

The Official Committee of Unsecured Creditors
of Proterra Inc, *et al.*
Debtors and Debtors-in-Possession in the
United States Bankruptcy Court for the District of Delaware
Case No. 23-11120 (BLS)
c/o Lowenstein Sandler LLP

January 25, 2024

To: Holders of General Unsecured Claims Against Proterra Inc *et al.*:¹

We write on behalf of the Official Committee of Unsecured Creditors (the “Committee”) of Proterra Inc (together with its affiliated debtor, the “Debtors”), the debtors in the above-referenced bankruptcy cases, to recommend that Holders of General Unsecured Claims vote to accept the *Debtors’ Third Amended Joint Chapter 11 Plan of Reorganization for Proterra Inc and Its Debtor Affiliate* (as may be modified and/or amended from time to time, the “Plan”). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Plan and Disclosure Statement.

The Plan represents the culmination of extensive and good faith negotiations among the Debtors’ key stakeholders, including the Committee, following the Debtors’ agreement to sell substantially all of their assets.

The Committee is supportive of the Plan based on the current and known facts and circumstances and the information provided thus far by the Debtors and their professionals. The Committee urges all Holders of General Unsecured Claims to VOTE TO ACCEPT THE PLAN and return your Ballot indicating your acceptance of the Plan in accordance with the voting instructions set forth on the Ballot.

In addition to this letter, the Solicitation Package contains a copy of the Disclosure Statement (including all exhibits and appendices) and related materials and a Ballot where you may indicate your vote to either accept or reject the Plan.

A. Background

On August 7, 2023, the Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”) initiating these chapter 11 cases (the “Chapter 11 Cases”).

¹ The Debtors in these Chapter 11 Cases, along with the last four digits of each Debtor’s federal tax identification number, are as follows: Proterra Inc (9565); and Proterra Operating Company, Inc. (8459). The location of the Debtors’ service address is: 1815 Rollins Road, Burlingame, California 94010.

On August 24, 2023, the Office of the United States Trustee (the “U.S. Trustee”) appointed the Committee, and on September 21, 2023, the U.S. Trustee reconstituted the Committee.² The Committee is statutorily charged with representing the interests of all unsecured creditors. Among the duties and powers of an official committee of unsecured creditors is the participation in the formulation of a debtor’s plan and the responsibility for advising the debtor’s creditors of the committee’s determinations regarding the plan. The members of the Committee in these Chapter 11 Cases have devoted substantial time and attention in carrying out their statutory duties to all unsecured creditors.

To represent their interests, the Committee retained: Lowenstein Sandler LLP and Morris James LLP, as its counsel; Berkeley Research Group, LLC, as its financial advisor; and Miller Buckfire & Co., LLC and Stifel Nicolaus & Co., Inc. as its investment banker.

B. The Sales and Plan Support Agreement

At the start of the Chapter 11 Cases, the Debtors filed a motion for approval of Bidding Procedures for the sale or reorganization of all or any portion of their assets, including the Proterra Powered, Proterra Transit, and Proterra Energy Business Lines. Upon completion of the marketing process, the Debtors conducted Auctions for each of their Business Lines and agreed to the following sale transactions:

- The sale of the Powered Business to Volvo Battery Acquisitions LLC (“Volvo”) for cash consideration in the amount of approximately \$265,000,000 plus the assumption of certain liabilities. The Bankruptcy Court approved the sale to Volvo on November 29, 2023, and the Debtors expect to close the transaction in advance of confirmation of the Plan.
- The sales to Phoenix Motor, Inc. (“Phoenix”) of (i) Proterra Transit for cash consideration in the amount of \$3,500,000 plus the assumption of certain liabilities, and (ii) the Debtors’ battery leases for cash consideration in the amount of \$6,500,000. The Bankruptcy Court approved the sale to Phoenix on January 8, 2024. The sale of Proterra Transit closed on January 11, 2024 and the Debtors expect the sale of the batter leases to close in advance of confirmation of the Plan.
- The sale of Proterra Energy to Anthelion I Prodigy Holdco LP (f/k/a CSI I Prodigy Holdco LP), Anthelion Prodigy Co-Investment LP (f/k/a CSI Prodigy Co-Investment LP), and Anthelion PRTA Co-Investment LP (f/k/a CSI PRTA Co-Investment LP) (collectively, the “Plan Sponsor”) for consideration in the amount of (i) a \$10,00,000 credit bid plus (ii) payment of Cure Claims in excess of \$6,500,000. The Debtors intend to complete the Proterra Energy transaction through the confirmation and consummation of the Plan (the “Reorganization”).

