

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

In re:

SOLAR TRUST OF AMERICA, LLC, *et al.*
a Delaware limited liability company,

Debtors.¹

Chapter 11

Case No. 12-[] ([])

(Joint Administration Requested)

**DECLARATION OF EDWARD KLEINSCHMIDT IN SUPPORT
OF CHAPTER 11 PETITIONS AND FIRST DAY MOTIONS**

I, Edward Kleinschmidt, do hereby declare, under penalty of perjury, that:

1. I am the President and Chief Operating Officer of Solar Trust of America, LLC ("STA"), one of the above-captioned debtors and debtors-in-possession (collectively, the "Debtors"), and the Chief Restructuring Officer of the other Debtors.² I am authorized to submit this Declaration in support of the Debtors' chapter 11 petitions and the first day pleadings (the "First Day Motions") described herein.

2. In my capacity as President and Chief Operating Officer of STA and Chief Restructuring Officer of the other Debtors, I am one of the officers of the Debtors responsible for devising and implementing the Debtors' restructuring plans and strategies (the "Restructuring Process") and overseeing the Debtors' ongoing financial, operational and legal affairs. Since

¹ The Debtors in these chapter 11 cases, and the last four digits of their employer tax identification number, are: Solar Trust of America, LLC (4430), STA Development, LLC (9964), STA Contracting, LLC (8039), Amargosa Valley Solar I, LLC (2615), Amargosa Valley Solar II, LLC (0481), Palo Verde Solar I, LLC (1503), Palo Verde Solar II, LLC (1587), Palen Solar I, LLC (1669), Palen Solar II, LLC (1728), CA Solar 10, LLC (1779), and Solar Millennium, Inc. (9886). The corporate headquarters address for the Debtors is 1111 Broadway, 5th Floor, Oakland, California 94607.

² Unless otherwise defined, capitalized terms used herein shall have the meanings ascribed to them in the relevant First Day Motion (defined below).

being appointed March 30, 2012, I have, inter alia, (i) reviewed and discussed the Debtors' strategy in the development and implementation of the Restructuring Process, (ii) managed professionals engaged by the Debtors in connection with the Restructuring Process, (iii) supervised the preparation of documentation needed to implement the Restructuring Process, and (iv) consulted on a regular basis with the Debtors' management, and members of the Debtors' Boards of Directors or their equivalent, with respect to the foregoing.

3. I am generally familiar with the Debtors' day-to-day operations, business affairs, and books and records. I have also reviewed the First Day Motions and accompanying forms of orders and am familiar with the facts alleged therein and relief requested. Except as otherwise indicated, I have personal knowledge of the matters set forth herein or have gained knowledge of such matters from the Debtors' employees or retained advisers that report to me in the ordinary course of my responsibilities as President and Chief Operating Officer and, if called as a witness, would competently testify thereto.³

4. Today (the "Petition Date"), the Debtors filed voluntary petitions (the "Petitions") for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. (the "Bankruptcy Code"), in an effort to preserve and maximize the value of their chapter 11 estates.

5. The Debtors intend to operate their business and to manage their properties as debtors-in-possession under sections 1107(a) and 1108 of the Bankruptcy Code.

³ Certain of the disclosures herein relate to matters within the knowledge of other employees of the Debtors and are based on information provided by them.

6. I am advised by counsel that this Court has jurisdiction over these chapter 11 cases pursuant to 28 U.S.C. §§ 157 and 1334 and venue is proper in the United States Bankruptcy Court for the District of Delaware pursuant to 28 U.S.C. §§ 1408 and 1409.

A. Overview of the Debtors' Businesses and History

7. Beginning in 2005, several of the Debtors were founded by their ultimate corporate parent, Solar Millennium AG ("SMAG"), to develop utility scale solar energy projects in the American Southwest. In 2009 SMAG and Ferrostaal AG ("Ferrostaal") created a joint venture company known as Solar Trust of America, LLC, which became the holding company for most of the Debtors. Since 2005, the Debtors have acquired the permits and other rights to develop solar projects at locations in California and Nevada. Located in the "Solar Sun Belt" of the American Southwest, these project sites have extremely high solar radiation levels, and allow the Debtors' projects to harness high levels of solar power generation.

