

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

PROTERRA INC, *et al.*,¹

Debtors.

)
) Chapter 11
)
) Case No. 23-11120 (BLS)
)
) (Jointly Administered)
)
) Ref. Docket No. 1039

**DECLARATION OF JUSTIN D. PUGH IN SUPPORT
OF CONFIRMATION OF THE FOURTH AMENDED JOINT CHAPTER 11
PLAN OF REORGANIZATION FOR PROTERRA INC AND ITS DEBTOR AFFILIATE**

Pursuant to 28 U.S.C. § 1746, I, Justin D. Pugh, do hereby declare, under penalty of perjury, the following to the best of my information, knowledge, and belief:

Background and Qualifications

1. I am a Senior Managing Director of FTI Consulting, Inc. (“FTI”) and since August 7, 2023 I have served as the Debtors’ Chief Transformation Officer. I am over the age of 18, and I am authorized by each Debtor to submit this declaration (this “Declaration”) on behalf of the Debtors in support of *Fourth Amended Joint Chapter 11 Plan of Reorganization for Proterra Inc and Its Debtor Affiliate* (as modified, amended, or supplemented from time to time in accordance with its terms, the “Plan”).²

2. I have more than 12 years of experience in the restructuring industry, which has consisted of a broad range of corporate recovery services and interim management roles. My restructuring experience includes operating and managing businesses in and out of court, conducting and managing sales and liquidations of assets and business interests, advising boards

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: 500 Pennsylvania Avenue PO Box 2205 Greer, South Carolina 29652.

² Capitalized terms used but not defined herein shall have the meaning given to them in the Plan.



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of directors on countless restructuring issues, developing and adjudicating claims, managing and assisting in litigation, negotiating settlements, and administering claims-payment structures in a variety of cases. My industry specializations include power generation, renewable energy, manufacturing, retail, real estate, and financial services.

3. I hold a Bachelor of Science in Finance from Louisiana Tech University, a Master of Science in Finance and Mathematics from Louisiana State University, and a Master of Business Administration in Finance and Corporate Accounting from the University of Rochester. I am also a Chartered Financial Analyst and a Certified Public Accountant (accredited in business valuation), and I hold Series 7, 63, and 79 licenses.

4. On September 6, 2023, the Court entered the *Order Authorizing the Debtors to (I) Employ and Retain FTI Consulting, Inc. to Provide the Debtors a Chief Transformation Officer and Certain Additional Personnel and (II) Designate Justin D. Pugh as Chief Transformation Officer for the Debtors, Effective as of the Petition Date* [Docket No. 197].

5. As the Debtors' Chief Transformation Officer, I have been the principal individual at FTI responsible for its engagement by the Debtors. Except as otherwise indicated herein, all statements and facts set forth in this Declaration are based upon: (a) my personal knowledge of the Debtors' operations and finances based on information provided by the Debtors or their advisors during the course of FTI's engagement with the Debtors; (b) my review of relevant documents, including information provided by other parties; (c) information provided to me by, or discussions with, employees of FTI, in each case based on the information described in (a), (b), and (d) of this paragraph; (d) information provided to me or other employees of FTI by, or discussions with, the members of the Debtors' management team or its other advisors; and/or (e) my personal involvement in the events at issue.

I. The Plan Satisfies Each Requirement for Confirmation

6. It is my understanding that all applicable requirements for confirmation of the Plan pursuant to section 1129 of the Bankruptcy Code are satisfied. I provide the following testimony in support of the satisfaction of certain confirmation criteria for which additional facts are relevant.

A. Section 1129(a)(1): The Plan Complies with the Applicable Provisions of the Bankruptcy Code

7. It is my understanding that the Plan complies with all applicable provisions of the Bankruptcy Code, including sections 1122 and 1123, as required by section 1129(a)(1) of the Bankruptcy Code.

1. Section 1122: Classification of Claims and Interests

8. The Plan classifies Claims and Interests as follows:

Class	Claim/Interest	Status	Voting Rights
1	Other Secured Claims	Unimpaired	Not Entitled to Vote (Presumed to Accept)
2	Other Priority Claims	Unimpaired	Not Entitled to Vote (Presumed to Accept)
3	First Lien Claims	Unimpaired	Not Entitled to Vote (Presumed to Accept)
4	Second Lien Convertible Notes Claims	Impaired	Entitled to Vote
5	General Unsecured Claims	Impaired	Entitled to Vote
6	Intercompany Claims	Impaired / Unimpaired	Not Entitled to Vote (Presumed to Accept / Deemed to Reject)
7	Interests in OpCo	Impaired / Unimpaired	Not Entitled to Vote (Presumed to Accept / Deemed to Reject)
8	Interests in TopCo	Impaired	Not Entitled to Vote (Deemed to Reject)
9	Section 510(b) Claims	Impaired	Not Entitled to Vote (Deemed to Reject)

9. I believe that all Claims and Interests within each Class have the same or similar rights against the Debtors. In addition, I believe that the Plan provides for separate classification of Claims against and Interests in the Debtors based upon differences in such Claims' and Interests' nature and legal rights to the Debtors' property and their priority. Accordingly, I believe that the Plan complies with section 1122 of the Bankruptcy Code.

2. Section 1123: The Plan's Mandatory Content is Appropriate

10. I have been advised that the Plan fully complies with each of the requirements of section 1123(a) of the Bankruptcy Code, based on the following:

- ***Specification of Classes, Impairment, and Treatment.*** I understand that the first three requirements of section 1123(a) of the Bankruptcy Code are that a plan specify: (a) the classification of claims and interests; (b) whether such claims and interests are impaired or unimpaired; and (c) the precise nature of their treatment under the plan. I have been advised that the Plan properly designates classes of claims and interests, identifies which classes are impaired and unimpaired, and specifies the treatment of each class.
- ***Equal Treatment.*** I understand that section 1123(a)(4) of the Bankruptcy Code requires that a plan "provide the same treatment for each claim or interest of a particular class, unless the holder of a particular claim or interest agrees to a less favorable treatment of such particular claim or interest." I have been advised that the Plan satisfies this requirement because Holders of Allowed Claims or Interests will receive the same rights and treatment as other holders of Allowed Claims or Interests within such Holders' respective Class.
- ***Means for Implementation.*** I understand that section 1123(a)(5) of the Bankruptcy Code requires that a plan provide "adequate means" for its implementation. 11 U.S.C. § 1123(a)(5). I understand that the Plan satisfies this requirement by providing for, among other things: (a) consummation of the Restructuring Transactions, including as set forth in the Restructuring Transactions Memorandum; (b)(i) if a Plan Support Agreement Termination has not occurred, consummation of the Reorganization or (ii) if a Plan Support Agreement Termination has occurred, consummation of the Plan Support Agreement Termination Distribution; (c) creation of the Distribution Trust and transfer of the Distribution Trusts Assets thereto; (d) adoption of the New Organizational Documents; (e) expiration of the current members of the boards of

directors of each Debtor and the appointment of the New Board; and (f) preservation of the Debtors' Retained Causes of Action.

- ***Non-Voting Stock:*** I understand that section 1123(a)(6) of the Bankruptcy Code requires that a debtor's corporate constituent documents prohibit the issuance of nonvoting equity securities. It is my understanding that the New Organizational Documents, the forms of which were filed in the Plan Supplement, will prohibit the issuance of non-voting equity securities to the extent required by section 1123(a)(6) of the Bankruptcy Code.
- ***Selection of Officers and Directors.*** I understand that section 1123(a)(7) of the Bankruptcy Code requires that the manner of selection of any director, officer, or trustee, or any other successor thereto, be "consistent with the interests of creditors and equity security holders and with public policy." I have been advised that the manner of selection of officers and directors for the Reorganized Debtors is disclosed in the Plan Supplement and the names and identities of known directors and officers of the New Board have been or will be disclosed in the Plan Supplement or an amendment thereto.

B. Section 1129(a)(2) of the Bankruptcy Code: Plan Solicitation and Acceptance of the Plan

11. I understand that section 1129(a)(2) of the Bankruptcy Code requires compliance with the disclosure and voting requirements of sections 1125 and 1126 of the Bankruptcy Code, respectively. I understand that the Court approved the Disclosure Statement as having adequate information, as set forth in the Disclosure Statement Order. In addition, it is my understanding that the Solicitation Agent solicited votes on the Plan consistent with the Court-approved Solicitation Procedures. Finally, I understand that the Debtors did not solicit acceptances of the Plan from any holder of a Claim or Interest before entry of the Disclosure Statement Order.

12. I understand that the Debtors solicited acceptances of the Plan only from the Holders of Claims in the Voting Classes, which are the only Classes impaired and entitled to vote on the Plan. In addition, it is my understanding that the Debtors did not solicit votes to accept or reject the Plan from the Holders of Claims and Interests in the Non-Voting Classes, as I have

been advised by counsel that the Non-Voting Classes are (a) Unimpaired and, therefore, deemed to have accepted the Plan, or (b) presumed to have rejected the Plan.

13. I have been advised that Holders of Claims in Class 4 and Class 5 voted to accept the Plan. Based upon the foregoing, I believe that the requirements of sections 1125 and 1126 of the Bankruptcy Code have been satisfied, and thus, the Debtors have satisfied the requirements of section 1129(a)(2) of the Bankruptcy Code.

C. Section 1129(a)(3): The Plan Has Been Proposed in Good Faith

14. I understand that section 1129(a)(3) of the Bankruptcy Code requires that the Plan be “proposed in good faith and not by any means forbidden by law.” The Plan was proposed in good faith, with the legitimate and honest purposes of reorganizing Proterra Energy and maximizing the value of each Debtor and the recovery to their respective stakeholders.

15. The Debtors have proposed the Plan in good faith and solely for the legitimate and beneficial purpose of maximizing recoveries for creditors. Prior to the commencement of these Chapter 11 Cases, the Debtors faced constrained liquidity and an inability to invest in their Proterra Powered and Proterra Energy Business Lines. Through the Marketing Process and the Restructuring Transactions embodied in the Plan, the Chapter 11 Cases facilitated the sale or reorganization of all three of the Debtors’ Business Lines through a competitive and robust Marketing Process. The Plan will allow the Reorganized Debtors to exit bankruptcy with no funded debt and substantial cash on the balance sheet, positioning the Reorganized Debtors’ business for success post-emergence. I believe that the Debtors conducted the Marketing Process and negotiated, developed, and proposed the Plan in good faith and with input from the Committee and other stakeholders, including the Plan Sponsor. Moreover, the Marketing Process provided for a true market test to ensure that the Chapter 11 Cases would maximize value for creditors under

the Court's supervision. Accordingly, I believe that the Debtors have proposed the Plan in good faith, with the best intentions for their creditors and stakeholders.

