

Document 20

From: Steve Mitchell [REDACTED]
Sent: Thursday, February 11, 2010 2:10 AM
To: George Kaiser
Cc: [REDACTED]
Subject: Fw: Successful meeting with Jonathan Silver
Attachments: 2010-02-09 Jonathan Silver - Solyndra Update.pdf

George,

This sounds as if the meeting with the DOE went as well as we could have hoped for.

Steve

From: Chris Gronet [REDACTED]
To: [REDACTED]
Cc: [REDACTED]
Sent: Wed Feb 10 19:41:43 2010
Subject: Successful meeting with Jonathan Silver

Hi All,

Please find below [REDACTED] report regarding our meeting with Jonathan Silver yesterday. It was successful; he received and processed our messages and played them back. But we don't have a firm answer on the Phase 2 application. The snow prevented Jonathan from meeting with his staff before our meeting (the DOE offices were closed, but he was there), so he could not provide any detailed updates. The next hurdle is to be accepted for the start of diligence. We all felt positive by the end of the meeting that we would cross this hurdle in the next two weeks, and there was discussion about using the same diligence partners to minimize time and overhead. After that, the challenge will be the calendar. There are a number of applications ahead of us that are scheduled for action by CRB and OMB.

Other notes:

1. Quote from Jonathan regarding our Fab 2 Phase 2 project: "A May groundbreaking is not out of the question." The context here is that groundbreaking means closure of the loan, implying that the guarantee could come much sooner.
2. He may seek our help in Congressional hearings to support his messages for the LGP (next hearing in two weeks).
3. He was impressed that we have developed a U.S. supply chain which not only creates more U.S. jobs and economic stimulus but also protects our IP.
4. I believe we now have an open line of communication. His last email: "Glad we could get together. I appreciated the update. You have made admirable progress. I look forward to staying in touch."
5. We are not the only company seeking a second loan guarantee.

Best regards,

Chris Gronet
CEO
Solyndra, Inc.
47700 Kato Road
Fremont, CA 94538 USA

From [REDACTED]

We (including [REDACTED] and [REDACTED]) had an encouraging meeting yesterday with Jonathan Silver. As you know, the snowy weather on the East Coast has effectively shut down the US Government, and our meeting scheduled for Wednesday at DOE was in jeopardy. Fortunately, we were able to reach Jonathan in his office, and he agreed to meet us yesterday at our hotel.

Jonathan is a smart, no-nonsense businessman with a clear mandate to execute successful loan guarantee transactions using a traditional project finance approach. That said, he is acutely sensitive to the political ramifications of any LGPO action, and this pressure colored all of his comments.

We were successful in establishing our key themes, and Jonathan was repeating them to us by the end of the session: strong management, great execution, significant market and market penetration, mature technology, capacity to close quickly on Phase 2, capacity to create jobs, one of DOE's winners. A copy of the presentation we used is attached. Not attached are a time-lapse video of the Fab 2 Front End construction and an aerial tour video of our manufacturing complex. These images had a powerful impact on Jonathan, and he acknowledged that Solyndra is frequently cited as a success story for DOE.

We had a lengthy discussion surrounding the issue of access to capital from sources other than DOE. He was particularly interested to hear why the debt markets are closed for companies of our type because that question is put to him with frequency by various constituents, some of whom apparently suggest that the capital markets have thawed.

Because DOE was closed today, Jonathan's staff did not have the opportunity to provide an advance briefing related to our Phase 2 application status. Nevertheless, Jonathan appeared to acknowledge that we will likely move to the due diligence stage when he directly engaged in a discussion of the potential political challenges that a second Solyndra loan guarantee would present. Rather than challenge the merits of our application, he moved on to think through the political implications of a second loan guarantee. Jonathan asked us for assistance in crafting the messages in response to four questions that he anticipated from his various constituents:

1. As a policy matter, why should DOE give additional loan guarantees to companies that had previously received them?
2. As a policy matter, why should DOE give additional loan guarantees to companies that have not yet achieved significant milestones of success with their first loan?
3. If a company that seeks a second loan guarantee has a compelling value creation story and substantially mitigated downside risk, why does it not have access to traditional forms of capital?
4. Why should DOE move quickly to approve a second loan guarantee application when many other applicants across technologies have yet to receive their first?

Jonathan was able to provide responses to each question based on the content of our presentation and our discussion; however, he asked us to repackage the content to expressly address these four questions. He is

clearly preparing his responses to DOE's CRB (Credit Review Board), Congress, OMB, the Treasury, and other entities that have influence. Jonathan is smart enough to know that he will succeed by getting ahead of any negative reaction. We think it as a positive sign that he's asking us to partner with him to help address those that would challenge the approval of a Phase 2 loan guarantee and any second loan guarantees offered to other applicants.

Jonathan did say that above all other political matters, the creation of jobs is currently of paramount importance to many of his constituents. He appreciated that we have the capability to immediately create thousands of jobs with Phase 2.

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From: [REDACTED]
Sent: Saturday, February 27, 2010 2:00 PM
To: Ken Levit
Subject: Re: KPMG

That's awesome! Get us a doe loan

From: [REDACTED]
To: Steve Mitchell
Sent: Sat Feb 27 07:55:17 2010
Subject: Re: KPMG

They about had an orgasm in Biden's office when we mentioned Solyndra.

From: [REDACTED]
To: Ken Levit
Sent: Sat Feb 27 07:49:07 2010
Subject: Re: KPMG

We've been giving [REDACTED] updated numbers. They are working on some bill asking for money but I've just been getting them dollar numbers so I don't really know. That process is foreign to me

From: [REDACTED]
To: Steve Mitchell
Sent: Sat Feb 27 06:46:15 2010
Subject: Fw: KPMG

Is stuff going on? I got a report yesterday from a lobbyist at capital that was a bit screwy about quality jobs act changes. Curious.

-----Original Message-----

From: [REDACTED]
Sent: Sat, Feb 27, 2010 6:30 am
Subject: Re: KPMG

Thanks. We met with ARRA Recovery Team in Biden's office—they seemed to love our Brady Project—also all big fans of Solyndra.

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[REDACTED]

From: Silver, Jonathan
Sent: Thursday, March 04, 2010 1:56 PM
To: [REDACTED]; Spinner, Steve; Rogers, Matt;
OConnor, Rod
Subject: Re: loans we're taking credit for tomorrow

You are right. [REDACTED].