8. Specifically, these projects include the rights to develop one of the world's largest permitted solar power plant facilities, which is to be located near Blythe, California (the "Blythe Project") and is expected to have generating capacity of up to 1,000 MW. Upon completion, the multi-billion dollar Blythe Project will include up to four independent 250 MW plants that combined will deliver 1,000 MW of nominal generating capacity to the California power grid. The Debtors anticipate that this power will be sufficient to supply more than 300,000 households with electricity.

9. The Debtors' two other significant projects contemplate separate solar power facilities each with generating capacity of up to 500 MW near Desert Center, California (the "Palen Project") and Amargosa Valley, Nevada (the "Amargosa Valley Project"),

respectively. A fourth solar power project near Ridgecrest, California (the “Ridgecrest Project”), was also under development.

10. Although the Debtors have obtained highly valuable transmission rights, permits and other property rights in connection with their three major projects, which are discussed below, each project is only in the developmental phase and thus does not generate any revenue for the Debtors. Historically, the Debtors’ business operations have been funded by borrowings and contributions from their ultimate equity holders, Ferrostaal and SMAG, particularly SMAG. Although Ferrostaal has not provided funding to the Debtors in approximately two years, SMAG provided regular funding to the Debtors through December 2011, but it ceased regularly funding the Debtors at that time because of its own deteriorating financial condition, as discussed in greater detail below.

B. Corporate and Debt Structure.

11. Debtor Solar Millennium, Inc. (“SMI”) is a holding company and is the direct or indirect majority shareholder of each of the Debtors, other than CA Solar 10, LLC, in which SMI indirectly holds 17.5% of the equity interest. Specifically, SMI owns 70% of the equity interest in Debtor Solar Trust of America, LLC, (“STA”), and the remaining 30% of the equity interest in STA is owned by Ferrostaal Incorporated, a non-Debtor entity. SMI also wholly owns three non-debtor entities – Blythe Solar Power Project Unit 3, LLC, Blythe Solar Power Project Unit 4, LLC and Palen Solar Project Unit 2, LLC, which entities were formed to one day own the rights to develop the third and fourth phases of the Blythe Project and the second phase of the Palen Project, however, SMI never transferred or assigned its ownership rights in those projects to its non-Debtor subsidiaries). Debtor STA currently has the option to purchase the

rights to develop the final two phases of the Blythe Project and the second phase of the Palen Project from SMI.

12. STA owns 100% of the equity interest in Debtor STA Development, LLC (“STAD”), the Debtors’ primary operating entity prior to the Petition Date, and Debtor STA Contracting, LLC. STA also wholly owns five non-Debtor entities that do not have any current development activity, operations or assets⁴ but were created for implementing future opportunities in the Debtors’ business plan.

13. STAD owns 100% of the equity interests in Debtors Palen Solar I, LLC (“Palen I”), Palen Solar II, LLC (“Palen II”), Palo Verde Solar I, LLC (“PV I”), Palo Verde Solar II, LLC (“PV II”), Amargosa Valley Solar I, LLC (“Amargosa I”) and Amargosa Valley Solar II, LLC (“Amargosa II”). STAD also owns 25% of the equity interest in Debtor CA Solar 10, LLC (“Cal Solar”), and the remaining 75% equity interest in Cal Solar is owned by non-Debtor entity SM USA 2 GmbH. STAD also wholly owns eleven non-Debtor entities.⁵

14. As of the Petition Date, the Debtors only secured indebtedness consisted of a \$200,000 letter of credit issued by CitiBank, N.A. that was collateralized by approximately \$210,000 deposited in an account with Western Asset Management Company held by CitiBank for the benefit of STA. However, the Debtors do owe in excess of \$20 million in unsecured,

⁴ These entities are STA Investment Holdings, LLC, STA Ventures, LLC, STA Operations, LLC, STA Industries, LLC and STA Management Services, LLC.

