022 5:00 p.m. (prevailing Central Time)
Deadline to File (i) Reply to Plan Objection(s) and (ii) Brief in Support of Plan Confirmation	December 12, 2022 12:00 p.m. (prevailing Central Time)
Confirmation Hearing	December 15, 2022 9:00 a.m. (prevailing Central Time)

The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court or the Debtors without further notice, except for adjournments announced in open court or as indicated in any notice of agenda of matters scheduled for hearing filed with the Bankruptcy Court.

D. Inquiries

If you have any questions about the packet of materials you have received, please contact Kroll Restructuring Administration LLC, the Debtors' solicitation agent (the "**Solicitation Agent**"), at (844) 721-3899 (toll free from the United States or Canada) or (347) 292-4080 (international). Additional copies of this Disclosure Statement, the Plan, and the Plan Supplement (when filed) are available upon written request made to the Solicitation Agent at the following address:

[10] The Debtors may, in their sole discretion, extend the Voting Deadline without further order of the Bankruptcy Court.

Talen Energy Supply, LLC Ballot Processing
c/o Kroll Restructuring Administration LLC
850 Third Avenue, Suite 412
Brooklyn, New York 11232

Copies of this Disclosure Statement, which includes the Plan and the Plan Supplement (when filed) are also available on the Solicitation Agent's website, at https://cases.ra.kroll.com/talenenergy/. PLEASE DO NOT DIRECT INQUIRIES TO THE BANKRUPTCY COURT.

II.
DEBTORS' PLAN OF REORGANIZATION

This section of this Disclosure Statement provides a summary of the structure and means for implementation of the Plan and is qualified in its entirety by reference to the Plan, a copy of which is annexed hereto as **Exhibit A**.

A. Summary of Plan Treatment

The following table summarizes: (i) the treatment of Claims and Interests under the Plan; (ii) which Classes are Impaired by the Plan; (iii) which Classes are entitled to vote on the Plan; and (iv) the estimated recoveries for Holders of Claims and Interests. The table is qualified in its entirety by reference to the full text of the Plan, filed contemporaneously herewith. The Debtors may not have Holders of Claims or Interests in a particular Class or Classes, and such Classes will be treated as set forth in Article III.E of the Plan.

Class and Designation	Treatment	Impairment and Entitlement to Vote	Estimated Allowed Amount	Approx. Percentage Recovery
1 (Other Priority Claims)	Except to the extent that a Holder of an Allowed Other Priority Claim agrees to a less favorable treatment, in full and final satisfaction, compromise, settlement, release, and discharge of and in exchange for such Other Priority Claim, each such Holder shall receive payment in full, in Cash, of the unpaid portion of its Other Priority Claim on the Effective Date or as soon thereafter as reasonably practicable (or, if payment is not then due, shall be paid in accordance with its terms in the ordinary course).	Unimpaired (**Not entitled** to vote because presumed to accept)	$0.0 million	100%
2 (Other Secured Claims)	Except to the extent that a Holder of an Allowed Other Secured Claim agrees to a less favorable treatment, in full and final satisfaction, compromise, settlement, release, and discharge of and in exchange for such Other Secured Claim, each such	Unimpaired (**Not entitled** to vote because presumed to accept)	N/A	100%

Class and Designation	Treatment	Impairment and Entitlement to Vote	Estimated Allowed Amount	Approx. Percentage Recovery
	Holder shall receive at the applicable Debtor's or the applicable Reorganized Debtor's discretion: (i) payment in full in Cash of the unpaid portion of such Holder's Allowed Other Secured Claim on the Effective Date or as soon thereafter as reasonably practicable (or if payment is not then due, payment shall be made in accordance with its terms in the ordinary course); (ii) reinstatement of such Holder's Allowed Other Secured Claim; (iii) the applicable Debtor's interest in the collateral securing such Holder's Other Secured Claim; or (iv) such other treatment rendering such Holder's Allowed Other Secured Claim Unimpaired.			
3A (Prepetition First Lien Non-CAF Claims)	Except to the extent that a Holder of an Allowed Prepetition First Lien Non-CAF Claim agrees to a less favorable treatment, in full and final satisfaction, compromise, settlement, release, and discharge of and in exchange for such Prepetition First Lien Non-CAF Claim, each such Holder shall receive payment in full in Cash of such Holder's Pro Rata share of the Settled First Lien Non-CAF Claim Amount on the Effective Date.	Impaired (**Entitled** to vote)	$2.1382 billion	99%[11]
3B (Prepetition CAF Claims)	Except to the extent that a Holder of an Allowed Prepetition CAF Claim agrees to a less favorable treatment, in full and final satisfaction, compromise, settlement, release, and discharge of and in exchange for such Prepetition CAF Claim, each such Holder shall receive payment in full in Cash of such Holder's Pro Rata share of the Settled CAF Claim Amount on the Effective Date.	Impaired (**Entitled** to vote)	$1.0420 billion	88%[12]

[11] This percentage represents recovery on account of the asserted Prepetition First Lien Non-CAF Claims; for the avoidance of doubt, the Settled First Lien Non-CAF Claim Amount will be paid in full.

[12] This percentage represents recovery on account of the asserted Prepetition CAF Claims; for the avoidance of doubt, the Settled CAF Claim Amount will be paid in full.

Class and Designation	Treatment	Impairment and Entitlement to Vote	Estimated Allowed Amount	Approx. Percentage Recovery
4 (Unsecured Notes Claims)	On the Effective Date, in full and final satisfaction, compromise, settlement, release, and discharge of and in exchange for such Claims, each Holder of an Allowed Unsecured Notes Claim against any Debtor, in each case without duplication among the Debtors, shall receive, in accordance with the Restructuring Transactions, its Pro Rata share of, as applicable: (i) **If the Equitization Transaction occurs**: a. 99% of the New Common Equity, less the New Common Equity distributed on account of the Retail PPA Incentive Equity and the GUC Recovery Equity Pool, and subject to dilution from the Rights Offering, the Backstop Periodic Premium, the Backstop Put Premium, the New Warrants Equity, and the Employee Equity Incentive Plan; b. the 1145 Subscription Rights; and c. with respect to: i. Eligible Holders of Unsecured Notes Claims: solely if such holder fully exercises its 1145 Subscription Rights, the 4(a)(2) Subscription Rights; or ii. Ineligible Holders of Unsecured Notes Claims (if any): solely if such Holder fully exercises its 1145 Subscription Rights, New Common Equity or Cash, at the option of the Requisite Consenting Parties, in the amount equal to the value of the (4)(a)(2) Subscription Rights that would have been distributable to such Holder if such	Impaired (**Entitled** to vote)	$1.5042 billion	24% – 47%[14]

[14] The low-end of the range of recovery of 24% assumes the Holder of an Unsecured Notes Claim does not participate in the Rights Offering, whereas the high-end of the range of 47% assumes the Holder of an Unsecured Notes Claim fully participates in the Rights Offering.

Class and Designation	Treatment	Impairment and Entitlement to Vote	Estimated Allowed Amount	Approx. Percentage Recovery
	Holder was an Eligible Holder of Unsecured Notes Claims; or (ii) **if the Sale Transaction occurs**: the Waterfall Recovery;[13] *provided*, *however*, that in no event shall the Holders of Unsecured Notes Claims receive, on account of such Claims, a recovery greater than 100% of the Allowed Unsecured Notes Claims, including after payment of postpetition interest on any Allowed Unsecured Notes Claims from the Petition Date through the date of payment of such Claim, *plus* any additional amounts due under the Unsecured Notes Documents, to the maximum extent permitted by law, in each case as provided for in the relevant indenture and as allowed under the Bankruptcy Code.			
5 (General Unsecured Claims)	On the Effective Date or as soon as practicable thereafter, except to the extent that a Holder of a General Unsecured Claim agrees to less favorable treatment, in full and final satisfaction, compromise, settlement, release, and discharge of and in exchange for such Claims, each Holder of an Allowed General Unsecured Claim shall receive, in accordance with the Restructuring Transactions, its Pro Rata share (on a Claim by Debtor basis) of: (i) **if the Equitization Transaction occurs**, a. the GUC Recovery Equity Pool, subject to dilution from the Rights Offering, the Backstop Periodic Premium, the Backstop Put Premium, the New	Impaired (**Entitled** to vote)	$0.3195 billion[15]	Refer to recovery table on pages [19–21] below

[13] "*Waterfall Recovery*" means, solely in the case of the Sale Transaction, the Sale Transaction Proceeds less amounts necessary to pay in full in Cash the DIP Claims, Allowed Administrative Claims, Allowed Postpetition Hedge Claims, Allowed Postpetition Other Hedge Claims, Restructuring Expenses, Allowed Priority Tax Claims, Allowed Other Priority Claims, Allowed Other Secured Claims, the Settled CAF Claim Amount, the Settled First Lien Non-CAF Claim Amount, and the Post-Sale Reserve.

[15] For the avoidance of doubt, as set forth in the Plan, recoveries for all Classes, including Class 5 (General Unsecured Claims), are not substantively consolidated and are determined on a Claim by Debtor basis. Holders of General Unsecured Claims will only receive value, including any Subscription Rights, New Common Equity or Cash, as applicable, in the amount such Holder is entitled to on a Claim by Debtor basis, not in the face value amount of such Holder's asserted Claim. Holders of General Unsecured Claims should consult the table on page 19 and the Value Allocation annexed as Exhibit A to the Plan to determine their estimated recoveries against applicable Debtors.

Class and Designation	Treatment	Impairment and Entitlement to Vote	Estimated Allowed Amount	Approx. Percentage Recovery
	Warrants Equity, and the Employee Equity Incentive Plan; b. the 1145 Subscription Rights; and c. with respect to: i. Eligible Holders of General Unsecured Claims: solely if such Holder fully exercises its 1145 Subscription Rights, the 4(a)(2) Subscription Rights; or ii. Ineligible Holders of General Unsecured Claims (if any): solely if such Holder fully exercises its 1145 Subscription Rights, New Common Equity or Cash, at the option of the Requisite Consenting Parties, in the amount equal to the value of the 4(a)(2) Subscription Rights that would have been distributable to such Holder if such Holder was an Eligible Holder of General Unsecured Claims; or (ii) **if the Sale Transaction occurs**, the Waterfall Recovery; *provided*, *however*, that in no event shall the Holders of General Unsecured Claims receive, on account of such Claims, a recovery greater than 100% of the Allowed General Unsecured Claims.			
6 (General Unsecured Convenience Claims)	Except to the extent that a Holder of a General Unsecured Convenience Claim agrees to a less favorable treatment, in full and final satisfaction, compromise, settlement, release, and discharge of and in exchange for such General Unsecured Convenience Claim, each such Holder shall receive,	Impaired (**Entitled** to vote)	$0.1 million[16]	Up to 100%

[16] This estimate includes only Claims that are Allowed in the amount of $1,000 or less and does not account for Claims that a Holder may elect to have reduced to $1,000 in order to receive Class 6 (General Unsecured Convenience Claims) treatment.

Class and Designation	Treatment	Impairment and Entitlement to Vote	Estimated Allowed Amount	Approx. Percentage Recovery
	on the Effective Date or as soon thereafter as reasonably practicable, (i) **if the Equitization Transaction occurs**, payment in full in Cash of such Holder's Allowed General Unsecured Convenience Claim; or (ii) **if the Sale Transaction occurs**, such Holder's rights and entitlements hereunder as a Holder of an Allowed General Unsecured Claim and this Class shall be deemed vacant pursuant to Article III.E of the Plan.			
7 (Prepetition Cumulus Intercompany Claims)	Except to the extent that a Holder of a prepetition Cumulus Intercompany Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, compromise, release, and discharge of and in exchange for each prepetition Cumulus Intercompany Claim, each Holder of such prepetition Cumulus Intercompany Claim shall receive, in accordance with the Restructuring Transactions, on the Effective Date or as soon as possible thereafter: (i) **if the Equitization Transaction occurs**: a. **If the TEC Global Settlement has not been terminated as of the Effective Date**: such treatment agreed to thereunder, which shall be deemed to render such Holder Unimpaired; or b. **If the TEC Global Settlement has been terminated as of the Effective Date**: such Holder's rights and entitlements hereunder as a Holder of an Allowed General Unsecured Claim and this Class shall be deemed vacant pursuant to Article III.E of the Plan; or (ii) **if the Sale Transaction occurs**, such Holder's rights and entitlements hereunder as a Holder of an Allowed General Unsecured Claim and this Class shall be deemed vacant pursuant to Article III.E of the Plan.	Unimpaired (**Not entitled** to vote because presumed to accept)	$0.0 million	100%

Class and Designation	Treatment	Impairment and Entitlement to Vote	Estimated Allowed Amount	Approx. Percentage Recovery
8 (Prepetition Intercompany Claims)	Except to the extent that a Holder of a prepetition Intercompany Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, compromise, release, and discharge of and in exchange for each prepetition Intercompany Claim, each Holder of such prepetition Intercompany Claim shall receive such treatment as to render such Holder Unimpaired.	Unimpaired (**Not entitled** to vote because presumed to accept)	$20.1536 billion	100%
9 (Section 510(b) Claims)	Section 510(b) Claims will be canceled, released, discharged, and extinguished as of the Effective Date, and will be of no further force or effect, and Holders of Section 510(b) Claims will not receive any distribution on account of such Claims.	Impaired (**Not entitled** to vote because deemed to reject)	$0.0 million	0%
10 (Intercompany Interests)	Intercompany Interests shall be Reinstated so as to maintain the organizational structure of the Debtors as such structure exists on the Effective Date unless implementation of the Restructuring (including as set forth in the Restructuring Transactions Exhibit) requires otherwise.	Unimpaired (**Not entitled** to vote because presumed to accept)	N/A	100%
11 (Existing Equity Interests)	(i) **If the Equitization Transaction occurs**: a. **If the TEC Global Settlement has not been terminated as of the Effective Date**: Existing Equity Interests shall be Reinstated so as to maintain the organizational structure of the Company as such structure exists on the Effective Date unless implementation of the Restructuring (including as set forth in the Restructuring Transactions Exhibit) requires otherwise. b. **If the TEC Global Settlement has been terminated as of the Effective Date**: On the Effective Date, Existing Equity Interests shall be cancelled, released, and extinguished, and be of no further force or effect, whether surrendered for cancellation or otherwise, and there shall be no distributions for Holders of	Impaired (**Not entitled** to vote because deemed to reject)	N/A	N/A

Class and Designation	Treatment	Impairment and Entitlement to Vote	Estimated Allowed Amount	Approx. Percentage Recovery
	Existing Equity Interests on account of such Interests. (ii) **If the Sale Transaction occurs**: On the Effective Date, Existing Equity Interests shall be cancelled, released, and extinguished, and be of no further force or effect, whether surrendered for cancellation or otherwise, and each Holder of Existing Equity Interests shall receive: (A) the Waterfall Recovery, less the amount necessary to pay in full in Cash all other Allowed Claims against the Debtors to the extent provided in Classes 4 and 5 and (B) all funds remaining in the Post-Sale Reserve after the wind down of the Post-Sale Estates.[17]			

Estimated Allowed Amount and Approximate Percentage Recovery[18] for each of the Unsecured Notes Claims (Class 4) and General Unsecured Claims (Class 5) claimants are shown by debtor below.

#	Debtor	Case Number	Class 4 Estimated Allowed Amount	Class 4 Approx. Percentage Recovery	Class 5 Estimated Allowed Amount	Class 5 Approx. Percentage Recovery
1	Talen Energy Supply, LLC	22-90054	$1.5042 billion	0%	$0.4 million	0%
2	Talen Montana Holdings, LLC	22-90055	$0	0%	$0	0%
3	Talen Montana, LLC	22-90056	$0	0%	$0	0%
4	Montana Growth Holdings LLC	22-90057	$0	0%	$0	0%
5	Colstrip Comm Serv, LLC	22-90058	$0	0%	$0	0%
6	Talen Generation, LLC	22-90059	$1.5042 billion	0%	$22,316	0%
7	Montour, LLC	22-90060	$1.5042 billion	1.2% – 2.3%	$0.4 million	1.2% – 2.3%
8	Brunner Island, LLC	22-90061	$1.5042 billion	2.0% – 3.9%	$3.1 million	2.0% – 3.9%
9	Raven Power Generation Holdings LLC	22-90062	$1.5042 billion	0.0% – 0.0%	$0	0%
10	Raven Power Group LLC	22-90063	$0	0%	$24,026	0%

[17] Provided, that if the Debtors consummate an Alternative Restructuring (including a Sale Transaction), in accordance with the terms of the TEC Global Settlement Term Sheet, Riverstone and TEC shall be entitled to the greater of (i) the TEC Minimum Recovery or (ii) the recovery to Class 11 (Existing Equity Interests).

[18] The low-end of the range of recovery assumes the Holder of a General Unsecured Claim or Unsecured Notes Claim, as applicable, does not participate in the Rights Offering, whereas the high-end of the range assumes such Holder fully participates in the Rights Offering.

#	Debtor	Case Number	Class 4 Estimated Allowed Amount	Class 4 Approx. Percentage Recovery	Class 5 Estimated Allowed Amount	Class 5 Approx. Percentage Recovery
11	Raven Power Finance LLC	22-90064	$1.5042 billion	0.0% – 0.0%	$0	0%
12	Raven Power Fort Smallwood LLC	22-90065	$1.5042 billion	0.0% – 0.0%	$6.5 million	0.0% – 0.0%
13	Raven FS Property Holdings LLC	22-90066	$1.5042 billion	0.2% – 0.4%	$0	0%
14	H.A. Wagner LLC	22-90067	$1.5042 billion	0.4% – 0.8%	$0.8 million	0.4% – 0.8%
15	Brandon Shores LLC	22-90068	$1.5042 billion	1.0% – 2.0%	$1.3 million	1.0% – 2.0%
16	Raven Lot 15 LLC	22-90069	$1.5042 billion	0.1% – 0.2%	$8,006	0.1% – 0.2%
17	Fort Armistead Road – Lot 15 Landfill, LLC	22-90070	$1.5042 billion	0%	$0	0%
18	Raven Power Property LLC	22-90071	$0	0%	$0.1 million	7.3% – 14.3%
19	RMGL Holdings LLC	22-90072	$0	0%	$0	0%
20	Brunner Island Services, LLC	22-90073	$0	0%	$0	0%
21	Realty Company of Pennsylvania	22-90074	$0	0%	$8,064	55.4% –100.0%
22	BDW Corp.	22-90075	$0	0%	$0	0%
23	Sapphire Power Marketing LLC	22-90076	$0	0%	$0	0%
24	Lady Jane Collieries, Inc.	22-90077	$0	0%	$0	0%
25	Montour Services, LLC	22-90078	$0	0%	$0	0%
26	Pedricktown Management Company LLC	22-90079	$0	0%	$0	0%
27	Holtwood LLC	22-90080	$0	0%	$0	0%
28	Pedricktown Investment Company LLC	22-90081	$0	0%	$0	0%
29	Martins Creek, LLC	22-90082	$1.5042 billion	0.0% – 0.1%	$0	0%
30	Pedricktown Cogeneration Company LP	22-90083	$0	0%	$1.2 million	1.2% – 2.3%
31	Sapphire Power Generation Holdings LLC	22-90084	$0	0%	$0	0%
32	York Plant Holding, LLC	22-90085	$0	0%	$0	0%
33	Sapphire Power LLC	22-90086	$0	0%	$0	0%
34	York Generation Company LLC	22-90087	$0	0%	$14,257	0%
35	Sapphire Power Finance LLC	22-90088	$0	0%	$0	0%
36	MEG Generating Company, LLC	22-90089	$0	0%	$0	0%
37	Barney Davis, LLC	22-90090	$1.5042 billion	0.5% – 0.9%	$20.9 million	0.5% – 0.9%
38	Elmwood Energy Holdings, LLC	22-90091	$0	0%	$0	0%
39	Nueces Bay, LLC	22-90092	$1.5042 billion	0.8% – 1.6%	$15.7 million	0.8% – 1.6%
40	Elmwood Park Power, LLC	22-90093	$0	0%	$0	0%
41	Laredo, LLC	22-90094	$1.5042 billion	0.2% – 0.3%	$0.6 million	0.2% – 0.3%
42	Camden Plant Holding, L.L.C.	22-90095	$0	0%	$0.2 million	10.0% – 19.4%
43	Talen Texas Property, LLC	22-90096	$0	0%	$0	0%
44	Talen Texas Group, LLC	22-90097	$0	0%	$22,790	0%
45	Newark Bay Holding Company, L.L.C.	22-90098	$0	0%	$0	0%
46	Talen Energy Marketing, LLC	22-90099	$1.5042 billion	0%	$258.5 million	0%
47	Liberty View Power, L.L.C.	22-90100	$0	0%	$0	0%
48	Talen Energy Retail LLC	22-90101	$0	0%	$0	0%

#	Debtor	Case Number	Class 4 Estimated Allowed Amount	Class 4 Approx. Percentage Recovery	Class 5 Estimated Allowed Amount	Class 5 Approx. Percentage Recovery
49	Talen Treasure State, LLC	22-90102	$0	0%	$0	0%
50	Newark Bay Cogeneration Partnership, L.P.	22-90103	$0	0%	$7.1 million	0.6% – 1.1%
51	Talen Energy Services Group, LLC	22-90104	$0	0%	$0	0%
52	Morris Energy Management Company, LLC	22-90105	$0	0%	$0	0%
53	Talen Energy Services Holdings, LLC	22-90106	$0	0%	$0	0%
54	Morris Energy Operations Company, LLC	22-90107	$0	0%	$0	0%
55	Talen Energy Services Northeast, Inc.	22-90108	$0	0%	$0	0%
56	Lower Mount Bethel Energy, LLC	22-90109	$1.5042 billion	0.0% – 0.0%	$0	0%
57	Talen Land Holdings, LLC	22-90110	$0	0%	$0	0%
58	Pennsylvania Mines, LLC	22-90111	$1.5042 billion	0.0% – 0.0%	$58,699	0.0% – 0.0%
59	Talen NE LLC	22-90112	$827.9 million	0%	$0	0%
60	MC OpCo LLC	22-90113	$121.6 million	0.5% – 1.0%	$0	0%
61	Talen Nuclear Development, LLC	22-90114	$0	0%	$0	0%
62	Bell Bend, LLC	22-90115	$0	0%	$0	0%
63	Susquehanna Nuclear, LLC	22-90116	$1.5042 billion	17.7% – 34.5%	$2.4 million	17.7% –34.5%
64	Talen Texas, LLC	22-90117	$1.5042 billion	0%	$0	0%
65	Dartmouth Plant Holding, LLC	22-90118	$0	0%	$0	0%
66	Dartmouth Power Holding Company, L.L.C.	22-90119	$0	0%	$0	0%
67	NorthEast Gas Generation Holdings, LLC	22-90120	$0	0%	$0	0%
68	Dartmouth Power Generation, L.L.C.	22-90121	$0	0%	$0	0%
69	Dartmouth Power Associates Limited Partnership	22-90122	$0	0%	$0.2 million	1.8% –3.5%
70	Talen II Growth Parent LLC	22-90123	$0	0%	$0	0%
71	Talen II Growth Holdings LLC	22-90124	$0	0%	$0	0%
72	Talen Technology Ventures LLC	22-90125	$0	0%	$0	0%

THE ESTIMATED ALLOWED CLAIM AMOUNTS AND PROJECTED RECOVERIES SET FORTH IN THE TABLES ABOVE ARE ESTIMATES ONLY AND THEREFORE ARE SUBJECT TO CHANGE. FOR THE AVOIDANCE OF DOUBT, THE DEBTORS ARE CONTINUING TO REVIEW THEIR UNEXPIRED LEASES AND EXECUTORY CONTRACTS TO DETERMINE WHICH CONTRACTS THE DEBTORS WILL SEEK TO ASSUME AND WHICH CONTRACTS THEY WILL SEEK TO REJECT PURSUANT TO THE SECTION 365 OF THE BANKRUPTCY CODE. THE DEADLINE TO FILE THE REJECTION SCHEDULE (AMONG THE OTHER PLAN SUPPLEMENT DOCUMENTS), IS NOVEMBER 29, 2022. SUCH DETERMINATION WILL LIKELY IMPACT THE AMOUNT OF ALLOWED CLAIMS AND PROJECTED RECOVERIES AT EACH DEBTOR. IN ADDITION, AS DETAILED BELOW, THE DEADLINE FOR GOVERNMENTAL UNITS TO FILE PROOFS OF CLAIM IS NOVEMBER 7, 2022 AND, THEREFORE, ANY CLAIMS FILED BY GOVERNMENTAL UNITS COULD ALSO

IMPACT THE AMOUNT OF ALLOWED CLAIMS AND PROJECTED RECOVERIES AT EACH DEBTOR. NOTHING HEREIN SHALL BE CONSTRUED AS AN ADMISSION OR WAIVER OF ANY LITIGATION CLAIMS HELD BY ANY OF THE DEBTORS. REFERENCE SHOULD BE MADE TO THE ENTIRE PLAN FOR A COMPLETE DESCRIPTION OF THE DEBTORS' CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS.

The Plan provides for the resolution, satisfaction, settlement and discharge of Claims against and Interests in the Debtors and their Estates. As set forth in greater detail in the Plan, the Restructuring also provides that all Holders of Administrative Claims, including DIP Claims, Postpetition Hedge Claims, Postpetition Other Hedge Claims, Professional Fee Claims, Restructuring Expenses, Priority Tax Claims, and postpetition Intercompany Claims will have their respective Claims or Interests satisfied in full, either through payment in Cash or other treatment as specified in the Plan.

Holders of Prepetition First Lien Non-CAF Claims (Class 3A), Prepetition CAF Claims (Class 3B), Unsecured Notes Claims (Class 4), General Unsecured Claims (Class 5), and General Unsecured Convenience Claims (Class 6) are the only Holders of Claims and Interests that are impaired by the Plan and entitled to vote. The majority of the Holders of Claims in Classes 3A, 3B and 4 have already agreed, pursuant to the RSA, to vote to accept the Plan and to not object to or interfere with the Chapter 11 Cases or the Confirmation of the Plan.

The Plan also includes injunctions, releases, and exculpations in Articles VIII.C, VIII.D, VIII.E and VIII.F. The relevant provisions regarding such injunctions, releases, and exculpations provided under the Plan are attached hereto as **Exhibit B**. Article VIII.D of the Plan provides for releases by Holders of Claims and Interests (the "**Third-Party Releases**"). Entry of the Confirmation Order by the Bankruptcy Court shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the Third-Party Releases, which includes, by reference, each of the related provisions and definitions under the Plan, and, furthermore, shall constitute the Bankruptcy Court's finding that the Third-Party Releases are (i) consensual, (ii) essential to Confirmation of the Plan, (iii) given in exchange for the good and valuable consideration provided by the Released Parties, (iv) a good-faith settlement and compromise of the claims released by the Third-Party Releases, (v) in the best interests of the Debtors and their Estates, (vi) fair, equitable and reasonable, (vii) given and made after due notice and opportunity for hearing, and (viii) a bar to any of the Releasing Parties asserting any claim or cause of action released pursuant to the Third-Party Releases. You are advised and encouraged to review and consider the Plan carefully, including the release, exculpation and injunction provisions, as your rights might be affected.

B. Summary of Value Allocation

The Debtor's financial advisor, Alvarez & Marsal ("**A&M**") has prepared an analysis allocating to Class 4 (Unsecured Notes Claims) and Class 5 (General Unsecured Claims) the Debtors' distributable value across each Debtor (the "**Value Allocation**"). The Value Allocation is set forth in Exhibit A to the Plan and will be filed and served therewith.

III.
VOTING PROCEDURES AND REQUIREMENTS

A. Parties Entitled to Vote

Under the Bankruptcy Code, only holders of claims or interests in "impaired" classes are entitled to vote on a plan. Under section 1124 of the Bankruptcy Code, a class of claims or interests is deemed to be "impaired" under a plan unless (i) the plan leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder thereof or (ii) notwithstanding any legal right to an accelerated payment of such claim or interest, the plan cures all existing defaults (other than defaults resulting from the occurrence of events of bankruptcy) and reinstates the maturity of such claim or interest as it existed before the default.

If, however, the holder of an impaired claim or interest will not receive or retain any distribution under the plan on account of such claim or interest, the Bankruptcy Code deems such holder to have rejected the plan, and, accordingly, holders of such claims and interests do not vote on the plan. If a claim or interest is not impaired by the plan, the Bankruptcy Code deems the holder of such claim or interest to have accepted the plan and, accordingly, holders of such claims and interests are not entitled to vote on the Plan.

A vote may be disregarded if the Bankruptcy Court determines, pursuant to section 1126(e) of the Bankruptcy Code, that it was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

With respect to a class of claims, the Bankruptcy Code deems a class to have accepted the plan if votes to accept the plan are received by creditors holding at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the total claims in that class that cast ballots for acceptance or rejection of the plan. With respect to a class of interests, a class is considered to accept a plan if votes to accept the plan are received by interest holders holding at least two-thirds (2/3) in dollar amount of the total interests in that class that cast ballots for acceptance or rejection of the plan.

The Claims in the following classes are impaired under the Plan and entitled to vote to accept or reject the Plan:

Class 3A — Prepetition First Lien Non-CAF Claims
Class 3B — Prepetition CAF Claims
Class 4 — Unsecured Notes Claims
Class 5 — General Unsecured Claims
Class 6 — General Unsecured Convenience Claims

THE ONLY FIVE CLASSES OF CLAIMS THAT ARE IMPAIRED AND ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN ARE CLASS 3A (PREPETITION FIRST LIEN NON-CAF CLAIMS), CLASS 3B (PREPETITION CAF CLAIMS), CLASS 4 (UNSECURED NOTES CLAIMS), CLASS 5 (GENERAL UNSECURED CLAIMS), AND CLASS 6 (GENERAL UNSECURED CONVENIENCE CLAIMS) (THE "VOTING CLASSES" OR "VOTING CLAIMS").

B. Voting Deadline

Before voting to accept or reject the Plan, each Holder of a Claim or Interest in a Voting Class as of the Voting Record Date (each, a "**Voting Holder**") should carefully review the Plan attached hereto as **Exhibit A**. All descriptions of the Plan set forth in this Disclosure Statement are subject to the terms and conditions of the Plan.

All Voting Holders have been sent a ballot to vote to accept or reject the Plan (the "**Ballot**") together with this Disclosure Statement. Such Voting Holders should read the Ballot carefully and follow the instructions contained therein. Please use only the Ballot that accompanies this Disclosure Statement to cast your vote. Each Ballot contains detailed voting instructions and sets forth in detail, among other things, the deadlines, procedures, and instructions for voting to accept or reject the Plan, the Voting Record Date for voting purposes, and the applicable standards for tabulating Ballots.

The Debtors have engaged Kroll as their Solicitation Agent to assist in the transmission of voting materials and in the tabulation of votes with respect to the Plan. **FOR YOUR VOTE TO BE COUNTED, YOUR VOTE MUST BE RECEIVED BY THE SOLICITATION AGENT ON OR BEFORE THE VOTING DEADLINE OF 5:00 P.M. (PREVAILING CENTRAL TIME) ON DECEMBER 6, 2022, UNLESS EXTENDED BY THE DEBTORS.**

IF A BALLOT IS DAMAGED OR LOST, YOU MAY CONTACT THE SOLICITATION AGENT AT THE NUMBER SET FORTH BELOW TO RECEIVE A REPLACEMENT BALLOT. ANY BALLOT THAT IS EXECUTED AND RETURNED BUT WHICH DOES NOT INDICATE A VOTE FOR ACCEPTANCE OR REJECTION OF THE PLAN WILL NOT BE COUNTED.

IF YOU HAVE ANY QUESTIONS CONCERNING VOTING PROCEDURES, YOU MAY CONTACT THE SOLICITATION AGENT AT:

Kroll Restructuring Administration LLC
Telephone: (844) 721-3899 (toll free from U.S. or Canada)
or +1 (347) 292-4080 (international)
E-mail: talenenergyinfo@ra.kroll.com (with "Talen" in the subject line)

Additional copies of this Disclosure Statement, the Plan, and the Plan Supplement (when filed) are available upon written request made to the Solicitation Agent, at the telephone numbers or e-mail address set forth immediately above or at the following address:

Talen Energy Supply, LLC Ballot Processing
c/o Kroll Restructuring Administration LLC
850 Third Avenue, Suite 412
Brooklyn, New York 11232

ANY BALLOT THAT IS EXECUTED AND RETURNED BUT WHICH DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN OR INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN WILL NOT BE COUNTED. THE DEBTORS, IN THEIR SOLE DISCRETION, MAY REQUEST THAT THE

SOLICITATION AGENT ATTEMPT TO CONTACT SUCH VOTERS TO CURE ANY SUCH DEFECTS IN THE BALLOTS. THE FAILURE TO VOTE DOES NOT CONSTITUTE A VOTE TO ACCEPT OR REJECT THE PLAN. AN OBJECTION TO THE CONFIRMATION OF THE PLAN, EVEN IF TIMELY SERVED, DOES NOT CONSTITUTE A VOTE TO ACCEPT OR REJECT THE PLAN.

C. Voting Procedures

The Debtors are providing copies of this Disclosure Statement (including all exhibits and appendices) and related materials and a Ballot to Voting Holders in Class 3A, Class 3B, Class 4, Class 5, and Class 6. Voting Holders in Class 3A (other than beneficial owners of Secured Notes Claims who hold their Secured Notes in 'street name' through a bank, broker, or other intermediary (each such intermediary, a "**Nominee**")), Class 3B, Class 5 or Class 6 who has not received a Ballot should contact the Solicitation Agent. Voting Holders in Class 3A (whose Prepetition First Lien Non-CAF Claim is based on beneficial ownership of Secured Notes held through a Nominee) and Class 4 who have not received a Ballot should contact their respective Nominee for further assistance.

Voting Holders in Class 3A (other than beneficial owners of Secured Notes Claims who hold their Secured Notes through a Nominee), Class 3B, Class 5 and Class 6 should provide all of the information requested by the Ballot, and should (i) complete and return all Ballots received in the enclosed, self-addressed, postage-paid envelope provided with each such Ballot, or via first class mail, overnight courier, or hand delivery, to the Solicitation Agent at the address set forth in Section III.B above or (ii) submit a Ballot electronically via the E-Ballot voting platform on Kroll's website by visiting https://cases.ra.kroll.com/talenenergy, clicking on the "Submit E-Ballot" link, and following the instructions set forth on the website. Any Voting Holder in Class 3A (whose Prepetition First Lien Non-CAF Claim is based on beneficial ownership of Secured Notes held through a Nominee) or Class 4 should submit the Ballot in accordance with the instructions provided by their respective Nominee.

VOTING HOLDERS IN CLASS 3A (OTHER THAN BENEFICIAL OWNERS OF SECURED NOTES CLAIMS WHO HOLD THEIR SECURED NOTES THROUGH A NOMINEE), CLASS 3B, CLASS 5 AND CLASS 6 ARE STRONGLY ENCOURAGED TO SUBMIT THEIR BALLOTS VIA THE E-BALLOT PLATFORM.

1. *Miscellaneous*

All Ballots must be signed by the Voting Holder, or any person who has obtained a properly completed Ballot proxy from the Voting Holder by the Voting Record Date. Unless otherwise ordered by the Bankruptcy Court, Ballots that are signed, dated, and timely received, but on which a vote to accept or reject the Plan has not been indicated, will not be counted. The Debtors, in their sole discretion, may request that the Solicitation Agent attempt to contact such voters to cure any such defects in the Ballots. Any Ballot marked to both accept and reject the Plan will not be counted. If you return more than one Ballot voting different claims, the Ballots are not voted in the same manner, and you do not correct this before the Voting Deadline, those Ballots will not be counted. An otherwise properly executed Ballot that attempts to partially accept and partially reject the Plan will likewise not be counted.

The Ballots provided to Voting Holders will reflect the principal amount of such Voting Holder's Claim; however, when tabulating votes, the Solicitation Agent may adjust the amount of such Voting Holder's Claim by multiplying the principal amount by a factor that reflects all amounts accrued between the Voting Record Date and the Petition Date including interest.

Under the Bankruptcy Code, for purposes of determining whether the requisite votes for acceptance have been received, only Voting Holders who actually vote will be counted. The failure of a Voting Holder to timely deliver a duly executed Ballot to the Solicitation Agent will be deemed to constitute an abstention by such Voting Holder with respect to voting on the Plan and such abstentions will not be counted as votes for or against the Plan.

Except as provided below, unless the Ballot is timely submitted to the Solicitation Agent before the Voting Deadline together with any other documents required by such Ballot, the Debtors may, in their sole discretion, reject such Ballot as invalid, and therefore decline to utilize it in connection with seeking Confirmation of the Plan.

2. ***Agreements Upon Furnishing Ballots***

The delivery of an accepting Ballot pursuant to one of the procedures set forth above will constitute the agreement of the Voting Holder with respect to such Ballot to accept (i) all of the terms of, and conditions to, this Solicitation, and (ii) the terms of the Plan including the injunction, releases, and exculpations set forth in Article VIII therein. All parties in interest retain their right to object to Confirmation of the Plan pursuant to section 1128 of the Bankruptcy Code, subject to any applicable terms of the RSA.

3. ***Change of Vote***

Subject in all respects to the commitments set forth in the RSA, any party who has previously submitted to the Solicitation Agent prior to the Voting Deadline a properly completed Ballot may revoke such Ballot and change its vote by submitting to the Solicitation Agent prior to the Voting Deadline a subsequent, properly completed Ballot for acceptance or rejection of the Plan, as applicable.

4. ***Requirement to File a Proof of Claim***

Any person or entity that is required to timely file a Proof of Claim in the form and manner specified by the order entered by the Bankruptcy Court establishing procedures for filing Proofs of Claim for the Chapter 11 Cases and who failed to do so on or before the Bar Dates associated with such Claim shall not, with respect to such Claim, be treated as a creditor of the Debtors for the purposes of voting on the Plan.

D. **Waivers of Defects, Irregularities, etc.**

Unless otherwise directed by the Bankruptcy Court, all questions as to the validity, form, eligibility (including time of receipt), acceptance, and revocation or withdrawals of Ballots will be determined by the Solicitation Agent and/or the Debtors, as applicable, in their sole discretion, which determination will be final and binding. The Debtors reserve the right to reject any and all Ballots submitted by any of their creditors not in proper form, the acceptance of which would, in

the opinion of the Debtors or their counsel, as applicable, be unlawful. The Debtors further reserve their respective rights to waive any defects or irregularities or conditions of delivery as to any particular Ballot by any Voting Holder. The interpretation (including the Ballot and the respective instructions thereto) by the Debtors, unless otherwise directed by the Bankruptcy Court, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with deliveries of Ballots must be cured within such time as the Debtors (or the Bankruptcy Court) determine. Neither the Debtors nor any other person will be under any duty to provide notification of defects or irregularities with respect to deliveries of Ballots nor will any of them incur any liabilities for failure to provide such notification. Unless otherwise directed by the Bankruptcy Court, delivery of such Ballots will not be deemed to have been made until such irregularities have been cured or waived. Ballots previously furnished (and as to which any irregularities have not theretofore been cured or waived) will be invalidated.

E. Notice of Non-Voting Status

Holders in Classes 1, 2, 7, 8 and 10 are Unimpaired and deemed to accept the Plan. Holders of Section 510(b) Claims in Class 9 and of Existing Equity Interests in Class 11 are Impaired and deemed to reject the Plan. Accordingly, as noted above, Holders of Claims and Interests in Classes 1, 2, 7, 8, 9, 10 and 11 will not receive a Ballot. Holders of Claims and Interests in Classes 1, 2, 9, and 11 will receive a notice informing them of their non-voting status (the "**Notice of Non-Voting Status**"). With respect to Class 7, Class 8, and Class 10, the Debtors have requested a waiver of any requirement to serve any type of notice in connection with solicitation of the Plan because such Claims and Interests are held by the Debtors or the Debtors' Affiliates and are Unimpaired by the Plan.

F. Opt-Out Form

In addition to receiving a Notice of Non-Voting Status, Holders of Unimpaired Claims and Interests will receive a form to complete and return if the party elects to opt out of the releases contemplated by the Plan ("**Opt-Out Form**"). To the extent a Holder of an Unimpaired Claim or Interest wishes to elect to opt-out of the releases, such Holder must return the Opt-Out Form, with the box checked indicating such Holder is electing to opt-out of the releases, to the Solicitation Agent **before 5:00 p.m. (prevailing Central Time) on December 6, 2022**.

G. Further Information, Additional Copies

If you have any questions or require further information about the voting procedures for voting your Claim, or about the packet of material you received, or if you wish to obtain an additional copy of the Plan, this Disclosure Statement, or any exhibits to such documents, please contact the Solicitation Agent.

IV.
OVERVIEW OF DEBTORS

A. Debtors' Businesses

The Debtors produce electricity primarily from conventional fuels (*i.e.*, nuclear fuels, natural gas, and coal) at their energy generation assets (the "**Energy Plants**"). The Debtors'

primary sources of revenue are (i) energy revenue (revenue from the wholesale sales of energy produced from the Energy Plants and related services) and (ii) capacity revenue (revenue from the Debtors' contracts to provide energy generation capacity for energy in the future).

Additionally, the Debtors also recognize revenues from unrealized gains or losses resulting from the changes in fair value on commodity derivative instruments. As described further in the Hedging Motion (as defined herein), derivative contracts (collectively, the "**Hedging Agreements**" and the activities related thereto, the "**Hedging Activities**") are a critical component of the Debtors' business because they allow the Debtors to manage their exposure to risks related to commodity prices, power prices and volumes, and interest rates. In the ordinary course of their business, the Debtors have an extensive book of Hedging Agreements, consisting primarily of fixed-price swaps, physical swaps, swaptions, basis swaps, call options, put options, and emission allowances. With respect to power generation prices and volume, the Debtors sell forward a portion of the Debtors' forecasted power generation. The Debtors' Hedging Activities operate to reduce their exposure to fluctuations in commodity prices, power prices and volumes, and interest rates and provide the Debtors with long-term cash flow predictability to manage their business. Consistent with their past practices, the Debtors target hedging up to 75% of their expected overall power generation, weighted towards the upcoming twelve-month period. The Hedging Activities consist of Exchange Traded Hedges and Bilateral Hedges (each as defined in the Hedging Motion).

In the various regions or states where they engage in electricity generation, electricity marketing, and commodity risk and fuel management activities, the Debtors are subject to regulation set forth in tariffs of regional transmission organizations ("**RTOs**") and independent system operators ("**ISOs**"). RTOs and ISOs coordinate, control, and monitor the electric transmission systems owned by electric utilities and administer organized, bid-based markets for buying and selling electric energy, capacity, and ancillary services. The Debtors conduct most of their business operations in the RTOs/ISOs overseen by PJM, ISO New England Inc. ("**ISO-NE**"), and the Electric Reliability Council of Texas ("**ERCOT**"), and also engage in bilateral transactions within the Western Electricity Coordinating Council ("**WECC**") region.

1. *Talen Energy Supply, LLC*

All of the Debtors' currently producing Energy Plants are held by certain subsidiaries of Debtor TES (each, a "**TES Generating Subsidiary**"). As further detailed in the Wages Motion (as defined below), as of the Petition Date, the Debtors had approximately 2,097 full-time employees, 866 of which were represented by a union and covered by a collective bargaining agreement with the International Brotherhood of Electrical Workers ("**IBEW**") Local 1600, IBEW Local 1638, and International Brotherhood of Teamsters Local 190. TES itself employs a staff of approximately 217 full-time employees, all of which are non-union employees and which includes the Company's management team.

As described further below, TES was the primary obligor on most of the Company's funded debt: TES was the sole borrower under the Prepetition RCF Agreement and Prepetition TLB

Agreement, and TES was the issuer of both the Secured Notes and the Unsecured Notes.[19] TES was also the borrower under certain unsecured letter of credit facilities collectively providing the Company access to letters of credit in an amount not to exceed $200 million. The credit facilities (including the Prepetition CAF Facility), Secured Notes, Prepetition Inventory Facility, and letter of credit facilities are guaranteed by sixty-nine of TES's wholly-owned subsidiaries (the "**TES Subsidiary Guarantors**"), all of which are Debtors in the Chapter 11 Cases.[20] TES's debt obligations are described in Section IV.F below.

2. *Talen Energy Marketing, LLC*

Debtor Talen Energy Marketing, LLC ("**TEM**") is a wholly-owned TES subsidiary that does not own or operate Energy Plants. As of the Petition Date, TEM employed a staff of approximately 30 full-time employees, all of which were non-union employees. TEM is the Debtor entity party to most of the Hedging Agreements, and it provides energy management services to, and purchases wholesale power from, each TES Generating Subsidiary to engage in subsequent wholesale power sales, pursuant to certain agreements. Additionally, TEM is a borrower under the Prepetition CAF Facility.

TEM enters into certain power sales arrangements (the "**Power Sales Arrangements**") with most TES Generating Subsidiaries. Pursuant to the Power Sales Arrangements, TEM purchases the power generated by the applicable Energy Plants, and then sells such power into the wholesale electricity markets, pursuant to certain Market Participant Agreements (as defined below) that TEM or the applicable TES Generating Subsidiary enters into with each respective RTO or ISO. TEM also provides certain intercompany energy management services to the applicable TES Generating Subsidiaries under the Power Sales Arrangements. For Energy Plants not subject to a Power Sales Arrangement, TEM provides intercompany energy management services pursuant to a separate energy management agreement with the applicable entity.

TEM, on behalf of certain of the TES Generating Subsidiaries, also enters into certain energy management agreements (the "**Energy Management Agreements**") with third-party service providers ("**Energy Managers**"). Generally, the Energy Management Agreements provide that the Energy Manager will, among other things, (i) maintain a trading desk available to serve as the TES Generating Subsidiary's point of contact for power markets and power scheduling; (ii) schedule, bid, and dispatch all electric energy generated by the Energy Plants, and coordinate daily operations and scheduling; (iii) minimize and mitigate any electric transmission imbalances and resupply charges; and (iv) communicate with transmission providers, balancing authorities, and market participants as necessary.

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[19] TES is not a borrower under the Prepetition CAF Facility; TEM and Susquehanna Nuclear (both subsidiaries of TES) are the borrowers thereunder. However, because TES is party to the agreement as parent and guarantor, the Prepetition CAF Facility is considered TES debt for purposes of this Disclosure Statement.

[20] The TES Subsidiary Guarantors include all subsidiaries of TES in which TES or another TES Subsidiary Guarantor has a majority common equity ownership *except* Talen II Growth Holdings LLC, Talen Technology Ventures LLC, LMBE-MC Holdco I LLC, LMBE-MC Holdco II LLC, MC Project Company LLC, LMBE Project Company LLC, and Talen Receivables Funding LLC.

3. *Susquehanna Nuclear, LLC*

Debtor Susquehanna Nuclear, LLC ("**Susquehanna Nuclear**") is a subsidiary of TES. Its primary asset is a nuclear power generation facility in Berwick, Pennsylvania, (the "**Nuclear Plant**"), which occupies approximately 1,075 acres. As part of the Talen Transition Strategy (as defined below), land adjacent to the Nuclear Plant will be the site of the Data Campus (as defined below). Susquehanna Nuclear's interest in the Nuclear Plant consists of a 90% undivided interest in the plant. A non-profit electric cooperative owns the remaining 10% undivided interest in the plant (the "**Nuclear Co-Owner**"), with a contractual arrangement to share all costs of operating the Nuclear Plant with Susquehanna Nuclear.[21] Pursuant to certain agreements with the Nuclear Co-Owner, Susquehanna Nuclear operates the Nuclear Plant and, as of the Petition Date, employed a staff of approximately 915 full-time employees, consisting of approximately 414 union and approximately 501 non-union employees. Sales of power and energy-related products from the Nuclear Plant are conducted in the PJM market. Additionally, Susquehanna Nuclear is a borrower under the Prepetition CAF Facility.

As a nuclear power generating facility, Susquehanna Nuclear is regulated by the U.S. Nuclear Regulatory Commission ("**NRC**") with respect to licensing requirements, including security, safety, and employee-related requirements, and the Federal Emergency Management Agency with respect to its comprehensive emergency response plans. Additionally, Susquehanna Nuclear is regulated by the U.S. Federal Energy Regulatory Commission ("**FERC**") with respect to the transmission and wholesale sales of power. Susquehanna Nuclear is required to adhere to strict safety and security protocols and maintains an employee and vendor base with sufficient and necessary security clearance and safety protocol experience to meet these requirements.

4. *Talen Generation, LLC*

Debtor Talen Generation, LLC (collectively with its subsidiaries, "**Talen Generation**") is a subsidiary of TES. Talen Generation's primary assets are eleven coal, oil, and natural gas fired power generating plants and peaking units located in Pennsylvania, New Jersey, and Maryland (the "**Talen Generation Plants**"). Talen Generation owns (i) a 100% interest in nine of the Talen Generation Plants, (ii) a 22% co-interest (with several power generation companies owning the balance) in a coal-fired plant outside of Indiana, PA, (the "**Conemaugh Plant**") and (iii) a 12% co-interest (with several power generation companies owning the balance) in another coal-fired plant outside of Johnstown, PA (the "**Keystone Plant**").[22] Talen Generation operates all but four of the Talen Generation Plants and, as of the Petition Date, employed a staff of approximately 609 full-time employees, consisting of approximately 258 union and approximately 351 non-union employees.[23] The remaining four Talen Generation Plants, including the Conemaugh Plant and the Keystone Plant, are operated by third-party operators who provide administrative, operating, and maintenance services for each of the plants pursuant to certain operation and

[21] If Susquehanna Nuclear defaults under the arrangements with the Nuclear Co-Owner, the Nuclear Co-Owner may be entitled to all of the energy and capacity generated by the Nuclear Plant that would have been allocated to Susquehanna Nuclear until such default is cured.

[22] Two of the Talen Generation Plants and 71 MW of the peaking units are owned by non-Debtor affiliates, the LMBE-MC entities.

[23] Ten of these employees are staffed at the Dartmouth Plant.

maintenance agreements.[24] Sales of electricity products from the Talen Generation Plants are regulated by FERC and conducted in the PJM markets.

The Talen Generation Plants include three wholly-owned coal-fired assets that have coal-burning capabilities (the Montour plant in Washingtonville, Pennsylvania (the "**Montour Plant**") and the Brandon Shores and H.A. Wagner plants in Maryland), which are each expected to cease coal-fired operations by the end of 2025 as part of the Talen Transition Strategy. Additionally, the Brunner Island dual-fueled plant in Pennsylvania is expected to cease coal-fired operations by the end of 2028.

