



Department of Energy
Washington, DC 20585

APR 02 2009

MEMORANDUM FOR

[REDACTED]
DIRECTOR, LOAN GUARANTEE PROGRAM

FROM:

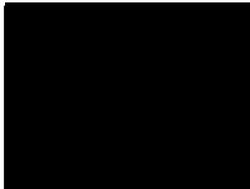
LACHLAN W. SEWARD [REDACTED]
CHAIRMAN, LOAN GUARANTEE PROGRAM CREDIT
COMMITTEE

SUBJECT: Review of the Solyndra Fab 2 Credit Paper for \$535 million in Title XVII Loan Guarantees

1. On March 12, 2009, the Loan Guarantee Program (LGPO) Credit Committee convened to consider the credit for a \$535 million thin film solar panel manufacturing project in Fremont, California.
2. After hearing the presentation from the origination team, the credit policy office, and reviewing the credit paper, the LGPO Credit committee unanimously approved the project with several follow-up concerns:
 - a. The consulting engineer's report indicated that there may be problems with several manufacturing processes ramping up to full production. We know this has been a problem for Fab 1. We believe this issue needs to be addressed and carefully monitored during the development of this project;
 - b. Additional analysis is needed to track market revenue information to per unit revenues and costs; and,
 - c. Responses to the 11 questions raised by the Credit Policy Office need to be addressed.

Enclosure: March 12, 2009, Credit Committee Approval Sheet

CC:



**CREDIT COMMITTEE CONCURRENCE
TITLE XVII LOAN GUARANTEE PROGRAM
MARCH 12, 2009**

Project Name: Solyndra Fab 2, LLC
Project Type: Solar Power – Photovoltaic Power Panels
Loan Number: 1013 (FY 06 Solicitation)
Loan Amount: \$535,000,000

Credit Committee	Concur	Concur with Comments	Do Not Concur/Comments
Chairman, Credit Committee			
Deputy Chief Financial Officer			
Director, Office of Budget			
Assistant General Counsel, Fossil Energy and Energy Efficiency			
Director, LGPO Project Portfolio and Management Division			

CHAIRMAN OF THE CREDIT COMMITTEE
APPROVAL SHEET
TITLE XVII LOAN GUARANTEE PROGRAM
MARCH 12, 2009

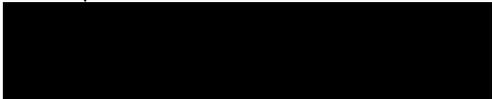
Project Name: Solyndra Fab 2, LLC
Project Type: Solar Power - Photovoltaic Power Panels
Loan Number: 1013 (FY 06 Solicitation)
Loan Amount: \$535,000,000

Approved

Approved subject to the following:
The LGPO to provide responses to the following:
1) The 11 questions raised by Credit Policy
on 3/13/09
2) A discussion of the risks associated with
the ramp-up to full production
3) A discussion of revenue and cost analysis

Returned to LGPO Origination

Disapproved


Chairman, Credit Committee

3/12/09
Date

Questions/Issues for Clarification and Resolution
Solyndra

1. The Origination Unit indicated that there is a separate form of parent guarantee agreement to be developed. Please identify where in the term sheet this is discussed.
2. The Origination Unit indicated that there will be a condition precedent related to the achievement of certain milestones in the FAB 1 ramp. Is this contemplated in the term sheet? If so, please identify where.
3. Please obtain and provide the applicant's tax analysis (PWC study) justifying the utilization of a 25% marginal income tax rate. The Credit Committee understands that debt service payments from Solyndra Fab 2, LLC will be made on a pre-tax basis, but recognizes that the tax liability incurred by the parent could impair the parent company's ability to meet its commitments.
4. Please instruct RW Beck to include an analysis of competitors in the market study. The report introduction states that such an analysis will follow but very little competitor information is provided. Such an analysis should include benchmarks related to cost structures, working capital assumptions, and other areas that will affect industry pricing.
5. Please verify that the Origination Unit has reviewed the land purchase option agreement and confirm that the land will be purchased immediately following closing. Further, please explain why the term sheet contemplates the land being contributed as equity to the project as opposed to the land being treated as an eligible project cost?
6. Please explain why the project financial model does not incur property tax expenses until Q1 2010.
7. Is the base case financial model as presented in the Credit Paper the "lender case" as required by the LGPO's procedures? If so, please identify adjustments made to the Applicant's financial assumptions, if any.
8. Please provide the Origination Unit's analysis of the parent company's financials and comment on the lack of alignment between the parent company financials and those of Solyndra Fab 2, LLC. In particular, we note that the working capital assumptions (inventory, receivables, payables) do not align, gross margins differ between the companies, and the parent financial model does not include any provision for income taxes.
9. Please provide the specific schedule for the Fab 1 facility's achievement for commercial operations (i.e., 70 MW).

10. Please confirm that construction costs will not be affected by Bacon Davis wages and/or that additional construction costs will not be funded by the \$30 million construction cost overrun commitment.

11. Item 27(g) on page 15 of the Term Sheet indicates that a condition precedent to closing is "satisfactory evidence that (i) the borrower has received, or will have, the amount of base equity required for the term of the guaranteed loan". Please describe what the words "or will have" mean in this context.

--Final – Approved at the April 28, 2009 CRB--
Minutes of the Meeting of the
Department of Energy Credit Review Board
March 17, 2009

The nineteenth meeting of the Department of Energy’s Credit Review Board (“CRB” or “Board”) was held on March 17, 2009, in the Conference Room of the Deputy Secretary of Energy.

The following people, comprising a quorum of CRB members, were present at the meeting:

Credit Review Board Members:

- ██████████ Chief of Staff to the Secretary of Energy
- ██████████ Senior Advisor to the Secretary for Recovery Activities
- ██████████ Chief Financial Officer
- ██████████ General Counsel (Acting)

Additional Attendees:

- ██████████ Executive Secretary of the Credit Review Board and Director, Loan Guarantee Program Office (LGPO)
- ██████████ Deputy Chief Financial Officer
- ██████████ Director, Auto Loan Program
- ██████████ Assistant General Counsel for Fossil Energy and Energy Efficiency
- ██████████ Attorney Advisor, Office of General Counsel
- ██████████ Director, Office of Budget
- ██████████ Senior Investment Officer, LGPO
- ██████████ Senior Investment Officer, LGPO
- ██████████ Senior Investment Officer, LGPO
- ██████████ Director, NEPA Division, LGPO
- ██████████ Documents Manager, NEPA Division, LGPO
- ██████████ Technical Advisor, LGPO
- ██████████ Director for Credit Policy (Acting), LGPO
- ██████████ Director for External Affairs, LGPO
- ██████████ Program Analyst, LGPO
- ██████████ Deputy Director, Public Affairs
- ██████████ Public Affairs
- ██████████ Administrative Assistant, LGPO

██████████ called the meeting to order at 11:05 am on March 17, 2009.

Old Business

The first order of business was a motion to approve the minutes of the last meeting on January 15, 2009. The CRB approved the minutes.

New Business

██████████ stated that the primary purpose of the meeting was to seek the approval of the Credit Review Board to offer a conditional commitment for a loan guarantee to the Solyndra Fab 2, LLC (Solyndra) project. ██████████ expressed that the information to be discussed was business confidential and should not be discussed or disclosed outside the Department.

██████████ then stated that the LGPO was recommending to the Board to offer a \$535 million loan guarantee for Solyndra, Inc. to support the company's construction of a commercial-scale manufacturing plant for its proprietary cylindrical solar photovoltaic panels.

██████████ proceeded by providing a summary of the actions taken to date precedent to recommending this project. ██████████ stated that the project was presented to the Credit Committee on Thursday March 12, 2009. The Credit Committee approved the project for recommendation to the Board. ██████████ further stated that the LGPO met with OMB on Friday March 13, 2009 to review the project which is consistent with the normal operating procedures. In addition, LGPO staff met with representatives from the Federal Financing Bank (FFB) of the U.S. Treasury on March 16, 2009 and provided them an overview of the project.

██████████ then provided a summary of the project in which he indicated that Solyndra had submitted their completed application pursuant to the 2006 Mixed Solicitation (DE-PS01-06LG00001). This solicitation was issued in August 2006 for pre-applications only. In October 2007, the Department selected 16 projects including Solyndra deemed financially and technically qualified from 143 pre-applicants and invited those 16 to submit full applications in accordance with the Final Rule. By the completed application submission deadline of November 19, 2008, the LGP received 11 applications out of the 16 that were invited to apply.

██████████ stated that the LGPO is confident that the loan will be repaid and recommended that the conditional commitment be approved. ██████████ then discussed the specifics of the term sheet that the LGPO and Solyndra had agreed upon, highlighting that this was a true project non-recourse financing in which an independent waterfall trustee account would be established. The LGPO had determined through its independent consultants that the project was technically viable, had a suitable marketplace and could produce the products in a scaled manner.

██████████ requested ██████████ the acting Director of Credit Policy, to present the findings of the Credit Policy group. ██████████ stated that Credit Policy conducted an independent review of the project and determined the project fits well within the overall objectives of the Title XVII Loan Guarantee Program. ██████████ provided the Board with a general overview of the project and discussed the specifics of the proposed terms and conditions. ██████████ also discussed the assessment provided by the credit rating agency and the key strengths, weaknesses and concerns the rating agency cited. Finally, ██████████ mentioned that she was working with the LGPO Origination Team to resolve some outstanding questions with respect to due diligence clarification issues none of which impacted the decision of the Board.

██████████ requested ██████████ of the NEPA compliance division to provide an overview of the environmental aspects of the project. ██████████ began by stating the project

warranted an Environmental Assessment (EA) versus an Environmental Impact Statement (EIS). She further explained that the City of Fremont had completed its review under the California Environmental Quality Act (CEQA) with a Mitigated Negative Declaration (no significant adverse environmental effect due to implementation of agreed upon mitigation measures). The draft EA was approved in February 2009 and was sent to the California State Clearinghouse for public comment. The public comment period ended on March 16, 2009 and no comments were received. As a result, the LGPO NEPA compliance division submitted a Finding of No Significant Impact (FONSI) to the Office of General Counsel for approval. [REDACTED] finished by stating that once the FONSI is signed and issued with the Final EA, the NEPA process will be complete.

[REDACTED] opened up the discussion for questions from the Board. [REDACTED] inquired about what was being guaranteed and what is the recourse. [REDACTED] LGPO Senior Investment Officer, responded by providing specific information on the parent company, cost overruns and contingencies. [REDACTED] then questioned whether if the project had robust competition to which [REDACTED] LGPO Senior Investment Officer, stated that in the short term it is not an issue because competitors will have to ramp up over time with Solyndra well ahead of any near term competitor ramp up. [REDACTED] LGPO Senior Investment Officer, elaborated that during the due diligence process the LGPO determined that the project could withstand significant stresses and demonstrates that it can repay the loan.

[REDACTED] then inquired about the status of the existing contracts the project had in place to which [REDACTED] responded that there were no significant issues to report. [REDACTED] then inquired about what protection the Department has to ensure repayment and ensure government funds are not misused. [REDACTED] replied that the LGPO has established several safeguard measures in the terms and conditions that requires quarterly budget reviews as well as the creation of accounts to control the flow of funds. [REDACTED] provided additional conditions that are in place to protect the interests of taxpayers.

[REDACTED] then inquired about whether the loan guarantee for Solyndra could be provided appropriated subsidy under Section 1705 of the Recovery Act. [REDACTED] responded by saying in order to qualify, the project must comply with all of the requirements under Section 1705 such as technology, Davis-Bacon Wage requirements and commencement of construction by September 30, 2011. [REDACTED] inquired if the project was prepared to meet the requirements of the Recovery Act and [REDACTED] responded that the project has committed to meet the requirements and will document them accordingly by financial close of the loan.

[REDACTED] questioned whether there were any other conditions that needed to be met. [REDACTED] responded by stating the conditional commitment will require Solyndra to meet an equity commitment as well as other conditions prior to closing. [REDACTED] mentioned that the Secretary may withdraw at any time for any reason, without cause, from this agreement.

[REDACTED] thanked the LGPO team for the Solyndra briefing and inquired if there were any additional questions to which there where none. [REDACTED] then made a motion for the Board to approve the LGPO's recommendation to offer a \$535 million loan guarantee for Solyndra, Inc. The Board concurred and approved the conditional commitment.

([REDACTED] then mentioned that this was a significant step for the Department and that the announcement must be held confidential until the Office of Public Affairs has developed a coordinated communications plan.

[REDACTED] concluded by thanking the LGPO staff for their efforts and stressed how important this program was to reinvigorate the economy. A round of applause then ensued in appreciation for the team's efforts.

The Chairman adjourned the meeting at 12:10 p.m.

Footnote 8

Solyndra Fab 2, LLC

Credit Committee Recommendation

From: Chairman Loan Guarantee Credit Committee
To: Director Loan Guarantee Program Office

Subject: Credit Committee Recommendation re: Solyndra Fab 2 LLC, solar photovoltaic power panel project for a loan guarantee of \$ 535,000,000.

On January 9, 2009, the Credit Committee convened to consider the referenced project for a loan guarantee of \$535,000,000 under Title XVII of the Energy Policy Act of 2006. On January 9, 2009, following a presentation to the Credit Committee and further deliberations among its members, the committee reached the following conclusions:

- The apparent haste in recommending the project meant that certain LGPO credit procedures were not adhered to. Of particular concern were the receipt of the Final Credit Committee Paper and Credit Committee policies and procedures without the requisite advanced notice.
- While the project appears to have merit, there are several areas where the information presented did not thoroughly support a finding that the project is ready to be approved at this time:
 1. There is presently not an independent market study addressing long term prospects for this specific company beyond the sales agreement already in place. Since the independent credit assessment raised the issue of obsolescence in marketing this project it is important to have an independent analysis of that issue as well as the current state of the competitive market.
 2. While the sales agreement is said to have been analyzed by the outside legal advisor assigned to this case, the committee did not have access to this document.
 3. There are questions regarding the nature and the strength of the parent guarantee for the completion of the project.
 4. While it is encouraging to see the apparent progress in the development of the product at the Fab 1 facility, there is concern regarding the scale-up of production assumed in the plan for Fab 2.

The Credit Committee is appreciative of the hard work done by the origination staff, but believes that the number of issues unresolved makes a recommendation for approval premature at this time. Therefore, the committee, without prejudice, remands the project to the LGPO for further development of information addressing the issues outlined above.

Footnote 9

1

From: [REDACTED]
To: [REDACTED]
Cc: [REDACTED]
Subject: Fw: ACTIONS: Loan Program
Date: Thursday, February 12, 2009 8:11:50 AM

Fyl

From: [REDACTED]
To: [REDACTED]
Cc: [REDACTED]
Paul; [REDACTED]
Sent: Thu Feb 12 08:07:20 2009
Subject: RE: ACTIONS: Loan Program

thank you for these notes. the nepa disclosure issue looks resolved. in the solyndra conversation, it is very important that the parties be able to close today on the matters at hand and move to the next stage. so, having someone in the room who can commit the department in real time is quite important to ensure the cycle time for decision-making can be short and they do not have to carry any issues over night. The team would like to be able to metaphorically lock the door and not come out until there is an agreement. This loan represents a litmus test for the loan guarantee program's ability to fund good projects quickly. Thank you for your prompt and timely support on this matter. Regards, [REDACTED]

[REDACTED]

[REDACTED]

02/11/2009 03:07 PM

[REDACTED]

Subject RE: ACTIONS: Loan Program

[REDACTED]

NEPA: This afternoon this office concluded that divulging the amount of loan guarantee being sought was not required in NEPA documents. This conclusion is consistent with the views expressed by the LGPO.

SOLYNDRA: (1) I understand that there will be GC participation in tomorrow's meeting with the sponsor. I will be pleased to be available on an immediate basis to this office's representative should that be necessary to address any open issues.

(2) I do not know anything about the "IP language." Perhaps [REDACTED] or [REDACTED] can enlighten me.

Thanks,
[REDACTED]

From: [REDACTED]
Sent: Wednesday, February 11, 2009 3:37 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: ACTIONS: Loan Program

[REDACTED]

To followup my earlier email today, below are three items needing immediate GC attention for Title XVII. I might add that we invited [REDACTED] to today's meeting to discuss these items and no one from GC attended. It is important that if we are going to deal with these matters expeditiously, that GC is present and prepared to handle these issues. I appreciate your attention to this priority effort.

Thanks,
[REDACTED]

NEPA

1. GC needs to decide whether language divulging the amount of loan guarantee being requested by applicants should be included in NEPA documents. (This issue is currently delaying NEPA processing of the Solyndra, [REDACTED] and [REDACTED] [REDACTED]) LGPO is against the idea as we see this as business confidential information. Attached is LGPO memo providing our arguments which was given to GC in early December. We understand that a meeting is being held among all the GC parties today to resolve the matter.

Solyndra

1. GC must be represented at the upcoming conference call with the sponsor. A critical meeting is tomorrow (Thursday) afternoon. Whoever attends for GC must have the authority to close on issues or have immediate access to someone who can. Anything less will significantly delay negotiations.

2. GC still needs to opine on IP language.

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+++++

Footnote 10

2

[Redacted]

From: [Redacted]
Sent: Sunday, February 22, 2009 10:22 AM
To: [Redacted]
Subject: Re: Fw:

helpful

[Redacted]

[Redacted]

02/22/2009 05:07 AM

To [Redacted]
cc
Subject Fw:

Followup from my previous email. We'll talk...

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

From: Chris Gronet [Redacted]
To: [Redacted]
Sent: Fri Feb 20 13:56:00 2009
Subject:
[Redacted]

I believe we can raise the \$147M in equity based on reviews with investors since our last discussion, but under the following conditions:

1. Debt-to-Equity: 80%/20%. Total project: \$735M, FFB debt = \$588M, Solyndra Equity = \$147M
2. Confirm Solyndra does not pay Credit Subsidy Cost
3. Interest rate: 12.5 basis points above 7-year Constant Maturity Treasury
4. Solyndra covers any cost overruns, 100% guarantee but no pre-funding
5. Solyndra parent financial covenant expires at project completion
6. Waiver of \$4.3M Facility Fee
7. Change of Control: DOE consent right except for investment-grade U.S. and European companies; consent requirement expires at project completion
8. Extension of application deadline for Phase 2 to April 30
9. Fundraising support after conditional commitment: Steven Chu visits Solyndra with press interviews (target by end of March)
10. Target close in May, break ground in June

They emphasized that few investors are doing any funding at all in this market.

The talking points for Steven Chu could include:

- 6000 green jobs during construction (about 1800 after the factory is completed and running at full capacity)
- new example of green manufacturing development in the U.S.
 - some of our key vendors do work for the auto industry (help save jobs in middle America)
- another example of how America solves problems with the engine of innovation (new solar panel design born in Silicon Valley)

Look forward to our call. I hope Solyndra can be a great first project with rapid-results for the Loan Guarantee Program.

Best,

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



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=====

Footnote 11

From: [redacted]
Sent: Friday, March 06, 2009 9:32 AM
To: [redacted]
Subject: RE: CALL ME PLEASE

This is fine with the note that we are presently planning the credit committee for Mar. 12th and the CRB for Mar. 17th.

[redacted]
US Department of Energy
Director, Loan Guarantee Office, [redacted]
[redacted]

From: [redacted]
Sent: Thursday, March 05, 2009 7:04 PM
To: [redacted]
Subject: CALL ME PLEASE

please call me regarding Solyndra. How did the negotiations end?