Jonathan Silver
Executive Director
Loan Programs
U.S. Department of Energy

[REDACTED]

----- Original Message -----

From: [REDACTED]
To: [REDACTED] Silver, Jonathan; [REDACTED]; [REDACTED] Spinner, Steve; Rogers, Matt; OConnor, Rod
Sent: Thu Mar 04 13:05:07 2010
Subject: loans we're taking credit for tomorrow

So we're all on the same page. The S1 ppt for tomorrow will take credit for the following 12 loans:

4 autos ([REDACTED])
solyndra ([REDACTED])

Lemme know ASAP if you feel differently on [REDACTED]

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From: George Kaiser [REDACTED]
Sent: Saturday, March 06, 2010 12:39 AM
To: Steve Mitchell
Cc: [REDACTED] Ken Levit
Subject: RE:

Sounds good. I assume that we would not move ahead with the offering until we have formal DOE approval or would you issue while you are under due diligence?

BTW, a couple of weeks ago when Ken and I were visiting with a group of Administration folks in DC who are in charge of the Stimulus process (White House, not DOE) and Solyndra came up, every one of them responded simultaneously about their thorough knowledge of the Solyndra story, suggesting it was one of their prime poster children.

From: Steve Mitchell
Sent: Friday, March 05, 2010 3:39 PM
To: George Kaiser
Cc: [REDACTED] 'Ken Levit'
Subject: FW:

George,

Chris Gronet had a good call with Jonathan Silver of the DOE today. Apparently our application has been caught up with several other groups who were also wanting a second bite at the DOE loan guaranty apple. This started a policy discussion as to whether a company should be able to get a second loan. Jonathan Silver championed the cause that they should and he has just this week apparently won that battle. He would not say that we are the first one that will be considered but he all but did – he conceded that we are the only company to have actually closed and funded on our loan and most of the other companies still have no revenues. He has asked for another call for next wed or thur but said he will not have an answer then but that he is hoping to release an answer with a couple of weeks. To be clear, then "answer" we are looking for is that the DOE will then proceed on formal due diligence and toward a term sheet – so not definitive that we get the loan guaranty but broadly (including [REDACTED] and others close to the DOE process) seen as a very positive sign as it is the same diligence that the DOE conducted on the front end of the fab (same engineering teams and the environmental – which was the single largest gating item last time – is already done on the entire sight). So it appears things are headed in the right direction and Chu is apparently staying involved in Solyndra's application and continues to talk up the company as a success story.

Please let me know if you have any questions.

Steve

From: Chris Gronet [REDACTED]
Sent: Friday, March 05, 2010 2:37 PM
To: Steve Mitchell
Subject:

Hi Steve,

Jonathan Silver was very positive but didn't have a definite answer on diligence yet. We will talk again next Thurs.

Chris Gronet
CEO
Solyndra, Inc.
47700 Kato Road
Fremont, CA 94538 USA


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From: [REDACTED]
 Sent: Monday, April 19, 2010 5:37 PM
 To: [REDACTED]
 Subject: RE: Solyndra

I reviewed the documents DOE sent, which state that the project continues to be successful and in accordance with the business plan, despite the parent's recent financial audit. DOE seems to separate the parent from the project in terms of risk monitoring, but I think the deal is structured in a way that does not support that view.

1. The parent is the prime equipment supplier and sole purchaser for the project's output.
2. Although the parent has pledged full construction completion support, the cash account is to be funded during construction. The deteriorating financial status of the parent could impact the ability to fund the construction completion account and increase completion risk for the project.

Policy Analyst
 Office of Management and Budget

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-----Original Message-----

From: [REDACTED]
 Sent: Monday, April 19, 2010 4:31 PM
 To: [REDACTED]
 Subject: FW: Solyndra

Could you please send me your thoughts on this?

-----Original Message-----

From: [REDACTED]
 Sent: Monday, April 19, 2010 8:56 AM
 To: [REDACTED]
 Cc: [REDACTED]
 Subject: Fw: Solyndra

DO NOT COPY

Please see DOE's monitoring report on Solyndra.

I'll read this afternoon. Perhaps we can share thoughts later today/tomorrow morning after we have a chance to read.

----- Original Message -----

From: [REDACTED]
 To: [REDACTED]
 Sent: Mon Apr 19 08:39:07 2010
 Subject: FW: Solyndra

FYI per your request.

[REDACTED]
 US Department of Energy

Document

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From: [REDACTED]
Sent: Saturday, May 08, 2010 2:02 AM
To: [REDACTED]
Cc: [REDACTED]
Subject: Solyndra Update - More Important to Read than [REDACTED]

Solyndra Update

Gentlemen - I apologize for the multiple emails but given the length and the issues discussed I decided to separate the emails for Solyndra and [REDACTED] into two.

To put it bluntly our poster child of private equity is acting up something fierce. The past five months have witnessed a tremendous competitive headwind for the company coupled with some severe management mistakes. Cutting to the chase – we will not be going public during 2010 and our longer term business plan looks to be somewhat in jeopardy. I am sorry to deliver this bad news, it's been sudden and unexpected but I'll attempt to summarize the issues and go forward plan.

Over the last six months the average selling price for solar panels globally has plummeted due to Chinese “dumping” which is really a combination of their breaking the cost barrier nobody thought they could and generous govt subsidies. Solyndra's business model has been predicated on maintaining a premium to traditional solar, and we have maintained that – but as the competitors price has fallen so has ours despite our maintaining a premium price. At the same time our CEO has been very slow to react, and on the sales side has harmed our large customer relationships with his unwillingness to find a middle ground. Couple this with continued issues speeding production and you have a brutal combination that leads to a [REDACTED] or more capital hole we did not expect in addition to the [REDACTED] we wanted to raise in an IPO to fund the next Fab alongside DOE loan two. It's the funding gap, coupled with the freefall in selling prices that have the bankers saying we can't go public and we shouldn't sell the company. Rather than go into even more detail, after my comments I have attached two emails from Steve doing a good job explaining the situation and the solutions we are working towards for those interested in all the dirty laundry. The punch line is that if all goes according to the recalculated plan we will be asked to put more \$'s into the company along with other insiders in order to bridge us to an IPO. The DOE loan, despite these issues, is still on track for October and should be flexible enough to allow for a 2011 IPO.

Clearly my key considerations have been understanding what went wrong, whether we have a handle on it (credible plan) and helping with the strategic decision around what path to go down next. To his credit [REDACTED] has been very communicative during this crisis review process and I am sitting in on the board discussions, the calls with bankers, and discussions with [REDACTED]. The board was very slow to recognize the problem – but the reaction has been swift as soon as the problems were discovered.

[REDACTED] has spent most of the last five weeks in Fremont at the company. Along with the board member from [REDACTED] and [REDACTED] is basically running the company now that Chris Gronet the CEO has been compromised with the board. Because of the huge time commitment [REDACTED] is making (rightly so) he, [REDACTED] and I sat down yesterday and went through his other companies to see where there might be people time needed while he is occupied. The good news, in contrast to [REDACTED] most of Steve's companies are managed in conjunction with [REDACTED] or myself and three of his companies are in a sales process. I'll be spending more time with [REDACTED] will help fill in some of the other spaces.