⁵ These entities are Palen Solar Power Project Unit I, LLC, Ridgecrest Solar I, LLC, Ridgecrest Solar II, LLC, Ridgecrest Solar Power Project, LLC, NYE County Solar I, LLC, Amargosa Solar Power Project Unit I, LLC, Amargosa Solar Power Project Unit II, LLC, CA Solar 10 Holdings, LLC, Blythe Solar Power Project Unit I, LLC, Blythe Solar Holdings, LLC, and Blythe Solar Power Project Unit 2, LLC.

non-intercompany and non-related party liabilities as of the Petition Date. This unsecured debt is concentrated in five of the Debtors: SMI, STA, STAC, STAD, and Cal Solar.

C. Project Developments

15. The Blythe Project is the Debtors' most substantial asset. Upon its completion, the Blythe Project is expected to be one of the largest solar power plants in the world. The Blythe Project is to be built on 7,025 acres of public land in Riverside County, 8 miles west of the City of Blythe, pursuant to a grant of a right-of-way (the "Blythe Right-of-Way") from the U.S. Department of the Interior, Bureau of Land Management (the "Bureau of Land Management"). Pursuant to the terms of the Blythe Right-of-Way, the Debtors pay annual rent of approximately \$2.3 million for the Blythe Right-of-Way, which the Bureau of Land Management has agreed to make 2011 and 2012's rent payments due in quarterly installments. The Debtors have not made the approximately \$1 million payment due on April 1, 2012. The Blythe Project has also secured its license from the California Energy Commission. The Blythe Project also benefits from that certain Large Generator Interconnection Agreement among Palo Verde Solar II, LLC, Southern California Edison Company ("SCE"), and California Independent System Operator Corporation ("CAISO") (the "Blythe LGIA"). A Large Generator Interconnection Agreement ("LGIA") is the primary means by which a power generator connects to the power distribution network, which is regulated in California by CAISO, and an LGIA is a key element to the operation and implementation of any solar power project. Under the Blythe LGIA, the Debtors receive scarce and extremely valuable transmission rights. The transmission rights secured by Palo Verde Solar II, LLC are particularly valuable because SCE is financing the over \$200,000,000 of network upgrades ascribed to the Blythe Project, which otherwise

would have been borne by the Blythe Project. This is a unique competitive advantage for the Blythe Project over competing solar projects that must bear the costs of network upgrades.

16. The Palen Project is currently awaiting approval of an application for a right-of-way from the Bureau of Land Management for the Palen Project site, which consists of 4,300 approximately 30 miles west of Blythe, California. The Palen Project has also secured its license from the California Energy Commission. As is the case with the Blythe Project, the Palen Project also has secured extremely valuable transmission rights through an LGIA entered into among Palen Solar II, LLC, SCE, and CAISO (the "Palen LGIA"). The transmission rights secured by Palen Solar II, LLC are particularly valuable because SCE is financing the over \$100,000,000 of network upgrades ascribed to the Palen Project, which otherwise would have been borne by the Palen Project. This is a unique competitive advantage for the Palen Project over competing solar projects that must bear the costs of network upgrades.

17. Like the Blythe Project, the Amargosa Valley Project has received a grant for a right-of-way from the Bureau of Land Management (the "Amargosa Valley Right-of-Way"). The Amargosa Valley Solar Power Project site consists of 4,350 acres in Nye County, Nevada, located northwest of Las Vegas, Nevada. However, the Amargosa Valley Project does not have an executed LGIA or other transmission rights. For this reason, the Debtors consider the Amargosa Valley Project to still be in the nascent development stages, and the least valuable of their three projects.