Assuming we can get to a handshake, I need to send to [redacted] the significance of the event so he can send to the WH. Please review my text below for accuracy.

Thx,
[redacted]

=====

-- DOE has a handshake agreement for a "conditional commitment" with an applicant for a solar manufacturing plant

-- Before we can announce the "conditional commitment" the following items must happen:

- (1) The applicants Board must approve it on Monday
- (2) The DOE loan office will received and review a independent marketing study that will need to support the applicant's business plan
- (3) DOE will the submit the conditional commitment to its Credit Review Board for approval. DOE expects to have the CRB meeting by March 16.

-- If the applicant and DOE Boards approve the conditional commitment, DOE is at liberty to announce the result.

-- However, the applicant must fulfill the conditions before the actual loan is released. The most critical condition will be the applicant raising the outstanding equity.

Footnote 12

4

[REDACTED]

From: [REDACTED]
Sent: Thursday, March 05, 2009 5:10 PM
To: [REDACTED]
Subject: Project Processing Timelines
Attachments: Project Processing_Accelerated Timelines_Shaded.xls

Hot off the press. Dates were reviewed with [REDACTED] The wish is to have Solyndra through the CRB in time for the President's speech in California on the 18th.

[REDACTED]

Loan Guarantees Program
U.S. Department Of Energy
1000 Independence Avenue, SW
Washington, DC 20585

[REDACTED]

Footnote 13

From: [REDACTED]
To: [REDACTED]
Subject: RE: Chu: Solyndra Announcement Imminent
Date: Wednesday, July 08, 2009 8:40:28 AM

agree ... I had the same immediate reaction

From: [REDACTED]
Sent: Tuesday, July 07, 2009 1:33 PM
To: [REDACTED]
Subject: FW: Chu: Solyndra Announcement Imminent

This nonsense has got to stop.

I have no idea where SI's info on the equity raise is coming from, but the conclusion that "the loan is theirs" doesn't help our negotiation.

[REDACTED]
Loan Guarantee Program
Department of Energy
[REDACTED]

From: [REDACTED]
Sent: Tuesday, July 07, 2009 1:18 PM
To: [REDACTED]
Subject: Fw: Chu: Solyndra Announcement Imminent

From: [REDACTED]
To: [REDACTED]
Sent: Tue Jul 07 13:08:24 2009
Subject: Chu: Solyndra Announcement Imminent

Solyndra Close To Raising Money Needed For Loan Guarantee-Chu

By Siobhan Hughes

Of DOW JONES NEWSWIRES

WASHINGTON (Dow Jones)--Solyndra Inc., a solar-panel maker, is close to raising the money it needs to qualify for a \$535 million loan guarantee from the U.S. Energy Department, Energy Secretary Steven Chu said Tuesday.

Speaking to reporters after testifying before a U.S. Senate panel, Chu said "we've been told" that "it's imminent they're going to announce this." He said that "the loan is theirs, as soon as they get the additional capital that's required by statute."

The Energy Department is providing loan guarantees that were established years ago by Congress, but require in some instances that companies come up with 20% of the funding from outside sources. In March, Solyndra Inc. received a \$535 million loan guarantee, the first renewable-energy company to receive such an award.

-By Siobhan Hughes, Dow Jones Newswires; [REDACTED]
[REDACTED]

Footnote 14

[REDACTED]

From: [REDACTED]
Sent: Tuesday, August 11, 2009 11:19 AM
To: [REDACTED]
Cc: [REDACTED]
Subject: Solyndra

[REDACTED]

As the closing of the Solyndra agreement nears, we want to think about the potential announcement value in this. We know that the conditional agreement was already announced in March. That said, the VP will be in California in early September, and want to see if it's worth doing something here. So two things:

- 1) Would be helpful to know what the latest thought is on when the agreement will be complete
- 2) Would be helpful to hear opinions on whether it's worth doing something around the final contract signing, and what. Maybe we can discuss for 5 mins on the phone, or feel free to email back thoughts.

[REDACTED]

[REDACTED]

The White House | Office of the Chief of Staff
Office of the Vice President | [REDACTED]

CONFIDENTIAL

DO NOT COPY

Footnote 15

[REDACTED]
From: [REDACTED]
Sent: Monday, August 31, 2009 3:17 PM
To: [REDACTED]
Subject: RE: Solyndra Update

I'm checking with OMB...

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

From: [REDACTED]
Sent: Monday, August 31, 2009 3:05 PM
To: [REDACTED]
Subject: FW: Solyndra Update

See below

We are walking a fine line with Solyndra needing to begin notifying investors to fly in for the Friday event, but this OMB piece not being final.

Our concern on the press end is that this leaks out before the OMB portion is cooked - if there is any way to accelerate, would give a lot of peace of mind/flexibility on that front.

The final step will be the loan closing which will happen on Thursday regardless - but my understanding is that that's pretty much a given - it's the leaking out before OMB is finished that could leave us in an awkward place.

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

From: [REDACTED]@hq.doe.gov]
Sent: Friday, August 28, 2009 10:08 AM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: Solyndra Update

On the OMB side, from our Credit Policy Director

"We still have one outstanding question from our initial meeting Tuesday (DOE has not responded--I need more information from [REDACTED] and Solyndra).

We have also not received the final set of questions/issues from OMB to which DOE will need to respond. After OMB review, and any changes are made to the credit subsidy cash flows, OMB would essentially pre-approve that calculation (formal approval comes in the form of the apportionment which occurs after S2 or S1 approve commitment of the loan amount and subsidy rate)."

OMB is fully aware of the Friday timeline. The DOE team is hoping to receive the final OMB questions/issues today so that they can be quickly reviewed/responded in full so that we can complete the outstanding process requirements.

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

From: [REDACTED]
Sent: Friday, August 28, 2009 9:50 AM
To: [REDACTED]

Cc: [REDACTED]

Subject: RE: Solyndra Update

9:00 am PT timing should be fine for CA.

Defer to [REDACTED] on the OMB part.

Proposal for notifications is:

1. Yesterday the company was notified of the event date, but for planning purposes only and to ask their VIPs to hold time on their schedule (their investors already know the details because they have to sign paperwork as the deal goes forward). They will hold on broader invites until we notify electeds of details later next week.
2. On Monday DOE will call electeds to notify them that the Secretary will be in Northern California on Friday morning (no other info available then), then later in the week give more information.
3. On Thursday we will notify press.

Local press will of course be invited. Will defer to others about any national press coordination.

Questions?

CONFIDENTIAL

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

From: [REDACTED]@ovp.eop.gov]

Sent: Thursday, August 27, 2009 4:09 AM

To: [REDACTED]

Cc: [REDACTED]

Subject: RE: Solyndra Update

Hello folks -

DO NOT COPY

Wrapping up some loose ends from our call today:

1. Timing - We've made some adjustments to our schedule and it now looks like the VP's window of availability is 12:00 PM ET - 12:45 PM ET. That would put us at a 9:00 AM PT event start with VP portion around 9:15 AM PT. Does that work on the CA end?
2. OMB Approval - Can someone provide a quick rundown of what final step this is that OMB would be clearing? We just want to make sure we can be as helpful as possible in ensuring this gets done for you on timeline. We were thinking all OMB clearance was to be finished this week (?) - but perhaps there is a final step we hadn't considered?
3. Browner/WH Attendee - [REDACTED] can you take a look at this part?
4. Notification Timeline - Team DOE will draft up a proposal for Congressional/elected, company/investor and press notification for discussion. Noting that I'm connecting [REDACTED] and [REDACTED] with [REDACTED] and [REDACTED] re: electeds.

5. VP Side/Satellite - VP will do this from the White House - TBD whether there is a press pool in there or we just make the feed available - but no audience. We'll go back to WHCA to let them know this is a go and connect with appropriate OVP and DOE folks to begin working through the cost and logistical details.

Anything I've missed?



From: [redacted]@hq.doe.gov]
Sent: Wednesday, August 26, 2009 8:01 PM
To: [redacted]
Cc: [redacted]
Subject: Re: Solyndra Update

CONFIDENTIAL

Sure. Including DOE press...

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

From: [redacted]@who.eop.gov>
To: [redacted]
Cc: [redacted]
Sent: Wed Aug 26 18:49:36 2009
Subject: RE: Solyndra Update

DONOT COPY

Alright, everyone - thanks for your patience as we nailed this down here.

It looks like this will definitely be a VPOTUS event after all - and it would need to be on the 4th in that case.

I hear [redacted] had a good visit out there and things look feasible from a logistical standpoint - but much more to discuss. Shall we hop on a call tomorrow to discuss further? How about 1:00 PM? If that works, will circulate number.

From: [redacted]
Sent: Tuesday, August 25, 2009 11:54 AM
To: [redacted]
Cc: [redacted]
Subject: RE: Solyndra Update

Sounds good. POTUS on the 8th was what we were going for, but that's looking unlikely. With POTUS unlikely, we wanted to give this to the VPOTUS, and 4th was looking best.

Glad to discuss tomorrow.

From: [redacted]@hq.doe.gov]
Sent: Tuesday, August 25, 2009 11:51 AM
To: [redacted]
Cc: [redacted]
Subject: RE: Solyndra Update

hey all - lets talk about this. As of last Friday the POTUS was set to satellite in and the event has been moved to the 8th.

CONFIDENTIAL

Where did you see Solyndra was on the 4th? Worried about the dates you have [redacted] want to make sure we're all on the same page. [redacted] and I should probably discuss when tomorrow's event is over.

From: [redacted]
Sent: Tuesday, August 25, 2009 11:48 AM
To: [redacted]
Cc: [redacted]
Subject: RE: Solyndra Update

DO NOT COPY

[redacted] I am looping in [redacted] Thanks.

[redacted]
Department of Energy
[redacted]

From: [redacted]@hq.eop.gov]
Sent: Tuesday, August 25, 2009 10:28 AM
To: [redacted]

Cc: [REDACTED]
Subject: Solyndra Update

We are thinking (technical logistics allowing) that we would want the VP can satellite into the event on 9/4 (next Friday). It's the same day unemployment numbers come out, and we'd want to use this as an example where the Recovery Act is helping create new high tech jobs. Does that work for you guys? Were you guys going to send Sec. Chu or someone else to CA? We are discussing the possibility of sending someone from here (e.g. [REDACTED] out there as well.

Let me know if 9/4 sounds ok. Let me know what DoE would be thinking of doing with the Secretary or otherwise. Don't need a formal event memo in a rush, but just want to start planning things if this sounds generally ok. Glad to do a quick call with whomever. Thanks,

[REDACTED]

CONFIDENTIAL

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Footnote 16

From: [REDACTED]
To: [REDACTED]
Subject: FW: Solyndra: Responses to Credit Analysis Questions
Date: Thursday, August 20, 2009 3:27:59 PM

[REDACTED]

Thanks for requesting the additional information. I would like your analysis of the materials presented.

In order to move this forward, I think we have the following next steps:

1. I will look at the property tax information against the issue raised by RW Beck in January.
2. We can adjust the income tax assumption to 30%. The result should be de minimus, but we should use that assumption from PWC.
3. The issue of Working Capital remains unresolved. First, it seems clear that the cost overrun equity commitment would support cost overruns and ineligible project costs. However, the issue is cash balances, not cost. [REDACTED] seems to agree that the model runs out of cash in Sept. 2011 even in the base case without any stress. This is a liquidity issue. Secondly, given the implications above, it is difficult to assume in a default scenario that any other entity would be able to assume management of the project company without any working capital. As a practical matter, this is not feasible and leads to questions of ability to run the project company as a stand alone entity. Finally, how can we advance a project that hasn't funded working capital requirements nor seems to have any provision for funding working capital requirements and that generates a working capital shortfall of \$50M when working capital assumptions are entered into the model? This is a serious issue we need to resolve as a credit matter. It also simply won't stand up to review by oversight bodies. Are there provision in the agreements that provide access to working capital provided by the parent (e.g., a liquidity facility)? I don't think the cost overrun commitment accomplishes this, but perhaps an inter-company line of credit would.
4. We still do not have a lender case. In order to move forward, I have gone ahead and built one. I will send it under separate cover. I need you to confirm it and to include it in the due diligence update. Moving forward, the deal team needs to provide this case. Notwithstanding the working capital issue above, the lender case supports the conclusions you've made and addresses the LGPO policy requirement of having a lender case.

Thanks.

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

From: [REDACTED]
Sent: Thursday, August 20, 2009 2:24 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: Solyndra: Responses to Credit Analysis Questions

[REDACTED]

In response to questions related to the credit analysis of the Solyndra Fab 2 project, we have prepared the responses below.

The current Solyndra Fab 2 Base Case Projections have changed since the original model was presented,

Footnote 17

From: [REDACTED]
Sent: Monday, August 24, 2009 1:36 PM
To: [REDACTED]
Subject: Re: [REDACTED] ACTION: Solyndra

Thanks, [REDACTED] for your engagement and leadership here !

From: [REDACTED]
To: [REDACTED]
Sent: Mon Aug 24 12:42:20 2009
Subject: RE: [REDACTED] ACTION: Solyndra

[REDACTED]

We organized a meeting among [REDACTED] this morning. We decided to postpone the OMB meeting by 1 day to give [REDACTED] a chance to: get tighter language on the Project Overrun costs with the help of Morrison Foster and have Solyndra adapt their model to the terms of the agreement where there was a hole involving the modeling of working capital. I believe that having a better case to present to OMB will result in a better path to get to the finish line and not cost that much more time.

From: [REDACTED]
Sent: Sunday, August 23, 2009 11:45 AM
To: [REDACTED]
Subject: [REDACTED] ACTION: Solyndra

[REDACTED] could you help arbitrate this issue. [REDACTED] differ and I don't know enough to broker this one.

Thanks
[REDACTED]

From: [REDACTED]
To: [REDACTED]
Sent: Sun Aug 23 08:52:30 2009
Subject: RE: Solyndra: Responses to Credit Analysis Questions

[REDACTED]

The attached summarizes the issue in more detail. In summary, working capital needs are not accounted for by the project. Under normalized assumptions (not stressed), the project shows a negative cash balance and there is no provision for access to cash. The applicant argues that that timing differences between the recognition of project revenue and the receipt of cash would be considered "costs" under the project financings agreements and covered by the cost overrun facility. It does not seem that this timing difference would rise to an expense that would be considered a 'cost' under the project. However, even if it did, the model shows draining almost the entire facility in 2011 leaving almost no funds available for real 'cost overrun' at the point when those funds would likely be most critical.

Without access to cash, the project faces a liquidity problem and insolvency is real concern.

Please let me know if you have any questions.

Thanks.

From: [REDACTED]
Sent: Friday, August 21, 2009 6:42 PM
To: [REDACTED]
Subject: Re: Solyndra: Responses to Credit Analysis Questions

Let's have [REDACTED]

Do you have a writeup that summarizes the respective positions that I could fwd to him? I didn't read thru the emails back and forth in the past 24 hrs nor what you guys discussed before I walked in.

From: [REDACTED]
To: [REDACTED]
Sent: Fri Aug 21 18:34:20 2009
Subject: Fw: Solyndra: Responses to Credit Analysis Questions

I'm not really sure where to go from here. We're verging on just silliness. The issue is pretty clear, but I don't think we understand it. I think in some respects this results from not having a financial advisor on the project team—who would grasp the idea.

One thought might be to have [REDACTED] or someone from his team [REDACTED] take a look on Monday to give an independent review. Do you have thoughts on that approach?

I just can't imagine this standing up to audit (and it should give us great pause without the threat of audit)—there is a negative cash balance in the base case. It's difficult to overlook.

From: [REDACTED]
To: [REDACTED]
Cc: [REDACTED]
Sent: Fri Aug 21 18:04:53 2009
Subject: RE: Solyndra: Responses to Credit Analysis Questions

Could you send me the appendix for definitions? Please keep me posted over the weekend as to progress on this issue as it is highly relevant for our discussion with OMB Monday.

I understand your point, but it seems timing associated with cash receipt of revenue doesn't rise to an expense that would be considered a cost under the project. Again the issue is the timing and effects on cash.

If counsel believes this is covered, it would be helpful to walk through an example of the cash flow mechanics. It's important that we understand the distinctions here.

Thanks.

From: [REDACTED]
Sent: Friday, August 21, 2009 10:30 AM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: Solyndra: Responses to Credit Analysis Questions

Additionally to my previous message, attached for anyone interested is the model used for allocation of SG&A among the Fabs.

[REDACTED]
Loan Guarantee Program
Department of Energy
[REDACTED]

From: [REDACTED]
Sent: Friday, August 21, 2009 10:06 AM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: Solyndra: Responses to Credit Analysis Questions

All –

Because there are some cross references, I have attached the entire O&M Agreement (latest version). The operative language re payments is mostly in Article 6, and I have separately copied this below.

A couple things of note:

- * There is an annual fee to be paid to the operator, invoiced quarterly (based upon an agreed-upon budget, with annual adjustments per a stated formula).
- * There are provisions for “fees for additional services,” to be paid for at actual cost incurred by the Operator (invoiced monthly).

The allocation of any common costs among the Fab lines (Fab 1, Fab 2 (phase one) and the potential other Fabs in the future) are to be “equitable apportioned” among the Fabs based on production of the applicable Fab (i.e., non-discriminatory).

SG&A is allocated through the Operator, using this process. For conservative modeling purposes, we have assumed full expected production from each of the Fabs for the time periods in question; the actual allocation will be based upon actual production data. As a monitoring matter, Portfolio Management will have access to all records to make sure that the proper allocation is made.

Article 6 (O&M Agreement)

ANNUAL FEE, OTHER FEES AND PAYMENT TERMS

6.1 Annual Fee

. Commencing on the Commencement Date and continuing on each anniversary thereafter for the remainder of the Term, in consideration for Operator's performance of the Pre-Operational Services pursuant to Section 2.1.1, the Maintenance pursuant to Section 2.1.1 and the Management Services pursuant to Section 2.1.3, Owner shall pay to Operator an annual fee ("Annual Fee"), payable in advance in equal quarterly installments (each, an

Footnote 18

From: [redacted]
Sent: Thursday, August 27, 2009 4:40 PM
To: [redacted]
Cc: [redacted]
Subject: RE: Final Solyndra Credit Subsidy Cost

As long as we make it crystal clear to DOE that this is only in the interest of time, and that there's no precedent set, then I'm okay with it. But we also need to make sure they don't jam us on later deals so there isn't time to negotiate those, too.

From: [redacted]
Sent: Thursday, August 27, 2009 4:31 PM
To: [redacted]
Cc: [redacted]
Subject: RE: Final Solyndra Credit Subsidy Cost

We don't know; I would assume that usually one would assume liquidation. (And in fact the first credit assessment that Fitch did, coincidentally for Solyndra, stated that as a startup, Fitch would assume liquidation.) When we were working on the model DOE argued that if a project is project financed, then of course one assumes work out. We however, persisted in saying that that would be determined on a case-by-case basis as determined by project specifics. (We essentially kicked the can down the road, and then Fitch rode to our rescue by stating that as a startup [redacted] assumes liquidation.)

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From: [redacted]
Sent: Thursday, August 27, 2009 4:20 PM
To: [redacted]
Cc: [redacted]
Subject: RE: Final Solyndra Credit Subsidy Cost

So we know what to say if asked, what are the arguments for assuming a workout vs. liquidation?