D. Section 1129(a)(4): The Plan Provides that Professional Fees and Expenses are Subject to Court Approval

16. I understand that courts have construed section 1129(a)(4) of the Bankruptcy Code to require that all payments of professional fees that are made from estate assets be subject to review and approval as to their reasonableness by the court. Article II.B.2 of the Plan provides that final requests for payment of Professional Compensation Claims for services rendered and reimbursement of expenses incurred through and including the Effective Date must be filed no later than 30 days after the Effective Date for determination of the Allowed amounts of such fees by the Court in accordance with the order(s) relating to or allowing any such Professional Compensation Claim applications. Accordingly, I believe that all payments for services provided to the Debtors during the Chapter 11 Cases within the meaning of section 1129(a)(4) of the Bankruptcy Code must be approved by the Court as reasonable in accordance with section 1129(a)(4) of the Bankruptcy Code.

E. Section 1129(a)(5): The Identity of the Reorganized Debtors' Officers and Directors Have Been Disclosed

17. I understand that section 1129(a)(5) of the Bankruptcy Code requires that the plan proponent disclose the identity and affiliations of the proposed officers and directors of reorganized debtors; that the appointment or continuance of such officers and directors be consistent with the interests of creditors and equity security holders and with public policy; and, to the extent there are any insiders that will be retained or employed by the reorganized debtors, that there be disclosure of the identity and nature of any compensation of any such insiders.

18. As part of the Plan Supplement, the Debtors disclosed the identities and affiliations of the individuals proposed to serve as directors of the Reorganized Debtors and the

identity of any insiders that will be employed or retained by the Reorganized Debtors, as well as the nature of any compensation for such insiders. The officers of the Reorganized Debtors have been disclosed as part of an amended Plan Supplement. Accordingly, I believe that the Plan satisfies section 1129(a)(5) of the Bankruptcy Code.

F. Section 1129(a)(6): The Plan Does Not Contain Any Rate Changes

19. It is my understanding that section 1129(a)(6) of the Bankruptcy Code permits confirmation only if any regulatory commission that has or will have jurisdiction over a debtor after confirmation has approved any rate change provided for in the plan. No such rate changes are provided for in the Plan. Thus, I believe that section 1129(a)(6) of the Bankruptcy Code is inapplicable to the Chapter 11 Cases.

G. Section 1129(a)(7): The Plan Satisfies the “Best Interests Test”

20. I understand that the “best interests” test under section 1129(a)(7) of the Bankruptcy Code requires that a bankruptcy court find, as a condition to confirmation of a plan of reorganization, that each holder of a claim or interest in each impaired class either (a) has accepted the plan or (b) will 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 on such date.

21. It is my understanding that under the Plan, (a) Classes 4, 5, 8, and 9 are Impaired and Classes 6 and 7 may be Impaired under the Plan, and (b) the best interests test therefore requires that each rejecting member of each such Impaired Class recover at least as much under the Plan as it would in a hypothetical liquidation.

22. Together with my team at FTI and the Debtors’ other advisors, I assisted the Debtors in preparing a hypothetical, reasonable, and good faith estimate of the proceeds that would be generated if the Debtors were liquidated in accordance with chapter 7 of the Bankruptcy

Code (the “Liquidation Analysis”), as set forth in more detail in Exhibit B to the Disclosure Statement and attached hereto as **Exhibit A**. The Liquidation Analysis was completed after extensive due diligence and input from the Debtors’ management and their other advisors, and represents the Debtors’ best estimate of the cash proceeds, net of liquidation-related costs, which would be available for distribution to Holders of Claims and Interests under a hypothetical chapter 7 liquidation of the Debtors.

23. The Liquidation Analysis assumes the Debtors enter chapter 7 on the Debtor’s projected Effective Date (as of the time of filing of the Liquidation Analysis), and a trustee would be appointed to manage the estate and conduct an orderly liquidation of substantially all the Debtors’ remaining assets over an approximately two-month period beginning March 15, 2024 (the “Conversion Date”), pursuant to chapter 7 of the Bankruptcy Code. This timeline assumes that Proterra Energy remains operational for a period of one month solely for the purpose of liquidating its fixed assets, which, together with the Debtors’ cash on hand, are expected to be the primary sources of value to creditors in the hypothetical liquidation under the Liquidation Analysis (the “Hypothetical Liquidation”). All other assets are assumed to be sold and any remaining operations of the Debtors’ business would be wound down within the remaining days following these asset sales.

24. The Debtors and FTI: (a) estimated the cash proceeds that would be generated from the Hypothetical Liquidation of the Debtors’ assets (the “Hypothetical Liquidation Proceeds”); (b) determined the distribution of those cash proceeds net of liquidation and other wind-down costs (the “Liquidation Distribution”) that each Holder of a Claim or Interest would receive from the Hypothetical Liquidation Proceeds under the priority scheme dictated in chapter 7; and (c) compared each Holder’s Liquidation Distribution to the

estimated distribution under the Plan that such Holders would receive if the Plan is confirmed and consummated.

25. As set forth in the Liquidation Analysis, and copied below in the summary chart, subject to the assumptions and limitations contained therein, and incorporated herein by reference, the liquidation of the Debtors' assets would result in Hypothetical Liquidation Proceeds ranging from \$231.5 million to \$232.3 million, representing approximately 74.4% to 74.7% of aggregate net book value. After wind-down costs, recovery to holders of Second Lien Convertible Notes Claims is estimated at \$191.9 million or 100.0%. Recovery to holders of Administrative Expense Claims and Other Priority Claims is estimated to range from \$18.2 million to \$20.0 million, with a recovery rate of 100.0% in both the low and high scenario. Holders of General Unsecured Claims are expected to realize recoveries ranging from \$19.5 million to \$22.2 million, or 7.5% to 12.1% in a chapter 7 liquidation. Therefore, after applying available Liquidation Proceeds in accordance with the Bankruptcy Code and applicable law, the Liquidation Analysis establishes that all Holders of Claims or Interests in Impaired Classes will receive or retain property under the Plan valued, as of the Effective Date, in an amount equal to or greater than what they would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

Class	Claim/Interest	Estimated Plan Recovery	Estimated Chapter 7 Liquidation Recovery
4	Second Lien Convertible Notes Claims	100%	100%
5	General Unsecured Claims	15.7-24.8%	7.5-12.1%
6	Intercompany Claims	N/A	N/A
7	Interests in OpCo	N/A	N/A
8	Interests in TopCo	0%	0%
9	Section 510(b) Claims	0%	0%

26. Based on the Liquidation Analysis, I believe that the Plan satisfies the “best interests” test requirement under section 1129(a)(7) of the Bankruptcy Code. Further, based on my involvement in the preparation of the Liquidation Analysis and my expertise as a restructuring professional in the Debtors’ industry, I believe that the methodology used to prepare the Liquidation Analysis is appropriate, and the assumptions and conclusions set forth therein are fair and reasonable under the circumstances.

H. Section 1129(a)(8): The Plan Has Been Accepted by An Impaired Voting Class

27. As set forth in the Voting Declaration, Class 4 and Class 5 voted to accept the Plan in excess of two-thirds in amount and one-half in number of Holders entitled to vote in such Classes who voted on the Plan. I also understand from the Debtors’ counsel that Classes 8 and 9 are deemed to reject the Plan under 1126(g) and Classes 6 and 7 may be deemed to reject the Plan under section 1126(g) of the Bankruptcy Code. However, as discussed below, I further believe that the Debtors have satisfied the requirements of section 1129(a)(10) of the Bankruptcy Code, and thus will be able to “cram-down” the remaining Impaired Classes under section 1129(b) of the Bankruptcy Code.

I. Section 1129(a)(9): The Plan Provides for Payment in Full of All Allowed Priority Claims

28. As it has been explained to me by the Debtors’ counsel, I believe the Plan complies with section 1129(a)(9) of the Bankruptcy Code. The Plan provides that (a) each Holder of an Allowed Administrative Claim will receive payment in full on the Effective Date, (b) no Holders of the types of Claims specified by section 1129(a)(9)(B) of the Bankruptcy Code are Impaired under the Plan and such Claims have been paid in the ordinary course, and (c) all Holders

of Allowed Priority Tax Claims will be treated in accordance with the terms set forth in section 1129(a)(9)(C) of the Bankruptcy Code.

J. Section 1129(a)(10): At Least One Class of Impaired Claims Has Accepted the Plan

29. I understand that the Plan complies with section 1129(a)(10) of the Bankruptcy Code because Class 4 and Class 5 are both Impaired and have accepted the Plan, without including the acceptance of the Plan by any insiders in such Class.

K. Section 1129(a)(11): The Plan is Feasible

30. I understand that section 1129(a)(11) of the Bankruptcy Code requires that the Plan be feasible to be confirmed. I understand that the Debtors thoroughly analyzed their ability post- emergence to meet their obligations under the Plan and to continue as a going concern without the need for further financial restructuring. To conduct this analysis, the Debtors prepared the financial projections attached as Exhibit F to the Plan Supplement [Docket. No. 1076] (the “Financial Projections”) and attached hereto as **Exhibit B**, which cover the annual periods ending December 31, 2024, through December 31, 2026. I was involved in the preparation of the Financial Projections and the business plan that supports them. I believe that the Financial Projections were prepared in good faith and reflect reasonable estimates and judgments of the Debtors as to the Reorganized Debtors’ future operating and financial performance as of the date of the Financial Projections’ preparation. Furthermore, it is my understanding that the Plan is the product of extensive negotiations and discussions among the Debtors and their key stakeholders, including the Plan Sponsor and Committee.

31. Notably, if no Plan Support Agreement Termination has occurred, the Reorganized Debtors will be funded with the Reorganized Proterra Retained Cash in an amount equal to approximately \$181.5 million, which equates to the Allowed Second Lien Convertible

Notes Claims *less* the Equity Distribution Reduction, Cure Cost Reduction, and Proterra Energy Transition Cost Reduction. Therefore, the Reorganized Debtors will be funded with a significant amount of cash on the Effective Date. Moreover, the Reorganized Debtors will have no funded debt on the Effective Date.

