

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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| In re: |) | Chapter 11 |
| |) | |
| Solyndra LLC, <i>et al.</i> , ¹ |) | Case No. 11-12799 (____) |
| Debtors. |) | (Joint Administration Requested) |
| |) | |
| |) | |

DECLARATION OF W.G. STOVER, JR., SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER, IN SUPPORT OF FIRST DAY MOTIONS

I, W.G. Stover, Jr., hereby declare that the following is true to the best of my knowledge, information and belief:

1. I am the Chief Financial Officer and Senior Vice President for debtor Solyndra LLC (“Solyndra”) and 360 Degree Solar Holdings, Inc. (“Holdings,” and together with Solyndra, collectively, the “Debtors” or the “Company”). I submit this declaration (the “Declaration”) in support of the Debtors’ petitions and “first day” motions and applications described in Part II below (collectively, the “First Day Motions”). Except as otherwise indicated, all statements in this Declaration are based upon my personal knowledge, my review of the Debtors’ books and records, relevant documents and other information prepared or collected by the Debtors’ employees at my direction, or my opinion based on my experience with the Debtors’ operations and financial condition. In making my statements based on my review

¹ The Debtors in these proceedings and the last four digits of each Debtor’s federal taxpayer identification number are as follows: Solyndra LLC (9771) and 360 Degree Solar Holdings, Inc. (5583). The Debtors’ address is 47488 Kato Road, Fremont, CA 94538.

of the Debtors' books and records, relevant documents and other information prepared or collected by the Debtors' employees, I have relied upon these employees' accurately recording, preparing or collecting any such documentation and other information. If I were called to testify as a witness in this matter, I could and would competently testify to each of the facts set forth herein based upon my personal knowledge, review of documents, or opinion. I am authorized to submit this Declaration on behalf of the Debtors.

2. I have been employed with the Debtors since December 2007. From June 1989 until August 2007, I served in various capacities at Micron Technology, Inc., a manufacturer of semiconductor devices, most recently as Vice President, Finance and Chief Financial Officer. I received a B.A. in business administration with an accounting emphasis from Washington State University. Prior to joining Micron Technology, I was employed by Coopers & Lybrand as a manager in the audit practice.

3. Part I of this Declaration describes the business of the Debtors and the developments that led to their filing for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). Part II of this Declaration sets forth the relevant facts in support of the First Day Motions filed concurrently herewith in support of the Debtors' chapter 11 cases (the "Cases").

PART I

Overview of the Debtors and their Operations

Introduction

4. Founded in 2005, Solyndra is a U.S. manufacturer of solar photovoltaic (“PV”) solar power systems specifically designed for large commercial and industrial rooftops and for certain shaded agriculture applications. The Company’s worldwide headquarters and its manufacturing operations are located in Fremont California. Prior to September 6, 2011 (the “Petition Date”), the Company maintained sales presences in Germany, Switzerland, France, Italy, the United Kingdom, Australia, Belgium, the Czech Republic and the UAE. Solyndra’s innovative cylindrical solar PV panels are highly differentiated and unique in the PV industry. Unlike conventional flat solar panels, Solyndra’s panels are a series of cylindrical modules connected to form a panel. As a result of the form factor, Solyndra panels require no ballast, tilting, or roof penetration and weigh approximately one-half of other solar panels per rooftop unit of area. In addition, Solyndra’s current high-volume solar PV panels require no tools for installation and can be installed more quickly than conventional solar panels, resulting in an installation cost substantially below that of conventional solar panels. Solyndra manufactured all of its products in the United States with the support of a well-developed domestic supply chain. Prior to the lay-off of substantially all of the Solyndra workforce that occurred on August 31, 2011, and which I discuss further below, the Company had approximately 968 full time employees and 211 temporary employees. Solyndra has sold more than 500,000 of its

panels since 2008 and generated cumulative sales of over \$250 million. Today, Solyndra panels are estimated to be installed on more than 1,000 commercial and industrial roofs in 20 countries.