Obviously the surprise downward turn here is unexpected and unfortunate and I am sorry to have to relay this to you especially given how well things had been going. I think there is still a plan here to getting a solid return out of Solyndra for ourselves (and our friends and family shares alongside us) but we have pushed out any significant positive event until

2011 and perhaps 2012. The go forward plan is under discussion everyday and we hope to have a solid option for discussion next week.

As always I am happy to talk about any aspect of this.

██████████
Email's from ██████████ today and a week ago:

██████████
As discussed earlier today, both ██████████ have advised that Solyndra cannot realistically access the public markets today in light of size of capital need ██████████ use of proceeds (viability capital - not growth capital), solar industry is specifically tough right now, our ASP drop needs to show stability (we've dropped prices from ██████████ watt in Q4 09, ██████████ last quarter to ██████████ watt this quarter - we weren't reflective of the market the last 6 months but they feel strongly we need to show this decline curve flattening out through Q3 of this year), and it would be very helpful to have the DOE approval for phase 2 in hand prior to an IPO as well.

We have made many operational changes to the business that are taking hold and I believe have positioned the company to accomplish its revised plan of record. More importantly, we have asked the management team (and they have done so) to draw up a realistically conservative plan of record that they believe they will not miss. The three large components of Solyndra's business are watt per panel, average sales price and utilization.

As discussed in the prior email below, although the company made some poor decisions in the face of the onslaught of low priced Chinese panels, it is the dramatic move in the price of crystalline silicon panels (which is the baseline for pricing all solar panels) that has opened up an additional ██████████ hole in the company's plan to cash break even. The simple math is ██████████ sold at ██████████ less is ██████████ 2010 and ██████████ sold at ██████████ than plan is ██████████ million in 2011. In addition, we derated our panel power by 3.5% and are underwriting the plan to a ██████████ minute line speed versus the 36cm/minute line speed of our prior plan which adds another ██████████ million in capital need. Under our new plan of record we also project Solyndra's panel to price in 2013 at ██████████ versus a previous ██████████ and the panel power to be ██████████ per panel versus ██████████ watts per panel and to be produced at ██████████ line speed versus the ██████████ line speed - these projections produce a profitable yet less profitable business - so ultimately a less valuable business in 2013 (2013 is the year in which crystalline panel pricing should reach its lowest possible level according to almost all analysts). Although these changes don't seem large, the operational leverage of solyndra's Fab 2 are incredible as output, asp and watt's per panel all fall right to the bottom line.

The company will have a cash need beginning in July of this year and the vast majority of its capital need is within the next 12 months ██████████

[REDACTED] We are working to raise [REDACTED] or to bring in a strategic partner, however, we don't believe we will be able to bring in a strategic partner within the timeframe necessary to fix the company's balance sheet in the short term. Accordingly, we are suggesting an internal round of [REDACTED] has a bifurcated valuation - if the company can raise another [REDACTED] from a strategic (or internally) by Sept 1 then this round is priced as a pre-IPO round with various IRR hurdles depending on when the company goes public (probably 25% in 12 months, 40% from 12 to 24 months and 55% from 24 to 36 months)(we will also require the F round that was raised last year to reprice from [REDACTED] pre-money to [REDACTED] pre-money since the F's preference is probably in the money even if we sold the company in a fire sale today. Alternatively, if we don't raise the strategic capital then the "G round" would re-price at a very dilutive valuation (we are still working on this but we are talking about the new money converting into the greater of 80% of the company or a [REDACTED] IRR in an IPO or a [REDACTED] liquidation preference in a sale event). Our primary intent is to properly reward new capital for the risk and lower ultimate value of the company as well as to highly incent existing investors to write a check in this new round.

We are still working on the business operations and the framework in which we would recommend that [REDACTED] invests additional capital but I wanted to get you and [REDACTED] (who we have been meeting with regularly on this) an update with the current situation. I will have another email with a more fleshed out transaction in the next 3 or 4 days for your questions and comments prior to discussing beyond our group and [REDACTED]

Please let me know what questions and comments you may have. I will be back at Solyndra's office the last part of next week.

[REDACTED]

----- Original Message -----

From: [REDACTED]
To: [REDACTED]
Sent: Sun Apr 25 21:52:32 2010
Subject:

[REDACTED]

As discussed, Solyndra is facing an unexpected increase in its projected capital needs to get to cash flow break even. I have been out at the company for the last two weeks and am headed back out tmrw morning as well. Under the business plan we had been operating under for the last year the company expected to need another [REDACTED] plus the equity portion of Fab 2 (likely [REDACTED] until it became a net cash producer. As previously discussed, the additional capital need for the company is now somewhere between [REDACTED] (plus the phase 2 equity) - the difference in capital is primarily driven by when phase 2 occurs, panel pricing assumptions and watt per panel performance between now and 2012.

The miss was driven by four issues set out below in relation to their

level of magnitude of impact on the company:

1) Chinese panel pricing: the Chinese are essentially dumping panels on the world market (apparently the WTO may bring charges but certainly that won't happen in a time that matters). The Chinese government has provided its three leading panel producers with essentially unlimited zero cost capital which has enabled them to completely vertically integrate and grind panel cost to a point that no one (analysts, competitors and us included) believed crystalline silicon could reach. As a result, Solyndra's price curve is declining at a faster than expected pace. This has forced the company to revise their price targets through 2013 and is the primary contributor to the projected capital shortfall. Important to note that Gronet was unwilling to accept that the market was forcing a lower price - he reacted unilaterally by forcing his sales people to maintain high pricing in spite of customers' pleas to "help them out" - this attitude worked when Solyndra was on "allocation" during our ramp period and customers were very interested in trying out the panels. Unfortunately, Gronet over played his hand with these customers and burned a lot of bridges and started selling to lower tiered customers who would pay the higher price but as you know this comes at a price to the company as these customers can't meet our rapidly growing supply and are a lower credit risk as well.

2) De-rate of Solyndra's panel power: Solyndra had taken what turns out to be an aggressive rating of its panel power. As a result, many of our early customers were not getting the projected electricity generation they had expected. Our distributors were also over selling the product by assuming better than existed conditions for sites they were selling - also leading to lower than anticipated power production. This led to disgruntled customers which could have been easily rectified by shipping additional panes for installation or a small rebate to reflect actual power production. Unfortunately, Gronet again took a unilateral stance and over the objections of his sales and marketing folks to argue with customers over their data set or power readings - Gronet clearly never learned the "customer is always right" slogan (some of the stories I've learned border on moronic). This culminated in our production and sales people (as part of a larger mutiny by the entire executive team to disclose all of this to the board which occurred two weeks ago and you and I have discussed) demanding Solyndra "de-rate" its panel by 3.5%. This effectively lowers revenues by 3.5% across the board - we will make up this panel power but we anticipated the increase in panel power to be an increase in revenue generation, not a catch up to where we were.