32. Based upon my review and understanding of the Plan and the Debtors' business and the Financial Projections, I believe it is reasonable to expect that: (a) the Reorganized Debtors will be able to make all payments required pursuant to the Plan; (b) Confirmation of the Plan is not likely to be followed by liquidation or the need for further reorganization; and (c) the Reorganized Debtors will be able to satisfy their post-emergence obligations in the ordinary course. Therefore, in my opinion, the Plan satisfies the feasibility requirement of section 1129(a)(11) of the Bankruptcy Code.

L. Section 1129(a)(12): All Statutory Fees Have or Will be Paid under the Plan

33. I have been advised that the Plan satisfies the requirements of section 1129(a)(12) of the Bankruptcy Code because it provides that all such statutory fees will be paid before or after the Effective Date in accordance with the terms of the Plan.

M. Section 1129(a)(13): The Plan Does Not Modify Retiree Benefits

34. I understand that section 1129(a)(13) of the Bankruptcy Code requires that retiree benefits are paid post-confirmation at any levels established in accordance with section 1114 of the Bankruptcy Code. The Debtors do not provide such retiree benefits. Accordingly, I believe section 1129(a)(13) of the Bankruptcy Code is inapplicable to the Plan.

N. Section 1129(b): The Plan Satisfied the "Cram-Down" Requirements for Rejecting Classes

35. As discussed above Claims and Interests in Class 8 (Interests in TopCo) and Class 9 (Section 510(b) Claims) are Impaired under the Plan, and the Holders of such Claims and

Interests have been deemed to reject the Plan. Claims and Interests in Class 6 (Intercompany Claims) and Class 7 (Interests in OpCo) may be Impaired under the Plan and deemed to reject the Plan (Classes 6, 7, 8, 9, collectively, the “Rejecting Classes”). For the reasons discussed below, I believe that the Plan should nonetheless be confirmed over the rejection by such Classes pursuant to section 1129(b) of the Bankruptcy Code, because the Plan does not discriminate unfairly and is fair and equitable with respect to the Rejecting Classes.

1. The Plan Does Not Discriminate Unfairly with Respect to the Rejecting Classes

36. I believe that Claims and Interests in Rejecting Classes are not similarly situated to any other Classes, given their distinctly different legal character from all other Claims and Interests, as follows:

- Claims in Class 6 (Intercompany Claims) and Interests in Class 7 (Intercompany Interests) are comprised of Claims and Interests that will either be Reinstated or cancelled, released, and extinguished and without any distribution at the Debtors’ election with the prior written consent of the Second Lien Agent (not to be unreasonably withheld or delayed). These Classes are the only respective Class containing these Claims and Interests and are therefore appropriately separately categorized.
- Class 8 (Interests in TopCo) is the only Class containing Interests in TopCo and are entirely unique from any other Class of Interests. Therefore, are appropriately in their own Class.
- Claims in Class 9 (Section 510(b) Claims) consists of all Section 510(b) Claims, if any, and are entirely unique form any other Class of Claims. Therefore, are appropriately in their own Class.

37. Accordingly, I believe that the Plan does not unfairly discriminate against the Rejecting Classes.

2. The Plan is Fair and Equitable

38. I have been advised that the Plan is fair and equitable with respect to the Rejecting Classes as distributions under the Plan are made in the order of priority prescribed by the Bankruptcy Code and in accordance with the absolute priority rule.

39. I understand that the “fair and equitable” rule is satisfied as to the Rejecting Classes as no Claims and Interests junior to each such Class, as applicable, will receive or retain any property under the Plan on account of such Claim or Interest junior thereto. In addition, no senior creditor will receive in excess of the full value of its Claims under the Plan.

40. Thus, I believe that the Plan is “fair and equitable” and, therefore, consistent with the requirements of section 1129(b) of the Bankruptcy Code.

O. Section 1129(c): The Plan is the Only Plan Currently on File

41. I understand that the Plan is the only plan currently on file in the Chapter 11 Cases and, accordingly, the requirement of section 1129(c) of the Bankruptcy Code has been met.

P. Section 1129(d): The Purpose of the Plan is Not Tax or Securities Law Avoidance

42. The purpose of the Plan is not to avoid taxes or the application of section 5 of the Securities Act of 1933. Article II.A of the Plan contemplates the payment of all Allowed Priority Tax Claims. Moreover, my understanding is that no Governmental Unit or any other party has requested that the Court decline to confirm the Plan on the grounds that the principal purpose of the Plan is the avoidance of taxes or the avoidance of the application of section 5 of the Securities Act of 1933. Therefore, I believe that the Plan satisfies the requirements of section 1129(d) of the Bankruptcy Code.

II. The Discretionary Contents of the Plan are Appropriate

A. The Plan Satisfies the Discretionary Provisions of Section 1123(b)

43. I have been advised that section 1123(b) of the Bankruptcy Code allows a plan to include a variety of different permissive provisions, and, as discussed below, I believe that each of the Plan's permissive provisions comport with section 1123(b).

- as permitted under section 1123(b)(1) of the Bankruptcy Code, Article III classifies and describes the treatment for Claims and Interests under the Plan, and identifies which Claims and Interests are impaired or unimpaired;
- as permitted under section 1123(b)(2) of the Bankruptcy Code, Article V provides for the rejection of executory contracts and unexpired leases, except for any executory contract or unexpired lease which is (a) a D&O Policy or an Insurance Contract, (b) has been identified on the Schedule of Assumed Executory Contracts and Unexpired Leases, (c) has been otherwise rejected, assumed, or assumed and assigned, or (d) is the subject of a motion filed by the Debtors prior to the Effective Date to assume, assume and assign, or reject such executory contract or unexpired lease on which the Court has not ruled. I have been informed that the Debtors filed their Schedule of Assumed Contracts with the Plan Supplement;
- as permitted under section 1123(b)(3)(A) of the Bankruptcy Code, the Plan (a) is premised on the Liquidation Payment Settlement by and among the Debtors, the Plan Sponsor, and the Committee, and (b) provides that, unless waived, relinquished, exculpated, released, compromised, or settled in the Plan or a Court order, the Debtors' Causes of Action will be reserved and assigned to Reorganized Proterra or the Distribution Trust as set forth on the Schedule of Retained Causes of Action;
- as permitted by section 1123(b)(5) of the Bankruptcy Code, Article III modifies the rights of Holders of Claims as set forth therein.

44. Therefore, I believe that each of the Plan's permissive provisions comport with the requirements of the Bankruptcy Code.

B. Section 1123(d): The Plan's Cure Process is Appropriate

45. I understand that section 1123(d) of the Bankruptcy Code provides that amounts necessary to cure defaults under executory contracts proposed to be assumed will be "determined in accordance with the underlying agreement and applicable nonbankruptcy law." I

have been advised that Article V.D of the Plan provides for the satisfaction of Cure Claims associated with each Executory Contract or Unexpired Lease to be assumed in accordance with section 365(b)(1) of the Bankruptcy Code. Specifically, I understand that the Debtors or the Reorganized Debtors, as applicable, shall pay Cure Claims, if any, as indicated on the Cure Notices distributed to the counterparties of assumed Executory Contracts and Unexpired Leases, on the later of the Effective Date, the date of resolution of any dispute regarding the assumption or assumption and assignment of the Executory Contract or Unexpired Lease, or as soon as reasonably practicable thereafter. I also understand that any disputed Cure Claims will be determined in accordance with the procedures set forth in Article V.D of the Plan and applicable law. As such, it is my understanding that the Plan provides that the Debtors will cure, or provide adequate assurance that the Debtors will promptly cure, defaults with respect to assumed Executory Contracts or Unexpired Leases in compliance with section 365(b)(1) of the Bankruptcy Code, and, therefore, complies with section 1123(d) of the Bankruptcy Code.

C. The Plan's Release, Exculpation, and Injunction Provisions are Reasonable and in the Best Interest of the Debtors' Estates

46. I understand that the Plan includes several discretionary provisions including (a) various terms discharging, releasing, and enjoining the pursuit of Causes of Action, (b) a consensual Third-Party Release of certain potential Causes of Action, and (c) exculpation provisions. As discussed below, I believe these provisions result from extensive good faith and arm's-length negotiations by and among the Debtors and the Released Parties.

1. The Debtor Release is Appropriate

47. I understand that Article IX.B of the Plan provides for certain releases by the Debtors (the "Debtor Release"). The Investigation Committee of the Debtors' Board of Directors, comprised of independent director Jill Frizzley, with the assistance of its retained

counsel, Paul, Weiss, Rifkind, Wharton & Garrison LLP (the “Investigation Committee Counsel”) evaluated the propriety of the Debtor Release. As more fully set out in the Frizzley Declaration, I understand that the Investigation Committee, together with the Investigation Committee Counsel, performed an independent factual examination and a review and analysis of applicable federal and state law.

48. As a result of this investigation, I understand that the Investigation Committee did not identify any plausible or colorable Potential Causes of Action against the Released Parties that, if pursued by Proterra, would be likely to provide value to the Debtors’ estates.

49. The Debtor Release constitutes an integral aspect of the extensive arm’s-length negotiations that culminated in the Plan, and without the Debtor Release, key stakeholders may have been unwilling to participate in the proposed restructuring process, to the great detriment of all stakeholders. Accordingly, I believe that approval of the Debtor Release is in the best interests of the Debtors’ estates.

2. The Third-Party Releases are Appropriate

50. Article IX.C of the Plan describes certain releases granted by the Releasing Parties (the “Third-Party Release”). Critically, every holder of a Claim or Interest under the Plan was given an opportunity to opt-out of the releases, or, in the case of Interest Holders, opt-in to the releases, as applicable.

51. I understand that the Plan contains an intentionally crafted opt-in and opt-out structure whereby all Holders of Claims or Interests under the Plan (other than Holders of Unimpaired Claims or Holders of Intercompany Claims and Interests in OpCo) were provided with the opportunity to demonstrate their consent by voting to accept the Plan or determining whether to make an appropriate and Court-approved election to not be bound by the Third-Party Releases.

Parties that abstained from voting or that were impaired and unable to vote on the Plan were still provided with the opportunity to demonstrate their consent to the Third-Party Releases by determining whether or not to complete an opt-out or opt-in election, as applicable, which I understand aligns with Third Circuit law and was approved by the Court upon entry of the Disclosure Statement Order.

52. As further set forth in the Frizzley Declaration, I believe that the Released Parties have made significant contributions to the restructuring, including by, among other things, (a) supporting the consummation and implementation of restructuring transactions contemplated by the Plan; and (b) supporting, and not objecting to, delaying or impeding confirmation or consummation of the Plan, including in the case of the Plan Sponsor, voting in favor of the Plan, and in the case of the Committee, recommending that all holders of General Unsecured Claims vote in favor of the Plan.

