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SOLAR INDUSTRY UPDATE

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Conway MacKenzie expects that there will be a need for restructuring and consolidation in the solar panel manufacturing and solar panel equipment manufacturing industries. Much of the market is highly levered in order to fund the advanced research and development necessary in the industry. The industry is also facing volatility in government incentives. Europe has already started making these reductions, which are expected to greatly affect the companies as government incentives are a key driver of market demand. Industry experts are expecting 2012 to be another difficult year for this industry. Equipment spending alone is expected to shrink from \$14.2 billion in 2011 to \$7.6 billion in 2012.

The market also has a great deal of pent up inventory and capacity. Given the highly competitive and fragmented market that exists today, we believe many companies will not make it through another tough year. The tightening credit markets and US Federal Government lending will also continue to negatively impact the industry. The recent Department of Energy (DOE) investigation of Solyndra is a sign that qualifying for US Federal Government support will be a much more rigorous process than it has been in the past. China's increase in government incentives and its expected increase in demand will further strengthen companies based in China.

The continuing need of customers for extended financing due to the tightening credit market will draw customers away from small companies that cannot afford to extend payment terms beyond what they currently are, further depleting smaller companies' customer base. The bankruptcies of Solyndra, Evergreen and SprecraWatt are the first signs of the changes that will be occurring in this industry.

Conway MacKenzie has a breadth of renewable energy experience with companies, ranging from \$15 million to \$800 million in annual revenue, that due to confidentiality we are unable to name. Conway MacKenzie has a cross-functional team in place to help assist clients in assessing their exposure, preparing for bankruptcy and assistance with any litigation support needs that may arise. For more information, please contact [John Kotas](#) at (248) 433-3100 or [Don MacKenzie](#) at (212) 586-2200.