3) Timing of DOE: Across the board management does believe we will get the DOE approval for phase 2, but the government does things in its own time line. The delay in the second phase pushes revenue generation from phase 2 off on a day for day basis. This also effects our cash needs as all of our equipment division and some of our overhead gets allocated to the project and is covered by the loan - this is not occurring until we close the loan and in the interim the company must fully fund these teams which impacts cash needs in the short term.

4) 30cm line speed: The company continues to run the Fab at 30cm line speed. They can run the Fab at 36cm but they get far shorter runs which results in more downtime. This doesn't have an enormous impact on

output but it does have some impact. The company feels certain it can overcome these issues, but they have run virtually no R&D in the past 12 months as they have been racing to produce commercial product to ramp revenues.

Surprisingly, almost all of the responsibility for this rests with Chris Gronet - he was very slow in recognizing the magnitude of China's actions in the industry and when he did see the issue he decreased transparency to the board and made several bad decisions in a row, over the objections of his entire management team - primarily around pricing, customer service and worst of all he left his channel strategy, low load white roof tops, and started selling to whatever company would meet his high pricing requirement which drove the company away from its core customer base. China's big moves became apparent to the industry between November and February so we probably could not have know about some of this until March, however, it took a full mutiny by management to bring this to the board's attention and to enable the company to start facing its reality and start moving constructively to address the situation.

I do believe we are implementing many positive changes to get the company where it needs to be - [REDACTED] were at the company last week with me and have a good understanding of many of the issues as well. In short, Gronet probably would not have survived this in a normal situation but with an IPO in the near term, his close relationship with the DOE and the fact that he is the founder and the face of the company it is not practical to make any high level changes in the short term. Having said that, assuming the company does get public I would be surprised if he isn't moved to the chairman role within 9 to 15 months (his confidence is shaken and I believe he started managing out of fear - I'm not sure he would fight a new hire once the situation is stabilized). In the near term he will be focusing on the IPO, the DOE, technology development, government relations (especially with the US government - he has star power in DC and we need our government to step up if at all possible) and to be the face of the company. Operationally we have made a couple of changes that we believe our very positive - we have moved technology under Ben Bierman (he already has manufacturing and fab construction) and we moved all marketing under [REDACTED]. The 5 key executives: [REDACTED]

[REDACTED] will report directly to Chris (he loses 3 direct reports) but more importantly they will run the day to day operations of the company including sales, marketing, customer relations and pricing which have proven to be areas Chris has just failed in. At the end of the day, we gave Chris an enormous amount of credit because he kept succeeding and failed to see when the founder/inventor was left behind by his company.

We are in the process of finalizing a revised business plan but it appears we will be projecting a capital need to break even of app. [REDACTED] which is on the low end of the outlook we were provided a couple of weeks back. We will present this plan to [REDACTED] at the end of this week with the intention of going public in the very near term (June) and hope to raise [REDACTED]. We will have to go out on a Fab 2 phase 1 only business plan with the DOE and phase 2 as implicit upside in the plan. As a result, we have

dramatically revised our valuation expectations from [REDACTED] pre-money to [REDACTED] (and would probably take the company public at [REDACTED]). In the event the company gets the phase 2 DOE approval, it will need another app. [REDACTED] of equity. We are anticipating that the bankers will push us to provide a solution for that capital need as it is assumed we will get the DOE loan and the IPO could suffer greatly from fear of a secondary offering in the short term and the resulting dilution (or potential IPO investors could sit on the side line and wait to see if we get the DOE loan knowing they can get an allocation then). We are anticipating a shareholder loan that goes into effect if certain covenants are met - the big ones being the IPO and the DOE loan approval. This loan would be in the \$200 million range and we anticipate it being very expensive for the current shareholders (we are trying to get it done on a pro-rata basis by all major shareholders to show support for the company).

I apologize that all of this is coming down at the end of what has felt like a very good deal for some time, but please know that we are 100% focused on making this work and I do believe there is still a lot of value we can extract from our investment - it just may take more time. I will continue to update you as things evolve.

[REDACTED]

Document

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From: [REDACTED]
 Sent: Monday, May 24, 2010 10:05 AM
 To: Klain, Ronald A.
 Subject: FW: Wanted to share some concerns about the President's visit to Solyndra: Please keep confidential--will you send to ron

I talked to Matt as well. The short term problem is very understandable. The longer term with Europe such a large share of their market could be problematic. But, as you note, that is what risk is about.

-----Original Message-----

From: Rogers, Matt [mailto:[REDACTED]]
 Sent: Monday, May 24, 2010 10:03 AM
 To: [REDACTED]
 Subject: FW: Wanted to share some concerns about the President's visit to Solyndra: Please keep confidential--will you send to ron

Here's the loop

Matt Rogers
 Senior Advisor to the Secretary for Recovery Act Implementation U.S. Department of Energy
 1000 Independence Avenue, SW Washington, DC 20509
 Assistant: [REDACTED]

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-----Original Message-----

From: Klain, Ronald A. [mailto:[REDACTED]]
 Sent: Monday, May 24, 2010 10:01 AM
 To: OConnor, Rod; Rogers, Matt
 Cc: [REDACTED]
 Subject: RE: Wanted to share some concerns about the President's visit to Solyndra: Please keep confidential--will you send to ron

Thanks! This looks fine to me. Tips would be a good thing

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-----Original Message-----

From: OConnor, Rod [mailto:[REDACTED]]
 Sent: Monday, May 24, 2010 9:56 AM
 To: Klain, Ronald A.
 Subject: FW: Wanted to share some concerns about the President's visit to Solyndra: Please keep confidential--will you send to ron

Ron-
 Bottom line is that we believe the company is okay in the medium term, but will need some help of one kind or another down the road. I know [REDACTED] talked through the going concern issue last week. Matt's summary is below. We are putting together talking points on this which I will send over--let me know if you need more.

-----Original Message-----

From: Rogers, Matt
 Sent: Monday, May 24, 2010 9:17 AM
 To: OConnor, Rod

Cc: Hurlbut, Brandon
Subject: RE: Wanted to share some concerns about the President's visit to Solyndra: Please keep confidential--will you send to ron

The "going concern" letter is standard for companies pre-IPO. The letter says in short that the company needs more capital to keep going long-term, which is why they are planning to tap the public markets. We will see these with all the pre-IPO companies that we fund and is not a general concern.

There are three, related economic concerns that are important. The price for solar panels has fallen significantly as the cost of silicon has fallen, reducing the margin that Solyndra can earn. In addition, the European market for their product (2/3 exported to Europe) is weak with the financial issues in Europe, especially in Spain. They have been counting on an energy bill to pass, including a renewable energy standard to ensure adequate US market size.

The good news is that the loans that we made are allowing the company to increase revenues and reduce production costs significantly, helping them remain competitive in a tough market. If Europe goes south and we don't see an energy bill here, they will face issues in the 18-24 month window, but the company should be going into the fall with their new facilities on line.