53. Accordingly, I believe that the Third-Party Releases should be approved.

3. The Exculpation Clause is Appropriate

54. Article IX.D of the Plan provides for the exculpation of the Exculpated Parties³ (the “Exculpation Clause”). I understand that the Exculpation Clause prevents collateral attacks against estate fiduciaries (like the Committee) or parties that have acted in good faith to help facilitate the Debtors’ reorganization.

55. I believe that each Exculpated Party, which are each also a Released Party, have played a critical role in achieving a consensual plan of reorganization, as discussed above. The Exculpation Clause represents an integral piece of the overall settlement embodied in the Plan

³ “Exculpated Parties” means, collectively, (a) the Debtors; (b) any Statutory Committee and each of its members, solely in their capacity as such; (c) the Debtors’ officers and directors who served in such capacity during the Bankruptcy Cases; and (d) estate-retained professionals.

and is the product of good faith, arm's-length negotiations, which were made possible only through significant contributions by the Exculpated Parties prior to and during the Chapter 11 Cases.

56. I understand that the Exculpation Clause is tailored specifically to protect the Exculpated Parties from potentially vexatious litigation based on the actions taken in furtherance of the Debtors' restructuring. I further understand that it does not release any Claim based on any act or omission that constitutes fraud, gross negligence, or willful misconduct as determined by a Final Order. Finally, I have been advised that the scope of the proposed Exculpation is appropriate under the circumstances, both respect to conduct covered and the applicable time period to which it relates, in accordance with market practice.

57. I believe that the Exculpation Clause affords reasonable and appropriate protections that parties reasonably relied and rely upon in actively engaging in the Debtors' restructuring efforts, to the benefit of all of the Debtors' stakeholders.

4. The Plan's Other Settlements Are Reasonable

58. I understand a bankruptcy court may approve settlements under Bankruptcy Rule 9019 or as part of a debtor's plan. The standards for approving settlements under Bankruptcy Rule 9019 or as part of a plan are the same. I also understand that courts typically consider four factors when evaluating a proposed settlement: (a) the probability of success in litigation; (b) the likely difficulties in collection; (c) the complexity of the litigation involved, and the expense, inconvenience and delay necessarily attending it, and (d) the paramount interest of the creditors. I understand that the law is clear that the threshold for approving a settlement is whether the proposed settlement exceeds the lowest point in the range of reasonableness.

59. I understand that the Plan encompasses settlements and compromises, including the Liquidation Payment Settlement. As set forth in the Plan Support Agreement and embodied in the Plan, the Debtors, Plan Sponsor, and the Committee resolved the Plan Sponsor's

Liquidation Payment Claim and any potential challenges brought by the Committee through the Liquidation Payment Settlement. The Liquidation Payment Settlement, as embodied in the Plan, includes that the Allowed amount of the Second Lien Convertible Notes Claims shall include the Settled Amounts—*i.e.*, (a) \$3.0 million; *plus* (b) postpetition interest on the Agreed Second Lien Obligations at the default rate set forth in the Second Lien Convertible Notes Purchase Agreement; *less* (c) postpetition interest on the Agreed Second Lien Obligations at the non-default rate set forth in the Second Lien Convertible Notes Purchase Agreement. Furthermore, the Debtors' estates will fund \$10.0 million or such other amount as is agreed by the Debtors, Second Lien Agent, and the Committee into the Distribution Trust Expense Reserve. The Liquidation Payment Settlement resolved any potential objection to the Plan by the Committee, and the Committee executed the Plan Support Agreement and agreed to support the Plan in accordance therewith. I understand that the Liquidation Payment Settlement and the Plan have the support of the Debtors, the Committee, and the Plan Sponsor and provide for, among other things:

- a clear path to the present Plan and the Reorganized Debtors' exit from chapter 11 with no funded debt, providing the Reorganized Debtors with stability to run their business on a go-forward basis;
- comprehensive restructuring transactions following the Marketing Process, which provides recoveries to Holders of General Unsecured Claims and allows the Reorganized Debtors to emerge quickly from these Chapter 11 Cases; and
- significantly improved recoveries to Holders of General Unsecured Claims (Class 5) as compared to their potential recovery in a liquidation.

60. Furthermore, I believe that the Liquidation Payment Settlement and the corresponding Plan settlements and compromises enabled the Debtors to build critical support for the Plan and restructuring transactions and resolved potential disputes with the Committee and Plan Sponsor, which will prevent the needless expense to the Debtors' estates of additional litigation in connection with Confirmation. I understand that the Plan's settlements and comprises

embody a number of compromises made by the Debtors and their stakeholders, including the following:

- the First Lien Agent and Second Lien Agent permitted the Debtors' use of Cash Collateral, which provided the critical stability to run the Marketing Process, leading to the value-maximizing Sales. Without the consensual use of Cash Collateral, the Debtors would not have been able to operate during the Marketing Process or would have needed to raise debtor-in-possession financing at potentially a greater cost;
- the Plan Sponsor and Committee have supported the transactions contemplated by the Plan Support Agreement, and the Plan Sponsor agreed to settle its Liquidation Payment Claim and to fund the Reorganized Debtors with a significant portion of their Allowed Second Lien Convertible Notes Claim. This significant cash position of the Reorganized Debtors helps position the Reorganized Debtors for long-term success;
- the Plan Sponsor agreed to support and vote in favor of the Plan, guaranteeing an impaired accepting class of Claims under the Plan, which allows the Court to confirm the Plan; and
- the Committee agreed to support the Plan, thus avoiding potential costly litigation regarding potential challenges to the Second Lien Agent's collateral and Confirmation. The Committee's support further paved the way toward a consensual, value-maximizing Plan confirmation process.

61. I believe that the Debtors, Plan Sponsor, and the Committee are all represented by experienced and competent counsel and advisors who vigorously negotiated these settlements and compromises, as applicable, and agree that approval of the Plan is a significantly better outcome than the alternatives. Accordingly, it is my opinion that the Plan's settlements and compromises collectively represent a reasonable resolution of the issues raised in these Chapter 11 Cases.

III. Good Cause Exists to Waive the Confirmation Order Stay

62. I understand Bankruptcy Rule 3020(e) provides that "[a]n order confirming a plan is stayed until the expiration of 14 days after the entry of the order, unless the court orders otherwise." Fed. R. Bankr. P. 3020(e). Bankruptcy Rules 6004(h) and 6006(d) provide similar

stays to orders authorizing the use, sale, or lease of property (other than cash collateral) and orders authorizing a debtor to assign an executory contract or unexpired lease under section 365(f) of the Bankruptcy Code. Each rule also permits modification of the imposed stay upon court order.

63. I believe good cause exists for waiving and eliminating any stay of the proposed Confirmation Order pursuant to Bankruptcy Rules 3020, 6004, and 6006 so that the proposed Confirmation Order will be effective immediately upon its entry. In my opinion, the restructuring contemplated by the Plan was vigorously negotiated among sophisticated parties and is partially premised on the Reorganized Debtors emerging from the Chapter 11 Cases on the Effective Date which, under the Plan Support Agreement, must occur no later than March 14, 2024. That restructuring contemplates a series of corporate steps that must be completed on the Effective Date, including, among other things, the issuance of the New Common Stock. Given that time is of the essence, I believe that immediate effectiveness of the Confirmation Order would facilitate the Debtors' efforts to take the steps necessary to consummate the Plan by the Effective Date.

IV. Conclusion

64. For the reasons discussed above, as the Debtors' Chief Transformation Officer, and having been involved in virtually every aspect of these Chapter 11 Cases, it is my belief that confirmation of the Plan is appropriate, in the best interests of the Debtors and their estates, and should be approved.

[Remainder of page intentionally blank]

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

Dated: March 1, 2024
Avon, Colorado

/s/Justin Pugh

Justin Pugh
Senior Managing Director
FTI Consulting, Inc.

EXHIBIT A

Liquidation Analysis

LIQUIDATION ANALYSIS¹

A. Introduction

Under the “best interests of creditors” test set forth in section 1129(a)(7) of the Bankruptcy Code, the Bankruptcy Court may not confirm a plan of reorganization unless the plan provides each holder of an allowed claim or interest that does not otherwise vote in favor of the plan with property of a value, as of the effective date of the plan, that is not less than the amount that such holder would receive or retain if the debtor were liquidated under chapter 7 of the Bankruptcy Code.

To demonstrate that the Plan satisfies the best interests of creditors test, the Debtors, with the assistance of their professional advisors, have prepared the hypothetical liquidation analysis set forth in this Exhibit B to the Disclosure Statement (the “Liquidation Analysis”). As set forth in this Liquidation Analysis, the Debtors believe that the Plan provides each Holder of an impaired Claim or Interest with a recovery that is not less than the value such Holder would receive or retain in a hypothetical chapter 7 liquidation.

The first step in determining whether the best interests test has been met is to determine the dollar amount that would be generated from the hypothetical chapter 7 liquidation of the Debtors’ assets. As further explained below, the analysis assumes a hypothetical chapter 7 liquidation of the Debtors’ remaining assets, including the assets of Proterra Energy and cash proceeds from the sales of Proterra Powered and Proterra Transit (the “Hypothetical Liquidation”). Such amount would then be reduced by the amount of: (a) any Claims secured by such assets; and (b) the costs and expenses of the Hypothetical Liquidation and certain additional administrative expenses that may result from the termination of the Debtors’ ongoing business. Any remaining net cash would be allocated to creditors and shareholders in strict priority in accordance with Section 726 of the Bankruptcy Code.

A general summary of the assumptions used in preparing this Liquidation Analysis follows.

B. Limitations

THE ILLUSTRATIVE LIQUIDATION ANALYSIS PRESENTED HEREIN HAS BEEN PREPARED SOLELY FOR THE PURPOSES AND USE OF THE DISCLOSURE STATEMENT AND DOES NOT REPRESENT OR CLAIM TO REPRESENT ANY ASSUMPTIONS OR COMPARISONS FOR ANY OTHER PURPOSE. NOTHING CONTAINED IN THE LIQUIDATION ANALYSIS IS INTENDED TO BE OR CONSTITUTES A CONCESSION BY OR ADMISSION OF ANY DEBTOR FOR ANY PURPOSE.