² The Committee consists of the following members: Power Electronics USA, Inc.; Ms. Michele Thorne; TPI, Inc.; Sensata Technologies, Inc; and DW Fritz Automation LLC.

C. The Committee's Investigation

Since its appointment, the Committee and its professionals have been actively involved in nearly every aspect of these Chapter 11 Cases in an effort to maximize recoveries for unsecured creditors. The Committee, through its professionals, investigated potential third-party claims and causes of action, including the validity of the Second Lien Agent's liens and claims and the conduct of the Debtors' current and former directors and officers. The investigation included extensive discovery consisting of the review of documents and interviews conducted by the Committee's professionals of certain of the Debtors' current and former directors, officers, and employees.

After completion of its investigation, the Committee was unable to identify any viable estate claims or causes of action that would result in an increase of recovery for Holders of General Unsecured Claims. Furthermore, the investigation did not uncover any improper payments made to insiders or other potentially fraudulent transfer payments.

As discussed in further detail in the next section, the Committee's investigation did identify certain challenges to the Second Lien Agent's liens and the Liquidation Payment Claim asserted by the Second Lien Agent which are being resolved through entry of the Liquidation Payment Settlement.

D. The Liquidation Payment Settlement

The Second Lien Agent asserted a liquidation premium claim in the amount of \$88,585,019.23 (the "Liquidation Premium Claim"). The Committee and Debtors filed objections to the Liquidation Premium Claim on December 6, 2023. As part of a global settlement, resolving the Committee's challenges to the Second Lien Agent's liens and claims, including the Liquidation Premium Claim, the Second Lien Agent, Committee, and Debtors have agreed to the following settlement terms which will be implemented through the Plan (the "Liquidation Payment Settlement"):

- the allowance of the Liquidation Premium Claim in the limited amount of \$3,000,000;
- the payment of postpetition interest on the Agreed Second Lien Obligations at the default rate set forth in the Second Lien Convertible Notes Purchase Agreement; and
- the funding by the Debtors' estates of \$10 million, or such other amount agreed to by the Debtors, Committee, and Plan Sponsor, into the Distribution Trust Expense Reserve to ensure administrative solvency and to provide funding for the Distribution Trust.

The Debtors filed the *Notice of Amended & Restated Chapter 11 Plan Support Agreement* [Docket No. 794] on January 2, 2024, which is further amended by the *Notice of Filing of (I) Third Amended Joint Chapter 11 Plan of Reorganization for Proterra Inc and Its Debtor Affiliate and (II) Blackline Thereto* that was filed on January 15, 2024 [Docket No. 888], pursuant to which the Second Lien Agent, Committee, and Debtors agreed to support the Plan and incorporates the terms of the Liquidation Premium Settlement. The Liquidation Payment Settlement resolves any potential objection to the Plan by the Committee, and the Committee has executed the Plan Support Agreement and agreed to support the Plan in accordance therewith.

E. The Plan and Disclosure Statement

On January 15, 2024, the Debtors filed the Third Amended Plan and Third Amended Disclosure Statement. The Plan is a chapter 11 plan of reorganization.

Under the Plan, Holders of Allowed General Unsecured Claims are placed in Class 5 and treated in accordance with the terms set forth in Article III of the Plan, which provides that each Holder of an Allowed General Unsecured Claim will receive its pro rata share of the Second Priority Distribution Trust Beneficiaries interests in the Distribution Trust. Class 5 is considered Impaired and entitled to vote to accept or reject the Plan.

