


SOLARCITY CORPORATION

MEETING DATE	Thu, 17 Nov 2016 11:00 am	TYPE	EGM	ISSUE DATE	Fri, 11 Nov 2016
MEETING LOCATION	Crowne Plaza Hotel, 1221 Chess Drive, Foster City, California 94404				
CURRENT INDICES	PIRC Global				
SECTOR	Construction-special trade contractors				

COMPANY OVERVIEW

SolarCity Corporation is an energy services provider headquartered in San Mateo, California. It sells renewable energy to customers at prices below utility rates and is focused on reducing the cost of solar energy.

PROPOSALS

ADVICE

1 Approve Merger

For

The Company has put forward a resolution requesting shareholders to approve the Agreement and Plan of Merger, dated as of July 31, 2016, among the Company, Tesla Motors, Inc. (a Delaware corporation) and D Subsidiary, Inc. (a Delaware corporation and wholly owned subsidiary of Tesla (Merger Sub)). Pursuant to the Merger Agreement, Merger Sub will merge with and into the Company, with the Company surviving the Merger as a wholly owned subsidiary of Tesla. Immediately after the Merger is completed, it is expected that current Tesla shareholders will own approximately 93.1% of the Tesla common stock and current Company shareholders will own approximately 6.9% of the outstanding shares of Tesla common stock after the completion of the Merger, based on the number of shares of common stock outstanding of Tesla and SolarCity as of September 23, 2016. The Board approved the creation of the Special Committee consisting of Ms. Nancy E. Pfund and Mr. Donald R. Kendall, Jr., each determined by the Board to be an independent and disinterested with respect to Tesla's proposal, to consider the proposal. At the time the Special Committee was created, Ms. Nancy E. Pfund beneficially owned 3,066 shares of Tesla Common Stock and Mr. Donald R. Kendall, Jr. beneficially owned 700 shares of Tesla Common Stock.

Voting recommendations on corporate actions, such as merger decisions, are based on the information presented and on the view of the overall independence of the Board and shareholder rights post merger. It is noted that Messrs. Elon Musk, the Company's Chairman, and Antonio Gracias, a member of the Board, each serve on the Tesla board and Mr. Elon Musk is also the Chairman and Chief Executive Officer of Tesla. Jeffrey B. Straubel, member of the Board, is Tesla's Chief Technology Officer. In addition, Messrs. Elon Musk and Kimbal Musk, each of whom serve on the Tesla Board, are each a cousin of Messrs. Lyndon R. Rive, the Company's Co-Founder, Chief Executive Officer and a member of the Board, and Peter J. Rive, the Company's Co-Founder, Chief Technology Officer and a member of the Board. Excluding length of tenure in office, three eight out of directors in this period were considered independent. This does not provide assurance that the transaction received the appropriate level of objective scrutiny. Notwithstanding the presence of a special committee of directors not conflicted in respect of the merger, the existing conflicts of interests of other directors lead us to conclude that independent oversight of the deal is inadequate overall.

Despite the governance concerns, Triodos votes in favour of the merger. We have concerns about the financial stability on the short term, and we consider the merger a financial risk, especially for Tesla. For SolarCity, the merger however is a positive development. Because we believe in the successful combination of the two companies, especially on the long term, and because we invest for the long term, we will support the merger.

2 To adjourn the special meeting, to solicit additional proxies

Oppose

The Board proposes to adjourn the special meeting, if necessary, to permit further solicitation of proxies. Opposition is recommended as it is considered that if a sufficient number of votes are cast at the meeting for a quorum to be present, the outcome should be considered representative of shareholder opinion. Triodos opposes this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 1 - Approve Merger

Merger Consideration

In the Merger, each outstanding share of Company common stock (other than shares owned by the Company, Tesla or Merger Sub, which will be cancelled) will be converted into the right to receive 0.110 shares of Tesla common stock, with cash paid in lieu of fractional shares.