DO NOT COPY

From: [redacted]
Sent: Thursday, August 27, 2009 3:10 PM
To: [redacted]
Cc: [redacted]
Subject: Final Solyndra Credit Subsidy Cost

I just wanted to check with you to make sure that you (in [redacted] and [redacted] absence) are ok with our proposal on Solyndra's credit subsidy cost: (I've been out for 2.5 weeks, and [redacted] has been covering this issue for me so will fill in with details.) The credit subsidy model that OMB approved last October for the Title XVII loan guarantee program assumed a workout scenario for recoveries. However, we made it clear to DOE that decisions as to whether work out or liquidation should be assumed in the model for specific cases, would be made on a case by case basis. Given the time pressure we are under to sign-off on Solyndra, we don't have time to change the model to assume liquidation.

DOE is proposing to use a recovery treatment that BRD and the Energy Branch have been pushing DOE to use on the auto loan program. [redacted] can you fill [redacted] is as to the exact nature of this methodology? Both [redacted] and I believe this is the best approach for this one case, given time constraints. Do you have any concerns?

Footnote 19

[REDACTED]

From: [REDACTED]
Sent: Monday, August 31, 2009 12:48 PM
To: McSweeney, Terrell P.
Subject: DOE announcement

Hi Terrell,

I was wondering if you could tell me who schedules announcements and events with the Department of Energy that you folks are participating in? We have ended up in the situation of having to do rushed approvals on a couple of occasions (and we are worried about Solyndra at the end of this week). We would prefer to have sufficient time to do our due diligence reviews and have the approval set the date for the announcement rather than the other way around.

Is there some person I can speak with to work on coordinating these announcements?

[REDACTED]
Office of Management and Budget
[REDACTED]
[REDACTED]

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Footnote 20

[REDACTED]

From: [REDACTED]
Sent: Monday, August 31, 2009 4:50 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: FW: Solyndra Update

[REDACTED] we should discuss this with you early tomorrow morning.

From: [REDACTED]
Sent: Monday, August 31, 2009 4:27 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: Solyndra Update

I would prefer that the announcement be postponed. The BRD credit crew is out on leave this week, as is [REDACTED]. This is the first loan guarantee and we should have a full review with all hands on deck to make sure we get it right. Furthermore, the announcement this week would require us to have a waiver to the requirement in the rule that 30 days elapse from when the final credit rating was submitted, setting a bad precedent.

That said, we have only one item left that I am aware of, but it is not clear how the information would impact the credit subsidy calculation (CSC).

Our outstanding request to DOE is for field performance data to back up engineering claims made in the proposal documents.

Solyndra claims to have a pricing advantage based on performance and lower costs of installation (sometimes referred to as balance of plant). Recent developments in the solar market, in particular, pricing pressure from China from silicon wafer plants scheduled to come on line (and that also may or may not be due to dumping; see articles below), raise concerns about how strong Solyndra's position will be in the face of rising competition. If the engineering claims can be backed up with field data that is consistent with claims, I think we would accept DOE's CSC; but a lot of times field performance is not quite up to the engineering claims, in which case we might want to notch the credit rating down (or viewed conversely, increase our estimate of risk).

See:

China Racing Ahead of U.S. in the Drive to Go Solar
<http://www.nytimes.com/2009/08/25/business/energy-environment/25solar.html?scp=1&sq=solar%20china&st=cse>

And

Chinese Solar Firm Revises Price Remark
<http://www.nytimes.com/2009/08/27/business/energy-environment/27panel.html?scp=3&sq=solar%20china&st=cse>

and

As Prices Slump, Solar Industry Suffers
<http://greeninc.blogs.nytimes.com/2009/08/13/as-prices-slump-solar-industry-suffers/?scp=6&sq=solar%20china&st=cse>

More Sun for Less: Solar Panels Drop in Price
<http://www.nytimes.com/2009/08/27/business/energy-environment/27solar.html?scp=6&sq=solar%20energy&st=cse>

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

From: [REDACTED]
Sent: Monday, August 31, 2009 3:59 PM
To: [REDACTED]
Subject: FW: Solyndra Update

What should we tell [REDACTED] on our review status?

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

From: [REDACTED]
Sent: Monday, August 31, 2009 3:23 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: FW: Solyndra Update

[REDACTED]

As you guys may know, the VP is set to make a Solyndra announcement on Friday. We know that OMB and DoE are still working on finalizing credit issues, and wanted to see where that was in the process (if there is anything we need to push DoE in speeding along, or conversely if there is anything we can help speed along on the OMB side). Below is an email from DoE on their latest thoughts about where things stand and I think they are still waiting on the final list of questions/issues from OMB to which they will need to respond.

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Can you let us know where things currently stand, and ETA on completion of the credit review process?

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

From: [REDACTED]
Sent: Monday, August 31, 2009 3:05 PM
To: [REDACTED]
Subject: FW: Solyndra Update

See below

DO NOT COPY

We are walking a fine line with Solyndra needing to begin notifying investors to fly in for the Friday event, but this OMB piece not being final.

Our concern on the press end is that this leaks out before the OMB portion is cooked - if there is any way to accelerate, would give a lot of peace of mind/flexibility on that front.

The final step will be the loan closing which will happen on Thursday regardless - but my understanding is that that's pretty much a given - it's the leaking out before OMB is finished that could leave us in an awkward place.

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

From: [REDACTED]
Sent: Friday, August 28, 2009 10:08 AM
To: [REDACTED]
Cc: [REDACTED]

Subject: RE: Solyndra Update

On the OMB side, from our Credit Policy Director

"We still have one outstanding question from our initial meeting Tuesday (DOE has not responded--I need more information from [REDACTED] and Solyndra). We have also not received the final set of questions/issues from OMB to which DOE will need to respond. After OMB review, and any changes are made to the credit subsidy cash flows, OMB would essentially pre-approve that calculation (formal approval comes in the form of the apportionment which occurs after S2 or S1 approve commitment of the loan amount and subsidy rate)."

OMB is fully aware of the Friday timeline. The DOE team is hoping to receive the final OMB questions/issues today so that they can be quickly reviewed/responded in full so that we can complete the outstanding process requirements.

[REDACTED]

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Footnote 23

[Redacted]

From: [Redacted]
Sent: Friday, April 09, 2010 9:18 AM
To: [Redacted]
Subject: Re: LAST CALL: Pls send your Weekly Report 4/5-4/9 ASAP

[Redacted]

[Redacted]

We have requested information from DOE on their monitoring of Solyndra in light of the recent audit going concern statement in their amended S-1.

[Redacted]

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From: [Redacted]
Sent: Fri Apr 09 08:32:35 2010
Subject: LAST CALL: Pls send your Weekly Report 4/5-4/9 ASAP

I understand that we now will submit weekly reports on Friday mornings, so please send me your weekly before you leave tonight.

Thanks

[Redacted]
Energy Branch
Office of Management and Budget
Executive Office of the President
[Redacted]

CONFIDENTIAL

Footnote 24

I hope this is helpful. Thanks for your support with this agenda, and for coming over this morning.

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

From: [redacted]@do.treas.gov [mailto:[redacted]@do.treas.gov]
Sent: Wednesday, April 14, 2010 10:09 AM
To: [redacted]
Subject: Fw: Proposed agenda for NEC meeting re: DOE Loan Guarantee Program

Here are Treasury's comments.

Sent from my BlackBerry Wireless Handheld

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

From: [redacted]
To: [redacted]
Cc: [redacted]
Sent: Wed Apr 14 09:41:58 2010
Subject: RE: Proposed agenda for NEC meeting re: DOE Loan Guarantee Program

Please find attached our suggested changes. Please let us know if you want us to send along directly to OMB.

Cheers,
[redacted]

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

From: [redacted]
Sent: Wednesday, April 14, 2010 9:40 AM
To: [redacted]
Cc: [redacted]
Subject: Re: Proposed agenda for NEC meeting re: DOE Loan Guarantee Program

Is everyone ok with OMB's agenda for the NEC meeting? I think it is fine. Let me know - the OMB deadline is before 11 am.

Sent from my BlackBerry Wireless Handheld

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

From: [redacted]
To: [redacted]
Cc: [redacted]
Sent: Tue Apr 13 19:20:58 2010
Subject: FW: Proposed agenda for NEC meeting re: DOE Loan Guarantee Program

Pls see OMB's attached proposed agenda for the Thursday NEC meeting!

Note: OMB wants to give [redacted] the final agenda tomorrow by 11 AM.

Pls e-mail your comments/concerns with this agenda, if any, to us for forwarding to [REDACTED]

(I have no concerns with the attached agenda as it tracks with what we all agreed to on our 4:30 PM call today.)

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

From: [REDACTED]

Sent: Tuesday, April 13, 2010 6:53 PM

To: [REDACTED]

Cc: [REDACTED]

Subject: Proposed agenda for NEC meeting re: DOE Loan Guarantee Program

[REDACTED]

Thanks to you and the Treasury team for a productive call this afternoon. Based on our discussion, below (and attached) is the draft agenda we propose to share with NEC via [REDACTED]. Let us know if you have any comments/edits. We hope to share this in final form with [REDACTED] by 11AM tomorrow, if you could circulate and get us any feedback prior to that, we'd appreciate it.

[Handwritten signature]

Regards,

[REDACTED]

DOE Loan Guarantee Program - Proposed Policy Meeting Agenda (4/15/2010)

[Large handwritten signature]

Increasing OMB / Treasury Coordination

- Joint briefing meetings
- Single set of deal-review questions
- Treasury participation in DOE/OMB weekly call
- In addition to bi-weekly policy meetings (NEC/OECC/DOE/OMB/Treasury)

[REDACTED] "Third Party Financing" Issue related to TVA off-take

- If 2007 authority is used, no legal issues, but scoring considerations
- Depending on extent of TVA participation, may impact credit subsidy scoring
- CBO considerations if 3rd party financing is used with 2007 authority

Solyndra Audit Concerns / DOE Loan Program Monitoring

- Pre-IPO audit raised concerns about Solyndra cash situation
- Unclear still if current conditions are outside those originally expected by DOE
- Concerns re: limited DOE resources, systems, processes in place re: loan monitoring thus far
- Solyndra and 3 ATM loans represent over [redacted] in obligated loans

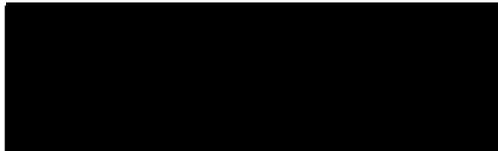
Request for DOE to share deal pipeline prior to bi weekly policy meetings

- Project by project status
- Monitoring metrics (milestones, amounts disbursed, issues, etc.)



Energy Branch

Office of Management & Budget



Footnotes 25-26

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.

[REDACTED]
Policy Analyst
Office of Management and Budget
[REDACTED]

CONFIDENTIAL

-----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

Footnotes 27-32

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 [REDACTED] 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: [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

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

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

From: Klain, Ronald A. [mailto:[REDACTED]]
 Sent: Monday, May 24, 2010 10:01 AM
 To: OConnor, Rod; Rogers, Matt
 Cc: Deseve, G. Edward
 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.

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

From: [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] and [REDACTED] talked through the going concern issue last week. [REDACTED] 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: [REDACTED]
 Sent: Monday, May 24, 2010 9:17 AM
 To: [REDACTED]

Cc: [REDACTED]

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.

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

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

From: Klain, Ronald A. [REDACTED]
Sent: Monday, May 24, 2010 8:38 AM
To: [REDACTED]

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.

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

From: Jarrett, Valerie
Sent: Monday, May 24, 2010 6:11 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 (Goldman and Morgan Stanley) 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..

Steve Westly
Managing Partner
The Westly Group



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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 its 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. For back track for a second, 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 with 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 300 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 10, 2010 at 09:14 PM in Cleantech

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Footnote 33

[REDACTED]

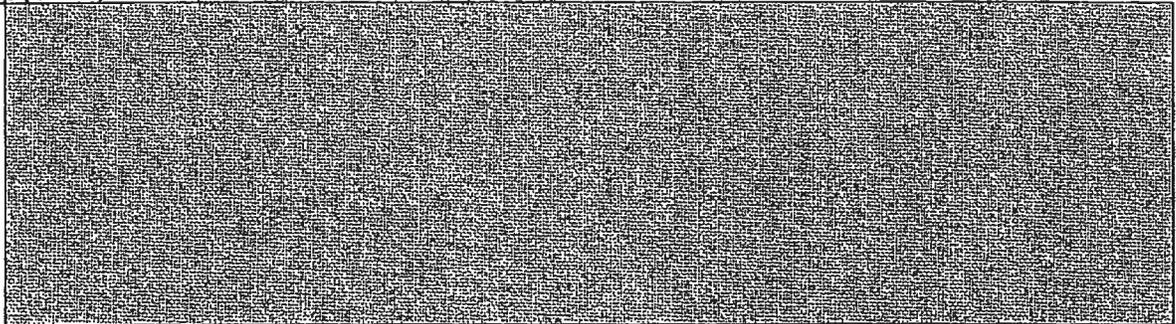
From: [REDACTED]
Sent: Wednesday, June 23, 2010 11:44 AM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: DOE Loan Guarantees status update

Below are some updates on the DOE Loan Guarantee Program, reflecting our weekly call this past Monday, as well as various developments over the course of the last week:

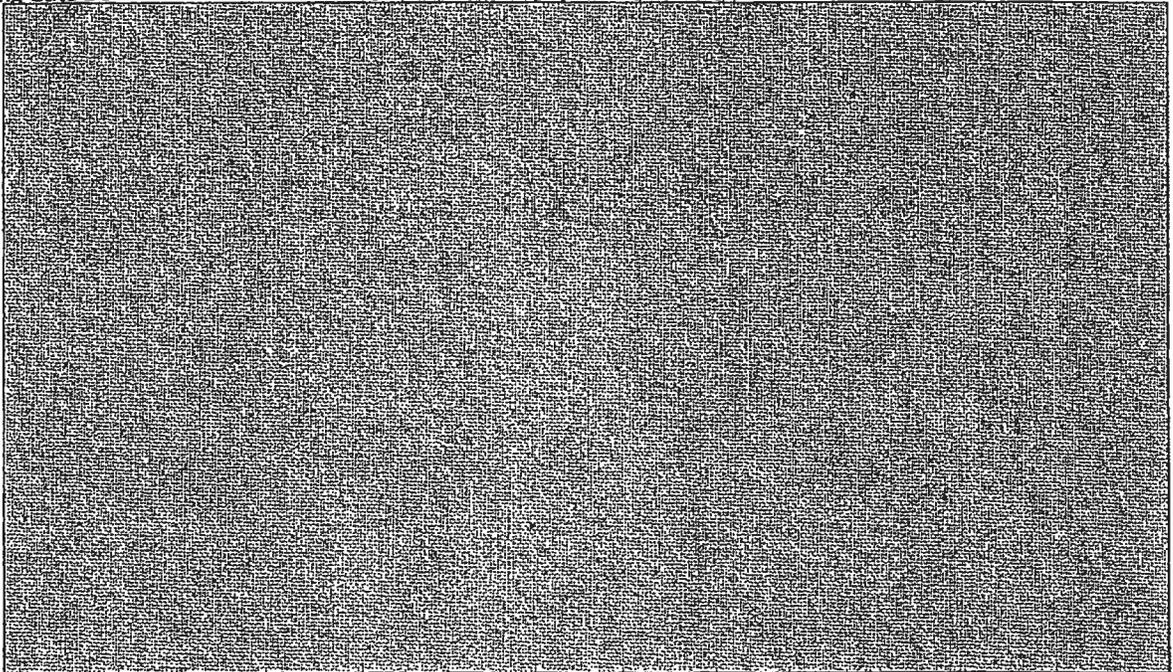
Current Loans:

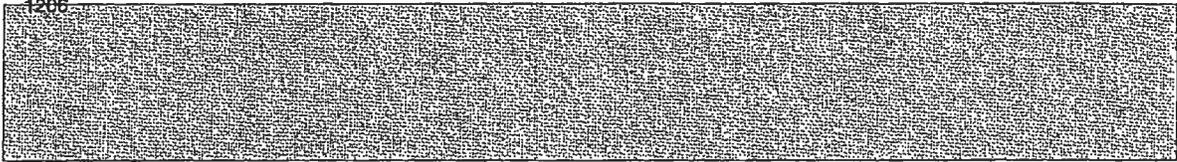
- Solyndra: has canceled its much anticipated \$300m IPO, and has instead raised less capital from its existing shareholders, in the form of debt. Although it has been explained as a function of market conditions, it is something of a black eye for the company. It does however temporarily alleviate some of the cash burn concerns we've raised in the past. The challenges Solyndra is having should be used to insist that DOE ramp up its monitoring function immediately; if DOE does not stay on top of this project, it risks becoming embarrassing given the high profile S-1, POTUS and VPOTUS events over the past year.

Closings (Gate 3):

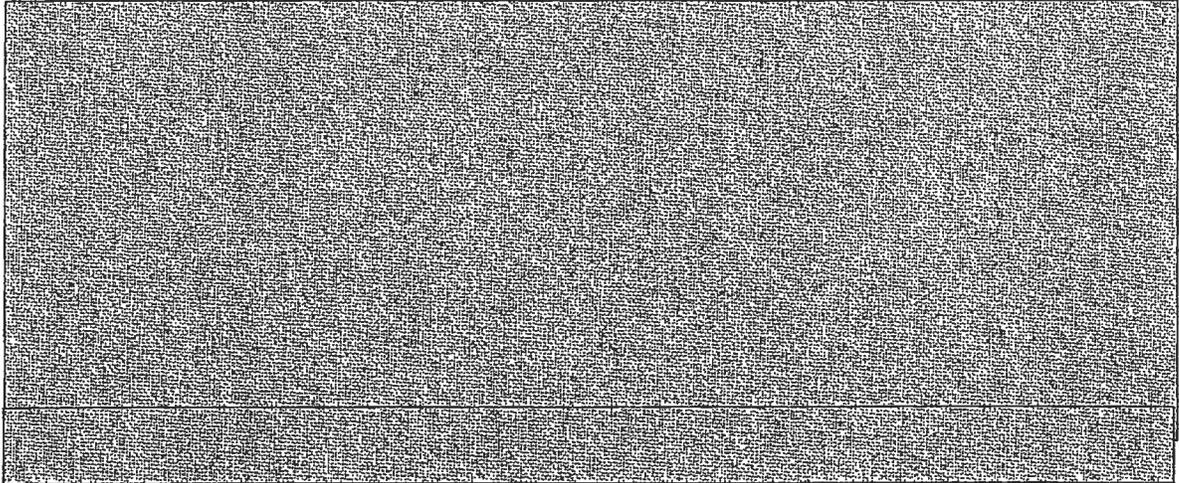


Pending Gate 2's

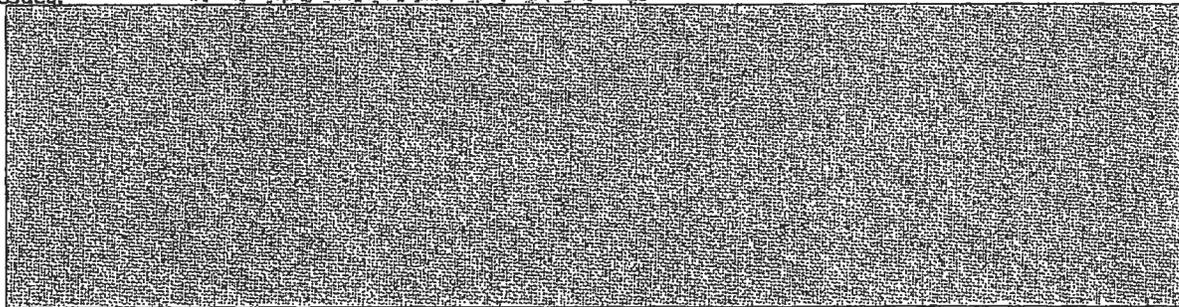




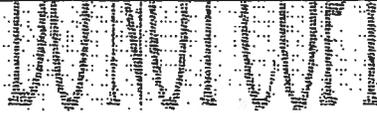
Current Conditional Commitments Updates:



Other Issues:



Energy Branch
Office of Management & Budget



Footnote 34

Microsoft Outlook

From: [REDACTED]
Sent: Monday, July 26, 2010 5:13 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: Solyndra Follow Up

[REDACTED]

Thanks again for the conversation last week regarding the status of Solyndra and DOE's monitoring plan. Given the critical importance of monitoring and recent accounts of the Solyndra project, we appreciate your time in providing an overview of the steps DOE is taking on this front and an update on Solyndra specifically. Given information recently reported in the media, I'm sure you can understand our interest in understanding the current status of this project and associated taxpayer risk. We look forward to following up with the new director of monitoring now that she is onboard to get a better understanding of the organization, systems, processes, etc. DOE will use in monitoring and analyzing loans going forward.