The Debtors prepared the illustrative Liquidation Analysis with the assistance of FTI Consulting, Inc. The Liquidation Analysis contains numerous estimates, including estimated Allowed Claims based upon a review of the Debtors’ financial statements to account for estimated liabilities as necessary. The

¹ Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the *Second Amended Disclosure Statement for Second Amended Joint Chapter 11 Plan of Reorganization for Proterra Inc and Its Debtor Affiliate* (as may be amended, supplemented or modified from time to time, and including all exhibits and supplements thereto, the “Disclosure Statement”).

Liquidation Analysis assumes a Hypothetical Liquidation in which the Debtors' remaining business, Proterra Energy, is not sold on a going concern basis.²

If the Debtors' Chapter 11 Cases are subsequently converted to chapter 7 liquidations, additional Claims may arise against the Debtors and their estates that are not currently fully reflected in the Liquidation Analysis but could significantly impact the conclusions set forth herein. Therefore, the Liquidation Analysis includes estimates for Claims as part of the Chapter 11 Cases that could be asserted and allowed in a chapter 7 liquidation, including unpaid Administrative Expense Claims from the Chapter 11 Cases and chapter 7 administrative claims, such as wind-down costs and chapter 7 Trustee (as defined below) fees. The Debtors' estimates of Allowed Claims set forth in the Liquidation Analysis should not be relied on for any other purpose, including determining the value of any distribution to be made on account of Allowed Claims and Interests under the Plan. The cessation of business in the Hypothetical Liquidation is likely to trigger certain Claims that otherwise would not exist under a chapter 11 plan absent the Hypothetical Liquidation, certain of which may not be included herein. Examples of these kinds of Claims include breach of contract Claims. Some of these Claims could be significant and may be entitled to priority in payment over General Unsecured Claims. 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. Such tax consequences may be material. **THE ACTUAL AMOUNT OF ALLOWED CLAIMS IN THE CHAPTER 11 CASES COULD MATERIALLY DIFFER FROM THE ESTIMATED AMOUNTS SET FORTH IN THE LIQUIDATION ANALYSIS.**

The determination of the hypothetical proceeds from the Hypothetical Liquidation of assets is a highly uncertain process involving the extensive use of estimates and assumptions that, although considered reasonable by the Debtors' management and their advisors, are inherently subject to significant business, economic, and competitive uncertainties and contingencies beyond the control of the Debtors and their management. Accordingly, there can be no guarantees that the values assumed in the Liquidation Analysis would be realized if the Debtors were actually liquidated. In addition, the Hypothetical Liquidation would take place in the future, at which time circumstances may exist which cannot presently be predicted. The Liquidation Analysis should be read in conjunction with the Disclosure Statement and the Plan in their entirety, as well as the notes and assumptions set forth below.

The Debtors recognize that there are other potential alternatives that could occur in a hypothetical chapter 7 liquidation not presented in the Liquidation Analysis, including alternatives that would give rise to reduced and delayed creditor recoveries.

THE DEBTORS RESERVE THEIR RIGHT TO, BUT ARE NOT OBLIGATED TO, SUPPLEMENT, MODIFY, OR ADJUST ANY PART OF THIS ILLUSTRATIVE LIQUIDATION ANALYSIS, INCLUDING TO REFLECT A CHANGE IN THE UNDERLYING ASSUMPTIONS AND ANALYSIS SET FORTH HEREIN.

² The Liquidation Analysis assumes that, as of the Conversion Date (as defined below), the sales of Proterra Powered and Proterra Transit have been consummated, resulting in Proterra Energy remaining as the Debtors' sole operating business line.

C. Distribution of Net Proceeds Under Absolute Priority

Under a chapter 7 liquidation, all secured claims are required to be satisfied from the proceeds of the collateral securing such claims before any such proceeds would be distributed to any other creditors, subject to any agreed carve-out approved by the Bankruptcy Court. This analysis assumes the application of the rule of absolute priority of distributions with respect to the remaining proceeds of the Debtors. Under the absolute priority rule, no junior creditor receives any distribution until all senior creditors are paid in full. The costs, expenses, and fees associated with the Liquidation would be paid in full from the Hypothetical Liquidation proceeds before the balance of the proceeds would be made available to pay chapter 11 administrative claims, then to pay priority claims, and then to pay unsecured claims.

After consideration of the effects of the Hypothetical Liquidation on the ultimate proceeds available for distribution to creditors, including, (a) the costs and expenses of the Hypothetical Liquidation, (b) the erosion in value of assets in the Hypothetical Liquidation in the context of an expeditious process prudent under these circumstances and the “forced sale” atmosphere that would likely prevail, and (c) the substantial increase in Claims that would likely be triggered in the chapter 7 Hypothetical Liquidation, THE DEBTORS HAVE DETERMINED THAT CONFIRMATION OF THE PLAN WILL PROVIDE EACH CREDITOR WITH A RECOVERY THAT IS NOT LESS THAN SUCH CREDITOR WOULD RECEIVE PURSUANT TO A HYPOTHETICAL LIQUIDATION OF THE DEBTORS UNDER CHAPTER 7 OF THE BANKRUPTCY CODE.

D. Basis of Presentation

The Liquidation Analysis represents an estimated recovery for all creditors of the Debtors based upon a Hypothetical Liquidation of the Debtors, involving the appointment of a chapter 7 trustee (the “Trustee”) to convert the Debtors’ assets into cash for distribution to creditors over an approximately two-month period beginning March 15, 2024 (the “Conversion Date”). This timeline assumes that Proterra Energy remains operational for a period of one month solely for the purpose of liquidating its fixed assets, which, together with the Debtors’ cash on hand, are expected to be the primary sources of value to creditors in the Hypothetical Liquidation. All other assets are assumed to be sold and any remaining operations of the Debtors’ business would be wound down within the remaining days following these asset sales.

The Liquidation Analysis assumes the Debtors’ Chapter 11 Cases are converted to chapter 7 cases on the Conversion Date and that the Hypothetical Liquidation would be conducted pursuant to chapter 7 of the Bankruptcy Code, with the Trustee appointed to manage the bankruptcy estates. The Trustee would be responsible for liquidating the Debtors’ assets in a manner intended to maximize the recovery to creditors. Asset sale proceeds resulting from the Hypothetical Liquidation would be reduced by the expenses of the Hypothetical Liquidation process prior to distributing such proceeds to any holders of allowed Claims. The three major components of the process would be as follows:

- Generation of cash proceeds from the sales of assets;
- costs and post-conversion operational cash flow related to the Hypothetical Liquidation process, such as personnel retention costs, estate wind down costs, and Trustee and professional fees; and
- distribution of net proceeds generated from asset sales to claimants in accordance with the priority scheme under chapter 7 of the Bankruptcy Code.

If litigation becomes necessary to resolve claims asserted in a chapter 7 case, distributions to creditors may be further delayed, which would both decrease the present value of those distributions and increase administrative expenses that could diminish the proceeds available to creditors. The effects of this potential delay on the value of distributions in the Hypothetical Liquidation are not reflected in this Liquidation Analysis.

Except as otherwise noted herein, the Liquidation Analysis is based on the unaudited balance sheets of the Debtors as of September 30, 2023. Several asset values were adjusted on a pro forma basis to the Conversion Date. For certain other assets, historical balance sheet amounts, unless otherwise noted herein, are intended to be a proxy for actual balances on the Conversion Date. The Debtors' projected asset balances are adjusted to reflect the contemplated sale of substantially all the assets for Proterra Powered and Proterra Transit, pursuant to the *Order (A) Authorizing and Approving the Debtors' Entry into the Asset Purchase Agreement, (B) Authorizing the Sale of the Debtors' Powered Assets Free and Clear of All Liens, Claims, Interests, and Encumbrances, (C) Approving the Assumption and Assignment of the Assumed Executory Contracts and Unexpired leases, and (D) Granting Related Relief* (the "Powered Sale Order") [Docket No. 664] and the *Order (A) Authorizing and Approving the Debtors' Entry into the Asset Purchase Agreements, (B) Authorizing the Sale of the Debtors' Transit and Battery Lease Assets Free and Clear of All Liens, Claims, Interest, and Encumbrances, (C) Approving the Assumption and Assignment of the Assumed Executory Contracts and Unexpired Leases, and (D) Granting Related Relief* [Docket No. 833] (the "Sale Orders"), which the Liquidation Analysis assumes are consummated prior to the Conversion Date.

The Liquidation Analysis is based upon a number of estimates and assumptions that, although developed by and considered reasonable by the management of the Debtors, are inherently subject to significant economic, business, governmental, regulatory, competitive uncertainties as well as other contingencies beyond the control of the Debtors or their management. The Liquidation Analysis is also based on assumptions with regard to liquidation decisions that are subject to change or not controlled by the Debtors. ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THE VALUES REFLECTED IN THE LIQUIDATION ANALYSIS WOULD BE REALIZED IF THE DEBTORS WERE, IN FACT, TO UNDERGO SUCH A HYPOTHETICAL LIQUIDATION.

E. Notes to Liquidation Analysis

- i. ***Dependence on Assumptions.*** The Liquidation Analysis is based on several estimates and assumptions that are inherently subject to significant economic, business, regulatory, and competitive uncertainties and contingencies beyond the control of the Debtors. Accordingly, there can be no assurance that the values reflected in the Liquidation Analysis would be realized if the Debtors were, in fact, to undergo the Hypothetical Liquidation and actual results could vary materially and adversely from those contained herein.
- ii. ***Additional Claims in a Hypothetical Liquidation.*** The Hypothetical Liquidation itself may trigger certain obligations and priority payments that otherwise would not be due in the ordinary course of business or would otherwise not exist under a chapter 11 plan. These priority payments must be paid in full before any distribution of proceeds to Holders of General Unsecured Claims. The Hypothetical Liquidation would likely prompt certain other events to occur, including the immediate rejection of executory contracts and unexpired leases, defaults

under agreements with vendors and customers, the exercise of set-off rights by creditors, and acceleration of severance obligations. Such events, if triggered, would subject the Debtors' chapter 7 estates to additional Claims. While these Claims are estimated in this Liquidation Analysis, such amounts are highly uncertain and subject to material change.

- iii. ***Litigation Claims.*** The Liquidation Analysis does not attribute any value to potential litigation claims that may belong to the Debtors' estates, including any claims to recover potentially avoidable preferential and/or fraudulent transfers, if any.
- iv. ***Chapter 7 Liquidation Costs.*** It is assumed that a period of approximately one month would be required to complete the Hypothetical Liquidation of the Debtors' estates. The fees and operating expenses incurred during the chapter 7 process are included in the estimate of chapter 7 Administrative Claims and Trustee Expenses. In addition, there are costs associated with liquidating the Debtors' assets. Costs of the Hypothetical Liquidation are displayed as a reduction to the gross Hypothetical Liquidation proceeds.
- v. ***Claim Estimates.*** Claims are estimated as of the Conversion Date based on management and its advisors' current projections.