5. Solyndra has received numerous awards and recognition including appearing on the *MIT Technology Review* list of the “50 Most Innovative Companies in the World”, the 2010 *Wall Street Journal* list of the “Top 10 Venture-backed Clean-Tech Companies”, the *Wall Street Journal* list “The Next Big Thing: Top 50 Venture Backed Companies”, and a 2009 Excellence in Renewable Energy Award from *Renewable Energy World Magazine*.

Business Operations

6. Solyndra sells three primary types of solar panels: (i) 100 Series; (ii) 150 Series for higher power density; and (iii) 200 Series. In addition, the Company developed new mounting solutions that allow some of the Solyndra panels to be used in new situations: these solutions include (a) Elevated Shade Structure (aka “Greenhouse”) mounts, announced in February 2011; (b) mounts for metal roofs, announced in June 2011; and (c) an “Extreme Wind Solution”, allowing for deployment of panels in areas with winds up to 180 miles per hour, announced in August 2011. The 100 Series is Solyndra’s original PV system composed of panels and mounting hardware for low-slope, commercial rooftops. The 200 Series is Solyndra’s second generation PV system, which has an enhanced form factor over the 100 Series thereby increasing its Watt peak performance and requires no tools for installation. The 150 Series is a hybrid product, using the advanced PV modules of the 200 Series, but the existing mounting solution of the 100 Series.

7. From its inception in 2005 through 2007, Solyndra focused on its research and development efforts to refine its proprietary thin-film technology used to apply the copper, indium, gallium and selenium (“CIGS”) PV material on its cylindrical glass tubes. In 2007, Solyndra leased its first fabrication facility (“Fab 1”) and began to focus its efforts on commercializing its technology and designing and deploying the custom equipment needed to produce its innovative PV panels on a large scale. In July 2008, Solyndra began its first commercial shipments of PV panels.

8. In December 2006, Solyndra submitted a pre-application for a loan to be guaranteed by the U.S. Department of Energy (“DOE”) pursuant to Title XVII of the Energy Policy Act of 2005. In October 2007, the DOE invited Solyndra and 15 other applicants to submit full applications for loan guarantees. In March 2009, Solyndra received a conditional commitment from the DOE for a \$535 million loan guarantee (the “DOE Loan Guarantee”) to fund the construction of a second fabrication facility (“Fab 2”). The DOE Loan Guarantee closed and construction on the Fab 2 facility began in September 2009. Commercial production in Fab 2 began in January 2011.

9. Solyndra’s commercial shipments and production have grown year over year for every year since it started commercial shipments in 2008. Solyndra had annual revenues of approximately \$142 million for the year ended January 1, 2011. For the fiscal year then ended, the Company incurred a net loss of approximately \$329 million. As of the year ended January 1, 2011, Solyndra had assets with a book value of approximately \$859 million and liabilities with a book value of approximately \$749 million.

Corporate Structure and Management

10. The Debtors are two affiliated entities – Holdings and Solyndra. Holdings (aka Solyndra, Inc.), is a Delaware corporation and has a 100% ownership interest in Solyndra. Solyndra (aka Solyndra Fab 2, LLC) is a Delaware limited liability company and, as of February 2011, became the Debtors' primary operating company.

11. As noted above, Solyndra is 100% owned by Holdings. Holdings' significant investors include Argonaut Ventures (38.99%); Madrone Partners (13.00%), USVP Venture Partners (9.20%); and Rockport Capital Partners (7.33%).

12. Solyndra's Chief Executive and President is Brian Harrison, who has served in such capacity since July 2010. Solyndra's Executive Vice President of Operations and Engineering is Benjamin Bierman, who has served in such capacity since October 2009. Solyndra's General Counsel and Senior Vice President of Corporate Development is John Gaffney who has served in such capacity since January 2010.

Initial Funding and the February 2011 Restructuring

A. Initial Funding

13. Solyndra was initially funded with the proceeds of preferred stock. Specifically, between May 2006 and February 2009, Solyndra issued eight series of preferred stock (Series A-1, Series A-2, Series B, Series C-1, Series C-2, Series D-2, Series D-3, and Series E) to investors for total aggregate proceeds of \$709.4 million.