The Debtors are currently in the process of implementing a plan to convert the Montour Plant from coal to natural gas-fueled, which will ensure that the Montour Plant can continue operation after it stops burning coal at the end of 2025 (the "**Montour Decarbonization Project**"). Under the terms of the conversion permit, the Debtors have spent $19.6 million in capital expenditures towards this conversion as of March 31, 2022. The Debtors estimate that the capital expenditure requirement for conversion is approximately $154 million. The Debtors have received permit extensions, extending the date by which the capital expenditures for the conversion process must be made to June 30, 2023. Additionally, as part of the Talen Transition Strategy, land adjacent to the Montour Plant is expected to be used for a solar generation facility.

5. *Talen Texas, LLC*

Debtor Talen Texas, LLC (collectively with its subsidiaries, "**Talen Texas**") is a subsidiary of TES. Talen Texas's primary assets are three natural-gas fired power production plants located in Texas (the "**Texas Plants**"). Talen Texas owns a 100% interest in each of the Texas Plants. Talen Texas operates the plants and, as of the Petition Date, employed a staff of approximately 62 full-time employees, all of which are non-union employees. Sales of electricity products from the Texas Plants are regulated by the Texas PUC (as defined below) and conducted in the ERCOT market.

6. *Talen Montana Holdings, LLC*

Debtor Talen Montana Holdings, LLC (collectively with its subsidiaries, "**Talen Montana Holdings**") is a subsidiary of TES. Its primary asset (other than its claim against PPL, described below) is an interest in a coal-fired power production plant located east of Billings, Montana (the "**Colstrip Project**"), which occupies approximately 20 square miles.[25] Talen Montana Holdings' subsidiary, Talen Montana, LLC ("**Talen Montana**"), co-owns an undivided interest in

[24] The Debtors have contractual arrangements to share all costs of operating the Conemaugh Plant and the Keystone Plant with the respective co-owners of each. Defaults under these arrangements may only be remedied with specific performance.

[25] The Colstrip Project originally consisted of four generating units (each, a "**Colstrip Unit**"). In January 2020, Talen Montana and the other co-owner of Colstrip Units 1 and 2 permanently retired the units. Talen Montana is responsible for 50% of the decommissioning and other related costs of Colstrip Units 1 and 2. Talen Montana owns 30% of Colstrip Unit 3, and does not own any portion of Colstrip Unit 4. However, it is a participant in a joint-owner sharing agreement which governs each party's responsibilities and rights whereby Talen Montana is responsible for 15% of the total operating costs and expenditures of Colstrip Unit 3 and 15% of Colstrip Unit 4. Accordingly, it is entitled to 15% of the available generation from each of these units.

the Colstrip Project with several public utility companies as co-owners (collectively, the "**Co-Owners**").[26] As described further in the *Emergency Motion of Debtors for Interim and Final Orders (I) Authorizing Debtors to Pay (A) Critical Vendor Claims, (B) Lien Claims, (C) 503(b)(9) Claims, and (D) Co-Ownership Obligations and (II) Granting Related Relief* [Docket No. 13] (the "**Vendor Motion**"), Talen Montana is party to a contractual arrangement to share all costs of operating the Colstrip Project with the Co-Owners.

Pursuant to certain operating agreements with the Co-Owners, Talen Montana, operates the Colstrip Project and, as of the Petition Date, employed a staff of approximately 264 employees, consisting of approximately 194 union and approximately 70 non-union employees. Sales of power and energy-related products from the Colstrip Project are regulated by FERC and conducted on a bilateral basis within the WECC region.

Talen Montana, as operator of the Colstrip Project, employs the staff and develops budgets for the facility. Additionally, unlike the other TES Generating Subsidiaries and as described more fully in the Vendor Motion, Talen Montana pays the majority of its operating expenses directly and then bills back a proportion of those expenses to the Co-Owners for reimbursement. As further described in the *Emergency Motion of Debtors for Interim and Final Orders (I) Authorizing Debtors to (A) Continue their Existing Cash Management System, (B) Maintain Existing Business Forms and Intercompany Arrangements, (C) Continue Intercompany Transactions, and (D) Continue Utilizing Employee Credit Cards and BIP/SIP Programs; and (II) Granting Related Relief* [Docket No. 14] (the "**Cash Management Motion**"), TEM and Talen Montana are parties to an intercompany credit agreement pursuant to which TEM provides revolving loans to Talen Montana.

As described in more detail below, in 2012, on behalf of the Co-Owners, Talen Montana entered into that certain *Administrative Order on Consent Regarding Impacts Related to Wastewater Facilities Comprising the Close-Loop System at Colstrip Steam Electric Statement, Colstrip Montana*, dated August 3, 2012 (the "**Colstrip AOC**") by and between PPL Montana, LLC, as Operator of the Colstrip Steam Electric Station, and Montana Department of Environmental Quality (the "**MDEQ**"), which required Talen Montana to develop a "Facility Closure Plan" for the Colstrip Units. As of the Petition Date, the total remaining cost of closure and remediation was estimated to be approximately $388 million. Additionally, the Colstrip AOC requires, among other things, the posting of financial assurance for coal ash and wastewater pond remediation and closure at the Colstrip Project ("**Financial Assurance**"). Since 2012, the Debtors have reached additional agreements with the MDEQ and the Co-Owners, pursuant to which the Co-Owners provided Financial Assurance commensurate with their respective ownership share in the Colstrip Project. The Financial Assurance has been fully provided in line with the estimated and agreed upon closure plans but is subject to annual review based on work completed and updated cost estimates for the remaining remediation and closure activities.

[26] The Co-Owners include (i) Puget Sound Energy, Inc. ("**Puget**"), Portland General Electric Company, Avista Corporation, and PacifiCorp (collectively, the "**PNW Owners**") and (ii) NorthWestern Corporation ("**NorthWestern**").

7. *Talen NE LLC*

Debtor Talen NE LLC (collectively with its subsidiaries, "**Talen NE**") is a subsidiary of TES. Talen NE's primary asset is a natural-gas fired power production plant located in Massachusetts (the "**Dartmouth Plant**"). Talen NE owns a 100% interest in the Dartmouth Plant. Talen NE operates the plant with a staff of ten full-time employees, all of which are non-union employees.[27] Sales of power and energy-related products from the Dartmouth Plant are regulated by FERC and conducted in the ISO-NE market.

B. Talen Transition Strategy

Many political and regulatory authorities, along with certain of the Debtors' financing sources and well-funded activist groups, are making substantial efforts to minimize fossil fuel use. Concerns about the environmental impacts of fossil fuel combustion, including impacts on global climate issues, are resulting in increased regulation of coal combustion and other sustainability mandates, which in turn result in unfavorable lending policies and difficulty raising capital toward financing for traditional fossil fuel-powered generation facilities. In addition, the previously low price of natural gas has meant that coal-fueled assets are no longer economical to run or keep updated. Thus, in many markets in the United States, generating capacity is transitioning from a coal-dominated generation base to a mix that incorporates larger amounts of natural gas and renewable units.

Today's electricity consumers, businesses, and technologies demand electricity that is not only low-cost, but also reliable and zero-carbon. In response and recognizing this "trilemma" of ideal power usage, the Company began investing in additional carbon-free power projects and complementary battery storage. In addition, the Company invested in certain opportunities created by the convergence of power generation and digital infrastructure, including the construction of hyperscale data centers and cryptocurrency mining infrastructure directly connected to the Debtors' generation facilities. And further, the Debtors committed to, and began the process of, eliminating coal use at all of their wholly-owned facilities. Each of these projects are part of the transformation of the Company's assets and business model toward a decarbonized future (collectively, the "**Talen Transition Strategy**").

In May 2021, the Company held an equity investor event to highlight Talen's initiatives for positioning itself toward a sustainable future to investors (the "**2021 Investor Event**"). At the event, the Company set forth the Talen Transition Strategy—the Company's infrastructure investments and energy transition strategy, including its plans to develop a large-scale portfolio of renewable energy, battery storage, digital currency mining, and digital infrastructure assets—which is summarized in the table below.

Decarbonization	Data Centers	Coin Mining	Renewables & Batteries
Conversion of the Debtors' wholly-owned coal-fueled generating facilities to lower carbon fuels, underpinned by	Development of a 475 MW cloud data center campus (the "**Data Campus**") to deliver leasable hyperscale data	Development of 200 MW zero-carbon digital currency mining facility at the Data Campus, with the ability to expand the	Development of 2.7 GW pipeline of renewable energy and battery storage being developed largely utilizing existing owned

[27] These full-time employees of the Dartmouth Plant are employed by a Talen Generation subsidiary.

strong economics, resulting in grid stability while continuing to support the communities in which Talen operates	center capability, directly fueled by the zero-carbon Nuclear Plant and with lowest known all-in power cost in the U.S.	operation to up to 300 MW as well as potential projects at other sites, including land adjacent to certain Talen Texas and Talen Generation Plants. Talen's vision is to create verifiable low- or zero-carbon coins, with the appropriate regulatory overlay, mined in the United States in secure, compliant locations.	land and interconnections, primarily in close proximity to the Debtors' fossil generation plants, with a focus on communities; partnering with reputable, experienced developers on selective projects to leverage their experience

The development of (i) the Data Campus (the "**Cumulus Data Project**") through non-Debtor affiliate Cumulus Data LLC ("**Cumulus Data**") and (ii) the digital currency mining facility at the Data Campus (the "**Cumulus Coin Project**" and, together with the Cumulus Data Project, the "**Cumulus Digital Project**") through non-Debtor subsidiary Cumulus Coin LLC ("**Cumulus Coin**") creates a competitive advantage by solving the reliability, costs, and zero-carbon "energy trilemma" by providing an integrated power and digital infrastructure solution. As described above, flat power demand and an increased power supply have decreased the Debtors' profits, particularly in the PJM region where the Nuclear Plant is located. The Cumulus Digital Project capitalizes on a clear synergy by bringing a growing electricity demand (*i.e.*, data storage and digital currency mining) directly to the Nuclear Plant's low-cost, reliable, and carbon-free power supply.

Pursuant to certain power purchase agreements, Susquehanna Nuclear will sell power generated by the Nuclear Plant to Talen Generation, as a wholesale customer, and Talen Generation will then sell the power to Cumulus Data, as a retail customer. Cumulus Data is expected to sub-meter this power to customers of the Cumulus Data Project as well as the Cumulus Coin Project. Because Cumulus Data owns the transmission lines that interconnect the Cumulus Digital Project to the Nuclear Plant, the cost of power to be sub-metered will be reduced by eliminating the need to transport the power on the grid and incur the associated costs with such transportation. This arrangement is expected to positively impact supply and demand dynamics for the Debtors by providing a stable, long-term source of revenue for the Nuclear Plant, enabling its longevity. This model can also be replicated at other Talen Generation facilities, with similar potential benefits.

Moreover, each of these Talen Transition Strategy initiatives brings value to the communities in which the Debtors operate by providing stable employment, safe operations, and engagement with local organizations. In particular, through the Montour Decarbonization Project, the Debtors expect to preserve 80 full-time, permanent jobs at the Montour Plant and expect to add between 200–300 temporary jobs to execute the project over a one-year period. Additionally, in connection with the development of the Cumulus Data Project, Cumulus Data has created approximately 1,000 temporary jobs for the construction of the Data Campus and expects to create approximately 50 full-time, permanent jobs upon project completion. In connection with the development of the Cumulus Coin Project, the Company created 300 temporary jobs and expects to create 50 full-time, permanent jobs upon project completion.

Like most power generation companies, the Debtors, in the ordinary course of business, close and decommission older Energy Plants and/or their related non-core generation assets (*e.g.*, coal piles, water basins, and ash basins) and dispose of or sell parts, machinery, equipment, or scrap. For example, the Debtors are working to decommission certain coal-fueled Energy Plants. As part of the decommissioning process, equipment and materials may be cleaned, disposed of, and/or sold in the ordinary course of the Debtors' business. In certain cases, the Debtors may later convert these decommissioned plants, or the land they are on, into lower-carbon generation assets or renewable energy projects. For example, certain solar projects under Cumulus are being constructed on closed ash basins adjacent to decommissioned Energy Plants.

1. *TES' Investment in Cumulus*

Following the 2021 Investor Event, the Company sought investment for the Talen Transition Strategy from many parties, both inside and outside of its existing capital structure. However, only one unaffiliated party came forward, Orion Infrastructure Capital (f/k/a Orion Energy Partners Investment Agent, LLC and, together with its affiliates, "**Orion**"), to fund the Cumulus Coin Project and the initial common infrastructure for the Cumulus Digital Project.

To implement the financing with Orion, the Company formed Cumulus Growth Holdings LLC ("**Cumulus Growth**" and, collectively with its direct and indirect subsidiaries, "**Cumulus**")[28] as a direct subsidiary to TEC and began a process to sell equity interests in certain clean energy project development entities, as well as certain undeveloped land, from the Debtors to the newly-formed Cumulus entities in exchange for voting convertible preferred equity in or of certain subsidiaries of Cumulus Growth, including Cumulus Coin Holdings and Cumulus Data Holdings (the preferred equity in Cumulus Coin Holdings and Cumulus Data Holdings, the "**Cumulus Digital Preferred Shares**" and, together with the preferred equity in other Cumulus Growth subsidiaries, the "**Cumulus Preferred Shares**"). This sale was largely completed in September 2021, with certain land to be transferred in exchange for additional preferred shares upon completion of required subdivision processes.[29] Following the organizational transition, Orion agreed to provide up to $175 million in financing, with $125 million initially committed on the closing date and $50 million available to be committed following the achievement of certain project milestones (the "**Orion Financing**") with Cumulus Digital LLC (a subsidiary of Cumulus Growth, "**Cumulus Digital**").[30]

As of the Petition Date, TES owned, directly and through its subsidiary Talen II Growth Holdings LLC, the Cumulus Preferred Shares, which provided the Debtors with an equity

[28] None of the Cumulus entities are debtors in the Chapter 11 Cases. Additionally, following entry of the Cumulus Final Order (as defined herein) and pursuant to the Cumulus Definitive Documentation, Cumulus Growth distributed its common equity in Cumulus Digital Holdings to TEC, which in turn distributed the units to affiliates of Riverstone. Although Cumulus Growth no longer holds any equity in Cumulus Digital Holdings, the term "Cumulus" will, for convenience of reference, continue to be used herein to refer to Cumulus Growth and its subsidiaries, as well as Cumulus Digital Holdings and its subsidiaries.

[29] Certain parcels of land are in process of being subdivided and will be transferred from TES subsidiaries to Cumulus Real Estate Holdings LLC upon completion of the subdivision.

[30] Cumulus Data and Cumulus Coin are each wholly-owned subsidiaries of Cumulus Data Holdings and Cumulus Coin Holdings, respectively. Cumulus Digital owns all of the common equity units in Cumulus Data Holdings and Cumulus Coin Holdings.

participation in the Cumulus Digital Project as well as Cumulus's other renewable energy and battery storage projects. As a result of the Cumulus Settlement (as defined herein), the Debtors' Cumulus Digital Preferred Shares were converted into majority voting common shares of Cumulus Digital Holdings, LLC ("**Cumulus Digital Holdings**" and such common shares, the "**Cumulus Digital Common Shares**"). The Cumulus Digital Common Shares and the remaining Cumulus Preferred Shares provide certain of the Debtors with an economic interest and certain governance and consent rights, as well as, in the case of the other Cumulus Preferred Shares, the right to quarterly distributions.[31] Accordingly, TES' investment in Cumulus provides the estate with growth opportunities and the potential for increase in enterprise value.

Pursuant to a corporate and operational services agreement, TES provides corporate and administrative services to (i) Cumulus Digital and (ii) Nautilus Cryptomine LLC ("**Nautilus**"), the bitcoin mining joint venture on behalf of Cumulus Digital, each in exchange for an annual management fee and monthly fee for indirect overhead charges and expenses, payment of which has been deferred to date in accordance with the terms of the agreement. Pursuant to that certain *Amended and Restated Corporate and Operational Services Agreement*, made and entered into as of September 29, 2022, by and between TES, Cumulus Digital, and solely for the purposes of Articles 4 and 6 thereof, Cumulus Digital Holdings, TES may opt to receive payment of certain fees (including accrued historical fees) in Cumulus Digital Common Shares instead of cash. Cumulus currently has no employees and no operations aside from the development of the Cumulus Digital Project and its other renewable energy and battery storage projects.

C. Debtors' Corporate Structure

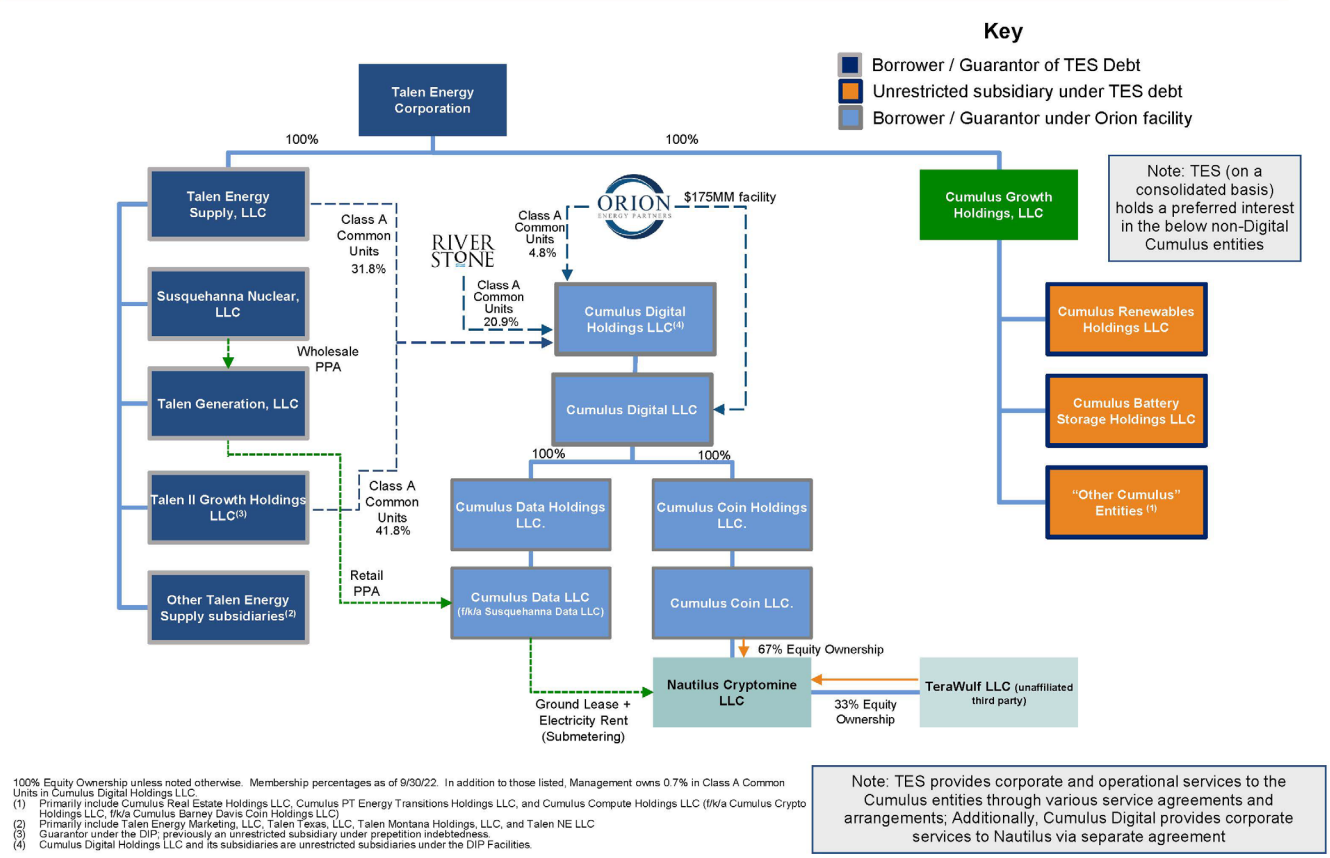
TEC was formed on June 6, 2014 in connection with the spinoff of TES, then known as PPL Energy Supply, LLC, a competitive power generation business owned by PPL Corporation ("**PPL**"), and the subsequent combination of that business with RJS Generation Holdings LLC, a competitive power generation business controlled by Riverstone Holdings LLC ("**Riverstone Holdings**"), which closed on June 1, 2015. Following the spinoff and business combination, TEC became a public reporting company under the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). Then, in a subsequently negotiated go-private transaction that closed on December 6, 2016, certain entities controlled by Riverstone Holdings (the "**Sponsor Entities**") acquired all of the outstanding shares of common stock in TEC that they did not already own. As a result of the go-private transaction, TEC terminated the registration of its common stock and suspended its public reporting obligations. Since then, TEC has existed as a private company (with publicly traded debt), and the Sponsor Entities have effectively controlled 100% of the TEC common stock. All of the Debtors are wholly-owned direct or indirect subsidiaries of TEC. Neither TEC nor any of its non-TES direct or indirect subsidiaries are debtors in the Chapter 11 Cases.

Collectively, the Debtors consist of TES and all of its wholly-owned subsidiaries—except for LMBE-MC HoldCo I LLC and its three subsidiaries (collectively, "**LMBE-MC**") and Talen Receivables Funding LLC ("**TRF**")—totaling 72 entities formed under the laws of Delaware,

[31] Although the Debtors technically forfeited these governance controls upon the filing of the Chapter 11 Cases, certain governance rights of the Debtors were restored as part of the TEC Global Settlement and the Cumulus Term Sheet (as defined herein).

Massachusetts, New Jersey, and Pennsylvania. The Company's headquarters are located in The Woodlands, Texas. A chart illustrating the Debtors' complete organizational structure as of the Petition Date is attached as **Exhibit C**.

The following chart summarizes the current corporate and capital structure of TEC, TES, and Cumulus following the entry of the Cumulus Final Order and the execution of the Cumulus Definitive Documentation:



100% Equity Ownership unless noted otherwise. Membership percentages as of 9/30/22. In addition to those listed, Management owns 0.7% in Class A Common Units in Cumulus Digital Holdings LLC.
(1) Primarily include Cumulus Real Estate Holdings LLC, Cumulus PT Energy Transitions Holdings LLC, and Cumulus Compute Holdings LLC (f/k/a Cumulus Crypto Holdings LLC, f/k/a Cumulus Barney Davis Coin Holdings LLC)
(2) Primarily include Talen Energy Marketing, LLC, Talen Texas, LLC, Talen Montana Holdings, LLC, and Talen NE LLC
(3) Guarantor under the DIP; previously an unrestricted subsidiary under prepetition indebtedness.
(4) Cumulus Digital Holdings LLC and its subsidiaries are unrestricted subsidiaries under the DIP Facilities.

D. Debtors' Corporate Governance and Management

In November 2021, the organizational documents of TES were amended, changing it from a member-managed entity to a board-managed entity, including a requirement for an independent manager. Pursuant to the amendment, an independent manager and four of the existing TEC board members were appointed to the new board of managers of TES (the "**TES Board**"). Additionally, in March 2022, the organizational documents of TES were further amended to require two independent managers and an additional "Riverstone Designee." Pursuant to this amendment, an additional independent manager and Riverstone Designee were appointed to the board. In April

2022, the TES Board formed a restructuring committee that includes both of its independent managers (the "**Restructuring Committee**").

The Debtors' senior leadership team consists of the following individuals:

Name	Position
Alex Hernandez	President and Chief Executive Officer
John Chesser	Chief Financial Officer
Andrew Wright	General Counsel and Corporate Secretary

E. Equity Ownership

The following affiliates of Riverstone Holdings own, directly or indirectly, equity interests in TEC:

a) TEC is owned 49% by Talen MidCo LLC, 28.9% by Raven Power Holdings LLC ("**Raven**") and 18.5% by C/R Energy Jade, LLC ("**Jade**") and 3.6% by Sapphire Power Holdings LLC ("**Sapphire**").

b) Talen MidCo LLC is owned 56.6% by Raven, 36.3% by Jade, and 7.1% by Sapphire.

No person or entity owns, directly or indirectly, more than a 10% equity interest in TEC, other than Talen MidCo LLC, Raven, Jade, and Sapphire. TEC owns 100% of the outstanding equity interests of TES (*i.e.*, the Existing Equity Interests). TES owns, either directly or indirectly, 100% of the outstanding equity interests in the remaining Debtors.

F. Capital Structure

As of the Petition Date, the Company's capital structure included approximately $4.455 billion in funded debt, with respect to which the Debtors are obligated as borrowers. The Debtors' funded obligations are summarized below:

Facility	Maturity	Principal
Prepetition First Lien Debt		
Prepetition RCF Agreement	March 2024	—
Prepetition CAF Agreement	Sept. 2024	$848 million
Prepetition TLB Agreement	July 2026	$428 million
Secured Notes	2027 – 2028	$1,620 million
Total Prepetition First Lien Debt:		$2,896 million
Unsecured Obligations		
Unsecured Notes (including PEDFA Series A Bonds)	2022 – 2038	$1,429 million
PEDFA Series B and C Bonds	2037 – 2038	$131 million
Total Unsecured Obligations:		$1,560 million
Total Prepetition Debt:		**$4,455 million**

The following description is for informational purposes only and is qualified in its entirety by reference to the documents setting forth the specific terms of such obligations and their respective related agreements.

1. *Secured Obligations*

(a) Prepetition RCF Agreement

Certain of the Debtors are parties to that certain *Credit Agreement*, dated as of June 1, 2015 (as amended, restated, amended and restated, supplemented, or otherwise modified from time to time, the "**Prepetition RCF Agreement**"), by and among TES, as borrower, the lenders from time to time party thereto (the "**Prepetition RCF Lenders**"), and Citibank, N.A., as administrative agent (in such capacity, the "**Prepetition RCF Agent**") and collateral trustee (in such capacity, the "**Collateral Trustee**"). The Prepetition RCF Agreement provides for a senior secured revolving loan facility (with a letter of credit sub-facility) in the aggregate maximum committed principal amount of approximately $459 million (including any letters-of-credit issued thereunder).[32] The Prepetition RCF Agreement matures in 2024 and bears interest at a rate equal to the Base Rate plus 8.00%. Immediately prior to the Petition Date, amounts available under the Prepetition RCF Agreement were only able to be used for the issuance of letters of credit. As a result of the Chapter 11 Cases, amounts are no longer available to be utilized under the Prepetition RCF Agreement.

Pursuant to the Prepetition Guarantee and Collateral Agreement and the Prepetition Mortgages (each as defined below), the obligations under the Prepetition RCF Agreement are guaranteed by TES and the TES Subsidiary Guarantors and are secured by first priority liens and security interests in substantially all the assets of TES and the TES Subsidiary Guarantors, subject to customary exceptions and liens granted to secure the DIP Facilities (the "**DIP Liens**"). Subject to the terms of the Prepetition Intercreditor Agreement (as defined below), these security interests are equal and ratable with the security interests securing the other Prepetition First Lien Obligations (as defined below). As of the Petition Date, the obligations under the Prepetition RCF Agreement were also secured by a first priority lien and security interest granted to the Prepetition RCF Agent in $89 million of cash collateral (the "**RCF/CAF Cash Collateral**").[33] The obligations under the Prepetition CAF Agreement (as defined below) were secured by a second priority lien and security interest granted to the Prepetition CAF Agent (as defined below) in the RCF/CAF Cash Collateral. The liens and security interests in the RCF/CAF Cash Collateral are subject to the terms of that certain *Cash Collateral Intercreditor Agreement*, dated as of December 13, 2021, by and among the Prepetition RCF Agent, the Prepetition CAF Agent and TES. As of the date of entry of the DIP Order, the cash collateral supporting the letters of credit under the Prepetition RCF Agreement was released from the liens of the Prepetition RCF Agent

[32] Pursuant to certain waivers and/or amendments, this amount was reduced from $1.85 billion at June 1, 2015 to the current amount.

[33] Pursuant to the terms of the documentation governing the RCF/CAF Cash Collateral, the amount of the RCF/CAF Cash Collateral fluctuated based on the outstanding amount of letters of credit issued under the Prepetition RCF Agreement.

and provided to the Prepetition CAF Agent (as defined below) to secure the Prepetition CAF Claims.

As of the Petition Date, there were no revolving loans outstanding under the Prepetition RCF Agreement; however, there were approximately $458 million in issued and outstanding undrawn letters of credit thereunder, plus any unpaid interest, fees, premiums, or other amounts due thereunder, and no further loans are permitted to be drawn. Subject to the terms of the Prepetition Intercreditor Agreement, the obligations under the Prepetition RCF Agreement rank *pari passu* in right of payment with the obligations under the other Prepetition First Lien Obligations.

(b) Prepetition CAF Agreement

Certain of the Debtors are parties to that certain *Credit Agreement*, dated as of December 14, 2021 (as amended, restated, amended and restated, supplemented, or otherwise modified from time to time, the "**Prepetition CAF Agreement**"), by and among TES, as parent, TEM and Susquehanna Nuclear, as borrowers, the lenders from time to time party thereto (the "**Prepetition CAF Lenders**"), and Alter Domus (US) LLC, as administrative agent (in such capacity, the "**Prepetition CAF Agent**"). The Prepetition CAF Agreement provides for a senior secured revolving loan facility in the aggregate maximum principal amount of up to $848 million (the "**Prepetition CAF Facility**"). The Prepetition CAF Facility matures in 2024 and bears interest at a per annum rate with applicable margin equal to (i) in the case of "Base Rate" loans, 7.00% and (ii) in the case of "Revolving Loans" maintained as "LIBOR Loans," 8.00%. In addition, the borrowers are required to pay a quarterly fee of 4.50% per annum on unused revolving loan commitments. Amounts under the Prepetition CAF Facility were fully funded as of late December 2021, and were periodically paid back and redrawn prior to the filing of the Chapter 11 Cases. As a result of the Chapter 11 Cases, amounts are no longer available to be drawn under the Prepetition CAF Facility.

Pursuant to the Prepetition Guarantee and Collateral Agreement and the Prepetition Mortgages, the obligations under the Prepetition CAF Agreement are guaranteed by TES and the TES Subsidiary Guarantors and are secured by first priority liens and security interests in substantially all the assets of TES and the TES Subsidiary Guarantors, subject to customary exceptions and the DIP Liens. Subject to the terms of the Prepetition Intercreditor Agreement, these security interests are equal and ratable with the security interests securing the other Prepetition First Lien Obligations. As of the date of the entry of the DIP Order, the RCF/CAF Cash Collateral on such date was released from the liens of the Prepetition RCF Agent and the Prepetition CAF Agent's second priority security interest and lien in the RCF/CAF Cash Collateral became a first priority security interest and lien to secure the Prepetition CAF Claims.

As of the Petition Date, the aggregate amount of loans outstanding under the Prepetition CAF Agreement was $848 million, plus any unpaid interest, fees, premiums, or other amounts due thereunder (collectively, the "**Prepetition CAF Claims**"). Subject to the terms of the Prepetition Intercreditor Agreement, the obligations under the Prepetition CAF Agreement rank *pari passu* in right of payment with the obligations under the other Prepetition First Lien Obligations.

(c) Prepetition TLB Agreement

Certain of the Debtors are parties to that certain *Term Loan Credit Agreement*, dated as of July 8, 2019 (as amended, restated, amended and restated, supplemented, or otherwise modified from time to time, the "**Prepetition TLB Agreement**"), by and among TES, as borrower, the lenders from time to time party thereto (the "**Prepetition TLB Lenders**"), and Wilmington Trust, National Association, as administrative agent.

The Prepetition TLB Agreement provides for a senior secured term loan facility in the aggregate maximum principal amount of $500 million. The Prepetition TLB Agreement matures in 2026 and bears interest at a variable rate of the LIBO rate plus 3.75%.

Pursuant to the Prepetition Guarantee and Collateral Agreement and the Prepetition Mortgages, the obligations under the Prepetition TLB Agreement are guaranteed by TES and the TES Subsidiary Guarantors and are secured by first priority liens and security interests in substantially all the assets of TES and the TES Subsidiary Guarantors, subject to customary exceptions and the DIP Liens. As of the Petition Date, the aggregate amount outstanding under the Prepetition TLB Agreement was approximately $428 million, plus any unpaid interest, fees, premiums, or other amounts due thereunder. Subject to the terms of the Prepetition Intercreditor Agreement, the obligations under the Prepetition TLB Agreement rank *pari passu* in right of payment with the obligations under the other Prepetition First Lien Obligations.

(d) Secured Notes

TES, as issuer, and the TES Subsidiary Guarantors, as guarantors, are parties to the following indentures (collectively, as amended, restated, amended and restated, supplemented or otherwise modified from time to time (including by that certain *Agreement of Resignation, Appointment and Acceptance*, dated as of May 19, 2022 (the "**Tripartite Agreement**") by and among TES, Wilmington Savings Fund Society, FSB and The Bank of New York Melon Trust Company), the "**Secured Notes Indentures**"):

a) that certain indenture dated May 21, 2019, with Wilmington Savings Fund Society, FSB (as successor to the Bank of New York Mellon), as trustee (providing for the issuance of the 7.250% Secured Notes due 2027);

b) that certain indenture dated July 8, 2019, with the Wilmington Savings Fund Society, FSB (as successor to the Bank of New York Mellon), as trustee (providing for the issuance of the 6.625% Secured Notes due 2028); and

c) that certain indenture dated May 22, 2020, with Wilmington Savings Fund Society, FSB (as successor to the Bank of New York Mellon), as trustee (providing for the issuance of the 7.625% Secured Notes due 2028).

The Secured Notes Indentures govern the following three tranches of senior secured notes (collectively, the "**Secured Notes**"):

Notes	Principal Amount Outstanding	Rate	Maturity
7.250% Secured Notes	$750 million	7.25%	May 2027
6.625% Secured Notes	$470 million	6.625%	January 2028
7.625% Secured Notes	$400 million	7.625%	June 2028
Total:	**$1,620 million**		

Pursuant to the Prepetition Guarantee and Collateral Agreement and the Prepetition Mortgages, the Secured Notes are guaranteed by TES and the TES Subsidiary Guarantors and are secured by first priority liens and security interests in substantially all the assets of TES and the TES Subsidiary Guarantors, subject to customary exceptions and the DIP Liens. Subject to the terms of the Prepetition Intercreditor Agreement, these security interests are equal and ratable with the security interests securing the other Prepetition First Lien Obligations.

(e) First Lien Hedging Agreements

As described in the Hedging Motion and the Hedging Declaration, Debtors TES and TEM are party to the First Lien Hedging Agreements (as defined in the Hedging Motion), under which TES and the TES Subsidiary Guarantors provide the counterparties with a first priority security interest in substantially all the assets of TES and the TES Subsidiary Guarantors, subject to customary exceptions and the DIP Liens, instead of posting liquid collateral. The obligations under the First Lien Hedging Agreements are secured by liens to the same extent as the other Prepetition First Lien Obligations and, subject to the Prepetition Intercreditor Agreement, rank *pari passu* in right of payment with the obligations under the other Prepetition First Lien Obligations. As of the Petition Date, there were $722 million of secured obligations outstanding under the First Lien Hedging Agreements.

(f) Prepetition Inventory Facility Agreement

As of the Petition Date, certain of the Debtors were party to that certain *Product Purchase and Sale Agreement*, dated as of December 19, 2019 (as amended, restated, amended and restated, supplemented, or otherwise modified from time to time, the "**Prepetition Inventory Facility Agreement**"), by and among J. Aron & Company LLC ("**J. Aron**"), TEM, and Talen Generation. Pursuant to the Prepetition Inventory Facility Agreement, TEM and Talen Generation sold and transferred title of certain coal and fuel oil inventory quantities (the "**Inventory**") to J. Aron in exchange for advanced cash consideration. TEM and Talen Generation were subsequently required to repurchase the Inventory as needed for electric generation or at expiry of the arrangement (the "**Prepetition Inventory Facility**" and the obligations thereunder the "**Prepetition Inventory Facility Obligations**"). The Prepetition Inventory Facility Obligations were secured by back-up liens on the purchased fuel inventory as well as the collateral securing the Prepetition First Lien Obligations and are subject to the Prepetition Intercreditor Agreement. As amended by the Inventory Facility Extension (as defined below), the final repurchase obligation under the Prepetition Inventory Facility Agreement was due on

May 31, 2022. As of the Petition Date, the net exposure under the Prepetition Inventory Facility Agreement against the collateral was $109 million. On May 13, 2022, the applicable Debtors repurchased the Inventory and satisfied all obligations under the Prepetition Inventory Facility, resulting in the release of any security interests granted to secure the Prepetition Inventory Facility Obligations.

(g) Prepetition Intercreditor Agreement

On June 1, 2015, TES entered into that certain *Collateral Trust and Intercreditor Agreement* (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "**Prepetition Intercreditor Agreement**") with the TES Subsidiary Guarantors, the Prepetition RCF Agent, the Collateral Trustee, each other first lien secured party thereto from time to time (collectively, with the Prepetition RCF Agent, the Collateral Trustee, the "**Prepetition First Lien Secured Parties**"), and each other person party thereto from time to time providing, among other things, for the establishment of a collateral trust to secure certain obligations under the Prepetition RCF Agreement, the Prepetition CAF Agreement, the Prepetition TLB Agreement, the Secured Notes, the First Lien Hedging Agreements, the Prepetition Inventory Facility, certain cash management obligations and other hedging arrangements and first lien indebtedness from time to time outstanding (collectively, the "**Prepetition Secured Debt Documents**" and the obligations thereunder, the "**Prepetition First Lien Obligations**") and the relative priorities and rights in the collateral of the lenders under the Prepetition Secured Debt Documents and holders of other priority lien debt (if any).

Under the terms of the Prepetition Intercreditor Agreement, if the Collateral Trustee (acting at the direction of certain of the Prepetition RCF Lenders) desires to permit TES or the TES Subsidiary Guarantors to use cash collateral or obtain DIP Financing during a bankruptcy, then the Collateral Trustee and each of the Prepetition First Lien Secured Parties agree not to (i) object to the use of cash collateral or to such DIP Financing or (ii) request or accept adequate protection or any other relief in connection with the use of such cash collateral or DIP Financing; provided that each Prepetition First Lien Secured Party retains the right to object to any ancillary agreements or ancillary arrangements regarding the cash collateral or DIP Financing that are materially prejudicial to their interests (unless they are equally materially prejudicial to all Prepetition First Lien Secured Parties). *See* Prepetition Intercreditor Agreement § 6.1. Additionally, the Prepetition RCF Agent, the Prepetition CAF Agent, and Prepetition CAF Lenders have separately agreed, pursuant to a side letter agreement dated December 14, 2021, to not object or support any objection to any "roll-up," refinancing or further cash collateralization of letters of credit in connection with any DIP Financing.

(h) Prepetition Guarantee and Collateral Agreement

Certain of the Debtors are party to that certain *Guarantee and Collateral Agreement*, dated as of June 1, 2015 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "**Prepetition Guarantee and Collateral Agreement**"), by and among TES, the TES Subsidiary Guarantors, and the Collateral Trustee. Pursuant to the Prepetition Guarantee and Collateral Agreement, TES and the TES Subsidiary Guarantors (other than TES with respect to its own obligations) agreed to guarantee the Prepetition First Lien Obligations, and TES and the TES Subsidiary Guarantors secured the Prepetition First Lien

Obligations, including any guarantee thereof, by granting a first priority security interest in, and lien upon, substantially all of the assets of TES and the TES Subsidiary Guarantors, subject to customary exceptions. In addition to the liens and security interests granted pursuant to the Prepetition Guarantee and Collateral Agreement, certain of the TES Subsidiary Guarantors granted first priority security interests to the Collateral Trustee in certain material fee owned real property located in Pennsylvania, Texas and Maryland pursuant to appropriate mortgages or similar documentation as required by the local laws of the relevant jurisdiction (such documents, the "**Prepetition Mortgages**").

2. ***Unsecured Obligations***

(a) **Unsecured Notes**

TES, as issuer, and certain TES subsidiaries, as guarantors,[34] are parties to the following indentures (collectively, as amended, restated, or supplemented from time to time, the "**Unsecured Notes Indentures**"):

a) that certain indenture dated October 1, 2001, the Bank of New York Mellon, as trustee, as supplemented by that certain *Supplemental Indenture No. 7* dated December 1, 2006 (providing for the issuance of the 6.000% Senior Notes due 2036), that certain Supplemental Indenture No. 13 dated May 19, 2015 (providing for issuance of the 6.500% Senior Notes due 2025) and that certain *Supplemental Indenture No. 16* dated October 11, 2017 (providing for the issuance of the 7.000% Secured Notes due 2027);

b) that certain indenture dated April 13, 2017, with the Bank of New York Mellon, as trustee (providing for the issuance of the 9.500% Senior Notes due 2022);

c) that certain indenture dated August 4, 2017, with the Bank of New York Mellon, as trustee (providing for the issuance of the 6.500% Senior Notes due 2024); and

d) that certain indenture dated November 29, 2017, with the Bank of New York Mellon, as trustee (providing for the issuance of the 10.500% Senior Notes due 2026).

[34] The guarantors of the Unsecured Notes do not include all of the guarantors under the Secured Debt Documents (the TES Subsidiary Guarantors, which are uniform across the Prepetition First Lien Obligations).

The Unsecured Notes Indentures govern the following seven tranches of senior unsecured notes (collectively, the "**Unsecured Notes**"):

Notes	Principal Amount Outstanding	Rate	Maturity
2022 Unsecured Notes	$17 million	9.500%	July 2022
2024 Unsecured Notes	$24 million	6.500%	September 2024
2025 Unsecured Notes	$543 million	6.500%	June 2025
2026 Unsecured Notes	$607 million	10.500%	January 2026
2027 Unsecured Notes	$20 million	7.000%	October 2027
2036 Unsecured Notes	$119 million	6.000%	December 2036
Total:	**$1,329 million**		

(b) PEDFA Bonds

Three series of unsecured Exempt Facilities Revenue Refunding Bonds, each of which was issued by the Pennsylvania Economic Development Financing Authority ("**PEDFA**") on behalf of TES, are currently outstanding (collectively, the "**PEDFA Bonds**"):

Municipal Bonds	Principal Amount Outstanding	Rate	Maturity
Series A PEDFA Bonds	$100 million	6.400%	December 2038
Series B PEDFA Bonds	$50 million	Variable	December 2038
Series C PEDFA Bonds	$81 million	Variable	December 2037
Total:	**$231 million**		

The PEDFA Bonds are governed by the following indentures:

- that certain *Series 2009A Trust Indenture* dated as of April 1, 2009, by and among PEDFA, as issuer, and the Bank of New York Mellon, as trustee (providing for the issuance of the Series A PEDFA Bonds);
- that certain *Series 2009B Trust Indenture* dated as of April 1, 2009, by and among PEDFA, as issuer, and the Bank of New York Mellon, as trustee (providing for the issuance of the Series B PEDFA Bonds); and
- that certain *Series 2009C Trust Indenture* dated as of April 1, 2009, by and among PEDFA, as issuer, and the Bank of New York Mellon, as trustee (providing for the issuance of the Series C PEDFA Bonds).

TES and PEDFA are parties to (i) that certain *Series 2009A Exempt Facilities Loan Agreement*, dated April 1, 2009, (ii) that certain *Series 2009B Exempt Facilities Loan Agreement*, dated April 1, 2009, and (iii) that certain *Series 2009C Exempt Facilities Loan Agreement*, dated April 1, 2009, pursuant to which (a) PEDFA loaned the proceeds of the PEDFA Bonds to TES and (b) TES is required to pay to Bank of New York Mellon, as trustee for each of the PEDFA Bonds

(the "**PEDFA Trustee**") amounts to enable the PEDFA Trustee to make payments on all premium and interest obligations under the PEDFA Bonds.

All premium and interest obligations on the Series B PEDFA Bonds and Series C PEDFA Bonds are paid by MUFG Bank, Ltd. ("**MUFG**") on behalf of TES, pursuant to that certain *Letter of Credit Reimbursement Agreement* (Series 2009B), dated February 3, 2021 and that certain *Letter of Credit Reimbursement Agreement* (Series 2009C), dated February 3, 2021. TES' reimbursement obligations to MUFG on account of such premium and interest obligations are backstopped by letters of credit issued under the Prepetition RCF Agreement.

(c) Prepetition ALOC Facilities

Certain of the Debtors are parties to (i) (a) that certain *Credit Agreement*, dated as of May 4, 2020 (as amended, restated, amended and restated, supplemented, or otherwise modified from time to time, the "**CS ALOC CRA**"), by and among TES, as borrower, the TES Subsidiary Guarantors, as guarantors, and Credit Suisse International, as lender and issuing bank and (b) that certain *Reimbursement Agreement*, dated as of May 4, 2020 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "**CS ALOC Reimbursement Agreement**" and, together with the CS ALOC CRA, the "**CS ALOC**"), by and among TES, as borrower, the TES Subsidiary Guarantors, as guarantors, and Credit Suisse AG, New York Branch, as issuing bank, and (ii) (a) that certain *Amended and Restated Credit Agreement (2019-1)*, dated as of June 21, 2021 (as amended, restated, amended and restated, supplemented, or otherwise modified from time to time, the "**GS ALOC-1**"), (b) that certain *Amended and Restated Credit Agreement (2019-2)*, dated as of June 21, 2021 (as amended, restated, amended and restated, supplemented, or otherwise modified from time to time, the "**GS ALOC-2**"), (c) that certain *Amended and Restated Credit Agreement (2019-3)*, dated as of June 21, 2021 (as amended, restated, amended and restated, supplemented, or otherwise modified from time to time, the "**GS ALOC-3**"), in each case of the foregoing clauses (a) – (c), by and among TES, as borrower, the TES Subsidiary Guarantors, as guarantors, Goldman Sachs Mortgage Company, as issuing bank, the lenders from time to time party thereto and Goldman Sachs Mortgage Company, as administrative agent and (d) that certain *Amended and Restated Reimbursement Agreement*, dated as of June 21, 2021 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "**GS ALOC Reimbursement Agreement**", and together with GS ALOC-1, GS ALOC-2 and GS ALOC-3, the "**GS ALOCs**," and the GS ALOCs, together with the CS ALOC, the "**Prepetition ALOC Facilities**") by and among TES, the TES Subsidiary Guarantors, as guarantors and Goldman Sachs Bank USA, as issuing bank.

The CS ALOC provides for an unsecured letter of credit facility in the aggregate maximum principal amount of $100 million and matures in 2023. As of the Petition Date, the aggregate amount of letters of credit issued under the CS ALOC was approximately $10 million, plus any unpaid interest, fees, premiums, or other amounts due thereunder. After the Petition Date, the outstanding letters of credit issued under the CS ALOC were reissued under the DIP New Money Credit Agreement (as defined in the DIP Order (as defined herein)).

The GS ALOCs provide collectively for unsecured letter of credit facilities in the aggregate (for all GS ALOCs) maximum principal amount up to $100 million and have a "Facility Termination Date" (as defined in GS ALOC-1, GS ALOC-2 or GS ALOC-3, as applicable) of

(i) in the case of GS ALOC-1, December 20, 2022, (ii) in the case of GS ALOC-2, June 20, 2023 and (iii) in the case of GS ALOC-3, December 20, 2023. As of the Petition Date, there were no letters of credit issued under the GS ALOCs.

3. *Other Debtor Obligations*

(a) TRF Accounts Receivable Facility

Debtor TEM is party to that certain *Receivables Sale and Contribution Agreement*, dated as of December 16, 2019 (the "**RSCA**"), by and between TEM and non-Debtor TRF and that certain *Receivables Purchase Agreement*, dated as of December 16, 2019 (the "**RPA**"), by and among TRF, TEM, the purchasers party thereto, and Regions Bank ("**Regions**"), as administrative agent. Pursuant to the RSCA and the RPA, TRF purchases retail receivables from TEM and sells such receivables to Regions, who then sells them to third-party purchasers. In exchange, the purchasers, through Regions, paid an advance amount for the receivables to TRF (the "**TRF Accounts Receivable Facility**"). Under the RSCA and RPA, TRF collects certain retail receipts, which it then disburses to TEM or Regions for service fees, interest or principal payments on the TRF Accounts Receivable Facility, and to buy additional retail receivables. In the event that the sale of these receivables under the RSCA and RPA is not viewed as a true sale, TRF has granted Regions a security interest in the transferred receivables, the collections, collections accounts, related security and all other rights and payments relating to the receivables and proceeds thereof. As TRF is not a Debtor or a TES Subsidiary Guarantor, the security interests granted in favor of Regions is not subject to the Prepetition Intercreditor Agreement or the liens of the Collateral Trustee.

As of the Petition Date, the amount owed by TRF to Regions under the RPA was $41 million. The occurrence of the Petition Date was an Amortization Event under the TRF Accounts Receivable Facility, and Regions terminated the RPA effective as of May 9, 2022 and began to collect remaining amounts owed to it. Termination of the RPA also terminated further sales of receivables from TEM to TRF under the RSCA. As of June 15, 2022, all amounts owed by TRF to Regions under the RPA were paid and Regions released its associated security interest.

(b) Surety Bonds

Certain of the Debtors have obtained surety bonds to provide financial performance assurance to third parties on behalf of certain subsidiaries for obligations including, but not limited to, environmental obligations and asset retirement obligations. The Debtors assert that (i) in the event of nonperformance by the applicable subsidiary, the beneficiary would make a claim to the surety, and the Company would be required to reimburse any payment by the surety; (ii) the Company's liability with respect to any surety bond is released once the obligations secured by the surety bond are performed, and (iii) surety bond providers generally have the right to request additional collateral or request that such bonds be replaced by alternate surety providers, in each case upon the occurrence of certain events.

As of the Petition Date, the aggregate amount of the surety bonds outstanding was approximately $247 million, which obligations were partially collateralized by letters of credit in the approximate amount of $111.2 million and cash in the approximate amount of $104.1 million

(all letters of credit issued for the benefit of surety providers, the proceeds thereof, and/or pledged cash, collectively, the "**Surety Collateral**").

Other than to the extent secured by any Surety Collateral, to the extent any Claims against the Debtors held by any surety bond providers become Allowed Claims, including any Claims for indemnity obligations or unpaid premiums, the Debtors believe that such Claims would constitute General Unsecured Claims in Class 5 and Holders of such Claims would receive treatment in accordance with Article III.B.6 of the Plan. Certain of the Debtors' surety providers assert that they have Other Allowed Secured Claims and/or Allowed General Unsecured Claims.