Matt Rogers
Senior Advisor to the Secretary for Recovery Act Implementation U.S. Department of Energy
1000 Independence Avenue, SW Washington, DC 20505

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-----Original Message-----

From: Klain, Ronald A. [mailto: [REDACTED]]
Sent: Monday, May 24, 2010 8:38 AM
To: OConnor, Rod; Rogers, Matt
Subject: FW: Wanted to share some concerns about the President's visit to Solyndra: Please keep confidential

Can you guys look at this ASAP and get back to me.

DO NOT COPY

-----Original Message-----

From: Jarrett, Valerie
Sent: Monday, May 24, 2010 6:17 AM
To: Klain, Ronald A.
Subject: Fw: Wanted to share some concerns about the President's visit to Solyndra: Please keep confidential

As you know, a Going Concern letter is not good. Thoughts?

----- Original Message -----

From: Steve Westly [REDACTED]
To: Jarrett, Valerie
Sent: Mon May 24 03:10:53 2010
Subject: Wanted to share some concerns about the President's visit to Solyndra: Please keep confidential

Valerie:

Congratulations on the historic progress the administration has made on health care and financial reform.

We're excited to have the president in San Francisco Tuesday night, and I'm looking forward to seeing him at the dinner for Senator Boxer at the Getty's home.

A number of us are concerned that the president is visiting Solyndra. The press has reported that the company has had to restate earnings--and there is an increasing concern about the company because their auditors, Coopers and Lybrand, have issued a "going concern" letter (See below). Many of us believe the company's cost structure will make it difficult for them to survive long term. The company is burning through capital at a rate of over \$10.0 M per month from Q1-Q3 according to its own S-1 filing--and over \$20 million a month including op ex and cap ex. This is a very large red flag.

A number of their executives are looking for opportunities at other solar companies, and we've heard that the bankers listed on the S-1 [redacted] do not plan to move forward with the IPO.

Could you perhaps check with DOE to make sure they're comfortable with the company? I just want to help protect the president from anything that could result in negative or unfair press. If it's too late to change, postpone the meeting, the president should be careful about unrealistic, optimistic forecasts that could haunt him in the next 18 months if Solyndra hits the wall, files for bankruptcy, etc.

Lastly, we like the CIGS space but do not have investments in CIGS related companies.

Thanks..

[redacted]
Managing Partner
The Westly Group
[redacted]

[redacted]

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PS It's this statement in paragraph three that I wanted to draw to your attention

"In fact their auditors PriceWaterhouse Coopers, have just issued what's known as a "going concern" opinion about the company."

Silicon Valley Frontlines
In-the-Trenches Consulting to Startup and Emerging-Growth Companies

Solyndra's IPO - Not a "Going Concern", But Hoping It's a Big Success!
As I've noted before, there are many companies now in the backlog of IPO's filed but not yet completed. One of them, the cleantech company Solyndra, is worth taking a closer look at because of its rather unique characteristics. This high-profile solar panel business has raised a whopping \$961 million in venture financing since it began and has been in

registration since mid-December last year. It's looking to raise about \$300 million from the public offering. Sound like a lot? Well, yes, but they need a lot!

Since introducing it's unique cylindrical components and related panels Solyndra has grown revenues from zero in 2007 to \$6 million in 2008 and to \$100 million in 2009 - astonishing growth but for the unfortunate fact that it still costs the company a lot more to make the panels than they can sell them for. For that \$100m in 2009 revenues it cost them \$162m to manufacture the product - and then another \$115m to develop, market, sell and cover overheads. So for those at home keeping score they spent \$277m to produce that \$100m in revenues. It's still better - relatively speaking - than the \$228m they spent in 2008 to produce just that \$6m in revenues

This is not a typical business, even for the sometimes-extreme Valley! Here's a company whose products are clearly state-of-the-art but where, after raising and spending almost a billion dollars, the true economics of producing and selling them are yet to materialize. In fact their auditors PriceWaterhouse Coopers, have just issued what's known as a "going concern" opinion about the company. In a nutshell, all companies looking to go public via an IPO have to file an S-1 registration statement with the SEC which has to include three years worth of detailed, audited financial statements along with an additional two years of summary financial information, assuming the company has been around that long. As part of those statements the auditors issue an opinion, basically saying that those statements fairly represent the historical financial position and results of the business.

While this opinion is largely a rear-view mirror look the auditors are required to do some procedures to determine whether it is able to operate as a "going concern" in the future as a viable stand-alone business. The typical approach - and rule of thumb - is that it is a going concern if it has enough cash on hand to run the business for twelve months from the date of the audit opinion (in essence, the date the auditors sign off on the period they just audited). The auditors won't be able to assume future additional financing (including the IPO) because that may not happen. Nor can they assume some rapid growth or improvement in the business that suddenly makes it cash-flow positive. The most likely thing is that it continues as it just left off in the most recent year. So let's look at some of those numbers.

In the year ended January 2, 2010 it spent \$170m in cash just running its daily operating activities (basically the loss it incurred in selling the \$100m of product plus its operating expenses and various other adjustments). It also had to build its production facilities and make other capital investments - which totaled another \$175m. So there's almost \$350m - million! - of cash consumed in one year.

How did they finance that, because the money came from somewhere? Well, they raised \$336m in venture financing (part of the \$961m I mentioned above) which included converting some existing loans into equity (an ownership stake), and took on an additional \$140m in debt. That debt is worth looking at - its money they have borrowed against a \$535m loan facility guaranteed by the Department of Energy and is money coming from the Federal government's economic stimulus and recovery commitments. It has to be used for the building of Solyndra's second production plant in the Valley (those of you who regularly travel on Highway 880 in Fremont will see the first plant right by the Eastern side of the road) and which Solyndra itself must finance at least 27% on its own in addition to the DOE guaranteed loans.

At the end of 2009 where did all this leave the company? Well, it had \$50m cash in the bank (it also had \$151m of further cash on the balance sheet, but that cash is restricted and can't be used for regular operations). And the customers who bought the \$100m in products still owed it \$34m in remaining payments for them. Against that it owed \$105m in current liabilities (payments for product costs, purchases, etc) and \$140m in long term debt (the

money borrowed above). Not exactly a lot of net cash on hand to pay the existing bills and then run the 2010 operations.

When you look at all the numbers, and you add to that the complexity of the business, the risk factors (their S-1 lists 24 pages of them!) in the technology and the marketplace, then on a pure business analysis you have to agree with the auditors - they are not a going concern. It's also not unusual for a Silicon Valley early stage company (and it is still very early in the development of this technology and it's market) to be in this position. In fact, that's exactly why they need an IPO - to raise the money for growth and to get to cash flow positive from operations. But its pretty unusual for a company to take the step they just did - publishing an open letter to their customers and suppliers to explain why, in their view, this is not a problem.