18. The status of the Amargosa Valley Project is also impacted by pending litigation commenced by Global Finance Corporation ("GFC") in November 2011, which was originally commenced in Nevada state court (the "Nevada State Court") but is now pending in the United States District Court for the District of Nevada (the "Nevada District Court"). In an

attempt to further the development of the Amargosa Valley Project, STAD (then known as Solar Millennium, LLC) entered into a Joint Development Agreement (the “JDA”) with GFC in October 2007. GFC’s lawsuit alleges a breach of the JDA and related causes of action. The Nevada State Court entered a temporary restraining order (the “TRO”) enjoining the Debtors from “selling, disposing, assigning or transferring any real property interest in the [Amargosa Valley Project] or membership interest in Amargosa Valley Solar I, LLC, Amargosa Valley Solar II, LLC or their parent STA Development, LLC” as well as the membership interests of two non-Debtors, Amargosa Solar Power Project Unit 1, LLC and Amargosa Solar Power Project Unit 2, LLC,” which remains in effect. GFC has recently alleged that the Debtors have violated the TRO by virtue of the German Administrator (as defined below) overseeing the sale of SMAG’s assets entering into a contract with another German company to sell the shares of two German holding companies owned by SMAG , but the Nevada District Court is yet to address that allegation.

19. Taken together, the Debtors have 1,500 MW of executed, FERC-approved LGIAs in place for the Blythe Project and Palen Project, which projects are in advanced stages of permitting (the Blythe Project is in fact fully permitted for 1,000MW of concentrated solar thermal power plants). The Debtors also have their rights in the Amargosa Valley Project, although that project is in an earlier stage of development and is subject to the pending litigation commenced by GFC.

D. Events Leading to the Debtors’ Bankruptcy Filing.

20. The Debtors are development companies that do not generate current revenues; thus, the Debtors have historically been dependent on funding from their ultimate corporate parents, particularly SMAG, to finance the ongoing costs of project development and

general corporate overhead expenses. On December 21, 2011, however, SMAG announced the initiation of insolvency proceedings in Germany. Since that time, SMAG has been under the control of a German insolvency administrator, Volker Boehm (the “German Administrator”), and has ceased to provide any funding whatsoever to the Debtors.

21. In recognition of the Debtors’ lack of internal funding and SMAG’s own liquidity constraints, the German Administrator arranged a sale of SMAG’s equity interests in the Debtors to solarhybrid AG (“SHAG”). Negotiations for this sale commenced between SMAG and SHAG in September 2011, months before SMAG filed for insolvency protection and the subsequent appointment of the German Administrator. However, SMAG filed for insolvency before a sale to SHAG could close. Upon the insolvency filing, the German Administrator, working with Deloitte, ran a process to sell SMAG’s assets, including SMAG’s indirect equity interests in the Debtors. The process concluded in the German Administrator reaching an agreement with SHAG, and the sale was scheduled to close in mid-February, 2012. As part of this acquisition transaction, SHAG agreed to provide funding to the Debtors through an unsecured loan facility. However, SHAG ultimately was unable to consummate the sale due to its own deteriorating financial condition, which SHAG publicly attributed to a recent decision of the German government to reduce certain subsidies for solar energy production, referred to as “feed-in-tariffs.” SHAG ceased providing funding to the Debtors on March 8, 2012, and has since sought insolvency protection in Germany.

22. During the course of the last several months, the management of the Debtors has taken actions to reduce operating expenses by, inter alia, reducing the staff of the Debtors to the minimal levels needed to preserve the value of the Debtors’ assets. Following the failure of the SHAG transaction, management also contacted other industry participants to

determine whether these entities would be interested in pursuing a transaction similar to the one contemplated with SHAG. Due to the Debtors' lack of liquidity, management also solicited proposals for debtor-in-possession financing and potential "stalking horse" bids in a chapter 11 sale process at this time.

23. Ultimately, the Debtors' lack of short-term liquidity, coupled with a significant amount of liabilities (both actual and contingent) related to the projected that come due in the immediate period and in the long terms, made an out-of-court sale impossible. Management recognized the Debtors' cash on hand would soon be insufficient to cover certain major obligations of the Debtors that were scheduled to come due in the immediate period.