Certain of the Debtors' surety providers assert that they issued surety bonds on behalf of the Debtors in connection with assets and/or other obligations of the Debtors, and certain non-Debtors, to third parties, and that those obligations include, without limitation, environmental and asset retirement obligations that the Debtors and/or non-Debtors agreed to perform in exchange for certain permits and other licenses issued by third-parties, including, without limitation, state regulatory authorities, permits and licenses that are necessary for the operation of the Debtors' businesses. Certain surety providers further assert that (i) in the event of non-performance by the bond principal (a Debtor or non-Debtor) of the obligation covered by the permit/license (the bonded obligation), the principal (a Debtor or non-Debtor) would be in default under the permit/license which would preclude operation under the permit/license and that (ii) in some instances, the default under one permit is a default under other permits. Certain surety providers further assert that, in the event of a default, (a) the bond obligee would make demand on the bond principal (the primary obligor) and the surety (as secondary obligor), (b) the bond principal would be obligated to perform the obligation for the primary obligor, or otherwise lose/forfeit the permit and/or license, and (c) the bond obligee would, in turn, make demand against the surety for payment and/or performance. The sureties further assert that the principal (a Debtor or non-Debtor) and any indemnitor (who may be a Debtor or a non-Debtor) would be obligated to indemnify the surety from and against loss and/or liability for loss in respect of such demand. The sureties further assert that they also have, among other rights, exoneration and subrogation rights in respect of the bonds, and any such demand. Certain of the Debtors and non-Debtors are also signatories to indemnification agreements pursuant to which the signatories agree, among other things, to procure the discharge and release of all of the bonds upon demand, to indemnify the applicable surety provider from and against loss, and/or to deposit new and/or additional collateral for the bonds and indemnity obligations, all subject to the terms of the relevant indemnity agreements. Under certain of the indemnity agreements, the sureties also have the right to decline execution of and/or renew or extend any bond.

The Debtors' surety bond providers may assert, among other things, that (i) their existing surety bonds are not property of the Debtors, (ii) that their existing surety bonds and related indemnity agreements are non-assumable financial accommodations under the Bankruptcy Code, or that they are otherwise non-assumable, non-assignable, and non-transferrable, without their consent, and/or (iii) a Third-Party Successful Bidder in a Sale Transaction would be required to replace the Debtors' existing surety bonds. The Debtors disagree with certain of these assertions and reserve all rights with respect thereto. To the extent the Debtors and any surety bond provider cannot agree on the treatment of such surety's Claims, such surety may object to such treatment in connection with Confirmation or take such other action as may be permitted by applicable law.

Additionally, Arch Insurance Company ("**Arch**") and Atlantic Specialty Insurance Company, and/or its affiliated sureties (collectively, "**Intact**") assert that they are unwilling to continue their existing bonds in place for any of the Debtors and/or non-Debtors, or any third-parties including bond obligees, unless all of their rights and claims under the bonds, under their indemnity agreements, and in their Surety Collateral are unimpaired in all respects. Arch and Intact assert that their bonds will not assure and/or support any obligation of any party that is not a named principal under their respective bonds, and they reserve all rights and defenses to claims under any of the bonds. Other sureties may take the same or similar positions and assertions.

The sureties and the Debtors reserve all rights, remedies and defenses under their respective bonds, their indemnity agreements, security agreements and pledges, and Surety Collateral under the Bankruptcy Code and non-bankruptcy law, and otherwise, including, without limitation, the Sureties' asserted rights of subrogation and exoneration and any defenses thereto. For the avoidance of doubt, the descriptions set forth in this section shall not modify, alter, limit, or expand any of the parties' respective rights under any surety bonds, indemnity agreements, security agreements and pledges, in any Surety Collateral, and/or under applicable Bankruptcy or non-bankruptcy law.

(c) Pension Obligations

The Pension Benefit Guaranty Corporation ("**PBGC**") is the wholly-owned United States government corporation and agency created under Title IV of ERISA to administer the federal pension insurance program and to guarantee the payment of certain pension benefits upon termination of a pension plan covered by Title IV of ERISA. Debtor TES sponsors the TES Pension Plan (as defined in the Plan) and Talen Montana sponsors the Talen Montana Pension Plan (as defined in the Plan), which are covered by Title IV of ERISA. PBGC asserts that the other Debtors are members of the sponsors' controlled group, as defined in 29 U.S.C. § 1301(a)(14).

Under the Plan, the Debtors and Reorganized Debtors will continue and assume the Pension Plans (as defined in the Plan) to the extent of their respective obligations under the Pension Plans and applicable law. The distress termination provisions of 29 U.S.C. § 1341(c) or the provisions for PBGC initiation of 29 U.S.C. § 1342(a) govern termination of the Pension Plans. The Debtors do not intend to terminate the Pension Plans. However, PBGC asserts that if the Pension Plans terminate, the sponsors of the terminated Pension Plans and all members of the sponsors' controlled group are (i) jointly and severally liable for the unfunded benefit liabilities of the terminated Pension Plans and (ii) liable for termination premiums at the rate of $1,250 per plan participant per year for three years under 29 U.S.C. § 1306(a)(7).

PBGC has filed proofs of claim against certain of the Debtors asserting: (i) estimated contingent claims, subject to termination of the Pension Plans during the bankruptcy proceeding, unfunded benefit liabilities in the amount of approximately $492,900,000 on behalf of the TES Pension Plan and $84,100,000 on behalf of the Talen Montana Pension Plan; (ii) unliquidated claims for unpaid required minimum contributions owed to the Pension Plans; and (iii) unliquidated claims for unpaid statutory premiums, if any, owed to PBGC on behalf of the Pension Plans. PBGC asserts that these claims, if any, would be entitled to priority under 11 U.S.C. §§ 507(a)(2), (a)(8), and/or (a)(5), as applicable, in unliquidated amounts.

PBGC asserts that if either Pension Plan is terminated prior to Confirmation, the obligation to PBGC for termination premiums does not exist until after Confirmation and the Effective Date occur and, under these circumstances, such premiums are not a dischargeable claim or debt within the meaning of the Bankruptcy Code. PBGC estimates that the amount of such termination premium liability for both Pension Plans would total approximately $15,075,000, in the aggregate.

The Debtors and Reorganized Debtors reserve all rights relating to any asserted liability, including the validity, priority, and/or amount of all such claims.

After the Effective Date, the Reorganized Debtors shall, in the ordinary course of their business, as and to the extent required by the Pension Plans' governing documents and in accordance with applicable non-bankruptcy law: (i) satisfy the minimum funding requirements under 26 U.S.C. §§ 412 and 430 and 29 U.S.C. §§ 1082 and 1083; (ii) pay all required premiums, if any, owed to PBGC under 29 U.S.C. §§ 1306 and 1307, for the Pension Plans under ERISA or the Internal Revenue Code; and (iii) administer the Pension Plans in accordance with the applicable provisions of ERISA and the Internal Revenue Code (and the Reorganized Debtors reserve all rights thereunder).

Since the Plan provides that the Reorganized Debtors will continue the Pension Plans, PBGC and the Debtors agree that all proofs of claim filed by PBGC shall be deemed withdrawn on the Effective Date without incurring liability in the bankruptcy.

Nothing in the Chapter 11 Cases, the Disclosure Statement, the Plan, the Confirmation Order, or any other document filed in the Chapter 11 Cases shall be construed to discharge, release, limit, or relieve any individual from any claim by the PBGC or the Pension Plans for breach of any fiduciary duty under ERISA, including prohibited transactions, with respect to the Pension Plans, subject to any and all applicable rights and defenses of such parties, which are expressly preserved. The PBGC and the Pension Plans shall not be enjoined or precluded from enforcing such fiduciary duty or related liability by any of the provisions of the Disclosure Statement, Plan, Confirmation Order, Bankruptcy Code, or other document filed in the Chapter 11 Cases. For the avoidance of doubt, the Reorganized Debtors shall not be released from any liability or obligation under ERISA, the Internal Revenue Code, and any other applicable law relating to the Pension Plans.

For the avoidance of doubt, the Pension Plans do not include the unfunded, nonqualified supplemental compensation pension plan (the "**SCPP**") previously offered by the Debtors to provide supplemental benefits to management and certain employees whose benefits under the TES Pension Plan were limited or reduced as a result of the annual compensation limit under the Internal Revenue Code. Any Claims arising under the SCPP will be classified and treated as General Unsecured Claims.

4. ***Non-Debtor Affiliate Obligations***

(a) **Orion Facility**

Certain non-Debtor affiliates are parties to that certain *Credit Agreement*, dated as of September 20, 2021 (as amended, restated, amended and restated, supplemented, or otherwise modified from time to time, the "**Orion Facility**"), by and among Cumulus Digital, as borrower,

Cumulus Digital Holdings, as Holdings, the subsidiaries of Cumulus Digital party thereto, as guarantors, the lenders from time to time party thereto, and Orion Energy Partners Investment Agent, LLC, as administrative agent and collateral agent. The Orion Facility provides for a senior secured delayed draw term loan facility in the aggregate maximum committed principal amount of $140 million, together an up to $35 million incremental credit facility, which may be accessed subject to satisfaction of certain terms and conditions. The Orion Facility matures in 2027 and bears interest at a rate of 12.50%. As amended pursuant to the Cumulus Term Sheet (as defined herein), and subject to final approval of entry into the Cumulus Term Sheet by the Bankruptcy Court, at the election of Cumulus Digital, up to the full amount of any interest payment required to be paid at the end of each fiscal quarter after the closing date of the Orion Facility through and including June 30, 2023 may be paid in kind.

Under the Orion Facility, TES is obligated to procure letters of credit to backstop certain of Cumulus Digital's obligations under the Orion Facility, and has procured two such letters of credit totaling $50 million in the aggregate (the "**Orion Support LCs**").[35] To the extent of any draw under any of the Orion Support LCs, each of Cumulus Data Holdings LLC ("**Cumulus Data Holdings**") and Cumulus Coin Holdings LLC ("**Cumulus Coin Holdings**") agreed to issue additional preferred equity to TES determined based on factors described in that certain *Reimbursement Agreement*, dated as of September 20, 2021.[36] Additionally, TEC has signed a limited guaranty to cover certain shortfalls in interest payments and principal payments.

Subject in all respects to the terms and conditions of the Orion Facility and the other Security Documents (as defined in the Orion Facility), the obligations under the Orion Facility are secured by first priority liens and security interests in substantially all the assets of non-Debtors Cumulus Digital, Cumulus Digital Holdings, Cumulus Data Holdings, Cumulus Data, Cumulus Coin Holdings, and Cumulus Coin, subject to customary exceptions. As of the date hereof, the aggregate amount outstanding under the Orion Facility is approximately $175 million, plus any unpaid interest, fees, premiums, or other amounts due thereunder.

(b) LMBE-MC Credit and Guaranty Agreement

Certain non-Debtor affiliates are parties to that certain *Credit and Guaranty Agreement*, dated as of December 3, 2018 (as amended, restated, amended and restated, supplemented, or otherwise modified from time to time, the "**LMBE-MC Credit and Guaranty Agreement**"), by and among LMBE-MC HoldCo II LLC, as borrower, LMBE-MC HoldCo I LLC, as Holdings, MC Project Company, LLC and LMBE Project Company LLC, as subsidiary guarantors, the lenders from time to time party thereto, MUFG Bank, Ltd., as administrative agent, and MUFG Union Bank, N.A., as initial issuing bank. The LMBE-MC Credit and Guaranty Agreement provides for a term loan facility in the aggregate principal amount of $450 million (the "**LMBE-MC TLB**") and a revolving loan facility (which may, for the avoidance of doubt, be utilized to

[35] The $10 million letter of credit issued on August 19, 2022 associated with the Cumulus Settlement has since been returned.

[36] This agreement was amended pursuant to the Cumulus Definitive Documentation to provide for the issuance of common equity of Cumulus Digital Holdings to TES in the event of a draw on the letters of credit.

issue letters of credit) in the aggregate maximum committed principal amount of $25 million (including any letters-of-credit issued thereunder) (the "**LMBE-MC RCF**").

The LMBE-MC TLB matures in 2025 and the LMBE-MC RCF matures in 2023; each bears interest at a variable rate of the LIBO rate plus 4.00%. Obligations under the LMBE-MC Credit and Guaranty Agreement are secured by first-priority liens and security interests in substantially all the assets of non-Debtors LMBE-MC HC and each of its subsidiaries, subject to customary exceptions.

As of the Petition Date, there were no amounts outstanding under the LMBE-MC RCF and the aggregate amount outstanding under the LMBE-MC TLB was approximately $332 million, plus any unpaid interest, fees, premiums, or other amounts due thereunder. The LMBE-MC Credit and Guaranty Agreement is nonrecourse to TES or any other TES or Cumulus subsidiaries.

Pursuant to the LMBE-MC Credit and Guaranty Agreement, when LMBE-MC's principal debt under the agreement is less than or equal to a certain target balance, 50% of the LMBE-MC excess cash flow is eligible to be distributed to the Main Operating Account (as defined in the Cash Management Motion) as a dividend to TES and the other 50% must be used to pay down principal. Over the past two years, LMBE-MC has made quarterly dividends to TES in amounts ranging between $1.45 million and $13.6 million each.

TEM and LMBE-MC HoldCo II LLC are parties to that certain *International Swap and Derivatives Association, Inc. Master Agreement* dated December 3, 2018 (the "**LMBE-MC ISDA**"), which is secured by first priority liens under the LMBE-MC Credit and Guaranty Agreement. TEM and LMBE-MC periodically settle any hedge receipts or disbursements. As of the Petition Date, LMBE-MC HoldCo II LLC owes TEM approximately $9.2 million under the LMBE-MC ISDA.

G. Regulation of Debtors' Business

The Debtors are subject to extensive federal, state, and local laws and regulations as a result of the Debtors' core business of generating and selling power. Such laws and regulations include, but are not limited to, the regulation of rates, terms, and conditions of electricity sales, construction and operation of electric generation and generator interconnection facilities, air emissions, water discharges, and the management of radioactive, hazardous, and solid waste, among other oversight. The ability to assure ongoing compliance with applicable regulations, permits, and licensing is integral to the preservation of the Debtors' business and value.

1. *Federal Regulation*

At the federal level, the Debtors are subject to regulation by various federal entities, including, without limitation, the FERC, the North American Electric Reliability Corporation, the NRC, and the EPA.

FERC regulates the Debtors' transmission and wholesale sales of electricity, as well as the ownership and operation of associated facilities. FERC finds its authority under various laws, including, without limitation, the Federal Power Act, pursuant to which FERC regulates the rates, terms, and conditions of transmission and wholesale sales of electricity by energy generating

entities that fall under FERC's jurisdiction, certain transactions involving or affecting control over such entities, and the issuance of securities by such entities, among other things. FERC's authority extends to all of the Debtors' Energy Plants as well as TEM, and pursuant to such authority, FERC may impose civil penalties of up to approximately $1.3 million per violation per day or, in certain circumstances, criminal penalties. FERC also governs the majority of the ISOs and RTOs within which the Debtors operate.

The regulations governing the markets administered by the RTOs and ISOs are highly complex, constantly evolving, and give rise to assessments associated with membership and participation within the applicable RTO's or ISO's market. For example, the Debtors are party to certain agreements relating to the use of the RTO's or ISO's electric transmission systems and participation in the markets and that, in turn, require the Debtors to comply with certain tariffs or protocols (such agreements, the "**Market Participant Agreements**"). As wholesale providers, the Debtors receive revenue from the RTO and ISO markets for energy and capacity generated by the Debtors' Energy Plants and sold by TEM into the respective RTO or ISO markets, and as retail providers, the Debtors purchase power from an RTO's or ISO's grid to service the Debtors' retail customers.[37]

As noted above, in connection with the operation of the Nuclear Plant, the Debtors are also subject to oversight by the NRC, which regulates commercial nuclear power plants and other uses of nuclear materials through licensing, inspection, and enforcement of its requirements. The Debtors' hold reactor licenses under NRC jurisdiction relating to the generation of nuclear power and storage and handling of spent nuclear fuel.

Finally, in connection with ongoing oversight of the Debtors' operations, the U.S. Environmental Protection Agency (the "**EPA**") and various other federal agencies issue environmental permits, charge regulatory fees, and conduct regulatory inspections, investigations, and enforcement actions. The Debtors may face monetary penalties for failing to comply with EPA regulations at both the federal and state level.[38] Additionally, environmental permits are verified by individuals on behalf of the Debtors, and such individuals may face liability for the Debtors' noncompliance.

2. *State and Local Regulation*

State Regulation. At the state level, the Debtors must abide by limits and requirements set by state environmental regulatory agencies that govern air emissions, water discharges, dam safety, and hazardous and solid waste discharge, among other things, and require the Debtors to obtain permits and pay various fees relating to waste, water, and emissions. Additionally, in certain jurisdictions in which the Debtors operate, the Debtors are required to hold licenses to conduct retail energy sales, and such licenses are subject to regulation by state public utility commissions (each, a "**PUC**" and, collectively, the "**PUCs**").

[37] Although the Debtors intend to wind down substantially all of their retail business, the Debtors will continue to purchase power from the RTOs' and ISOs' grids to service their few remaining retail customers.

[38] Although the Debtors incur assessments in connection with EPA oversight, the majority of such assessments are remitted directly to state agencies to which the EPA has delegated authority.

The state regulations include requirements designed to promote the use of renewable energy sources or otherwise reduce greenhouse gas emissions by imposing various cap-and-trade obligations on emissions generated by the Debtors' non-renewable operations. For example, the Debtors' New Jersey, Maryland, and Massachusetts operations are subject to caps on greenhouse gas emissions under the Regional Greenhouse Gas Initiative ("**RGGI**"). In addition to those states, Pennsylvania recently joined RGGI, effective on July 1, 2022.[39] Under RGGI, power plants located in participating jurisdictions must obtain allowances equal to the respective plant's carbon dioxide ("**CO_2**") emissions, measured over a three-year compliance period. At the end of the three-year compliance period, each power plant in a RGGI-participating state must demonstrate that it holds RGGI allowances equal to or greater than the number of tons of CO_2 that such plant emitted during the applicable compliance period. Failure to comply with such obligations may lead the applicable state environmental regulator to impose certain monetary fines and penalties or altogether revoke the Debtors' operating licenses, such that the Debtors would be unable to run their facilities. In connection with the Debtors' retail operations, the Debtors are also obligated to purchase renewable energy credits ("**RECs**"), which are designed to offset indirect greenhouse gas emissions associated with purchased electricity and without which the Debtors would be unable to fulfill their retail generation obligations.[40] The Debtors are obligated to purchase a certain percentage of RECs relative to the amount of power they sell to retail counterparties and must file reports with the PUCs demonstrating compliance. Failure to comply with such obligations may lead a PUC to cancel the Debtors' retail licenses, such that the Debtors would be unable to sell power to retail counterparties.

Local Regulation. Finally, at the local level, the Debtors are regulated by various environmental agencies and local municipalities that charge fees associated with land permits, waste-water discharge, fire code inspections, and storm water discharge. The Debtors may incur project-level monetary penalties for failure to comply with such obligations, as well as the suspension or revocation of general operating or project-based permits that allow the Debtors to operate such projects in the ordinary course of business. For example, the failure to pay waste water discharge fees may result in the Debtors' inability to discharge waste-water to municipal treatment plants.

3. *Environmental Regulation*

Extensive federal, state and local environmental laws and regulations are applicable to the Debtors' power generation operations, including the regulation of air emissions, water discharges and the management of hazardous and solid waste, including radioactive waste, and other aspects

[39] On July 8, 2022, the Commonwealth Court of Pennsylvania granted a preliminary injunction staying implementation of RGGI in Pennsylvania. The stay was briefly lifted due to an appeal to the Pennsylvania Supreme Court, and subsequently reinstated on July 25, 2022 by an order of the Commonwealth Court of Pennsylvania. The implementation of RGGI in Pennsylvania is subject to further delay pending the resolution of the Pennsylvania Supreme Court appeal.

[40] Although the Debtors' moved to reject substantially all unaffiliated commercial, industrial, and institutional customer counterparties, effective as of the Petition Date [Docket No. 15] (the "**Retail Rejection Motion**"), there may still be RECs associated with retail power contracts not rejected pursuant to the Retail Rejection Motion, and the Debtors intend to keep their retail licenses for certain limited retail power sales necessary for operation of the power plants. On June 22, 2022, the Bankruptcy Court entered an order [Docket No. 616] granting the Retail Rejection Motion.

of the business. Separately, the Debtors are also subject to numerous environmental laws in the development, construction, ownership and operation of their generating projects. These laws generally require that governmental permits and approvals be obtained before construction and during operation of power generation facilities. In addition, many of these environmental considerations are also applicable to the operations of key suppliers, or customers, such as coal producers and industrial power users, and may impact the cost for their products or their demand for the Company's services. For example:

- Under the Pennsylvania Clean Streams Law, a subsidiary of Talen Generation is obligated to remediate acid mine drainage at a former mine site and may be required to take additional steps to prevent acid mine drainage at this site. As of June 30, 2022, liabilities of $34.4 million were accrued to cover the costs of groundwater pumping and treating groundwater at the site for approximately 50 years.

- On behalf of the Co-Owners, in 2012 Talen Montana entered into the Colstrip AOC that requires the posting of financial assurance for coal ash and wastewater pond remediation and closure at the Colstrip Project. Pursuant to the Colstrip AOC, Talen Montana, in its capacity as the operator of the Colstrip Project, is obligated to close and remediate coal ash disposal ponds at Colstrip. The Colstrip AOC specifies an evaluation process between Talen Montana and the MDEQ on the scope of remediation and closure activities, requires the MDEQ to approve such scope, and requires financial assurance to be provided to the MDEQ on approved plans. Each of the Co-Owners have provided their proportional share of financial assurance to the MDEQ on approved plans. In connection with the Colstrip AOC, on or about October 18, 2021, Talen Montana entered into a settlement agreement with MDEQ, pursuant to the terms of which, Talen Montana posted a surety bond in its proportional share of $120.1 million, equaling $60.1 million, in December 2021. On behalf of Talen Montana, as of the Petition Date, the Company has provided a total of $113 million in financial assurance to the MDEQ for Talen Montana's proportional share of its remediation and closure activities.

V.
KEY EVENTS LEADING TO COMMENCEMENT OF CHAPTER 11 CASES

The Debtors proactively took a number of steps prior to filing the Chapter 11 Cases in an effort to bolster and preserve liquidity, address near-term debt payments, and maximize value for stakeholders. Ultimately, however, the Debtors' hedge book remained relatively open after the fourth quarter of 2021, leaving it exposed to volatility in power prices, and lower realized prices from December 2021 to March 2022 resulted in the Debtors' inability to meet certain near-term debt maturities and service payments, thereby forcing the Debtors to commence the Chapter 11 Cases.

A. Challenges Facing Debtors' Business

Many of the Debtors' financial challenges mirror those in the downturn of the power sector generally. As described in the Debtors' First Day Declaration, prior to 2021, market energy prices

(and thus profitability) were declining due to (i) flat demand, (ii) new supply, and (iii) falling natural gas prices. In response to these market challenges, over the last five years, the Debtors have worked to make their existing business more efficient. In particular, since 2016, the management team has delivered $500 million of annual cost reductions: the Company reduced (i) its general and administrative expenses by 50%, (ii) its operating and maintenance expenses by 25%, and (iii) its capital expenditures by 60%. Additionally, through the Debtors' investment in Cumulus and the Talen Transition Strategy, the Company is developing a renewable power generation and sustainable coin mining platform to complement their existing conventional power generation facilities.

However, unpredictable and unlikely weather patterns and commodity/fuel pricing proved to be a strong headwind for the Debtors: for example, in February 2021, Winter Storm Uri caused a $78 million loss from ERCOT commercial activities, and, in July 2021, natural gas prices began an unprecedented rise. The price rebound in the market uplifted forward energy margin and strengthened the Debtors' forecasted 2022 Adjusted EBITDA, but also drove elevated levels of collateral and working capital requirements from commodity exchanges.

The Exchange Traded Hedges for 2022 on a mark-to-market basis—which were primarily entered into during lower pricing environments—declined in value. Given the elevated contract value, the Debtors' existing hedge positions, and market volatility, cash collateral postings under the Exchange Traded Hedges reached as much $451 million in October 2021.

In November, based on the then-projected forward power prices, the Debtors anticipated that the liquidity squeeze would be reversed in early 2022—the majority of the posted collateral would be released as the Debtors captured the projected favorable high prices with their actual sales of energy in 2022 onwards. However, before the Debtors could access such renewed liquidity, they had a number of near-term cash requirements, including the maturity of $114 million in unsecured notes due in December 2021 (the "**2021 Notes**").

Thus, with these liquidity constraints rendering them likely unable to redeem the 2021 Notes or post additional collateral under the Exchange Traded Hedges, the Debtors refocused their financing efforts.

B. Prepetition Strategic Efforts

Prior to filing the Chapter 11 Cases, the Debtors attempted to address their capital structure and liquidity needs without a comprehensive in-court restructuring. In 2021, the Debtors retained Weil, Gotshal & Manges LLP ("**Weil**"), as counsel, A&M as financial advisor, and Evercore Group L.L.C. ("**Evercore**" and, together with Weil and A&M, the "**Advisors**"), as investment banker, to explore strategic alternatives and assist them in developing and implementing a comprehensive plan to access additional financing.

In the period leading to the Petition Date, the Debtors took numerous steps to rationalize their business, reduce discretionary capital expenditure, and employ other strategies to preserve liquidity. Specifically, in November 2021, the Debtors exited collateral intensive Exchange Traded Hedges while prioritizing trades under the Bilateral Hedges, in addition to aligning timing of discretionary letters of credit postings. As a result, the Debtors' commercial position provided

ability to participate in anticipated market upside with lessened risk of material collateral calls. These actions improved near term liquidity in excess of $100 million and sustained liquidity up to the December 15th payment on the 2021 Notes.

On October 20, 2021, the Debtors, through their investment banker, Evercore, began soliciting offers for a first-lien commodity accordion facility and/or a second lien loan or note. To ensure the widest net was cast in terms of potential available financings, the Debtors did not restrict the form of financing they were willing to explore with bona fide parties participating in the process, provided that their proposal was feasible under the Debtors' existing credit agreements and provided sufficient incremental liquidity to allow the 2021–22 winter prices to pay out. These actions and steps included:

- soliciting proposals for financing alternatives from approximately 32 potential financing parties both inside and outside of the Debtors' existing capital structure;
- executing non-disclosure agreements with 25 parties;
- receiving term sheets from 10 parties; and
- negotiating three commodity accordion proposals involving six parties.

Certain of the financings pursued by the Debtors did not by their terms require the consent of the Prepetition RCF Lenders—for example, certain first lien and second lien financings—however, due to a potential senior-secured leverage ratio ("**SSLR**") covenant default, the Prepetition RCF Lenders had an effective veto over the Debtors' financing process. Accordingly, throughout the process, the Debtors provided frequent status updates to certain of the Prepetition RCF Lenders, the Prepetition RCF Agent, and their advisors, providing detail and reports on the status of the financing and summaries of the proposals received.

As the due date for the Debtors' third quarter financial reporting and earnings call approached, in early November 2021, the Debtors approached the Prepetition RCF Lenders seeking a waiver of, among other things, a SSLR covenant default. The purpose of the waiver was to provide additional time for negotiations on potential financing transactions to develop. In November 2021, the Debtors entered into two waivers[41] with consenting lenders under the Prepetition RCF Agreement (collectively, the "**Waiving Lenders**"). As part of the Waiving Lenders' agreement to waive exercising their contractual rights with respect to these defaults under the Prepetition RCF Agreement, the Waiving Lenders and the Company agreed to certain milestones, including with respect to contingency planning and debtor-in-possession financing.

As a result of the competitive financing process, the Debtors received four proposals from seven entities or syndicates, including proposals for a super senior secured loan, first lien commodity accordion facility and/or a second lien loan or note. Of those, the Debtors determined

[41] The Company entered into that certain *Limited Waiver and Amendment No. 5 to Credit Agreement* on November 19, 2021 and that certain *Limited Waiver and Amendment No. 6 to Credit Agreement* on November 30, 2021 (together, the "**Waivers**").

that the only actionable offer was the one proposing first lien financing, and the Debtors then pivoted to negotiate in earnest the terms of the commitment letter for the proposal.

In December 2021, the Debtors ultimately entered into the Prepetition CAF Agreement, the proceeds of which were used as cash collateral for hedge positions and repayment of the Prepetition RCF Agreement funded amount. With the Prepetition CAF Agreement in place, the Debtors made the 2021 Notes payment and, based on then-projected forward prices, the Debtors expected to have adequate liquidity until at least mid-2022. During that time, the Debtors planned to advance ongoing efforts to raise third-party capital to fund Cumulus (thereby enhancing the value of TES' economic stakes in Cumulus) and negotiate a consensual recapitalization transaction with creditors at TES.

Unfortunately, as described in the Debtors' First Day Declaration, temperatures in the markets in which the Debtors operate remained mild through the winter months, real-time and future power prices were generally lower than expected, and the Company was unable to realize the previously forecasted revenue. With its runway shortened, the Company worked diligently to complete a new business plan and begin engagement with organized groups of its creditors.

Due to its deteriorating liquidity position and certain upcoming cash requirements, including the maturity of the Prepetition Inventory Facility on March 31, 2022, the Debtors determined that a chapter 11 filing would ultimately be necessary. However, the Debtors concluded that it would be prudent to postpone a filing until May, so that they could continue engaging with their creditors on a potential restructuring and so that they could complete the annual, planned refueling outage of the Nuclear Plant. Thus, it became necessary for the Debtors to seek an extension of the maturity date under the Prepetition Inventory Facility. On March 31, 2022, the Debtors entered into the *Omnibus Amendment Agreement to Product Purchase and Sale Agreement, ISDA Master Agreement and Fee Letter* (the "**Inventory Facility Extension**") with J. Aron, pursuant to which the maturity date of the Prepetition Inventory Facility was extended to May 15, 2022 with a further extension to May 31, 2022 if certain bankruptcy-related milestones were met.

1. *Internal Investigation*

On or about November 11, 2021, TEC's board of directors approved the appointment of Carol Flaton, who has extensive restructuring experience, as an independent manager to the TES Board (the "**Independent Manager**"). The Independent Manager requested that Weil, on behalf of the Company, review certain aspects of the Company's business and investigate whether any potential claims existed and had value in connection with, among other things, transactions entered into by the Company with Riverstone Holdings and certain distributions from the Company, including the 2017 dividend declared by TEC (the "**Investigation**"). The Investigation was completed on February 1, 2022 and an investigation summary of potential Claims and Causes of Action (the "**Investigation Summary**") was presented to the TES Board.

The Investigation, which took several months to complete, focused on whether any colorable bankruptcy, state law, or common law claims could be asserted by the Company—or any party with standing—on behalf of the Company, its estates and/or its creditors against its affiliates, Riverstone, its management and/or directors, or other parties in the event the Company

filed for bankruptcy protection or entered into a transaction contemplating the release of such claims or causes of action. The potential claims and causes of action considered in the Investigation included, among other things, (1) constructive fraudulent transfer; (2) actual fraudulent transfer; and (3) preference avoidance actions.

In assessing the potential claims, Weil reviewed over 8,000 documents provided by the Company as part of its broader restructuring engagement with Weil or upon Weil's request. Weil also conducted multiple interviews of the Company's current and former officers, directors, and advisors and various former advisors engaged by or on behalf of the Company.

With respect to potential claims based on the Dividend, the investigation did not uncover any facts supportive of colorable actual or constructive fraudulent transfer claims. Although the investigation revealed that the Debtors may own a colorable preference claim, the Company concluded that the significant costs associated with bringing and litigating a potential preference claim outweighed any potential recovery for the benefit of the bankruptcy estate.

2. *RSA*

Prior to the Petition Date, certain of the Company's creditors organized, including: (i) the CAF Lender Group, (ii) the Non-CAF Lender Group (together with the CAF Lender Group, the "**Secured Creditor Group**"), (iii) an ad hoc group of "crossholder" creditors consisting of Prepetition TLB Lenders and holders of Secured Notes and Unsecured Notes represented by Paul, Weiss, Rifkind, Wharton & Garrison LLP and Perella Weinberg Partners LP (the "**Crossholder Group**"), and (iv) an ad hoc group of holders of the Unsecured Notes represented by Kirkland & Ellis LLP and Rothschild & Co US Inc. (the "**Unsecured Notes Group**" and, collectively with the Secured Creditor Group and the Crossholder Group, the "**Ad Hoc Groups**").

The Company and its Advisors worked with the Ad Hoc Groups' advisors to respond to diligence requests and educate them on the Company, its business plan, and, ultimately, on a potential restructuring framework. During the month of April and the first week of May, the Company held numerous separate in-person meetings attended by creditors and advisors representing the Secured Creditor Group, the Crossholder Group, and the Unsecured Notes Group to discuss, among other things, the Company's recent and projected financial performance, a restructuring proposal, and proposed DIP Financing.

On the eve of filing the Chapter 11 Cases and after extensive negotiations, the Debtors reached an agreement with the Unsecured Notes Group and entered into the RSA. At the Petition Date, the RSA provided for an up to $1.65 billion rights offering. As described in Section I.A above, the RSA has since been amended, the new terms of which are reflected in the Plan.

3. *DIP Financing*

The Debtors, through Evercore, solicited offers for debtor-in-possession financing from 33 parties, including: a steerco group of the Debtors' existing Prepetition RCF Lenders led by the Citi (the "**Steerco Group**"), four of the other existing Prepetition RCF Lenders outside of the Steerco Group, other lenders within the Debtors' existing capital structure, and alternative lenders outside of the capital structure. The Debtors signed non-disclosure agreements with 23 parties and received seven initial proposals. The Debtors, through Evercore, then engaged in good-faith

negotiations with each of the potential counterparties, providing feedback through multiple rounds of negotiation and drafts of term sheets.

The Debtors were able to use elements from the various proposals to foster competitive tension and drive the negotiations to an outcome that provided the Debtors with an optimal structure and facility that met their primary objectives. The Debtors ultimately determined that the best path forward would be a financing structure that combined the most favorable features from several of the proposals, led by members of the Steerco Group and other existing Prepetition RCF Lenders. The process was rigorous, marked by hard bargaining, and resulted in significant lender concessions and additional benefits to the Debtors.

Ultimately, the Debtors were able to secure postpetition financing (the "**DIP Financing**") to fund the costs of implementing the Restructuring in the form of a superpriority senior secured debtor-in-possession credit facility in an aggregate principal amount of $1.758 billion, consisting of (i) a new money term loan facility in the aggregate principal amount of $1 billion, (ii) a new money revolving credit facility with aggregate commitments of $300 million, including a letter of credit sub-facility in an aggregate amount of up to $75 million to issue new letters of credit, and (iii) a letter of credit facility in the aggregate amount of $457,905,219 consisting of all letters of credit outstanding under the Prepetition RCF Agreement as of the Petition Date, each as approved by the DIP Order (as defined herein) (collectively, the "**DIP Facilities**"), to be led by (i) Citibank, N.A. ("**Citi**"), (ii) Goldman Sachs & Co. LLC, (iii) RBC Capital Markets, LLC, (iv) Barclays Bank PLC, (v) Credit Suisse Loan Funding LLC, (vi) Deutsche Bank Securities Inc., (vii) JPMorgan Chase Bank, N.A. and (viii) MUFG.

VI.
OVERVIEW OF CHAPTER 11 CASES

A. Commencement of Chapter 11 Cases

Pursuant to the RSA, the Debtors agreed to file voluntary petitions for relief under chapter 11 of the Bankruptcy Code on or before May 9, 2022. On May 9, 2022, the Debtors commenced their Chapter 11 Cases. The Debtors continue managing their properties and operating their business as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

B. First/Second Day Relief

On the Petition Date, along with their voluntary petitions for relief under chapter 11 of the Bankruptcy Code, the Debtors filed an application to retain the Claims and Noticing Agent (the "**Claims Agent Application**") and several motions (the "**First Day Motions**") designed to facilitate the administration of the Chapter 11 Cases and minimize disruption to the Debtors' operations by, among other things, easing the strain on the Debtors' relationships with employees and vendors following the commencement of the Chapter 11 Cases. Following a hearing on May 10, 2022, the Bankruptcy Court granted all of the relief requested in the First Day Motions on a final or an interim basis, as applicable.

On June 8, 2022, June 17, 2022 and September 26, 2022, the Bankruptcy Court entered orders granting certain first-day relief on a final basis, including authority to pay employee wages and benefits, pay certain taxes and regulatory fees, pay certain vendor claims, restrict certain

transfers of equity interests in the Debtors, continue insurance and surety bond programs, continue use of their cash management system, and establish procedures for utility companies to request adequate assurance.

The First Day Motions, Claims Agent Application, and all orders for relief granted in the Chapter 11 Cases can be viewed free of charge at https://cases.ra.kroll.com/talenenergy.

C. Other Procedural and Administrative Motions

The Debtors also filed various motions subsequent to the Petition Date to further facilitate the smooth and efficient administration of the Chapter 11 Cases and reduce the administrative burdens associated therewith, including:

- Ordinary Course Professionals Motion. The Debtors filed a motion and obtained authority to establish procedures for the retention and compensation of certain professionals utilized by the Debtors in the ordinary course operations of their businesses [Docket Nos. 358, 632]. As of the date hereof, 36 professionals utilized in the ordinary course have filed declarations regarding their retention by the Debtors.

- Retention Applications. The Debtors filed several applications and obtained authority to retain various professionals to assist the Debtors in carrying out their duties under the Bankruptcy Code during the Chapter 11 Cases. These professionals include (i) A&M, as financial advisor; (ii) Evercore, as investment banker; (iii) Weil, as counsel to the Debtors; (iv) Deloitte Tax LLP ("**Deloitte**"), as tax advisor; (v) Filsinger Energy Partners ("**Filsinger**"), as energy consultants; (vi) PricewaterhouseCoopers LLP ("**PwC**"), as audit services provider; (vii) Quinn Emanuel Urquhard & Sullivan, LLP ("**Quinn Emanuel**") as special litigation counsel; (viii) Freshfields Bruckhaus Deringer US LLP ("**Freshfields**") as special corporate M&A counsel; and (ix) Susman Godfrey L.L.P. ("**Susman**") as special litigation counsel for Talen Montana. The Bankruptcy Court has entered orders authorizing the retention of certain of these professionals [Docket Nos. 522 (A&M), 523 (Weil), 818 (PwC), 827 (Deloitte), 828 (Filsinger), 854 (Quinn Emanuel), 880 (Evercore), and 1197 (Freshfields)]. In connection with such retention, the Debtors filed a motion to establish procedures for the interim compensation and reimbursement of expenses of chapter 11 professionals, which the Bankruptcy Court granted on June 24, 2022 [Docket Nos. 359, 631]. The Debtors reserve the right to seek to retain additional professionals.

D. Appointment of Creditors' Committee

On May 23, 2022, the Creditors' Committee was appointed by the Office of the United States Trustee for Region 7 (the "**U.S. Trustee**") pursuant to section 1102 of the Bankruptcy Code to represent the interests of unsecured creditors in the Chapter 11 Cases [Docket No. 264]. The original members of the Creditors' Committee included (i) The Bank of New York Mellon, in its capacity as trustee of the Unsecured Notes and PEDFA Bonds; (ii) GE International; (iii) The Merrick Group, Inc.; (iv) Enerfab Power & Industrial, LLC; (v) Framatome, Inc.; (vi) Pension

Benefit Guaranty Corporation; and (vii) Brandywine Operating Partnership, L.P. The Creditors' Committee has retained Milbank LLP ("**Milbank**") and Pachulski Stang Ziehl & Jones LLP ("**Pachulski**") as co-counsel, FTI Consulting, Inc. ("**FTI**") as its financial advisor, Moelis & Company ("**Moelis**") as its investment banker, Epiq Corporate Restructuring, LLC ("**Epiq**") as its information and noticing agent, and Tucker Arensberg, P.C. ("**Tucker Arensberg**") as special Pennsylvania counsel. The Bankruptcy Court entered orders authorizing the retention of such professionals by the Creditors' Committee [Docket Nos. 963 (FTI), 964 (Pachulski), 967 (Milbank), 971 (Moelis), 1083 (Epiq), 1134 (Tucker Arensberg)].

E. Approval of DIP Facilities

On May 10, 2022, the Debtors filed the *Emergency Motion of Debtors for Interim and Final Orders (A) Authorizing the Debtors to Obtain Post-Petition Financing, (B) Authorizing the Debtors to Use Cash Collateral, (C) Granting Liens and Providing Claims with Superpriority Administrative Expense Status, (D) Granting Adequate Protection to the Prepetition First Lien Secured Parties, (E) Modifying the Automatic Stay, (F) Scheduling a Final Hearing, and (G) Granting Related Relief* [Docket No. 17] (the "**DIP Motion**"), seeking approval of the DIP Facilities. On May 11, 2022, the Bankruptcy Court entered *Interim Order (A) Authorizing the Debtors to Obtain Post-Petition Financing, (B) Authorizing the Debtors to Use Cash Collateral, (C) Granting Liens and Providing Claims with Superpriority Administrative Expense Status, (D) Granting Adequate Protection to the Prepetition First Lien Secured Parties, (E) Modifying the Automatic Stay, (F) Scheduling a Final Hearing, and (G) Granting Related Relief* [Docket No. 127] (the "**Interim DIP Order**"). The Interim DIP Order authorized, on an interim basis, the Debtors to execute and perform under the DIP New Money Credit Agreement and to obtain the DIP Facilities in an aggregate principal amount of $1.758 billion, inclusive of amounts attributable to letters of credit under the DIP Continuing LC Credit Agreement. Pursuant to the Interim DIP Order, on May 11, 2022, the Debtors borrowed an aggregate principal amount equal to $800 million under the DIP Facilities.

On June 17, 2022, the Debtors filed a revised proposed order reflecting changes made by the Debtors to (i) address informal comments raised by various parties in interest and (ii) resolve objections raised by the Creditors' Committee [Docket No. 573], which the Bankruptcy Court entered on a final basis on June 17, 2022 (together with the Interim DIP Order, the "**DIP Order**") [Docket No. 588]. Following entry of the DIP Order, the Debtors borrowed an additional aggregate principal amount equal to $200 million under the DIP Facilities, for a total outstanding term loan amounts of $1 billion. To date, the Debtors have not made any additional draws under the DIP Facilities. Since the Petition Date, the Debtors have issued approximately $24.7 million of additional letters of credit under the DIP New Money Credit Agreement.

The Debtors, the DIP Agent, and the DIP Lenders subsequently amended the DIP New Money Credit Agreement pursuant to that certain *Amendment No. 1 to the DIP Credit Agreement*, dated as of June 17, 2022 (the "**DIP Amendment No. 1**") and that certain *Amendment No. 2 to the DIP Credit Agreement*, dated as of September 28, 2022 (the "**DIP Amendment No. 2**").[42]

[42] The form of DIP Amendment No. 1 is annexed as Exhibit A to the *Notice of Intent to Execute Certain Amendments to DIP Credit Agreement* [Docket No. 557] and the form of DIP Amendment No. 2 was filed under seal pursuant to the *Motion of Debtors for Entry of an Order Authorizing the Debtors to File Confidential Documents Related to the*

F. Postpetition Hedging Agreements

On May 10, 2022, the Debtors filed the *Emergency Motion of Debtors for Order (I) Authorizing Debtors to (A) Continue Performing Under Prepetition Hedging Agreements, (B) Enter Into and Perform Under New Postpetition Hedging Agreements, and (C) Grant Related Liens and Superpriority Claims and Authorize Posting of Margin Collateral and Postpetition Exchange Collateral, (II) Modifying Automatic Stay, and (III) Granting Related Relief* [Docket No. 29] (the "**Hedging Motion**"). On May 10, 2022, the Bankruptcy Court entered the *Interim Order (I) Authorizing Debtors to (A) Continue Performing Under Prepetition Hedging Agreements, (B) Enter Into and Perform Under New Postpetition Hedging Agreements, and (C) Grant Related Liens and Superpriority Claims and Post Postpetition Margin Collateral and Exchange Collateral, (II) Modifying Automatic Stay, and (III) Granting Related Relief* [Docket No. 116] (the "**Interim Hedging Order**"), authorizing the Debtors to continue engaging in Hedging Activities (as defined in the Hedging Motion) in the ordinary course of their business on an interim basis, including honoring, paying, or otherwise satisfying all obligations, liabilities, and indebtedness under the Hedging Agreements (as defined in the Hedging Motion, and the obligations thereunder, the "**Hedging Obligations**").

On June 16, 2022, in advance of the hearing on the Hedging Motion on June 17, 2022, the Debtors filed a revised proposed order reflecting changes made by the Debtors to resolve objections and informal comments raised by the Creditors' Committee and certain Hedge Counterparties (as defined in the Hedging Motion) [Docket No. 558]. On June 17, 2022, prior to the hearing on the Hedging Motion, the Debtors filed a further revised proposed order reflecting additional changes made by the Debtors to resolve objections and informal comments raised by the Creditors' Committee and certain Hedge Counterparties [Docket No. 574]. Following the hearing, the Bankruptcy Court entered the *Final Order (I) Authorizing Debtors to (A) Continue Performing Under Prepetition Hedging Agreements, (B) Enter Into and Perform Under New Postpetition Hedging Agreements, and (C) Grant Related Liens and Superpriority Claims and Authorize Posting of Margin Collateral and Postpetition Exchange Collateral, (II) Modifying Automatic Stay, and (III) Granting Related Relief* [Docket No. 589] (the "**Final Hedging Order**") on a final basis.

Pursuant to the Interim and Final Hedging Orders, the Debtors are authorized to continue to perform under hedging agreements and any related guaranties of such hedging agreements entered into before the Petition Date. The Debtors are also authorized to enter into and perform under new hedging agreements, including Postpetition First Lien Hedging Agreements and Postpetition FCM Agreements (each as defined in the Final Hedging Order) (all such hedging agreements, collectively, the "**Postpetition Hedging Agreements**") in the ordinary course of business. The Postpetition Hedging Agreements allow the Company to continue entering hedging transactions throughout the Chapter 11 Cases, and are structured to incentivize existing hedge counterparties to enter trades with the Company postpetition. Specifically, the Postpetition Hedging Agreements will allow the Debtors to lock in the high forward power prices for the

Cumulus Motion Under Seal [Docket No. 1293] and served on the U.S. Trustee and the Creditors' Committee on a confidential and "professional eyes only" basis.

balance of 2022 and the winter of 2023 (*i.e.*, a critical activity to maximize the value of the Debtors).

In accordance with the DIP Order and Final Hedging Order, the Debtors have secured and otherwise ensured payment of the obligations arising under the Postpetition First Lien Hedging Agreements by providing such counterparties: (i) superpriority administrative claims on account of the Hedging Obligations under section 364(c)(1) of the Bankruptcy Code, which are *pari passu* with the DIP Obligations (as defined in the DIP Order) provided under the DIP Order, and (ii) first-priority liens in the DIP Collateral which are *pari passu* with the DIP Liens.

G. Retail Rejection Motion

On May 9, 2022, the Debtors filed the Retail Rejection Motion, which sought relief to reject (i) certain retail electricity purchase agreements (collectively, the "**Retail Purchase Agreements**"), for the retail sale of electricity between TEM and various commercial, industrial, and, institutional customer counterparties and (ii) certain related broker agreements ("**Retail Broker Agreements**" and, together with the Retail Purchase Agreements, the "**Retail Agreements**"), in each case effective *nunc pro tunc* to the Petition Date.

A hearing on the Retail Rejection Motion was held on June 17, 2022. Prior to the hearing, approximately 21 parties objected or joined in objections to the Retail Rejection Motion [Docket Nos. 230, 231, 331, 332, 334, 335, 341, 342, 344, 387, 421, 428, 439, 444, 451, 458, 485, 487, 488, 528, 582–86], to which the Debtors responded by filing the *Debtors' Reply in Support of Motion for Entry of an Order Authorizing Rejection of Executory Contracts* Nunc Pro Tunc *to Petition Date* [Docket No. 554]. Following the hearing, the Bankruptcy Court entered the *Order Authorizing Rejection of Executory Contracts* [Docket No. 616] (the "**Retail Rejection Order**"), authorizing the Debtors to reject the Retail Agreements, but reserving judgment on the date upon which such rejection was deemed effective. On July 1, 2022, the Debtors and certain of the objecting parties submitted additional briefing addressing whether the postpetition non-performance of Debtor TEM under the Retail Agreements gives rise to a general unsecured claim [Docket Nos. 831, 834]. On August 4, 2022, the Debtors filed a response reiterating their position that any claims arising from or related to TEM's postpetition non-performance under any Retail Agreement constitute prepetition, unsecured claims against TEM [Docket No. 1012]. To date, the Bankruptcy Court has not ruled on the issue.

H. Creditors' Committee's Challenge Rights

Pursuant to the DIP Order, the Creditors' Committee, the Crossholder Group, the Unsecured Group and other parties were provided the right to challenge certain stipulations made by the Debtors in the DIP Order regarding, among other things, the validity, perfection, and priority of certain pre-petition liens, by (i) (a) with respect to the Creditors' Committee, August 22, 2022, (b) with respect to the Crossholder Group, solely in connection with the Prepetition CAF Agreement, August 22, 2022, (c) with respect to the Unsecured Creditor Group, August 22, 2022, or (d) with respect to all other parties and for all other purposes, July 11, 2022, (ii) any later date as has been agreed to, in writing, by the applicable Prepetition Agent, and in the case of the Secured Notes Trustee, at the direction of holders holding a majority of the 7.250% Secured Notes, 6.625% Secured Notes, and 7.625% Secured Notes, respectively, the DIP Agent (if applicable),

and the Debtors with respect to any specified party in interest, or (iii) any later date as has been ordered by the Bankruptcy Court for cause upon a motion filed by any party in interest before the expiration of the period of time otherwise applicable to such party as set forth in the preceding clauses (i) and (ii) (the time period established by the foregoing clauses (i), (ii), and (iii), the "**Challenge Period**").

On August 9, 2022, the Creditors' Committee filed the *Motion of the Official Committee of Unsecured Creditors for Leave, Standing, and Authority to Prosecute Certain Claims on Behalf of the Debtors' Estates and for Related Relief* [Docket No. 1040] seeking standing to assert and litigate certain causes of action on behalf of the Debtors' Estates related to a 2017 cash dividend payment and certain expense reimbursements paid (the "**Avoidance Standing Motion**"). A draft adversary complaint is attached as Exhibit B to the Committee Avoidance Standing Motion (the "**Avoidance Complaint**"), listing Riverstone Holdings, Talen Midco LLC, Raven Power Holdings LLC, C/R Energy Jade LLC, Sapphire Power Holdings LLC, Riverstone Equity Partners, L.P. (collectively, the "**Riverstone Affiliates**"), and TEC as defendants.