Per our conversation, we have pulled together the items requested July 16, items DOE indicated they planned to provide on Wednesday's call, and follow up items from our discussion so that we have a common list of items. Please let me know if you have any questions.

Thanks.

Summary of Follow Up Items

1. Follow-up items per the July 16 email, including updated parent financial statements and financial model for the project and parent, as well as the latest IE report.
2. Please provide the latest tear sheet summary for the project.
3. Actual performance against the loan covenants, including *pro forma* impact (if any) as a result of the *recent sale* of the \$175mm of secured convertible promissory notes
4. Monthly variance reports: As we discussed this may serve as a proxy for the type of information we are looking for until DOE develops a more standard and systematic way of collecting and reporting key data. For the Sponsor: Variance analysis against Sponsor's 2010 plan. For the Borrower: Variance analysis per the construction schedule (timing) and budget (cost).
5. Current market price, production, productivity (e.g., watts / panel), and cost data vs. the pro forma projections at closing. This may include:
 - a. Monthly production and sales figures since financial close in 2009.
 - b. An update to the chart on page 22 of the Credit Committee Paper (March 2009) regarding the cumulative yield for Fab1. Also an updated analysis of the increase in conversion efficiency per panel ([REDACTED] watts per module in March 2009).
 - c. Please provide additional information around the comment that the manufacturing "cost" was approximately [REDACTED] (assuming this means per watt). How has this performance compared to the base case

projections and why? Please describe how this compares to Solyndra's December 2009 S-1 filing which indicated 17.2MW sold and \$108,321K in cost of revenue (or an implied cost per watt of \$6.30) for the 9 months ended October 31.

d. Updates to Solyndra's sales contracts:

- i. Page 12 of the Credit Committee Paper (March 2009) gave pricing and volume details for Solyndra's existing contracts. Please provide a current update to that table (including additional contracts signed) and any market color that explains why average selling price is now only [REDACTED] watt. Please describe how this compares to Solyndra's December 2009 S-1 filing which indicated 17.2MW sold and \$58.814K in revenue (or an implied \$3.42 average price/watt) for the 9 months ended October 31.
6. Please provide a breakdown of the cost data by source (i.e. manufacturing overhead – including depreciation, materials, labor, etc.) and a crosswalk to cost data for other solar manufacturers as was provided in support of the Abound request, including estimated balance of plant costs.
 7. Summary of terms of \$175mm secured convertible promissory notes, and description of how Solyndra's business plan and creditworthiness has been impacted by the decision to raise funds in this manner, instead of accessing the public equity markets (including any impact that the security interest has on the parent company's ability to meet its obligations).
 8. Citation for the accounting standards governing going concern statements and any written response by Solyndra to the auditor's statement with specific financial information supporting their position.
 9. Additional detail on the nature of the transaction being contemplated by the reference to the sale of 'excess production capacity' in the July 2010 Quarterly Portfolio Report.
 10. What changes has Solyndra requested (per the July 16 email)? Please provide a summary of each request and any implications of these changes. Please also describe what these changes would mean in terms of taxpayer risk. Please also describe how the sub-lease and sale of 'excess capacity' would be booked by the parent and project. Please describe the changes to the Common Agreement that Solyndra has requested (per June 2010 Quarterly Portfolio Report).
 11. Please describe the 'changes to the construction line items' and any implications of these changes.
 12. Prior to closing, OMB requested the following: *Can DOE provide the results of an independent test which verifies Solyndra's claim regarding higher electricity generation per rooftop and lower balance of system costs? That is, have they provided results for any tests which compare the costs of two similar rooftops – one with Solyndra and the other with conventional panels that demonstrate the greater generation and the lower costs? Could DOE provide this information based on the current data available?*

Also, as we discussed, we should think about a systematic way to track the loan guarantees after they have closed. Particularly, it would be helpful to have advance notification of any issues that arise so that folks are not surprised by reports in the media. This would also help in collecting information we will ultimately need in the re-estimate process. We look forward to working with DOE to develop some way to track this information. We have made good progress on similar reports for tracking the pipeline of deals on the front end of the process. Now that we have some deals that are closing, we should think about similar reports for that stage as well.

Please let me know if you have any questions.

Thanks.

From: [REDACTED]
Sent: Monday, July 19, 2010 4:35 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: Solyndra Follow Up

We can make this work but let's please plan on a tel-conference. It is much more efficient as we can't afford the time away from the office. Just send us a number for dial in for 3:30.

Many thanks,

[REDACTED]

[REDACTED]
US Department of Energy
Director, Loan Guarantee Office, [REDACTED]
[REDACTED]

From: [REDACTED]
Sent: Monday, July 19, 2010 4:27 PM
To: [REDACTED]
Subject: Solyndra Follow Up

[REDACTED]

In follow up to our discussion earlier regarding Solyndra, any time Wednesday afternoon from 3:30 on works for us. Let me know what time works for you. If you send clearance information to me or [REDACTED] by Wednesday morning, that would be great.

Thanks.

Footnote 35

Microsoft Outlook

From: [REDACTED]
Sent: Monday, August 23, 2010 3:43 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: Solyndra Follow Up

[REDACTED]
[REDACTED] weren't able to update us on the status of the Solyndra questions on our call today. Could you let us know where things stand on the questions below?

Thank you,
[REDACTED]

From: [REDACTED]
Sent: Monday, July 26, 2010 5:13 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: Solyndra Follow Up

[REDACTED]

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Also, as we discussed, we should think about a systematic way to track the loan guarantees after they have closed. Particularly, it would be helpful to have advance notification of any issues that arise so that folks are not surprised by reports in the media. This would also help in collecting information we will ultimately need in the re-estimate process. We look forward to working with DOE to develop some way to track this information. We have made good progress on similar reports for tracking the pipeline of deals on the front end of the process. Now that we have some deals that are closing, we should think about similar reports for that stage as well.

Please let me know if you have any questions.

Thanks.

From: [REDACTED]
Sent: Monday, July 19, 2010 4:35 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: Solyndra Follow Up

We can make this work but let's please plan on a tel-conference. It is much more efficient as we can't afford the time away from the office. Just send us a number for dial in for 3:30.

Many thanks,

[REDACTED]
[REDACTED]
US Department of Energy
Director, Loan Guarantee Office, [REDACTED]

From: [REDACTED] [mailto:[REDACTED]]
Sent: Monday, July 19, 2010 4:27 PM
To: [REDACTED]
Subject: Solyndra Follow Up

[REDACTED]
In follow up to our discussion earlier regarding Solyndra, any time Wednesday afternoon from 3:30 on works for us. Let me know what time works for you. If you send clearance information to me or [REDACTED] by Wednesday morning, that would be great.

Thanks.

Footnote 36

Microsoft Outlook

From: [REDACTED]
Sent: Wednesday, July 07, 2010 9:01 AM
To: [REDACTED]
Subject: FW: LGPO Portfolio Report 7-6-10
Attachments: LGP_Portfolio_Tables_070610.xlsx

[REDACTED]

It is problematic that DOE keeps scheduling CRB's ahead of the 20 day review period. And they cancelled the weekly call.

Should I reach out to Jonathan Silver about this?

[REDACTED]

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

From: [REDACTED]
Sent: Tuesday, July 06, 2010 5:29 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: FW: LGPO Portfolio Report 7-6-10

Attached FYI, are DOE's current project status tables.

Per [REDACTED] note below, DOE is currently scheduling two major projects for CRB well ahead of the 20-day period for OMB/Treasury review. As I mention to you on [REDACTED], DOE staff have told us that DOE never agreed to the 20-day time period, so this early CRB might become an issue, particularly since these transactions will not be easy for us (or Treasury) to shorten our review.

Also, DOE informed us that they are cancelling the weekly DOE/OMB/Treasury conference calls, starting today. I spoke with [REDACTED] about this, and he said that we will need to speak to Jonathan Silver to reverse this decision. Both we and Treasury staff find these useful and would like to continue them. The calls last only about 30 minutes and make sure that all parties get up-to-date information on project status and upcoming issues and can ask questions. It would be helpful if you could follow up with Jonathan on this issue. Let us know if you want to discuss or need more information.

Thanks.

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

From: [REDACTED]
Sent: Tuesday, July 06, 2010 5:00 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: FW: LGPO Portfolio Report 7-6-10

Attached are the latest portfolio schedules from the DOE loan guarantee program. Please note that [REDACTED] and [REDACTED] do not have a Credit Review Board scheduled date. However, [REDACTED]

[REDACTED] and [REDACTED] are scheduled for July 29. We have not seen materials on either of these projects and are well within the standard 20 day review period if we are going to meet a July 29 schedule.

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

From: [REDACTED]

Sent: Tuesday, July 06, 2010 4:28 PM

To: [REDACTED]

Subject: FW: LGPO Portfolio Report 7-6-10

Latest schedules.

[REDACTED]
US Department of Energy
Director, Loan Guarantee Office, [REDACTED]
[REDACTED]

LOAN GUARANTEE PROGRAM PORTFOLIO - SUBSIDIZED PRATYAKA BY BANK									
31/12/2018									
Bank	Location	Subsidy							
[REDACTED]									

LOAN GUARANTEE PROGRAM PORTFOLIO -- ORINATION PORTFOLIO BY RANK

TABLE 2

July 6, 2010^{1a}

Officer	Project	Rank ^a	Processing Issue(s)	Project		Loan Gty. Request		NEPA Review /c	Expected Dates			Solicitation /d	Candidata 1705	FIPP	
				Sector	Technology	Cost (\$ Mil.)	\$ Mil.		%	Credit Comm.	CRB				Cond. Commitment
Miller	Solyndra (closed 9/4/09)	C		Solar Mfg.	Omnifacial power	733	535	73	EA	9/2/09	11/17/09	12/20/09	1	Yes	No

^{1a} - Shaded and bolded items have occurred.
^b - 1 = High rank with conditional commitment expected within 2 months; 2 = within 4 months; 3 = longer than 4 months; "C" = Committed.
^c - CX = Categorical Exclusion; EA = Environmental Assessment; EIS = Environmental Impact Statement.
^d - (1) EERE & Fossil, FY06 and FY08; (2) Fossil, FY08; (3) Front-End, FY08; (4) Nuclear, FY08; (5) FIPP; (6) 1705 - Transmission (7) EERE, FY08.

TABLE 2

LOAN GUARANTEE PROGRAM -- PROCESSING SCHEDULE OF UNCOMMITTED PROJECTS
July 6, 2010 /a

Sector / Project	Officer	Rank	Expected Credit Committee Meeting			Expected CRB	Expected Commitment	Actual Commitment	Report Received						
			Last Week Report	This Week Report	Change (Days)				Engr.	Mrktg.	Legal	Engr.	Mrktg.	Legal	
1															
2															
3															
4															
5															
6															
7															
8															
9															
10															
11															
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24															
25															
26															
27															
28															
29															
30															
31															
32	Solyndra Fab II	Gherl	2	med	--	--									
33															

LOAN GUARANTEE PROGRAM -- PROCESSING SCHEDULE OF UNCOMMITTED PROJECTS

July 6, 2010 /a

Sector / Project	Officer	Rank /b	Expected Credit Committee Meeting			Expected CRB	Expected Commitment	Actual Commitment	DRM Report Received						
			Last Week Report	This Week Report	Change (Days)				Engr.	Mrktg.	Legal	Engr.	Mrktg.	Legal	
Energy Efficiency (Kittling)															
Port of Management (Waterholm)															

/a - Shaded and bolded items have occurred.
 /b - 1 = High; 2 = Medium; 3 = Low; 4 = Drop.
 /c - Date that Notice To Proceed issued by DOE Procurement.

Footnote 37

Microsoft Outlook

From: [REDACTED]
Sent: Tuesday, July 13, 2010 5:00 PM
To: [REDACTED]
Subject: MEMO Energy Loan Guarantee Update Meeting 071310
Attachments: MEMO Energy Loan Guarantee Update Meeting 071310.docx

Hey [REDACTED]

Please find attached a summary memo of the loan guarantee meeting early today; I wrote relatively long since it's the first one and it helped to clarify my thinking/background on the issues as well as set the stage for reviewing each issue/decision point down the road. Let me know if I left anything out/misunderstood something, this is definitely an important program and I'm happy to assist in any way possible with EP's involvement in approval and oversight!

Best,
[REDACTED]

MEMORANDUM

July 13, 2010

To: [REDACTED]

From: [REDACTED]

Re: Update meeting with Energy Branch regarding DOE Loan Guarantee Program

Overview: This memorandum provides you with a brief summary of the key issues and further steps from the July 13, 2010 meeting with Energy Branch staff regarding updates on the DOE Loan Guarantee Program, including [REDACTED]

The meeting covered several decision points and issues related to projects that have already been committed for loan guarantees, or projects with commitments expected in the coming months:

1. [REDACTED]

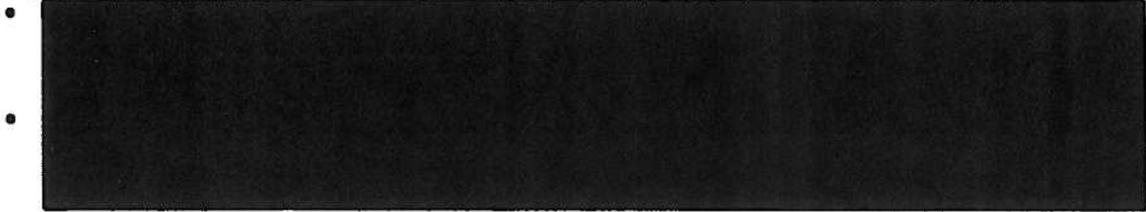
[REDACTED]

[REDACTED]

2. [REDACTED]

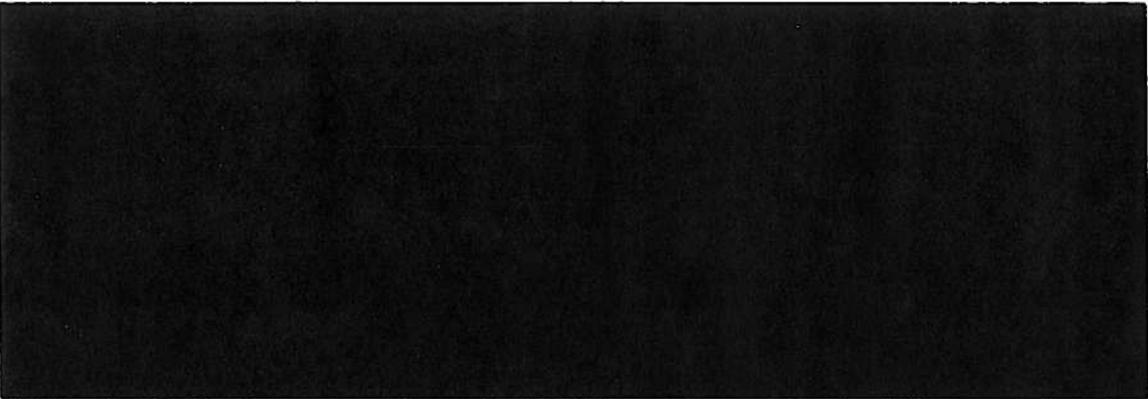
[REDACTED]

3. [REDACTED]



4. **Solyndra Phase II** – Energy Branch staff expressed concern regarding a second loan guarantee commitment to Solyndra (scheduled for the Credit Review Board in September) due to financial trouble in the project’s parent company. While a second loan guarantee to Solyndra could create economies of scale necessary to bring down manufacturing costs for solar technology, the proposal could add stress to the parent company, jeopardizing the existing loan guarantee and the second phase proposal.

- **Further Steps:** Energy Branch staff will continue to investigate concerns regarding stresses on Solyndra’s parent company, and the effect of the proposed second loan guarantee.

5. 

6. 

In addition to the specific concerns outlined above, Energy Branch staff provided brief updates on several proposals nearing loan guarantee approval, with an accompanying spreadsheet offering an overview of the size and application timeframe of each project.

Footnote 37a

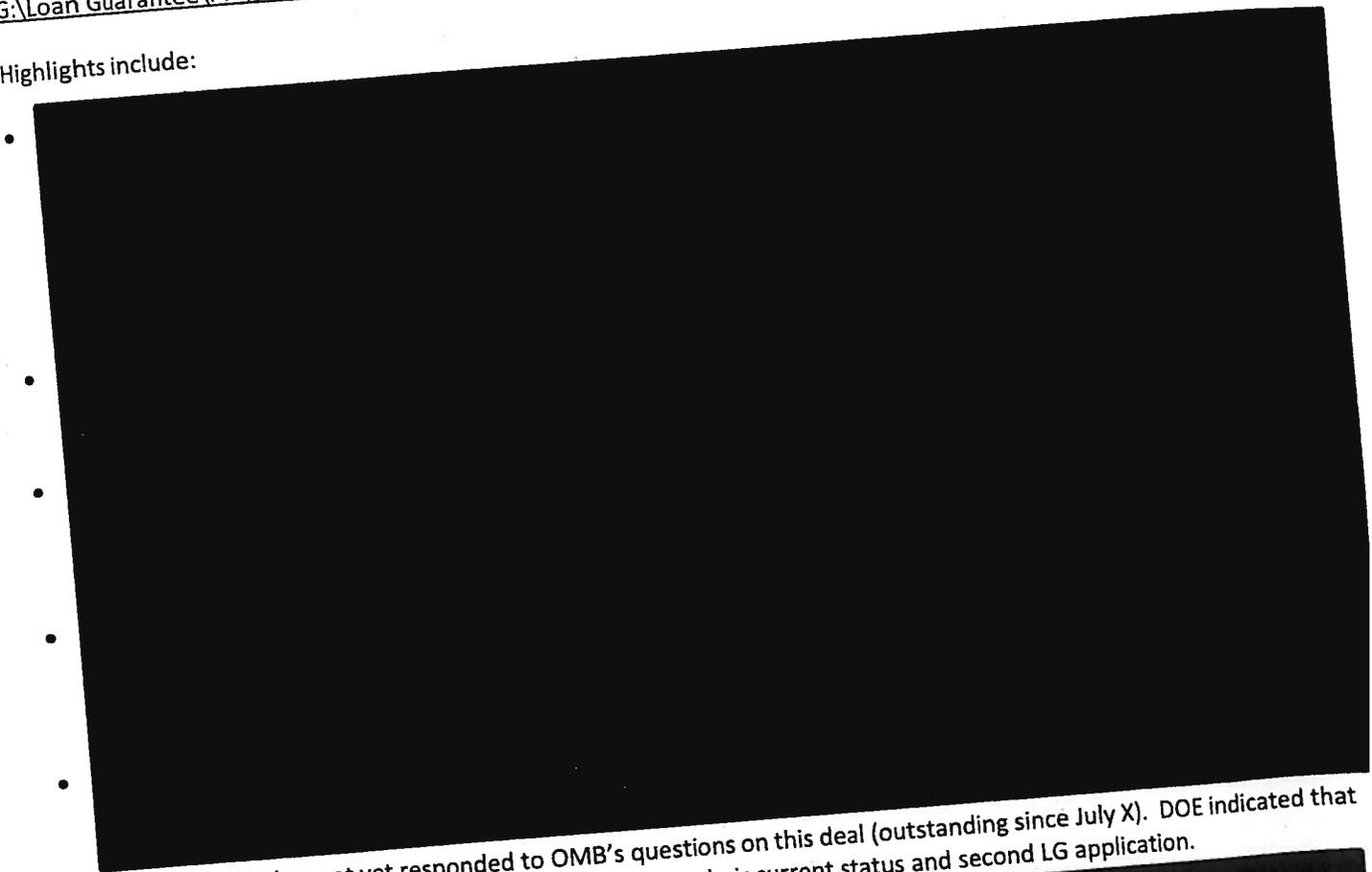
Microsoft Outlook

From: [REDACTED]
Sent: Tuesday, September 14, 2010 11:50 AM
To: [REDACTED]
Cc: Weekly DOE Loan Program Update
Subject: DOE Loan Program Notes 9-13-10.docx
Attachments:

Notes from this week's call with DOE re: the loan programs are attached and at the link below; highlights are below. If you are ok with these, please send up to [REDACTED] or let me know if you'd like me to do so.

