



General Statement on Southern Montana Board Meeting

On 21 October 2011 at its regularly scheduled meeting, the Southern Montana Electric Generation and Transmission Cooperative, Inc. (Southern Montana) Board of Trustees acted to stabilize the financial position of Southern Montana. A quorum of the Southern Montana Board voted to implement a 20% rate increase (effective immediately) and to authorize Legal Counsel to proceed with the filing of documents necessary to restructure Southern Montana under the provisions of Chapter 11 of the United States Bankruptcy Code.

The Southern Montana Board was forced to take this action in response the defiant failure of certain members to pay their monthly bill for services in full, and decisions to ignore contractual obligations to Southern Montana and exit the electricity supply business stranding Southern Montana with power purchase obligations in the many millions of dollars. The action was not the result of the construction of the Highwood Generating Station.

The Southern Montana Board of Trustees felt compelled to act to stem the tide of financial harm caused by certain member systems and protect the best interest of all the member systems of Southern Montana. Disputes between members of electric cooperatives are never pleasant but they become even more distasteful when the issues are exacerbated by outside entities with no vested interest in the matter.

It is the intent of the Southern Montana Board to address its financial situation aggressively and emerge from restructuring appropriately positioned to carry on in the best interest of all its member systems having satisfied its obligations to its creditors. Southern Montana and the proactive member systems it serves remain dedicated to providing an affordable and predictable supply of electric energy and related services to the Montanans we serve.