As set forth in the Avoidance Complaint, the Creditors' Committee alleges that (i) a $500 million dividend paid to the Riverstone Affiliates by TES in December 2017 should be avoided as an actual and constructive fraudulent transfer, and (ii) the $910,000 in expense reimbursements paid to the Riverstone Affiliates in the year leading up to the Petition Date should be avoided as preferential payments to insiders (together with (i), the "**Avoidance Actions**"). The Debtors oppose the relief requested in the Avoidance Standing Motion and on August 31, 2022, filed the *Debtors' Objection to Motion of the Official Committee of Unsecured Creditors for an Order Granting Leave, Standing and Authority to Commence, Prosecute and Settle Claims on Behalf of the Debtors' Estates* [Docket No. 1166] objecting to the Avoidance Standing Motion. As noted therein, the Debtors conducted an extensive investigation into the Avoidance Actions in September 2021—under the supervision of an independent director—and concluded, after evaluating all of the available evidence, that pursuing such claims was not in the best interest of the Debtors and their Estates because the potential claims and causes of action were either not viable or did not provide a benefit that outweighed the cost, burdens, and uncertainty of litigation.

On August 22, 2022, the Creditors' Committee filed the *Motion of the Official Committee of Unsecured Creditors for Leave, Standing, and Authority to Prosecute Certain Claims on Behalf of the Debtors' Estates and for Related Relief* [Docket No. 1085] (the "**CAF Standing Motion**" and, together with the Avoidance Standing Motion, the "**Standing Motions**"), attaching as Exhibit B thereto a draft adversary complaint (the "**CAF Complaint**") seeking (i) to avoid the obligations under the Prepetition CAF Agreement as fraudulent and preferential transfers (the "**CAF Obligations**") and (ii) a declaration that the CAF Obligations are not secured and other declarations as to the validity and priority of liens securing the CAF Obligations (together with (i), the "**CAF Actions**"). Contemporaneously therewith, the Creditors' Committee filed the *Objection of the Official Committee of Unsecured Creditors to Proof of Claim by Alter Domus (US) LLC, as Administrative Agent* [Docket No. 1088] (the "**CAF Objection**"). The Debtors oppose the relief requested in the CAF Standing Motion and CAF Objection.

The Debtors dispute the Creditors' Committee's allegations with respect to both the Avoidance Actions and CAF Actions. On August 31, 2022, the Debtors filed the *Emergency Motion of Debtors for Order (I) Continuing Hearings on Committee's Standing Motions and*

Claim Objection, (II) Staying Related Deadlines, and (III) Granting Related Relief [Docket No. 1158] (the "**Motion to Continue Standing Motions**") seeking to continue the hearings on the Standing Motions and CAF Objection and to stay all related deadlines until the Confirmation Hearing. On September 8, 2022, the Bankruptcy Court entered an order (i) continuing the hearing on the Standing Motions to the Confirmation Hearing; (ii) extending the Debtors' deadline to file any responsive pleadings to the (a) CAF Standing Motion and CAF Objection and (b) Avoidance Standing Motion until three and four weeks, respectively, prior to the Confirmation Hearing; and (iii) extending the Challenge Period solely with respect to the challenges assertable by the Creditor's Committee that were expressly set forth in the CAF Complaint [Docket No. 1202].

The proposed Plan Settlements, if approved by the Bankruptcy Court, would fully and finally resolve the claims and causes of action that are the subject of the Standing Motions and the CAF Objection. In particular, the CAF Settlement resolves key issues related to the allowance, classification, secured status, treatment, extent and priority of liens, and the accrual of postpetition interest. The litigation of such issues would raise complex issues of law and fact and would likely require months of discovery and extensive expert testimony to litigate, all at great expense to the Debtors' Estates. In exchange for settling the causes of action that the Creditors' Committee seeks to pursue, the Debtors are receiving significant value—including, but not limited to, meaningful support for the Plan and other relief sought pursuant to the Restructuring, a substantial discount (approximately $120 million) on the CAF Make Whole (as defined herein), and the resolution of these contentious disputes without the expense of lengthy and value-destructive litigation. Likewise, the TEC Global Settlement resolves, among other things, significant issues raised by the Avoidance Standing Motion without costly and lengthy litigation. Among other benefits to the Debtors, the TEC Global Settlement resulted in (i) the opportunity for the continued corporate consolidation of TEC and TES, saving up to approximately $115 million in potential tax costs that might be incurred if the entities were to be deconsolidated, (ii) TEC's and Riverstone's support for the Plan and the avoidance of a contentious hearing on the Backstop Commitment Letter, and (iii) a greater economic interest in and control over the Cumulus entities by the Debtors.

The Debtors carefully reviewed and evaluated the claims the Creditors' Committee seeks to pursue and determined in their business judgment that each of the Plan Settlements was fair and reasonable and in the bests interests of the Debtors' estates.

The Debtors continue to work cooperatively with the Creditors' Committee in an effort to respond to its requests for further information regarding the Avoidance Actions and CAF Actions, while maintaining privilege, work product, and other protections.

The Creditors' Committee contends that the Plan should not be confirmed based on their assertions that the Plan Settlements would forfeit challenges to certain claims for no value, as raised in the Creditors' Committee's Standing Motions. The Committee intends to object to the confirmation of the Plan on this and other grounds. The Court has set aside a portion of the Confirmation Hearing to hear evidence regarding the Plan Settlements. The Debtors disagree with the foregoing assertions and reserve all of their rights with respect thereto.

I. Statements and Schedules, and Claims Bar Dates

On May 18, 2022, the Bankruptcy Court entered an order, among other things, approving August 1, 2022 at 5:00 p.m. (prevailing Central Time) as the deadline for all non-governmental creditors or other parties in interest to file proofs of Claim (the "**General Bar Date**") [Docket No. 237]. Additionally, on June 27, 2022, the Bankruptcy Court entered an order approving procedures for filing proofs of Claim and setting November 7, 2022 at 5:00 p.m. (prevailing Central Time) as the deadline for governmental units to file Proofs of Claim against any of the Debtors (the "**Governmental Bar Date**" and, together with the General Bar Date, the "**Bar Dates**") [Docket No. 792]. The Debtors provided notice of the Bar Date to all known creditors and parties in interest and published notice of the Bar Date in the national edition of *The New York Times* on May 25, 2022.

On July 25, 2022, the Debtors filed their schedules of assets and liabilities and statements of financial affairs detailing known Claims against the Debtors. [Docket Nos. 635–778]. Further, as of the date hereof, over 37,406 Proofs of Claim had been filed against the Debtors, including 35,464 Proofs of Claim filed related to the Winter Storm Uri Litigation described in Section IX.B.9 below. The Debtors continue to review and refine their analysis of the filed Claims.

Further, the Debtors intend to reject certain executory contracts pursuant to the Plan. Any counterparty to an executory contract that is rejected must file and serve a Proof of Claim on the applicable Debtor that is party to the applicable executory contract to be rejected by the later of 30 days from (i) the date of entry of an order of the Bankruptcy Court (including the Confirmation Order) approving such rejection, and (ii) the effective date of the rejection of such Executory Contract or Unexpired Lease.

J. PPL Adversary Proceeding

PPL Montana Action. In October 2018, the Talen Montana Retirement Plan (**"TMT Retirement Plan"**) filed a class action suit (the "**PPL Montana Action**") in Montana state court against PPL, its affiliates, and certain officers and directors relating to a distribution by Talen Montana to PPL from the sale of Talen Montana's hydroelectric facilities in November 2014 for $900 million (the "**Distribution**"), which occurred during PPL's tenure as owner of Talen Montana. The action sought compensatory and punitive damages and generally alleged that the Distribution was improper under applicable law and claims that PPL and its directors improperly made the Distribution, leaving Talen Montana without adequate funds to pay its obligations. Due to the commencement of the Chapter 11 Cases, Talen Montana filed a notice in the PPL Montana Action on May 10, 2022, reflecting that the action was automatically stayed pursuant to section 362(a) of the Bankruptcy Code. On the same day, the TMT Retirement Plan filed a notice (the "**Montana Removal Notice**") removing the PPL Montana Action to the United States District Court for the District of Montana (the "**Montana District Court**"), and Talen Montana filed a motion to intervene (the "**Intervention Motion**") in the PPL Montana Action and a motion to transfer the PPL Montana Action to the United States District Court for the Southern District of Texas (the "**Texas District Court**") for referral to the Bankruptcy Court. On May 19, 2022, the TMT Retirement Plan also filed a motion to transfer the PPL Montana Action to the Texas District Court (the "**Montana Transfer Motion**"). On June 15, 2022, substantially all parties to the PPL Montana Action and PPL Delaware Action (as defined below) filed the Consolidation Stipulation

(as defined below) in the Montana District Court reflecting the parties' consent to Talen Montana's intervention in the PPL Montana Action, the transfer of the PPL Montana Action to the Texas District Court for subsequent referral to the Bankruptcy Court, and the consolidation of the PPL Montana Action with other pending actions. On June 16, 2022, the Montana District Court entered an Order granting the Intervention Motion and Montana Transfer Motion. On July 7, 2022, Talen Montana filed the Consolidation Stipulation with the Texas District Court. On July 22, 2022, the Texas District Court referred the PPL Montana Action to the Bankruptcy Court [Case No. 4:22-cv-01990, ECF No. 40].

PPL Delaware Action. In November 2018, PPL, certain of its affiliates and related individuals filed a lawsuit (the "**PPL Delaware Action**") in the Delaware Court of Chancery (the "**Delaware Court**") against TEC, TES, Talen Energy Holdings, Inc., and Talen Montana (the "**Delaware Action Defendants**") seeking, among other things, a declaratory judgment that the claims asserted in the PPL Montana Litigation were without merit and raised contractual and statutory defenses to the those claims. Talen Montana and its affiliates believe that PPL's claims are without merit. In October 2019, the Delaware Court granted the Delaware Action Defendants' motion to dismiss one of PPL's claims but denied the other requests for dismissal. In November 2021, the Delaware Court granted plaintiffs' and Delaware Action Defendants' motion for leave to file summary judgment motions with respect to limited issues in the suit. Discovery in the case has closed. Due to the commencement of the Chapter 11 Cases, the Delaware Action Defendants filed a notice in the PPL Delaware Action on May 10, 2022, reflecting that the action is automatically stayed pursuant to section 362(a) of the Bankruptcy Code. On the same day, the Delaware Action Defendants filed a notice (the "**Delaware Removal Notice**") removing the PPL Delaware Action to the United States District Court for the District of Delaware (the "**Delaware District Court**"). The Delaware Action Defendants also filed a motion seeking to transfer the PPL Delaware Action to the Texas District Court for referral to the Bankruptcy Court (the "**Delaware Transfer Motion**"). On June 15, 2022, substantially all parties to the PPL Montana Action and PPL Delaware Action filed the Consolidation Stipulation with the Delaware District Court. On June 22, 2022, the Delaware District Court entered an Order granting the Delaware Transfer Motion. On July 7, 2022, Talen Montana and TES filed the Consolidation Stipulation with the Texas District Court. On July 21, 2022, the Texas District Court referred the PPL Delaware Action to the Bankruptcy Court [Case No. 4:22-cv-02037, ECF No. 15].

Initial PPL Adversary Proceeding. On May 10, 2022, Talen Montana initiated an adversary proceeding against PPL, PPL Capital Funding, Inc. ("**PPL Capital Funding**"), PPL Electric Utilities Corporation ("**PPL Electric Utilities**"), PPL Energy Funding Corporation ("**PPL Energy Funding**") in the Bankruptcy Court, captioned Case No. 22-09001 (the **"PPL Adversary Proceeding"**). The complaint asserted substantially the same fraudulent transfer claims as in the PPL Montana Action. As described above, the PPL Montana Action and PPL Delaware Action were subsequently transferred to the Texas District Court and referred to the Bankruptcy Court.

Consolidated PPL Adversary Proceeding. On June 15, 2022, substantially all parties to the PPL Montana Action and PPL Delaware Action entered into a Stipulation (the "**Consolidation Stipulation**"), pursuant to which the parties agreed that (i) they do not oppose the Delaware Removal Notice, the Delaware Transfer Motion, the Intervention Motion, the Montana Removal Notice, or the Montana Transfer Motion; (ii) upon transfer of the PPL Montana Action and the PPL Delaware Action to the Bankruptcy Court, TES and Talen Montana will promptly move to

consolidate the PPL Montana Action and the PPL Delaware Action with the PPL Adversary Proceeding; (iii) the parties will file pleadings in the consolidated action in accordance with the timeline set forth in the Consolidation Stipulation; (iv) the Bankruptcy Court will adjudicate all claims, counterclaims, and cross-claims asserted in the PPL Montana Action, PPL Delaware Action, and the PPL Adversary Proceeding; (v) discovery previously produced will be used in accordance with the procedures set forth in the Consolidation Stipulation; and (vi) the parties reserve the rights, positions, claims, or defenses they have asserted or could have asserted in the PPL Montana Action, PPL Delaware Action, and the PPL Adversary Proceeding. On June 11, 2022, the Debtors provided notice of entry into the Consolidation Stipulation to the Bankruptcy Court [Adv. Proc. No. 22-09001, Docket No. 40]. At a status conference on July 12, 2022, the Bankruptcy Court approved the consolidation of the PPL Montana Action and PPL Delaware Action with the PPL Adversary Proceeding upon referral of the PPL Montana Action and PPL Delaware Action from the Texas District Court. Both actions were subsequently referred and on August 3, 2022, the Bankruptcy Court entered an order consolidating the three proceedings [Adv. Proc. No. 22-09001, Docket No. 53].

On August 24, 2022, Talen Montana and TES filed an amended and consolidated complaint against PPL, CEP Reserves, Inc., PPL Capital Funding, PPL Electric Utilities, and PPL Energy Funding (the "**PPL Adversary Proceeding Defendants**"), asserting substantially the same fraudulent transfer claims as in the PPL Montana Action, and seeking to disallow the claims filed by PPL, PPL Capital Funding, PPL Electric Utilities, and PPL Energy Funding against Talen Montana and TES (collectively, the "**PPL Claims**") pursuant to sections 502(b)(1) and 502(d) of the Bankruptcy Code and to subordinate any allowed PPL Claims pursuant to section 510(c) of the Bankruptcy Code [Adv. Proc. No. 22-09001, Docket No. 56].

On September 23, 2022, the PPL Adversary Proceeding Defendants filed the *Defendants' Answer and Affirmative Defenses to Plaintiffs' First Amended and Consolidated Adversary Complaint, Counterclaims and Third-Party Claims* [Adv. Proc. No. 22-09001, Docket No. 65]. On September 30, 2022, the PPL Adversary Proceeding Defendants filed the *PPL Parties' Motion for Partial Summary Judgment* [Adv. Proc. No. 22-09001, Docket No. 68] (the "**Motion for Summary Judgment**") and the *PPL Parties' Motion for Certification of a Question of Law to the Delaware Supreme Court* [Adv. Proc. No. 22-09001, Docket No. 68] (the "**Motion to Certify**"). On October 3, 2022, the Bankruptcy Court held a status conference for the PPL Adversary Proceeding and set: (a) October 17, 2022 as the deadline for the Debtors to answer the PPL Adversary Proceeding Defendants' counterclaims and file responses to the Motion for Summary Judgment and Motion to Certify; (b) October 24, 2022 as the deadline for the PPL Adversary Proceeding Defendants to file replies supporting the Motion for Summary Judgment and Motion to Certify; and (c) a hearing on the Motion for Summary Judgment and Motion to Certify on October 31, 2022. On October 17, 2021, Talen Montana filed the *Opposition to the PPL Parties' Motion for Certification of a Question of Law to the Delaware Supreme Court* [Adv. Pro. No. 22-09001, Docket No. 85], Talen Montana and TES filed the *Plaintiffs' Answer to Defendants' Counterclaims and Third-Party Claims* [Adv. Pro. No. 22-09001, Docket No. 86],[43] and Talen

[43] A sealed copy of the *Plaintiffs' Answer to Defendants' Counterclaims and Third-Party Claims* was filed at Adv. Pro. No. 22-09011, Docket No. 87.

Montana filed the *Plaintiff's Response to the PPL Parties' Motion for Partial Summary Judgment* [Adv. Pro. No. 22-09001, Docket No. 93].[44]

Creditors' Committee's Participation in the PPL Adversary Proceeding. On August 24, 2022, substantially all parties to the PPL Montana Action and the PPL Delaware Action except for the individuals entered into the *Stipulation Between and Among the Debtors, Non-Debtor Talen Parties, PPL Adversary Proceeding Defendants, Riverstone Parties, and the Committee Governing Participation of the Committee in the Adversary Proceeding* [Adv. Proc. No. 22-09001, Docket No. 55], which set forth the terms of the Creditors' Committee's participation in the PPL Adversary Proceeding.

At this time, the Debtors cannot predict the outcome of the PPL Adversary Proceeding or its effect on the Debtors; however, a judgment in favor of the Debtors could increase the Debtors' distributable value.

K. Automatic Stay Extension Adversary Proceeding

On July 16, 2022, TES, TEM, Talen Montana, and Nueces Bay, LLC ("**Nueces Bay**" and collectively with TES, TEM, Talen Montana, the "**Debtor Plaintiffs**") filed an adversary complaint (the "**Automatic Stay Extension Complaint**") against the plaintiffs in the following prepetition actions: the Montana Hydroelectric Litigation, the Pension Litigation, the Burnett Litigation, and the Kinder Morgan Litigation (each as defined below), captioned Case No. 22-03219 (the "**Automatic Stay Extension Adversary Proceeding"**). The Debtor Plaintiffs also filed an *Emergency Motion for an Order (I) Extending the Automatic Stay to the Protected Parties in Certain Prepetition Actions, and (II) Preliminarily Enjoining Such Prepetition Actions* [Adv. Proc. No. 22-03219, Docket No. 2] (the "**Automatic Stay Extension Motion**"). The Automatic Stay Extension Adversary Proceeding and the Automatic Stay Extension Motion seek to extend the automatic stay to certain non-Debtor parties in and enjoin the Montana Hydroelectric Litigation, the Pension Litigation, the Burnett Litigation, and the Kinder Morgan Litigation, each as described below:

Montana Hydroelectric Litigation. Talen Montana is a defendant in litigation currently pending in the U.S. District Court for the District of Montana relating to Talen Montana's past ownership and operation of hydroelectric generation facilities in Montana, which were sold to NorthWestern in November 2014 (the "**Montana Hydroelectric Litigation**"). Due to the commencement of the Chapter 11 Cases, Talen Montana filed a notice on May 10, 2022 reflecting that the proceeding is automatically stayed pursuant to section 362(a) of the Bankruptcy Code. On May 13, 2022—after the Petition Date—the state of Montana ("**Montana**") filed a supplement to its proposed findings of fact and conclusions of law. In this supplement, Montana asserted that it intended to continue to pursue its claims only as against Defendants NorthWestern and the United States, and purported to unilaterally sever Talen Montana from the action without any motion before the court, depriving Talen Montana an opportunity to be heard on this issue. Subsequently, Talen Montana filed a notice of nonconsent to severance on May 24, 2022. On June 23, 2022, the court entered an order declining to sever Montana's claims against Talen Montana. On August

[44] A sealed copy of the *Plaintiff's Response to the PPL Parties' Motion for Partial Summary Judgment* was filed at Adv. Pro. No. 22-09011, Docket No. 89.

18, 2022, Montana filed an objection to the relief requested by the Automatic Stay Extension Motion with respect to the Montana Hydroelectric Litigation [Adv. Proc. No. 22-03219, Docket No. 25]. On August 26, 2022, the Debtors filed a reply in support of the Automatic Stay Extension Motion [Adv. Proc. No. 22-03219, Docket No. 39]. On September 15, 2022, the Bankruptcy Court entered the *Stipulation and Order (I) Resolving Montana's Lift Stay Motion and Debtor Plaintiffs' Stay Extension Motion with Respect to the Riverbed Action; (II) Modifying the Automatic Stay on a Limited Basis; and (III) Enjoining Parties From All Other Actions in the Riverbed Action* [Case No. 22-3219, Docket No. 1229; Adv. Pro. No. 22-03271, Docket No. 57] (the "**Montana Hydroelectric Litigation Stipulation**"), which resolved the Automatic Stay Extension Motion with respect to the Montana Hydroelectric Litigation and severed the Automatic Stay Extension Adversary Proceeding with respect to the Montana Hydroelectric Litigation into a separate adversary proceeding captioned Case No. 22-03271 (the "**Severed Automatic Stay Extension Adversary Proceeding"**). Among other things, the Montana Hydroelectric Litigation Stipulation provides that the automatic stay with respect to the Montana Hydroelectric Litigation is modified solely to permit the liability phase of the Montana Hydroelectric Litigation to proceed for the limited purposes specified therein. On October 4, 2022, the Debtors filed the *Debtor Plaintiffs' Motion to Dismiss with Prejudice and Close Adversary Proceeding* [Adv. Pro. No. 22-02371, Docket No. 58], which seeks to dismiss Montana from the Severed Automatic Stay Extension Adversary Proceeding and to close the Severed Automatic Stay Extension Adversary Proceeding. On October 6, 2022, Talen Montana filed its response to Montana's amended proposed findings of fact and conclusions of law in the Montana Hydroelectric Litigation, per the terms of the Montana Hydroelectric Litigation Stipulation.

Pension Litigation. In November 2020, four former employees filed a putative class action lawsuit in the United States District Court for the Eastern District of Pennsylvania (the "**Pennsylvania District Court**") against TES, TEC, the Talen Energy Retirement Plan (the "**TES Retirement Plan**"), and the Talen Energy Retirement Plan Committee (the "**TES RPC**"), alleging that they are owed enhanced benefits under the TES Retirement Plan because: (i) either or both of the 2015 Talen formation transactions and/or the 2016 take-private transaction constituted a "change in control" as defined in the TES Retirement Plan; and (ii) their employment was terminated within three years following such change in control (the "**Pension Litigation**"). The plaintiffs also allege that TES, TEC, and TES RPC breached their fiduciary duties, disclosure obligations, and other statutory responsibilities under ERISA. The plaintiffs seek monetary, declarative, remedial, and injunctive relief for claims arising under the terms of the TES Retirement Plan and various ERISA-related claims. The parties are currently in the early stages of discovery. A decision on class certification is pending. On April 28, 2022, the plaintiffs filed a motion to amend the operative complaint to name current and former TES employees as defendants (the "**Motion to Amend**").

Due to the commencement of the Chapter 11 Cases, TES filed a notice in the proceeding on May 10, 2022, reflecting that the proceeding was automatically stayed pursuant to section 362(a) of the Bankruptcy Code. On August 19, 2022, the plaintiffs in the Pension Litigation filed an objection to the relief requested by the Automatic Stay Complaint with respect to the Pension Litigation [Adv. Proc. No. 22-03219, Docket No. 29]. On August 26, 2022, the Debtors filed a reply in support of the Automatic Stay Extension Motion [Adv. Proc. No. 22-03219, Docket No. 39]. On August 30, 2022, the Bankruptcy Court held a hearing, during which the Bankruptcy Court proposed, and the parties accepted, a resolution of the Automatic Stay

Extension Motion with respect to the Pension Litigation. On August 30, 2022, the Bankruptcy Court entered an order pursuant to which the parties in the Pension Litigation agreed to submit a joint motion to the Pennsylvania District Court requesting abatement of the Pension Litigation through January 31, 2023, subject to certain exceptions. On September 8, 2022, the Pennsylvania District Court entered an order approving the parties' request.

Burnett Litigation. In December 2020, Richard Burnett and Colstrip Properties, Inc. brought an action against Talen Montana and non-Debtor Does 1–10. The Burnett Litigation was subsequently amended to add the Co-Owners and Westmoreland Rosebud Mining LLC ("**Westmoreland**") as defendants and approximately 100 additional plaintiffs. The Burnett Litigation seeks compensatory and punitive damages for personal injury and property damage allegedly caused by coal dust blown from the Colstrip Project to neighboring properties and structural damage to homes and other structures allegedly caused by increases in groundwater levels attributable to Colstrip Project ponds and blasting activities at a neighboring coal mine owned and operated by Westmoreland. Due to the commencement of the Chapter 11 Case, Talen Montana filed a notice in the proceeding on May 10, 2022, reflecting that the proceeding is automatically stayed pursuant to section 362(a) of the Bankruptcy Code. On August 19, 2022, the plaintiffs in the Burnett Litigation filed an objection to the relief requested by the Automatic Stay Complaint with respect to the Burnett Litigation [Adv. Proc. No. 22-03219, Docket No. 30]. On August 26, 2022, the Debtors filed a reply in support of the Automatic Stay Extension Motion [Adv. Proc. No. 22-03219, Docket No. 39]. On September 26, 2022, the Bankruptcy Court entered the *Stipulation and Order (I) Resolving Montana's Lift Stay Motion and Debtor Plaintiffs' Stay Extension Motion with Respect to the Riverbed Action; (II) Modifying the Automatic Stay on a Limited Basis; and (III) Enjoining Parties From All Other Actions in the Burnett Action* [Adv. Pro. No. 22-03219, Docket No. 65], which resolves the Automatic Stay Extension Motion with respect to the Burnett Litigation.

Kinder Morgan Litigation. In June 2021, Kinder Morgan Tejas Pipeline LLC ("**Tejas Pipeline**"), an affiliate of Kinder Morgan, Inc., filed a suit in the State of Texas District Court in Harris County against TEM and Nueces Bay (the "**Kinder Morgan Litigation**"). In the suit, Tejas Pipeline alleges, among other things, that TEM and Nueces Bay agreed to purchase natural gas from it during Winter Storm Uri at the then prevailing market rate. TEM and Nueces Bay dispute that they purchased the gas from the Kinder Morgan affiliate. Due to the commencement of the Chapter 11 Cases, TEM and Nueces Bay filed a notice in the proceeding on May 10, 2022, reflecting that the proceeding is automatically stayed pursuant to section 362(a) of the Bankruptcy Code. On August 12, 2022, Tejas Pipeline filed an answer to the Automatic Stay Extension Complaint [Docket No. 1064]. The Automatic Stay Extension Motion with respect to the Kinder Morgan Litigation has been adjourned indefinitely due to the removal of the Kinder Morgan Litigation from state court to the Bankruptcy Court and the opening of the related Kinder Morgan Adversary Proceeding (as defined herein) [Adv. Proc. No. 22-03219, Docket No. 31]. At a status conference on October 17, 2022, the Bankruptcy Court ordered that the Automatic Stay Extension Adversary Proceeding is abated until the parties seek to terminate the abatement for good cause in anticipation of resolution of all matters.

L. Kinder Morgan Adversary Proceeding

On July 21, 2022, Tejas Pipeline filed an adversary complaint, styled *Kinder Morgan Tejas Pipeline LLC, v. Nueces Bay, LLC, et al.*, No. 22-03231 (the "**Kinder Morgan Adversary Proceeding"**), against Nueces Bay, LLC and TEM and non-Debtor co-defendants Texas Eastern Transmission, LP and NextEra Energy Marketing, LLC ("**NextEra**"), removing the Kinder Morgan Litigation to the Bankruptcy Court. On September 28, 2022, the Bankruptcy Court granted Tejas Pipeline's motion for dismissal with prejudice of all claims held by Tejas Pipeline against defendant NextEra asserted in the Kinder Morgan Adversary Proceeding.

M. Colstrip Actions

Talen Montana is party to a pending arbitration (the "**Colstrip Arbitration**") and three cases in Montana federal district court (collectively with the Colstrip Arbitration, the "**Colstrip Actions**"). The disputes between the Co-Owners arose following the enactment of legislation in Oregon and Washington, which apply to the PNW Owners (as defined herein). In particular, Oregon passed a statute in 2016 that bars utilities from supplying coal-fired electricity to Oregon customers after January 1, 2030. Washington passed a statute in 2019 that will impose substantial penalties on utilities who provide coal-fired electricity to Washington customers after December 31, 2025. At issue in the Colstrip Arbitration is the requisite voting threshold needed to approve the closure of the Colstrip Project and other related issues of contract interpretation under the terms of the Ownership & Operation Agreement between Talen Montana and the other co-owners for the Colstrip Project, dated May 6, 1981 and subsequently amended (as amended, the "**O&O Agreement**").

As a result of the Oregon and Washington statutes, the PNW Owners seek to shut down the Colstrip Units by 2025. Talen Montana and NorthWestern continue to oppose such efforts. Talen Montana aims to operate the Colstrip Project so long as it remains economically viable for Talen Montana. NorthWestern asserts that the Colstrip Project can effectively be operated through 2042. The PNW Owners disagree on the applicable voting threshold required to close the Colstrip Project. NorthWestern served an arbitration demand on all Co-Owners on March 12, 2021, followed by an amended demand on April 2, 2021. NorthWestern's arbitration demand argues that closure of the Colstrip Project requires unanimous consent of the Co-Owners, consistent with Prudent Utility Practice, which is defined in the O&O Agreement as "practices, methods and acts engaged in or approved by a significant portion of the electrical utility industry." The PNW Owners have contended that such a forced closure requires the vote of less than all of the Co-Owners. On May 4, 2021, the PNW Owners filed a complaint in the Montana District Court, as subsequently amended, seeking declaratory relief against Talen Montana and NorthWestern challenging the constitutionality of Senate Bill 265 ("**SB 265**") and Senate Bill 266 ("**SB 266**") enacted by the Montana state legislature, styled as *Portland Gen. Elec. Co. v. NorthWestern Corp.*, No. 1:21-CV-00047-BLG-SPW-KLD (D. Mont.) (the "**Montana Lawsuit**"). SB 265 governs any arbitration "agreement concerning venue involving an electrical generation facility in [Montana]" and invalidates any such arbitration agreement "unless the agreement requires that arbitration occur within [Montana] before a panel of three arbitrators selected under the [Montana] Uniform Arbitration Act unless all parties agree in writing to a single arbitrator." SB 266 does not speak to arbitration proceedings generally and does not directly

impact the issues being arbitrated. The Montana Attorney General was subsequently added as a party to the Montana Lawsuit.

Due to the commencement of the Chapter 11 Cases, Talen Montana filed a notice in the Colstrip Actions on May 10, 2022, reflecting that the proceedings are automatically stayed pursuant to section 362(a) of the Bankruptcy Code. On May 18, 2022, the PNW Owners filed a *Motion for Relief from the Automatic Stay* in the Bankruptcy Court [Docket No. 242] (the "**Lift Stay Motion**"), seeking to lift the automatic stay with respect to the Colstrip Arbitration and the Montana Lawsuit. NorthWestern filed a *Joinder to Motion of Puget Sound Energy, Inc., Avista Corporation, Portland General Electric Company, and PacifiCorp for Relief from the Automatic Stay* on May 27, 2022 [Docket No. 299] (the "**Colstrip Joinder**"). The Debtors, including Talen Montana, opposed the Lift Stay Motion.

On June 10, 2022, the Bankruptcy Court conducted a hearing on the Lift Stay Motion, at the conclusion of which it ordered (i) supplemental briefing to address certain questions posed by the Bankruptcy Court, and (ii) rescheduling of the hearing to July 12, 2022. On June 20, 2022, (i) NorthWestern filed a supplemental brief to the Colstrip Joinder [Docket No. 606] (the "**NorthWestern Supplemental Brief**"), and (ii) the PNW Owners filed a supplemental brief to the PNW Owners Lift Stay Motion [Docket No. 607] (the "**PNW Supplemental Brief**"). The Debtors filed their response to the NorthWestern Supplemental Brief and the PNW Supplemental Brief on July 1, 2022 [Docket No. 829]. The Bankruptcy Court held a continued hearing on the PNW Owners Lift Stay Motion on July 12, 2022, at which time the Bankruptcy Court heard oral argument from respective counsel to the PNW Owners, NorthWestern and the Debtors. At the conclusion of the hearing, the Bankruptcy Court ordered the automatic stay with respect to the Colstrip Actions continue to remain in place, subject to the Debtors delivering a reasonable proposal regarding the Colstrip Project by August 11, 2022. The Bankruptcy Court also scheduled a continued hearing on the Lift Stay Motion for August 15, 2022.

On August 10, 2022, the Debtors, certain PNW Owners, and NorthWestern filed an emergency joint motion seeking, among other things, to further (i) extend the deadline for the Debtors to provide a Colstrip proposal to August 22, 2022, and (ii) adjourn the hearing on the Lift Stay Motion to August 29, 2022. The Bankruptcy Court held a hearing on the motion on August 11, 2022, and ordered that the Debtors provide the Colstrip proposal to the PNW Owners, NorthWestern, and the Creditors' Committee on a confidential basis by August 22, 2022, scheduled a status conference on the PNW Owners Lift Stay Motion for August 29, 2022, and further continued the hearing on the Lift Stay Motion to September 9, 2022.

On August 22, 2022, the Bankruptcy Court entered the *Order (I) Adjourning Hearing on Lift Stay Motion, (II) Extending Debtors' Deadline to File Related Proposal, and (III) Modifying Protective Order* [Docket No. 1082]. On August 24, 2022, the Debtors, the PNW Owners, and NorthWestern filed the *Stipulation and Order Resolving the PNW Owners' Lift Stay Motion and Establishing Terms on Which the Automatic Stay is Lifted With Respect to the Montana Lawsuit and Arbitration* [Docket No. 1096] (the "**Colstrip Lift Stay Stipulation and Order**"), which reflects the parties' agreement on the terms on which the automatic stay would be lifted with respect to the Colstrip Arbitration and the Colstrip Montana Lawsuit. On August 25, 2022, the Bankruptcy Court approved the Colstrip Lift Stay Stipulation and Order [Docket No. 1110]. The Colstrip Lift Stay Stipulation and Order, among other things, authorizes the Montana Lawsuit to

proceed through resolution and authorizes the Co-Owners to continue the Colstrip Arbitration through resolution, while vesting supervisory jurisdiction in the Montana District Court. The automatic stay remains in effect as to other litigation involving the Co-Owners. On September 28, 2022, the Montana District Court in the Montana Lawsuit entered Findings and Recommendations finding both SB 265 and SB 266 unconstitutional (the "**Findings and Recommendations**"). The Co-Owners initiated the Colstrip Arbitration through JAMS and jointly agreed to the arbitrator for the Colstrip Arbitration.

On September 2, 2022, Talen Montana entered into a definitive agreement under which Puget will transfer its 25% share of Colstrip Units 3 and 4 to Talen Montana for nominal consideration. As part of the transaction, Puget will retain certain liabilities attributable to pre-closing operations, including environmental remediation and decommissioning costs. Until the closing of the transaction, Talen Montana is entitled to increased voting rights (via Puget's voting rights) regarding certain decisions relating to Colstrip Units 3 and 4. The agreement is conditioned upon customary closing conditions and is subject to approval by the Bankruptcy Court. In addition, the Co-Owners of Colstrip Units 3 and 4 have certain rights of first refusal which may entitle them to acquire a portion of the interest being transferred by Puget. The anticipated closing date of the transaction is December 31, 2025. Following the consummation of the transaction and assuming no exercise of the Co-Owners' rights of first refusal, Talen Montana will own a 55% share of Colstrip Unit 3 and a 25% share of Colstrip Unit 4 and continue to be the sole operator of both Colstrip Units 3 and 4. On October 19, 2022, the Montana District Court in the Montana Lawsuit ordered that the Findings and Recommendations be adopted in full.

N. Motion to Approve Key Employee Incentive Plan

On June 3, 2022, the Debtors filed the *Motion of Debtors for Approval of Key Employee Incentive Program* [Docket No. 394] (the "**KEIP Motion**"), seeking approval of a key employee incentive plan (the "**KEIP**"), designed to incentivize the seven participants in the KEIP (the "**KEIP Participants**") to meet and exceed challenging performance targets during the Chapter 11 Cases, administer the Chapter 11 Cases, execute any necessary restructuring transactions, and align the interests of these KEIP Participants to maximize estate value and creditor recoveries. As noted in the KEIP Motion, the KEIP Participants have played and will continue to play a central role in the Debtors' business and are critical to the Debtors' business performance and overall success. On August 15, 2022, the Bankruptcy Court entered the *Order Approving Debtors' Key Employee Incentive Program* [Docket No. 1071].

O. Backstop Commitment Letter

To ensure that the Rights Offering is consummated, the Debtors entered into a backstop commitment letter on May 31, 2022 (as amended and restated by that certain *Amended and Restated Commitment Letter*, dated as of August 10, 2022, and as may be further modified, amended, amended and restated, or supplemented from time to time, and together with all exhibits and schedules thereto, the "**Backstop Commitment Letter**"), pursuant to which certain Holders of Unsecured Notes Claims and/or their affiliates (the "**Backstop Parties**") committed to purchase up to $1.3 billion of the Rights Offering Equity not subscribed through the Rights Offering (the "**Backstop Commitments**").

On August 10, 2022, the Debtors executed an amended and restated Backstop Commitment Letter, among other things, upsizing the Rights Offering to up to $1.9 billion (the "**Amended and Restated BCL**").[45] As amended, the Backstop Commitment Letter, generally provides as follows:

1. The Backstop Parties will backstop an investment in the Company of $1.55 billion of Rights Offering Equity; *provided*, that the Rights Offering Amount may be automatically increased to up to $1.9 billion or decreased to $600 million. If the Rights Offering Amount is increased, the Backstop Parties may (but are not required to) agree to backstop the increased Rights Offering Amount on the same terms.

2. The amount of each Backstop Party's Backstop Commitment is set forth on Schedule 1 to the Backstop Commitment Letter.

3. The Debtors will implement the Rights Offering through customary subscription documentation and procedures (the "**Rights Offering Procedures**"), which will be filed with the Plan Supplement in a form and substance reasonably acceptable to the Debtors and Backstop Parties holding at least 50.1% of the aggregate Backstop Commitments (the "**Requisite Backstop Commitment Parties**").

4. In exchange for providing their respective Backstop Commitments, each Backstop Party will receive: (i) a premium equal to 20% of such Backstop Party's portion of the backstop commitment (the "**Backstop Premium**"), to be paid in equity if the Plan is consummated, and (ii) a periodic premium paid monthly equal to 10% per annum of such Backstop Party's portion of the backstop commitment (the "**Backstop Periodic Premium**" and, together with the Backstop Premium, the "**Backstop Put Premium**"). The Backstop Periodic Premium shall be fully credited against the Backstop Premium and shall be payable in Cash or New Common Equity in each Backstop Party's discretion, provided that no more than one-third of the aggregate Backstop Periodic Premium can be paid in cash on a monthly basis.

5. If the Backstop Commitment Letter is terminated, as set forth therein, the Debtors agree to pay an amount equal to 50% of the Backstop Premium in cash, after crediting for any Backstop Periodic Premium that has been paid (the "**Backstop Alternative Transaction Premium**"); *provided*, that the Backstop Alternative Transaction Premium will not be due or payable if certain exceptions specified in the Backstop Commitment Letter occur.

Following entry of the Confirmation Order and approval by the Bankruptcy Court of the Rights Offering Procedures, the Debtors shall commence the Rights Offering through which each Eligible Holder of Allowed Unsecured Notes Claims or Allowed General Unsecured Claims will

[45] The Amended and Restated BCL is annexed as Exhibit B to the *Notice of (I) Reset of Hearing on BCL Motion and (II) Filing (A) Second Amendment to RSA and (B) Amended and Restated BCL* [Docket No. 1046] filed on August 10, 2022.

be entitled to its Pro Rata (as defined in the Plan) share of the Rights Offering Subscription Rights, subject to a 30% holdback available only to the Backstop Parties.

The Debtors estimate that the aggregate value of the Subscription Rights will range from approximately $133 million (the "**Minimum Rights Offering Amount Scenario**") to $345 million (the "**Maximum Backstopped Rights Offering Amount Scenario**"), depending on the ultimate size of the Rights Offering, to be determined at a date following the confirmation of the Plan and prior to the effective date of the Plan (the "**Adjustment Determination Date**").

Under the Maximum Backstopped Rights Offering Amount Scenario, the Debtors assume a fully committed Equity Rights offering of approximately $1.55 billion and anticipate that 25% of the Subscription Rights will be allocated to the 1145 Rights Offering and 75% will be allocated to the 4(a)(2) Rights Offering. Under the Minimum Rights Offering Amount Scenario, the Debtors assume a fully committed Equity Rights offering of approximately $600 million and anticipate that 100% of the Subscription Rights will be allocated to the 1145 Rights Offering.

The scenarios above assume the New Parent will emerge from chapter 11 on June 30, 2023. The amounts raised in the Rights Offering will impact other aspects of the New Parent's capital structure, including, but not limited to, the amount of debt outstanding at the New Parent on the effective date of the Plan emergence and the value of the New Warrants on the effective date of the Plan.

On June 13, 2022, the Debtors filed the *Motion of Debtors for Order (I) Authorizing Entry into Backstop Commitment Letter, (II) Approving Obligations Thereunder, and (III) Granting Related Relief* [Docket No. 524] (the "**Backstop Motion**"), seeking entry of the Backstop Order and approval of the Backstop Put Premium provided for therein. On August 29, 2022, following a hearing to consider the Backstop Motion, the Bankruptcy Court entered the *Order (I) Authorizing the Debtors to Enter into Backstop Commitment Letter, (II) Approving All Obligations Thereunder, and (III) Granting Related Relief* [Docket No. 1133] (the "**Backstop Order**"), approving the Debtors' entry into the Backstop Commitment Letter.

P. Employment Agreement Assumption Motion

On August 3, 2022, the Debtors filed the *Debtors' Motion for Entry of an Order Authorizing Debtors to (I) Assume Employment Agreement and (II) Perform All Obligations Thereunder* [Docket No. 1010] (the "**Assumption Motion**") seeking authority to (i) assume that certain employment agreement (as amended, the "**LoBiondo Employment Agreement**"), between Talen and Leonard LoBiondo, a copy of which was annexed to the Assumption Motion as Exhibit A thereto, and (ii) perform all obligations thereunder in accordance with the terms of the LoBiondo Employment Agreement.

As set forth in greater detail in the Assumption Motion, the Debtors and Mr. LoBiondo executed the LoBiondo Employment Agreement on May 4, 2022, and since that time Mr. LoBiondo has served as the Debtors' Executive Vice President of Restructuring. Throughout the Chapter 11 Cases, Mr. LoBiondo has worked closely with the Debtors and their advisors to, among other things, negotiate the Debtors' Backstop Commitment Letter as well as various settlements

relating to the Debtors' restructuring and the definitive documents related thereto and analyze and address other issues related to the Debtors' restructuring process.

At a meeting of the TES Board on August 24, 2022, the TES Board (i) ratified (x) the Debtors' entry into the LoBiondo Employment Agreement and (y) appointment of Mr. LoBiondo as the Debtors' Executive Vice President of Restructuring, and (ii) approved the Employment Agreement on terms discussed with the Board, which terms were materially consistent with the terms set forth in the Engagement Letter, as modified as follows:

- Base Salary. Mr. LoBiondo earns a fixed bi-weekly salary in the amount of $48,000.

- Completion Bonus. In addition to his base salary, Mr. LoBiondo is entitled to incentive compensation in the amount of $5,000,000 (the "**Completion Bonus**"), payable upon the earlier of the (i) confirmation of a chapter 11 plan of reorganization, (ii) recapitalization of all or substantially all of Debtors' outstanding indebtedness, and (iii) sale, transfer, or other disposition of all or substantially all of the assets or equity of TES in one or more transactions (the first to occur of (i), (ii), or (iii), the "Threshold Event"), provided, that the Completion Bonus shall be (x) earned in full in accordance with the Employment Agreement if the Threshold Event occurs on or before December 15, 2022 and (y) reduced to (a) $4.5 million if the Threshold Event occurs between December 16, 2022 and January 15, 2023 or (z) $4 million if the Threshold Event occurs on or after January 16, 2023. For the avoidance of doubt, Mr. LoBiondo (i) may only earn the Completion Bonus once in the Chapter 11 Cases and (ii) is not entitled to earn the Completion Bonus if, prior to the occurrence of a Threshold Event, Mr. LoBiondo (a) is terminated by the Debtors for Cause (as defined in the Employment Agreement) or (b) voluntarily resigns.

- Incentive Option. Upon the occurrence of a Threshold Event, the Debtors shall issue Mr. LoBiondo a seven-year option (the "**Option**") to acquire up to $20,000,000 of common stock with Mr. LoBiondo's personal capital, based on the value of the common stock at the time of plan confirmation. The Option will be exercisable in whole or in part, freely transferrable, and exercisable on a cashless basis at the option of the holder. For the avoidance of doubt, (i) Mr. LoBiondo's right to acquire up to $20,000,000 of common stock pursuant to the Option shall not be subject to any discount to the value of the common stock at the time of confirmation, and (i) Mr. LoBiondo is not entitled to earn the Option if, prior to the occurrence of a Threshold Event, Mr. LoBiondo (a) is terminated by the Debtors for Cause or (b) voluntarily resigns. To the extent Mr. LoBiondo exercises the Option, it would dilute recoveries to other Holders.

A hearing to consider approval of the Assumption Motion is currently scheduled for December 15, 2022 at 9:00 a.m. (prevailing Central Time), as may be adjourned to a later date. As provided in Article V.B of the Plan, the Debtors will assume the management employment agreements, including the LoBiondo Employment Agreement.

Q. Bidding Procedures and Sale Process

On August 4, 2022, the Debtors and the Consenting Parties entered into the RSA First Amendment, which, among other things, authorized the Debtors to implement the Sale Process pursuant to a "Go-Shop" provision of the RSA (as amended). The Debtors and the Consenting Parties subsequently agreed to the terms of a dual-track restructuring premised on either the Equitization Transaction or a Sale Transaction.

In furtherance of the Sale Process, the Debtors, in consultation with the Consultation Parties (as defined in the Bidding Procedures), developed procedures (as amended, the "**Bidding Procedures**") by which parties could submit, and the Debtors would consider, bids for the New Common Equity or for all or substantially all of the Debtors' assets, including the equity interests in the Debtors' subsidiaries (each such bid, a "**Third-Party Bid**"). In addition to Third-Party Bids for New Common Equity or an acquisition vehicle, the Debtors were also willing to consider Third-Party Bids for an equity sale of TEC; provided that, in such case, discussions with and cooperation from TEC and its owner, an affiliate of Riverstone, regarding participation in the Sale Process and the manner of effectuating any Sale Transaction might be necessary. On October 11, 2022, the Debtors filed an amended version of the Bidding Procedures [Docket No. 1327], reflecting modifications in response to comments received from the Creditors' Committee.

The Bidding Procedures describe, among other things: (i) the procedures for third parties to submit Third-Party Bids; (ii) the manner in which Third-Party Bidders and Third-Party Bids become Qualified Bidders and Qualified Bids (each as defined in the Bidding Procedures); (iii) the process for negotiating the received bids; (iv) the procedure for the selection of any Third- Party Successful Bidder (as defined in the Bidding Procedures); and (v) the manner in which the Sale Process may be terminated. The Bidding Procedures also provide that in evaluating whether any Third-Party Bids qualify as a Qualified Bid, the Debtors may consider several factors, including, but not limited to, (a) the amount and form of consideration of the purchase price, (b) the assets included in or excluded from the bid, (c) the value to be provided to the Debtors and their Estates, (d) the transaction structure and execution risk, (e) the impact on all key stakeholders, and (f) any other factors the Debtors may reasonably deem relevant.

Following entry of the Backstop Order on August 29, 2022, the Debtors, with the assistance of the Debtors' advisors and input from the Consultation Parties, contacted 61 potential third-party investors, including a broad spectrum of potential strategic buyers and financial sponsors who were believed to have interest in acquiring some or all of the Debtors' assets. Through this initial marketing process, the Debtors sent nondisclosure agreements and teasers to all potential bidders contacted, and provided extensive due diligence and financial models, including creating a confidential electronic data room to permit potential third-party bidders to conduct due diligence. Potential bidders also had numerous conversations with the Debtors' management team and their advisors regarding, among other things, the Debtors' assets, businesses, and potential bid structures.

The Debtors communicated to potential third-party bidders that they must provide initial nonbinding indications of interest (the "**IOIs**") no later than September 28, 2022 at 5:00 p.m. (prevailing Central Time) to continue in the Sale Process, so that the Debtors could evaluate in a

timely manner the level of serious interest in consummating one or more Sale Transactions. During the initial round of bidding, the Debtors received several IOIs for the entire enterprise and several IOIs for certain assets. These indications of interest were from both financial and strategic investors (collectively, the "**IOI Parties**"); however, no IOIs for the entire enterprise, nor any combinations of IOIs for non-overlapping sets of assets, exceeded the amount required to meet the definition of an "Eligible Alternative Restructuring" under the RSA.

Moreover, the Debtors received (i) one IOI for the Debtors' enterprise at $4.5 billion, the value implied by the Rights Offering in the RSA, (ii) another IOI for the Debtors' enterprise at $4.8 billion, and (iii) multiple IOIs seeking to bid on solely Susquehanna. However, subsequent discussions with the IOI parties revealed that the $4.5 billion and $4.8 billion IOIs were conditioned on establishing a consortium that would require each IOI party to find one or more partners before having an actionable proposal. As a result, the Debtors and their advisors attempted to pair certain bidders in an effort to create a consortium that could lead to a viable proposal. However, the Debtors have been unable to create any such consortium to make either of these IOIs actionable.

Following receipt of the IOIs, the Debtors and their advisors summarized the IOIs for the Consultation Parties and their advisors and requested feedback. The Debtors and their advisors then engaged in discussions with each of the IOI Parties, considering input from the Consultation Parties, and provided feedback to the IOI Parties on the various proposals as well as clarified key transaction considerations such as liabilities assumed, market power considerations, potential tax leakage, financing contingency, and remaining diligence required. Further, as noted above, the Debtors and their advisors discussed with several of the IOI Parties potential partnership structures that could give rise to actionable proposals. Based on such discussions and updating the Consultation Parties of such discussions, the Debtors believe that none of the IOIs represent viable proposals because such proposals are not likely to lead to an actionable bid that provides value that is higher or better than the value provided to stakeholders under the Equitization Transaction (let alone qualify as an Eligible Alternative Restructuring) due to, among other factors, timing, value, structure, transaction-related costs, and execution risks associated with each of the IOIs.

Therefore, given that none of the IOIs received to date are likely to lead to a Qualified Bid or otherwise actionable transaction, the Debtors anticipate moving forward with the Equitization Transaction. However, the Debtors will continue to consider actionable proposals that would result in higher or otherwise better value to the Debtors' Estates than the Equitization Transaction, in accordance with the Bidding Procedures.

R. Make Wholes

Certain of the Debtors' Prepetition First Lien Debt documents and Unsecured Notes Indentures contain make whole provisions, some of which may be asserted against the Debtors during the Chapter 11 Cases. Pursuant to the DIP Order, the Debtors and the Creditors' Committee preserved rights to challenge the validity, priority, and enforceability of make whole premiums.