F. Detailed Assumptions³

[1 & 2] Cash & Cash Equivalents.

The Debtors estimate 100% realization on projected unrestricted cash and cash equivalents as of March 15, 2024, based on the most recent internal budget. Projected cash balances are adjusted to account for proceeds received on account of the contemplated sales of Proterra Powered and Proterra Transit. Projected cash balances are adjusted to remove certain forecasted payments that the Debtors do not anticipate making in the Hypothetical Liquidation. Restricted cash has minimal recovery of \$4.5 million related to an assumed property lease associated with the closing of the Proterra Powered sale. The remaining amount of restricted cash is related to the First Lien Credit Facility, which is fully cash collateralized through letters of credit with no recoverable values.

[3] Accounts Receivable.

The Debtors estimate an overall 0% to 75% realization rate (blended total of 4.0% to 6.1%) on accounts receivable, which reflects factors such as anticipated customer counterclaims due to contract breaches, offsets from deferred revenue, warranty claims or post-petition payables, and aging of receivables. The Net Book Value is estimated based on the Debtors' estimated business activity from December 2023 to the Conversion Date.

[4] Prepaid Expenses & Deposits.

Prepaid Expenses & Deposits include a variety of prepayments such as rent, product supply prepayments, insurance and security deposits. Prepayments were analyzed by type and recoveries vary based on potential counterclaims and, in the case of insurance, length of term remaining and associated cancellation provisions. The Debtors assume that parties holding deposits and prepayments would set off the amounts of these deposits and prepayments against the Debtors' liabilities and a limited value would be recovered.

³ Please refer to the exhibit with footnote references contained in the "Notes" column.

The majority of the book value of this line item is related to prepaid insurance which has no assumed recoverable value. The Debtors estimate approximately 0.2% to 0.3% realization on prepaid expenses and deposits.

[5] Inventory.

Inventory consists of raw materials, work-in-progress, and finished goods, many of which are fabricated to create goods for certain customers. Proterra Energy does not carry any value on the books and records related to inventory assets, which is reflected in the \$0 book value and recoverable value. All Proterra Powered inventory assets are assumed to have been transferred to Volvo by the Conversion Date as part of the sale of Proterra Powered and all Proterra Transit inventory is assumed to have been transferred to Phoenix by the Conversion Date as part of the sale of Proterra Transit.

[6] Property & Equipment, Net.

Property & Equipment, Net includes a variety of asset types, some of which are assumed not to have any realizable value. The only expected remaining assets as of the Conversion Date are related to Proterra Energy because it is assumed that Proterra Powered and Proterra Transit have been sold. Leased assets and assets securing financings (excluding assets that secure the First Lien Claims and Second Lien Convertible Notes Claims) are assumed to have been immediately returned to the lessors or secured parties upon the Conversion Date. The Debtors estimate approximately 7.7% to 12.4% realization on total net book value as of September 30, 2023, which is based on realizing approximately 10% to 50% of the net book value of certain high-recovery machinery and equipment, 35% to 50% of the net book value of vehicles and chargers, and no realization on leasehold improvements and computer software. As of September 30, 2023, computer software represents approximately 75% of the total net book value driving the minimal return in this asset class.

[7] Intangible Assets.

Intangible Assets include intellectual property, customer lists, IP addresses, internally developed technology, and goodwill. It is assumed that the remaining intangible assets have been transferred to the buyers of Proterra Powered and Proterra Transit or have no recoverable value in a liquidation.

[8] Other Asset Proceeds.

Other Assets include contract assets and deferred cost of goods sold. These assets have no recoverable value in a liquidation scenario.

[9] Wind-Down Costs.

Wind-down costs reflect the estimated cost of achieving recoveries on the Debtors' assets, such as personnel and facility costs (including rent and other associated expenses) at each facility that contain Property & Equipment. Costs include limited professional fees that are associated with the wind-down.

[10] Trustee Fees and Expenses.

The Liquidation Analysis assumes that the Trustee would be compensated in accordance with the guidelines of Bankruptcy Code section 326. For the purposes of this Liquidation Analysis, the Debtors assume that such fees would be approximately three percent (3.0%) of gross distributions..

[11] Second Lien Convertible Notes Claims.

The Liquidation Analysis assumes an estimated balance as of the Conversion Date, which includes the Settled Amounts in the estimated balance. The value of these Claims remains subject to change based on the Conversion Date according to the Note Purchase Agreement.

[12] Priority & Administrative Claims.

Administrative and Priority Claims are estimated based on an analysis of both Claims filed and internal Company records. This estimate includes 503(b)(9) Claims, payables, other liabilities incurred during the post-petition period, and WARN claims. Certain Claims, including the First Lien Claims, are assumed to be offset as they are cash collateralized, which is reflected in the recovery of restricted cash.

[13] General Unsecured Claims.

The General Unsecured Claims estimate is based in part on an analysis of filed Claims and the Company's books and records as included in the Schedules. Also included in this analysis are certain Claims that are anticipated to be triggered in the Hypothetical Liquidation of the business and which otherwise would not exist under a chapter 11 plan absent the Hypothetical Liquidation.

G. Conclusion

Based on the assumptions outlined herein, the Debtors project they would realize \$231.5 million to \$232.3 million in net liquidation proceeds from their assets in a chapter 7 liquidation, representing approximately 74.4% to 74.7% of aggregate net book value. After wind-down costs, recovery to holders of Second Lien Convertible Notes Claims is estimated at \$191.9 million or 100.0%. Recovery to holders of Administrative Expense Claims and Other Priority Claims is estimated to range from \$18.2 million to \$20.0 million, with a recovery rate of 100.0% in both the low and high scenario. Holders of General Unsecured Claims are expected to realize recoveries ranging from \$19.5 million to \$22.2 million, or 7.5% to 12.1% in a chapter 7 liquidation.

Proterra Inc, et al.

Hypothetical Liquidation Analysis

\$ thousands

	Notes	Projected Book Value	Estimated Recovery \$		Estimated Recovery %	
			Low	High	Low	High
<u>Summary of Assets & Liquidation Proceeds</u>						
Cash & Cash Equivalents	[1]	\$ 232,880	\$ 232,880	\$ 232,880	100.0%	100.0%
Restricted Cash	[2]	25,546	4,507	4,507	17.6%	17.6%
Accounts Receivable	[3]	33,692	1,362	2,043	4.0%	6.1%
Prepaid Expenses & Deposits	[4]	10,603	23	36	0.2%	0.3%
Inventory	[5]	-	-	-	0.0%	0.0%
Property & Equipment, Net	[6]	2,268	174	281	7.7%	12.4%
Intangible Assets	[7]	-	-	-	N/A	N/A
Other Asset Proceeds	[8]	6,106	-	-	0.0%	0.0%
Gross Liquidation Proceeds		311,095	238,947	239,748	76.8%	77.1%
<u>Creditor Recovery Waterfall / Use of Proceeds</u>						
I. Wind Down Costs						
Wind-Down Costs	[9]	n/a	320	256		
Trustee Fees	[10]	n/a	7,168	7,192		
Total - Wind Down Costs			7,488	7,448		
Total Recoveries - After Wind-Down Costs			231,459	232,299	74.4%	74.7%
II. Claim Recoveries						
2L Claims	[11]	191,865	191,865	191,865	100.0%	100.0%
Priority & Administrative Claims	[12]	20,049 18,249	20,049	18,249	100.0%	100.0%
General Unsecured Claims	[13]	260,000 183,000	19,545	22,185	7.5%	12.1%
Total Recoveries		471,914 393,114	231,459	232,299	49.0%	59.1%

EXHIBIT B

Financial Projections

FINANCIAL PROJECTIONS

Introduction

Pursuant to Section 1129(a)(11) of the Bankruptcy Code, among other things, the Bankruptcy Court must determine that Confirmation of the *Fourth Amended Joint Chapter 11 Plan of Reorganization for Proterra Inc and Its Debtor Affiliate* (as modified, amended, or supplemented from time to time in accordance with its terms, the “Plan”)¹ is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors or Reorganized Debtors. This confirmation condition is referred to as the “feasibility” of the Plan. In connection with the planning and development of a plan of reorganization, and for the purposes of whether such plan would satisfy this feasibility standard, the Debtors analyzed the Reorganized Debtors’ ability to satisfy their financial obligations while maintaining sufficient liquidity and capital resources to operate their business following the Effective Date.

For purposes of demonstrating feasibility of the Plan, the Debtors have prepared the forecasted, consolidated income statement and statement of cash flows (the “Financial Projections” or the “Projections”) from the Effective Date through fiscal year 2026 (the “Projection Period”). The Financial Projections were prepared based on assumptions made by the Debtors, in consultation with their advisors and the advisors to the Plan Sponsor, as to the future performance of the Reorganized Debtors, and reflect the Debtors’ judgment and expectations regarding the Reorganized Debtors’ future operations and financial position.

Although the Debtors have prepared the Financial Projections in good faith based upon information as of the date hereof and believe the assumptions to be reasonable, such assumptions are subject to inherent uncertainties, including but not limited to, material changes to the economic environment, changes in the overall industry growth rate and other factors affecting the Debtors’ business. The likelihood, and related financial impact, of a change in any of these factors cannot be predicted with certainty. Consequently, actual financial results could differ materially from the Financial Projections. The Financial Projections assume the Plan will be implemented in accordance with its stated terms. The Financial Projections should be read in conjunction with the assumptions and qualifications contained herein. The Debtors and their advisors continue to monitor the macroeconomy, the industry, and their business results and reserves the right (but are under no obligation) to modify the Financial Projections to reflect, among other things, any revised assumptions regarding the overall industry growth rate, revised assumptions regarding developments in the macroeconomy, and/or revised assumptions based on the Debtors’ business results during the Projection Period.

The Debtors do not, as a matter of course, publish their projections, strategies, or forward-looking projections of the financial position, results of operations, and cash flows. Accordingly, the Debtors do not anticipate that they will, and disclaim any obligation to, furnish updated projections to the holders of Claims or Interests after the date of these Financial Projections, or to include such information in documents required to be filed with the Securities and Exchange Commission (“SEC”) or to otherwise make such information public.

¹ Capitalized terms used but not defined herein have the meanings ascribed to them in the Plan.