14. In September 2009, Solyndra received the DOE Loan Guarantee of \$535 million loan (the "DOE Loan") from the U.S. Federal Financing Bank for the construction of Fab

2. In connection with the DOE Loan Guarantee, Solyndra was required to fund 27% of the \$733 million estimated construction cost of the Fab 2 facility. In order to satisfy this requirement, Solyndra issued Series E Preferred stock to new and existing investors and \$198 million of the proceeds of this issuance was placed into a segregated account (the “Restricted Account”) described in more detail below.

15. In July 2010, Solyndra, Inc. issued \$175 million of convertible promissory notes to various investors, convertible into equity of Solyndra, Inc. (the “Convertible Promissory Notes”).

B. February 2011 Restructuring/Current Capital Structure.

16. In February 2011, Solyndra and its secured lenders restructured all of Solyndra’s outstanding indebtedness (the “February 2011 Restructuring”) thereby resulting in the following capital structure: As of the Petition Date, Solyndra had outstanding secured indebtedness in an aggregate principal amount of \$783,755,765, consisting of (a) \$69,302,901 in principal obligations under the Prepetition Tranche A Term Loan Facility (as defined below), (b) \$142,808,544 in principal obligations constituting Tranche B Debt (as defined below), (c) \$385,000,000 in principal obligations constituting Tranche D Debt (as defined below), and (d) \$186,644,319 in principal obligations under the Prepetition Tranche E Facility (as defined below). The foregoing obligations are secured by substantially all of the Debtors’ assets, subject to the terms of the Prepetition Intercreditor Agreement (as defined below).

17. **Prepetition Tranche A Term Loan Facility.** Pursuant to that certain Term Loan Agreement (Tranche A), dated as of February 23, 2011 (the “Prepetition Tranche A

Term Loan Agreement” and together with all other loan and security documents executed in connection therewith, the “Prepetition Tranche A Credit Documents”), by and among Solyndra, the lender parties thereto (collectively, the “Prepetition Tranche A Lenders”), and Argonaut Ventures I, L.L.C., as Tranche A Representative (in such capacity, the “Prepetition Tranche A Term Loan Facility Representative”), the Prepetition Tranche A Lenders provided a first lien secured credit facility comprised of up to \$75,000,000 in aggregate principal amount of term loan commitments (the “Prepetition Tranche A Term Loan Facility”). As of the Petition Date, the Debtors were indebted and liable to the Prepetition Tranche A Term Loan Facility Representative and the Prepetition Tranche A Lenders under the Prepetition Tranche A Credit Documents, in the principal amount of \$69,302,901 plus interest accrued and accruing, costs and any fees and expenses due and owing thereunder (collectively, the “Prepetition Tranche A Term Loan Facility Obligations”).

18. **Prepetition Tranche B/D Term Loan Facility.** Pursuant to that certain Payment and Reimbursement Agreement (Tranches B and D), dated as of February 23, 2011 (the “Prepetition Tranche B/D Term Loan Agreement,” and together with all other loan and security documents executed in connection therewith, the “Prepetition Tranche B/D Credit Documents”), by and between Solyndra, as borrower, and the U.S. Department of Energy, acting by and through the Secretary of Energy, as loan servicer (the “Prepetition Tranche B/D Agent”), Solyndra is obligated to repay amounts owing to Federal Financing Bank, and its guarantor, the U.S. Department of Energy (the “Prepetition Tranche B/D Lenders”), which consist of (i) the Tranche B Total Principal Amount (as defined in the Prepetition Tranche B/D Term Loan

Agreement) (the “Tranche B Debt”), and (ii) the Tranche D Total Principal Amount (as defined in the Prepetition Tranche B/D Term Loan Agreement) (the “Tranche D Debt”) (collectively, the “Prepetition Tranche B/D Term Loan Facility”). As of the Petition Date, the Debtors were indebted and liable to the Prepetition Tranche B/D Lenders under the Prepetition Tranche B/D Term Loan Agreement (i) in the principal amount of \$142,808,544 plus interest accrued and accruing, costs and any fees and expenses due and owing thereunder on account of the Tranche B Debt and (ii) in the principal amount of \$385,000,000 plus interest accrued and accruing, costs and any fees and expenses due and owing thereunder on account of the Tranche D Debt (collectively, the “Prepetition Tranche B/D Term Loan Facility Obligations”).