G:\Loan Guarantee\Program updates\OMB Updates - 2010\DOE Loan Program Notes 9-13-10.docx

Highlights include:



- Solyndra: DOE has not yet responded to OMB's questions on this deal (outstanding since July X). DOE indicated that Solyndra's team was visiting DOE this week to discuss their current status and second LG application.

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

From: [REDACTED]
Sent: Friday, September 10, 2010 5:24 PM

[REDACTED]

[REDACTED], [REDACTED]; [REDACTED]
Subject: RE: Agenda for Monday, September 13, 2010

[REDACTED]

Thanks for sending this over. From OMB, please add:

[REDACTED]

Solyndra follow up.

[REDACTED]

Thanks.

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

From: [REDACTED] [mailto:[REDACTED]]
Sent: Friday, September 10, 2010 3:17 PM

[REDACTED]

[REDACTED],
[REDACTED]er,

[REDACTED]

Subject: Agenda for Monday, September 13, 2010

[REDACTED]

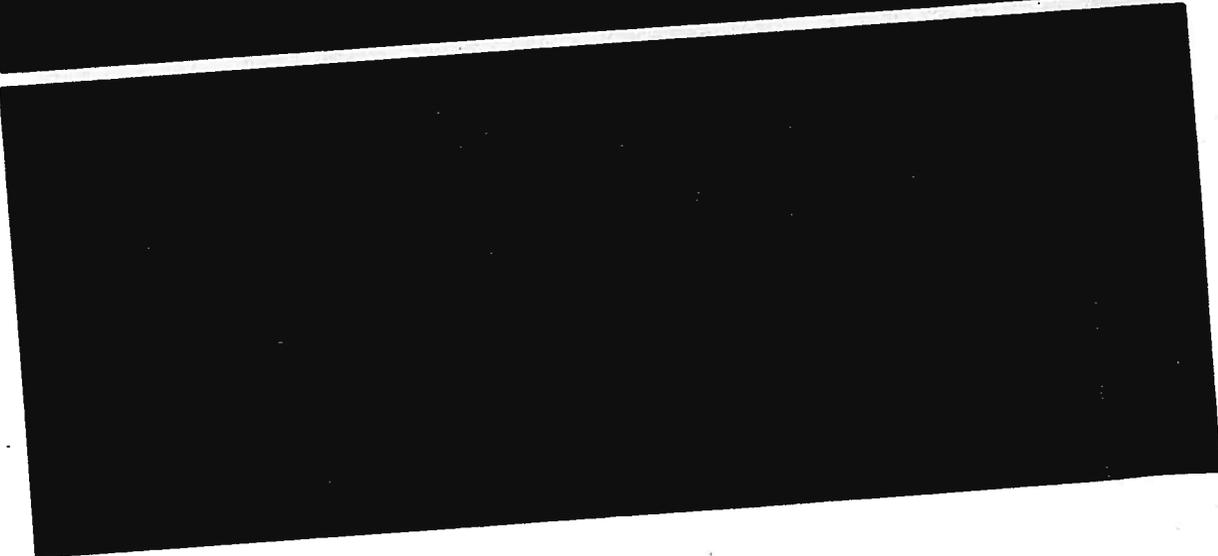
U.S. Department of Energy
Loan Guarantee Program Office
1000 Independence Avenue
Washington, DC 20585

[REDACTED]

Weekly DOE Loan Program Call

Sept. 13, 2010

Title XVII



Additional Items

- [REDACTED]
- [REDACTED]

- **Solyndra:** DOE has not yet responded to OMB's questions on this deal. DOE indicated that Solyndra's team was visiting DOE this week to discuss their current status and second LG application.

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

ATVM

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

Footnote 38

[REDACTED]

From: [REDACTED]
Sent: Wednesday, October 13, 2010 10:31 AM
To: [REDACTED]
Subject: Re:

Is there a scheduled meeting time on Friday? Place?

On Tue, Oct 12, 2010 at 4:34 PM, [REDACTED] wrote:
Hi All:

Are there any preliminary questions that you have for onward transmission to the team at Solyndra? I would like to send some questions over with the objective of scheduling a call for tomorrow afternoon so that the time on Friday can be used most efficiently. My proposal would be for a call immediately following the internal meeting tomorrow afternoon or maybe before.

[REDACTED]

----- Forwarded message -----
From: Bill Stover <[REDACTED]>
To: [REDACTED]
Date: Tue, 12 Oct 2010 14:15:35 -0400
Subject: RE: Solyndra advance materials

[REDACTED]

Good morning. In addition to the Adobe pdf file transmitted last evening, I'm attaching for your review our detail business model. Please confirm that you have been able to receive and open these materials. Let me know if you would like to set up a conference call in advance of our meeting on Friday.

Bill Stover
SVP, CFO

[REDACTED]

From: [REDACTED]
Sent: Monday, October 11, 2010 11:27 PM

To: [REDACTED]

Cc: [REDACTED]

Subject: Solyndra advance materials

[REDACTED]

Consistent with your discussion with Brian Harrison last Friday, I am enclosing various materials that summarize the revised business plan Solyndra recommended to its Board of Directors late last week. As Brian indicated on the phone call, our situation has changed quite dramatically. There are essential matters of assistance that we will be discussing with your team in person this coming Friday. As background for the materials and our discussions, I thought it appropriate to provide an overview of the situation, what's changed, and essential governmental assistance.

Situation -- With the arrival of Brian Harrison, newly-appointed President and CEO, the company undertook a comprehensive review of all elements of operations, industry conditions, and the state of our market development. The assessment largely concluded that manufacturing operations and the build out of Fab 2 were proceeding consistent with plan. However, industry competition was acknowledged to be as severe as presumed and demand creation for Solyndra's unique photovoltaic solution was deemed to be proceeding noticeably behind plan.

In the last weeks of the company's 3rd fiscal quarter (ended Oct 2nd), management determined that sales were likely to fall meaningfully short of forecast and that finished goods inventory would accumulate. The implications of lack of sell-through are quite significant, most directly on liquidity, but also as it relates to completing the company's private capital raise. We notified our investment bank of the 3rd quarter results, and received a quick determination that we would not be able to complete our private raise prior to year end as we had previously anticipated. The immediate implication of slower demand creation for our panels, and the inability to tap private capital markets is that the company will run out of the cash necessary to sustain operations in the first quarter of 2011. *Without access to FFB loan funds in October, November and December for work that has been completed, Solyndra would run out of cash in November.*

Our last business plan projected a very rapid build out of Fab 2; essentially tripling capacity in a year. Without assurance of demand for the rapidly scaling production capacity, and without firm commitments for an incremental \$300 Million of capital, the company was forced to consider various adjusted business plans. The objectives of these alternative analysis were to 1) minimize cash required while allowing time to stimulate demand, 2) accomplish the build out of Fab 2 Phase 1 and ensure debt service, and 3) position the company for longer term growth and value creation for all stakeholders. We will be prepared to discuss other plans with you, but believe the plan with a high confidence for success is the "Consolidation Plan" noted below. Two additional alternatives for which the Board was briefed were the continued rapid growth plan which required more capital than is readily accessible in the short

term, and a liquidation path should the company be unable to timely secure necessary partnering with multiple constituents, including DOE.

Consolidation Plan – The accompanying plan fundamentally changes the course of completing the Fab 2 Phase 1 capacity by redeploying existing Solyndra Fab 1 tools. Instead of Solyndra spending incremental capital to finish the tool build of certain of the remaining tools for lines 2 and 3, Solyndra will physically shut down manufacturing in Fab 1 over the course of several months, and move production tools into Fab 2. Such consolidation of operations allows Solyndra to most efficiently operate manufacturing. For the next two quarters, total production is lower which better matches near term production with market demand. Solyndra's cash requirements for labor and materials are meaningfully reduced. Under the Consolidation Plan, Solyndra will employ approximately 200 fewer people than we do today.

Assistance – We expect that the Consolidation Plan will allow us to optimize operations, raise additional capital, service our debt and successfully build our business, albeit at a more moderate scale. Detailed in the attached materials are two slides describing specific loan accommodations which are essential to making this Consolidation Plan work. For clarity, I note several:

- Continued access to the remaining FFB loan funds and restricted cash account in concert with completion of the full Phase 1 production capacity
- Delay in principal and interest payment schedule by one year
- No further interest payments until commencement of principal repayment
- Extension of the loan maturity to December 2019 (increase loan from 7 to 10 years)
- Removal of the requirement for \$30 Million cost overrun reserve account
- To the extent changes alter the credit subsidy cost, such incremental costs are satisfied through DOE budget

We have briefed our Board of Directors, key shareholders and noteholders regarding concessions that may be required by DOE to secure DOE's commitment to support the Consolidation Plan, including:

- Commitment to a fully-funded plan [\$150 Million]
- First priority security interest in all Solyndra, Inc. assets, including intellectual property

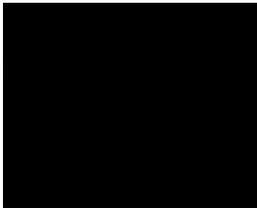
- Solyndra, Inc. guarantee of Fab 2 indebtedness

Please find attached a .pdf summary of the Consolidation Plan which incorporates all of the loan modifications proposed above.

Thank you tremendously for your investment of time and resources on these matters. Our team is available Tuesday between 12:00 pm - 2:00 pm Eastern time to brief you further on the materials. Additionally, we've set aside all of Wednesday to be responsive to your queries once you have had an opportunity to review the materials. Thursday will be a travel day for meetings in your offices on Friday.

Bill Stover

SVP, CFO



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Thank you for your cooperation.

----- Forwarded message -----

From: Bill Stover <[redacted]>

To: [redacted] "Silver, Jonathan"

Date: Tue, 12 Oct 2010 02:27:00 -0400

Subject: Solyndra advance materials



Consistent with your discussion with Brian Harrison last Friday, I am enclosing various materials that summarize the revised business plan Solyndra recommended to its Board of Directors late last week. As Brian indicated on the phone call, our situation has changed quite dramatically. There are essential matters of assistance that we will be discussing with your team in person this coming Friday. As background for the materials and our discussions, I thought it appropriate to provide an overview of the situation, what's changed, and essential governmental assistance.

Situation – With the arrival of Brian Harrison, newly-appointed President and CEO, the company undertook a comprehensive review of all elements of operations, industry conditions, and the state of our market development. The assessment largely concluded that manufacturing operations and the build out of Fab 2 were proceeding consistent with plan. However, industry competition was acknowledged to be as severe as presumed and demand creation for Solyndra's unique photovoltaic solution was deemed to be proceeding noticeably behind plan.

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Consolidation Plan – The accompanying plan fundamentally changes the course of completing the Fab 2 Phase 1 capacity by redeploying existing Solyndra Fab 1 tools. Instead of Solyndra spending incremental capital to finish the tool build of certain of the remaining tools for lines 2 and 3, Solyndra will physically shut down manufacturing in Fab 1 over the course of several months, and move production tools into Fab 2. Such consolidation of operations allows Solyndra to most efficiently operate manufacturing. For the next two quarters, total production is lower which better matches near term production with market demand. Solyndra's cash requirements for labor and materials are meaningfully reduced. Under the Consolidation Plan, Solyndra will employ approximately 200 fewer people than we do today.

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Bill Stover

SVP, CFO



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Thank you for your cooperation.

Footnotes 39-41

[REDACTED]

From: [REDACTED]
Sent: Tuesday, October 26, 2010 5:32 PM
To: 'Browner, Carol M.'
Subject: RE: Internal announcement

Left you a VM on your cell

From: Browner, Carol M. [REDACTED]
Sent: Tuesday, October 26, 2010 5:30 PM
To: [REDACTED]
Subject: Re: Internal announcement

What is the announcement?

From: [REDACTED]
To: Browner, Carol M.; Klain, Ron; [REDACTED]
Sent: Tue Oct 26 17:19:59 2010
Subject: FW: Internal announcement

Let me know if you want to discuss.

From: Silver, Jonathan
Sent: Monday, October 25, 2010 10:01 PM
To: [REDACTED]
Subject: Fw: Internal announcement

Fyi
We should discuss in the morning.

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

[REDACTED]

From: [REDACTED]
To: Silver, Jonathan
Sent: Mon Oct 25 21:38:49 2010
Subject: Fw: Internal announcement

FYI.

[REDACTED]

From: Brian Harrison <[REDACTED]>
To: [REDACTED]
Sent: Mon Oct 25 21:28:59 2010
Subject: Internal announcement



I hope that your meeting preparation with your inter-agency colleagues and Goldman is going well. The reason for this note is to make you aware that Solyndra has received some press inquiries about rumors of problems (one of them with quite accurate information) and we have received in bound calls from potential financial investors. Both of these data points indicate the story is starting to leak outside Solyndra. It is our view inside Solyndra that while not desirable from DOE perspective we need to internally announce to employees and with one selected press member on Thursday of this week, October 28. It is our belief that it is better for all parties to get in front of the story and control the messaging rather than get behind the story and on the defensive. So, I would like to go forward with the internal communication on Thursday, October 28. There will be no mention of the DOE.

Additionally, the meeting with Secretary Chu was a very good one. I did not have an opportunity to speak with him privately.

Regards, Brian

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[REDACTED]

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Executive Director
Loan Programs
U.S. Department of Energy

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Sent: Mon Oct 25 21:38:49 2010
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To: [REDACTED]
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Regards, Brian

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Thank you for your cooperation.

Footnote 42

From: Steve Mitchell <[REDACTED]>
Sent: Saturday, October 30, 2010 2:40 AM
To: Ken Levit; George Kaiser
Subject: RE: One more DoD contact idea

Ken,

let's discuss tmrw and get [REDACTED] talking with the right guys at Solyndra. We are also working with [REDACTED] and [REDACTED] are helping to arrange something with [REDACTED]

I will send an update soon but the bottom line is that the DOE continues to be cooperative and have indicated that they will fund the November draw on our loan (app. \$40 million) but have not committed to December yet. They did push very hard for us to hold our announcement of the consolidation to employees and vendors to Nov. 3rd - oddly they didn't give a reason for that date.

Steve

From: Ken Levit [REDACTED]
Sent: Fri 10/29/2010 1:29 AM
To: Steve Mitchell; George Kaiser
Subject: One more DoD contact idea

[REDACTED]

From: Ken Levit
Sent: Saturday, October 30, 2010 8:58 PM
To: [REDACTED]
Subject: RE: GKFF Portfolio Update 10/29/10

Kind of a big bummer.

From: [REDACTED]
Sent: October 30, 2010 3:43 PM
To: [REDACTED] Ken Levit
Cc: [REDACTED]
Subject: GKFF Portfolio Update 10/29/10

Gentlemen - attached is the usual balance sheet for GKFF through the end of the day Friday. The email body below runs through a number of update items for your review. As always, [REDACTED] and I are happy to answer any further questions on any of these topics.



Solyndra

Fundraise Update - Solyndra is still in need of approximately \$150mm of outside equity capital by the end of the year. To date, the general level of interest from outside investors has been low which is signaling that raising outside funds by the end of the year will be tough. Goldman has been unsuccessful gaining traction with large industrial companies (with the exception of [REDACTED] who have requested more information but do not appear overly serious). Goldman began discussions with traditional private equity funds earlier this week and three firms, [REDACTED] and [REDACTED] have indicated interest. Solyndra also intends to contact other solar companies in the near future, but we cannot say with confidence that they will show any more interest than the investors contacted to date.