The Financial Projections and the assumptions that the Debtors believe to be significant to the Financial Projections are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are subject to assumptions, risks, and uncertainties, many of which are beyond the control of the Debtors and Reorganized Debtors, including the implementation of the Plan, existing and future governmental regulations and actions of governmental bodies, industry-specific risk factors, and other market and competitive conditions, including, without limitation, those set forth herein. As described in detail in the Disclosure Statement, a variety of risk factors could affect the Reorganized Debtors’ financial results. Accordingly, the Financial Projections should be read in conjunction with the assumptions, qualifications, explanations, and risk factors set forth in Article IX of the Disclosure Statement and in the Plan in their entirety, along with the Proterra Inc’s historical consolidated financial statements (including the notes and schedules thereto) and other financial information and risk factors set forth in the Proterra Inc’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022 filed with the SEC on March 17, 2023, as amended on May 1, 2023, Proterra Inc’s quarterly report for the three and nine months ended September 30, 2023, filed on November 6, 2023 or Proterra Inc’s other filings with the SEC. These filings are available by visiting the SEC’s website at <http://www.sec.gov>. Holders of Claims and Interests are cautioned that the forward-looking statements are as of the date made and are not guarantees of future performance and the Debtors assume no obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise. Actual results or developments may differ materially from the expectations expressed or implied in the forward-looking statements.

The Financial Projections assume that there is no tax liability and make use of other planning strategies for U.S. federal, state, and foreign income tax purposes. Actual treatment and realization of planning strategies may vary materially, resulting in greater tax liabilities for the Reorganized Debtors than is set forth in the Financial Projections.

In general, as illustrated by the Financial Projections, the Debtors believe the Reorganized Debtors should have sufficient liquidity to operate their business because the Plan Sponsor is contributing the value of its claim, subject to adjustments, in cash to the Reorganized Debtors. Given this substantial liquidity position, the Debtors believe that Confirmation and Consummation are not likely to be followed by the liquidation or further reorganization of the Reorganized Debtors. Accordingly, the Debtors believe that the Plan satisfies the feasibility requirement of section 1129(a)(11) of the Bankruptcy Code.

Accounting Policies & Disclaimers

THE FINANCIAL PROJECTIONS WERE NOT PREPARED WITH A VIEW TOWARD COMPLIANCE WITH THE GUIDELINES ESTABLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (THE “AICPA”), THE FINANCIAL ACCOUNTING STANDARDS BOARD (THE “FASB”), OR THE RULES AND REGULATIONS OF THE SEC. FURTHERMORE, THE FINANCIAL PROJECTIONS HAVE NOT BEEN AUDITED, REVIEWED, OR SUBJECTED TO ANY PROCEDURES DESIGNED TO PROVIDE ANY LEVEL OF ASSURANCE BY THE DEBTORS’ INDEPENDENT PUBLIC ACCOUNTANTS.

WHILE PRESENTED WITH NUMERICAL SPECIFICITY, THE FINANCIAL PROJECTIONS ARE BASED UPON A VARIETY OF ESTIMATES AND ASSUMPTIONS WHICH, ALTHOUGH DEVELOPED AND CONSIDERED REASONABLE BY THE DEBTORS, MAY NOT BE REALIZED AND ARE SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE CONTROL OF THE DEBTORS. THESE UNCERTAINTIES INCLUDE, AMONG OTHER THINGS, THE ULTIMATE OUTCOME AND CONTENTS OF A CONFIRMED PLAN OF REORGANIZATION AND THE TIMING OF THE CONFIRMATION OF SUCH PLAN. CONSEQUENTLY, THE FINANCIAL PROJECTIONS SHOULD NOT BE REGARDED AS A REPRESENTATION OR WARRANTY BY THE DEBTORS, OR ANY OTHER PERSON, AS TO THE ACCURACY OF THE FINANCIAL PROJECTIONS OR THAT THE FINANCIAL PROJECTIONS WILL BE REALIZED. ACTUAL RESULTS MAY VARY MATERIALLY FROM THOSE PRESENTED IN THE FINANCIAL PROJECTIONS. HOLDERS OF CLAIMS OR EQUITY INTERESTS MUST MAKE THEIR OWN ASSESSMENT AS TO THE REASONABLENESS OF SUCH ASSUMPTIONS AND THE RELIABILITY OF THE PROJECTIONS IN MAKING THEIR DETERMINATION OF WHETHER TO ACCEPT OR REJECT THE PLAN.

THE FINANCIAL PROJECTIONS, INCLUDING THE UNDERLYING ASSUMPTIONS, SHOULD BE CAREFULLY REVIEWED IN EVALUATING THE PLAN. ALTHOUGH THE DEBTORS BELIEVE THE ASSUMPTIONS UNDERLYING THE FINANCIAL PROJECTIONS, WHEN CONSIDERED ON AN OVERALL BASIS, ARE REASONABLE IN LIGHT OF CURRENT CIRCUMSTANCES AND EXPECTATIONS, NO ASSURANCE CAN BE GIVEN THAT THE FINANCIAL PROJECTIONS WILL BE REALIZED. THE FINANCIAL PROJECTIONS SHOULD NOT BE REGARDED AS A REPRESENTATION OR WARRANTY BY THE DEBTORS, THE REORGANIZED DEBTORS, OR ANY OTHER PERSON AS TO THE ACCURACY OF THE FINANCIAL PROJECTIONS OR THAT THE FINANCIAL PROJECTIONS WILL BE REALIZED.

THE SIGNIFICANT ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL PROJECTIONS ARE STATED BELOW. THE FINANCIAL PROJECTIONS ASSUME THAT THE REORGANIZED DEBTORS WILL EMERGE FROM CHAPTER 11 ON THE ASSUMED EMERGENCE DATE. THE FINANCIAL PROJECTIONS SHOULD BE READ IN CONJUNCTION WITH (1) THE DISCLOSURE STATEMENT AND PLAN SUPPLEMENT, INCLUDING ANY OF THE EXHIBITS THERETO OR INCORPORATED REFERENCES THEREIN, AS WELL AS THE RISK FACTORS SET FORTH IN THE DISCLOSURE STATEMENT, AND (2) THE SIGNIFICANT ASSUMPTIONS, QUALIFICATIONS, AND NOTES SET FORTH BELOW.

THE DEBTORS RESERVE THE RIGHT TO, BUT DISCLAIM ANY OBLIGATION TO, (A) FURNISH UPDATED FINANCIAL PROJECTIONS TO HOLDERS OF CLAIMS OR INTERESTS AT ANY TIME IN THE FUTURE, (B) INCLUDE UPDATED INFORMATION IN ANY DOCUMENTS THAT MAY BE REQUIRED TO BE FILED WITH THE SEC, OR (C) OTHERWISE MAKE UPDATED INFORMATION OR FINANCIAL PROJECTIONS PUBLICLY AVAILABLE. THE SUMMARY FINANCIAL PROJECTIONS AND RELATED

INFORMATION PROVIDED IN THE DISCLOSURE STATEMENT, PLAN SUPPLEMENT, AND THE EXHIBITS THERETO HAVE BEEN PREPARED BY THE DEBTORS WITH INPUT FROM THEIR ADVISORS. THE FINANCIAL PROJECTIONS, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE NECESSARILY BASED ON A VARIETY OF ESTIMATES AND ASSUMPTIONS WHICH, THOUGH CONSIDERED REASONABLE BY THE DEBTORS AND THEIR ADVISORS, MAY NOT BE REALIZED, AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE DEBTORS' CONTROL. THE DEBTORS CAUTION THAT NO REPRESENTATIONS CAN BE MADE AS TO THE ACCURACY OF THE FINANCIAL PROJECTIONS AND RELATED INFORMATION OR AS TO THE REORGANIZED DEBTORS' ABILITY TO ACHIEVE THE PROJECTED RESULTS. SOME ASSUMPTIONS INEVITABLY WILL NOT MATERIALIZE AND EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THE FINANCIAL PROJECTIONS WERE PREPARED MAY BE DIFFERENT FROM THOSE ASSUMED OR MAY BE UNANTICIPATED, AND THUS MAY AFFECT FINANCIAL RESULTS IN A MATERIAL AND POSSIBLY ADVERSE MANNER. ANY SIGNIFICANT DIFFERENCES IN ACTUAL FUTURE RESULTS VERSUS ESTIMATES USED TO PREPARE THE FINANCIAL PROJECTIONS, SUCH AS LOWER SALES, LOWER VOLUME, LOWER PRICING, INCREASES IN PRODUCTION COSTS, TECHNOLOGICAL CHANGES, ENVIRONMENTAL OR SAFETY ISSUES, LITIGATION, WORKFORCE DISRUPTIONS, COMPETITION, REGULATORY DECISIONS OR CHANGES IN THE REGULATORY ENVIRONMENT, COULD RESULT IN SIGNIFICANT DIFFERENCES FROM THE FINANCIAL PROJECTIONS. THEREFORE, THE ACTUAL RESULTS ACHIEVED THROUGHOUT THE PERIOD COVERED BY THE FINANCIAL PROJECTIONS NECESSARILY WILL VARY FROM THE PROJECTED RESULTS, AND THESE VARIATIONS MAY BE MATERIAL AND ADVERSE. THE FINANCIAL PROJECTIONS AND RELATED INFORMATION, THEREFORE, MAY NOT BE RELIED UPON AS A GUARANTY OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR.

MOREOVER, THE PROJECTIONS CONTAIN CERTAIN STATEMENTS THAT ARE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. THESE STATEMENTS ARE SUBJECT TO A NUMBER OF ASSUMPTIONS, RISKS, AND UNCERTAINTIES, MANY OF WHICH ARE BEYOND THE CONTROL OF THE DEBTORS AND REORGANIZED DEBTORS, INCLUDING THE IMPLEMENTATION OF THE PLAN, EXISTING AND FUTURE GOVERNMENTAL REGULATIONS AND ACTIONS OF GOVERNMENTAL BODIES, INDUSTRY-SPECIFIC RISK FACTORS, AND OTHER MARKET AND COMPETITIVE CONDITIONS, INCLUDING, WITHOUT LIMITATION, THOSE SET FORTH HEREIN. HOLDERS OF CLAIMS AND INTERESTS ARE CAUTIONED THAT THE FORWARD-LOOKING STATEMENTS ARE AS OF THE DATE MADE 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.