The following table sets forth which of the Debtors' debt documents include make whole provisions and the anticipated treatment of such premiums under the Plan:

Debt Instrument	Maturity	Make Whole Status
Prepetition CAF Agreement	Sept. 2024	Settled pursuant to CAF Settlement
Prepetition RCF Agreement	Mar. 2024	No make whole provisions
Prepetition TLB Agreement	July 2026	No make whole provisions
Secured Notes	2027 –2028	Settled pursuant to First Lien Non-CAF Settlement
Unsecured Notes	2022, 2024, 2025, 2026, 2027, 2036	Undetermined
PEDFA Bonds	2037 – 2038	No make whole provisions

1. ***CAF Make Whole***

The Prepetition CAF Agreement contains a make whole provision that is triggered upon acceleration of the loans under the Prepetition CAF Agreement (the "**CAF Make Whole**"). The CAF Make Whole requires the relevant Debtors to compensate the Prepetition CAF Lenders for their lost profits through the maturity date of the Prepetition CAF Facility.

On July 29, 2022, the Prepetition CAF Agent, on behalf of the Prepetition CAF Lenders, filed a Proof of Claim at Claim No. 1616 (the "**CAF Proof of Claim**") asserting, among other things, that the CAF Make Whole amount that is payable pursuant to the Prepetition CAF Agreement is $255,000,000 (the "**Make Whole Asserted Amount**"). Although the Debtors did not challenge or object to the Make Whole Asserted Amount, the Debtors disagreed with the calculation method and asserted amount for such premium. On August 22, 2022, the Creditors' Committee filed the CAF Objection, objecting to the CAF Proof of Claim and Make Whole Asserted Amount.

On August 27, 2022, the Debtors, the Consenting Parties, and the CAF Consenting Parties reached the CAF Settlement, an agreement as to the allowance, classification, priority, secured status, and treatment of the Prepetition CAF Claims, including the CAF Make Whole amount. Pursuant to the CAF Settlement, the aggregate amount of the Allowed Prepetition CAF Claims has been calculated as $986.76 million, plus postpetition interest (as more fully set forth in the RSA Third Amendment) and the Allowed CAF Make Whole amount (which is included in the aggregate amount of the Allowed Prepetition CAF Claims) has been calculated as $133.33 million on account of any and all premiums asserted or assertable under the Prepetition CAF Agreement as of the Petition Date. While the CAF Settlement does not resolve the CAF Objection or CAF Standing Motion, Bankruptcy Court approval of the CAF Settlement (including via Confirmation of the Plan) would obviate the relief requested in the CAF Objection and the CAF Standing Motion.

2. ***Secured Notes Make Wholes***

Each of the three tranches of Secured Notes contain make whole provisions that are triggered upon acceleration of the loans under the applicable Secured Notes Indenture (the "**Secured Notes Make Wholes**"). The Secured Notes Make Wholes require the relevant Debtors to compensate the Holders of Secured Notes for their lost profits through the maturity date of the applicable Secured Notes Indenture. The Secured Notes Indentures also contain certain call

protections that require payment of certain premiums in the event the respective Secured Notes are redeemed prior to certain dates.

On August 26, 2022, the Debtors, the Consenting Parties, the First Lien Non-CAF Consenting Parties reached an agreement as to the allowance, classification, priority, secured status and treatment of all Claims arising pursuant to the Secured Notes Indentures and the Prepetition TLB Agreement (the "**Prepetition Non-CAF First Lien Debt Claim**"), including the Secured Notes Make Wholes amounts and redemption premiums. Pursuant to that agreement, the amount of the Allowed Prepetition Non-CAF First Lien Debt Claim has been calculated as $2,048.00 million, plus prepetition and postpetition interest and applicable premiums (as more fully set forth in the RSA Fourth Amendment). The Allowed amount on account of the Secured Notes Make Wholes amount and redemption premiums has been calculated as the lesser of (i) $20 million in the aggregate and (ii) an amount equal to forty percent (40%) of the premium that would be due and owing under the respective indenture for each of the Secured Notes, as if such notes were optionally redeemed on the Effective Date.

3. *Unsecured Notes Make Wholes*

The Debtors and the Holders of Unsecured Notes Claims disagree as to the enforceability of certain of the make whole provisions set forth in the Unsecured Notes Indentures. The Debtors and Holders of Unsecured Notes Claims continue to engage to reach a consensual resolution.

S. CAF Settlement

The CAF Settlement embodied in the Plan is a global, integrated settlement of all Claims, Causes of Action, interests, and controversies between the Debtors and the CAF Consenting Parties, including any disputes regarding the allowance, classification, extent, priority, secured status and treatment of claims relating to the Prepetition CAF Agreement. The CAF Settlement further provides that the CAF Consenting Parties will support the Plan, thereby facilitating a consensual and value-maximizing restructuring of the Debtors' business.

The CAF Settlement, as embodied in the RSA, resolves several key issues between the Debtors, the Consenting Parties and the CAF Consenting Parties, including: (i) settlement of the potential claims or disputes regarding the extent and priority of the prepetition liens securing the loans under the Prepetition CAF Agreement; (ii) settlement of the CAF Make Whole amount, which was asserted in a face amount of not less than $255,000,000; and (iii) settlement of potential disputes related to the rate at which postpetition interest accrues on the Prepetition CAF Agreement. The resolution embodied in the CAF Settlement addresses a multitude of complex, legally uncertain and fact-intensive issues. Litigation of these issues would involve potentially lengthy and value-destructive litigation, which is avoided by the CAF Settlement through release of discrete Claims and Causes of Action, such as potential fraudulent transfer, avoidance, preference and other derivative actions, discounts on the CAF Make Whole, and covenants to support the restructuring, including the Backstop Commitment Letter, which will inure to the benefit of the Debtors' Estates.

The CAF Settlement, as incorporated in the Plan, is a comprehensive global and interconnected settlement of numerous issues, Claims, and rights among the Debtors, the

Consenting Parties and the CAF Consenting Parties and includes several different forms of consideration. As a result, the settlement is not quantified or allocated on an agreed issue-by-issue basis and no component of the CAF Settlement is severable from any other component thereof. The Debtors believe that the CAF Settlement and the Plan reflect a fair and comprehensive resolution of the matters addressed therein.

The Creditors' Committee is not a party to the CAF Settlement, and contends that the Plan should not be confirmed based on their assertions that the CAF Settlement would forfeit valuable challenges to the CAF Claims for insufficient value. The Creditors' Committee intends to object to the confirmation of the Plan on this and other grounds. The Debtors disagree with the foregoing assertions and reserve all of their rights with respect thereto.

1. *CAF Make Whole*

Any litigation regarding the validity and amount of the CAF Make Whole would have been time consuming, costly, and subject to significant risk to the Estates and other litigating parties. Litigation of these disputes would require adjudication of complex factual and legal issues, which could require extensive, costly discovery and protracted litigation. Even if the CAF Make Whole were allowed, the CAF Consenting Parties, the Debtors, and the Consenting Parties further disagreed on issues regarding the amount of the CAF Make Whole, including the applicable interest rate, default interest, and the calculation of the amount.

With these considerations in mind, the Debtors and the Consenting Parties agreed with the Consenting Parties to settle the CAF Make Whole amount as part of the CAF Settlement.

The Creditors' Committee filed a claim objection related to the CAF Make Whole amount on August 22, 2022, seeking to disallow the CAF Make Whole. The Creditors' Committee believes that challenges to the CAF Make Whole are likely to succeed and that the proposed settlement of the CAF Make Whole under the CAF Settlement is not reasonable, and intends to object to the confirmation of the Plan on this and other grounds. The Debtors disagree with the foregoing assertions and reserve all of their rights with respect thereto.

2. *Secured Status of CAF Obligations*

The CAF Settlement also resolves potential challenges to the secured status of the Prepetition CAF Agreement.

Any litigation regarding the secured status of the Prepetition CAF Agreement would be a relatively novel legal challenge and would require an analysis of multiple, complex financial agreements and a determination of whether the Prepetition CAF Agreement is a "revolving credit facility" and whether the obligations thereunder constitute "Additional First-Lien Indebtedness" under the Prepetition Intercreditor Agreement. In addition to arguing that the Prepetition CAF Agreement constituted a "revolving credit facility" that was permitted under the applicable debt documents and properly acceded to the liens under the Prepetition Intercreditor Agreement, the CAF Consenting Parties would also likely assert a variety of defenses, including defenses relating to standing, waiver, and estoppel. The CAF Consenting Parties would have also litigated whether there was any remedy available at law or in equity that would permit the unwinding of the accession of the Prepetition CAF Agreement to the Prepetition Intercreditor Agreement. Litigating

these novel issues would likely require extensive fact and expert discovery from multiple parties regarding the negotiation of these agreements and the intent of the parties thereto.

With these considerations in mind, the Debtors and the Consenting Parties agreed with the CAF Consenting Parties to settle these issues as part of the CAF Settlement.

The Creditors' Committee contends that the incurrence of the CAF was a fraudulent transfer and that the CAF does not benefit from valid liens. The Creditors' Committee filed the CAF Standing Motion (as defined herein) on August 22, 2022, seeking authority to bring claims for fraudulent transfer and lien avoidance related to the CAF, which, if successful on all claims, would reduce the Debtors' secured debt burden by approximately $1 billion. The Creditors' Committee contends that the CAF Settlement forfeits these challenges to the Prepetition CAF Lenders' secured claims for no value, and intends to object to the Plan on this and other grounds. The Court has set aside a portion of the Confirmation Hearing to hear evidence regarding the CAF Settlement. The Debtors disagree with the foregoing assertions and reserve all of their rights with respect thereto.

3. *Mortgages*

The CAF Settlement also resolves potential challenges to the validity of mortgages securing the Prepetition CAF Facility, including the pre-existing mortgages to which the Prepetition CAF Lenders were granted the benefit of in connection with their commitments under the Prepetition CAF Agreement and accession to the Prepetition Intercreditor Agreement. Litigation regarding the validity and extent of the mortgages securing the Prepetition CAF Facility would have involved significant fact discovery and briefing and would be subject to significant litigation risk. Objecting parties could argue that the pre-existing mortgages are invalid with respect to the Prepetition CAF Facility, on account of purported legal theories that the CAF Obligations are not sufficiently related to the prior extensions of credit such that the prior mortgages do not secure the CAF Obligations. Litigation of these disputes would require adjudication of complex factual and legal issues, which could require costly discovery and litigation.

With these considerations in mind, the Debtors and the Consenting Parties agreed with the CAF Consenting Parties to settle these issues as part of the CAF Settlement.

4. *Other Estate Claims*

The CAF Settlement also resolves potential fraudulent conveyance claims relating to the Prepetition CAF Agreement. Any such litigation regarding potential fraudulent conveyance claims would have been time consuming, costly, and subject to significant risk. Indeed, the question of whether the CAF Obligations gives rise to a constructive fraudulent transfer involves in-depth questions of fact regarding the value received by the Debtors on account of the transfers, expert discovery on the issue of insolvency and legal analysis and briefing to analyze the legal standards on such claims. Additionally, any potential claims of actual fraudulent transfer are a deeply fact-intensive exercise that could have the parties tied up in extensive discovery. The CAF Consenting Parties would likely argue that actual fraud cannot possibly be found in a case where

the Debtors received money to, among other things, fund their businesses, operations, and hedging obligations.

With these considerations in mind, the Debtors and the Consenting Parties agreed with the CAF Consenting Parties to settle these issues as part of the CAF Settlement.

T. Cumulus Settlement

1. *Nautilus*

In mid-May, 2022, the parent company of TeraWulf (Thales) LLC ("**TeraWulf**"), a U.S.-based bitcoin mining company and Cumulus Coin's joint venture partner in Nautilus, publicly disclosed that it would require additional capital in order to meet its funding obligations to Nautilus. As a result of TeraWulf's inability to meet Nautilus' capital call requirements, among other factors, the total capital required from Cumulus Coin to meet the funding needs at the Cumulus Coin Project would have exceeded the budgeted amounts. As a result of the circumstances at Nautilus, the Debtors decided to cease further funding into the Cumulus Digital Project (including amounts for Cumulus Data) until the Debtors were able to resolve these issues to their satisfaction and gain comfort that further equity investment would not be jeopardized.

Accordingly, beginning in July 2022, Cumulus Data had insufficient cash to continue making payments to its contractors and vendors providing services at the Data Campus. Beginning in August 2022, certain of Cumulus Data's critical contractors and vendors, including the primary general contractor for the Data Campus, ceased providing services to Cumulus Data, walked off the site, or indicated that they would do so shortly if their past-due invoices were not promptly paid.

On August 27, 2022, Cumulus Coin and TeraWulf settled the Nautilus funding issues as between themselves by executing an amendment to the Nautilus Limited Liability Company Agreement (the "**Nautilus LLCA**"). Under the amended Nautilus LLCA, the initial equity allocation was redistributed, with TeraWulf now holding a 33.33% equity interest in Nautilus and Cumulus Coin holding a 66.67% equity interest in Nautilus. Cumulus Coin also agreed to increase its funding of Nautilus and received increased governance and control rights over the management of Nautilus. With respect to future capital calls, the amended Nautilus LLCA allows Cumulus Coin to make up any shortfall at Cumulus Coin's election in exchange for a greater investment percentage of equity ownership in Nautilus.

2. *Cumulus Term Sheet*

On August 29, 2022, TES, TEC, Cumulus Digital Holdings, Orion Energy Partners Investment Agent, LLC, and Riverstone, as well as certain of each of their affiliates, entered into that certain *Cumulus Term Sheet* (the "**Cumulus Term Sheet**" and the settlement thereunder, the "**Cumulus Settlement**"), to, among other things, resolve Cumulus Data's and Cumulus Coin's

funding issues and a variety of other issues relating to Cumulus. The Cumulus Settlement provides for, among other things:[46]

- Go-Forward Funding Commitments totaling $169 million to Cumulus Digital, Cumulus Data Holdings, and Cumulus Coin Holdings, $77 million of which will be provided by TES for funding of Cumulus Data;[47]

- prior to dilution on account of the Go-Forward Funding Commitments that are funded prior to the Conversion Date and subject to potential adjustment on account of crediting the Intercompany Note Amounts (if applicable), the equity allocation of Cumulus Digital Holdings shall be as follows:[48]

    - TES and Talen II Growth Holdings LLC: 65.0%;

    - Riverstone: 28.875%;

    - Orion: 6.125%;

- the Debtors' assumption of the Assumed Cumulus Agreements;

- amendment of the existing limited liability company agreement for Cumulus Digital Holdings such that (i) upon entry of the final order approving entry into the Cumulus Term Sheet, (a) two (2) managers will be designated by Riverstone, two (2) managers will be designated by TES, and there will be one (1) Independent Manager and (b) Riverstone will receive the minority protections listed on Exhibit A to the Cumulus Term Sheet; and (ii) upon the Effective Date of the Plan, four (4) managers will be designated by TES and one (1) manager will be designated by Riverstone;

- amendment of the Orion Credit Agreement to (i) permit and provide for Orion's incremental funding amount and the use of the proceeds thereof in accordance with the Funding Schedule, (ii) ratify the Specified Defaults waiver described and provided for below, and (iii) reflect the revised LC Return arrangements;

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[46] Capitalized terms used but not otherwise defined in the proceeding list shall have the meaning ascribed to such terms in the Cumulus Motion or Cumulus Definitive Documentation (each as defined below), as applicable. The terms of the Cumulus Term Sheet and the Cumulus Definitive Documentation govern in the event of any inconsistency with this summary.

[47] *See* Cumulus Term Sheet Go-Forward Funding Commitments, Schedule A to the *Emergency Motion of Debtors for (I) Interim Order (A) Authorizing Debtors to Fund Cumulus Data and (B) Granting Related Relief and (II) Final Order (A) Authorizing Entry Into Cumulus Term Sheet, (B) Approving Obligations Thereunder, Including Assumption of Cumulus Agreements, and (C) Granting Related Relief* [Docket No. 1137].

[48] Following entry of the Cumulus Final Order and the initial round of Go-Forward Funding Commitments, the equity allocation at Cumulus Digital Holdings as of September 30, 2022 is: (i) TES and Talen II Growth Holdings LLC: 73.6%; (ii) Riverstone: 20.9%; (iii) Orion: 4.8%; (iv) certain members of the Company's management: 0.7%.

- affirmative right for TES to refinance, repay, or repurchase all amounts under the Orion Credit Agreement;

- reinstatement of the prepetition Talen Consent Rights at Coin Holdings and Data Holdings following entry of the order approving the Cumulus Motion on an interim basis;

- a grant of consent rights at Cumulus Digital Holdings following entry of the Cumulus Final Order;

- as set forth in the final form of the Cumulus Mutual Release annexed as Exhibit A to the *Notice of Filing of Revised Final Form of Mutual Release* [Docket No. 1311] (the "**Mutual Release**"), a mutual release in favor of the Debtors, TEC, Riverstone, Riverstone Holdings LLC, and Orion (solely in its capacity as a holder of Units in Cumulus Digital Holdings and not in its capacity as a lender or agent under the Orion Credit Agreement) and each of their respective current and former affiliates, officers, directors, members, partners, equity holders (regardless of whether such interests are held directly or indirectly), affiliated investment funds or investment vehicles, professionals, advisors, accountants, attorneys, investment bankers, consultants, employees, agents, and other representatives, from any claims related to or in connection with the Orion Credit Agreement, the Assumed Cumulus Agreements, the formation of Cumulus, transactions involving the transfer or assignment of assets to Cumulus, or the operation, governance, or management of Cumulus, including any transactions relating thereto;

- waiver or reinstatement of all intercompany claims between TES and TEC upon the occurrence of the Effective Date;

- conversion of the Debtors' Cumulus Digital Preferred Shares into majority voting common shares of Cumulus Digital Holdings;

- parties agree to discuss in good faith a potential co-investment opportunity for certain members of the Debtors' management that hold an interest in Raven Power Holdings LLC, a Riverstone Holdings affiliate that is a party to the Cumulus Term Sheet, in amount of up to $2 million; and

- a waiver by Orion of potential defaults and events of default under the Orion Facility that could have led to a draw by Orion on the letters of credit posted by TES.

On August 29, 2022, the Debtors filed the *Emergency Motion of Debtors for (I) Interim Order (A) Authorizing Debtors to Fund Cumulus Data and (B) Granting Related Relief and (II) Final Order (A) Authorizing Entry Into Cumulus Term Sheet, (B) Approving Obligations Thereunder, Including Assumption of Cumulus Agreements, and (C) Granting Related Relief* [Docket No. 1137] (the "**Cumulus Motion**") seeking authority, (i) on an emergency basis, to provide Cumulus Digital Holdings with $21 million in incremental funding for Cumulus Data and related relief and, (ii) on a final basis, to enter into the Cumulus Term Sheet and incur the

obligations thereunder, including an additional $56 million in funding commitments from TES and assumption of the Cumulus Agreements (as defined in the Cumulus Motion). The Cumulus Motion was heard on an interim basis on August 30, 2022, at which time the Bankruptcy Court granted the requested interim relief, including authorizing TES to provide Cumulus Digital Holdings with $21 million in incremental funding for Cumulus Data and approving the restoration of the consent rights of the "Requisite TES Holders" in the existing limited liability company agreements of Cumulus Data Holdings and Cumulus Coin Holdings [Docket No. 1148] upon TES's funding of at least 50% of the incremental funding approved on an interim basis.[49]

On September 28, 2022, the Bankruptcy Court held a hearing to consider the relief requested in the Cumulus Motion, including the approval of the Cumulus Settlement, on a final basis. At that time, among other things, the Bankruptcy Court authorized the Debtors' entry into the Cumulus Term Sheet and the Cumulus Settlement, approved the definitive documentation contemplated by the Cumulus Term Sheet (the "**Cumulus Definitive Documentation**"), approved TES' remaining $56 million funding commitment into Cumulus Digital Holdings for the benefit of Cumulus Data, approved the assumption of certain contracts, and approved the Cumulus Mutual Release. On September 29, 2022, the Court entered the *Final Order (I) Authorizing Entry Into Cumulus Term Sheet, (II) Approving Obligations Thereunder, Including Assumption of Cumulus Agreements, and (III) Granting Related Relief* [Docket No. 1303] (the "**Cumulus Final Order**"), and the parties to the Cumulus Settlement subsequently entered into the Cumulus Definitive Documentation and initiated funding of their respective commitments. For the avoidance of doubt, all of the terms contemplated by the Cumulus Term Sheet went into effect as of the entry of the Cumulus Final Order, unless otherwise specified in the Cumulus Term Sheet or Cumulus Final Order, as applicable, and reflected herein.

U. Motion to Extend Exclusive Periods

On September 2, 2022, the Debtors filed a motion [Docket No. 1182] (the "**Exclusivity Motion**") requesting an order extending the periods during which the Debtors have the exclusive right to file a chapter 11 plan (the "**Exclusive Filing Period**") and to solicit acceptances thereof (the "**Exclusive Solicitation Period**" and, together with the Exclusive Filing Period, the "**Exclusive Periods**") by 105 and 45 days, respectively, in each case, through and including December 20, 2022. The Bankruptcy Court entered an order approving the Exclusivity Motion on September 27, 2022 [Docket No. 1285].

V. Exit Facilities

The Debtors are in the process of securing Exit Facilities in accordance with the RSA and are in an active dialogue with potential lenders. The Debtors' proposed post-emergence capital structure includes (i) a $500 million revolving credit facility and a $500 million letter of credit facility, to be either combined in a single facility or provided on a standalone basis, and (ii) new money exit financing of approximately $1.7 billion, assuming an Effective Date of June 30, 2023, and subject to adjustment based on prospective cash required at emergence.

[49] The full $21 million was funded by TES to Cumulus Digital Holdings on August 31, 2022.

In conjunction with its restructuring and exit financing process, the Debtors are currently evaluating different prospective corporate structures that would impact which Reorganized Debtor entities would comprise credit parties under the potential Exit Facilities, including, among other structures, a potential internal reorganization of its core nuclear, gas, and growth assets (once operational) ("**Talen I**") in order to advance the Company's previously announced environmental, social and governance ("**ESG**") objectives, aligning the Company with general investor interest in ESG-compliant companies. In consultation with potential exit financing providers, such a reorganization will be assessed in the context of whether it results in more favorable terms for certain of the prospective exit financing facilities and may involve reorganizing certain assets and/or entities under Talen I, which would operate as distinct credit group from the fossil generation fleet ("**Talen II**"). If such a structure is pursued, Talen I would likely provide certain support services and credit support to Talen II in order to ensure the ongoing feasibility and viability of the entire corporate structure.

If the Debtors determine that the contemplated corporate reorganization would provide the best value to the Debtors' Estates, the Debtors may elect to pursue such a corporate reorganization. For the avoidance of doubt, if pursued, the Company's pro forma capital structure on the Effective Date would remain essentially unchanged on an aggregate basis and any corporate reorganization would be conducted in a manner wholly consistent with the treatment of liabilities and interests set forth in the Plan and in the RSA, including the treatment of the Debtors' collective bargaining agreements, pension obligations, and asset retirement obligations, which will be assumed and/or otherwise unimpaired. If the Debtors elect to pursue such a corporate reorganization, it will be implemented on the Effective Date pursuant to the Plan and Confirmation Order, and the specifics of any such reorganization will be disclosed in the Plan Supplement.

The Debtors are currently working towards obtaining the Exit Facilities. The Debtors are maintaining ongoing discussions with credit rating agencies regarding indicative credit ratings, with financial instructions regarding their interest in providing credit facilities, letter of credit facilities, and commodity hedging programs, as well as with potential providers of loan and/or bond offerings. Based on these discussions, the Debtors anticipate receiving sufficient market feedback that the requisite exit financing will be available on acceptable terms in accordance with the exit capital structure contemplated by the RSA.

VII.
TRANSFER RESTRICTIONS AND CONSEQUENCES UNDER FEDERAL SECURITIES LAW

The offer, issuance and distribution under the Plan of the New Common Equity (i) to Holders of Unsecured Notes Claims and General Unsecured Claims and (ii) constituting the Backstop Periodic Premium or the Backstop Put Premium will, in each case, be exempt from registration under the Securities Act and any other applicable securities laws pursuant to section 1145 of the Bankruptcy Code. The offer, sale, issuance and distribution under the Plan of the Rights Offering Equity to be issued pursuant to the 1145 Rights Offering will be exempt from registration under the Securities Act and any other applicable securities laws pursuant to section 1145 of the Bankruptcy Code. The New Common Equity issued in the 4(a)(2) Rights Offering (including the Backstop Shares and the Backstop Direct Investment Shares) will be

exempt from registration under the Securities Act and any other applicable securities laws pursuant to section 4(a)(2) of the Securities Act and Regulation D thereunder.

A. Section 1145 of the Bankruptcy Code Exemption and Subsequent Transfers

Section 1145 of the Bankruptcy Code generally exempts from registration under the Securities Act the offer or sale under a chapter 11 plan of a security of the debtor, of an affiliate participating in a joint plan with the debtor, or of a successor to the debtor under a plan, if such securities are offered or sold in exchange for a claim against, or an interest in, the debtor or such affiliate, or principally in such exchange and partly for cash. Section 1145 of the Bankruptcy Code also exempts from registration (i) the offer of a security through any right to subscribe that is sold in the manner provided in the prior sentence, and (ii) the sale of a security upon the exercise of such right. In reliance upon this exemption, New Common Equity issued under the Plan pursuant to section 1145 of the Bankruptcy Code, including the securities issued pursuant to the 1145 Rights Offering ("**1145 Securities**") will be exempt from the registration requirements of the Securities Act, and any other applicable securities laws. These securities may be resold without registration under the Securities Act pursuant to the exemption provided by section 4(a)(1) of the Securities Act, unless the holder is an "underwriter" with respect to such securities, as that term is defined in section 1145(b) of the Bankruptcy Code. In addition, 1145 Securities generally may be resold without registration under state securities laws pursuant to various exemptions provided by the respective laws of the several states.

Section 1145(b) of the Bankruptcy Code defines "underwriter" for purposes of the Securities Act as one who, except with respect to ordinary trading transactions, (i) purchases a claim with a view to distribution of any security to be received in exchange for the claim, (ii) offers to sell securities issued under a plan for the holders of such securities, (iii) offers to buy securities issued under a plan from persons receiving such securities, if the offer to buy is made with a view to distribution or (iv) is an issuer, as used in section 2(a)(11) of the Securities Act, with respect to such securities, which includes control persons of the issuer.

"Control," as defined in Rule 405 of the Securities Act, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise. The legislative history of section 1145 of the Bankruptcy Code suggests that a creditor who owns ten percent (10%) or more of a class of voting securities of a reorganized debtor may be presumed to be a "controlling person" and, therefore, an underwriter.

Notwithstanding the foregoing, control person underwriters may be able to sell securities without registration pursuant to the resale limitations of Rule 144 of the Securities Act, which, in effect, permits the resale of securities received by such underwriters pursuant to a chapter 11 plan, subject to applicable volume limitations, notice and manner of sale requirements, and certain other conditions. Parties who believe they may be underwriters as defined in section 1145 of the Bankruptcy Code are advised to consult with their own legal advisors as to the availability of the exemption provided by Rule 144.

B. Section 4(a)(2) of the Securities Act Exemption and Subsequent Transfers

Section 4(a)(2) of the Securities Act provides that the issuance of securities by an issuer in transactions not involving a public offering is exempt from the registration requirements under the Securities Act. Regulation D is a non-exclusive safe harbor from the registration requirements promulgated by the SEC under section 4(a)(2) of the Securities Act. In reliance upon this exemption, New Common Equity issued under the Plan pursuant to section 4(a)(2) of the Securities Act and Regulation D thereunder, including the securities issued pursuant to the 4(a)(2) Rights Offering ("**Private Placement Securities**") will be exempt from registration under the Securities Act. Such securities will be considered "restricted securities" (within the meaning of Rule 144 under the Securities Act), will bear customary legends and transfer restrictions, and may not be transferred except pursuant to an effective registration statement or under an available exemption from the registration requirements of the Securities Act, such as, under certain conditions, the resale provisions of Rule 144 under the Securities Act. Rule 144 provides a limited safe harbor for the public resale of restricted securities if certain conditions are met. These conditions vary depending on whether the holder of the restricted securities is an "affiliate" of the issuer (Rule 144 defines an affiliate of the issuer as "a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such issuer").

* * *

Legends. To the extent certificated or issued by way of direct registration on the records of the issuer's transfer agent, certificates and book entry notations evidencing (i) shares of New Common Equity held by holders of 10% or more of the outstanding shares of New Common Equity or who are otherwise underwriters as defined in section 1145(b) of the Bankruptcy Code, and (ii) all Private Placement Securities, will bear a legend substantially in the form below:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE WERE ORIGINALLY ISSUED ON [DATE OF ISSUANCE], HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**ACT**"), OR ANY OTHER APPLICABLE STATE SECURITIES LAWS, AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR AN AVAILABLE EXEMPTION FROM REGISTRATION THEREUNDER."

The Debtors and Reorganized Debtors, as applicable, reserve the right to reasonably require certification, legal opinions or other evidence of compliance with Rule 144 as a condition to the removal of such legend or to any resale of any such securities. The Debtors and Reorganized Debtors, as applicable, also reserve the right to stop the transfer of any such securities if such transfer is not in compliance with Rule 144, pursuant to an effective registration statement or pursuant to another available exemption from the registration requirements of applicable securities laws.

In any case, recipients of securities issued under or in connection with the Plan are advised to consult with their own legal advisers as to the availability of any such exemption from registration under state law in any given instance and as to any applicable requirements or conditions to such availability.

* * *

Distributions of 1145 Securities made under the Plan will be made through the facilities of DTC in accordance with DTC's customary practices; *provided*, that such New Common Equity will only be issued in accordance with DTC book-entry procedures if the same are permitted to be held through DTC's book-entry system; *provided*, *further*, that to the extent that the New Common Equity is not distributed pursuant to section 1145 of the Bankruptcy Code or eligible for distribution in accordance with DTC's customary practices, the Debtors or Reorganized Debtors, as applicable, will take such reasonable actions as may be required to cause distributions of the New Common Equity under the Plan.

To the extent the Reorganized Debtors reflect all or any portion of the ownership of the New Common Equity through the facilities of DTC, the Reorganized Debtors shall not be required to provide any further evidence other than the Plan or Confirmation Order with respect to the treatment of such applicable portion of the New Common Equity, and such Plan or Confirmation Order shall be deemed to be legal and binding obligations of the Reorganized Debtors in all respects.

DTC and all other Persons and Entities shall be required to accept and conclusively rely upon the Plan and Confirmation Order in lieu of a legal opinion regarding whether the New Common Equity is exempt from registration and/or eligible for DTC book-entry delivery, settlement, and depository services.

Notwithstanding anything to the contrary in the Plan or otherwise, no Person or Entity (including, for the avoidance of doubt, DTC) may require a legal opinion regarding the validity of any transaction contemplated by the Plan, including, for the avoidance of doubt, whether the New Common Equity is exempt from registration and/or eligible for DTC book-entry delivery, settlement, and depository services or validly issued, fully paid and non-assessable.

* * *

BECAUSE OF THE COMPLEX, SUBJECTIVE NATURE OF THE QUESTION OF WHETHER A PARTICULAR PERSON MAY BE AN UNDERWRITER OR AN AFFILIATE AND THE HIGHLY FACT-SPECIFIC NATURE OF THE AVAILABILITY OF EXEMPTIONS FROM REGISTRATION UNDER THE SECURITIES ACT, INCLUDING THE EXEMPTIONS AVAILABLE UNDER SECTION 1145 OF THE BANKRUPTCY CODE, SECTION 4(A)(2) OF THE SECURITIES ACT AND REGULATION D THEREUNDER, AND RULE 144 UNDER THE SECURITIES ACT, NONE OF THE DEBTORS MAKE ANY REPRESENTATION CONCERNING THE ABILITY OF ANY PERSON TO DISPOSE OF THE SECURITIES TO BE ISSUED UNDER OR OTHERWISE ACQUIRED PURSUANT TO THE PLAN. THE DEBTORS RECOMMEND THAT POTENTIAL RECIPIENTS OF THE SECURITIES TO BE ISSUED UNDER OR OTHERWISE ACQUIRED PURSUANT TO THE PLAN CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH SECURITIES AND THE CIRCUMSTANCES UNDER WHICH THEY MAY RESELL SUCH SECURITIES.

C. Registration Rights Agreement

Solely in the case of the Equitization Transaction, on the Effective Date, each Backstop Party that is reasonably expected to be the beneficial owner (within the meaning of section 13(d)(3) of the Securities Exchange Act of 1934) of five percent (5%) or more of the outstanding New Common Equity as of the Effective Date (collectively, the "**Registration Rights Parties**") shall be entitled to, and New Parent shall, enter into the Registration Rights Agreement (as defined in the Plan). Pursuant to the Registration Rights Agreement, such Registration Rights Parties will be entitled to registration rights with respect to the New Common Equity distributed to them, including the right to require New Parent to use commercially reasonable efforts to consummate an initial public offering or direct listing of outstanding shares, the result of which is to obtain a listing of the New Common Equity on the New York Stock Exchange or NASDAQ, subject to applicable listing requirements. The Registration Rights Agreement shall be (a) in the form reasonably acceptable to (i) the Company and (ii) Registration Rights Parties that have committed to provide at least 50.1% in aggregate principal amount of commitments by all Registration Rights Parties under the Backstop Commitment Letter and (b) contained in the Plan Supplement to be Filed with the Bankruptcy Court. For the avoidance of doubt, the consummation of any such initial public offering or direct listing shall not be a condition precedent to the Effective Date.

VIII.
CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF PLAN

The following discussion is a summary of certain U.S. federal income tax consequences of the consummation of the Plan to the Debtors and to certain Holders of Claims. The following summary does not address the U.S. federal income tax consequences to Holders of Claims who are paid in full in cash (as described in the case of an Equitization Transaction), Unimpaired or deemed to reject the Plan, or to Holders of Claims in their capacity as Backstop Parties under the Backstop Commitment Letter.

The discussion of U.S. federal income tax consequences below is based on the Internal Revenue Code of 1986, as amended (the "**Tax Code**"), U.S. Treasury regulations ("**Treasury Regulations**"), judicial authorities, published positions of the Internal Revenue Service ("**IRS**"), and other applicable authorities, all as in effect on the date of this Disclosure Statement and all of which are subject to change or differing interpretations (possibly with retroactive effect). The U.S. federal income tax consequences of the contemplated transactions are complex and subject to significant uncertainties. The Debtors have not requested an opinion of counsel or a ruling from the IRS with respect to any of the tax aspects of the contemplated transactions, and the discussion below is not binding upon the IRS or any court. No assurance can be given that the IRS will not assert, or that a court will not sustain, a different position than any position discussed herein.

This summary does not address state, local or non-United States tax consequences of the contemplated transactions, nor does it address the U.S. federal income tax consequences of the transactions to special classes of taxpayers (*e.g.*, non-U.S. taxpayers, controlled foreign corporations, passive foreign investment companies, regulated investment companies, real estate investment trusts, banks and certain other financial institutions, insurance companies, tax-exempt entities or organizations, retirement plans, individual retirement and other tax-deferred accounts, Holders that are, or hold their Claims through, S corporations, partnerships or other pass-through

entities for U.S. federal income tax purposes, Holders whose functional currency is not the U.S. dollar, dealers in securities or foreign currency, traders that mark-to-market their securities, persons whose Claims are part of a straddle, hedging, constructive sale, conversion or other integrated transaction, persons that use the accrual method of accounting and report income on an "applicable financial statement" or persons that are subject to the alternative minimum tax or Medicare tax on net investment income). In addition, this discussion does not address U.S. federal taxes other than income taxes, nor does it address the Foreign Account Tax Compliance Act.

The following discussion assumes, unless otherwise indicated, that all Claims and any new debt or equity interests issued or distributed pursuant to the Plan are and will be held as "capital assets" (generally, property held for investment) within the meaning of section 1221 of the Tax Code, and that the various debt and other arrangements to which the Debtors are parties are respected for U.S. federal income tax purposes in accordance with their form.

The following summary of certain U.S. federal income tax consequences is for informational purposes only and is not a substitute for careful tax planning and advice based upon your individual circumstances. All Holders of Claims and Equity Interests are urged to consult their own tax advisors for the U.S. federal, state, local and other tax consequences applicable under the Plan.

A. Tax Treatment May Vary Depending on Structure of Plan

The Plan provides for a Restructuring pursuant to either (i) an Equitization Transaction under which the New Common Equity of New Parent will be distributed to Holders of Unsecured Notes Claims and General Unsecured Claims on account of their Claims and to eligible Holders of Unsecured Notes Claims and General Unsecured Claims that participate in the Rights Offering, or (ii) if certain conditions are met, a Sale Transaction. The structure that will be utilized to implement an Equitization Transaction or a Sale Transaction is currently uncertain.

For example, an Equitization Transaction allows for the possibility of alternative structures in which "New Parent" may be: (i) the existing TES legal entity or any tax successor thereto (a "**Standalone TES Structure**"), (ii) TEC, the existing legal entity that directly owns 100% of the equity of TES and the common parent of the U.S. federal consolidated tax group of which TES is a member, in which event the New Common Equity likely would be contributed by TEC (and the discussion herein so assumes) to TES for distribution pursuant to the Plan (a "**Continuing Group Structure**") or (iii) a third party that acquires all or substantially all of the direct and indirect assets of TES in a taxable acquisition in part for the New Common Equity to be distributed pursuant to the Plan (an "**Asset Purchase Transaction**"). Consistent with the TEC Global Settlement, it is expected that an Equitization Transaction would involve a Continuing Group Structure.

A Sale Transaction may be structured in a manner that is similar or equivalent in tax result to an Equitization Transaction, in that a buyer could acquire the assets of the Debtors in a taxable asset acquisition or could acquire new equity in TEC or TES and, depending on the successful bid, the consideration to be received by a particular Claim Holder may be cash or other consideration (possibly including new debt or equity). ***Since the contours of any Sale Transaction are not***

known at this time, the following discussion focuses on the principal U.S. federal income tax consequences of an Equitization Transaction under the alternative structures described above.

The U.S. federal income tax consequences of the Plan to the Debtors and to certain Holders of Claims may differ materially depending on which structure is ultimately implemented.

B. Consequences to Debtors

For U.S. federal income tax purposes, TES (which is treated as a corporation for U.S. federal income tax purposes) and the other corporate Debtors are members of an affiliated group of companies that files a single consolidated U.S. federal income tax return (the "**Tax Group**"), of which TEC (a non-Debtor) is the common parent. All of the other Debtors are treated as disregarded entities for U.S. federal income tax purposes, all of the income and deductions of which are taken into account by TES and the Tax Group.

The Debtors estimate that, as of the Petition Date, the Tax Group had net operating losses ("**NOLs**") of approximately $1.5 billion (of which approximately $1.2 billion are post-2017 NOLs that are subject to an 80% taxable income limitation), disallowed interest expense carryforwards in excess of $720 million (which are subject to significant limitations under the Tax Code), and certain other tax attributes, the amount of which remain subject to audit and adjustment by the IRS. Substantially all of the NOLs and interest expense carryforwards of the Tax Group as of the Petition Date are attributable to TES and its subsidiaries. The Debtors believe that the aggregate tax basis in their assets (other than stock of subsidiaries) is substantially less than fair market value. In addition, TEC has a substantial negative tax basis (also known as an "excess loss account") in the stock of TES, which may adversely affect the Debtors under certain circumstances.

Upon entry of the Cumulus Final Order and execution of the Cumulus Definitive Documentation on September 29, 2022, Cumulus Digital Holdings and its subsidiaries restructured in a manner that likely results in, among other things, TEC being treated for U.S. federal income tax purposes as distributing equity interests in Cumulus Digital Holdings to its shareholders. The Tax Group is not expected to recognize any U.S. federal taxable income in connection with the distribution after taking into account the utilization of pre-2017 NOLs or any other tax attributes of the Tax Group (which would reduce the amount of such tax attributes effectively available as of the Effective Date). The amount of income and/or U.S. federal income tax attributes utilized by the Tax Group in connection with the distribution primarily depends on the fair market value of the Tax Group's equity interests in Cumulus Digital Holdings, determined as of the time of the distribution. It is currently estimated that such distribution may give rise to up to approximately $21 million of income recognized and/or tax attributes utilized by the Tax Group for U.S. federal (and applicable state) income tax purposes. Pursuant to the Cumulus Settlement, Riverstone will compensate the Tax Group in the event that any U.S. federal and certain state income taxes are payable by the Tax Group in the year of the distribution as a result of the distribution and to the extent that more than $33 million of tax attributes of TES are used to offset gain resulting from such distribution.

Certain equity trading activity and other actions prior to the Effective Date could result in an ownership change of the Debtors or the deconsolidation of TES from the Tax Group independent of the Plan, which could adversely affect the ability of the Debtors to utilize their tax

attributes or trigger the excess loss account in TES stock into income. In an attempt to minimize the likelihood of such an ownership change or deconsolidation occurring, the Debtors obtained interim orders from the Bankruptcy Court authorizing certain protective equity trading procedures effective [Docket Nos. 119, 575] and are seeking Bankruptcy Court approval of such procedures on a final basis.

As discussed below, in connection with the implementation of the Plan, the Debtors expect that the amount of the Tax Group's NOL carryforwards, and possibly certain other tax attributes, will be substantially reduced, eliminated or otherwise unavailable. In addition, the subsequent utilization of any remaining tax attributes following the Effective Date may be severely restricted. In the event of a Standalone TES Structure (in contrast to a Continuing Group Structure), the Tax Group may incur a substantial tax liability with respect to which TES (and the other corporate Debtors) would have joint liability to the extent not paid by TEC. Alternatively, in the event that an Asset Purchase Transaction is implemented, the Debtors also expect to incur a substantial tax liability for which TES (and the other corporate Debtors) would have liability, but the acquirer should obtain a step-up in the tax basis of all or a portion of the Debtors' assets to fair market value.

In addition, on August 16, 2022, President Biden signed into law the Inflation Reduction Act of 2022, which, among other thing, generally imposes a 15% corporate alternative minimum tax on corporations with book net income (subject to certain adjustments) exceeding on average $1 billion over any three-year testing period, effective for taxable years beginning after December 31, 2022 (the "**New AMT**"). Accordingly, even if minimal or no tax liability would be incurred for regular U.S. federal income tax purposes under a particular structure (discussed below), it is possible that the Debtors would be subject to the New AMT.

1. *Cancellation of Debt*

In general, the Tax Code provides that a debtor in a bankruptcy case must reduce certain of its tax attributes—such as NOL carryforwards and current year NOLs, capital loss carryforwards, tax credits, and tax basis in assets—by the amount of any cancellation of debt ("**COD**") incurred pursuant to a confirmed chapter 11 plan. Currently, disallowed interest expense is not a tax attribute subject to such reduction. The amount of COD incurred is generally the amount by which the adjusted issue price of the indebtedness discharged exceeds the value of any consideration given in exchange therefor. Certain statutory or judicial exceptions may apply to limit the amount of COD incurred for U.S. federal income tax purposes. If advantageous, the debtor can elect to reduce the tax basis of depreciable property prior to any reduction in its NOL carryforwards or other tax attributes. If the debtor joins in the filing of a consolidated U.S. federal income tax return, applicable Treasury regulations require, in certain circumstances, that the tax attributes of the consolidated subsidiaries of the debtor and other members of the group must also be reduced. Subject to the discussion in Section VIII.B.4 below ("Potential Triggering of Excess Loss Account"), the excess of the amount of COD incurred over the amount of tax attributes subject to reduction (such excess, the "**excess COD**") is not subject to U.S. federal income tax for regular income tax purposes and has no other regular U.S. federal income tax impact.

In connection with the implementation of the Plan, the Debtors expect to incur a substantial amount of COD for regular U.S. federal income tax purposes. The amount of COD and resulting

attribute reduction is primarily dependent on the fair market value of the New Common Equity. Based on the estimated consolidated implied total enterprise value (the "**Plan TEV**") (and absent an Asset Purchase Transaction), the Debtors expect their NOL carryforwards to be substantially reduced but not entirely eliminated, with no reduction in other tax attributes.

Any reduction in a debtor's tax attributes attributable to COD generally does not occur until after the determination of the debtor's net income or loss for the taxable year in which the COD is incurred (which, in the case of the Debtors, generally will be the taxable year in which the Plan goes effective). As a result, if an Asset Purchase Transaction is implemented, the Debtors do not expect the resulting attribute reduction to adversely affect the regular U.S. federal income tax treatment of such transaction, including the computation of gain or loss on the transfer. However, as discussed in Section VIII.B.4 below ("Potential Triggering of Excess Loss Account"), an Asset Purchase Transaction could result in triggering into income all or part of the excess loss account that TEC has in the stock of TES due to excess COD or upon a complete liquidation of TES as determined for U.S. federal income tax purposes. In general, the Debtors' tax attributes cannot be used to offset such income. In the event of an Asset Purchase Transaction, any remaining tax attributes may be eliminated by reason of the resulting COD attribute reduction or the complete liquidation of TES and, regardless, would not be available to the Reorganized Debtors (other than possibly certain of the subsidiary corporate debtors).

2. *Limitation of NOL Carryforwards and Other Tax Attributes*

Following the Effective Date, any NOL carryforwards, disallowed interest expense carryforwards and other tax attributes ("**Pre-Change Losses**") may be subject to limitation under section 382 of the Tax Code. Any such limitation applies in addition to, and not in lieu of, the reduction of tax attributes that results from COD arising in connection with the Plan and (with respect to post-2017 NOLs) the 80% taxable income limitation on the use of NOL carryforwards. Under section 382 of the Tax Code, if a corporation (or consolidated group, if the parent of such group is in bankruptcy) undergoes an "ownership change" and such corporation (or such consolidated group) does not qualify for (or elects out of) the special bankruptcy exception in section 382(l)(5) of the Tax Code discussed below, the amount of its Pre-Change Losses that may be utilized to offset future taxable income generally are subject to an annual limitation.

In the event of a Standalone TES Structure or a Continuing Group Structure, the Debtors anticipate that the issuance of the New Common Equity pursuant to the Plan will result in an ownership change. In the event of an Asset Purchase Transaction, the Debtors would be treated as selling all or substantially all of their assets (possibly including equity interests in some of the Debtors). In such instance, although an ownership change of the Debtors would not necessarily occur, any remaining tax attributes (after taking into account any gain or loss recognized in the Asset Purchase Transaction and any reduction due to resulting COD attribute reduction) may be eliminated upon the complete liquidation of TES and, regardless, would not be available to the Reorganized Debtors (other than possibly certain of the subsidiary corporate debtors).

(a) Annual Limitation

In the event of an ownership change, the amount of the annual limitation to which a corporation (or consolidated group) that undergoes an ownership change will be subject is

generally equal to the product of (i) the fair market value of the stock of the corporation (or common parent of the consolidated group) immediately before the ownership change (with certain adjustments) multiplied by (ii) the "long term tax exempt rate" in effect for the month in which the ownership change occurs (*e.g.*, 2.60% for ownership changes occurring in October 2022). For a corporation or consolidated group (the parent of which is in bankruptcy, which would include a Continuing Group Structure only if TEC, the common parent of the Tax Group, files for bankruptcy and joins in the Plan) that undergoes an ownership change pursuant to a confirmed bankruptcy plan, the fair market value of the stock of the corporation is generally determined immediately after (rather than before) the ownership change after giving effect to the discharge of creditors' claims, but subject to certain adjustments; in no event, however, can the stock value for this purpose exceed the pre-change gross value of the corporation's assets. Any portion of the annual limitation that is not used in a given year may be carried forward, thereby adding to the annual limitation for the subsequent taxable year.

In addition, if a loss corporation (or consolidated group) has a net unrealized built-in gain at the time of an ownership change (taking into account most assets and items of "built-in" income, gain, loss and deduction), any built-in gains recognized (or, according to a currently effective IRS notice treated as recognized) during the following five years (up to the amount of the original net unrealized built-in gain) generally will increase the annual limitation in the year recognized, such that the loss corporation (or consolidated group) would be permitted to use its Pre-Change Losses against such built-in gain income in addition to its regular annual allowance. Alternatively, if a loss corporation (or consolidated group) has a net unrealized built-in loss at the time of an ownership change, then any built-in losses recognized during the following five years (up to the amount of the original net unrealized built-in loss) generally will be treated as Pre-Change Losses and similarly will be subject to the annual limitation. In general, a loss corporation's (or consolidated group's) net unrealized built-in gain or loss will be deemed to be zero unless the actual amount of such gain or loss is greater than the lesser of (1) $10,000,000.00 or (2) fifteen percent of the fair market value of its assets (with certain adjustments) before the ownership change. On September 9, 2019, the IRS issued proposed regulations that would significantly modify the calculation and treatment of net unrealized built-in gains and losses, which generally would be effective prospectively from 30 days after the time they become final, but would not apply with respect to ownership changes pursuant to chapter 11 cases filed prior to the regulations becoming effective. Thus, the proposed regulations should not apply to the Debtors unless a Continuing Group Structure is consummated after such regulations become effective and either (i) TEC does not file for bankruptcy or (ii) TEC files for bankruptcy (and thus becomes a debtor under the Plan) subsequent to the regulations becoming effective. It is expected that the Debtors will be in a net unrealized built-in gain position as of the Effective Date.

If a corporation (or consolidated group) does not continue its historic business or use a significant portion of its historic assets in a new business for at least two years after the ownership change, the annual limitation resulting from the ownership change is reduced to zero, thereby precluding any utilization of the corporation's Pre-Change Losses (absent any increases due to the recognition of any built-in gains as of the time of the ownership change).

(b) Special Bankruptcy Exception

A special bankruptcy exception to the foregoing annual limitation rules, in section 382(l)(5) of the Bankruptcy Code, generally applies when shareholders and "qualified creditors" of a debtor corporation in chapter 11 receive, in respect of their equity interests or claims (as applicable), at least fifty percent (50%) of the vote and value of the stock of the reorganized debtor (or a controlling corporation if also in chapter 11) pursuant to a confirmed chapter 11 plan of reorganization. The IRS has in private letter rulings applied this exception on a consolidated basis where the parent corporation is in bankruptcy. Under this exception, a debtor's Pre-Change Losses are not subject to the annual limitation. However, if this exception applies, the debtor's Pre-Change Losses generally will be reduced by the amount of any interest deductions claimed during the three taxable years preceding the taxable year that includes the effective date of the plan of reorganization, and during the part of the taxable year prior to and including the effective date of the plan of reorganization, in respect of all debt converted into stock in the reorganization. Also, if the reorganized debtor thereafter undergoes another "ownership change" within two years, the annual limitation with respect to such later ownership change could be zero, effectively precluding any future use of their Pre-Change Losses. A debtor that qualifies for this exception may, if it so desires, elect not to have the exception apply and instead remain subject to the annual limitation described above.