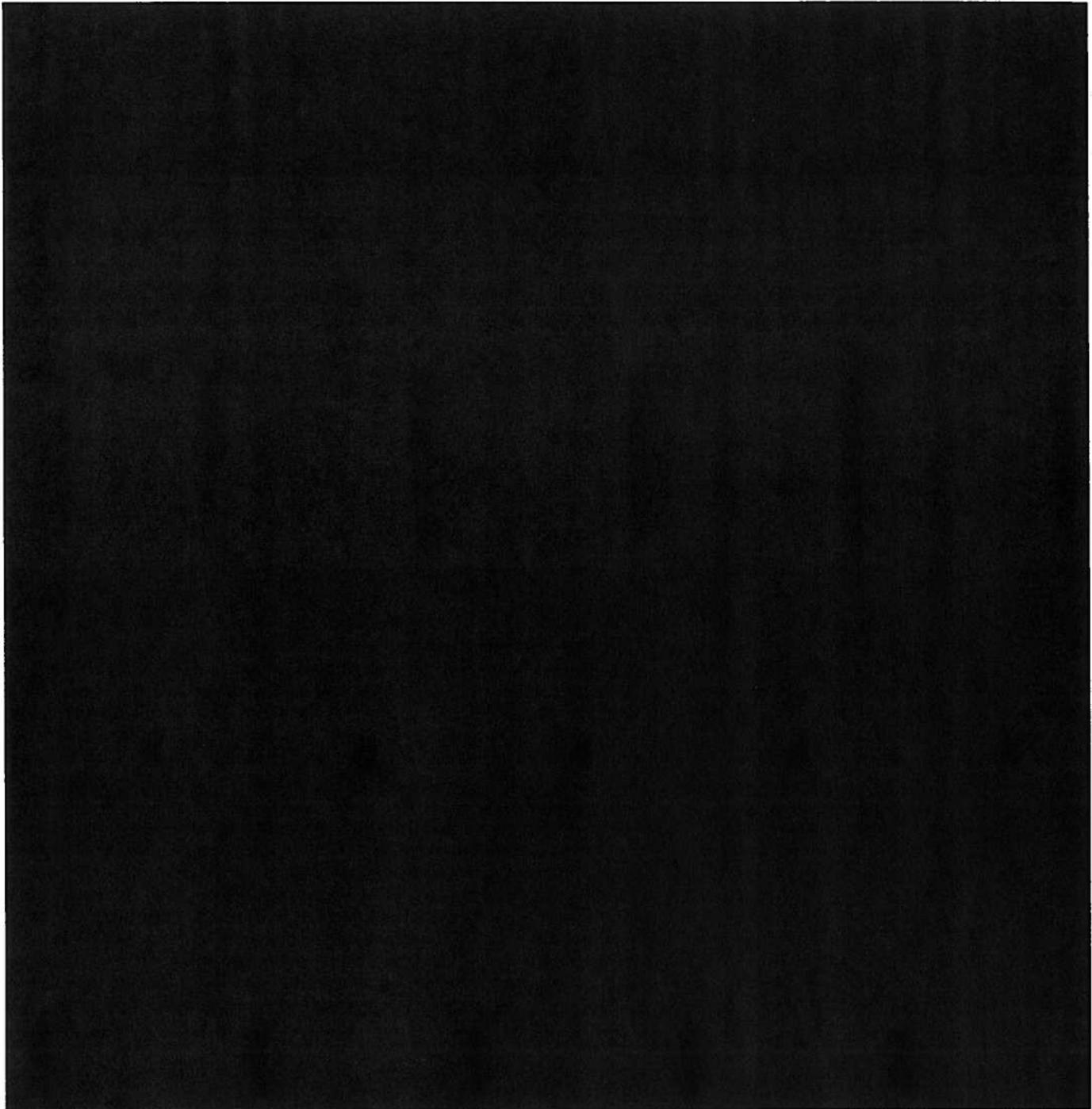
DOE Loan Restructuring - Solyndra management has had a series of meetings with the DOE over the past couple of weeks to discuss restructuring the existing DOE loan agreement. It appears that the DOE is willing to accommodate Solyndra's asks, but they appear to be concerned about "looking bad" if they continue to fund Solyndra while (1) equity owners don't support the company or (2) Solyndra fails to execute on their business plan. Solyndra plans to draw additional funds from the DOE in November and December, so it is critical to have their approval to maintain adequate liquidity. With respect to additional loan draws, management believes the November funding is effectively approved, but the December funding could be held up if the DOE feels uncomfortable about the prospects of additional capital. The DOE is also holding meetings with Goldman in order to understand the probabilities of a successful fundraising. This meeting could potentially impact the DOE's decision to allow the November or December fundings.

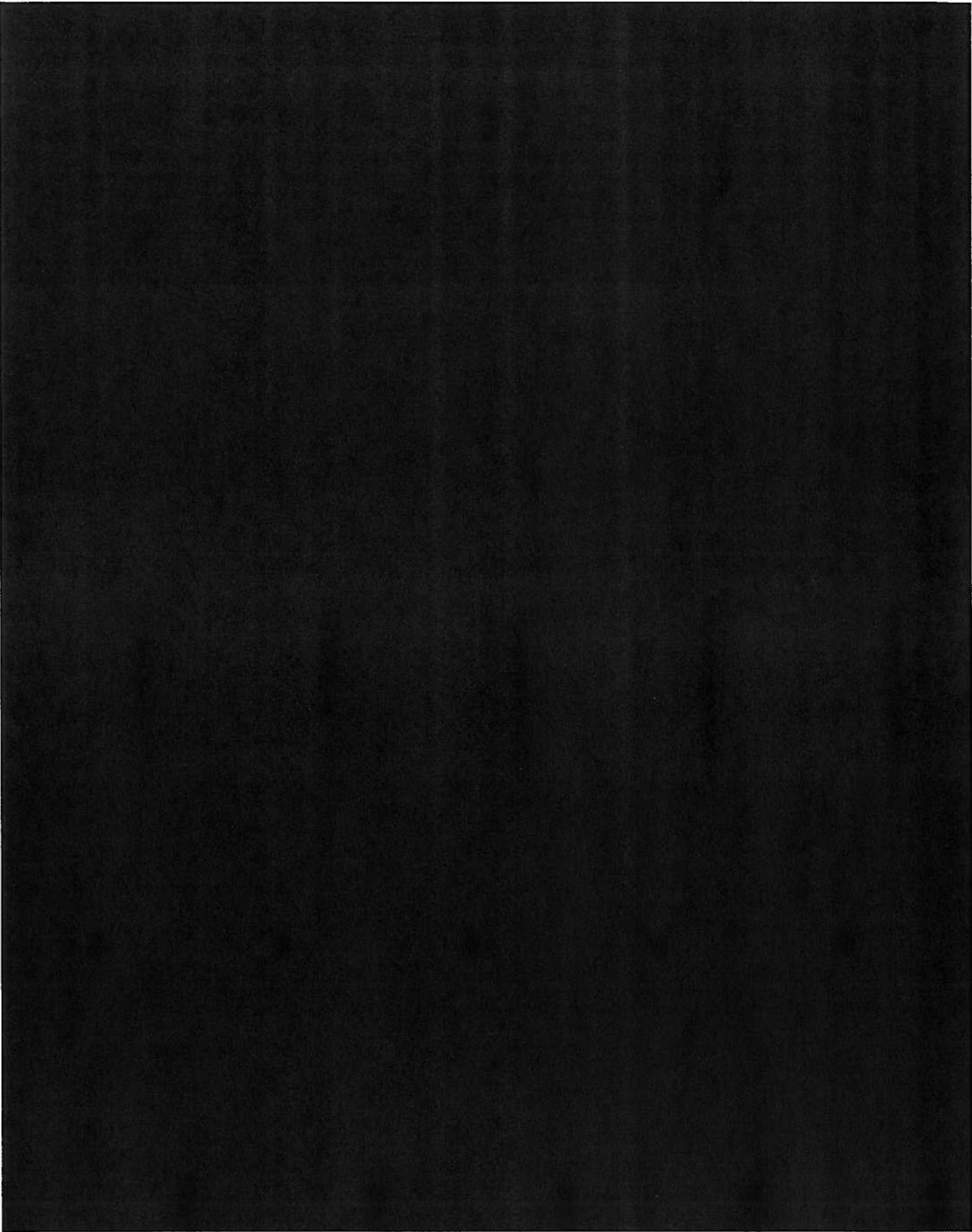
DOE officials visited Solyndra's facilities last week as part of their diligence in connection with restructuring the loan terms. The officials toured the production facilities and conducted meetings with Solyndra's management team. 80% of

the discussion was focused on Solyndra's sales and marketing plan and how the DOE could underwrite Solyndra's projected sales volume. The DOE originally asked to see signed purchase orders, but management explained that there is nothing concrete - just a compilation of anecdotal evidence that Solyndra will be able to increase sales volumes through its new sales methods/channels.

Layoff Announcement - Management discussed their timeline for announcing layoffs. They recently decided to delay the announcement date from 10/28 until 11/3 per the DOE's request. Management is eager to announce the company's revised plans because rumors are rampant and employee churn is increasing substantially (Sept'10 employee churn was equal to total 2009 employee churn). The current plan is to lay off about 100 part-time factory workers and 50 full time factory workers (in connection with the consolidation of Fab 1 into Fab 2). In approximately 6 months, management plans to lay-off another 50-100 R&D focused employees.

Next week we will send an update on the fundraising progress with the financial sponsors mentioned.





From:



Sent:

Wednesday, October 27, 2010 7:26 AM

To:

[Redacted] Ken Levit

Cc:

[Redacted]

Subject:

Solyndra Conference Call

[Redacted] and Ken,

held a conference call this morning with existing investors to provide an update on discussions with the DOE and the fundraise process. Below is a summary of my notes from the call:

with DOE

officials visited Solyndra's facilities last week as part of their diligence in connection with restructuring the loan terms. The officials toured the production facilities and conducted meetings with Solyndra's management team. 80% of the discussion was focused on Solyndra's sales and marketing plan and how the DOE could underwrite Solyndra's projected sales volume. The DOE originally asked to see signed purchase orders, but management explained that there is nothing concrete - just a compilation of anecdotal evidence that Solyndra will be able to increase sales volumes through its new sales methods/channels.

is planning to draw on the DOE loan in November and December. Management stated that DOE officials have indicated the November draw should be approved, but it is likely they will need to see equity committed to the company prior to the December draw. It sounds like the DOE is primarily focused on not looking bad, and if they continue to fund while equity holders are unwilling to commit, they could look bad.

Process

DOE has a meeting with Goldman Sachs tomorrow to discuss the probability of fundraise success. Management thinks GS will tell the DOE that most the industrial companies are not interested (aside from [Redacted] which has requested more information), and they are just beginning to contact financial investors. I think this meeting could potentially prompt the DOE to ask for some commitment from investors prior to the November funding.

Layoffs

discussed their timeline for announcing layoffs. They currently expect to tell suppliers/customers/potential investors on Oct 27 and employees/press on Oct 28 (this Thursday). The DOE has requested a delay until after the election (without mentioning the election), but management believes they need to communicate as quickly as possible as rumors are rampant and many employees have left (Sept'10 employee churn was equal to total 2009 employee churn).

From:



Sent:

Saturday, October 30, 2010 4:26 AM

To:

Ken Levit

Subject:

Re: did they do layoffs?

No announcement till after elections at doe request

From: Ken Levit

To:



Sent: Fri Oct 29 17:21:07 2010

Subject: did they do layoffs?

Footnote 44

Sent: Tuesday, December 07, 2010 10:59 PM
To: Steve Mitchell
Subject:

George,

Unfortunately our proposal with the DOE did not fly. They acknowledge that they should be increasing the loan to provide additional capital or asking us to contribute to a fully funded plan in conjunction with the DOE loan being reduced to create incentive for new investment. However, they also acknowledge that politically they have no will or ability to get this done. The DOE really thinks politically before it thinks economically and in a conversation today with [REDACTED] he confirmed this (he knows Jonathan Silver – head of the DOE loan program).

After the DOE summarily shot down our proposal, we politely moved the conversation toward how we should use the time to start discussing the bankruptcy process since all of the relevant parties were in the room (by relevant I mean – the DOE as senior secured lender for Fab 2; Argonaut as the majority holder of the convertible debt which is the senior secured loan relating to Fab 1, the intellectual property and all company assets excluding Fab 2 and Solyndra management). To me it was clear that the DOE folks were somewhat caught off guard that we weren't going to bail out the company.

We broke from this meeting and [REDACTED] the lead decision maker for the DOE at this week's negotiations (Jonathan Silver did not attend the meetings), grabbed me and wanted to discuss one final proposal from the DOE. She suggested that we (current investors) commit to fund \$75 million now and in exchange the DOE would fund the remaining \$95 million (all of the variables described in the transaction last night would apply lower in the capital stack). Under her new proposal, in a downside situation – i.e. a liquidation scenario – our \$75 million would receive 100% of the liquidation proceeds until we were made whole and her \$95 million would stand behind us. However, in an upside situation where the company can amortize the loan out of cash flow the DOE's capital would flip up to the senior position and our \$75 million would be subordinated to the DOE's \$95 million. She acknowledged that this still required us to fund into an unfunded plan, however, in May/June timeframe if we did not feel good about the business then we could choose to liquidate at that time and in her mind we should be made whole on the entire amount of the \$75 million (she is probably within reason on this statement as the land and building should fetch something around that number – it is a specialized building so access to the right buyer will drive value higher or lack of the right buyer could lead it lower). I pushed [REDACTED] if the DOE would also haircut a portion of its loan and she again reiterated that they could not (please recall the currently funded portion of the DOE loan is to be discounted to app. \$250 million and then accretes back to \$440 million over a 15 year term - so at some level they are discounting the loan or foregoing true interest for the next 15 years). I agreed to discuss it internally and with Madrone as well.

We had a great deal of discussion regarding this proposal today and I struggle to recommend making the additional investment. One open question was where in the capital stack would the additional \$75 million come in (i.e. the second \$75 million tranche of the \$150 million total). We asked for clarification stating our assumption was that if it had to be provided by insiders than it should be pari passu with the first \$75 million as the company was not significantly de-risked by the time the capital was needed to attract outside investors. [REDACTED] was adamant that this was unacceptable and the second \$75 million would be pari passu with the \$440 million or junior to the \$95 million at best. She seemed open to leaving the question of the second \$75 million undetermined as well and dealing with it at the time the capital was actually needed [REDACTED] (Solyndra general counsel) and [REDACTED] both acknowledged that the pressure on the DOE, for a variety of reasons, would be much greater in May/June when their loan was fully funded, they are behind our \$75 million and the company is progressing on its plan and that we would have more leverage at that time).

The most compelling part of the DOE proposal is it arguably gives us a free look into May/June timeframe to see if the company has executed on its plan. The most significant thing we will be able to tell at that time period is whether the company has been successful in its channel and market development strategies (the current thinking is that this effort is on the right track and there are good indicators of better traction every day). We will not, by this time period, have very good clarity into Solyndra's ability to pull costs out of the process as Q1 will have COGS as we transition over from Fab 1 to Fab 2. We won't really know about costs savings until Q3 and Q4.

I bring these items up as this request does reduce our risk in the downside scenario (versus pari passu or behind the DOE loan), however, it does require us to fund into an unfunded business plan. My primary concern is that at the time we will need to make a funding decision on the next \$75 million prior to a time in which the company will be able to attract 3rd party capital and we will be forced to make a decision to fund additional capital or liquidate the company at a time when it will be difficult to have real conviction around the ultimate success of the business. To say this another way, it is somewhat implicit in funding the senior secured \$75 million today that we will fund the additional \$75 million (and we won't know dramatically more at the time we are forced to make that decision). Madrone is inclined to participate in the DOE proposal as they value the optionality that the senior secured position provides, however, they don't really have an appetite to provide a portion of the next \$75 million (i.e. if Solyndra cannot raise the capital from outsider investors in the next round than we would liquidate the business (regardless of how well the company has progressed)). This is a simplification of Madrone's position but I wanted to note that they are leaning more positively than I am to fund the first \$75 million, but they don't share my fear that we get stuck in a very difficult decision regarding the following \$75 million (the company can either raise outside capital or it cannot).

I also question the upside opportunity on an additional \$150 million equity investment. The current plan projects a 2014 Ebitda of [REDACTED]. Current solar companies trade at approximately 8X Ebitda – this would give Solyndra an enterprise value of app. [REDACTED] and an equity value of [REDACTED] (this assumes convertible debt is converted and the \$150 of new capital is not viewed as debt (although it would amortize but would also own the lion's share of the equity)). However, Solyndra's historical cap-ex required per MW of production capacity would not justify expending capital to increase production capacity (the company is exploring technologies it could license that would give its cylindrical form factor dramatic advantages in power production but these are 2 to 4 years out as best and are too speculative to underwrite). As a result, unless a technology or manufacturing break through occurs (line speed increase, dramatic panel power improvement beyond the projected improvement in the current business plan) the company will most likely not garner a growth multiple of 8X and more likely end up with a 5X to 6X valuation. This provides an enterprise value range of [REDACTED] in equity value. Put another way, the company is not creating equity value until it reaches approximately [REDACTED] in Ebitda.

These valuations assume the company does not require additional capital and it achieves the full potential of the plan. Obviously the company has a history of missing its plans which is a primary reason for our concern (this is somewhat abated by the plan's author – Brian Harrison - the new CEO). However, a good portion of the prior misses were poor assumptions on outside factors (pricing, sales costs) that Brian doesn't have better clarity on than prior management. This plan is far more conservative on line speed (no increases in the plan) and panel pricing but it does underwrite to a continued increase in panel power which is a variable we have missed on in the past.

I realize the above is a bit all over the map. To restate my point: I do believe we (along with Madrone and smaller current investors) can fund the first \$75 million and ultimately recover that capital if we don't like the company's progress. However, I think it will be incredibly tough to have the conviction in any situation but a disaster scenario to pull the rip cord and liquidate the company (not to mention it won't be our decision alone to make). For this reason I do not feel comfortable recommending moving forward.

I have follow up discussions with Goldman Sachs (they are reaching back out to financial investors to test their appetite for this structure), the DOE and management prior to our Argonaut review meeting tmrw afternoon. I also have a board call after our Argonaut meeting to update the board and gauge other investor's interest in the

DOE proposal. I will continue to update you if any additional information arises.

█ is in the thick of getting his head around the NOL situation (in both a bankruptcy and non-bankruptcy setting) and I continue to ask strawman scenarios that make no sense (I'm clearly no tax guy). We hope to have some solid sense of the opportunity by Thursday's meeting.

Please let me know if you have any additional questions, comments or suggestions.

Steve

Footnote 45

[REDACTED]

From: [REDACTED]
Sent: Wednesday, December 08, 2010 3:24 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: Meeting with [REDACTED] Solyndra

Yes.

[REDACTED]

Portfolio Management
Loan Guarantee Program Office
US Department of Energy
1000 Independence Avenue SW
Washington, DC 20585

[REDACTED]

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

From: [REDACTED]
Sent: Wednesday, December 08, 2010 3:08 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: Meeting with [REDACTED] Solyndra

Can you guys do this? If not I will go on my own and try to set up larger group later.

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

From: [REDACTED]
Sent: Wednesday, December 08, 2010 3:06 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: Meeting with [REDACTED] Solyndra
Importance: High

Just talked to him. He can do it at 3:30.

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

From: [REDACTED]
Sent: Wednesday, December 08, 2010 2:51 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: Meeting with [REDACTED] /Solyndra
Importance: High

[REDACTED] We have a serious problem at Solyndra and need to brief [REDACTED] as soon as possible. Could you set up a meeting with the folks on this e-mail (plus, I assume [REDACTED] would want [REDACTED] in the meeting). Thank you

[REDACTED]

Chief Counsel, Office of Loan Programs

Footnote 46

[REDACTED]

From:

Sent:

[REDACTED]
Friday, December 10, 2010 4:02 PM

To:

Subject:

[REDACTED]
Summary of Key Business Terms

Attachments:

Summary of Solyndra Key Business Terms and Conditions.docx

[REDACTED]
Portfolio Management
Loan Guarantee Program Office
US Department of Energy
1000 Independence Avenue SW
Washington, DC 20585

[REDACTED]

Solyndra
Summary of Key Business Terms and Conditions

The restructuring will consist of Senior Debt of up to \$300 million and Senior Second Position Debt of \$560 million. The December Advance is contingent on:

- i. Pro-rata funding by the current investors up to an aggregate of \$75 million;
- ii. A guarantee from Solyndra, Inc. covering all obligations of Fab 2; and
- iii. A finalized term sheet executed by Solyndra and its Existing Investors.

The plan is to reach financial close in 4-6 weeks.

SENIOR DEBT: \$300 million 6 year facility

Tranche A: \$75 million of new Investor Debt (Argonaut/Madrone/Existing Investors)

Interest: Libor plus 600 basis points reducing to 2.5% effective December 2012.

- **Funding Date:** Pro-rata with DOE debt beginning in January.
- **Liquidity Rights:** Payment priority from proceeds in event of liquidation before initial scheduled principal payment date (March, 2013).

Tranche B: \$150 million of DOE/FFB financing (including \$95 million yet to be funded)

Collateral (Tranche A and B): (1) all equity interests and assets in Fab 2 LLC (including IP, all equipment, agreements, etc.); and (2) all assets in Solyndra, Inc. (Tranche A only)

Payment Terms (Tranche A and B): (1) Initial principal payment: March, 2013; (2) Equal quarterly principal payments over 16 quarters; (3) Final maturity: December, 2016; (4) PIK interest period: through December, 2012; (5) Cash sweep as discussed below; and (6) All prepayments without penalty.