To take a closer look at their SEC filing, [click here](#).

I'm rooting for this company. It's in the forefront of developing new energy solutions we desperately need. They claim that "by the end of 2012, we will be able to deliver photovoltaic systems that produce electricity on commercial rooftops at rates that are competitive with the retail price of electricity in key markets on a non-subsidized basis". I'd love to see that. They employ 800 people, mostly in the Valley. Many of those people are in manufacturing - a segment hard hit since 2000. That number will increase with their second plant and further production ramp up. This is the kind of business the Valley needs, and needs to be successful. And the country needs the technology.

Still, a lot of people will have to make some pretty big bets to pull this off!

Posted by Philip Smith on April 09, 2010 at 09:14 AM in Cleantech

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From: Chris Gronet [REDACTED]
Sent: Thursday, June 17, 2010 6:52 PM
To: Steve Mitchell
Subject: RE: RE: next steps

We (the exec com) are closed on gov't relations reporting into [REDACTED] [REDACTED] is disappointed but is willing to work with this structure.

Also closed on asking [REDACTED] to taking on the acting role for [REDACTED] (while we conduct the search and consider him for the role as well).

Chris Gronet
CEO
Solyndra, Inc.
47700 Kato Road
Fremont, CA 94538 USA
[REDACTED]

From: [REDACTED]
Sent: Thursday, June 17, 2010 9:07 AM
To: [REDACTED] Chris Gronet
Subject: Fw: next steps

Let's discuss. The white house offer to help may cut this short but it could be done in conjunction.

From: [REDACTED]
To: [REDACTED]
Sent: Thu Jun 17 06:19:55 2010
Subject: RE: next steps

Steve, have reviewed the materials sent over by [REDACTED] and we've also done a bit of additional diligence on our side. The CDA investments are powerful and I think will provide significant credibility and urgency to the need for the US government to step into deeper support for the broader industry, as well as directly to Solyndra.

The CDA investments, as well as the other external factors you and [REDACTED] have mentioned that are threatening company viability, in my view require direct and aggressive engagement with Washington. Advise the following steps:

1. **Substantiation.** We need to substantiate and crystallize the significance of the CDA investments to both Solyndra *and* the broader industry. We need to be tight in defining the extent to which the CDA investments are upping the stakes on domestic industry and putting immediate pressure on Solyndra's viability – and how the CDA action represents only the most recent step in an ongoing pattern that, if not reversed by some type of US action, will leave the US without a competitive position in this space shortly.
2. **Outreach.** Once we've got a handle on task 1, authorize us (McBee) to perform quiet and surgical outreach with both company supporters and thought leaders on Capitol Hill and in the Administration to lay the groundwork for a broader assault by the company. We can test the narrative, socialize leaders in Washington to the consequences of inaction, and create some appetite to move out with a fix.
3. **Define the fix.** We need to define "the ask" – is it Solyndra-specific (a DOD framework agreement) or industry wide (incentives, mandates, etc) or both? I think at some level it has to be a combination as, again, we'll be most successful if we position this as an industry problem for which Solyndra, as a frontier company, is the

bellwether and is taking the initial and at present most acute pain. We should perform task 3 in conjunction with task 2, but I do not believe that the company should go to the Hill with a specific ask until we have conditioned the environment in advance. Our advance work will also yield useful feedback that will allow us to zero in on a fix that is supportable.

4. **Engagement.** Assuming we have fully substantiated our arguments re task 1, get the right level of response as part of task 2, and have identified the fix outlined in task 3, we will need company officials to engage the US government directly to articulate the problem, raise the stakes around lack of inaction, and advance a solution that allows the industry – and in the near term Solyndra – to stay competitive in the face of global competitive pressure.

My advice is to move quickly on this – to get items 1-3 at a minimum done during the month of July before Congress adjourns (and Washington effectively shuts down) for the month long August congressional recess.

Key on our side is to make sure that we fully establish/protect your credibility as it relates to what will effectively be your opening (and probably closing) argument – that the company's viability is threatened primarily (entirely) because of aggressive and persistent action by the Chinese government. Most importantly is that Solyndra, as the industry leader represents only the first domino, and that unless the US government up's its response to anti-competitive Chinese maneuvers, the entirety of the innovative/domestic solar manufacturers will be strangled in their crib.

All of that requires us to articulate specifically how the company is being undercut in the market. It's worth noting in this context that there is a lot of chatter in the beltway (fanned by your domestic competitors) around your cost structure, which is also something we'll need to discuss and address.

Below are example questions designed to help pull together evidence in support of our position and to hopefully make the point that a consortium of US manufacturers is likely facing similar issues. The point we want to drive is that while Solyndra may be first to be impacted because we are further along, unless the federal government steps up, the US will be without a competitive position in this space shortly.

- What is the current market share of the Chinese manufacturers (Trina, Suntech) in those markets in which Solyndra and its first-moving US competitors currently participate (US, EU specifically)?
 - Data back to Q1 2009 would be most useful to demonstrate the Chinese's recent entry and expanding market share
- What is Solyndra's manufacturing cost trajectory over the next 18-24 months?
 - (If available) How does this curve compare with the Chinese (Trina, Suntech) and domestic competitors possibly facing similar price pressure?
- What is the variance between assumptions included in the company's LGP application/S-1 filing and current real-world pricing?
- How much, if at all, has the European debt issue affected Solyndra sales into the EU (currently their largest share of commercial sales)?
 - Has Solyndra and/or other US manufacturers registered foreign-currency exchange losses on par with the Chinese?

If you're down for this plan, I will get a team on it right away (to include myself). I'm prepared to play hard here and I think you should also – key is to make sure we've got our facts in order as I think communicating the implications of the CDA investments and Solyndra's vulnerability as a result has the potential to be explosive particularly given the trajectory of the energy policy discussion in Washington over the past several wks. We need to come correct out of the blocks –

Thoughts??

From: [REDACTED]
Sent: Wednesday, June 16, 2010 2:39 PM
To: [REDACTED]
Cc: Support Staff
Subject: RE: next steps

[REDACTED]

Anything we need to be talking about?

[REDACTED]

From: [REDACTED]
Sent: Monday, June 14, 2010 7:39 AM
To: [REDACTED]
Cc: Support Staff
Subject: next steps

[REDACTED] based on the info [REDACTED] has sent over I'm doing a bit of quiet outreach in an effort to provide best alternatives re next steps.

Advise that we cancel our call today and instead let me come back to you in the next couple of days via mail about how we might proceed after we've had some discussions on the Hill. I can follow up w/ you directly after the email to discuss. OK w/ you?