24. The first such obligation came due yesterday, on April 1, 2012. This obligation represents payments due to the Bureau of Land Management for 2012 Quarter 1 and Quarter 2 rent payments for the Blythe Right-of-Way. By prior agreement with the Bureau of Land Management, the respective Quarter 1 rent payment was deferred to April 1, 2012, the date Quarter 2 rent was already scheduled to come due. This made both obligations due on April 1, 2012, and the Debtors have not paid these first two quarterly rent payments for 2012.

25. Several other major obligations also are scheduled to come due within the first week of April 2012. On April 6, 2012, the cure period for a security posting of approximately \$9 million (the "Blythe Third Posting") due under the Blythe LGIA expires. Similarly, an approximately \$3.9 million security posting will come due on April 6, 2012 under the Palen LGIA (the "Palen Third Posting"). Finally, April 7, 2012 is the deadline for the Debtors to post three security postings of roughly \$6 million each, in exchange for which the Debtors would receive the rights to effectuate partial terminations of certain provisions of the Blythe LGIA (the "Partial Termination Charges"). For each Partial Termination Charge paid by

the Debtors, the Debtors may later elect to withdraw from their obligations to develop one of the four independent 250 MW plants that come together to form the Blythe Solar Power Project without terminating the remainder of the Blythe LGIA. The Debtors may exercise this option for up to three of the four plants comprising the Blythe Project. For each Partial Termination Charge paid by the Debtors that does not result in a partial termination, the Debtors will be refunded the Partial Termination Charge. I am told by members of the Debtors' management that these partial termination rights are valuable because they reduce the project finance risk associated with the Blythe Project.⁶

26. Notably, prior security posting obligations related to the Debtors' projects were satisfied by the posting of Letters of Credit by SMAG and Ferrostaal. In fact, SMAG has previously posted approximately \$13.8 million in letters of credit to secure obligations related to the Debtors' development projects. However, due to SMAG's current financial condition and its own insolvency proceedings, SMAG has advised that it is unable to financially assist the Debtors with satisfying these current security posting obligations. Ferrostaal elects not to provide any financial assistance to the Debtors.

27. Because of the foregoing obligations and the Debtors' current inability to pay them as they come due, the management of the Company and I have concluded that the value of the Debtors' assets will be maximized by seeking chapter 11 bankruptcy protection and the other relief described below.

⁶ The Debtors have been engaged in discussions with the counterparties to the Blythe LGIA and Palen LGIA, and these discussions are ongoing. These discussions may result in consensual extensions of certain of the security posting deadlines set forth herein, decreases to the amounts currently scheduled to be posted, and/or additional security postings not discussed herein.

28. While the Debtors were unable to avoid a chapter 11 filing due to these impending liquidity commitments and the Debtors' overall lack of funds, the Debtors' efforts ultimately yielded one interested party – NextEra Energy Resources, LLC ("NextEra") – who has committed to providing the Debtors' a post-petition secured credit facility and has expressed an interest in serving as stalking horse purchaser for certain of the Debtors' assets. As discussed below, the funding from NextEra will enable the Debtors to continue their on-going efforts to preserve and maximize the value of their assets and implement a marketing and sale process during these chapter 11 cases.

E. First Day Motions

29. As a result of my first-hand experience, and through my review of various materials and information, discussions with other of the Debtors' management, and discussions with the Debtors' outside advisors, I have formed opinions as to (a) the necessity of obtaining the relief sought by the Debtors in their "first-day" applications and motions described below (collectively, the "First Day Motions"), (b) the need for the Debtors to continue to operate effectively, (c) the deleterious effects upon the Debtors of not obtaining such relief, and (d) the immediate and irreparable harm to which the Debtors will be exposed immediately following the Petition Date unless the relief requested in the First Day Motions is granted without delay.