19. **Prepetition Tranche E Facility.** Pursuant to that certain Tranche E Note Purchase Agreement, dated as of February 23, 2011 (the “Prepetition Tranche E Agreement” and together with all other loan and security documents executed in connection therewith, the “Prepetition Tranche E Credit Documents”), by and among Solyndra, as borrower, Argonaut Ventures I, L.L.C., as agent (the “Prepetition Tranche E Agent”), and each holder of a Tranche E note (together with the Tranche E Agent, the “Prepetition Tranche E Lenders”), Solyndra is obligated to repay amounts owing to the Prepetition Tranche E Lenders in the aggregate principal amount of \$186,481,645 (the “Prepetition Tranche E Facility”). As of the Petition Date, the Debtors were indebted and liable to the Prepetition Tranche E Agent and the Prepetition Tranche E Lenders under the Prepetition Tranche E Credit Documents in the principal amount of \$186,644,319 plus interest accrued and accruing, costs and any fees and expenses due and owing thereunder (collectively, the “Prepetition Tranche E Facility

Obligations” and, together with the Prepetition Tranche A Term Loan Facility Obligations and the Prepetition Tranche B/D Term Loan Facility Obligations, the “Prepetition Secured Obligations”). The Prepetition Tranche A Term Loan Facility Representative, the Prepetition Tranche A Lenders, the Prepetition Tranche B/D Agent, and the Prepetition Tranche B/D Lenders, the Prepetition Tranche E Agent, and the Prepetition Tranche E Lenders are referred to collectively herein as the “Prepetition Secured Parties”.

20. **Prepetition Collateral.** As more fully set forth in the Prepetition Tranche A Credit Documents, the Prepetition Tranche B/D Credit Documents, the Prepetition Tranche E Credit Documents, and that certain First Amended & Restated Common Agreement, dated as of February 23, 2011 (the “Common Agreement”), prior to the Petition Date, the Debtors granted security interests in and liens on, among other things, substantially all assets of the Debtors (collectively, the “Prepetition Collateral”), subject to certain limitations (the “Prepetition Liens”) to U.S. Bank National Association, as master collateral agent (the “Master Collateral Agent”) under the Common Agreement.

21. **Priority of Prepetition Liens; Intercreditor Agreement.** The Prepetition Tranche A Term Loan Facility Representative, the Prepetition Tranche B/D Agent, the Prepetition Tranche E Agent, and the Master Collateral Agent are party to that certain Intercreditor Agreement, dated as of February 23, 2011 (as amended, supplemented or otherwise modified from time to time in accordance with the terms thereof, the “Prepetition Intercreditor Agreement”), that governs the respective rights, interests, obligations, priority, and positions of the various Prepetition Tranche A Lenders, Prepetition Tranche B/D Lenders, and Prepetition

Tranche E Lenders. Pursuant to the Prepetition Intercreditor Agreement, as of the Petition Date, (i) the Prepetition Tranche A Lenders' right to payment is senior to the Prepetition Tranche B/D Lenders' right to payment with respect to the Tranche B Debt, and (ii) the Prepetition Tranche B/D Lenders' right to payment with respect to the Tranche B Debt is senior to both (a) the Prepetition Tranche B/D Lenders' right to payment with respect to the Tranche D Debt, and (b) the Prepetition Tranche E Lenders' right to payment, which rights are *pari passu*.

22. **Restricted Funds**. Prior to the Petition Date, Holdings issued \$286,000,000 of preferred stock to investors, of which \$198,000,000 (the "Restricted Funds") was placed in a segregated account (the "Restricted Account") controlled by the Master Collateral Agent to be used by the Debtors in combination with funds advanced pursuant to the Prepetition Tranche B/D Credit Documents in connection with the construction of Fab 2.