[REDACTED]

This e-mail and any accompanying attachments contain information that is confidential to Solyndra, Inc. The information is intended solely for the use of the individual to whom it is addressed. Any review, disclosure, copying, distribution, or use of this e-mail communication by others is strictly prohibited. If you are not the intended recipient, please notify us immediately by returning this message to the sender and delete all copies. Thank you for your cooperation.

Document

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From: [REDACTED]
Sent: Tuesday, June 22, 2010 5:33 PM
To: [REDACTED]
Subject: RE: RE: next steps

Hey [REDACTED]—just checking back with you per below – know you have a ton of balls in the air.

Bottom line is that if you are comfortable with the below approach I think we [REDACTED] can run w/ things and use you and company leadership very surgically recognizing your time pressures. Just need general buy off on approach and a bit of substantiation as outlined below and we can sprint. Let me know how you want to play it -

From: [REDACTED]
Sent: Thursday, June 17, 2010 7:20 AM
To: [REDACTED]
Subject: RE: next steps

[REDACTED] have reviewed the materials sent over by [REDACTED] and we've also done a bit of additional diligence on our side. The CDA investments are powerful and I think will provide significant credibility and urgency to the need for the US government to step into deeper support for the broader industry, as well as directly to Solyndra.

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Thoughts??

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Sent: Wednesday, June 16, 2010 2:39 PM
To: [REDACTED]
Cc: Support Staff
Subject: RE: next steps

[REDACTED]

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[REDACTED]

From: [REDACTED]
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Cc: Support Staff
Subject: next steps

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Advise that we cancel our call today and instead let me come back to you in the next couple of days via mail about how we might proceed after we've had some discussions on the Hill. I can follow up w/ you directly after the email to discuss. OK w/ you?

[REDACTED]

Document 29

From: [REDACTED]
Sent: Tuesday, June 22, 2010 5:58 PM
To: [REDACTED]
Attachments: image003.jpg

[REDACTED]

I am in Washington, DC where I briefly had a chance to touch base with [REDACTED]

[REDACTED] wants to get some of his people briefed in order to get started to put together some asks from our favorite Senators in Congress and the White House. His primary briefing requirement is to get a better handle on the issue of Solyndra's product costs. He expects to be questioned on the subject of our cost structure because of what is in the rumor mill in DC.

[REDACTED] knows you are juggling a lot of priorities and is sensitive to not taking up a lot of your time. He just needs a little upfront investment before letting his people loose on the "asks". Overall, the level of interest in Washington is very high due to the situation in the Gulf.

[REDACTED] was just getting on a plane to California. Perhaps you will be able to catch each other this week. He did say he is coming back to California in each of the next two weeks.

Best,

[REDACTED]

Document 30

From: [REDACTED]
Sent: Friday, June 25, 2010 9:25 PM
To: [REDACTED]
Subject: Re: Re: solyndra.jpg

Not bad.

----- Original Message -----

From: [REDACTED]
To: [REDACTED]
Sent: Fri Jun 25 16:25:46 2010
Subject: Re: solyndra.jpg

Please do. How is [REDACTED] on this?

----- Original Message -----

From: [REDACTED]
To: [REDACTED]
Sent: Fri Jun 25 16:22:18 2010
Subject: Re: solyndra.jpg

We could work on that.

----- Original Message -----

From: [REDACTED]
To: [REDACTED]
Sent: Fri Jun 25 16:23:01 2010
Subject: Re: solyndra.jpg

Get them to buy our panels. All they have to do is do some US content type of requirements for DOD procurement.

----- Original Message -----

From: [REDACTED]
To: [REDACTED]
Sent: Fri Jun 25 16:17:43 2010
Subject: Re: solyndra.jpg

Seriously. I can only imagine. Issue came up in Harry Reid staff meeting too. Wild.

----- Original Message -----

From: [REDACTED]
To: [REDACTED]
Sent: Fri Jun 25 16:15:10 2010
Subject: Re: solyndra.jpg

Ugh. Trust me. I feel it.

----- Original Message -----

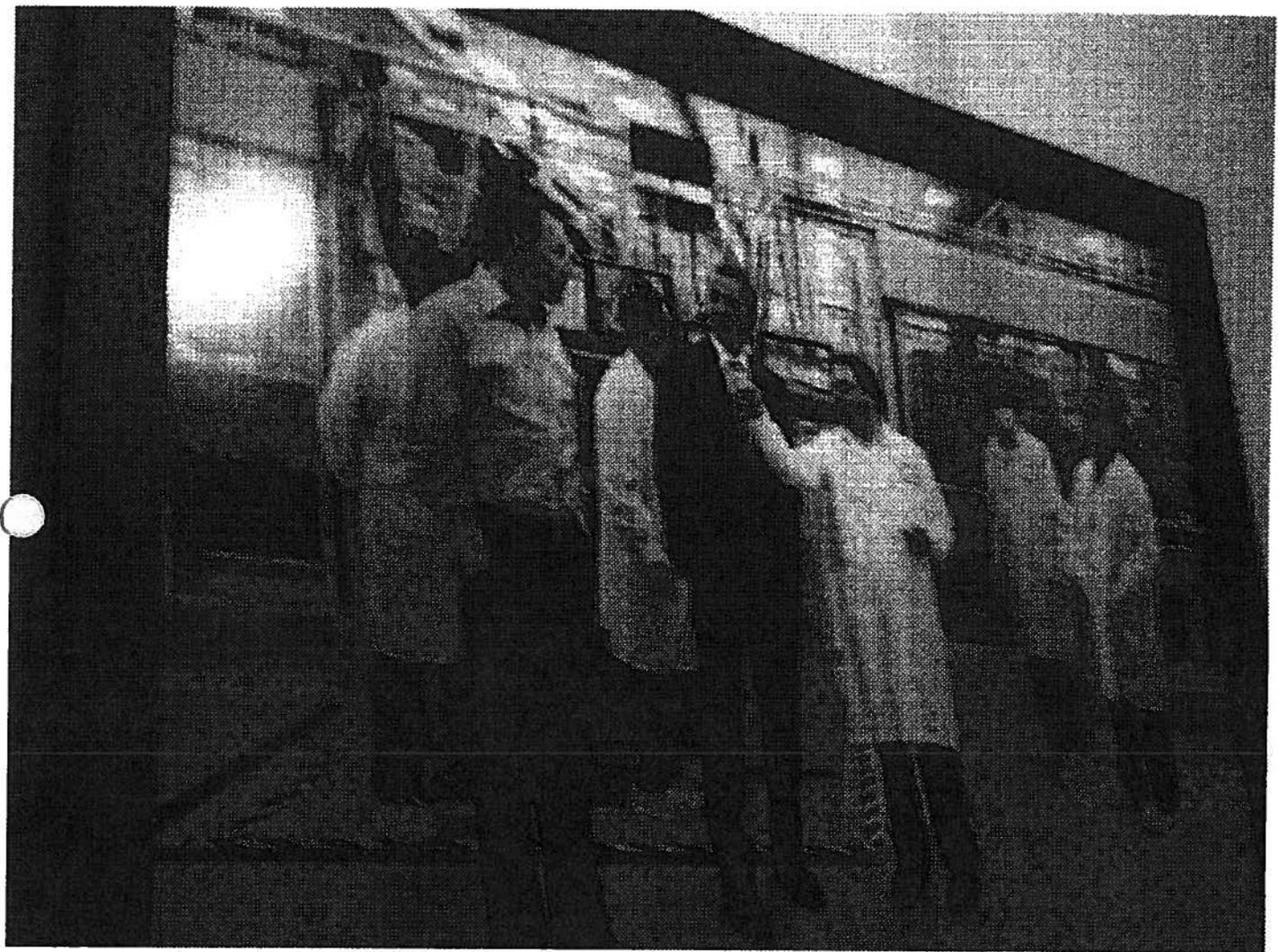
From: [REDACTED]