30. I personally participated in preparing and have reviewed each of the First Day Motions (including the exhibits and schedules attached thereto) and, to the best of my knowledge, believe the facts set forth therein are true and correct. Such representation is based upon information and belief and through my review of various materials and information, as well as my experience and knowledge of the Debtors' operations and financial condition. If I were called upon to testify, I could and would, based on the foregoing, testify competently to the facts

set forth in each of the First Day Motions. I therefore submit this Declaration in support of the Debtors' petitions and First Day Motions filed with the Court in connection with the commencement of these cases and described below.

a. Motion for Joint Administration

31. The Debtors believe that many of the motions, applications, hearings and orders that will arise in these chapter 11 cases will jointly affect each and every Debtor. Under these circumstances, the Debtors believe the interest of the Debtors, their estates, their creditors and other parties in interest would be best served by the joint administration of these chapter 11 cases for procedural purposes only. The Debtors further believe that joint administration of these chapter 11 cases will ease the administrative burden on the Court and all parties in interest, and will protect creditors of the respective estates against potential conflicts of interest. For these reasons, the Debtors submit, and I believe, the relief requested in this motion is in the best interest of the Debtors, their estates and their creditors, and therefore should be approved.

b. Motion for Interim Order Deeming Utilities Adequately Assured

32. By this motion, and to ensure continued provision of utility services (the "Utility Services") to the Debtors' headquarters and project sites, the Debtors seek entry of an order prohibiting utility companies (the "Utility Companies") from terminating services on account of prepetition invoices, deeming the Utility Companies to be adequately assured of future payment, and establishing procedures to determine additional adequate assurance. The Debtors propose to establish a segregated account into which the Debtors will deposit a sum equal to 50% of the Debtors' estimated monthly costs for Utility Services (collectively, the "Utility Deposit") and, additionally, have proposed procedures to address any request made by the Utility Companies for additional adequate assurance.

33. Any disruption of the Debtors' Utility Services would cause irreparable harm to the Debtors' business operations and their estates. The successful operation of the Debtors' affairs requires that the Utility Services be provided on a continual and uninterrupted basis. The Debtors have established a good payment history with virtually all of their Utility Companies. To the best of the Debtors' knowledge, they have no defaults or arrearages of any significance with respect to the Debtors' undisputed Utility Services invoices. However, any disruption of Utility Services could have a significant impact on the Debtors' business operations and the efforts of the Debtors' employees to maximize the enterprise value of the Debtors' assets.

34. For the foregoing reasons, the Debtors submit, and I believe, the relief requested in this motion is in the best interest of the Debtors, their estates and their creditors, and therefore should be approved.

c. Motion to Approve Continued Use of Cash Management System

35. By this motion (the "Cash Management Motion"), the Debtors seek entry of an order (a) authorizing and approving the Debtors' continued use of their existing cash management system, (b) authorizing the continuation of intercompany transactions; (c) granting administrative priority status to post-petition intercompany claims; (d) authorizing the Debtors to continue using prepetition bank accounts and business forms, and (e) authorizing their deposit practices and waiving the requirements of section 345(b) of the Bankruptcy Code in connection therewith on an interim basis. In connection with this relief, the Debtors respectfully request a waiver of certain of the operating guidelines established by the Office of the United States Trustee for the District of Delaware that require the Debtors to close all prepetition bank

accounts, open new accounts designated as debtor-in-possession accounts, and provide new business forms and stationary.

36. As described in detail in the Motion, the Debtors maintain a cash management and disbursement system in the ordinary course of their operations (the “Cash Management System”). To lessen the disruption caused by the bankruptcy filings and maximize the value of their estates in these chapter 11 proceedings, it is vital to the Debtors that they maintain their Cash Management System and be authorized to, inter alia, pay certain outstanding fees owed in relation to the Debtors’ bank accounts.