Circumstances Leading to the Commencement of the Chapter 11 Cases

23. Prior to the Petition Date, the combination of general business conditions and an oversupply of solar panels dramatically reduced solar panel pricing world-wide. The oversupply was due, in part, to the growing capacity of foreign manufacturers that utilized low cost capital provided by their governments to expand their operations. In response, Solyndra was forced to reduce its average selling prices to remain competitive. In addition, the reduction or elimination of governmental subsidies and incentives for the purchase of solar energy, particularly in Europe, negatively impacted the availability of capital for PV system owners, further reducing demand for Solyndra's panels. Finally, Solyndra's ability to timely collect on its accounts receivables was negatively impacted as foreign competitors offered extended

payment terms, resulting in Solyndra's customers refusing to honor their previously agreed payment terms.

24. In February 2011, as the aforementioned competitive pressures were emerging, Solyndra entered into the February 2011 Restructuring. Although the February 2011 Restructuring provided for an infusion of \$75 million, it left the Company with more than \$783 million in senior secured debt and the need to raise further incremental capital to fund operations until the Company could generate positive cash flow from operations.

25. Prior to the Petition Date, Solyndra reached out to multiple strategic and financial investors in an attempt to attract the necessary incremental capital. However, Solyndra was unable to find any parties that would be willing to fund the increased capital requirements of the Company in light the size and structure of Solyndra's debt.

26. Solyndra then approached certain existing holders of the Tranche A Debt to explore alternative financing arrangements. In June and July of 2011, Solyndra and certain holders of the Tranche A Debt entered into an arrangement whereby Solyndra would sell up to \$75 million of its existing and future accounts receivables and inventory at a negotiated discount in order to provide interim working capital for the Company through an accounts receivable purchase and sale facility (the "A/R Sale Agreement") and an inventory purchase and sale facility (the "Inventory Sale Agreement").

27. In early August, Solyndra, certain holders of Tranche A Debt, and representatives of the DOE undertook negotiations regarding a further restructuring that would allow Solyndra to attract necessary new investment. The negotiations over the terms of the

further restructuring continued throughout August 2011. During this time, the parties to the Inventory Facility continued to purchase Solyndra inventory to provide critically needed liquidity. In the final weeks prior to the Petition Date, the DOE and certain existing investors engaged in negotiations for bridge financing to allow Solyndra additional time to find a new source of capital (the "Bridge Financing"). Solyndra believed that with sufficient time and an agreement to restructure the Company's obligations by the existing lenders, there was a reasonable prospect of obtaining the necessary incremental financing.

28. With the Bridge Financing discussions proceeding, the parties to the Inventory Sale Agreement purchased approximately \$3 million in inventory from the Company on Monday, August 29, 2011. However, on August 30, 2011, Solyndra was informed that the contemplated Bridge Financing would not occur. Without the Bridge Financing, Solyndra was unable to continue operations. As a result, on August 31, 2011, Solyndra suspended its manufacturing operations and terminated the vast majority of its workforce. Solyndra retained key employees to operate the business while restructuring options are explored.

29. Following the suspension of operations, the Company began negotiations with certain existing Tranche A investors who are prepared to enter into a DIP financing arrangement for \$4 million (the "DIP Financing") and are willing to consent to the company's use of their cash collateral subject to the satisfaction of certain conditions. The DIP Financing and use of cash collateral is critical to allow Solyndra adequate time to explore restructuring alternatives and is discussed further below.

Chapter 11 Goals

30. On September 6, 2011, the Debtors filed these Cases. The Debtors intend to use the Chapter 11 process to evaluate all of their restructuring options and to maximize the return for creditors.

31. The Debtors are pursuing a two-pronged strategy to effectuate either a sale of their business to a “turnkey” buyer who may acquire substantially all of Solyndra’s assets or, if the Debtors are unable to identify any such potential buyers, an orderly liquidation of the Debtors’ assets for the benefit of their creditors. To that end, the proposed DIP Financing budget provides for a four-week exploratory period during which time the Debtors will both determine whether a robust sale process is likely to identify a turnkey buyer and also explore all available restructuring opportunities. The Debtors intend to pursue all potential turnkey buyers, specifically interested parties in both the United States and overseas who may have a particular interest in acquiring the Debtors’ business.