To: [REDACTED]

Sent: Fri Jun 25 16:10:34 2010

Subject: solyndra.jpg

This picture is hanging in the White House, in the stair well in the West Wing. Gosh...no pressure.



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AVI-HCEC-0029997

Document 31

From: Ken Levit [REDACTED]
Sent: Friday, June 25, 2010 9:29 PM
To: Steve Mitchell
Subject: Re: Re: solyndra.jpg

He's a bit pessimistic on the loan.

He knows you're doing everything humanly imaginable.

We should get that dod thing enacted into law if there's an energy bill. Is Solyndra working it?

----- Original Message -----

From: Steve Mitchell [REDACTED]
To: Ken Levit
Sent: Fri Jun 25 16:25:46 2010
Subject: Re: solyndra.jpg

Please do. How is George on this?

----- Original Message -----

From: Ken Levit [REDACTED]
To: Steve Mitchell
Sent: Fri Jun 25 16:22:18 2010
Subject: Re: solyndra.jpg

We could work on that.

----- Original Message -----

From: Steve Mitchell [REDACTED]
To: Ken Levit
Sent: Fri Jun 25 16:23:01 2010
Subject: Re: solyndra.jpg

Get them to buy our panels. All they have to do is do some US content type of requirements for DOD procurement.

----- Original Message -----

From: Ken Levit [REDACTED]
To: Steve Mitchell
Sent: Fri Jun 25 16:17:43 2010
Subject: Re: solyndra.jpg

Seriously. I can only imagine. Issue came up in Harry Reid staff meeting too. Wild.

----- Original Message -----

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To: Ken Levit
Sent: Fri Jun 25 16:15:10 2010
Subject: Re: solyndra.jpg

Ugh. Trust me. I feel it.

----- Original Message -----

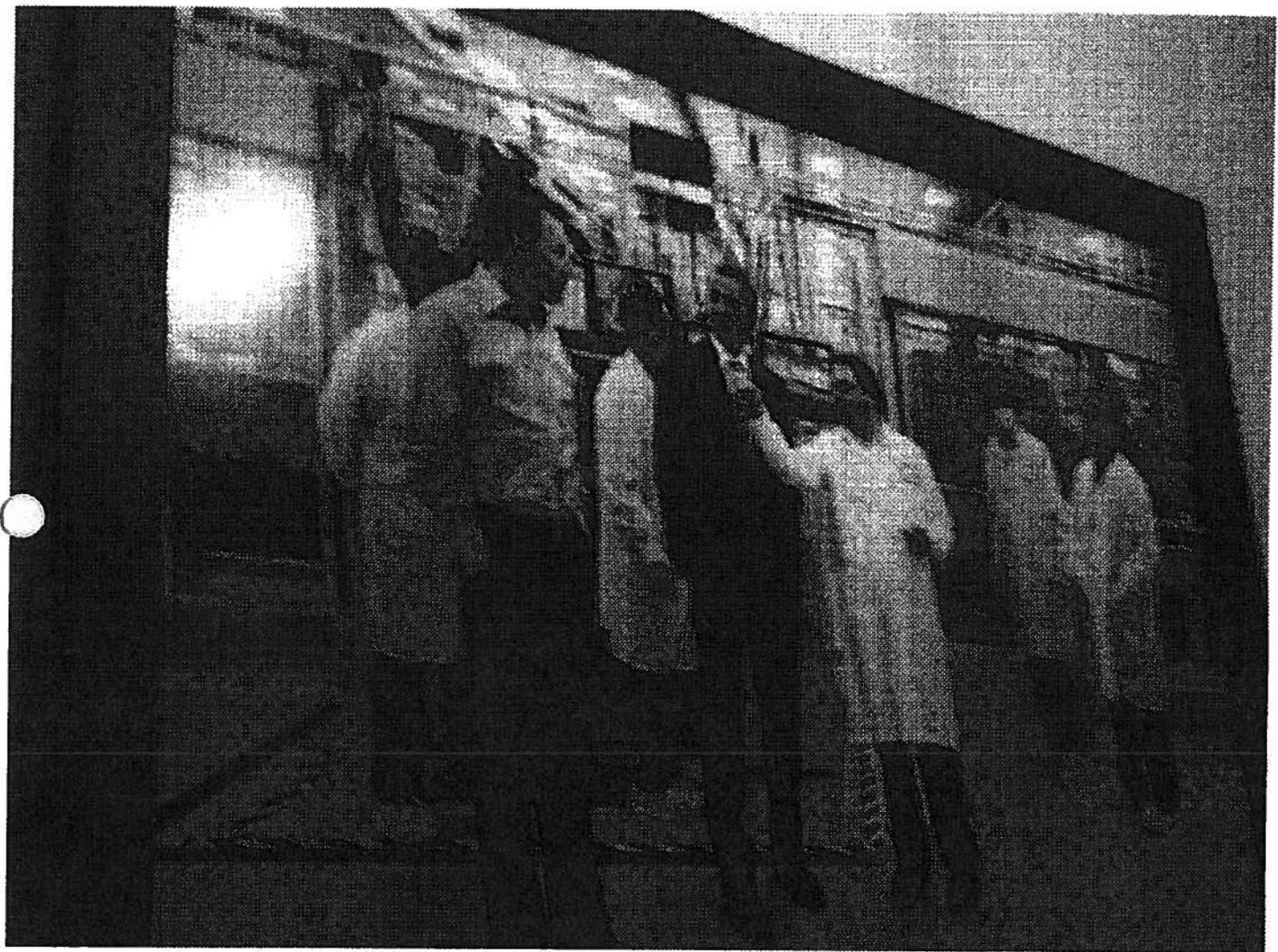
From: Ken Levit [REDACTED]

To: Steve Mitchell; [REDACTED] George Kaiser

Sent: Fri Jun 25 16:10:34 2010

Subject: solyndra.jpg

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AVI-HCEC-0029997