This exception will not apply if a Continuing Group Structure is implemented unless TEC (the common parent of the Tax Group) files for bankruptcy and joins in the Plan. Also, the Debtors have not otherwise determined whether or not this exception will apply in connection with the Plan. Accordingly, it is possible that the Debtors will not qualify for this exception or that the Debtors will elect not to apply this exception.

3. *Potential Asset Purchase Transaction*

If the Debtors engage in an Asset Purchase Transaction, the acquiring company is intended to be treated – and the discussion herein assumes would be treated – as purchasing in a taxable transaction all or substantially all of the assets of TES. Pursuant to an Asset Purchase Transaction, the acquiring company would be expected to obtain a new cost basis in the assets deemed acquired based on the fair market value of such assets on the Effective Date. The acquiring company would not succeed to any tax attributes of TES.

An Asset Purchase Transaction may be structured as a direct acquisition of all or a portion of the assets of TES, which in substantial part consists of equity interests in subsidiaries of TES that are treated as disregarded entities for U.S. federal income tax purposes. The purchase of such disregarded entities of TES would be treated as the acquisition of the underlying assets of such entities (which includes stock in corporate subsidiaries). Following implementation of an Asset Purchase Transaction, New Parent and its U.S. subsidiaries, inclusive of any of the acquired corporate subsidiaries of TES, would be expected to file a consolidated U.S. federal income tax return, if applicable. It is anticipated that, in the event of an Asset Purchase Transaction, the consideration for the purchase would include all of the common stock of the indirect holding company of the acquiring company (*i.e.*, the New Common Equity) and the acquiring company's constructive assumption of all of the obligations of the Debtors and the "selling" subsidiaries that are not discharged or otherwise satisfied under the Plan.

TES generally would recognize gain or loss upon the transfer in an amount equal to the difference, if any, between (i) the sum of the consideration received, including the amount of any liabilities of TES (and any subsidiaries whose assets are deemed acquired) indirectly assumed, and (ii) the tax basis in the assets deemed acquired. Based on the estimated Plan TEV, it is possible that the Asset Purchase Transaction could result in a material current cash tax liability to TES and the Tax Group after taking into account available NOL and other tax attributes. The amount of any gain or loss and resulting tax liability would be subject to audit and adjustment by the IRS or other applicable taxing authorities.

Although the Debtors expect an Asset Purchase Transaction to be treated as a taxable asset acquisition, there is no assurance that the IRS would not take a contrary position. Were the transfer of assets to the acquiring company determined to constitute a tax "reorganization" within the meaning of section 368(a) of the Tax Code, the acquiror would carry over the tax attributes of TES (in particular, its below fair market value tax basis in its assets), subject to the required attribute reduction attributable to the substantial COD incurred and other applicable limitations, including any resulting section 382 limitations.

4. *Potential Triggering of Excess Loss Account*

Within a consolidated group, a corporation's basis in the stock of a subsidiary corporation generally is (i) increased by the income of such subsidiary and any contributions to such subsidiary and (ii) decreased by any losses of such subsidiary which are used by the group and by any distributions from such subsidiary. If total net reductions exceed the parent's initial basis in the subsidiary stock, the excess is called an "excess loss account" and is treated as negative basis. The consolidated group must include the excess loss account in income upon the occurrence of certain events, such as (a) upon the deconsolidation of the subsidiary (as determined for U.S. federal income tax purposes) or (b) to the extent the subsidiary has excess COD. In general, the subsidiary's tax attributes cannot be used to offset such income. Currently, TEC has a substantial excess loss account in its stock in TES.

Deconsolidation of TES from the Tax Group would occur in a Standalone TES Structure and possibly in an Asset Purchase Transaction involving all or substantially all of the assets of TES. All members of the Tax Group during the year in which deconsolidation occurred would be jointly and severally liable. Thus, in a Standalone TES Structure or Asset Purchase Transaction, TES and the corporate debtors could be responsible for the resulting tax liability to the extent not paid by TEC. A Continuing Group Structure is not currently expected to result in the triggering of any portion of the excess loss account in the TES stock whether as a result of the incurrence of excess COD or otherwise.

C. Consequences to U.S. Holders of Allowed Unsecured Notes Claims and Allowed General Unsecured Claims

As used herein, the term "**U.S. Holder**" means a beneficial owner of Claims that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;

- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

- a trust, if a court within the United States is able to exercise primary jurisdiction over its administration and one or more U.S. persons have authority to control all of its substantial decisions, or if the trust has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

If a partnership or other entity or arrangement taxable as a partnership for U.S. federal income tax purposes holds such Claims, the tax treatment of a partner in such partnership generally will depend upon the status of the partner and the activities of the partnership. If you are a partner in such a partnership holding any such Claims, you should consult your own tax advisor.

Pursuant to the Plan, in the case of an Equitization Transaction, each holder of an Allowed Unsecured Notes Claim or Allowed General Unsecured Claim will receive, in full and final satisfaction of such Allowed Unsecured Notes Claim or Allowed General Unsecured Claim, New Common Equity and, (i) in the case of an Eligible Holder, Rights Offering Subscription Rights (consisting of 1145 Subscription Rights and 4(a)(2) Subscription Rights), or (ii) in the case of an Ineligible Holder, Rights Offering Subscription Rights (consisting of 1145 Subscription Rights), and provided such rights are exercised, additional New Common Equity or, at the option of the Requisite Consenting Parties, Cash. As discussed in Section VIII.A above ("Tax Treatment May Vary Depending on Structure of Plan"), since the consideration that would be received in a Sale Transaction by Claim Holders is not known at this time and a Sale Transaction may be structured in a manner that is similar or equivalent in tax result to an Equitization Transaction, this discussion focuses on the principal U.S. federal income tax consequences of an Equitization Transaction under the alternative structures described therein.

The discussion herein assumes unless otherwise indicated that any Rights Offering Subscription Rights are respected for U.S. federal income tax purposes as options to acquire New Common Equity, see discussion in Section VIII.C.2 below ("Rights Offering Subscription Rights").

1. *Treatment May Vary Depending on Structure*

A U.S. Holder of an Allowed Unsecured Notes Claim or an Allowed General Unsecured Claim generally will have a fully taxable transaction, with the consequences described below in "Fully Taxable Exchange Treatment," other than possibly in the event of a Standalone TES Structure.

In the case of a Standalone TES Structure, the U.S. federal income tax consequences to a U.S. Holder of an Allowed Unsecured Notes Claim will depend on whether such Claim qualifies as a "security." If such Claim so qualifies, a U.S. Holder of an Allowed Unsecured Notes Claim generally will be treated as participating in a Reorganization, with the consequences described in

Section VIII.C.1(b) below under the heading "Reorganization Treatment." The term "security" is not defined in the Tax Code or in the Treasury Regulations issued thereunder and has not been clearly defined by judicial decisions. The determination of whether a particular debt obligation constitutes a "security" depends on an overall evaluation of the nature of the debt, including whether the holder of such debt obligation is subject to a material level of entrepreneurial risk and whether a continuing proprietary interest is intended or not. One of the most significant factors considered in determining whether a particular debt obligation is a security is its original term. In general, debt obligations issued with a weighted average maturity at issuance of five (5) years or less do not constitute securities, whereas debt obligations with a weighted average maturity at issuance of ten (10) years or more constitute securities.

Each holder of an Allowed Unsecured Notes Claim or an Allowed General Unsecured Claim should consult its own tax advisor with respect to the U.S. federal income tax consequences to it based on the ultimate structure of the Plan and, if applicable, whether their Claim constitutes a security of TES for U.S. federal income tax purposes.

(a) Fully Taxable Exchange Treatment

In general, a U.S. Holder of an Allowed Unsecured Notes Claim that is subject to taxable exchange treatment or of an Allowed General Unsecured Claim will recognize gain or loss in an amount equal to the difference, if any, between (i) the sum of the aggregate fair market value of the New Common Equity and any Rights Offering Subscription Rights and the amount of any Cash received in respect of its Claim (other than any consideration received in respect of a Claim for accrued but unpaid interest and possibly accrued original issue discount ("**OID**")), and (ii) the U.S. Holder's adjusted tax basis in its Claim (other than any tax basis attributable to accrued but unpaid interest and possibly accrued OID). A U.S. Holder will have ordinary interest income to the extent of any consideration allocable to accrued but unpaid interest or accrued OID not previously included in income, unless such interest is tax-exempt for U.S. federal income tax purposes. *See* Section VIII.C.3 ("Distributions in Discharge of Accrued Interest or OID").

In the event of the subsequent disallowance of a Disputed General Unsecured Claim, it is possible that a Holder of a previously Allowed General Unsecured Claim may receive additional distributions in respect of its Claim, subject to the treatment of a portion of such distribution as interest income under the imputed interest provisions of the Tax Code. Accordingly, it is possible that the recognition of any loss realized by a Holder with respect to an Allowed General Unsecured Claim may be deferred until all Disputed General Unsecured Claims (with respect to which a previously Allowed General Unsecured Claim may receive additional distributions if Disallowed in whole or in part) are fully resolved. Alternatively, it is possible that a Holder will have additional gain in respect of any additional distributions received due to the disallowance of a Disputed General Unsecured Claim. The discussion herein assumes that the installment method does not apply, either because the exchange is not eligible or because the U.S. Holder of Allowed Unsecured Notes Claims or Allowed General Unsecured Claims elects out of such treatment.

In the event of a taxable exchange, a U.S. Holder of such an Allowed Unsecured Notes Claim or Allowed General Unsecured Claim will have an aggregate tax basis in its New Common Equity and any Rights Offering Subscription Rights received in satisfaction of its Claims equal to

their fair market value. The Holder's holding period in the New Common Equity and any Rights Offering Subscription Rights received should begin on the day following the Effective Date.

For a discussion of the receipt, exercise and lapse of the Rights Offering Subscription Rights, see Section VIII.C.2 below ("Rights Offering Subscription Rights").

(b) Reorganization Treatment

In the event of a Standalone TES Structure, the receipt of New Common Equity and other consideration, if any, in exchange for an Allowed Unsecured Notes Claim that is treated as a "security" for U.S. federal income tax purposes will qualify as a "recapitalization" for U.S. federal income tax purposes. In such event, a U.S. Holder of an Allowed Unsecured Notes Claim that is either an Eligible Holder or an Ineligible Holder that does not receive cash generally will not recognize any gain or loss upon the exchange of its Claim. A U.S. Holder of an Allowed Unsecured Notes Claim that receives cash generally will recognize any realized gain (but not loss) to the extent of the amount of any cash received in respect of its Allowed Unsecured Notes Claim (other than any cash received in respect of accrued but unpaid interest and possibly accrued OID). Such realized gain generally will equal the excess, if any, of (i) the sum of the amount of cash and the aggregate fair market value of the New Common Equity and Rights Offering Subscription Rights received in respect of its Allowed Unsecured Notes Claim (other than any consideration received in respect of accrued but unpaid interest and possibly accrued OID), over (ii) the adjusted tax basis of its Allowed Unsecured Notes Claim (other than any tax basis attributable to accrued but unpaid interest and possibly accrued OID). *See* Section VIII.C.4 below ("Character of Gain or Loss"). A U.S. Holder (whether or not receiving cash) will have interest income to the extent of any consideration allocable to accrued but unpaid interest or possibly accrued OID not previously included in income, unless such interest is tax-exempt for U.S. federal income tax purposes. *See* Section VIII.C.3 below ("Distributions in Discharge of Accrued Interest or OID").

In the event of the subsequent disallowance of a Disputed General Unsecured Claims, it is possible that a Holder of a previously Allowed Unsecured Notes Claim may receive additional distributions of New Common Equity (and any cash or other distributions thereon) in respect of its Claim, subject to the treatment of a portion of such distribution as interest income under the imputed interest provisions of the Tax Code. If a Holder receives any cash or other property in respect of its Claim due to the disallowance of a Disputed General Unsecured Claim and has a realized gain with respect to its Claim (taking into account all additional distributions), such holder should recognize the gain to the extent of such distributions of cash or other property.

In a recapitalization exchange, a U.S. Holder's aggregate tax basis in the New Common Equity and Rights Offering Subscription Rights, if applicable, should equal such U.S. Holder's adjusted tax basis in its Allowed Unsecured Notes Claim, increased by any gain or interest income recognized in the exchange, and decreased by the amount of any cash received. In general, the Holder's holding period in the New Common Equity and, if applicable, Rights Offering Subscription Rights received would include the Holder's holding period for its Claim, except to the extent issued in respect of a Claim for accrued but unpaid interest or possibly OID (or treated as imputed interest).

For a discussion of the receipt, exercise and lapse of the Rights Offering Subscription Rights, see Section VIII.C.2 below ("Rights Offering Subscription Rights").

2. *Rights Offering Subscription Rights*

The characterization of a Rights Offering Subscription Right and its subsequent exercise for U.S. federal income tax purposes – as the exercise of an option to acquire a portion of the New Common Equity or, alternatively, as an integrated transaction pursuant to which the New Common Equity is acquired directly in partial satisfaction of a U.S. Holder's Claim – is uncertain. As indicated, the discussion herein generally assumes that a Subscription Right is respected as an option to acquire New Common Equity.

Regardless of the characterization of a Subscription Right, a U.S. Holder of an Allowed Unsecured Notes Claim or Allowed General Unsecured Claim generally would not recognize any gain or loss upon the exercise of such right. A U.S. Holder's aggregate tax basis in the New Common Equity received upon exercise of a Subscription Right should be equal to the sum of (i) the amount paid for the New Common Equity and (ii) the Holder's tax basis, if any, in either (a) the Rights Offering Subscription Rights, or (b) under an integrated transaction analysis, any New Common Equity received pursuant to the exercise of a Subscription Right to the extent that they are treated as directly acquired in partial satisfaction of the Holder's Claim.

A U.S. Holder's holding period in the New Common Equity received upon exercise of a Subscription Right (that is respected as an option) generally should commence the day following the Effective Date. Under an integrated transaction analysis, in the case of Claims to which reorganization treatment applies, a U.S. Holder's holding period in the portion of New Common Equity received in respect of its Claim would be determined as described above under Section VIII.C.1(b) above ("Treatment May Vary Depending on Structure – Reorganization Treatment"), whereas the holding period for New Common Equity treated as purchased for cash should commence the day following the Effective Date.

It is uncertain whether a U.S. Holder that receives but does not exercise the Subscription Right should be treated as receiving anything of additional value in respect of its Claim. If the U.S. Holder is treated as having received a Subscription Right of value (despite its subsequent lapse), such that it obtains a tax basis in the right, the U.S. Holder generally would recognize a loss to the extent of the U.S. Holder's tax basis in the Subscription Right. In general, such loss would be a capital loss, long-term or short-term, depending upon whether the requisite holding period was satisfied (which in the case of a recapitalization exchange, even if the right goes unexercised, should include the holding period of the Allowed Unsecured Notes Claim exchanged therefor).

3. *Distributions in Discharge of Accrued Interest or OID*

In general, to the extent that any consideration received pursuant to the Plan by a U.S. Holder of a Claim is received in satisfaction of accrued interest during its holding period, such amount will be taxable to the U.S. Holder as interest income (if not previously included in the U.S. Holder's gross income or tax-exempt for U.S. federal income tax purposes). Conversely, a U.S. Holder may be able to recognize a deductible loss to the extent any accrued interest claimed or accrued OID was previously included in its gross income and is not paid in full. However, the IRS

has privately ruled that a holder of a "security" in an otherwise tax-free exchange could not claim a current loss with respect to any accrued but unpaid OID. Accordingly, it is unclear whether, in similar circumstances or by analogy, any U.S. Holder of an Unsecured Notes Claim would be required to recognize a capital loss, rather than an ordinary loss, with respect to previously included OID with respect to such Allowed Claim that is not paid in full.

Article VI.I of the Plan provides that, to the extent permitted by applicable law (as reasonably determined by the Debtors), consideration received in respect of an Allowed Claim is allocable first to the principal amount of the Claim (as determined for U.S. federal income tax purposes) and then, to the extent of any excess, to accrued and unpaid interest. There is no assurance that the IRS will respect such allocation for U.S. federal income tax purposes. U.S. Holders of Allowed Claims are urged to consult their own tax advisor regarding the allocation of consideration received under the Plan.

4. *Character of Gain or Loss*

Where gain or loss is recognized by a U.S. Holder, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the Holder, whether the Claim constitutes a capital asset in the hands of the Holder and how long it has been held, whether the Claim was acquired at a market discount, and whether and to what extent the Holder previously claimed a bad debt deduction.

A Holder that purchased its Claims from a prior Holder at a "market discount" (relative to the principal amount of the Claims at the time of acquisition) may be subject to the market discount rules of the Tax Code. A Holder that purchased its Claim from a prior holder will be considered to have purchased such Claim with "market discount" if the Holder's adjusted tax basis in its Claim (immediately after such purchase) is less than the stated redemption price of such Claim at maturity by at least a statutorily defined *de minimis* amount. Under these rules, any gain recognized on the exchange of Claims (other than in respect of a Claim for accrued but unpaid interest) generally will be treated as ordinary income to the extent of the market discount accrued (on a straight line basis or, at the election of the Holder, on a constant yield basis) during the Holder's period of ownership, unless the Holder elected to include the market discount in income as it accrued. If a Holder of Claims did not elect to include market discount in income as it accrued and, thus, under the market discount rules, was required to defer all or a portion of any deductions for interest on debt incurred or maintained to purchase or carry its Claims, such deferred amounts would become deductible at the time of the exchange.

In the case of an exchange of an Allowed Unsecured Notes Claim in a Standalone TES Structure that qualifies for reorganization treatment, the Tax Code indicates that any accrued market discount in respect of the Claim should not be currently includible in income under Treasury Regulations to be issued. Any accrued market discount that is not included in income should carry over to any nonrecognition property received in exchange therefor, *i.e.*, to the New Common Equity and, if applicable, Rights Offering Subscription Rights received. Any gain recognized by a U.S. Holder upon a subsequent disposition of such New Common Equity (including any Rights Offering Equity received upon exercise of any Rights Offering Subscription Rights) should then be treated as ordinary income to the extent of any accrued market discount not

previously included in income. To date, specific Treasury Regulations implementing this rule have not been issued.

5. *Disposition of New Common Equity by U.S. Holders*

In general, unless a nonrecognition provision applies to a future disposition, and subject to the discussion above with respect to the potential carryover of accrued market discount (*see* Section VIII.C.4 above, "Character of Gain or Loss"), U.S. Holders generally will recognize capital gain or loss upon the sale or exchange of the New Common Equity in an amount equal to the difference between (i) the Holder's adjusted tax basis in the New Common Equity held and (ii) the sum of the cash and the fair market value of any property received from such disposition. Any such gain or loss generally should be long-term capital gain or loss if the U.S. Holder's holding period for its New Common Equity is more than one year at that time. A reduced tax rate on long-term capital gain may apply to non-corporate U.S. Holders. The deductibility of capital loss is subject to significant limitations.

However, any gain recognized by a U.S. Holder upon a disposition of the New Common Equity received in exchange for its Claim in the event of a Standalone TES Structure or a Continuing Group Structure (or any stock or property received for such New Common Equity in a later tax-free exchange) generally will be treated as ordinary income for U.S. federal income tax purposes to the extent of (i) any ordinary loss deductions previously claimed as a result of the write-down of the Claim, decreased by any income (other than interest income) recognized by the U.S. Holder upon exchange of the Claim, and (ii) with respect to a cash-basis U.S. Holder and in addition to clause (i) above, any amounts which would have been included in its gross income if the Holder's Claim had been satisfied in full but which was not included by reason of the cash method of accounting.

6. *Information Reporting and Backup Withholding*

All distributions to Holders of Allowed Unsecured Notes Claims and Allowed General Unsecured Claims, under the Plan are subject to any applicable tax withholding, including backup withholding. Under U.S. federal income tax law, interest, dividends, and other reportable payments may, under certain circumstances, be subject to "backup withholding" at the then applicable withholding rate (currently 24%). Backup withholding generally applies if the U.S. Holder (i) fails to furnish its social security number or other taxpayer identification number, (ii) furnishes an incorrect taxpayer identification number, (iii) has been notified by the IRS that it is subject to backup withholding as a result of a failure to properly report interest or dividends, or (iv) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the tax identification number provided is its correct number and that it is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions. Holders are urged to consult their own tax advisors regarding the potential application of U.S. withholding taxes to the transactions contemplated under the Plan and whether any distributions to them would be subject to withholding.

The foregoing summary has been provided for informational purposes only. All Holders of Claims and Equity Interests are urged to consult their own tax advisors concerning the federal, state, local and other tax consequences applicable under the Plan.

IX.
CERTAIN RISK FACTORS TO BE CONSIDERED

Prior to voting to accept or reject the Plan, Holders of Claims and Interests should read and carefully consider the risk factors set forth below, in addition to the information set forth in this Disclosure Statement together with any attachments, exhibits, or documents incorporated by reference hereto. The factors below should not be regarded as the only risks associated with the Plan or its implementation.

A. Certain Bankruptcy Law Considerations

1. *Risks Related to Sale Transaction, Including Risk That An Eligible Alternative Restructuring May Not Be Obtained on Requisite Terms Set Forth In RSA*

The Debtors are presently soliciting votes on a Plan premised on either the Equitization Transaction or a toggle to a Sale Transaction that meets the requirements of an Eligible Alternative Restructuring. There is no assurance that there will be a qualified Third-Party Bid or that any Third-Party Bid(s), either standing alone or taken together, will be in an amount that the Debtors determine to be sufficient to justify pursuing the Sale Transaction.

Further, it is possible that during the marketing and bidding process, the Debtors may not receive any bids that propose an Eligible Alternative Restructuring on the terms and conditions set forth in the RSA. In such case, it is possible that the Debtors, in their sole discretion, may elect to pursue a Sale Transaction that does not constitute an Eligible Alternative Restructuring and, in turn, the Requisite Consenting Parties may elect to terminate the RSA. In such circumstances, the Debtors (i) will need to amend the current Plan, which could result in certain Holders of Claims and Interests receiving different distributions than those provided in the current Plan, and (ii) pursuant to the Disclosure Statement Order, shall be required to obtain Bankruptcy Court approval to re-solicit the amended Plan to some or all Voting Classes.

Additionally, and as described herein, if the Debtors do not elect to effectuate the Equitization Transaction, the Debtors may be responsible for payment of the Backstop Alternative Transaction Premium under the Backstop Commitment Letter and the TEC Minimum Recovery, which could further diminish recoveries to certain Holders of Claims and Interests.

2. *Risk of Termination of RSA*

The RSA contains certain provisions that give the parties thereto the ability to terminate the RSA or their limited joinder to the RSA pursuant to the Plan Settlements, as applicable, under various conditions. As noted above, termination of the RSA in whole or with respect to any Plan Settlement thereto could result in loss of support for the Plan by important creditor constituencies. Any loss of support could adversely affect the Debtors' ability to confirm and consummate the Plan and could result in protracted Chapter 11 Cases, which could significantly and detrimentally

impact the Company's relationships with regulators, vendors, suppliers, employees, and customers.

If any of the CAF Settlement, First Lien Non-CAF Settlement, or TEC Global Settlement are terminated pursuant to the terms of the RSA, the votes of the parties to the applicable Plan Settlement before such termination will be deemed null and void *ab initio*. In the event the Requisite Consenting Parties terminate the RSA according to its terms, (i) each vote or any consent given by any of the Consenting Parties before such termination will be deemed null and void *ab initio*; (ii) the parties to the TEC Global Settlement may elect to terminate the TEC Global Settlement; (iii) the CAF Consenting Parties may continue to support the Plan, including with respect to any Alternative Restructuring that may be implemented under the Plan as a result of the Sale Process; *provided*, that such Plan related to such Alternative Restructuring will incorporate the CAF Settlement; and (iv) the First Lien Non-CAF Consenting Parties may continue to support the Plan, including with respect to any Alternative Restructuring that may be implemented under the Plan as a result of the Sale Process; *provided*, that such Plan related to such Alternative Restructuring will incorporate the First Lien Non-CAF Settlement.

3. *Risk of Non-Confirmation of Plan*

Although the Debtors believe that the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion or that modifications to the Plan will not be required for confirmation or that such modifications would not necessitate re-solicitation of votes. Moreover, the Debtors can make no assurances that they will receive the requisite acceptances to confirm the Plan. Even if all Voting Classes vote in favor of the Plan or the requirements for "cramdown" are met with respect to any Class that rejected the Plan, the Bankruptcy Court could decline to confirm the Plan if it finds that any of the statutory requirements for confirmation are not met. If the Plan is not confirmed, it is unclear what distributions Holders of Claims or Interests ultimately would receive with respect to their Claims in a subsequent chapter 11 plan.

The Creditors' Committee contends that the Plan should not be confirmed based on the following assertions (which the Debtors dispute) by the Creditors' Committee, including: (i) the Plan Settlements are unreasonable because they would release valuable estate claims and other challenges against the Prepetition CAF Lenders, TEC, and Riverstone for no value, as raised in the Creditors' Committee's standing motions, (ii) the Plan violates the absolute priority rule set forth in section 1129(b) of the Bankruptcy Code by (a) distributing New Common Equity and Warrants to the Riverstone Settlement Recipients on account of TEC's Existing Equity Interests, (b) improperly allocating value to certain of the Debtors' equity owners before satisfying those Debtors' creditors, and (c) contemplating distributions to TEC from the Post-Sale Reserve established in the event of a Sale Transaction ahead of recoveries to unsecured creditors, (iii) the Plan provides for unequal treatment of Holders of Unsecured Notes Claims and General Unsecured Claims in connection with the Rights Offering, and (iv) the Plan contemplates unfair discrimination of the similarly situated classes of Unsecured Notes Claims and General Unsecured Claims. The Committee intends to object to the confirmation of the Plan on these grounds. The Court has set aside a portion of the Confirmation Hearing to hear evidence regarding the Plan Settlements. The Debtors disagree with the foregoing assertions and reserve all of their rights with respect thereto.

Nothing in this Disclosure Statement shall prejudice or waive the rights of any party with respect to the classification, treatment, impairment of any claims should this Plan not be confirmed.

4. *Risk of Non-Consensual Confirmation and Conversion into Chapter 7 Cases*

If any impaired Class of Claims or Interests does not accept or is deemed not to accept a plan, a bankruptcy court may nevertheless confirm such plan at the proponent's request if at least one impaired class has voted to accept the plan (with such acceptance being determined without including the vote of any "insider" in such class), and as to each impaired class that has not accepted the plan, the bankruptcy court determines that the plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting impaired classes. If any Class votes to reject the Plan, then these requirements must be satisfied with respect to such rejecting Classes. The Debtors believe that the Plan satisfies these requirements.

If no plan can be confirmed, or if the Bankruptcy Court otherwise finds that it would be in the best interest of Holders of Claims, the Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be appointed or elected to liquidate the Debtors' assets for distribution in accordance with the priorities established by the Bankruptcy Code. *See* Section XI.C hereof, as well as the liquidation analysis attached hereto as **Exhibit D** (the "**Liquidation Analysis**"), for a discussion of the effects that a chapter 7 liquidation would have on the recoveries of Holders of Claims and Interests.

5. *Risk of Non-Occurrence of Effective Date*

Although the Debtors believe that the Effective Date will occur and that there is not a material risk that the Debtors will be unable to obtain all necessary governmental approvals (including any regulatory approval from the NRC, FERC and other relevant regulatory bodies), there can be no assurance as to the timing or occurrence of the Effective Date. If the conditions precedent to the Effective Date set forth in the Plan have not occurred or have not been waived as set forth in Article IX.B of the Plan, then the Confirmation Order may be vacated, in which event no distributions would be made under the Plan, none of the transactions set forth in Article IV of the Plan shall have been consummated, the Debtors and all Holders of Claims or Interests would be restored to the status quo as of the day immediately preceding the Confirmation Date, and the Debtors' obligations with respect to Claims and Interests would remain unchanged.

6. *Risks Related to Possible Objections to Plan*

There is a risk that certain parties could oppose and object to either the entirety of the Plan or specific provisions of the Plan. Although the Debtors believe that the Plan complies with all relevant provisions of the Bankruptcy Code and other applicable law, there can be no guarantee that a party in interest will not file an objection to the Plan or that the Bankruptcy Court will not sustain such an objection.

7. *Parties in Interest May Object to Plan's Classification of Claims and Interests*

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an equity interest in a particular class only if such claim or equity interest is substantially similar to the other claims or equity interests in such class. The Debtors believe that the classification of the Claims

and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code because the Debtors created Classes of Claims and Interests each encompassing Claims or Interests, as applicable, that are substantially similar to the other Claims or Interests, as applicable, in each such Class. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

8. *Releases, Injunctions, and Exculpations Provisions May Not Be Approved*

Article VIII of the Plan provides for certain releases, injunctions, and exculpations, for Claims and Causes of Action that may otherwise be asserted against the Debtors, the Reorganized Debtors, the Exculpated Parties, and the Released Parties, as applicable. The releases, injunctions, and exculpations provided in the Plan are subject to objection by parties in interest and may not be approved. If the releases and exculpations are not approved, certain parties may not be considered Releasing Parties, Released Parties, or Exculpated Parties, and certain Released Parties or Exculpated Parties may withdraw their support for the Plan.

B. Additional Factors Affecting Value of Reorganized Debtors

1. *Financial Projections and Other Forward-Looking Statements Are Not Assured, and Actual Results May Vary*

The Debtors and their advisors have prepared financial projections on a consolidated basis with respect to the Reorganized Debtors (the "**Financial Projections**") based on certain assumptions. The Financial Projections, and the assumptions on which they are based, are attached hereto as **Exhibit E**. The Financial Projections have not been compiled, audited, or examined by independent accountants, and neither the Debtors nor their advisors make any representations or warranties regarding the accuracy of the projections or the ability to achieve forecasted results.

Certain of the information contained in this Disclosure Statement is, by nature, forward-looking, and contains (i) estimates and assumptions which might ultimately prove to be incorrect and (ii) projections which may be materially different from actual future experiences. There are uncertainties associated with any projections and estimates, and they should not be considered assurances or guarantees of the amount of funds or the amount of Claims in the various Classes that might be allowed.

Many of the assumptions underlying the Financial Projections are subject to significant uncertainties that are beyond the control of the Debtors or Reorganized Debtors, including the timing, confirmation, and consummation of the Plan, natural gas prices, inflation, and other unanticipated market, political, and economic conditions. Some assumptions may not materialize, and unanticipated events and circumstances may affect the actual results. Projections are inherently subject to substantial and numerous uncertainties and to a wide variety of significant business, regulatory, economic, and competitive risks, and the assumptions underlying the projections may be inaccurate in material respects. In addition, unanticipated events and circumstances occurring after the approval of this Disclosure Statement by the Bankruptcy Court including any natural disasters, terrorist attacks, global political unrest, or health epidemics may affect the actual financial results achieved. Such results may vary significantly from the forecasts and such variations may be material.

2. *Risks Associated with Operating Debtors' Business in Bankruptcy*

The risks associated with the Debtors' operating their business during the pendency of the Chapter 11 Cases include, but are not limited to, the following:

- risk and uncertainties relating to the effects of disruption from the Chapter 11 Cases making it more difficult to maintain business and operational relationships, to retain key executives and to maintain various licenses and approvals necessary for the Debtors to conduct their businesses;

- risk and uncertainties relating to the ability to complete definitive documentation in connection with any financing and the amount, terms and conditions of any such financing;

- risk and uncertainties relating to the Debtors' ability to obtain requisite support for the Plan from various stakeholders and the Debtors' ability to confirm and consummate the Plan;

- risks and uncertainties relating to restrictions on Debtors' ability to pursue their business strategies during the Chapter 11 Cases, including limitations on their ability to transact business outside of the ordinary course of business without obtaining Bankruptcy Court approval and limitations on their continued investments in Cumulus Growth; and

- risk and uncertainties relating to the Debtors' ability to obtain Bankruptcy Court approval with respect to motions filed in the Chapter 11 Cases from time to time.

3. *Risks Associated with Debtors' Business and Industry*

The risks associated with the Debtors' business and industry include, but are not limited to, the following:

- risk and uncertainties relating to events outside of the Debtors' control, including an epidemic or outbreak of an infectious disease, such as the novel coronavirus (COVID-19) pandemic crisis, and the potential material and adverse effects on the Debtors' operations, financial condition and cash flow due to (i) declines in demand for power as a result of governmental restrictions on travel, transportation and operations; (ii) volatility in the price of power due to lower natural gas production and volatile natural gas pricing; (iii) delay in the permitting process of certain projects in development; (iv) delay and disruption in availability and timely delivery of materials and components used in the Debtors' operations; and (v) negative impacts on health, availability, and productivity of employees,

- social unrest and political instability, particularly in major oil and natural gas producing regions outside the United States, such as the Middle East, and terrorist attacks or armed conflict, whether or not in oil or natural gas producing regions;

- the potential effects of the Ukraine and Russia conflict and attendant sanctions imposed on Russia, including, supply chain disruptions, and disruptions in oil and natural gas production and the supply of nuclear fuel;

- the effects of extreme natural gas and power price volatility on the Debtors' energy margin and hedging strategy;

- the effects of coal price fluctuations on the Debtors' energy margin and of the availability of coal for electric generation;

- the Debtors' ability to secure coal at the volumes necessary to satisfy their operational needs;

- technological advances affecting energy consumption;

- increases in the supply of electricity due to new power generation capacity, including new combined cycle gas and renewable power generation;

- the future level of operating and capital costs;

- the Debtors' ability to generate sufficient cash flow in order to fund operations, debt service obligations and working capital requirements due to macroeconomic factors, such as a sustained period of low natural gas and (or) power prices in the markets in which the Debtors' operate, decreases in demand for electricity, a slowdown in the U.S. economy (including as a result of the COVID-19 pandemic), extended periods of moderate weather or broad increases in energy efficiency;

- risks relating to small number of suppliers for certain of the Debtors' business needs;

- the ability to obtain necessary governmental approvals for proposed projects and to successfully construct and operate such projects;

- actions by credit ratings agencies, including potential downgrades;

- credit and performance risk of lenders, trading counterparties, customers, vendors, and suppliers;

- hazards related to the Debtors' power generation operations, including risk of equipment failure, accidents, terrorism and cyber terrorism attacks, natural disasters, extreme weather conditions, unplanned outages, fire, and security breaches;

- developments in power-transmission infrastructure, including supply disruptions, unplanned outages and transmission disruptions, congestion, constraints or inefficiencies;

- risks associated with the Debtors' nuclear facility including: (i) the safe operation of, and unscheduled outages, at the facility; (ii) the availability and cost of nuclear fuel and fuel-related components; (iii) increased nuclear industry security, safety and regulatory requirements; and (iv) the substantial uncertainty regarding the temporary storage and permanent disposal of spent nuclear fuel;

- risk that a significant safety or other hazardous incident could negatively impact ability to attract and retain customers;

- risk of direct financial impact attributable to a significant safety or other hazardous incident;

- general economic and weather conditions in geographic regions or markets served, or where operations are located, including the risk of a global recession and potential impacts on power prices;

- operational risks associated with the Debtors' aging fossil-fueled generation facility portfolio, including: (i) managing its useful lives; (ii) unscheduled outages and the effects of extreme weather, such as the freezing of operational plant and equipment components; (iii) potential disruptions in fuel supply for our generation facilities, including unavailable rail or pipeline capacity, and the unavailability of chemicals and (or) sorbents required for environmental regulation compliance; (iv) potential disruptions in our materials supply chains from regulations affecting the use of imported materials; and (v) increased state and federal regulation;

- risk and uncertainties relating to industry changes and technological developments; and

- the uncertainties associated with governmental regulation, including any legislative and regulatory developments or potential changes in federal and state tax laws and regulations.

4. *Employees*

So long as the proceedings related to the Chapter 11 Cases continue, senior management will be required to spend a significant amount of time and effort dealing with the reorganization instead of focusing exclusively on the business operations at the Company. A prolonged period in chapter 11 also may make it more difficult to retain management and other key personnel necessary to the success and growth of the business. Because competition for experienced personnel can be significant, the Debtors may be unable to find acceptable replacements with comparable skills and experience and the loss of such key personnel could adversely affect the Debtors' ability to operate the business. A loss of key personnel or material erosion of employee morale could have a material adverse effect on Debtors' business and the results of operations.

The Debtors' businesses are labor-intensive, and unions represent more than 800 full-time employees working for the Debtors. A strike or other form of significant work disruption by the Debtors' employees would likely have an adverse effect on their ability to operate their businesses

and could result in reduced power generation or outages. In addition, the Debtors' inability to negotiate future collective bargaining agreements on favorable terms could have a material adverse effect on the Debtors' business, financial condition and results of operations.

5. *Debtors' Business is Subject to Various Laws and Regulations that Can Adversely Affect the Cost, Manner, or Feasibility of Doing Business*

The Debtors' operations are subject to various federal, state and local laws and regulations, including, but not limited to, occupational health and safety laws and certain regulatory, environmental and licensing requirements, including NRC, FERC, and EPA regulations. The Debtor may be required to make large expenditures to comply with such regulations. Failure to comply with these laws and regulations may result in the suspension or termination of operations and subject the Debtors to administrative, civil and criminal penalties, which could have a material adverse effect on the business, financial condition, results of operations at some or all of the Debtors' Energy Plants, and cash flows of the Reorganized Debtors. While the Debtors expect to remain in compliance with all applicable laws and regulations, the Debtors may not be in complete compliance with these laws and permits at all times and any related violations could result in governmental fines or other sanctions, some of which could be material.

6. *Environmental Risks*

Certain of the Debtors' operations expose the Debtors to the risk of environmental liabilities due to leakage, migration, emission, releases or spills of hazardous substances to the air, surface or subsurface soils, surface water or groundwater that could have a material adverse effect on the Debtors' business. For example, the Debtors may be liable for the costs of clean-up of contamination at current or former facilities, as well as sites at which the Debtors or their predecessors disposed of waste. The Debtors could be liable even if they did not know about or cause the contamination, and even if the practices that resulted in the contamination were legal when they occurred. In addition, claims for damages to persons or property, including natural resources, may result from the environmental, health and safety impacts of the Debtors' operations. Thus, the Debtors cannot assure that costs of complying with current and future environmental and health and safety laws, and their liabilities arising from past or future releases of, or exposure to, hazardous substances, will not adversely affect their financial condition.

7. *Hedging Risks*

The Debtors have historically engaged in Hedging Activities to mitigate their exposure to risks related to commodity prices and volumes, power prices and volumes, and interest rates. The Debtors do not engage in speculative derivatives. As described in detail in the Hedging Motion, the Debtors have a number of protections in place to limit the risks associated with such Hedging Activities and to ensure that such activities are in the best interests of the Debtors, such as (i) oversight by the Risk Management Committee (as defined in the Hedging Motion), (ii) an approval process involving the Debtors' Chief Financial Officer and Senior Vice President of Commercial, and (iii) risk limits set forth in the Debtors' Risk Management Policy (as defined in the Hedging Motion). In spite of these protections, it is possible that volatility in the market and counterparty risk could result in financial losses to the Debtors or Reorganized Debtors under their hedging program.

At any given time, the Debtors typically seek to hedge approximately 70–75% of their projected power generation over the subsequent 12 months. If the Debtors are unable to reach their hedging target, the Debtors will be significantly exposed to market price volatility. There is no assurance, however, that the Debtors will have sufficient liquidity or that the Debtors will be able to negotiate Hedging Agreements with enough hedging counterparties to reach their hedging target. The Debtors' Hedging Agreements may be subject to termination prior to expiration in certain circumstances, including default. When a Hedging Agreement expires or is terminated, it may be difficult for the Debtors to secure a new hedge on acceptable terms or timing, if at all. Furthermore, there is no assurance that the target level of hedging will be sufficient to mitigate the Debtors' exposure to market volatility and other commercial risks.

8. *Risks Associated with TES' Investment in Cumulus*

As described in Section IV.B above, TES has made a sizeable investment in Cumulus, and in particular, in the Cumulus Data Project and Cumulus Coin Project. While the Debtors believe that these projects are commercially viable, no assurance can be provided that the projects will be able to obtain the requisite capital resources or that the projects will be successfully completed. There are risks inherent in these investments, including risks and uncertainties related to the Debtors' ability to successfully execute on their energy infrastructure transition plan, including development of the Cumulus Data Project and Cumulus Coin Project and the other Cumulus renewable energy, cryptocurrency mining and battery storage projects, and their efforts to repower facilities to run on alternate fuel sources. Furthermore, some of the Cumulus entities are joint ventures with third parties and it is possible that the Company may not be able to obtain agreement among the joint venture partners related to certain management decisions and/or the joint venture partners may be unable to meet their funding obligations.

The Cumulus Term Sheet contains certain provisions that give the parties the ability to terminate the Cumulus Term Sheet if various conditions are not satisfied, including if any party thereto fails to meet its agreed funding obligations or if the RSA Fifth Amendment is terminated. Termination of the Cumulus Term Sheet may affect the Company's ability to fund and complete the Cumulus projects. Further, if the Cumulus Term Sheet is terminated due to a breach by TES, the governance and consent rights granted to TES under the Cumulus Term Sheet and the Cumulus Definitive Documentation will revert to the governance and consent rights in effect prior to execution of the Cumulus Term Sheet.

Additionally, as described in Section IV.F.4(a) above, TES has issued $50 million in Orion Support LCs in support of Cumulus Digital's obligations under the Orion Facility. A default by Cumulus Digital or its subsidiaries under the Orion Facility could result in a draw by Orion of the Orion Support LCs.

9. *Reorganized Debtors May Be Adversely Affected by Pending or Future Litigation, Including Litigation Arising Out of Chapter 11 Cases*

There is, or may be in the future, certain litigation that could result in a material judgment against the Debtors or the Reorganized Debtors. In general, litigation can be expensive and time consuming to bring or defend against. Such litigation could result in settlements or damages that could significantly affect the Reorganized Debtors' financial results. It is also possible that certain

parties will commence litigation with respect to the treatment of their Claims under the Plan. It is not possible to predict the potential litigation that the Reorganized Debtors, may become party to, nor the final resolution of such litigation. The impact of any such litigation on the Reorganized Debtors' business and financial stability could be material.

The Debtors are currently subject to a number of prepetition lawsuits. In addition to the PPL Litigation, Montana Hydroelectric Litigation, Pension Litigation, Colstrip-Related Matters, and Kinder Morgan Litigation described in Section VI.J through Section VI.M herein, the Debtors are also subject to the Winter Storm Uri Litigation as described below. At this time, the Debtors cannot predict the outcome of the prepetition lawsuits or their effect on the Debtors; however, a material adverse judgment could have an adverse effect on the Debtors' operations and liquidity.

Winter Storm Uri Litigation. Beginning in March 2021, subsidiaries of Talen Texas—Barney Davis, LLC, Laredo, LLC, and Nueces Bay—were sued in multiple Texas state courts along with hundreds of other electric power generation companies (the "**Generator Defendants**"), natural gas companies, and power transmission and distribution utilities. In these suits, the plaintiffs allege, among other things, that they suffered loss due to the defendants' failure to prepare their facilities to withstand extreme winter weather and due to defendants' other operational failure during Winter Storm Uri. The litigation has been consolidated into one multidistrict litigation in Texas state court, and five bellwether cases are currently proceeding. On July 18, 2022, certain of the Generator Defendants in each of the bellwether cases filed motions to dismiss the bellwether cases.

Due to the commencement of the Chapter 11 Cases, certain of the Talen Debtors filed notices in each of the suits on May 10, 2022, reflecting that the proceedings are automatically stayed pursuant to section 362(a) of the Bankruptcy Code. As a result, the Debtors were non-suited and dismissed, without prejudice, by the plaintiffs in each of the five bellwether cases. At this time, the Debtors cannot predict the outcome of the Winter Storm Uri Litigation or its effect on the Debtors; however, a material adverse judgment could have an adverse effect on the Debtors' operations and liquidity.

As of the date hereof, over 35,464 Proofs of Claim had been filed against the Debtors in connection with the Winter Storm Uri Litigation (the "**Winter Storm Uri Claims**"), including 33,690 tort claims and 1,774 subrogation claims. The Debtors dispute liability with respect to the Winter Storm Uri Claims and reserve all rights and defenses with respect thereto. To the extent the Winter Storm Uri Claims become Allowed, such Claims would constitute General Unsecured Claims in Class 5 and Holders of such Claims would receive treatment in accordance with Article III.B.6 of the Plan. The Debtors believe that all or certain of the Claims may be covered by its insurance policies and have provided notice of the Winter Storm Uri Litigation to its insurance carriers; at least one such insurance carrier has disputed coverage.

10. *Claims Could Be More than Projected*

There can be no assurance that the Allowed amount of Claims in Class 5 (General Unsecured Claims) will not be significantly more than projected, which, in turn could cause the value of distributions to be reduced substantially. In particular, with respect to claims related to the prepetition lawsuits, all unliquidated Claim amounts have been estimated at zero dollars ($0)

for recovery purposes under the Plan and this Disclosure Statement. There is a risk that such prepetition lawsuits may either be settled or estimated at amounts greater than the projected amounts. Therefore, the actual amount of Allowed Claims may vary from the Debtor's analysis, and the impact to recoveries in Class 5 (General Unsecured Claims) may be material.

11. *DIP Facilities*

The DIP Facilities are intended to provide liquidity to the Debtors during the pendency of the Chapter 11 Cases. If, among other reasons, (i) the Debtors fall out of compliance with the covenants and other terms and conditions of the DIP Facilities or (ii) the Chapter 11 Cases takes longer than expected to conclude, the Debtors may exhaust or lose access to their financing. There is no assurance that they will be able to obtain additional financing from their existing lenders or otherwise. In either such case, the liquidity necessary to administer the Chapter 11 Cases may be materially impaired.

12. *Post-Effective Date Indebtedness*

Following the Effective Date, in the case of an Equitization Transaction, the Reorganized Debtors expect to have outstanding principal indebtedness of approximately $1.83 billion,[50] assuming a projected Effective Date on or around June 30, 2023.

The Reorganized Debtors' ability to service their debt obligations will depend on, among other things, the Reorganized Debtors' compliance with affirmative and negative covenants, and the Company's future operating performance, which depends partly on economic, financial, competitive, and other factors beyond the Reorganized Debtors' control. The Reorganized Debtors may not be able to generate sufficient cash from operations to meet their debt service obligations as well as fund necessary capital expenditures. In addition, if the Reorganized Debtors need to refinance their debt, obtain additional financing, or sell assets or equity, they may not be able to do so on commercially reasonable terms, if at all.

C. Factors Relating to Securities to Be Issued Under Plan, Generally

1. *No Current Public Market for Securities*

There is currently no market for the New Common Equity and there can be no assurance as to the development or liquidity of any market for any such securities. The Reorganized Debtors are under no obligation to list any securities on any national securities exchange. The New Common Equity issuable other than under section 1145 of the Bankruptcy Code will not be issued through the Depository Trust Company. Therefore, there can be no assurance that any of the foregoing securities will be tradable or liquid at any time after the Effective Date. If a trading market does not develop or is not maintained, holders of the foregoing securities may experience difficulty in reselling such securities or may be unable to sell them at all. Even if such a market were to exist, such securities likely will trade at prices higher or lower than the estimated value set forth in this Disclosure Statement depending upon many factors including, without limitation,

[50] The outstanding principal indebtedness excludes the Orion Financing, as defined in Exhibit E.

prevailing interest rates, markets for similar securities, industry conditions, and the performance of, and investor expectations for, the Reorganized Debtors.

2. *Potential Dilution*

The ownership percentage represented by the New Common Equity distributed on the Effective Date under the Plan will be subject to dilution from the Rights Offering, the Backstop Periodic Premium, the Backstop Put Premium, the Retail PPA Incentive Equity, the New Warrants Equity, the Employee Equity Incentive Plan, any other shares that may be issued in connection with the Plan or post-emergence, and the conversion of any options, warrants, convertible securities, exercisable securities, or other securities that may be issued post-emergence. In the future, similar to all companies, additional equity financings or other share issuances by the Reorganized Debtors could adversely affect the value of the issuable securities upon such conversion. The amount and dilutive effect of any of the foregoing could be material.

The Plan provides for an Employee Equity Incentive Plan, pursuant to which 12% of the New Common Equity will be reserved for employees of the Reorganized Debtors. The reserved equity under the Employee Equity Incentive Plan will be allocated as follows: (i) 8.0% reserved for the Chief Executive Officer (the "**CEO**") of the Reorganized Debtors, the CEO's direct reports, and certain other employees of the Reorganized Debtors; (ii) 2.0% reserved for plant level employees of the Reorganized Debtors, including plant union employees; and (iii) 2.0% reserved for employees who join the Reorganized Debtors after the Effective Date, recruiting of key talent-to-value roles, and succession planning. The specific terms and conditions of the Employee Equity Incentive Plan will be set forth in the Plan Supplement to the extent agreed between the Debtors and the Required Consenting Parties as of such date, and to the extent any terms are not included in the Plan Supplement, those terms will be determined by the Reorganized Board.

3. *Significant Holders of New Common Equity*

Certain Holders of Unsecured Notes Claims are expected to acquire a significant ownership interest in the New Common Equity issued pursuant to the Plan. These Holders may, among other things, exercise a controlling influence over the business and affairs of the Reorganized Debtors and have significant influence over the election of directors and the approval of significant mergers and other material corporate transactions. The interests of these Holders may not be aligned with those of other stockholders.

4. *New Common Equity Subordinated to Reorganized Debtors' Indebtedness*

In any subsequent liquidation, dissolution, or winding up of the Reorganized Debtors, the New Common Equity would rank below all debt claims against the Reorganized Debtors. As a result, Holders of the New Common Equity will not be entitled to receive any payment or other distribution of assets upon the liquidation, dissolution, or winding up of the Reorganized Debtors until after all applicable Holders of debt have been paid in full.

5. *Dividends*

The Reorganized Debtors may not pay any dividends on the New Common Equity. In such circumstances, the success of an investment in the Reorganized Debtors will depend entirely upon

any future appreciation in the value of the New Common Equity. There is, however, no guarantee that the New Common Equity will appreciate in value or even maintain its initial implied valuation.