32. The Debtors believe that pursuing a sale on a turnkey basis offers the best chance for the Debtors to maximize the value of their assets and reemploy the employees who were terminated prior to the Petition Date. The Debtors believe that this process would yield a far greater return to the Debtors’ creditors than a piecemeal liquidation of the Debtors assets. However, to the extent that the Debtors are not successful in these restructuring efforts during the time period provided under the DIP Financing budget, the budget provides sufficient funding to enable the Debtors to conduct an orderly wind-down of their operations and to sell their assets on a piecemeal basis for the benefit of the Debtors’ creditors.

PART II – First Day Motions and Applications

33. In order to enable the Debtors to minimize the adverse effects of the commencement of the Cases, the Debtors have requested various types of relief in the First Day Motions filed concurrently with this Declaration. A summary of the relief sought in each First Day Motion is set forth below.

34. I have reviewed each of these First Day Motions (including the exhibits and schedules thereto). The facts stated therein are true and correct to the best of my knowledge, information and belief, and I believe that the type of relief sought in each of the First Day Motions: (a) is necessary to enable the Debtors to operate in chapter 11 with minimal disruption to their current business operations; and (b) is essential to maximizing the value of the Debtors' assets for the benefit of their estates and creditors.

A. Debtors' Motion for Order Directing Joint Administration of Related Chapter 11 Cases

35. The Debtors in these cases are affiliated entities. I am informed by counsel that the joint administration of the chapter 11 cases will permit the Clerk of the Court to utilize a single general docket for these cases and combine notices to creditors of the Debtors' respective estates and other parties in interest, which will result in significant savings to the estates. Accordingly, I believe that the relief requested in the joint administration motion is in the best interests of the Debtors' estates.

B. Debtors' Motion for an Order Establishing Procedures for Interim Compensation Pursuant to Section 331 of the Bankruptcy Code ("Interim Compensation Procedures Motion")

36. The Debtors request approval of certain procedures for compensating and reimbursing court-approved professionals on a monthly basis, which I am informed, are comparable to the procedures established in other similar-sized chapter 11 cases in this district.

37. With the first day motions, the Debtors seek approval to employ PSZJ as their bankruptcy counsel. Thereafter, the Debtors intend to seek authority to retain certain other professionals in the Cases as the need arises. In addition, I am informed that an official committee of unsecured creditors (the "Committee") may be appointed, and that the Committee also may seek to retain various professionals (the "Committee Professionals").

38. I am informed that entry of an interim compensation order will streamline the professional compensation process and enable the Court and all other parties to more effectively monitor the professional fees incurred in the Cases. Further, it will avoid forcing professionals to finance the Cases while awaiting final approval of their fees and expenses. I believe that such relief is in the best interests of the Debtors' estates.

C. Motion of Debtors for Order Under 11 U.S.C. §§ 105, 345, 363, 364, 1197 and 1108 Authorizing (I) Maintenance of Existing Bank Accounts, (II) Continued Use of Existing Business Forms, (III) Continued Use of Existing Cash Management System, and (IV) Limited Waiver of Section 345(b) Deposit and Investment Requirements ("Cash Management Motion")

39. Just prior to the Petition Date, the Debtors terminated their manufacturing operations and have begun the process of restructuring their financial affairs. The Debtors have closed, or are in the process of closing, a significant number of their bank accounts. However, the Debtors wish to maintain a few bank accounts, each of which is held in the name of Solyndra, to continue to make ordinary course disbursements, including payment of payroll

obligations, to collect customer receipts and to hold cash collateral pledged to secure the Debtors' corporate credit card obligations.