Tranche C: Up to an additional \$75 million of new Investor Debt

- Pari-passu and same collateral and terms as Tranche A, but no priority payment from proceeds in the event of liquidation before initial scheduled principal payment date, or as to be negotiated by new lenders and acceptable to DOE/FFB.

SENIOR SECOND POSITION DEBT: \$560 million (DOE/FFB - \$385 million/Existing Investors \$175 million)

- Previously funded DOE/FFB debt (\$385 million) and Existing Investor Convertible Debt (\$175 million) will be discounted using an OID structure:
 - **DOE/FFB Debt:** \$270 million initial principal amount (30% discount), accreting to \$385 million evenly on a quarterly basis over a 12 year period.
 - **Existing Investor Convertible Debt:** \$80 million initial principal amount (55% discount), accreting to \$175 million evenly on a quarterly basis over a 15 year period.

Payment Terms	DOE/FFB/OID	Existing Investor/OID
Tenor	12 years	15 years
Principal payments	24 quarters beginning March, 2017	36 quarters beginning March, 2017
Final maturity	December, 2022	December, 2025
PIK interest period	Through December, 2014	Through December, 2015
Mandatory Redemption	Once total balances in certain accounts exceeds 125% of outstanding balance	None
Optional Prepayment	Original principal and accrued interest;	None
Payment Event of Default	All future accretions brought forward if uncured payment default	All future accretions brought forward if uncured payment default

Collateral Package:

<u>Current Package</u>	<u>Proposed Package</u>
<ul style="list-style-type: none">• <u>Building and land</u>• <u>Equipment</u>• <u>Leashold Interests</u>• <u>Limited use of license for Solyndra technology up to the production output of Fab 2</u>	<ul style="list-style-type: none">• <u>Building and land</u>• <u>Equipment</u>• <u>Leashold Interests</u>• <u>Intellectual property</u>• <u>Fab 1 and associated equipment</u>• <u>Supply, sales, and other operating agreements</u>• <u>Personnel</u>• <u>Limited guarantee of Solyndra, Inc.</u> <p><u>All assets of Solyndra, Inc. have been transferred to Fab 2, LLC.</u></p>

Footnote 48

[REDACTED]

From: [REDACTED]
Sent: Monday, January 03, 2011 11:13 AM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: Solyndra restructuring update

Great. Thanks.

From: [REDACTED]
Sent: Monday, January 03, 2011 11:12 AM
To: [REDACTED]
Cc: [REDACTED]
Subject: Re: Solyndra restructuring update

I spoke with [REDACTED] briefly. He had not looked at it but is looking today. He would like to invite [REDACTED] to the meeting as well.

He also asked for DOE's opinion on the subordination issue. I will email DOE to request that information.

From: [REDACTED]
To: [REDACTED]
Cc: [REDACTED]
Sent: Mon Jan 03 11:09:07 2011
Subject: FW: Solyndra restructuring update

Attached and below are background for today's 3:45 pm meeting.

From: [REDACTED]
Sent: Wednesday, December 22, 2010 6:01 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: Solyndra restructuring update

We had a call with DOE yesterday (12/21) on the Solyndra restructuring, that was informed by the attachments to this email that Frances sent prior to the call. Below are some of the key take-aways from my notes:

- See the PPT presentation attached for an update on the company's status, DOE loan amounts disbursed (\$460 out of \$535 as of Dec.), background on the consolidation plan, etc.
- DOE asserts that this restructuring is a work-out, as Solyndra (the parent) will run out of cash as of January, 2011, and while the project's finances would at first glance be fine, it would be greatly impacted by a Solyndra bankruptcy given how integral the parent is to the project.
- DOE and its contractors has reviewed Solyndra's consolidation plan, which calls for \$150 million in additional capital to achieve construction completion in Q2 of calendar year 2011 and turn cash flow positive in Q1 2012. DOE has not, however, sought any independent third party validation of the plan and estimates; they have sought to assess its reasonableness internally. They have also not sought any external support from restructuring specialists over the past few months
- As we learned from DOE last week, Solyndra's investors will be contributing \$75 million over the next 2 quarters, during the same time period during which DOE's remaining \$75 million loan disbursements occur. This equity

contribution would be ranked pari passu with DOE's remaining senior debt (\$150 million). The balance of DOE's debt \$385 would be become "senior second position," along with the equity investors' most recent capital contribution of \$175 million, which they put in as convertible debt (and for which they gained rights to Solyndra's IP, apparently). Using Original Issue Discount (OID) notes in implementing this re-structuring DOE's debt (\$385m) would be discounted by 30%, the investors' convertible notes (\$175m) are to be discounted by 55%.

- However, the investors' new \$75 million infusion would be allowed to receive first payment preference in a liquidation prior to March 2013. We asked whether this might effectively subordinate even DOE's remaining senior secured loan. DOE stated that they did not believe it does, and that their counsel (LGP and DOE) had been involved (Cestari, Richardson, and Harris). I have requested DOE's legal position on this.
- DOE explains that it had "access" to Solyndra's IP in the original loan documentation, with a capacity limit of [redacted] anticipated for Feb 2; DOE did not have unlimited claims to the IP itself, and indeed the IP was later pledged to the investors who provided the most recent \$175 million in capital. DOE's contemplated restructuring would pledge this IP fully to DOE. It would also give DOE recourse to all the assets of Solyndra, the parent (asses, contracts, IP, etc.).
- DOE believes recoveries that would result from this restructuring would exceed recoveries if the project were to default today. They have provided their analysis. Their approach seems reasonable to me, although it depends on the feasibility of the consolidation plan, and various assumptions around the value of Solyndra as a going concern if it gets the capital it needs and makes it to 2012. DOE used two different comparable valuation approaches that led to similar results. [redacted] valuation in 2012), and conclude the government is better off restructuring now than letting it default.
- While this may be true, the terms of the deal may not be as good as they could have been for the government.

Next steps:

- Review DOE's legal position re: effective subordination
- Determine whether we concur this is a work-out vs. modification
- Tee up any policy considerations, prior to DOE's proposed closing date for this restructuring, January 10.

Nora, if you had other notes / take-aways, please feel free to email me.

From: [redacted]
 Sent: Tuesday, December 21, 2010 1:05 PM
 To: [redacted]
 Cc: [redacted]
 Subject: RE: follow up

Find attached the recovery analysis as promised.

[redacted]

[redacted]

Portfolio Management
 Loan Guarantee Program Office
 US Department of Energy
 1000 Independence Avenue SW
 Washington, DC 20585

[REDACTED]

From: [REDACTED]
Sent: Monday, December 20, 2010 7:07 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: follow up

Thank you, [REDACTED] I'll arrange a call-in number tomorrow and circulate.

Having a preview of the recovery analysis would be very helpful, if that's ready before the full Credit Paper.
Thanks for offering to send that.

[REDACTED]

From: Nwachuku, Frances [mailto:Frances.Nwachuku@Hq.Doe.Gov]
Sent: Monday, December 20, 2010 5:59 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: follow up

Yes, it does. Please find attached the presentation and the financial model. The recovery analysis is contained in the Credit Paper which I am still reviewing and will send through as soon as I am done editing it. Happy to send you the portion that contains that information, if you desire.

[REDACTED]

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[REDACTED]

From: [REDACTED]
Sent: Monday, December 20, 2010 5:28 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: follow up

Hello [REDACTED]

Does tomorrow at 2:30 still work for DOE?

From: [REDACTED]
Sent: Friday, December 17, 2010 5:33 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: follow up

Sorry—meant to cc [REDACTED] here.

From: [REDACTED]
Sent: Friday, December 17, 2010 5:33 PM
To: [REDACTED]
Subject: RE: follow up

[REDACTED]

That sounds great. I am hoping to be out part of next week, but [REDACTED] is available if I can't join the call. Should we plan to discuss Tuesday after we have a chance to look at the materials Monday evening? Does 2:30 Tuesday work for a call?

From: [REDACTED]
Sent: Friday, December 17, 2010 5:20 PM
To: [REDACTED]
Subject: RE: follow up

[REDACTED]

Please let me know when you are available to discuss the parameters of the revised cost estimate.

By COB Monday, we will send over the requested information. In addition to the proposed deal structure and model, it will contain our assessment of recoveries under two bankruptcy scenarios - pre-project completion and post project completion/restructuring. Existing technical defaults were waived prior to funding (I believe that it was just the one default).

[REDACTED]

[REDACTED]

Portfolio Management
Loan Guarantee Program Office
US Department of Energy
1000 Independence Avenue SW
Washington, DC 20585

[REDACTED]

From: [REDACTED]
Sent: Thursday, December 16, 2010 6:57 PM
To: [REDACTED]
Subject: follow up

Thanks again for the call earlier this week. I wanted to follow up on a few items. Specifically, do you have the summary of the proposed revised terms and financial model we discussed?

As I mentioned, we should also discuss the parameters for the revised cost estimate. We will need to wrap this up before DOE signs the amended loan agreements. We'll need to dig in a little deeper later on the specific cashflows, but below are the first order questions we'll need to think through in developing the cost estimate. Specifically, we need the analysis supporting the determination that the proposed restructuring would constitute a workout captured in the re-estimate, vs. a modification. Typically, two of the major considerations in this determination are whether the restructuring is done as a result of a default or imminent default (where the borrower is not expected to be able to repay the current debt); and whether the cost of the restructuring is less than that of default or foreclosure, and optimizes recoveries for the U.S. government.

1. Do you have an analysis of potential losses and recoveries under the proposed and various alternative scenarios (e.g., calling default today or other alternatives)?
2. We understand DOE waived the requirement for the first equity payment to fund the cost overrun facility. Are there other covenants/requirements for which Solyndra is not in compliance or which DOE anticipates the borrower may not be in compliance? This would help in thinking through the particular scenario to model in this case.

Finally, should we schedule the discussion on [REDACTED] for Monday? Do you have any materials you could circulate for that discussion? I found the Solyndra presentation in October very helpful. It might be helpful to have some background on that to help guide the discussion as well.

Let me know if you have any questions or would like to discuss.

Thanks.

Footnote 49



From: [Redacted]
 Sent: Wednesday, December 15, 2010 9:57 AM
 To: [Redacted]
 Cc: [Redacted]
 Subject: FW: Solyndra

There are some questions at the staff level about how DOE is going about the restructuring for Solyndra. At least one involves the legal question of what 1703(d) (3) means for their plan to make some of the debt "junior" to the new debt. (see below) I think they have stretched this definition beyond its limits.

(3) SUBORDINATION.--The obligation shall be subject to the condition that the obligation is not subordinate to other financing.

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

From: [Redacted]
 Sent: Wednesday, December 15, 2010 8:15 AM
 To: [Redacted]
 Subject: Fw: Solyndra

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I agree with [Redacted] thoughts here. Note she had the same question on pricing future deals as we discussed yesterday.

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

From: [Redacted]
 To: [Redacted]
 Sent: Wed Dec 15 07:39:10 2010
 Subject: Re: Solyndra

I agree with your questions, and wonder whether this workout is really giving more to the parent than recovering for doe. I think we need to see DOE's write up of the terms and analysis of what happens absent the change. [Redacted] had a very hard time following the details over the phone.

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For a workout, we need to determine-do we agree that 1) the project truly is in imminent default (sounds close here); and 2) the changes lead to the optimal recoveries from the Govt.

A workout sometimes will have different terms than the statute holds for the original loan but I think your questions would add color to #2 above. Is it really a better deal than nothing? If the answer is still yes, then we would need to price into future deals recovery rate that DOE will accept lower than optimal recoveries.

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

From: [Redacted]
 To: [Redacted]
 Sent: Wed Dec 15 07:22:54 2010
 Subject: Solyndra

On Solyndra, do you have thoughts on whether the proposed changes constitute a re-estimate vs a modification? Also, I am looking at whether the junior debt is consistent with the statute. More broadly, if the debt is discounted, I'm curious if that is consistent with a reasonable

Footnotes 50-51

From: [Redacted]
Sent: Monday, January 31, 2011 1:39 PM
To: [Redacted]
Cc: [Redacted]
Subject: Solyndra optics

Although the decision has already been made for OMB not to play an active role in determining what to do with Solyndra, the Director/S-1 meeting tomorrow might present an opportunity to flag to DOE at the highest level the stakes involved, for the Secretary to do as he sees fit (and be fully informed and accountable for the decision). Although optics are generally out of our lane, it may be worthwhile for the Director to privately make this point to the Secretary:

Given the PR and policy attention Solyndra has received since 2009, the optics of a Solyndra default will be bad whenever it occurs. While the company *may* avoid default with a restructuring, there is also a good chance it will not. If Solyndra defaults down the road, the optics will arguably be worse later than they would be today. At that point, additional funds have been put at risk, recoveries *may* be lower, and questions will be asked as to why the Administration made a bad investment, not just once (which could hopefully be explained as part of the challenge of supporting innovative technologies), but twice (which could easily be portrayed as bad judgment, or worse). In addition, the timing will likely coincide with the 2012 campaign season/tearing up, whereas a default today could be put in the context of (and perhaps even get some credit for) fiscal discipline / good government because the Administration would be limiting further taxpayer exposure, letting bad projects go, and could make public steps it is taking to learn lessons and improve / limit future lending.

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I understood from the readout of the Friday meeting that Solyndra's prospects may have hit home for [Redacted] on Friday. Perhaps she'd have an appetite for conveying this message.

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Footnote 52

[Redacted]

From: [Redacted]
Sent: Monday, January 31, 2011 9:55 PM
To: [Redacted]
Subject: Fw: Action Request: Prep for Meeting with Sec. Chu
Attachments: Memo for the Director - Chu Meeting SCE.docx

Here is the edited doc - don't think [Redacted] attached it previously.

From: [Redacted]
To: [Redacted]
Cc: [Redacted]
Sent: Mon Jan 31 21:18:24 2011
Subject: RE: Action Request: Prep for Meeting with Sec. Chu

I've done some editing (not enough) - I think the main message is that we need to "continue to work together" and not frame as asks -

From: [Redacted]
Sent: Monday, January 31, 2011 8:56 PM
To: [Redacted]
Cc: [Redacted]
Subject: RE: Action Request: Prep for Meeting with Sec. Chu

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Thanks, [Redacted] I'm happy to do the streamlining - I've already started. But if you could come up with some bullets of actions we could take to deepen the partnership, that would be great. Thanks.

From: [Redacted]
Sent: Monday, January 31, 2011 8:53 PM
To: [Redacted]
Cc: [Redacted]
Subject: RE: Action Request: Prep for Meeting with Sec. Chu

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I'll take a crack at it.

From: [Redacted]
Sent: Monday, January 31, 2011 8:53 PM
To: [Redacted]
Cc: [Redacted]
Subject: RE: Action Request: Prep for Meeting with Sec. Chu

Sure - here you go. I am trying to turn this into something 1-2 pages long. Thanks.

From: [Redacted]
Sent: Monday, January 31, 2011 8:50 PM
To: [Redacted]
Subject: RE: Action Request: Prep for Meeting with Sec. Chu

Can you send me what [Redacted] sent you?

From: [redacted]
Sent: Monday, January 31, 2011 8:46 PM
To: [redacted]
Cc: [redacted]
Subject: FW: Action Request: Prep for Meeting with Sec. Chu

Thanks for your inputs. [redacted] wanted to be able to offer up some concrete examples of things that we, OMB, can commit to improve in our relationship with DOE. Unless I'm missing it, I don't see it in your examples. Any ideas?

Thanks,
[redacted]

From: [redacted]
Sent: Friday, January 28, 2011 12:19 PM
To: [redacted]

Subject: Action Request: Prep for Meeting with Sec. Chu

All,

[redacted] is scheduled to meet with Secretary Chu next week. To prepare for that conversation, [redacted] would like examples of the following:

- things that are going well between OMB and DOE, including areas where improvements have been made
- areas where improvements would still be helpful (this should include potential actions by DOE and OMB)

Please send inputs in the format below by 12:00pm Monday.

Issue:

Status: going well, has improved since xyz, needs improvement

Opportunities for Improvement: (inputs in bullet form, please)

Talking points (only if useful):

Please let me know if you have questions.

Thanks,
[redacted]

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From: [REDACTED]
Sent: Monday, January 31, 2011 6:13 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: I need whatever we've got in the next 10 minutes
Attachments: Memo for the Director - Chu Meeting 2.1.11.docx

[REDACTED] has decided that the document is too long and is going to cut it down a bit. But here is what I sent up to him.

From: [REDACTED]
Sent: Monday, January 31, 2011 6:07 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: I need whatever we've got in the next 10 minutes

Can you please send us whatever went forward to the Director.

Thanks.

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From: [REDACTED]
Sent: Monday, January 31, 2011 6:48 PM
To: [REDACTED]
Subject: RE: I need whatever we've got in the next 10 minutes

Got it. thanks.

From: [REDACTED]
Sent: Monday, January 31, 2011 4:48 PM
To: [REDACTED]
Subject: RE: I need whatever we've got in the next 10 minutes

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The improvements in Budget and LGs were intended as good news stories (with room for improvement).

From: [REDACTED]
Sent: Monday, January 31, 2011 4:45 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: I need whatever we've got in the next 10 minutes

We didn't have any "good news" updates for this meeting, did we?

From: [REDACTED]
Sent: Monday, January 31, 2011 4:25 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: I need whatever we've got in the next 10 minutes

Nothing essential in my comments.

From: [REDACTED]
Sent: Monday, January 31, 2011 4:04 PM

To: [REDACTED]
Cc: [REDACTED]
Subject: RE: I need whatever we've got in the next 10 minutes

Ok. I have to integrate this with NNSA, so please keep going through the rest while I'm doing that.

From: [REDACTED]
Sent: Monday, January 31, 2011 4:03 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: I need whatever we've got in the next 10 minutes

I've only gotten through the first couple items, but here's what we have. I put fuller LG and Nukes description as an attachment to make it easier, but I don't know how that fits with the formatting of these materials generally.

[REDACTED] If I did any damage to your thoughts on the first two items, please comment.

