

Silevo Buffalo Facility – Termination Scenario⁽¹⁾

Confidential – Preliminary and Subject to Change

- Evercore has analyzed the potential quantifiable costs associated with a potential termination of the Silevo Buffalo manufacturing facility agreement
 - The termination fee is outlined in the Riverbend agreement that governs the Silevo Buffalo manufacturing facility
 - We have offset this fee by the net savings associated with no longer paying the capex and opex associated with the facility to determine the approximate net quantifiable value of a potential termination
 - We also took into account the incremental costs associated with sourcing solar panels from third party suppliers
- In addition to the termination fee, there are substantial potential costs associated with a potential termination that are unquantifiable, including, but not limited to:
 - Tesla’s ability to continue to operate in the state of New York
 - Potential impact on operations in other states
 - Reputational damage
 - Any litigation associated with the termination
- Our analysis results in a potential net present value of the costs associated with termination of \$278mm to \$290mm, or \$2.73 - \$2.84 per share
 - This amount is likely to be far greater, however, when considering the above listed unquantifiable impacts on Tesla
- The potential cost of a pause in the timeline of the Buffalo manufacturing facility is not contemplated by the Riverbend agreement, it may be subject to renegotiation with the state of New York and is not quantifiable

(1) Based on SolarCity Management model and confirmatory diligence session with SolarCity

Silevo Buffalo Facility (FAB 3) Closure Analysis

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(\$ in millions, except per share data)

- A termination, as a result of a breach by Silevo, would result in a termination liability of ~\$646mm which would be offset by operational savings (capex/opex) associated with no longer operating the facility, less the incremental costs associated with sourcing third-party panels previously forecast to be manufactured at Silevo Buffalo

Silevo FAB 3 - Termination Liability

- The Riverbend contract outlines the cost associated with terminating the agreement, which is dependent on capital expenditures from New York state to date
- Our analysis shows this liability is \$646

Expenditures to date⁽¹⁾

SUNY (Capex)	\$658
SolarCity (Capex + Opex)	\$92

Termination calculation

Lesser of:

1) \$750mm	\$750
2) Amount spent by SUNY to date	658
<u>Multiplied by:</u>	
Numerator: \$5bn less amount spent by SolarCity to date	\$4,908
Denominator: \$5bn	5,000
<i>Multiplier</i>	<u>98.2%</u>
	\$646

Termination Cost	(\$646)
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Net Value of Liability Analysis

Termination Cost	(\$646)
Total PV of Net Savings Till 2019	362
Net Value	(\$284)

Quantifiable Net Value Impact on Valuation Sensitivity

	Discount Rate				
	7.0%	7.5%	8.0%	8.5%	9.0%
Net Value	(\$278)	(\$281)	(\$284)	(\$287)	(\$290)
\$/Share Impact	\$2.73	\$2.76	\$2.79	\$2.82	\$2.84

+

Unquantifiable Costs

Such as reputational damage, impact on Tesla's ability to operate in New York, potential impact on business operations in other states

Silevo FAB 3 - Operational Savings

- The termination liability would be offset by:
 - Capex/opex savings associated with no longer operating the facility
 - Less the incremental costs associated with sourcing third-party panels previously forecast to be manufactured at Silevo Buffalo
 - Non-Silevo panels produce less MW/panel and require more panels to produce the same amount of MW, driving incremental installation costs
 - Analysis potentially overestimates the net savings attributed to shutting down the facility given that beyond 2019 the cost of sourcing from a 3rd party exceeds the projected savings

	2016/12	2017	2018	2019
Cash Flow	\$9	\$192	\$535	\$525
Working Capital	0	(12)	121	(30)
Investment CapEx	39	103	62	0
Sustainment CapEx	0	0	7	7
Savings from FAB 3 Closure	\$48	\$284	\$724	\$501
MW Produced at FAB3	0MW	156MW	959MW	1000MW
Average \$ / W (Non-Silevo)	\$0.61	\$0.55	\$0.51	\$0.46
Cost to Purchase Non-Silevo MW	\$0	(\$85)	(\$489)	(\$463)
Incremental Installation Costs ⁽²⁾	\$0	(\$10)	(\$45)	(\$52)
Savings from FAB 3 Closure	\$48	\$284	\$724	\$501
Less: Cost to Purchase Non-Silevo MW	0	(85)	(489)	(463)
Less: Incremental Installation Costs	0	(10)	(45)	(52)
Net Savings	\$48	\$189	\$190	(\$13)
<i>Discount Rate</i>	<i>8%</i>	<i>8%</i>	<i>8%</i>	<i>8%</i>
PV of Net Savings	\$47	\$168	\$157	(\$10)
Total PV of Net Savings Till 2019				\$362

Source: SolarCity management; Note: \$/share values based on SCTY fully-diluted share count of 101.9mm

(1) As of June 30, 2016

(2) Represents incremental BOS consumables and labor costs attributed to the increase in panels needed for non-Silevo panel installations