40. From and after the Petition Date, the Debtors propose to have a simplified cash management system (the "Cash Management System") that contains the following bank accounts (together, the "Bank Accounts"):

- (a) one principal operating account in the name of Solyndra LLC (acct. no. 412-3021453) (the "Operating Account") at Wells Fargo Bank, N.A. ("Wells Fargo") that will be used for disbursements;
- (b) one zero balance payroll account in the name of Solyndra LLC (acct. no. 412-4817313) at Wells Fargo that is linked to the Operating Account and debited by Solyndra's payroll service as and when payroll comes due;
- (c) three customer collections accounts in the name of Solyndra LLC (acct. no. 777-6010832 at Wells Fargo for customer collections in Euros and acct. nos. 13343002 and 153910672036 at U.S. Bank N.A. ("U.S. Bank") for U.S. customer collections) (together, the "Collections Accounts"). Account No. 13343002 is a securities account that invests cash collections in money market shares. The remaining two Collections Accounts are deposit accounts. The Collections Account at U.S. Bank is presently subject to the control of U.S. Bank as the master collateral agent for the holders of Solyndra's secured debt (the "Master Collateral Agent");² and

² The Debtors have separately sought to access the funds in the U.S. Bank Collections Account.

(d) one restricted account (acct. no. 4123508939) at Wells Fargo the (“Restricted Account”) containing approximately \$110,000 pledged to secure the Debtors’ credit card-related obligations to Wells Fargo.

41. The Debtors manually transfer funds from the Collections Accounts to the Operating Account as and when needed to fund the Debtors’ business or otherwise in the discretion of the Debtors, except that the Debtors gain access to funds in the U.S. Bank Collections Account by instructing the U.S. Department of Energy, as loan servicer of certain secured debt obligations of Solyndra, to direct the Master Collateral Agent to disburse funds to the Operating Account. In the past, monthly receipts in the range of \$5,000,000 to \$8,000,000 flowed through the Cash Management System.

42. The Debtors’ Bank Accounts and Cash Management System facilitates the timely and efficient collection, management and disbursement of funds used in the Debtors’ business. Because of the disruption to the business that would result if the Debtors were forced to close these accounts, it is critical that the Debtors’ maintain the Bank Accounts and existing Cash Management System.

43. Prior to the Petition Date and in the ordinary course of business, the Debtors had corporate credit cards made available to their employees by Wells Fargo up to an aggregate credit limit of \$300,000 that was fully secured by a certificate of deposit. This prepetition account has been terminated and, upon Debtors’ instruction, Wells Fargo has paid the estimated balance of the credit cards from the Operating Account. Due to potential processing delays, charges made on such credit cards may not have been processed on or before the Petition

Date and the Debtors seek the Court's approval to permit Wells Fargo to process and honor such prepetition charges, if any, after the Petition Date. Given the Debtors' reduced operations, the Debtors propose to reduce their credit limit under the corporate credit cards to \$100,000. The Debtors believe that Wells Fargo is willing to continue this program provided that the Debtors' obligations thereunder are fully cash collateralized and Wells Fargo is authorized to continue to process any prepetition charges made on the credit cards and deduct the amounts charged from the Operating Account. The Debtors presently have the Restricted Account at Wells Fargo that contains sufficient cash to cover any postpetition credit card exposure. The Debtors seek authority to continue to have access to corporate credit cards issued by Wells Fargo on a postpetition basis and for postpetition business charges up to an aggregate limit of \$100,000, which amount shall be collateralized by cash on hand in the Restricted Account in an amount not less than \$110,000 at Wells Fargo.

44. It is my understanding that United States Trustee requirements mandate that prepetition bank accounts of chapter 11 debtors be closed and new debtor-in-possession bank accounts opened postpetition. The Debtors seek a waiver of this requirement in the Cases. It is my belief that, if strictly enforced in this case, the United States Trustee's requirement would cause a severe disruption in the Debtors' activities and would impair the Debtors' ability to operate under chapter 11.

45. I believe that maintenance of the Bank Accounts will greatly facilitate the Debtors' operations in chapter 11. If the Bank Accounts were closed, the Debtors would have to open new accounts and then attempt to arrange alternative electronic and manual payment

procedures for payments into and out of those accounts which would completely disrupt the flow of the Debtors' receipt of revenues and the Debtors' payment of debts incurred postpetition. In addition, it is my understanding that closing the Bank Accounts would require the Debtors to cancel and reinstitute wire transfer instructions which would be difficult to modify under exigent circumstances. I believe that these disruptions would severely impact and could irreparably harm the Debtors' ability to operate their business and effectuate a sale of their assets for the benefit of their creditors.