Please note that Article IX of the Plan contains certain release, exculpation, and injunction provisions, including third-party releases, which third-party releases are set forth in Article IX.C. Holders of General Unsecured Claims may elect to withhold consent to the third-party releases by (i)(a) either voting to “REJECT” or not voting on the Plan; and (b) checking the Release Opt-Out box under Item 2 of the Ballot, or (ii) timely filing an objection to the releases by Holders of Claims. If you vote to “ACCEPT” the Plan, you are deemed to consent to the third-party releases unless you timely file an objection to the Plan that is not resolved prior to confirmation, or file on the docket any pleading evidencing support for any such objection or objector.

Subject to the Bankruptcy Court’s approval of the opt-out mechanism, the failure to withhold consent to the third-party releases, or file an objection, as set forth above will be deemed your consent to the third-party releases if the Plan is confirmed and goes effective.

F. The Committee’s Recommendation

The Committee believes that the Plan is in the best interest of creditors and other stakeholders and is the fairest means of moving these Chapter 11 Cases towards resolution. The Committee, as the statutory fiduciary representative of unsecured creditors of the Debtors, strongly urges all unsecured creditors to vote in favor of the Plan.

Accordingly, the Committee recommends that **all Holders of General Unsecured Claims vote in favor** of accepting the Plan by indicating your acceptance of the Plan on the Ballot included with your Solicitation Package. Instructions for submitting your vote are included in the Ballot.

Of course, before you cast your Ballot, you should review the Plan and Disclosure Statement in their entirety and you may want to consult your own legal and financial professionals.

Your vote to accept the Plan is crucial, no matter how large or small your claim may be.

Although the Committee, by this letter, expresses its support for the Plan, this letter does not necessarily reflect the views of any of the individual Committee members, each of which reserves any and all of its rights.

If you have any questions regarding voting procedures or otherwise, please contact any one of the Committee's professionals including: Jeffrey Cohen at jcohen@lowenstein.com; Eric Chafetz at echafetz@lowenstein.com; Jordana Renert at jrenert@lowenstein.com; Lindsay Sklar at lsklar@lowenstein.com; and Erica Mannix at emannix@lowenstein.com.

Very truly yours,

By: /s/ Jeffrey L. Cohen

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Counsel to the Official Committee of Unsecured Creditors

YOU ARE URGED TO CAREFULLY READ THE PLAN AND DISCLOSURE STATEMENT. THE DESCRIPTION OF THE PLAN IN THIS LETTER IS INTENDED TO BE A SUMMARY ONLY.

THIS COMMUNICATION DOES NOT CONSTITUTE, AND SHALL NOT BE CONSTRUED AS, A SOLICITATION BY ANY INDIVIDUAL MEMBER OF THE COMMITTEE.

THIS LETTER MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN HOW TO VOTE ON THE PLAN AND THE INFORMATION CANNOT BE RELIED UPON FOR ANY OTHER PURPOSE.

THE BANKRUPTCY COURT'S APPROVAL OF THIS SUPPORT LETTER TO BE INCLUDED AS PART OF THE SOLICITATION PACKAGE DOES NOT CONSTITUTE AN ENDORSEMENT BY THE BANKRUPTCY COURT OF THE MERITS OF THE

PLAN OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN.

THE COMMITTEE DOES NOT REPRESENT INDIVIDUAL HOLDERS OF ANY PARTICULAR CLAIMS AND CANNOT ADVISE UNSECURED CREDITORS REGARDING THE IMPACT OF THE PLAN ON DIRECT CLAIM(S) OR CAUSES OF ACTION, IF ANY, AN INDIVIDUAL UNSECURED CREDITOR MAY HAVE AGAINST ANY OF THE DEBTORS' OFFICERS OR DIRECTORS OR OTHER THIRD PARTIES PROVIDED RELEASES (THIRD-PARTY OR OTHERWISE) UNDER THE PLAN. TO THE EXTENT YOU BELIEVE YOU MAY OWN ANY SUCH POTENTIAL CLAIMS, PLEASE CONTACT YOUR OWN INDIVIDUAL COUNSEL TO ASSESS WHETHER ACCEPTANCE OF THE PLAN IS IN YOUR BEST INTERESTS.