6. *Restrictions on Ability to Resell New Common Equity*

The New Common Equity will not be registered under applicable federal or state securities law. Absent such registration, the New Common Equity may be offered and sold only in transactions that are not subject to, or that are exempt from, the registration requirements of applicable securities laws. Certain of these restrictions could significantly limit holders' ability to resell the New Common Equity. For a discussion of transfer restrictions on the New Common Equity under applicable federal or state securities law, see Section VII of this Disclosure Statement.

D. Risks Related to Rights Offering and Exit Facilities

1. *Debtors Could Modify Rights Offering Procedures*

The Debtors may modify the Rights Offering Procedures, with the approval of the Requisite Backstop Commitment Parties, to, among other things, adopt additional detailed procedures if necessary to administer the distribution and exercise of Rights Offering Subscription Rights or to comply with applicable law. Such modifications may adversely affect the rights of those participating in the Rights Offering.

2. *Backstop Commitment Letter Could Be Terminated*

The Backstop Commitment Letter contains certain provisions that give the parties the ability to terminate the Backstop Commitment Letter if various conditions are not satisfied. Termination of the Backstop Commitment Letter could prevent the Debtors from consummating the Plan. Under certain conditions in connection with the termination of the Backstop Commitment Letter, as more fully described therein, the Backstop Parties may be eligible to be paid the Backstop Alternative Transaction Premium.

3. *Debtors May Not Secure Exit Facilities*

Although the Debtors expect to secure the necessary commitments to provide the Exit Facilities prior to the Effective Date, the Debtors have not yet finalized the terms of the Exit Facilities and cannot guarantee that such commitments will be secured prior to the Confirmation Hearing. Failure to secure such commitments could prevent the Debtors from consummating the Plan and the transactions contemplated thereby.

E. Additional Factors

1. *Debtors Could Withdraw Plan*

Subject to the terms of, and without prejudice to, the rights of any party to the RSA, the Plan may be revoked or withdrawn prior to the Confirmation Date by the Debtors.

2. *Debtors Have No Duty to Update*

The statements contained in this Disclosure Statement are made by the Debtors as of the date hereof, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has been no change in the information set forth herein since that date. The Debtors have no duty to update this Disclosure Statement unless otherwise ordered to do so by the Bankruptcy Court.

3. *No Representations Outside Disclosure Statement Are Authorized*

No representations concerning or related to the Debtors, the Chapter 11 Cases, or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan that are other than those contained in, or included with, this Disclosure Statement should not be relied upon in making the decision to accept or reject the Plan.

4. *No Legal or Tax Advice Is Provided by Disclosure Statement*

The contents of this Disclosure Statement should not be construed as legal, business, or tax advice. Each Claim or Interest holder should consult their own legal counsel and accountant as to legal, tax, and other matters concerning their Claim or Interest.

This Disclosure Statement is not legal advice to you. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to Confirmation of the Plan.

5. *No Admission Made*

Nothing contained herein or in the Plan will constitute an admission of, or will be deemed evidence of, the tax or other legal effects of the Plan on the Debtors, or the Company more generally, or Holders of Claims or Interests.

6. *Certain Tax Consequences*

For a discussion of certain tax considerations to the Company and certain Holders of Claims in connection with the implementation of the Plan, see Section VIII hereof.

X.
CONFIRMATION OF PLAN

A. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court to hold a confirmation hearing upon appropriate notice to all required parties. In a motion filed contemporaneously with the filing of this Disclosure Statement, the Debtors have requested that the Bankruptcy Court schedule the Confirmation Hearing. Notice of the Confirmation Hearing will be provided to all known creditors and equity holders or their representatives. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without

further notice except for the announcement of the continuation date made at the Confirmation Hearing, at any subsequent continued Confirmation Hearing, or pursuant to a notice filed on the docket for the Chapter 11 Cases.

B. Objections to Confirmation

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to the confirmation of a plan. Any objection to Confirmation of the Plan must be in writing, must conform to the Bankruptcy Rules and the Bankruptcy Local Rules, must set forth the name of the objector, the nature and amount of the Claims held or asserted by the objector against the Debtors' Estates or properties, the basis for the objection and the specific grounds therefore, and must be filed with the Bankruptcy Court, together with proof of service thereof. The following parties may be served at the below addresses.

(a) **Debtors** at:
Talen Energy Supply, LLC
1780 Hughes Landing Boulevard, Suite 800
The Woodlands, Texas 77380
Attn: Andrew M. Wright, General Counsel; and
Leonard LoBiondo, Executive VP of Restructuring
Email: andrew.wright@talenenergy.com
leonard.lobiondo@talenenergy.com

(b) **Office of the U.S. Trustee** at:
Office of the U.S. Trustee for the Southern District of Texas
515 Rusk Street, Suite 3516
Houston, Texas 77002
Attn: Jana Smith Whitworth
Hector Duran
C. Ross Travis
Email: jana.whitworth@usdoj.gov
hector.duran.jr@usdoj.gov
c.ross.travis@usdoj.gov

(c) **Counsel to the Debtors** at:
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- and-

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(i) **Counsel to the Creditors' Committee** at:
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efleck@milbank.com
mbrod@milbank.com

UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

C. Requirements for Confirmation of Plan

1. *Requirements of Section 1129(a) of Bankruptcy Code*

(a) General Requirements.

At the Confirmation Hearing, the Bankruptcy Court will determine whether the confirmation requirements specified in section 1129(a) of the Bankruptcy Code have been satisfied including, without limitation, whether:

(i) the Plan complies with the applicable provisions of the Bankruptcy Code;

(ii) the Debtors have complied with the applicable provisions of the Bankruptcy Code;

(iii) the Plan has been proposed in good faith and not by any means forbidden by law;

(iv) any payment made or promised by the Debtors or by a person issuing securities or acquiring property under the Plan, for services or for costs and expenses in or in connection with the Chapter 11 Cases, or in connection with the Plan and incident to the Chapter 11 Cases, has been disclosed to the Bankruptcy Court, and any such payment made before Confirmation of the Plan is reasonable, or if such payment is to be fixed after Confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable;

(v) the Debtors have disclosed the identity and affiliations of any individual proposed to serve, after Confirmation of the Plan, as a director or officer of the Reorganized Debtors, and the appointment to, or continuance in, such office of such individual is consistent with the interests of the Holders of Claims and Interests and with public policy, and the Debtors have disclosed the identity of any insider who will be employed or retained by the Reorganized Debtors, and the nature of any compensation for such insider;

(vi) with respect to each Class of Claims or Interests, each holder of an impaired Claim or impaired Interest has either accepted the Plan or will receive or retain under the Plan, on account of such holder's Claim or Interest, property of a value, as of the Effective Date of the Plan, that is not less than the amount such holder would receive or retain if the Debtors were liquidated on the Effective Date of the Plan under chapter 7 of the Bankruptcy Code;

(vii) except to the extent the Plan meets the requirements of section 1129(b) of the Bankruptcy Code (as discussed further below), each Class of Claims either accepted the Plan or is not impaired under the Plan;

(viii) except to the extent that the holder of a particular Claim has agreed to a different treatment of such Claim, the Plan provides that administrative expenses and priority Claims, other than Priority Tax Claims, will be paid in full on the Effective Date, and that Priority Tax Claims will receive either payment in full on the Effective Date or deferred cash payments over a period not exceeding five years after the Petition Date, of a value, as of the Effective Date of the Plan, equal to the Allowed amount of such Claims;

(ix) at least one Class of impaired Claims has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim in such Class;

(x) Confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successor to the Debtors under the Plan; and

(xi) all fees payable under section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, have been paid or the Plan provides for the payment of all such fees on the Effective Date of the Plan.

(b) Best Interests Test

As noted above, with respect to each impaired class of claims and interests, confirmation of a plan requires that each such holder either (i) accept the plan or (ii) receive or retain under the plan property of a value, as of the effective date of the plan, that is not less than the value such Holder would receive or retain if the debtors were liquidated under chapter 7 of the Bankruptcy Code. This requirement is referred to as the "best interests" test.

This test requires a Bankruptcy Court to determine what the holders of allowed claims and allowed interests in each impaired class would receive from a liquidation of the debtor's assets and properties in the context of a liquidation under chapter 7 of the Bankruptcy Code. To determine if a plan is in the best interests of each impaired class, the value of the distributions from the proceeds of the liquidation of the debtor's assets and properties (after subtracting the amounts attributable to the aforesaid claims) is then compared with the value offered to such classes of claims and interests under the plan.

The Debtors believe that under the Plan, all Holders of Impaired Claims and Interests will receive property with a value not less than the value such Holder would receive in a liquidation under chapter 7 of the Bankruptcy Code. The Debtors' belief is based primarily on (i) consideration of the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to Holders of Impaired Claims and Interests and (ii) the Liquidation Analysis, which is attached hereto as **Exhibit D**.

The Debtors believe that any liquidation analysis is speculative, as it is necessarily premised on assumptions and estimates which are inherently subject to significant uncertainties and contingencies, many of which would be beyond the control of the Debtors. The Liquidation Analysis is solely for the purpose of disclosing to Holders of Claims and Interests the estimated effects of a hypothetical chapter 7 liquidation of the Debtors, subject to the assumptions set forth therein. There can be no assurance as to values that would actually be realized in a chapter 7 liquidation nor can there be any assurance that the Bankruptcy Court will accept the Debtors' conclusions or concur with such assumptions in making its determinations under section 1129(a)(7) of the Bankruptcy Code.

(c) Feasibility

Also as noted above, section 1129(a)(11) of the Bankruptcy Code requires that a debtor demonstrate that confirmation of a plan is not likely to be followed by liquidation or the need for further financial reorganization. For purposes of determining whether the Plan meets this requirement, the Debtors have analyzed their ability to meet their obligations under the Plan.

Based upon the analysis conducted to date, the Debtors believe they will have sufficient resources to make all payments required pursuant to the Plan and that Confirmation of the Plan is

not likely to be followed by liquidation or the need for further reorganization of the Reorganized Debtors or any successor under the Plan.

The Debtors and their advisors have also prepared the Financial Projections, which are attached hereto as **Exhibit E**. Moreover, Section IX hereof sets forth certain risk factors that could impact the feasibility of the Plan.

The Debtors do not, as a matter of course, publish their business plans or strategies, projections or anticipated financial position. Accordingly, the Debtors do not anticipate that they will, and disclaim any obligation to, furnish updated business plans or Financial Projections to parties in interest after the Confirmation Date. In connection with the planning and development of the Plan, the Financial Projections are being prepared by the Debtors, with the assistance of their professionals, to present the anticipated impact of the Plan. The Financial Projections will assume that the Plan will be implemented in accordance with its stated terms. The Financial Projections will be based on forecasts of key economic variables and may be significantly impacted by, among other factors, natural gas prices, electricity prices, expectations regarding future commodity prices, fuel supply costs and availability, volatility in market demand and prices for energy, regulatory changes, and a variety of other factors. Consequently, the estimates and assumptions underlying the Financial Projections are inherently uncertain and are subject to material business, economic, and other uncertainties. Therefore, such Financial Projections, estimates, and assumptions are not necessarily indicative of current values or future performance, which may be significantly less or more favorable than set forth herein.

The Financial Projections should be read in conjunction with the assumptions, qualifications, and explanations set forth in this Disclosure Statement, the Plan, and the Plan Supplement, in their entirety.

(d) Value

The key feature of the Equitization Transaction is the equity investment to be provided under the terms of the Backstop Commitment Letter. The terms of the Backstop Commitment Letter were negotiated based upon a $4.5 billion total enterprise value (the "**Plan Enterprise Value**"). The Debtors and Evercore believe that the Plan Enterprise Value is the best measure of the Reorganized Debtors' value given the facts and circumstance of these cases, which include:

- The terms of the Equitization Transaction are the result of (i) an extensive process that commenced prepetition (the "**Prepetition Process**") amongst the Debtors and various creditor constituencies (including the Unsecured Notes Group, the Secured Creditor Group, and the Crossholder Group) and (ii) good faith, arm's length, comprehensive negotiations between the Debtors and the Consenting Parties and their respective financial and legal advisors based on in-depth due diligence and a determination of the value-maximizing development and operation of the Debtors' business.

- A substantial capital infusion is necessary for the Debtors to reorganize and the Equitization Transaction provides for that necessary capital.

- Significant new capital would be difficult to obtain without the equitization of the Unsecured Notes.

- There are very few relevant comparable transactions.

Accordingly, the expected recoveries disclosed herein are calculated based on the $4.5 billion Plan Enterprise Value. The Debtors are presently engaged in a robust marketing and soliciting process in connection with a potential Sale Transaction. For the reasons discussed above, the Debtors do not believe that there any actionable transactions that are likely to provide higher or otherwise better value than the Equitization Transaction. Therefore, the Debtors and their advisors believe that based upon the results of the Prepetition Process and subsequent Sale Process, the Plan Enterprise Value is the best measure of value of the Debtors' businesses.

Based on the Plan Enterprise Value, the projected net debt of $1.68 billion[51] as of June 30, 2023 and the implied New Warrants Equity value of $32 million, there is an implied $2.788 billion of New Common Equity value available for distribution in accordance with the Plan.

2. *Additional Requirements for Non-Consensual Confirmation*

In the event that any impaired Class of Claims or Interests does not accept or is deemed to reject the Plan, the Bankruptcy Court may still confirm the Plan at the request of the Debtors if, as to each impaired Class of Claims or Interests that has not accepted the Plan, the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to such Classes of Claims or Interests, pursuant to section 1129(b) of the Bankruptcy Code. Both of these requirements are in addition to other requirements established by case law interpreting the statutory requirements.

(a) Unfair Discrimination Test

The "unfair discrimination" test applies to Classes of Claims or Interests that are of equal priority and are receiving different treatment under the Plan. A chapter 11 plan does not discriminate unfairly, within the meaning of the Bankruptcy Code, if the legal rights of a dissenting Class are treated in a manner consistent with the treatment of other Classes whose legal rights are substantially similar to those of the dissenting Class and if no Class of Claims or Interests receives more than it legally is entitled to receive for its Claims or Interests. This test does not require that the treatment be the same or equivalent, but that such treatment is "fair."

The Debtors believe the Plan satisfies the "unfair discrimination" test. Claims of equal priority are receiving comparable treatment and such treatment is fair under the circumstances.

(b) Fair and Equitable Test

The "fair and equitable" test applies to classes of different priority and status (*e.g.*, secured versus unsecured; claims versus interests) and includes the general requirement that no class of claims receive more than 100% of the allowed amount of the claims in such class. As to the

[51] The projected net debt excludes the Orion Financing, as defined in Exhibit E.

dissenting class, the test sets different standards that must be satisfied for the Plan to be confirmed, depending on the type of claims or interests in such class. The following sets forth the "fair and equitable" test that must be satisfied as to each type of class for a plan to be confirmed if such class rejects the Plan:

- **Secured Creditors**. Each holder of an impaired secured claim either (i) retains its liens on the property, to the extent of the allowed amount of its secured claim, and receives deferred cash payments having a value, as of the effective date of the plan, of at least the allowed amount of such secured claim, (ii) has the right to credit bid the amount of its claim if its property is sold and retains its lien on the proceeds of the sale, or (iii) receives the "indubitable equivalent" of its allowed secured claim.

- **Unsecured Creditors**. Either (i) each holder of an impaired unsecured claim receives or retains under the plan, property of a value, as of the effective date of the plan, equal to the amount of its allowed claim or (ii) the holders of claims and interests that are junior to the claims of the dissenting class will not receive any property under the plan.

- **Interests**. Either (i) each equity interest holder will receive or retain under the plan property of a value equal to the greater of (a) the fixed liquidation preference or redemption price, if any, of such equity interest and (b) the value of the equity interest or (ii) the holders of interests that are junior to the interests of the dissenting class will not receive or retain any property under the plan.

The Debtors believe the Plan satisfies the "fair and equitable" requirement with respect to any rejecting Class.

IF ALL OTHER CONFIRMATION REQUIREMENTS ARE SATISFIED AT THE CONFIRMATION HEARING, THE DEBTORS WILL ASK THE BANKRUPTCY COURT TO RULE THAT THE PLAN MAY BE CONFIRMED ON THE GROUND THAT THE SECTION 1129(b) REQUIREMENTS HAVE BEEN SATISFIED.

XI.
ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF PLAN

The Debtors have evaluated several alternatives to the Plan. After studying these alternatives, the Debtors have concluded that the Plan is the best alternative and will maximize recoveries to parties in interest, assuming confirmation and consummation of the Plan. If the Plan is not confirmed and consummated, the alternatives to the Plan are (i) the preparation and presentation of an alternative plan of reorganization, (ii) a sale of some or all of the Debtors' assets pursuant to section 363 of the Bankruptcy Code, or (iii) a liquidation under chapter 7 of the Bankruptcy Code.

A. Alternative Plan of Reorganization

If the Plan is not confirmed, the Debtors (or if the Debtors' exclusive period in which to file a plan of reorganization has expired, any other party in interest) could attempt to formulate a

different plan. Such a plan might involve either: (i) a reorganization and continuation of the Debtors' business or (ii) an orderly liquidation of their assets. The Debtors, however, submit that the Plan, as described herein, enables their creditors to realize the most value under the circumstances.

B. Sale Under Section 363 of Bankruptcy Code

If the Plan is not confirmed, the Debtors could seek from the Bankruptcy Court, after notice and a hearing, authorization to sell their assets under section 363 of the Bankruptcy Code. Subject to the terms of the Intercreditor Agreement, Holders of Claims in Classes 2, 3A, and 3B and the DIP Lenders would be entitled to credit bid on any property to which their security interest is attached, and to offset their Claims against the purchase price of the property. In addition, the security interests in the Debtors' assets held by Holders of Claims in Classes 2, 3A, and 3B and the DIP Lenders would attach to the proceeds of any sale of the Debtors' assets. After these Claims are satisfied, the remaining funds could be used to pay Holders of Claims in Classes 1, 4, 5, 6, 7, and 8. Upon analysis and consideration of this alternative, the Debtors do not believe a sale of their assets under section 363 of the Bankruptcy Code would yield a higher recovery for Holders of Claims than the Plan.

C. Liquidation Under Chapter 7 or Applicable Non-Bankruptcy Law

If no plan can be confirmed, the Chapter 11 Cases may be converted to a case under chapter 7 of the Bankruptcy Code in which a trustee would be elected or appointed to liquidate the assets of the Debtors for distribution to creditors in accordance with the priorities established by the Bankruptcy Code. The estimated effect a hypothetical chapter 7 liquidation would have on the recovery of Holders of Allowed Claims and Interests is set forth in the Liquidation Analysis, attached hereto as **Exhibit D**.

The Debtors believe that liquidation under chapter 7 would result in smaller distributions to creditors than those provided for in the Plan because of, among other reasons, the delay resulting from the conversion of the Chapter 11 Cases, the additional administrative expenses associated with the appointment of a trustee and the trustee's retention of professionals who would be required to become familiar with the many legal and factual issues in the Chapter 11 Cases, and the loss in value attributable to an expeditious liquidation of the Debtors' assets as required by chapter 7.

XII.
CONCLUSION AND RECOMMENDATION

The Debtors believe the Plan is in the best interests of all stakeholders and urge the Holders of Claims in Classes 3A, 3B, 4, 5, and 6 to vote in favor thereof.

Dated: October 24, 2022
Houston, Texas

Respectfully submitted,

/s/ DocuSigned by: Leonard LoBiondo
B9EA1310BF2B48C...
Name: Leonard LoBiondo
Title: Executive Vice President

on behalf of

Talen Energy Supply, LLC

/s/ DocuSigned by: Andrew Wright
4A263F800B9F458...
Name: Andrew M. Wright
Title: Authorized Signatory

on behalf of

each of the Debtor affiliates of Talen Energy Supply, LLC

EXHIBIT A

Plan

[Intentionally Omitted]

EXHIBIT B

Plan Release Provisions

Definitions:

"*Exculpated Parties*" means each of the following in their capacity as such and, in each case, to the maximum extent permitted by law: (i) the Debtors; (ii) the Reorganized Debtors or the Post-Sale Estates (as applicable); (iii) the Backstop Parties; (iv) the Consenting Parties; (v) the DIP Agent and the DIP Lenders; (vi) TEC and the TEC Owners; (vii) the CAF Consenting Parties; (viii) the First Lien Non-CAF Consenting Parties; and (ix) with respect to each of the foregoing Entities in clauses (i) through (viii), all of their respective Related Parties.

"*Related Parties*" means, with respect to an Entity, its current and former Affiliates, and such Entity's and its current and former Affiliates' current and former directors, managers, officers, equity holders (regardless of whether such interests are held directly or indirectly), affiliated investment funds or investment vehicles, predecessors, participants, successors, and assigns, subsidiaries, and each of their respective current and former equity holders, officers, directors, managers, principals, members, employees, agents, fiduciaries, trustees, advisory board members, financial advisors, partners, limited partners, general partners, attorneys, accountants, managed accounts or funds, management companies, fund advisors, investment bankers, consultants, representatives, and other professionals, each in their capacity as such.

"*Released Party*" means each of the following in their capacity as such: (i) the Debtors; (ii) the Reorganized Debtors or the Post-Sale Estates (as applicable); (iii) each of the Debtors' Estates; (iv) TEC and the TEC Owners; (v) the Consenting Parties; (vi) the Backstop Parties; (vii) the DIP Agent and DIP Lenders; (viii) the Consenting FCM Hedge Counterparties; (ix) Consenting First Lien Hedge Counterparties; (x) the CAF Consenting Parties; (xi) the First Lien Non-CAF Consenting Parties and the First Lien Non-CAF Subsequent Plan Consenting Parties; (xii) the Prepetition Agents; (xiii) the Prepetition RCF Lenders; and (xiv) with respect to each of the foregoing Entities in clauses (i) through (xiii), such Entity's Related Parties to the maximum extent permitted by law; provided that, notwithstanding the foregoing, if a Consenting FCM Hedge Counterparty or a Consenting First Lien Hedge Counterparty does not agree to have its Consenting FCM Hedge Agreement or Consenting First Lien Hedge Agreement assumed or assumed and assigned by the Reorganized Debtors or Post-Sale Estates, as applicable, or otherwise terminates such agreement prior to the Effective Date, then neither such counterparty nor any of its respective Related Parties in their capacity as such shall be a Released Party. Notwithstanding the foregoing, any Person that opts out of the releases set forth in Article VIII.D of the Plan and/or objects to the Plan shall not be deemed a Released Party hereunder.

"*Releasing Party*" means collectively, (a) the Holders of all Claims or Interests that vote to accept the Plan, (b) the Holders of all Claims or Interests whose vote to accept or reject the Plan is solicited but that do not vote either to accept or to reject the Plan, (c) the Holders of all Claims or Interests that vote, or are deemed, to reject the Plan but do not opt out of granting the releases set forth herein, (d) the Holders of all Claims and Interests that were given notice of the opportunity to opt out of granting the releases set forth herein but did not opt out, and (e) the Released Parties (even if such Released Party purports to opt out of the releases set forth herein).

Provisions:

ARTICLE VIII.
SETTLEMENT, RELEASE, INJUNCTION AND RELATED PROVISIONS

C. *Releases by the Debtors*

Notwithstanding anything contained in the Plan to the contrary, pursuant to section 1123(b) of the Bankruptcy Code, for good and valuable consideration, the adequacy of which is hereby confirmed, as of the Effective Date, the Debtors and their Estates, the Reorganized Debtors, and if applicable, the Post-Sale Estates, and each of their respective current and former Affiliates (with respect to non-Debtors, to the extent permitted by applicable law), on behalf of themselves and their respective Estates, including any successor to the Debtors or any Estate representative appointed or selected pursuant to section 1123(b)(3) of the Bankruptcy Code, shall be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever released, waived and discharged the Released Parties from any and all Claims, Interests, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever (including any derivative Claims or Causes of Action asserted or that may be asserted on behalf of the Debtors or their Estates), whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, based on or relating to, or in any manner arising from, in whole or in part, any act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date, including any Claims or Causes of Action based on or relating to, or in any manner arising from, in whole or in part, the Chapter 11 Cases, the Debtors, the governance, management, transactions, ownership, or operation of the Debtors, the DIP Facilities, the RSA, the Backstop Commitment Letter, the Rights Offering, the Rights Offering Procedures, the TEC Definitive Documents, the Sale Agreement(s), the Prepetition Debt Documents, the Exit Facility Documents, the formulation, preparation, dissemination, solicitation, negotiation, entry into, or filing of the Plan, the Disclosure Statement, the RSA, the Backstop Commitment Letter, the TEC Definitive Documents, the CAF Settlement, the First Lien Non-CAF Settlement, the Rights Offering, or any Restructuring Transaction, contract, instrument, release, or other agreement or document (including any legal opinion requested by any Entity regarding any transaction, contract instrument, document, or other agreement contemplated by the Plan or the reliance by any Released Party on the Plan or Confirmation Order in lieu of such legal opinion) created or entered into in connection with the RSA, the Plan, the Plan Supplement, the Disclosure Statement, the Backstop Commitment Letter, the Rights Offering, the Exit Facilities, the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan or Confirmation Order, including the issuance or distribution of Securities pursuant to the Plan, or the distribution of property under the Plan, or any other agreement, act or omission, transaction, event, or other occurrence taking place on or before the Effective Date. Notwithstanding anything to the contrary in the foregoing, the releases set forth in this Article VIII.C (i) shall only be applicable to the maximum extent permitted by law; (ii) shall not be construed as (a) releasing any Released Party from Claims or Causes of Action arising from an act or omission that is judicially determined by a Final Order to have constituted actual fraud (provided that actual fraud shall not exempt from the scope of these Debtor releases any Claims or Causes of Action arising under sections 544 or 548 of

the Bankruptcy Code or state laws governing fraudulent or otherwise avoidable transfers or conveyances), willful misconduct, or gross negligence, or (b) releasing any post-Effective Date obligations of any party or Entity under the Plan, the Confirmation Order, any Restructuring Transaction, any Definitive Document, or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan; (iii) shall not release the Claims and Causes of Action asserted by the Debtors in the PPL Adversary Proceeding; and (iv) shall not release any Claims or Causes of Action reflected on the Schedule of Retained Causes of Action, which, for the avoidance of doubt, shall not include any Claims or Causes of Action against Riverstone, TEC, the TEC Owners, the Consenting Parties, or the Backstop Parties, or any of their respective Related Parties.

D. *Releases by Holders of Claims and Interests*

Notwithstanding anything contained in the Plan to the contrary, as of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, each Releasing Party is deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever released, waived and discharged each Debtor, Reorganized Debtor or Post-Sale Estate (as applicable), and other Released Party from any and all Claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative Claims or Causes of Action asserted or that may be asserted on behalf of the Debtors or their Estates, that such Entity would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the Holder of any Claim or Interest, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, based on or relating to, or in any manner arising from, in whole or in part, any act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date, including any Claims or Causes of Action based on or relating to, or in any manner arising from, in whole or in part, the Chapter 11 Cases, the Debtors, the governance, management, transactions, ownership, or operation of the Debtors, the DIP Facilities, the RSA, the Backstop Commitment Letter, the Rights Offering, the Rights Offering Procedures, the Sale Agreement(s), the Prepetition Debt Documents, the Exit Facility Documents, the formulation, preparation, dissemination, negotiation of the RSA, the Plan, the Disclosure Statement, the Backstop Commitment Letter, the Rights Offering, the Exit Facilities, the CAF Settlement, the First Lien Non-CAF Settlement, or any Restructuring Transaction, contract, instrument, release, or other agreement or document created or entered into in connection with the RSA, the Backstop Commitment Letter, the Plan, the Disclosure Statement, the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan or Confirmation Order, including the issuance or distribution of Securities pursuant to the Plan, or the distribution of property under the Plan, or any other agreement, act or omission, transaction, event, or other occurrence taking place on or before the Effective Date. Notwithstanding anything to the contrary in the foregoing, the releases set forth in this Article VIII.D (i) shall only be applicable to the maximum extent permitted by law; (ii) shall not be construed as (a) releasing any Released Party from Claims or Causes of Action arising from an act or omission that is judicially determined by a Final Order to have constituted actual fraud (provided that actual fraud shall not exempt from the scope of these third-party releases any Claims or Causes of Action arising under sections 544 or 548 of the Bankruptcy Code or state laws governing fraudulent or otherwise avoidable transfers or conveyances),

willful misconduct, or gross negligence, or (b) releasing any post-Effective Date obligations of any party or Entity under the Plan, any Restructuring Transaction, any Definitive Document, or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan; and (iii) shall not release the Claims and Causes of Action asserted prior to Confirmation in the PPL Adversary Proceeding.

E. *Exculpation*

Except as otherwise specifically provided in the Plan, no Exculpated Party shall have or incur liability for, and each Exculpated Party is hereby released and exculpated from, any Cause of Action for any claim related to any act or omission in connection with, relating to, or arising out, in whole or in part, of the Chapter 11 Cases, the Debtors, the formulation, preparation, dissemination, or negotiation of the RSA, the Backstop Commitment Letter, the Plan, the Disclosure Statement, the DIP Facilities, the Rights Offering, the Exit Facilities, the CAF Settlement, the First Lien Non-CAF Settlement, the Sale Agreement(s), or any Restructuring Transaction, contract, instrument, release, or other agreement or document created or entered into in connection with the RSA, the Plan, the Disclosure Statement, the filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, or the administration and implementation of the Plan or Confirmation Order, including the issuance or distribution of Securities pursuant to the Plan, or the distribution of property under the Plan, or any other related agreement, except for Claims or Causes of Action arising from an act or omission that is judicially determined in a Final Order to have constituted actual fraud, willful misconduct, or gross negligence, but in all respects, such Exculpated Parties shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities. The Exculpated Parties have, and upon completion of the Plan, shall be deemed to have, participated in good faith and in compliance with all applicable laws with regard to the solicitation and distribution of, consideration pursuant to the Plan and, therefore, are not, and on account of such distributions shall not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan. Notwithstanding anything to the contrary in the foregoing, the exculpations set forth in this Article VIII.E (i) shall only be applicable to the maximum extent permitted by law; (ii) shall not be construed as (a) exculpating any Exculpated Party from Claims or Causes of Action arising from an act or omission that is judicially determined by a Final Order to have constituted actual fraud (provided that actual fraud shall not exempt from the scope of these exculpations any Claims or Causes of Action arising under sections 544 or 548 of the Bankruptcy Code or state laws governing fraudulent or otherwise avoidable transfers or conveyances), willful misconduct, or gross negligence, or (b) exculpating any post-Effective Date obligations of any party or Entity under the Plan, any Restructuring Transaction, any Definitive Document, or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan; and (iii) shall not exculpate the Claims and Causes of Action asserted prior to Confirmation in the PPL Adversary Proceeding.

F. *Injunction*

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THE PLAN OR FOR DISTRIBUTIONS REQUIRED TO BE PAID OR DELIVERED PURSUANT TO THE PLAN OR THE CONFIRMATION ORDER, ALL ENTITIES THAT HAVE HELD, HOLD, OR MAY HOLD CLAIMS OR INTERESTS THAT HAVE BEEN RELEASED PURSUANT TO Article VIII.C OR Article VIII.D, SHALL BE DISCHARGED PURSUANT TO Article VIII.B OF THE PLAN, OR ARE SUBJECT TO EXCULPATION PURSUANT TO Article VIII.E, AND ALL OTHER PARTIES IN INTEREST ARE PERMANENTLY ENJOINED, FROM AND AFTER THE EFFECTIVE DATE, FROM TAKING ANY OF THE FOLLOWING ACTIONS AGAINST, AS APPLICABLE, THE DEBTORS, THE REORGANIZED DEBTORS, THE POST-SALE ESTATES, THE RELEASED PARTIES, OR THE EXCULPATED PARTIES (TO THE EXTENT OF THE EXCULPATION PROVIDED PURSUANT TO Article VIII.E WITH RESPECT TO THE EXCULPATED PARTIES): (I) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; (II) ENFORCING, ATTACHING, COLLECTING, OR RECOVERING BY ANY MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE, OR ORDER AGAINST SUCH ENTITIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; (III) CREATING, PERFECTING, OR ENFORCING ANY LIEN OR ENCUMBRANCE OF ANY KIND AGAINST SUCH ENTITIES OR THE PROPERTY OR THE ESTATES OF SUCH ENTITIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; (IV) ASSERTING ANY RIGHT OF SETOFF, SUBROGATION, OR RECOUPMENT OF ANY KIND AGAINST ANY OBLIGATION DUE FROM SUCH ENTITIES OR AGAINST THE PROPERTY OF SUCH ENTITIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS UNLESS SUCH ENTITY HAS TIMELY ASSERTED SUCH SETOFF RIGHT IN A DOCUMENT FILED WITH THE BANKRUPTCY COURT EXPLICITLY PRESERVING SUCH SETOFF, AND NOTWITHSTANDING AN INDICATION OF A CLAIM OR INTEREST OR OTHERWISE THAT SUCH ENTITY ASSERTS, HAS, OR INTENDS TO PRESERVE ANY RIGHT OF SETOFF PURSUANT TO APPLICABLE LAW OR OTHERWISE; AND (V) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS RELEASED OR SETTLED PURSUANT TO THE PLAN; PROVIDED THAT SUCH PERSONS WHO HAVE HELD, HOLD, OR MAY HOLD CLAIMS AGAINST, OR INTERESTS IN, A DEBTOR, A REORGANIZED DEBTOR, A POST-SALE ESTATE, OR AN ESTATE SHALL NOT BE PRECLUDED FROM EXERCISING THEIR RIGHTS AND REMEDIES, OR OBTAINING THE BENEFITS, PURSUANT TO AND CONSISTENT WITH THE TERMS OF THE PLAN.

SUBJECT IN ALL RESPECTS TO Article XI, NO ENTITY OR PERSON MAY COMMENCE OR PURSUE A CLAIM OR CAUSE OF ACTION OF ANY KIND AGAINST ANY RELEASED PARTY OR EXCULPATED PARTY THAT AROSE OR ARISES FROM, IN WHOLE OR IN PART, THE CHAPTER 11 CASES, THE DEBTORS, THE DIP FACILITIES, THE RSA, THE BACKSTOP COMMITMENT LETTER, THE RIGHTS OFFERING, THE RIGHTS OFFERING PROCEDURES, THE CAF SETTLEMENT, THE FIRST LIEN NON-CAF

SETTLEMENT, THE SALE AGREEMENT(S), THE PREPETITION DEBT DOCUMENTS, THE FORMULATION, PREPARATION, DISSEMINATION, NEGOTIATION OF THE RSA, THE PLAN, THE DISCLOSURE STATEMENT, THE BACKSTOP COMMITMENT LETTER, THE RIGHTS OFFERING, OR ANY RESTRUCTURING TRANSACTION, CONTRACT, INSTRUMENT, RELEASE, OR OTHER AGREEMENT OR DOCUMENT CREATED OR ENTERED INTO IN CONNECTION WITH THE RSA, THE PLAN, THE DISCLOSURE STATEMENT, THE CHAPTER 11 CASES, THE PURSUIT OF CONFIRMATION, THE PURSUIT OF CONSUMMATION, THE ADMINISTRATION AND IMPLEMENTATION OF THE PLAN, INCLUDING THE ISSUANCE OR DISTRIBUTION OF SECURITIES PURSUANT TO THE PLAN, OR THE DISTRIBUTION OF PROPERTY UNDER THE PLAN, OR ANY OTHER RELATED AGREEMENT, OR UPON ANY OTHER ACT OR OMISSION, TRANSACTION, AGREEMENT, EVENT, OR OTHER OCCURRENCE TAKING PLACE ON OR BEFORE THE EFFECTIVE DATE RELATED OR RELATING TO THE FOREGOING WITHOUT THE BANKRUPTCY COURT (I) FIRST DETERMINING, AFTER NOTICE AND A HEARING, THAT SUCH CLAIM OR CAUSE OF ACTION REPRESENTS A COLORABLE CLAIM OF ANY KIND, INCLUDING NEGLIGENCE, BAD FAITH, CRIMINAL MISCONDUCT, WILLFUL MISCONDUCT, FRAUD, OR GROSS NEGLIGENCE AGAINST A RELEASED PARTY OR EXCULPATED AND (II) SPECIFICALLY AUTHORIZING SUCH ENTITY OR PERSON TO BRING SUCH CLAIM OR CAUSE OF ACTION AGAINST ANY SUCH RELEASED PARTY OR EXCULPATED PARTY. THE BANKRUPTCY COURT SHALL HAVE SOLE AND EXCLUSIVE JURISDICTION TO DETERMINE WHETHER A CLAIM OR CAUSE OF ACTION IS COLORABLE AND, ONLY TO THE EXTENT LEGALLY PERMISSIBLE AND AS PROVIDED FOR IN Article XI, SHALL HAVE JURISDICTION TO ADJUDICATE THE UNDERLYING COLORABLE CLAIM OR CAUSE OF ACTION.

H. *Release of Liens*

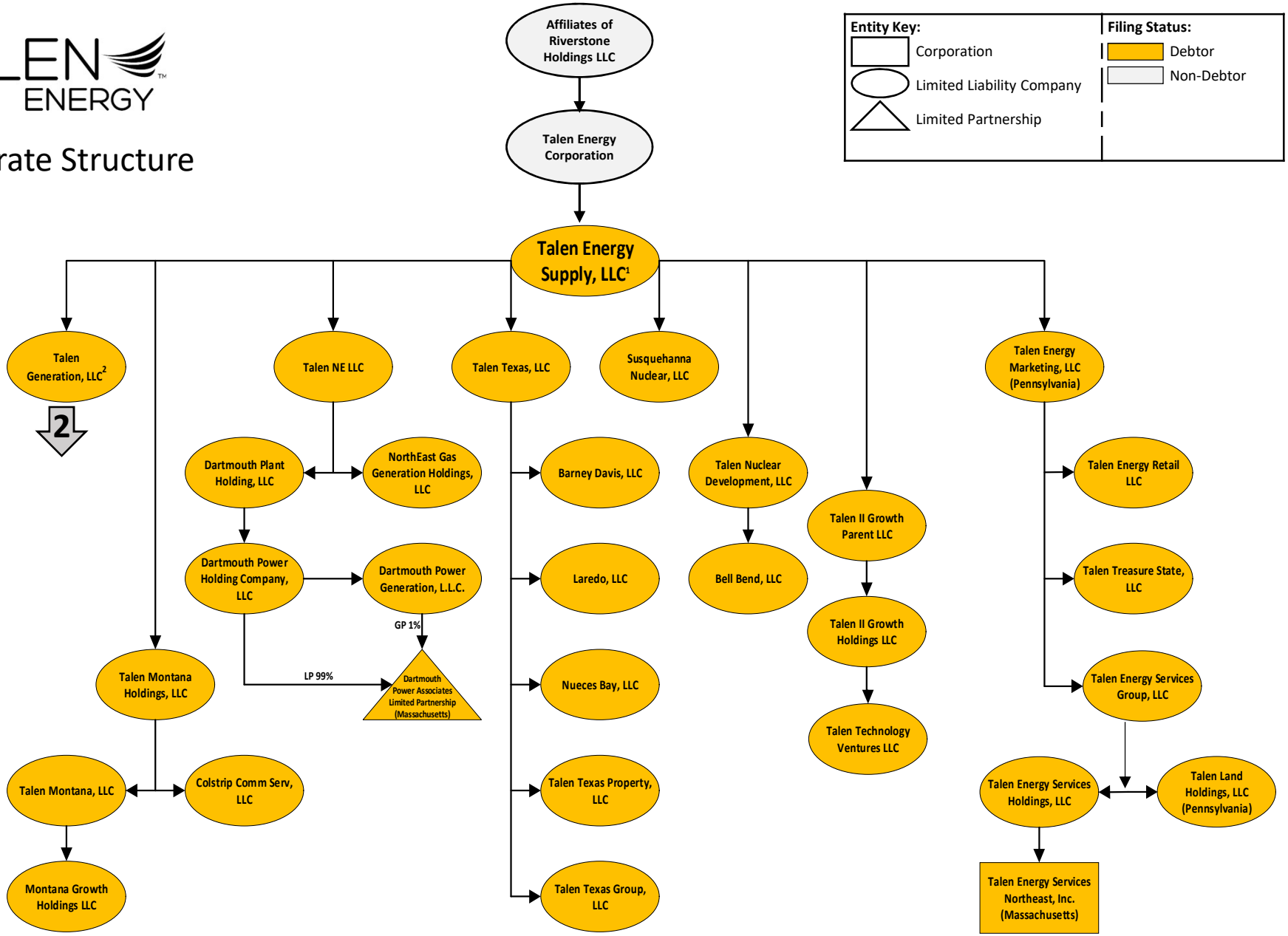
Except (i) with respect to the Liens securing (a) the New Debt (which Liens securing such New Debt shall, for the avoidance of doubt, secure the Consenting First Lien Hedge Obligations outstanding on the Effective Date to the extent required by the documentation evidencing such Consenting First Lien Hedge Obligations), and (b) to the extent elected by the Debtors with respect to an Allowed Other Secured Claim in accordance with Article III.B.2; or (ii) as otherwise provided herein (including in Article IV.F) or in any contract, instrument, release, or other agreement or document created pursuant to the Plan, on the Effective Date, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall be fully released and discharged, and the holders of such mortgages, deeds of trust, Liens, pledges, or other security interests shall execute and deliver such documents as may be reasonably requested by the Debtors, the Reorganized Debtors, the Post-Sale Estates, or the Third-Party Successful Bidder(s), as applicable, to reflect or effectuate such releases, and all of the right, title, and interest of any holder of such mortgages, deeds of trust, Liens, pledges, or other security interests shall revert to the Reorganized Debtor, the Post-Sale Estate, or the Third-Party Successful Bidder(s), as applicable, and its successors and assigns. Subject in all respects to Article IV.J, the Reorganized Debtors (or their designee) and the Exit Agent (or its designee) shall be authorized to submit, file (of record or otherwise) or otherwise deliver any documents executed and delivered pursuant to the foregoing sentence without further authorization from the holders of any such security interests.

EXHIBIT C

Organizational Chart

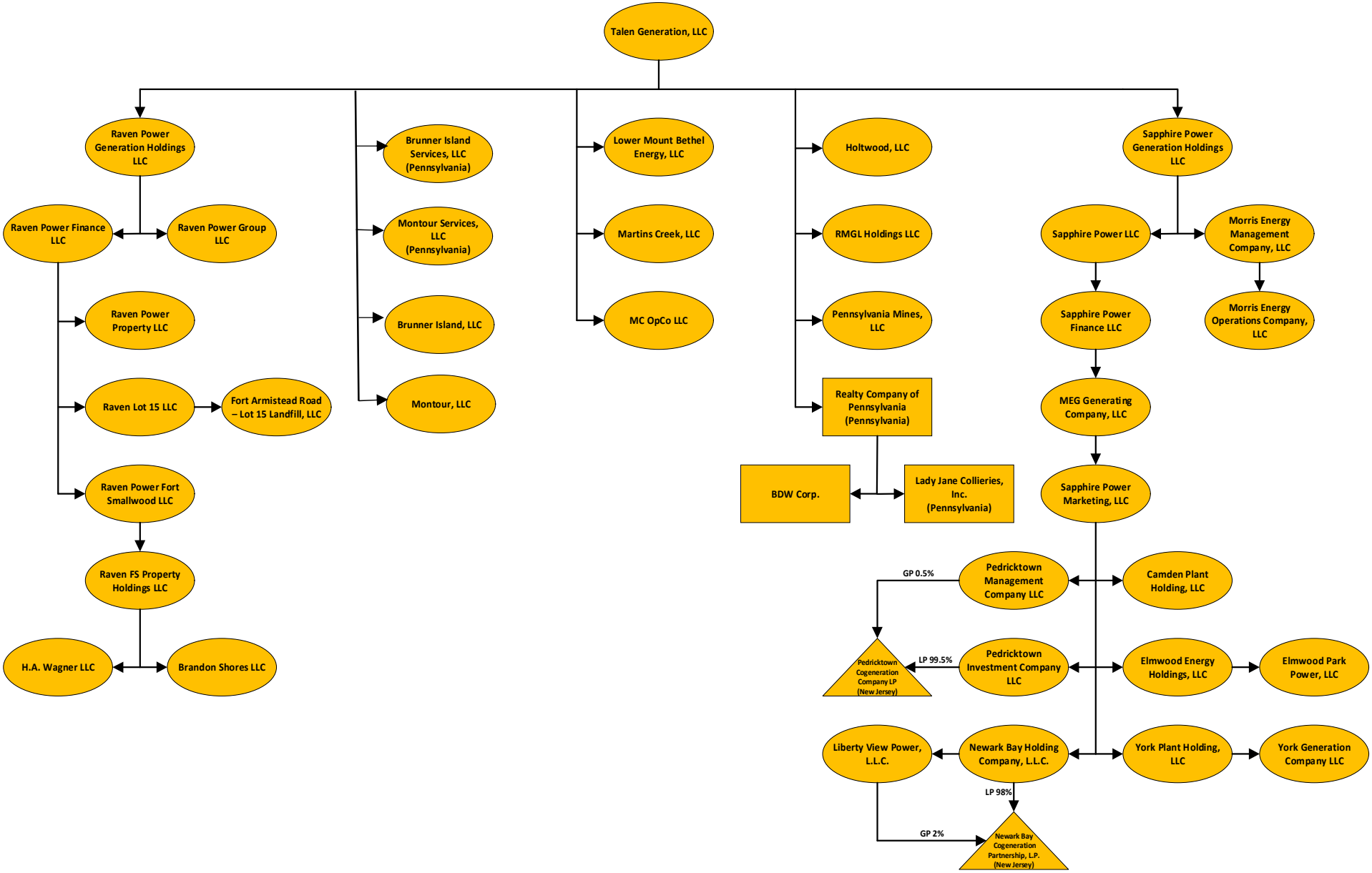
TALEN ENERGY

Corporate Structure



1. Non-debtor subsidiaries of Talen Energy Supply, LLC are excluded from this Organizational Chart.
2. Direct and indirect subsidiaries of Talen Generation, LLC provided on page 2 hereof.

Ownership interests are 100%, unless otherwise noted.
Entities are organized in Delaware, unless otherwise noted.



TALEN ENERGY

Ownership interests are 100%, unless otherwise noted.
Entities are organized in Delaware, unless otherwise noted.

EXHIBIT D

Liquidation Analysis

Exhibit D: LIQUIDATION ANALYSIS

INTRODUCTION

Often referred to as the "best interests of creditors" test, section 1129(a)(7) of the Bankruptcy Code[1] requires that each holder of a claim or interest in each impaired class either (i) accept the plan or (ii) receive or retain under the plan property of a value, as of the effective date of the confirmed plan, that is not less than the amount such holder would receive if the debtor was liquidated under chapter 7 of the Bankruptcy Code.

To demonstrate that the Plan satisfies the best interests test, the Debtors, with the assistance of their financial advisors, A&M, have prepared this hypothetical liquidation analysis (the "**Liquidation Analysis**") and have taken the following steps:

i) estimated the cash proceeds that a chapter 7 trustee (a "**Trustee**") would generate if each Debtor's chapter 11 case was converted to a chapter 7 case on the Effective Date and the assets of such Debtor's Estate were liquidated (the "**Liquidation Proceeds**");

ii) determined the distribution that each Holder of a Claim or Interest would receive from the Liquidation Proceeds under the priority scheme set forth in chapter 7 of the Bankruptcy Code (the "**Liquidation Distribution**"); and

iii) compared each Holder's Liquidation Distribution to the distribution such Holder would receive under the Debtors' Plan if the Plan were confirmed and consummated.

This Liquidation Analysis represents an estimate of cash distributions and recovery percentages based on a hypothetical chapter 7 liquidation of the Debtors' assets. It is, therefore, a hypothetical analysis based on certain assumptions discussed herein and in the Disclosure Statement. As such, asset values and claims discussed herein may differ materially from amounts referred to in the Plan and Disclosure Statement. This Liquidation Analysis should be read in conjunction with the assumptions, qualifications, and explanations set forth in the Disclosure Statement and the Plan in their entirety, as well as the notes and assumptions set forth below.

The determination of the costs of, and proceeds from, the hypothetical liquidation of the Debtors' assets in a chapter 7 case involves the use of estimates and assumptions that, although considered reasonable by the Debtors based on their business judgment and input from their advisors, are subject to significant business, economic, competitive uncertainties and contingencies beyond the control of the Debtors, their management and their advisors. This Liquidation Analysis was prepared for the sole purpose of generating a reasonable, good faith estimate of the proceeds that would be generated if the Debtors' assets were liquidated in accordance with chapter 7 of the Bankruptcy Code. The Liquidation Analysis is not intended, and should not be used, for any other purpose.

[1] Capitalized terms used but not defined herein have the meanings ascribed to them in the Disclosure Statement to which this Liquidation Analysis is attached Exhibit D or the Plan attached to the Disclosure Statement as Exhibit A thereto, as applicable.

All limitations and risk factors set forth in the Disclosure Statement are applicable to this Liquidation Analysis and are incorporated by reference herein. The underlying financial information in the Liquidation Analysis was prepared using policies that are generally consistent with those applied in historical financial statements but was not compiled or examined by independent accountants and was not prepared to comply with Generally Accepted Accounting Principles or SEC reporting requirements.

Based on this Liquidation Analysis, the Debtors, with the assistance of their advisors, believe the Plan satisfies the best interests test and that each Holder of an Impaired Claim or Interest will receive value under the Plan on the Effective Date that is not less than the value such Holder would receive if the Debtors liquidated under chapter 7 of the Bankruptcy Code. The Debtors believe that this Liquidation Analysis and the conclusions set forth herein are fair and represent the Debtors' best judgment regarding the results of a hypothetical liquidation of the Debtors under chapter 7 of the Bankruptcy Code.

THE DEBTORS AND THEIR ADVISORS MAKE NO REPRESENTATIONS OR WARRANTIES REGARDING THE ACCURACY OF THE ESTIMATES CONTAINED HEREIN OR A CHAPTER 7 TRUSTEE'S ABILITY TO ACHIEVE FORECASTED RESULTS. IN THE EVENT THESE CHAPTER 11 CASES ARE CONVERTED TO CHAPTER 7 LIQUIDATIONS, ACTUAL RESULTS COULD VARY MATERIALLY FROM THE ESTIMATES SET FORTH IN THIS LIQUIDATION ANALYSIS.