Rationale

In determining to recommend the Merger Proposal, the Board considered the Special Committee's evaluation, including: the Committee's view that the strength of Tesla's brand and Tesla's retail network and international presence may offer opportunities to reduce the Company's cost of customer acquisition; the Committee's view that the acquisition by Tesla to create a vertically integrated sustainable energy company offering products such as integrated solar energy production and storage products was consistent with the Company's mission to accelerate the mass adoption of sustainable energy; the opportunity to combine expertise to better meet the needs of the customers of both Tesla and the Company; the expectation that the combination would expand the addressable market for both companies, and would create the world's first vertically integrated, end-to-end sustainable energy company; the Committee's view that the Merger would provide improved access to capital and lower capital costs for the Company; the Committee's view of the benefits of the Merger as compared to the possible alternatives to the Merger; the business reputation and capabilities of Tesla and its management team and the value of Tesla's brand; the fact that the consideration to be received by the Company's shareholders consists entirely of Tesla common stock; the historical share prices of the Company and Tesla, including the fact that the implied per share value of the merger consideration represented (based on the closing price of Tesla common stock on July 28, 2016): a premium of approximately 20% based on the unaffected closing price per share of Company common stock of \$21.19 on June 21, 2016; and a premium of approximately 21% based on the volume-weighted average price per share of Company common stock of \$21.02 over the 30-day period ending June 21, 2016; and the expectation that the combination will result in greater long-term stockholder value than the potential for earnings per share accretion that might result from other alternatives available to the Company.

Board Structure and Shareholder Rights

The Company and Tesla are both organised under the laws of the State of Delaware; however, differences in rights of holders of the Company capital stock and Tesla capital stock arise from differences between Charters, Bylaws and any certificates of designation. There are no material changes to shareholder rights between the two companies.

BOARD AND COMMITTEE COMPOSITION (post-Meeting)

DIRECTOR	GENDER	INDEPENDENT BY		BOARD	AC	RC	NC	TENURE
		PIRC	COMPANY					
Lyndon R. Rive	M	No	No	CEO	-	-	-	10
John H. N. Fisher	M	No	Yes	NED	M	C	M	9
Elon Musk	M	No	No	Ch	-	-	-	10
Antonio J. Gracias	M	Yes	Yes	NED	-	-	-	4
Donald Kendall Jr.	M	Yes	Yes	NED	C	M	-	4
Nancy E. Pfund	F	No	Yes	NED	M	M	C	9
Peter J. Rive	M	No	No	Exec	-	-	-	10
Jeffrey B. Straubel	M	No	Yes	NED	-	-	M	10
Number of Meetings				-	-	-	-	
Number of NED only Meetings				-				

PIRC assesses a non-executive director's independence according to PIRC's shareholder guidelines. Comments represent PIRC's analysis based on information in the report and accounts. AC = Audit Committee, RC = Remuneration Committee, NC = Nomination Committee, C = Chairperson of Committee, M = Member of Committee.

BOARD OF DIRECTORS (post-Meeting)

LYNDON R. RIVE				CHIEF EXECUTIVE	
AGE	39	TENURE	10 Years	COMMITTEES	None
OTHER POSITION	ex-Everdream Corporation [Co-Fnd, VP]; ex-LRS [Fnd]				
INDEPENDENT BY PIRC	N	INDEPENDENT BY COMPANY		N	
COMMENT	Class I Director. Co-Founder and the beneficial owner of 3.9% of the outstanding share capital. Mr. Rive is the cousin of Mr. Musk and the brother of Mr. P. Rive.				
JOHN H. N. FISHER				NON-EXECUTIVE DIRECTOR	
AGE	57	TENURE	9 Years	COMMITTEES	A,R*,N
OTHER POSITION	Common Sense Media [NED]; DFJ ePlanet Ventures [NED]; Draper Fisher Jurvetson [MD]; ex-ABS Ventures [n/d]; ex-Alex. Brown & Sons Inc. [n/d]; ex-Bank of America Corporation [n/d]				
INDEPENDENT BY PIRC	N	INDEPENDENT BY COMPANY		Y	
COMMENT	Class I Director. Not considered independent because he is the beneficial owner of 3.3% of the outstanding share capital.				
ELON MUSK				CHAIRMAN (NON EXECUTIVE)	
AGE	44	TENURE	10 Years	COMMITTEES	None
OTHER POSITION	OpenAI [Co-Ch]; Space Exploration Technologies Corporation [CEO, Ch, CTO]; Tesla Motors, Inc. [CEO, Ch]; ex-Paypal [Co-Fnd, Ch, CEO]; ex-Zip2 Corporation [Co-Fnd]				
INDEPENDENT BY PIRC	N	INDEPENDENT BY COMPANY		N	
COMMENT	Class III Director. Not considered independent as he is the beneficial owner of 21.9% of the outstanding share capital. It is also noted that Mr. Musk is the CEO, Chairman and significant shareholder of Tesla Motors, Inc. The Company has entered into a number of agreements with Tesla, and several of the Company's directors' have executive roles or connections to Tesla. Mr. Straubel is the Chief Technology Officer of Tesla, Mr. Gracias is a director of Tesla and Mr. Fisher is an managing director of Draper Fisher Jurvetson, a minority stockholder of Tesla.				