D. Debtors' Motion Pursuant to Bankruptcy Code Sections 105(A), 363, And 507(A) for an Order Authorizing the Debtors to (I) Pay Prepetition Wages, Salaries, Commissions, Employee Benefits, and Other Compensation; (II) Remit Withholding Obligations; (III) Maintain Employee Compensation and Benefits Programs and Pay Related Administrative Obligations; and (IV) Have Applicable Banks and Other Financial Institutions Receive, Process, Honor, and Pay Certain Checks Presented for Payment and Honor Certain Fund Transfer Requests (“Wage Motion”)

46. On August 31, 2011, the Debtors terminated approximately 900 regular full-time employees (the “Terminated Employees”), leaving a core group of 113 employees necessary to assist the Debtors with their restructuring efforts (the “Continuing Employees”). The Continuing Employees work at the Debtors' office in Fremont, California as well as other remote locations in the United States. The Continuing Employees perform administrative office and support services in assisting the Debtors with their go-forward business, including, for example, finance, research and development, operations, quality control, legal, and human resources. Six of the Continuing Employees are involved in sales and sales support roles. None of the Terminated or Continuing Employees are associated with a labor union.

Wages and Salaries and Associated Withholding

47. All Employees are paid in arrears bi-weekly through direct deposit or check by ADP. The last payroll occurred on September 2, 2011, which covered the period from August 15, 2011 through and including August 28, 2011.

48. Historically, and prior to the termination of the Terminated Employees, the Debtors' average bi-weekly gross payroll was approximately \$3.5 million, which figure included wages and salaries, taxes (including withholding taxes paid by Employees), and withholdings for various benefits (described more fully below). Going forward, with the significantly-reduced workforce, the Debtors estimate that their average bi-weekly gross payroll will be approximately \$650,000, which amounts may be further reduced if the Debtors continue to reduce their workforce during these cases.

49. In connection with the termination of the vast majority of the Debtors' workforce prepetition, the Debtors funded a special payroll (the "Special Payroll") to ADP on September 1, 2011 for amounts that were owed to Terminated Employees for wages that had accrued from August 29, 2011 through August 31, 2011 (the "Stub Payroll Period") in addition to other amounts payable upon termination, such as accrued vacation time (discussed below) in the total aggregate amount of \$1,503,128. Although the Special Payroll occurred prepetition, the Debtors are aware of de minimus additional amounts owed to Terminated Employees on account of wages or paid time off due to miscalculation of time by Terminated Employees, failure to timely submit time cards, or other true-ups. Accordingly, the Debtors request authority to pay up

to \$50,000 to Terminated Employees on account of any Special Payroll items that should have been paid in the Special Payroll, but were not.

50. The next regularly scheduled payroll for Continuing Employees is scheduled to occur on September 16, 2011, and will cover the period of August 29, 2011 through September 11, 2011, which aggregate payroll on account of Wages will be approximately \$650,000. A portion of this payroll will be on account of pre-petition time periods (August 29, 2011 through September 5, 2011) for the Continuing Employees, or approximately \$475,000. Therefore, the Debtors request authority to pay any accrued pre-petition Wages to Continuing Employees in the ordinary course of business up to \$475,000.

51. The Debtors' payroll is disbursed and processed by ADP. Typically, ADP debits the Debtors' payroll account two or three days in advance of payroll. Employees receive their direct deposits through ADP on the bi-weekly payday. As of the Petition Date, the Debtors may owe ADP an estimated \$25,000 in unpaid fees with respect to ADP's processing of the Debtors' payroll, previous payrolls for which ADP may not have yet been paid, and related administration (the "Administration Fees"). The Debtors request authority to pay ADP the Administration Fees that ADP may be owed in connection with the foregoing services not to exceed \$25,000 and to continue to pay ADP postpetition in the ordinary course of the Debtors' business with respect to the same.

52. In the ordinary course of their business, the Debtors routinely withhold from Wages certain amounts that the Debtors are required to transmit to taxing authorities for purposes such as Social Security and Medicare, federal and state or local income taxes (the