37. The Debtors maintain current and accurate accounting records of daily cash transactions and intercompany transfers and submit that maintenance of this Cash Management System is vital to prevent undue disruption to the Debtors’ operations while protecting the Debtors’ cash for the benefit of the estates. It is critical that the Debtors be able to consolidate management of cash and centrally coordinate transfers of funds to efficiently and effectively operate their business operations. Substantially disrupting their current cash management procedures would impair the Debtors’ operations and ability to efficiently conduct their operations. Accordingly, the Debtors request approval of the Cash Management Motion.

d. Motion for Authority to Pay Employee Wage and Related Items

38. By this motion, the Debtors are seeking authority to honor and pay all prepetition employee wages, salaries and other accrued compensation, and to continue to honor certain other policies, programs and benefits the Debtors provide to their Employees in the ordinary course of business.

39. The Debtors’ Employees rely on their full compensation, benefits and reimbursement of their expenses to pay their daily living expenses, and these Employees will be

exposed to significant financial difficulties if the Debtors are not permitted to pay the unpaid employee obligations. The Debtors believe that if they are unable to honor all such obligations immediately, Employee morale and loyalty will be jeopardized at a time when such support is critical. The Debtors currently employ only nine (9) full-time, salaried Employees, one (1) hourly Employee, and one C-Level Employee (Steve Brewer, the Debtors' Chief Commercial Officer). In addition, the Debtors employ a financial analyst (the "Financial Analyst") who provides third-party support to the Debtors' Vice President of Tax and Finance and who is treated as an "Employee" for purposes of this Motion. The Financial Analyst is a contract employee who is paid at the rate of \$125/hour, and whose compensation is paid through the Debtors' regular payroll processes.

40. The Employees represent the Debtors' key corporate and project development staff, and they are the remaining personnel following the Debtors' prepetition reduction in force. The Employees will be essential to the Debtors' efforts to monetize the value of their assets through the conduct of a marketing and sale process. Given the Debtors' small work force and the significant tasks to be accomplished in these cases, the continued and uninterrupted service of the Employees is essential to the Debtors' ability to maximize the value of their estates and the ultimate success of these Chapter 11 Cases.

41. The Debtors believe any Employee departures or deterioration in morale at this time will immediately and substantially adversely impact the Debtors' businesses and result in immediate and irreparable harm to the estates and their creditors. There is a real, immediate risk that if the Debtors are not authorized to continue to honor their prepetition employee obligations in the ordinary course, the Employees would no longer support and maintain the operations of the Debtors, thereby crippling the Debtors' business operations and instantly

destroying the ability of the Company to maximize the value of its assets. Consequently, the Debtors strongly believe it is critical that they be permitted to pay their Employees their prepetition wages and continue with their ordinary course personnel policies, programs and procedures that were in effect prior to the Petition Date. Thus, the Debtors seek approval of the Employee Wage Motion.

e. Motion for an Order Enforcing Section 108(b) of the Bankruptcy Code

42. By this motion, the Debtors are seeking entry of an expedited order enforcing section 108(b) of the Bankruptcy Code and confirming that the date by which the Debtors must take action regarding the Partial Termination Charges is extended by sixty days from the Petition Date to (and including) June 1, 2012.

43. Although the extension granted by section 108(b) is automatic, the Debtors believe that entry of the order requested in the motion is appropriate out of an abundance of caution to protect their estates. Preservation of the Debtors' right to effect partial terminations of the Blythe LGIA is of the utmost importance to their creditors and stakeholders. As described in detail in the motion, there is a substantial possibility that certain aspects of the Blythe Project may not be completed in accordance with the applicable construction and on-lining milestones, and thus, if the Debtors' rights are not preserved, there is a substantial possibility that the Debtors will forfeit their rights under the LGIA with respect to the entire project. Such forfeiture would constitute irreparable harm to the Debtors. As explained above, the LGIA is one of the key agreements that make the Blythe Project the Debtors' most valuable asset. Without the LGIA, the Blythe Project would be unable to deliver electricity to market and would be rendered near, if not completely, valueless.