ANTONIO J. GRACIAS		NON-EXECUTIVE DIRECTOR			
AGE	45	TENURE	4 Years	COMMITTEES	None
OTHER POSITION	Space Exploration Technologies Corporation [NED]; Tesla Motors, Inc. [NED]; Valor Management Corp. [CEO]				
INDEPENDENT BY PIRC	Y	INDEPENDENT BY COMPANY			Y
COMMENT	Class II Director.				
DONALD KENDALL JR.		NON-EXECUTIVE DIRECTOR			
AGE	63	TENURE	4 Years	COMMITTEES	A*,R
OTHER POSITION	American Midstream GP, LLC [NED]; Kenmont Capital Partners [CEO, MD]; ex-Blue Earth Capital, Inc. [CEO, Pres]; ex-Cogen Technologies Capital Company L.P [Pres]; ex-Palmetto Partners [Ch, CEO]				
INDEPENDENT BY PIRC	Y	INDEPENDENT BY COMPANY			Y
COMMENT	Class III Director.				
NANCY E. PFUND		NON-EXECUTIVE DIRECTOR			
AGE	60	TENURE	9 Years	COMMITTEES	A,R,N*
OTHER POSITION	DBL Investors [Fnd, MP]; Stanford University [Adv]; U.C. Davis Center for Energy Efficiency [Adv]; Yale School of Management [Lecturer]; ex-JPMorgan & Co. [MD]				
INDEPENDENT BY PIRC	N	INDEPENDENT BY COMPANY			Y
COMMENT	Class II Director. Not considered independent because she is the beneficial owner of 1.5% of the outstanding share capital.				
PETER J. RIVE		EXECUTIVE DIRECTOR			
AGE	42	TENURE	10 Years	COMMITTEES	None
OTHER POSITION	ex-Everdream Corporation [CTO]				
INDEPENDENT BY PIRC	N	INDEPENDENT BY COMPANY			N
COMMENT	Class II Director. Co-Founder and Chief Technology Officer. Mr. Rive is the beneficial owner of 3.8% of the outstanding share capital. the cousin of Mr. Musk and the brother of Mr. L. Rive.				
JEFFREY B. STRAUBEL		NON-EXECUTIVE DIRECTOR			
AGE	40	TENURE	10 Years	COMMITTEES	N
OTHER POSITION	Tesla Motors, Inc. [CTO]; ex-Volacom, Inc. [Co-Fnd, CTO]				
INDEPENDENT BY PIRC	N	INDEPENDENT BY COMPANY			Y
COMMENT	Class III Director. Not considered independent owing to a tenure of over nine years.				

BOARD COMPOSITION

BOARD COMPOSITION FOLLOWING THE EGM

	Number	% of Board	- MEAN	
			Number	% of Board
Executive Director	2	25.0	n/a	n/a
Independent NEDs	2	25.0	n/a	n/a
Connected NEDs	4	50.0	n/a	n/a
Other	0	0.0	n/a	n/a

BOARD COMMITTEES FOLLOWING THE EGM**- MEAN**

	Number of Members	% Independent by PIRC	% Independent by Company	Number of Members	% Independent by PIRC
Whole Board	8	25.0	62.5	-	-
Audit	3	33.33	100.0	-	-
Remuneration	3	33.33	100.0	-	-
Nomination	3	0.0	100.0	-	-

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