Basis of Presentation

Prior to the Petition Date, Proterra Energy operated as one of the Debtors' three business lines. Proterra Energy provided turnkey fleet-scale, high-power charging solutions and software services. Historically, these Proterra Energy services and products ranged from fleet and energy management software-as-a-service, to fleet planning hardware, infrastructure, installation, utility engagement, and charging optimization. Following the Effective Date, which is assumed to be March 13, 2024 (the "Assumed Emergence Date"), the Reorganized Debtors will be engaged in the business line of Proterra Energy as a stand-alone business unit. Proterra Energy has never operated as a standalone business, therefore, as further described below, certain assumptions regarding its business and growth were required to be made for the purposes of these Financial Projections.

General Overview and Summary Assumptions

The Reorganized Debtors will be engaged in commercial activity organized along the following product lines: selling and installing electric charging infrastructure ("Project"), providing operations and maintenance services to buyers of electric charging infrastructure ("O&M"), and providing software solutions to optimize energy management for fleets and grid-connected charging infrastructure ("SaaS"). The Financial Projections assume that negative cash flow will be funded either through Reorganized Proterra Retained Cash or through external financing raised by the Reorganized Debtors. While there are cross-selling and upselling opportunities among the product lines, the product line specific economics have been modeled separately and will be managed distinctly from a financial perspective. The following assumptions drive the Financial Projections reflected below:

(a) Revenue

- I. Project: The Project product line is bifurcated to selling activity to transit bus customers and to non-transit bus customers and is driven off of leveraging Proterra Energy's existing salesforce and augmenting the existing salesforce with incremental employees. This resulting salesforce will have monthly sales targets and average transaction sizes that are consistent with historical activity. The initial annual sales quota related to a non-transit focused salesperson would range from \$1 to \$3 million in 2024, growing over time, and the initial annual sales quota related to a transit focused salesperson would range from \$6 to \$9 million in 2024, growing over time. The non-transit sale booking cycle is assumed at three months; whereas, the transit sale booking cycle is assumed at five months, taking into consideration the government funding element of many transit-attached sales. For non-transit attached sales, typically revenue is recognized over a seven month period, commencing four months after booking. For transit-attached sales, typically revenue is recognized over a 12 month period, commencing nine months after booking.
- II. O&M: The O&M product line is an offshoot of the Project business; whereby, the Reorganized Debtors will sell operations and maintenance services to the existing installed base of electrical chargers that are coming off of their respective

warranties and a newly installed electrical charger base that is installed by the Project business. It would use the Project sales channel to cross sell these services at an assumed 8% attachment rate for non-transit revenue and a 5% attachment rate for transit revenue.

- III. SaaS: The SaaS product line is an enhancing product to the Project business whereby the SaaS service is assumed to be sold with an 85% attachment rate to Project customers. The base revenue is built from a sales price per charge port that is based on current contracted prices, applied to the incremental charge ports that are installed as a function of the 85% attachment rate to Project customers.

(b) *Cost of Goods Sold (“COGS”)*

- I. Project: The Project product line COGS are a result of an assumed gross margin that reflects a slight improvement over existing gross margins with the non-transit gross margin rates assumed at 25% and the transit gross margin rates assumed at 30%.
- II. O&M: The O&M product line COGS are a result of an assumed gross margin of 23% in 2024, growing by 5% per year through the Projection Period. While the Debtors do not currently engage in this activity, it was on the roadmap of product offerings, and this margin assumption is consistent with industry margins of similar operations and maintenance providers.
- III. SaaS: The SaaS product line COGS are a combination of fixed and variable costs, which include technical support, application hosting, licensing fees, and various cybersecurity protections. In the short term, the fixed component of these COGS results in a negative gross margin; however, as the product line revenue grows, the gross margin is assumed to turn positive in 2026.

(c) *Selling, General, and Administrative Expense (“SG&A”)*

- I. Project: The Project product line SG&A is an aggregation of payroll expense and overhead associated with travel, logistics, and software. The payroll assumption is derived from the Debtors’ applicable existing headcount costs, augmented by incremental salesforce and incremental support personnel from the Assumed Emergence Date through the end of the Projection Period. It is assumed that the incremental salesforce will be built over the following 12 months, over which period six new salespeople will be hired. These new hires’ compensation structure is assumed to be comprised of a mixture of salary and bonus compensation components. Additional operational employees are assumed to be added as the product line grows, with headcount topping out at 36 people at the end of the Projection Period from eight at present. Non-payroll SG&A remains consistent with current expenditure trends of approximately \$30,000 per month.
- II. O&M: The O&M product line SG&A is solely payroll expense. Today, there are no dedicated resources to the O&M product line; however, the Financial Projections assume the hiring of one employee to commence in October 2024, and the

employee base would grow to 30 by the end of the Projection Period. Salaries are assumed to be consistent with industry standards for similar positions and are burdened with a 25% incremental cost to cover benefits.

- III. SaaS: The SaaS product line SG&A is an aggregation of payroll expense and development tools, personnel, and related technology infrastructure. The payroll is a function of existing headcount costs of the 12 personnel aligned to the product line today. There is no assumption that additional personnel need to be added to the product line to achieve the revenue growth that is assumed. Further, there is no additional infrastructure and development costs above and beyond what is being spent today, adjusted for the removal of the need to reposit substantial stores of transit and battery data from the Debtors' legacy business. This adjusted run-rate cost is assumed to be approximately \$94,000 per month.
- IV. Corporate: The corporate infrastructure that the Debtors' historically used to operate the business was sold as part of the Court-approved Marketing Process. As such, the Reorganized Debtors will need to rebuild this infrastructure on a materially reduced scale to operate the product lines. It is currently planned that the Reorganized Debtors will do this through outsourcing many of the functions through contract service providers. For example, employees will be hired through a third-party professional employment organization; accounting and finance will be outsourced to an external consultancy; information technology will be outsourced to a third party, and the legal function will largely be managed through external counsel. The aforementioned services will be provided under contracts that are already executed and will be assigned to the Reorganized Debtors on the Effective Date, so these costs are known. Additional corporate SG&A costs include insurance, audit fees, banking fees, cell phones, facilities costs, marketing costs, and corporate travel and entertainment. The costs of these have been estimated based on the size and scale of the business and are assumed to grow as the business grows over time.
- V. One-Time Costs: The one-time costs include the costs of the initial creation of the corporate infrastructure necessary to operate the Reorganized Debtors' business and include the set up costs of the outsourced finance and accounting service provider, the cost of procuring information technology, the costs of migrating data away from the Debtors' legacy systems, the costs of creating appropriate branding and marketing, and the related legal, tax, and professional services costs of launching the stand-alone entity and complying with relevant regulatory and administrative requirements.

(d) *Depreciation*

- I. Corporate: Depreciation is assumed on a monthly basis at 2% of the beginning balance of property, plant, and equipment.

(e) *Capital Expenditures*

- I. Corporate: Maintenance Capital Expenditures are assumed at 1% of revenue on a monthly basis.

(f) *Working Capital*

- I. Corporate: The Working Capital is built off of assumptions on days sales outstanding and days payable outstanding. There is no appreciable inventory. Both days sales outstanding and days payables outstanding are set assuming 30-day terms, which are generally consistent with current invoicing practices to customers and from suppliers.

(g) *Miscellaneous*

- I. The Financial Projections assume that there are no impacts associated with fresh start accounting.

Reorganized Proterra Retained Cash

As set forth in the Plan, as of the Effective Date, the Debtors shall have Cash in an amount sufficient to satisfy 11 U.S.C. § 1129(a)(11), which Cash shall be retained by Reorganized Proterra on the Effective Date. The “Reorganized Proterra Retained Cash” shall be in an amount equal to the Allowed Second Lien Convertible Notes Claims, *less* (i) all unpaid fees of professionals retained by the Second Lien Agent and payable under the Second Lien Convertible Notes Documents or Final Cash Collateral Order (which, for the avoidance of doubt, shall be paid by the Debtors on the Effective Date), (ii) the Equity Distribution Reduction, (iii) the Cure Cost Reduction, and (iv) the Proterra Energy Transition Cost Reduction.

Financial Projections

(USD in 000s, unless otherwise noted)

	Annual		
	2024F	2025F	2026F
Revenue (a)			
Project Revenue	12,078	19,883	56,810
SaaS Revenue	208	606	2,040
O&M Revenue	1,350	5,802	19,560
Corporate Revenue	—	—	—
Total Revenue	13,635	26,292	78,410
Direct Costs			
Project COGS	(8,517)	(14,852)	(42,608)
SaaS COGS	(763)	(933)	(921)
O&M COGS	(1,040)	(4,177)	(13,105)
Corporate COGS	—	—	—
Total Direct Costs	(10,320)	(19,963)	(56,634)
Contribution Margin	3,315	6,329	21,776
<i>% Margin</i>	<i>24.3%</i>	<i>24.1%</i>	<i>27.8%</i>
SG&A Expense			
Project SG&A Expense	(3,072)	(6,221)	(7,749)
SaaS SG&A Expense	(2,603)	(3,177)	(3,138)
O&M SG&A Expense	(47)	(521)	(1,304)
Corporate SG&A Expense	(1,318)	(1,471)	(1,630)
Other Expense	(1,155)	(200)	—
EBITDA	(4,879)	(5,261)	7,955
<i>% Margin</i>	<i>(35.8%)</i>	<i>(20.0%)</i>	<i>10.1%</i>
Depreciation	(63)	(88)	(154)
Amortization	—	—	—
EBIT	(4,943)	(5,349)	7,800
<i>% Margin</i>	<i>(36.2%)</i>	<i>(20.3%)</i>	<i>9.9%</i>
Interest Expense	—	—	—
Interest Income	—	—	—
EBT	(4,943)	(5,349)	7,800
Tax Adjustments	—	—	—
Taxable Income	(4,943)	(5,349)	7,800
Tax Expense	—	—	—
Net Income	(4,943)	(5,349)	7,800
<i>% Margin</i>	<i>(36.2%)</i>	<i>(20.3%)</i>	<i>9.9%</i>
Free Cash Flow Walk			
	2024F	2025F	2026F
EBITDA	(4,879)	(5,261)	7,955
Cash Taxes	—	—	—
Capex	121	199	568
Change in Working Capital	607	(356)	(1,086)
Non-Cash Stock-Comp	—	—	—
Other Non-Cash	—	—	—
Unlevered Free Cash Flow Ex-Dividends	(4,151)	(5,419)	7,436

Notes to Financial Projections

- (a) The Financial Projections' revenue recognition for the Project product line is on a percentage of completion basis, consistent with historical practice. The O&M and SaaS product lines invoice fees on a monthly basis as incurred.