44. For the foregoing reasons, the Debtors submit, and I believe, the relief requested in this motion is in the best interest of the Debtors, their estates, and their creditors and therefore should be approved.

f. The DIP Financing Motion

45. As noted above, the Debtors do not have sufficient cash with which to operate or fund these bankruptcy cases and a sale process. Without additional liquidity in the form of post-petition financing, the Debtors' liquidity crisis will be exacerbated and accelerated, which will further impair their ability to operate and significantly impair their ability to monetize the value of their assets to the detriment of all creditor constituencies. By obtaining post-petition financing, the Debtors will be in a position to preserve and maximize the value of their assets for the benefit of all creditors.

46. In an attempt to obtain additional liquidity and in connection with evaluating their restructuring alternatives following the failure of the SHAG transaction, the Debtors approached numerous strategic competitors and other potential lenders to discuss their options to preserve the value of the Debtors' assets, including out-of-court asset sales and potential debtor-in-possession financing. In doing so, the Debtors endeavored to identify potential sources of financing on an unsecured basis. However, the Debtors determined that none of the potential lenders contacted would be willing to provide unsecured financing.

47. As a result, the Debtors, with the assistance of their advisors, determined that finalizing their negotiations with NextEra Energy Resources, LLC ("NextEra") on the terms of a secured debtor-in-possession financing facility (the "DIP Facility") presented the best option to satisfy the Debtors' financing needs. After consultation with their advisors, the Debtors have determined, in the exercise of their sound business judgment, that the proposed DIP Facility with

NextEra as administrative agent (collectively with parties that may become lenders under the DIP Facility, the “DIP Lenders”) is the best financing option available to the Debtors under the circumstances. The proposed terms of the DIP Facility are fair, reasonable, and adequate under the circumstances. First and foremost, as discussed more fully above, the Debtors, with the assistance of their advisors, have made a concerted, good-faith effort to obtain credit on the most favorable terms that are available. Against this backdrop, the Debtors, with the assistance of their advisors, carefully evaluated the proposed financing structure from the DIP Lenders, engaged in extensive negotiations with the DIP Lenders regarding the proposed terms, and worked with their various advisors to obtain the best possible terms from the DIP Lenders. Eventually, the Debtors determined that the DIP Lenders’ proposal was the best and at the present time only proposal suited to the Debtors’ needs and agreed to the terms of the DIP Facility. In particular, the Debtors concluded that adequate alternative financing on terms more favorable than those being provided by the DIP Lenders under the DIP Facility is currently unavailable.

48. Finally, the terms and conditions of the DIP Facility were negotiated by the Debtors and the DIP Lenders in good faith and at arm’s length, and were instituted for the purpose of enabling the Debtors to satisfy their operational expenses while the Debtors seek to monetize their assets for the benefit of their creditors.

F. Conclusion

49. In conclusion, the relief sought in the First Day Motions will minimize the adverse effects of the instant Chapter 11 Cases on the Debtors, their employees and their creditors, and will help ensure that the value of the Debtors’ assets is maximized for the benefit of their creditors. The relief requested in the First Day Motions was carefully tailored by the

Debtors, in consultation with their professionals, to ensure the Debtors' immediate operational needs are met, and that the Debtors suffer no immediate and irreparable harm. At all times the Debtors' management and professionals remained cognizant of the limitations imposed on debtors-in-possession, and in light of those limitations, the Debtors narrowed the relief requested at the outset of these cases to those issues that require urgent relief to sustain the Debtors' immediate operability.

50. Therefore, for the reasons stated herein and in each of the First Day Motions filed concurrently or in connection with the commencement of these cases, I respectfully request that each of the First Day Motions be granted in its entirety, together with such other and further relief as this Court deems just and proper.

I certify under penalty of perjury that, based upon my knowledge, information and belief as set forth in this Declaration, the foregoing is true and correct.



Edward Kleinschmidt
President and Chief Operating Officer, Solar Trust
of America, LLC