BASIS OF PRESENTATION

The Liquidation Analysis has been prepared assuming that the Debtors' chapter 7 liquidation commences on or about June 30, 2023 (the "**Liquidation Date**"). The pro forma values referenced herein are projected as of the Liquidation Date and utilize the August 31, 2022 balance sheet and projected results of operations and cash flow over the period from August 31, 2022 to the assumed Liquidation Date (the "**Projection Period**"). The Debtors have assumed that the Liquidation Date is a reasonable proxy for the anticipated Effective Date. The Liquidation Analysis was prepared on a legal entity basis for each Debtor and, for presentation purposes, summarized into a consolidated report. As part of the Liquidation Analysis, the Debtors assume the Trustee would liquidate each of the Debtors and each of the wholly-owned subsidiaries of the Debtors. In preparing the Liquidation Analysis, the Debtors estimated Allowed Claims based on a review of the Debtors' financial statements and projected results of operations and cash flow over the Projection Period to account for estimated liabilities, as necessary. The cessation of business in a liquidation is likely to trigger certain claims and funding requirements that would otherwise not exist under the Plan. Such claims could include contract rejection damages claims, chapter 7 administrative expense claims, including wind down costs, trustee fees, and professional fees, among other claims. Some of these claims and funding obligations could be significant and would be entitled to administrative or priority status in payment from Liquidation Proceeds. The Debtors' estimates of Allowed Claims set forth in the Liquidation Analysis should not be relied on for the purpose of determining the value of any distribution to be made on account of Allowed Claims or Interests under the Plan.

NOTHING CONTAINED IN THE LIQUIDATION ANALYSIS IS INTENDED TO BE, OR CONSTITUTES, A CONCESSION, ADMISSION, OR ALLOWANCE OF ANY CLAIM OR INTEREST BY THE DEBTORS. THE ACTUAL AMOUNT OR PRIORITY OF ALLOWED

CLAIMS AND INTERESTS IN THE CHAPTER 11 CASES COULD MATERIALLY DIFFER FROM THE ESTIMATED AMOUNTS SET FORTH AND USED IN THE LIQUIDATION ANALYSIS. THE DEBTORS RESERVE ALL RIGHTS TO SUPPLEMENT, MODIFY, OR AMEND THE ANALYSIS SET FORTH HEREIN.

Chapter 7 administrative expense claims that arise in a liquidation scenario would be paid in full from the Liquidation Proceeds prior to proceeds being made available for distribution to Holders of Allowed Claims. Under the "absolute priority rule," no junior creditor may receive any distributions until all senior creditors are paid in full, and no equity holder may receive any distribution until all creditors are paid in full. The assumed distributions to creditors as reflected in the Liquidation Analysis are estimated in accordance with the absolute priority rule.

This Liquidation Analysis does not include any recoveries or related litigation costs resulting from any potential preference, fraudulent transfer, or other litigation or avoidance actions that may be available under the Bankruptcy Code because of the cost of such litigation, the uncertainty of the outcome, and potential disputes regarding these matters. For this analysis, the Debtors assume the CAF Actions (as defined in the Disclosure Statement) and the Avoidance Actions (as defined in the Disclosure Statement) do not result in any recoveries for the reasons discussed in the Disclosure Statement. The Liquidation Analysis does not estimate contingent, unliquidated claims against the Debtors. Finally, the Liquidation Analysis does not include estimates for the tax consequences that may be triggered upon the liquidation and sale of assets in the manner described above. Such tax consequences could be material.

LIQUIDATION PROCESS

The Debtors' liquidation would be conducted pursuant to chapter 7 of the Bankruptcy Code. The Debtors have assumed that their liquidation would occur over a period of three to six months (the "**Liquidation Period**") during which time the Trustee would effectively monetize substantially all the assets on the consolidated balance sheet and administer and wind down the Estates.[2]

As part of the Trustee's liquidation process, the initial step would be to develop a liquidation plan designed to generate proceeds from the sale of assets that the Trustee would then distribute to creditors. This liquidation process would have three major components:

i) Cash proceeds from asset sales ("**Gross Liquidation Proceeds**");

ii) Costs to liquidate the business and administer the Estates under chapter 7 (**"Liquidation Adjustments"**); and

iii) Remaining proceeds available for distribution to claimants ("**Net Liquidation Proceeds Available for Distribution**").

[2] Although the Liquidation Analysis assumes the liquidation process would occur over a period of three to six months, it is possible the disposition and recovery from certain assets could take shorter or longer to realize.

i) Gross Liquidation Proceeds

The Gross Liquidation Proceeds reflect the total proceeds the Trustee would generate from a hypothetical chapter 7 liquidation. Under section 704 of the Bankruptcy Code, a Trustee must, among other duties, collect and convert property of the Estates as expeditiously as is compatible with the best interests of parties in interest, which could result in potentially distressed recoveries. This Liquidation Analysis assumes the Trustee will market the assets on an accelerated timeline and consummate the sale transactions within three to six months from the Liquidation Date. Asset values in the liquidation process will likely be materially reduced due to, among other things, (i) the accelerated time frame in which the assets are marketed and sold, (ii) negative vendor and customer reaction, and (iii) the generally forced nature of the sale.

ii) Liquidation Adjustments

Liquidation Adjustments reflect the costs the Trustee would incur to monetize the assets and wind down the Estates in chapter 7 and include the following:

- Expenses necessary to efficiently and effectively monetize the assets (the "**Wind-down Costs**");
- Chapter 7 professional fees (lawyers, financial advisors, and investment bankers to support the sale and transition of assets over the Liquidation Period); and
- Chapter 7 Trustee fees.

iii) Net Liquidation Proceeds Available for Distribution

The Net Liquidation Proceeds Available for Distribution reflect amounts available to Holders of Claims and Interests after the Liquidation Adjustments are netted against the Gross Liquidation Proceeds. Under this analysis, the Liquidation Proceeds are distributed to Holders of Claims against, and Interests in, the Debtors in accordance with the Bankruptcy Code's priority scheme. All or substantially all of the Debtors' assets are assumed to be encumbered by prepetition liens, DIP liens and/or adequate protection liens such that there would not be any material unencumbered assets available for distribution in a chapter 7 liquidation.

CONCLUSION

The Debtors have determined, as summarized in the table below, on the Effective Date, that the Plan will provide all Holders of Allowed Claims and Interests with a recovery that is not less than what they would otherwise receive pursuant to a liquidation of the Debtors' assets under chapter 7 of the Bankruptcy Code. Accordingly, the Plan satisfies the requirement of section 1129(a)(7) of the Bankruptcy Code.

	Note	Plan Recoveries	Chapter 7 Liquidation Recoveries		
			Low	Mid	High
Summary of Recovery %					
DIP Claims		100%	100%	100%	100%
Ch 11 Admin Claims		100%	0%	0%	0%
Priority Claims		100%	0%	0%	0%
Class 1 - Other Priority Claims		100%	n/a	n/a	n/a
Class 2 - Other Secured Claims		100%	77%	79%	81%
Class 3A - Prepetition First Lien Non-CAF Claims	[A]	99%	90%	92%	95%
Class 3B - Prepetition CAF Claims	[B]	88%	90%	92%	95%
Class 4 - Unsecured Notes Claims	[C]	24%-47%	0%	0%	0%
Class 5 - General Unsecured Claims	[D]	0%-100%	0%	0%	0%
Class 6 - General Unsecured Convenience Claims		Up to 100%	n/a	n/a	n/a
Class 7 - Prepetition Cumulus Intercompany Claims		100%	n/m	n/m	n/m
Class 8 - Prepetition Intercompany Claims		100%	n/m	n/m	n/m
Class 9 - Section 510(b) Claims		0%	n/a	n/a	n/a
Class 10 - Intercompany Interests		100%	n/m	n/m	n/m
Class 11 - Existing Equity Interests	[E]	N/A	$-	$-	$-

[A] This percentage for Plan recoveries represents recovery on account of the asserted Prepetition First Lien Non-CAF Claims; for the avoidance of doubt, the Settled First Lien Non-CAF Claim Amount will be paid in full under the Plan.

[B] This percentage for Plan recoveries represents recovery on account of the asserted Prepetition CAF Claims; for the avoidance of doubt, the Settled CAF Claim Amount will be paid in full under the Plan.

[C] Plan recoveries for Class 4 include value on account claimant's participation in the Exit Rights Offering.

[D] Plan recoveries for Class 5 vary by Debtor, see Disclosure Statement II.A Summary of Plan Treatment.

[E] Recovery is $0. Riverstone Settlement Recipients (as defined in the Plan) receive 1.00% of the New Common Equity and warrants to purchase up to 5.00% of the New Common Equity, as further described in Section I.A.2.c of the Disclosure Statement.

The Liquidation Analysis should be reviewed with the accompanying "Specific Notes to the Liquidation Analysis" set forth on the following pages. The below tables reflect the consolidation of the standalone liquidation analyses for each Affiliate Debtor.

Debtors

($ in Millions)

Assets	Notes	8/31/2022 Net Book Value	Adjustments / Activity	6/30/2023 Proj. Book Value	Potential Recovery: Recovery Estimate % Low	Recovery Estimate % Midpoint	Recovery Estimate % High	Recovery Estimate $ Low	Recovery Estimate $ Midpoint	Recovery Estimate $ High
Gross Liquidation Proceeds:										
Cash	[A]	909.9	532.9	1,442.8	100%	100%	100%	1,442.8	1,442.8	1,442.8
Restricted Cash	[B]	234.0	(40.9)	193.1	2%	2%	2%	3.8	3.8	3.8
Accounts Receivable	[C]	276.3	(163.2)	113.1	82%	90%	97%	93.1	101.4	109.7
Inventory	[D]	432.9	(49.1)	383.8	54%	54%	55%	206.3	208.4	210.5
Derivatives	[E]	5,637.2	(4,049.3)	1,588.0	4%	4%	4%	58.2	58.2	58.2
Other Current Assets	[F]	325.8	-	325.8	6%	6%	6%	18.7	18.7	18.7
Property, Plant & Equipment	[G]	4,030.1	-	4,030.1	69%	69%	69%	2,773.1	2,777.2	2,781.3
Nuclear Plant Decommissioning Trust Funds	[H]	1,430.3	-	1,430.3	0%	0%	0%	-	-	-
Other Noncurrent Assets	[I]	102.0	-	102.0	1%	2%	3%	1.3	2.0	2.7
Total Assets		13,378.6	(3,769.6)	9,609.0	48%	48%	48%	4,597.5	4,612.6	4,627.7
					Rates					
Less: Liquidation Adjustments					**Low**	**Midpoint**	**High**			
Wind-down Costs	[J]							(8.6)	(8.6)	(8.6)
Ch. 7 Professional Fees	[K]				3%	2%	1.5%	(94.5)	(71.1)	(47.7)
Ch. 7 Trustee Fees	[L]				3%	2%	1%	(94.5)	(63.2)	(31.8)
Total Liquidation Adjustments								(197.6)	(142.8)	(88.1)
Net Liquidation Proceeds		**13,378.6**	**(3,769.6)**	**9,609.0**	46%	47%	47%	**4,399.9**	**4,469.7**	**4,539.6**
Recovery on Intercompany Receivables and Interests										
Intercompany Receivables - Non-Debtors	[M]							42.7	47.8	53.0
Investment in Non-Debtor Affiliates/Subsidiaries	[N]							9.4	11.5	13.7
Total Recovery on Interco Receivables and Interests								**52.1**	**59.4**	**66.7**
Net Liquidation Proceeds Available for Distribution								**4,451.9**	**4,529.1**	**4,606.3**

		Claims			% Recovery			$ Recovery		
		Low	Midpoint	High	Low	Midpoint	High	Low	Midpoint	High
Net Liquidation Proceeds Available for Distribution to Creditors								4,451.9	4,529.1	4,606.3
Less: Total Carve Out Claims	[O]	**9.5**	**9.5**	**9.5**	100%	100%	100%	**9.5**	**9.5**	**9.5**
Remaining Amount Available for Distribution								4,442.4	4,519.6	4,596.8
Less: Total DIP Superpriority Claims	[P]	**1,474.3**	**1,474.3**	**1,474.3**	100%	100%	100%	**1,474.3**	**1,474.3**	**1,474.3**
Remaining Amount Available for Distribution								2,968.1	3,045.3	3,122.4
Less: Total Prepetition First Lien Secured Claims	[Q]	**3,304.0**	**3,304.0**	**3,304.0**	90%	92%	95%	**2,968.1**	**3,045.3**	**3,122.4**
Remaining Amount Available for Distribution								-	-	-
Less: Total Chapter 11 Administrative Claims	[R]	**152.7**	**152.7**	**152.7**	0%	0%	0%	**-**	**-**	**-**
Remaining Amount Available for Distribution								-	-	-
Less: Total Chapter 11 Priority Claims	[S]	**1.0**	**1.0**	**1.0**	0%	0%	0%	**-**	**-**	**-**
Remaining Amount Available for Distribution								-	-	-
Less: Total Unsecured Claims	[T]	**2,552.3**	**2,552.3**	**2,552.3**	0%	0%	0%	**-**	**-**	**-**
Remaining Amount Available for Distribution								-	-	-
Equity Interests	[U]							-	-	-

SPECIFIC NOTES TO THE LIQUIDATION ANALYSIS

Gross Liquidation Proceeds from External Assets

The below table summarizes the estimated recovery percentages for each of the Debtors' assets. Net Liquidation Proceeds Available for Distribution resulting from the sales of non-Debtor assets are recovered by the Debtors via settlement of intercompany receivables and/or equity distributions taking into account the priority of claims that reside at each non-Debtor.

Note	Asset Type / Assumptions	Debtors' Recovery
A	Cash consists of all unrestricted cash deposits in savings, operating, receipt, and disbursement accounts.	100%
B	Restricted Cash consists of cash deposits made to third parties or held in restricted accounts, including collateral posted pursuant to the Prepetition CAF Agreement, Exchange Collateral, and the Utilities Adequate Assurance deposit. The Liquidation Analysis assumes cash collateral is drawn by the respective counterparties on the Liquidation Date up to amounts of those counterparties' estimated claims. Drawn amounts are not recoverable, as they are applied to reduce the respective liabilities.	2%
C	Accounts receivable includes amounts owed for power sold to ISOs and RTOs, amounts owed by the U.S. Department of Energy ("**DOE**") to reimburse certain costs of storage and disposal of spent nuclear fuel, amounts owed by counterparties for the purchase of station byproducts, and amounts owed by joint owners of facilities Talen operates. The recovery rates reflect the assumptions that DOE receivables are fully recovered, ISO/RTO receivables are recovered at 90% to 100%, station byproducts receivables are recovered at 25% to 75%, and joint owner receivables are only projected to be recovered for facilities projected to be sold for proceeds.	90%
D	Inventory consists of the book values of fuel, primarily coal and fuel oil, materials and supplies, encompassing spare parts and equipment for facility repair and maintenance, and environmental products in the form of renewable energy credits and RGGI carbon inventory. Fuel and environmental products are assumed to be sold into liquid and transparent markets. Materials and	54%

Note	Asset Type / Assumptions	Debtors' Recovery
	supplies are assumed to achieve recoveries of 50% or less, attributable to the limited market for the Debtors' parts and equipment, especially parts and equipment specific to coal generation facilities. Materials and supplies related to facilities assumed to be sold as continuing operations are assumed to convey with the sales of those facilities. All proceeds from facility sales are included in recoveries on Plant, Property & Equipment.	
E	Derivatives consist of the gross mark-to-market asset value of derivatives positions with third party counterparties projected as of the Liquidation Date with prices as of September 7, 2022. An analysis was conducted of net positions by counterparty and recoveries are only assumed where the Debtors are in a net asset position with a specific counterparty.	4%
F	Other Current Assets consist primarily of prepayments to various parties, interconnection deposits, cash collateral posted to issuers of surety bonds, and cash collateral posted to bilateral hedge counterparties. Recoveries on prepayments and deposits are assumed to be zero. Surety bond cash collateral is assumed to be drawn to cover surety bond liabilities. Hedge collateral recoveries are estimated based on a counterparty-by-counterparty analysis of net hedge positions, and assume collateral not drawn to satisfy net hedge liabilities is recovered by the Debtors.	6%
G	To support the estimation of Gross Liquidation Proceeds, the Debtors engaged Filsinger Energy Partners ("**FEP**"), an independent energy advisory firm, to conduct a liquidation valuation of the Debtors' material property, plant, and equipment. Through site visits and financial analyses, FEP estimated the proceeds from the hypothetical liquidation of each of the Debtors' material generation facilities, including proceeds from the hypothetical liquidation of each facility's materials and supplies inventory and underlying real estate. The FEP valuations are used in the Liquidation Analysis as the recovery estimates for property, plant, and equipment and materials and supplies inventory for each entity owning facilities evaluated by FEP. Property, Plant & Equipment includes the net book values of generation plants, real estate, buildings, and	69%

Note	Asset Type / Assumptions	Debtors' Recovery
	equipment. As described above, FEP conducted a liquidation valuation of each of the Debtors' generation assets, which constitute most of the book value of Property, Plant & Equipment. For the valuation, FEP developed a value premise for each facility based on whether value would be maximized by selling the operating facilities, salvaging the facilities, or shuttering the facilities. Assumed recoveries rely on the FEP liquidation valuation conclusions for plants and property evaluated by FEP.	
H	Nuclear Plant Decommissioning Trust Funds consists of the asset value of the nuclear decommissioning trust fund. The trust is tied to the nuclear facility, which is assumed to be sold, and therefore no value from the trust is assumed to be recoverable to the Debtors.	0%
I	Other Noncurrent Assets includes certain prepayments, unamortized financing fees, and workers compensation insurance recoveries. Prepayments and financing fees are assumed to have zero recovery. Insurance recoveries constitute the only assumed recoveries from Other Noncurrent Assets.	2%

Liquidation Adjustments

J. Wind-down Costs

Recovery values resulting from the sale of certain assets contained in Property, Plant & Equipment, above, include the impact of $3.8 million per month of allocated general and administrative expenses. The recoveries, therefore, already are burdened by $11.4 million to $23.8 million of wind-down costs for the sale process of three to six months.

Employees not associated with facilities assumed to be sold are assumed to be given notice of termination on the Liquidation Date. Wind-down costs reflect 60 days of payroll costs for those employees to comply with the Worker Adjustment and Retraining Notification Act, 29 U.S.C. §§ 2101–09 (the "**WARN**").

K. Chapter 7 Professional Fees

The chapter 7 professional fees include estimates for certain professionals that will provide assistance and services to the Trustee during the Liquidation Period. The Liquidation Analysis assumes the Trustee will retain lawyers, financial advisors, and investment bankers to assist in the liquidation. These advisors will assist in marketing the Debtors' assets, litigating claims and

resolving tax litigation matters, and resolving other matters relating to the wind down of the Debtors' Estates. The Liquidation Analysis estimates professional fees at a range of 1.5% to 3% of Gross Liquidation Proceeds excluding Cash and Restricted Cash, which equals approximately $47.7 and $94.5 million in the high and low cases, respectively.

L. Trustee Fees

Section 326(a) of the Bankruptcy Code provides that Trustee fees may not exceed 3% of distributable proceeds *in excess* of $1 million. The Liquidation Analysis assumes the Trustee fees would be approximately 1% to 3% of Gross Liquidation Proceeds from external assets, which equals approximately $94.5 to $31.8 million, in the low and high cases, respectively.

Recovery on Intercompany Receivables and Interests

For purposes of determining the recoverability of (i) intercompany receivables owed to the Debtors from non-Debtor affiliates and (ii) the Debtors' equity interests in non-Debtor affiliate subsidiaries, individual liquidation analyses were performed on each Debtor and non-Debtor affiliate on a standalone basis. The recoverability of the Debtors' intercompany receivables and investments in subsidiaries was calculated prior to determining the net proceeds available for distribution to the Debtors' claimants.

M. Intercompany Receivables

Historically, the Debtors and their Debtor and non-Debtor affiliates created intercompany receivables and payables as a result of various transactions including power sales, gas purchases, vendor payments, payroll funding, and affiliate hedging, among other activities. In addition, specific entities act as cash poolers or face the market on behalf of other entities. The recoverability of intercompany receivables owed to the Debtors is assumed to be approximately $47.8 million.

N. Investments in Affiliates /Subsidiaries

The Debtors' investments in affiliates and subsidiaries include the Debtors' equity interests in Debtor and non-Debtor affiliates. The recoverability of the investments in affiliates and subsidiaries owed to the Debtors is assumed to be approximately $11.5 million, which is primarily comprised of estimated proceeds from sales of real property held by a non-Debtor affiliate.

Net Liquidation Proceeds Available for Distribution

Based on the Liquidation Analysis, the Net Liquidation Proceeds Available for Distribution to the Debtors' Holders of Claims and Interests range from approximately $4,451.9 million to $4,606.3 million.

Claims

O. Carve Out Claims

The DIP Order includes the Carve Out for amounts owed by the Debtors including to the clerk of Court, to the U.S. Trustee, to a 726(b) trustee, to Debtor Professionals, to Committee Professionals, and for Committee Expenses (each as defined in the DIP Order). Pursuant to the DIP Order, the Professional Fees Account (each as defined in the DIP Order) is required to be funded upon the delivery of the Carve Out Notice (each as defined in the DIP Order) prior to the DIP Lenders receiving any recovery on account of DIP Claims. For the purposes of this Liquidation Analysis, the "Carve Out Claims" are estimated to be those amounts for the aforementioned parties projected to be accrued and unpaid as of the Liquidation Date, and do not project any amounts incurred after the Carve Out Trigger Date (as defined in the DIP Order) against the Post-Carve Out Caps (as defined in the DIP Order).

P. DIP Superpriority Claims

The Bankruptcy Code grants superpriority administrative expense claim status to claims made pursuant to the Debtors' DIP Credit Agreement, including claims on account of the New Money DIP Facilities, the Continuing L/C Facility, and the Permitted Hedge Obligations (each as defined in the DIP Order and collectively, the "**DIP Superpriority Claims**"). The Liquidation Analysis assumes DIP Superpriority Claims of approximately $1,474.3 million at the Liquidation Date. The Liquidation Analysis assumes the Liquidation Proceeds would be sufficient to satisfy 100% of the DIP Superpriority Claims.

Q. Prepetition First Lien Secured Claims

Prepetition First Lien Secured Claims are attributed to the first lien funded debt facilities including the Prepetition CAF Agreement, Prepetition TLB Agreement, Secured Notes, Claims for terminated trades under 1L ISDAs, and Claims arising from any Secured Claim other than an Administrative Claim or DIP Superpriority Claim. The Liquidation Analysis assumes the CAF Settlement and the First Lien Non-CAF Settlement, each as defined in the Disclosure Statement, are terminated upon conversion to chapter 7. On the Liquidation Date holders of Prepetition CAF Claims (as defined in the Disclosure Statement) are assumed to draw their existing collateral, estimated to be $89.4 million. Because this collateral is assumed to be drawn, it has been excluded from Net Liquidation Proceeds, and the estimated amount of Prepetition CAF Claims is reflected net of the drawn collateral. The remaining Prepetition First Lien Secured Claims are estimated to be approximately $3,304.0 million and Liquidation Proceeds would be sufficient to satisfy approximately 92% of those claims.

R. Chapter 11 Administrative Claims

For the purposes of this Liquidation Analysis, "**Chapter 11 Administrative Claims**" consist of claims for costs and expenses of administration incurred during the Chapter 11 Cases that are Allowed under sections 503(b), 507(a)(2), 507(b) or 1114(e)(2) of the Bankruptcy Code, including, without limitation, claims for postpetition accounts payable, postpetition accrued taxes, accrued and unpaid fees and expenses as of the Liquidation Date of professionals other than Debtor Professionals and Committee Professionals (each as defined in the DIP Order). The Liquidation Analysis assumes approximately $152.7 million in Chapter 11 Administrative Claims at the

Liquidation Date. The Liquidation Analysis assumes there would be no recovery to Chapter 11 Administrative Claims.

S. Chapter 11 Priority Claims

For the purposes of this Liquidation Analysis, "Chapter 11 Priority Claims" consist of claims attributed to taxing and regulatory authorities accrued in the prepetition period and projected to remain outstanding at the Liquidation Date, including Priority Tax Claims and Other Priority Claims. The Liquidation Analysis assumes approximately $1.0 million in Chapter 11 Priority Claims. The Liquidation Analysis assumes there would be no recovery to Chapter 11 Priority Claims.

T. General Unsecured Claims

Claims without security interests and not otherwise entitled to administrative or priority treatment including, without limitation, claims attributed to the Unsecured Notes, including the 2022 Unsecured Notes, the 2024 Unsecured Notes, the 2025 Unsecured Notes, the 2026 Unsecured Notes, the 2027 Unsecured Notes, the 2036 Unsecured Notes, and the Series A PEDFA Bonds, prepetition trade amounts not paid pursuant to relief granted pursuant to the First Day Motions, rejected contracts and the prospective rejection of contracts contemplated for rejection, environmental and asset retirement obligations, undiscounted and net of any posted collateral, and pension distressed termination claims, if any. The Liquidation Analysis assumes there would be no recovery to General Unsecured Claims.

U. Existing Equity Interests

The Liquidation Analysis assumes there would be no recovery on the Existing Equity Interests (as defined in the Plan).

EXHIBIT E

Financial Projections

EXHIBIT E: FINANCIAL PROJECTIONS

Introduction

Section 1129(a)(11) of the Bankruptcy Code[1] requires that a debtor demonstrate that confirmation of a plan is not likely to be followed by liquidation or the need for further financial reorganization of the reorganized debtor or any successor to the debtor. For purposes of demonstrating that the Plan meets this requirement, the Debtors have prepared the forecasted, post-reorganized, consolidated balance sheet as of June 30, 2023, consolidated balance sheet and income statement for the six-months ending December 31, 2023 and annual periods ending December 31, 2024 through December 31, 2028 (the "**Financial Projections**") for the reorganized Debtors and non-Debtor affiliates. The Financial Projections were prepared based on a number of assumptions made by management as to the future performance of the reorganized Debtors and non-Debtor affiliates, and reflect management's judgment and expectations regarding their future operations and financial position.

ALTHOUGH MANAGEMENT HAS PREPARED THE FINANCIAL PROJECTIONS IN GOOD FAITH AND BELIEVES THE ASSUMPTIONS TO BE REASONABLE, THE DEBTORS AND THE REORGANIZED DEBTORS CAN PROVIDE NO ASSURANCE THAT SUCH ASSUMPTIONS WILL BE REALIZED. AS DESCRIBED IN DETAIL IN THE DISCLOSURE STATEMENT, A VARIETY OF RISK FACTORS COULD AFFECT THE REORGANIZED DEBTORS' FINANCIAL RESULTS AND MUST BE CONSIDERED. ACCORDINGLY, ANY REVIEW OF THE FINANCIAL PROJECTIONS SHOULD TAKE INTO ACCOUNT THE RISK FACTORS SET FORTH IN THE DISCLOSURE STATEMENT AND THE ASSUMPTIONS DESCRIBED HEREIN, INCLUDING ALL RELEVANT QUALIFICATIONS AND FOOTNOTES.

The Financial Projections are subject to inherent risks and uncertainties, most of which are difficult to predict and many of which are beyond management's control. Although management believes these assumptions are reasonable under the circumstances, such assumptions are subject to significant uncertainties, including, but not limited to, (a) changes in demand for power in various end markets; (b) power, natural gas, capacity price, and other commodity pricing; (c) applicable laws and regulations; (d) general capital market conditions including interest rates and inflation; (e) business combinations among the Debtors' competitors, suppliers and customers; (f) availability and cost of fuel, chemicals and other raw materials; and (g) energy markets, capacity markets, rates, and other related factors affecting the Debtors' businesses. Additional information regarding these uncertainties are described in Section IX of the Disclosure Statement. Should one or more of the risks or uncertainties referenced in the Disclosure Statement occur, or should underlying assumptions prove incorrect, actual results and plans could differ materially from those expressed in the Financial Projections. Further, other factors could cause actual results to differ materially from those described in the Financial Projections, and it is not possible to predict all such factors, or the extent to which any such factor or combination of factors may cause actual

[1] Capitalized terms used but not defined herein have the meanings ascribed to them in the Disclosure Statement to which these Financial Projections are attached as Exhibit D or the Plan attached to the Disclosure Statement as Exhibit A thereto, as applicable.

results to differ from those contained in the Financial Projections. The Financial Projections herein are not, and must not be viewed as, a representation of fact, prediction or guarantee of the reorganized Debtors' or their non-Debtor affiliates' future performance.

Accounting Policies

The Financial Projections have not been audited or reviewed by a registered independent accounting firm, and were not prepared with a view toward compliance with the guidelines of the SEC, the American Institute of Certified Public Accountants, or the Financial Accounting Standards Board ("**FASB**").

The Financial Projections do not consider the potential impact of the application of "fresh start" accounting under Accounting Standards Codification 852, "Reorganizations" ("**ASC 852**") that may apply upon the Effective Date. If the Debtors implement fresh start accounting, material differences from the amounts presented are anticipated. Upon emergence, the Debtors will be required to determine the amount by which the reorganization value as of the Effective Date exceeds, or is less than, the fair value at the time. Valuation may be based on the fair value of the Debtors' assets and liabilities as of the Effective Date. The difference between the amounts presented in the Financial Projections and the actual amounts thereof as of the Effective Date may be material. Overall, the implementation of ASC 852 is not anticipated to have a material impact on the underlying feasibility of the Plan.

General Assumptions

i) Methodology:

- Management developed the Financial Projections based on power and other commodity market pricing as of September 7, 2022. Additionally, the Debtors engaged PA Consulting, an independent energy advising firm, to develop a fundamentals-based market and asset operations forecast for the Debtors' power generating assets. This fundamental forecast represents the basis for the gross margins presented in the Financial Projections beginning in July 2025.

ii) Plan and Effective Date:

- The Financial Projections assume that the Plan will be consummated in accordance with its terms and that all transactions contemplated by the Plan will be consummated by June 30, 2023 (the "**Assumed Effective Date**").

iii) Projection Period:

- The Debtors prepared the Financial Projections based on, among other things, the anticipated future financial condition and results of operations of the reorganized Debtors and non-Debtor affiliates, and the terms of the Plan, for the six-months ending December 31, 2023 and annual periods December 31, 2024 through December 31, 2028.

iv) Basis of Presentation:

- The Financial Projections reflect the financial consolidation of the Debtors, all non-Debtor affiliates, and the Debtors' investment in Digital Holdings and its fully owned subsidiaries Cumulus Data Holdings and Cumulus Coin Holdings on its consolidated balance sheet and income statement.

Cumulus

On September 29, 2022, the Bankruptcy Court entered the Cumulus Final Order authorizing, among other things, the Debtors to enter into the Cumulus Term Sheet with TEC, Digital Holdings, Orion Energy Partners Investment Agent, LLC, and Riverstone, as well as certain of each of their affiliates.

The Cumulus Term Sheet includes among other things, conversion of the Debtors' preferred equity interest in fully owned subsidiaries of Digital Holdings into common equity interests in Digital Holdings. As a result of the Cumulus Settlement, TES forecasted common equity ownership percentage of Digital Holdings is expected to be approximately 74% on the Assumed Effective Date. The Financial Projections reflect the consolidation of Digital Holdings.

Capital Structure

The reorganized Debtors' estimated post-emergence capital structure is assumed to be effective on or around June 30, 2023. The terms of the post-emergence capital structure assumed below were utilized in preparing the Financial Projections. Actual post-emergence capital structure and terms remain uncertain, are subject to change, and may vary materially from the terms assumed. The Financial Projections assume the following debt facilities will be in place at emergence:

- A $1.0 billion priority revolving credit Exit Facility, which is assumed to be undrawn at the Assumed Effective Date and includes a sub-facility to allow for the issuance of up to $500 million for letter of credit support. The Exit Facility is assumed to accrue interest at the 3-month Secured Overnight Financing Rate ("**SOFR**") + 4.5%, on drawn balances and interest is assumed to be paid on a quarterly basis.
- Approximately $1.5 billion of funded indebtedness ("**Exit Funded Indebtedness**"), which is assumed to accrue interest at 3-month SOFR + 4.5%, and interest is assumed to be paid on a quarterly basis.
- A $200 million inventory financing facility ("**Inventory Financing Facility**"), which is assumed to provide advance cash considerations for certain fuel inventory based on inventory value. As of the Assumed Effective Date, the advance cash considerations are assumed to be $195 million. The Inventory Financing Facility is assumed to accrue interest at 3-month SOFR + 4.5%, and interest is assumed to be paid on a monthly basis.
- Reinstatement of the $50.0 million bond under the Series B PEDFA Documents maturing in 2038 (the "**PEDFA B Bond**"). The PEDFA B Bond accrues interest at 2.60%, and interest is assumed to be paid on a monthly basis.

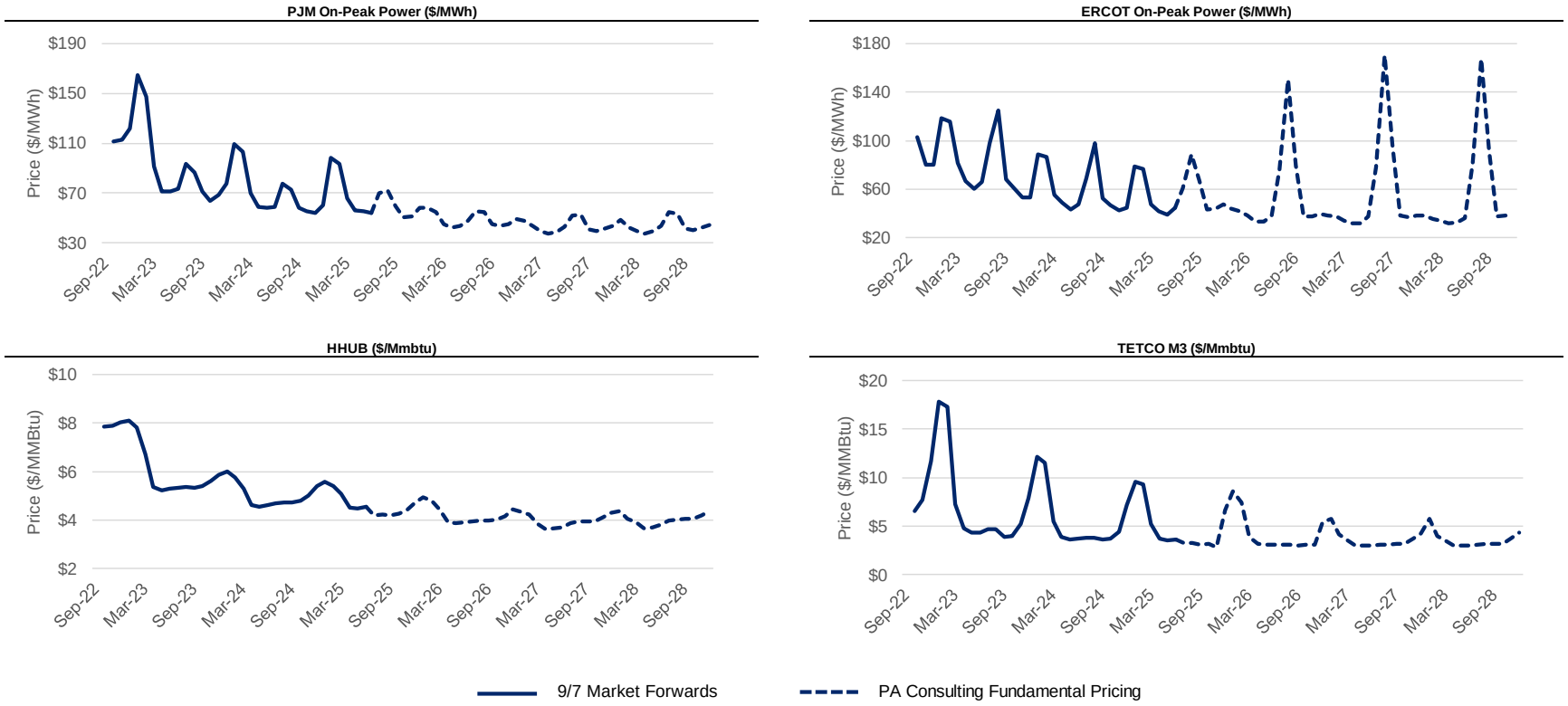
- Reinstatement of the $80.6 million bond under the Series C PEDFA Documents maturing in 2037 (the "**PEDFA C Bond**"). The PEDFA C Bond accrues interest at 2.60%, and interest is assumed to be paid on a monthly basis.
- A $175 million project-level term loan to Cumulus Digital provided by Orion (the "**Orion Financing**"). The Orion Financing is non-recourse project level debt, and accrues interest at 12.5% that is assumed to be paid on a quarterly basis.
- The Financial Projections assume the LMBE-MC Holdco II LLC term loan is paid off at the Assumed Effective Date. The principal balance on the loan is estimated to be approximately $274 million at that time. As of the Assumed Effective Date, LMBE-MC Holdco LLC is projected to have a cash balance of approximately $35 million, resulting in net debt balance of $239 million.

Financial Projections

TES Post-Emergence Pro Forma Financial Summary

($ in millions, unless stated otherwise)

Select Pricing Assumptions



TES Post-Emergence Pro Forma Financial Summary (Non-GAAP)

($ in millions, unless stated otherwise)

Income Statement

		2H 2023	2024	2025	2026	2027	2028
Revenue:							
Capacity Revenue	(A)	$ 91	$ 187	$ 263	$ 335	$ 346	$ 364
Gross Energy Revenue	(B)	1,449	2,346	2,237	1,533	1,432	1,415
Realized Hedge Gain (Loss)	(C)	(59)	(128)	0	-	-	-
Cumulus Revenue	(D)	18	68	75	76	77	79
Total Revenue		**$ 1,498**	**$ 2,472**	**$ 2,576**	**$ 1,945**	**$ 1,856**	**$ 1,858**
TES Supply - Cost of Operations (Fuel and Other)	(E)	$ (544)	$ (869)	$ (910)	$ (536)	$ (472)	$ (463)
Cumulus - Cost of Operations (Fuel and Other)	(D)	(4)	(18)	(18)	(18)	(18)	(18)
Gross Margin (Realized)		**$ 950**	**$ 1,585**	**$ 1,648**	**$ 1,390**	**$ 1,366**	**$ 1,377**
Nuclear Fuel Amortization	(F)	$ (47)	$ (90)	$ (92)	$ (99)	$ (108)	$ (108)
Unrealized / Other Carve-Out	(G)	51	128	(0)	-	-	-
Total Gross Margin		**$ 954**	**$ 1,623**	**$ 1,555**	**$ 1,292**	**$ 1,257**	**$ 1,268**
TES - O&M Expenses	(H)	$ (288)	$ (617)	$ (617)	$ (597)	$ (634)	$ (633)
Cumulus - O&M Expenses	(D)	(10)	(22)	(23)	(24)	(24)	(25)
Total O&M Expenses		$ (298)	$ (639)	$ (640)	$ (621)	$ (658)	$ (658)
TES - G&A Expenses	(I)	$ (51)	$ (101)	$ (103)	$ (104)	$ (106)	$ (109)
Cumulus - G&A Expenses	(D)	(3)	(6)	(6)	(5)	(5)	(10)
Total G&A Expenses		$ (53)	$ (107)	$ (109)	$ (109)	$ (112)	$ (120)
Total Operating Expenses		**$ (352)**	**$ (746)**	**$ (749)**	**$ (730)**	**$ (769)**	**$ (778)**
Interest Expense		$ (95)	$ (179)	$ (166)	$ (160)	$ (164)	$ (150)
Other Income / (Expense)	(J)	(4)	(12)	1	16	28	(33)
Depreciation		(271)	(586)	(613)	(582)	(557)	(547)
Nuclear PTC Benefit	(K)	-	-	-	91	179	199
Restructuring/Development/Other Carve-Out	(L)	$ (23)	$ (41)	$ (28)	$ (29)	$ (33)	$ (35)
Income (Loss) Before Income Taxes		**$ 210**	**$ 59**	**$ 0**	**$ (103)**	**$ (59)**	**$ (77)**
Income Tax Benefit (Expense)	(M)	(52)	(15)	(0)	26	15	19
Net Income		**$ 157**	**$ 44**	**$ 0**	**$ (77)**	**$ (44)**	**$ (58)**

TES Post-Emergence Pro Forma Financial Summary (Non-GAAP)

($ in millions, unless stated otherwise)

TES (Excluding Cumulus Affiliates) Adjusted EBITDA / Free Cash Flow

	2H 2023	2024	2025	2026	2027	2028
Total Revenue	$ 1,480	$ 2,404	$ 2,501	$ 1,869	$ 1,779	$ 1,779
Cost of Operations (Fuel and Other)	(544)	(869)	(910)	(536)	(472)	(463)
Gross Margin (Realized)	**$ 937**	**$ 1,535**	**$ 1,591**	**$ 1,332**	**$ 1,307**	**$ 1,316**
O&M Expenses	$ (288)	$ (617)	$ (617)	$ (597)	$ (634)	$ (633)
G&A Expenses	(51)	(101)	(103)	(104)	(106)	(109)
Nuclear PTC Benefit	-	-	-	91	179	199
Adjusted EBITDA	**$ 598**	**$ 817**	**$ 871**	**$ 722**	**$ 745**	**$ 772**
Capital Expenditures	$ (115)	$ (257)	$ (252)	$ (224)	$ (256)	$ (262)
Interest Paid	(65)	(167)	(156)	(152)	(150)	(148)
Adjusted Free Cash Flow	**$ 418**	**$ 393**	**$ 463**	**$ 346**	**$ 339**	**$ 362**

TES Post-Emergence Pro Forma Financial Summary (Non-GAAP)

($ in millions, unless stated otherwise)

Balance Sheet

		June-23	2023	2024	2025	2026	2027	2028
Assets								
Cash and equivalents	(N)	$ 254	$ 441	$ 710	$ 1,065	$ 1,179	$ 1,331	$ 1,545
Accounts Receivable	(O)	86	129	61	89	75	69	69
Inventory	(P)	393	454	441	287	287	287	287
Other Current Assets	(Q)	771	223	219	214	199	184	170
Total Current Assets		**$ 1,505**	**$ 1,247**	**$ 1,431**	**$ 1,655**	**$ 1,740**	**$ 1,870**	**$ 2,070**
PP&E, Net	(R)	$ 3,616	$ 3,434	$ 3,102	$ 2,762	$ 2,388	$ 2,036	$ 1,691
Nuclear plant decommissioning trust funds	(S)	1,430	1,430	1,430	1,430	1,430	1,430	1,430
Other Noncurrent Assets	(T)	1,111	334	88	82	82	82	82
Total Non-current Assets		**$ 6,158**	**$ 5,199**	**$ 4,620**	**$ 4,275**	**$ 3,901**	**$ 3,549**	**$ 3,203**
Cumulus Net Assets (1)	(U)	402	520	531	441	403	382	297
Total Assets		**$ 8,064**	**$ 6,965**	**$ 6,582**	**$ 6,370**	**$ 6,044**	**$ 5,802**	**$ 5,570**
Liabilities & Shareholder's Equity								
Accounts payable and other accrued liabilities	(V)	$ 323	$ 253	$ 199	$ 232	$ 213	$ 214	$ 209
Other Current Liabilities	(W)	643	71	70	68	68	68	68
Total Current Liabilities		**$ 966**	**$ 324**	**$ 269**	**$ 301**	**$ 281**	**$ 282**	**$ 276**
Long-Term Debt	(X)	$ 1,830	$ 1,835	$ 1,832	$ 1,716	$ 1,715	$ 1,715	$ 1,714
Other Noncurrent Liabilities	(Y)	1,630	896	473	398	230	75	(0)
Asset Retirement Obligations	(Z)	818	806	789	738	676	633	562
Total Other Non-current Liabilities		**$ 4,278**	**$ 3,537**	**$ 3,095**	**$ 2,852**	**$ 2,621**	**$ 2,423**	**$ 2,277**
Total Liabilities		**$ 5,244**	**$ 3,861**	**$ 3,364**	**$ 3,152**	**$ 2,903**	**$ 2,705**	**$ 2,553**
Equity	(AA)	2,820	3,104	3,218	3,218	3,141	3,097	3,017
Liabilities & Shareholder's Equity		**$ 8,064**	**$ 6,965**	**$ 6,582**	**$ 6,370**	**$ 6,044**	**$ 5,802**	**$ 5,570**

Footnotes:

(1) Determination of whether Digital Holdings will be fully consolidated as a result of Cumulus Settlement is ongoing. Non-GAAP presentation herein assumes Digital Holdings is fully consolidated with TES, and net asset balance reflects Cumulus Affiliates' book value of assets minus book value of liabilities.

TES Post-Emergence Pro Forma Financial Summary

($ in millions, unless stated otherwise)

Cash Sources and Uses As of 6/30/2023

Sources		
Pre-Effective Date Cash	$	1,430
Release of Restricted Cash		89
New Money Debt Financing		1,699
Rights Offering Amount		1,549
Total Sources	**$**	**4,768**

Uses		
DIP Claims	$	1,000
Secured Claims		3,218
LMBE-MC Holdco II LLC Term Loan (net of cash)		239
Financing, Professional, and Other Fees and Expenses		160
Cash to the Balance Sheet		150
Total Uses	**$**	**4,768**

Capitalization as of 6/30/23	
Revolving Credit Facility	$ -
Exit Funded Indebtedness	1,504
Inventory Facility	195
PEDFA Series B & C Bonds	131
Total Funded Debt[1]	**$1,830**
Less: Cash	(150)
Net Funded Debt	**$1,680**

Notes:

1. Excludes Orion Financing.

Notes to Financial Projections

Income Statement

A. **Capacity Revenue:** Includes amounts earned from auctions run by Independent System Operators ("ISOs") and Regional Transmission Operators ("RTOs") and under bilateral contracts to provide available generation capacity that is needed to satisfy system reliability and integrity requirements. Capacity revenue is forecasted based on the actual results of base residual auctions (to the extent auctions were held) and the Debtors' assumption for additional megawatts and pricing that will clear in incremental auctions. After June 2025, capacity revenue is based on PA Consulting's fundamental pricing forecast and the Debtors' assumption of megawatts that will clear in base residual and incremental auctions.

B. **Gross Energy Revenue:** Primarily includes: (i) amounts earned from ISOs and RTOs for electric generation and for ancillary services (such as regulation and reserve services and other products that support transmission and grid operations), and (ii) amounts earned for wholesale electricity sales to bilateral counterparties.

The Financial Projections exclude the impact of the implementation of RGGI in Pennsylvania due to the current legal stay and uncertainty of implementation.

C. **Realized Hedge Gain / (Loss):** Realized gains and losses on commodity derivative instruments include settlements of financial and physical transactions for hedging and portfolio optimization. The assumed derivative positions and the settlement value of those positions is as of September 7, 2022, consistent with the Debtors' forecast of gross energy revenue.

D. **Cumulus Operating Income:** Revenue, operations and maintenance expenses ("**O&M**"), and general and administrative expenses ("**G&A**") related to Cumulus Affiliates.

E. **TES Supply Cost of Operations (Fuel and Other):** Primarily consists of fuel costs, environmental product costs, and energy purchases. Fuel costs includes costs for the conversion of coal, natural gas, and oil products to electricity, such as transportation. Environmental product costs include RGGI credits and emission product compliance costs that are mandated by certain states.

F. **Nuclear Fuel Amortization:** Non-cash expense associated with the use of nuclear fuel in the production of electricity.

G. **Unrealized / Other Carve-Out:** Represents certain items that are included in Gross Margin as a GAAP financial measure but not included in Gross Margin (Realized), a key non-GAAP financial measure used by management to evaluate performance of ongoing operations, including but not limited to unrealized (gains) / losses on derivative instruments.

H. **TES O&M Expenses:** O&M expenses for the power plants presented net of reimbursements received from operating partners and co-owners.

I. **TES G&A Expenses:** G&A Expenses include payroll and benefits, employee expenses and other corporate overhead costs not directly related to the power plants.

J. **Other Operating Income / (Expense):** Includes pension and other post-employment employee benefit costs, equity earnings in affiliates and other expense items related to Cumulus Affiliates.

K. **Nuclear PTC Benefit:** Represents the impact of zero-emission nuclear power production tax credits contemplated in the Inflation Reduction Act of 2022. These nuclear production tax credits are effective January 1, 2024, and it is assumed that the Reorganized Debtors will have the ability to fully monetize all future production tax credit benefits.

L. **Restructuring/Development/Other Carve-Out:** On-going expenses associated with Pennsylvania Mines, LLC's environmental liabilities, information technology modernization, and one-time retention bonus expenses, among other items.

M. **Income Tax Benefit (Expense):** Provision for federal and income tax; actual cash taxes will differ.

Balance Sheet

N. **Cash & Cash Equivalents:** Consolidated cash balance of the Debtors and non-Debtor affiliates. At Assumed Effective Date forecasted unrestricted cash and cash equivalents are approximately $150 million and restricted cash are approximately $104 million for collateral for exchange trading.

O. **Accounts Receivable:** Includes net amounts due from PJM, ERCOT, and WECC for the sale of electricity, as well as accounts receivable from affiliates and other bilateral counterparties.

P. **Inventory:** Includes fuel inventory (coal and oil), plant materials and operating supplies, and environmental products. Unspent nuclear fuel is included in property, plant and equipment ("**PP&E**") and is amortized.

Q. **Other Current Assets:** Primarily consists of short-term derivative instruments measured at fair value, surety collateral posted, collateral posted with hedge counterparties, and prepaid assets.

R. **PP&E, Net:** Comprised primarily of the Debtors' generation assets and capitalized nuclear fuel.

S. **Nuclear Plant Decommissioning Trust Funds:** Consists of restricted assets that were established to fund the Debtors' proportional share of Susquehanna Nuclear, LLC decommissioning obligations.

T. **Other Noncurrent Assets:** Primarily comprised of noncurrent prepayments, long-term derivative instruments measured at fair value, and investments in affiliate subsidiaries.

U. **Cumulus Net Assets:** Represents book value of total assets less book value of total liabilities for Cumulus Affiliates.

V. **Accounts payable and other accrued liabilities:** Primarily payments due for O&M expenses, fuel, G&A expenses, accrued emission compliance obligations, and capital expenditures.

W. **Other current liabilities:** Includes various obligations due within one year including asset retirement obligations, environmental obligations, advances from joint owners, accrued interest, current portion of long-term service agreements, and other plant obligations.

X. **Long-term debt:** Refer to capital structure section for additional details.

Y. **Other noncurrent liabilities:** Primarily includes employee retirement and pension obligations, long-term accrued RGGI obligations, noncurrent portion of long-term service agreements, long-term derivative instruments measured at fair value, other plant obligations, and deferred income taxes.

Z. **Asset retirement obligations:** Obligations for the decommissioning and environmental remediation costs associated with the Debtors' generation fleet, which include activities such as decommissioning the generation assets (primarily nuclear), structure removal, and remediation of coal piles, water basins, and ash impoundments/landfills.

AA. **Equity:** Includes equity contributions into Cumulus Digital from non-controlling interests.