From: [REDACTED]
Sent: Monday, January 31, 2011 3:58 PM
To: [REDACTED]
Subject: I need whatever we've got in the next 10 minutes

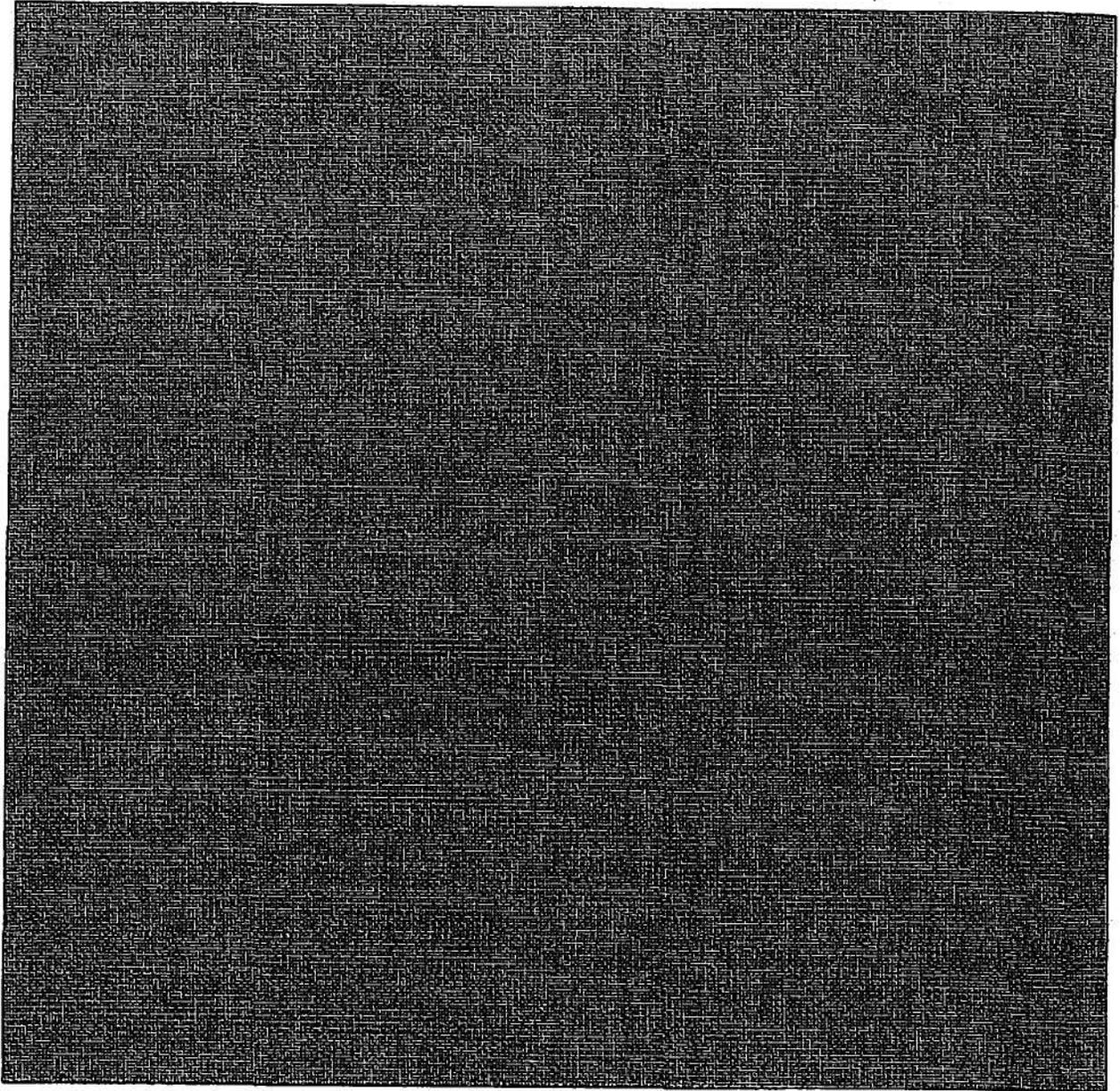
Thanks.

[REDACTED]
Office of Management & Budget - Natural Resources, Energy, and Science
[REDACTED]

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**WHAT: MEMO RE: MEETING WITH SECRETARY CHU
FOR: DIRECTOR JACK LEW**



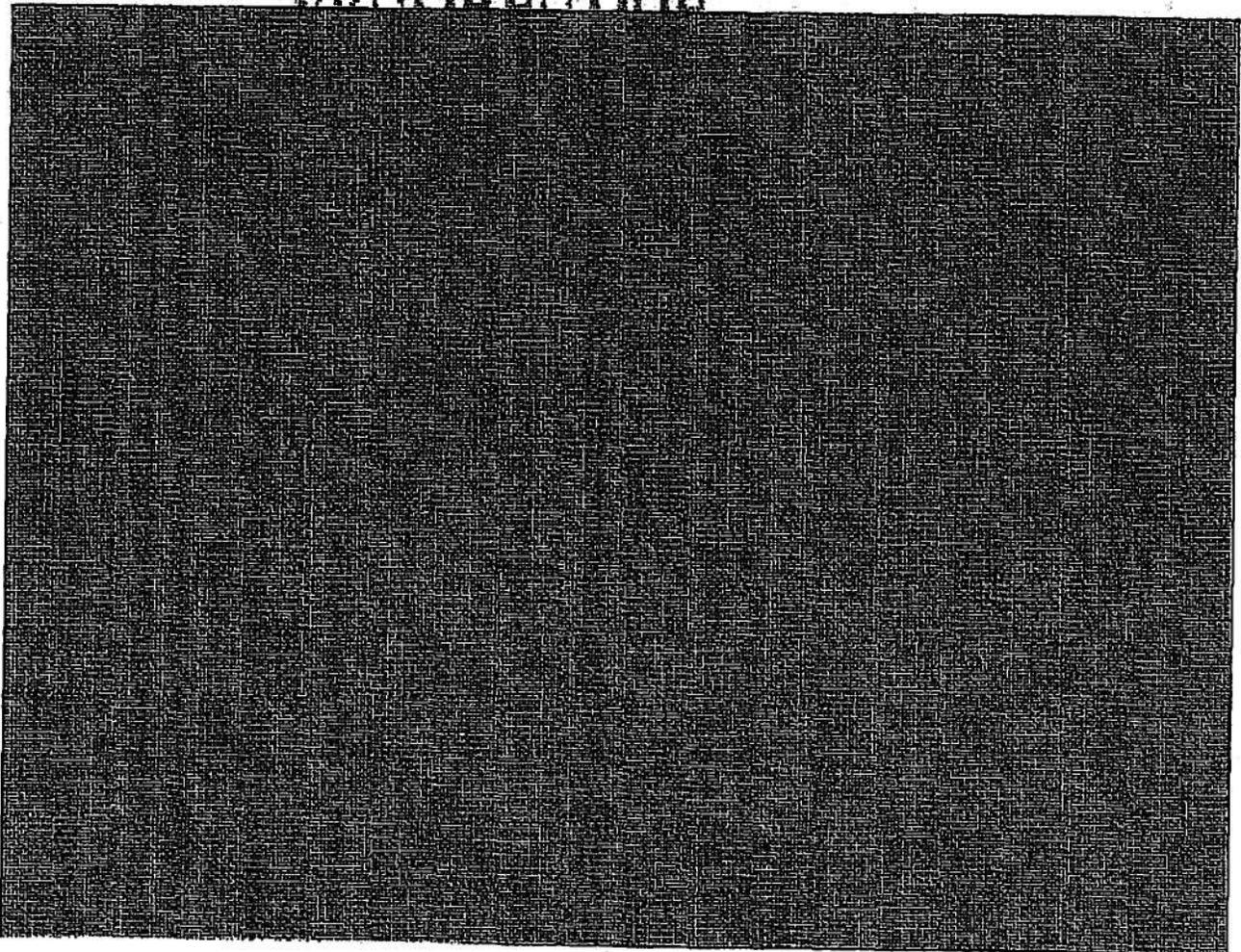
2. Issue: Loan Guarantees

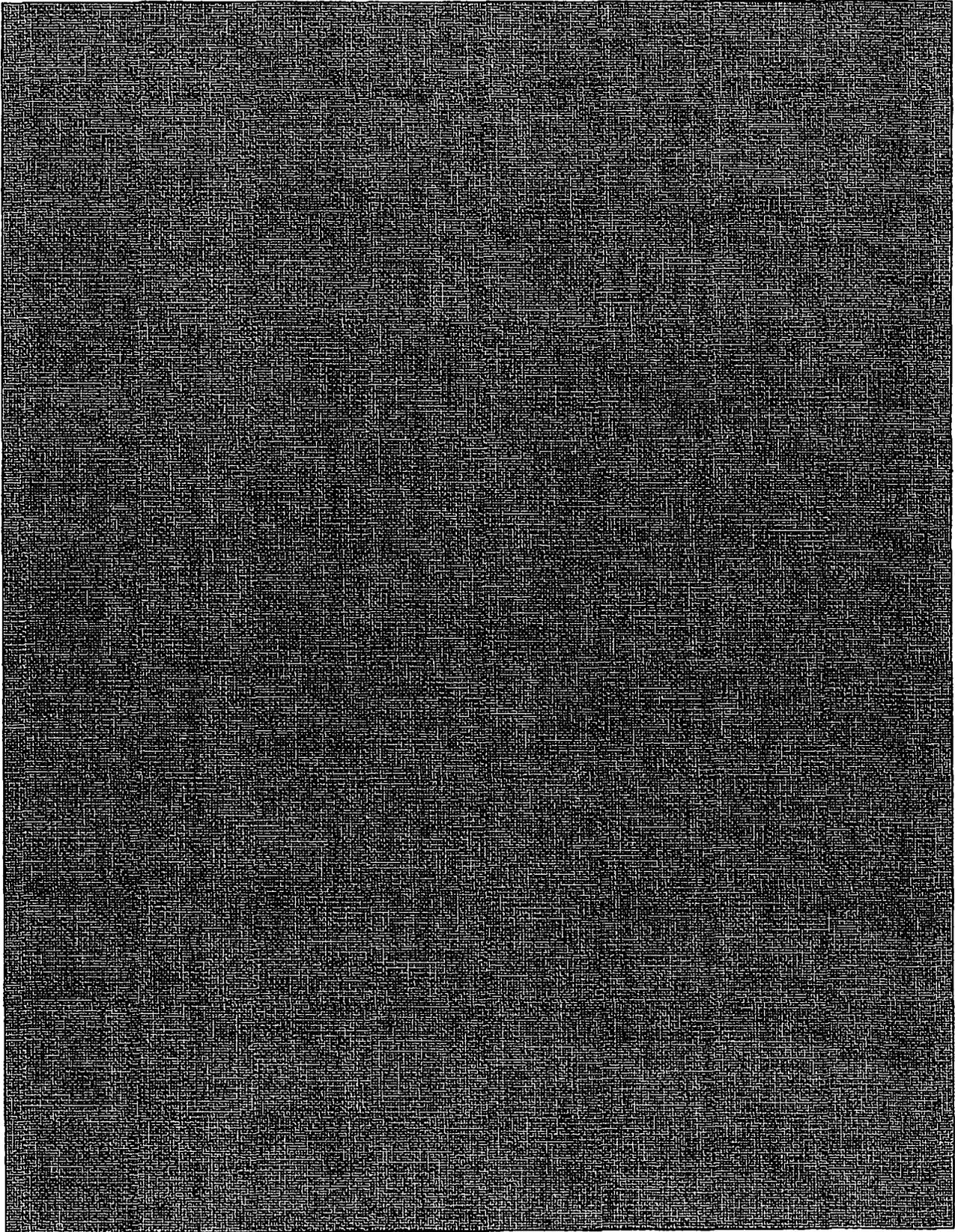
Status: Has Improved: This is another area where we are making improvements in the relationship. The addition of Federal staff oversight to the contracting workforce is a welcome addition, and we are particularly happy with the individual selected to head the Office, [REDACTED]. We are also pleased that DOE has hired a strong person for the Monitoring position to oversee performance of closed loans (OMB has worked well with the Department on its proposed restructuring of the Solyndra deal).

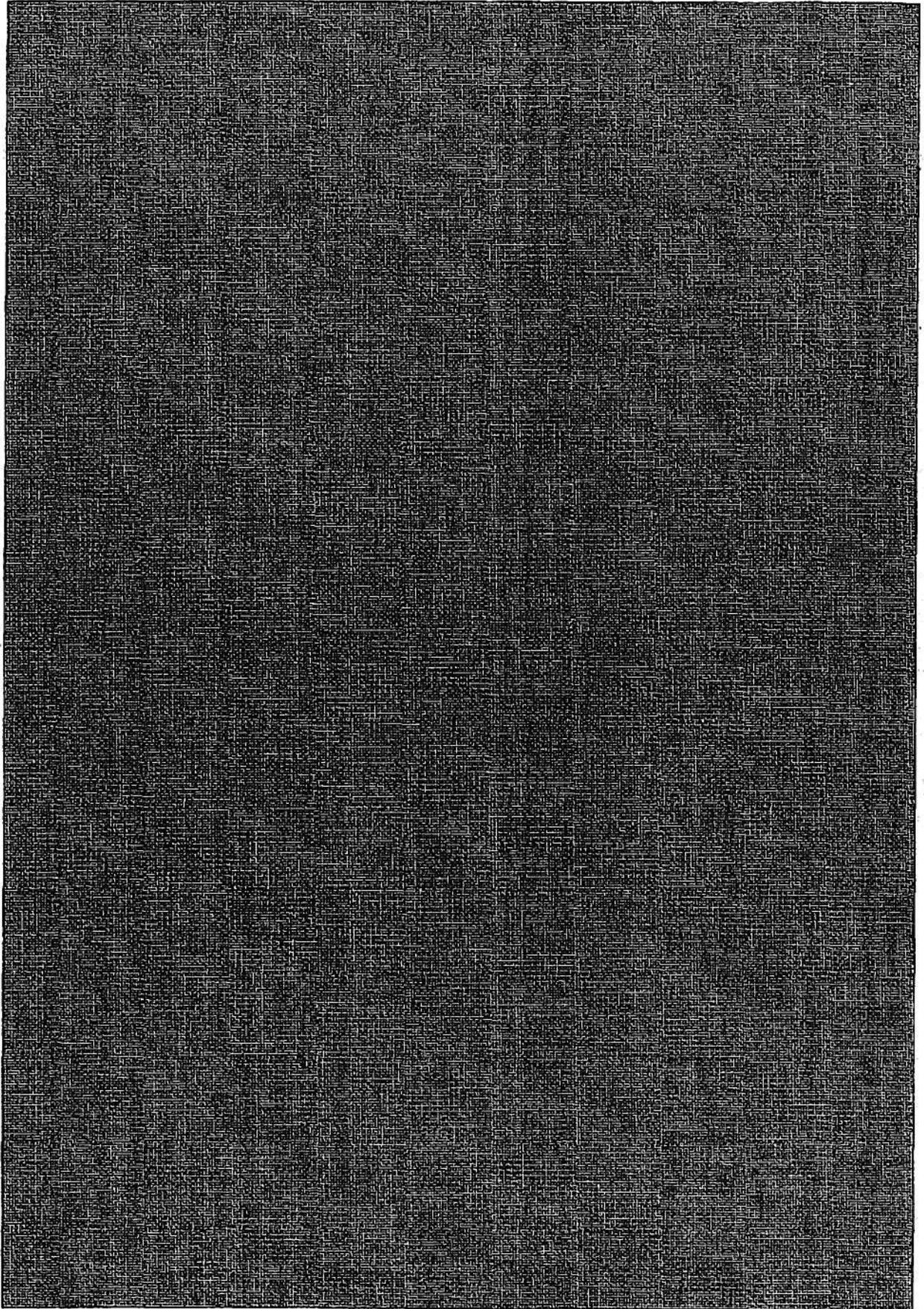
See Attachment A for additional background and talking points on Loan Guarantee Program implementation.

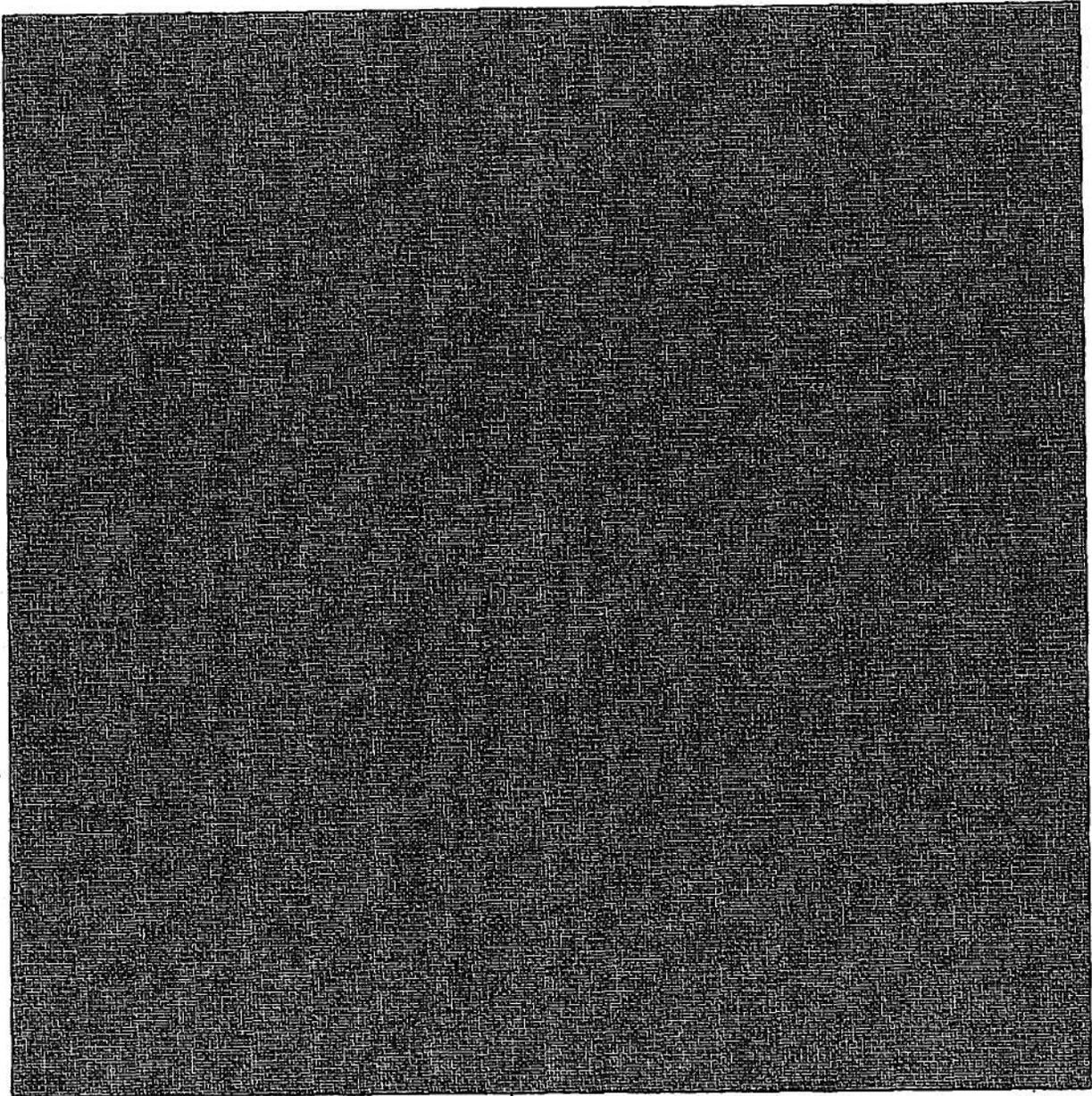
Opportunities for Improvement:

- We have made great progress on standardizing our interaction, and would like to work with DOE to help simplify transactions further, target funding toward policy objectives and strengthen monitoring of existing loans.
- Specific Asks: OMB would like to work with the Department on several aspects of program implementation that would improve the policy context for decisions and further streamline implementation:
 1. Develop policy objectives and quantitative metrics to define portfolio objectives and track progress, perhaps using a dashboard to track the progress of projects visible to both OMB and DOE. (Right now, loans appear to come over on an ad hoc, first come basis with no clear linkage to policy goals.)
 2. It is critical that the loan guaranteed program ensure it has federal staff in place to implement this program effectively.
 3. With respect to Solyndra, OMB deferred to DOE in making determinations such as the decision with how to proceed with the Solyndra restructuring. However, OMB is responsible for credit subsidy scoring and to determine if such changes constitute a modification to a loan that requires re-scoring of the credit subsidy.

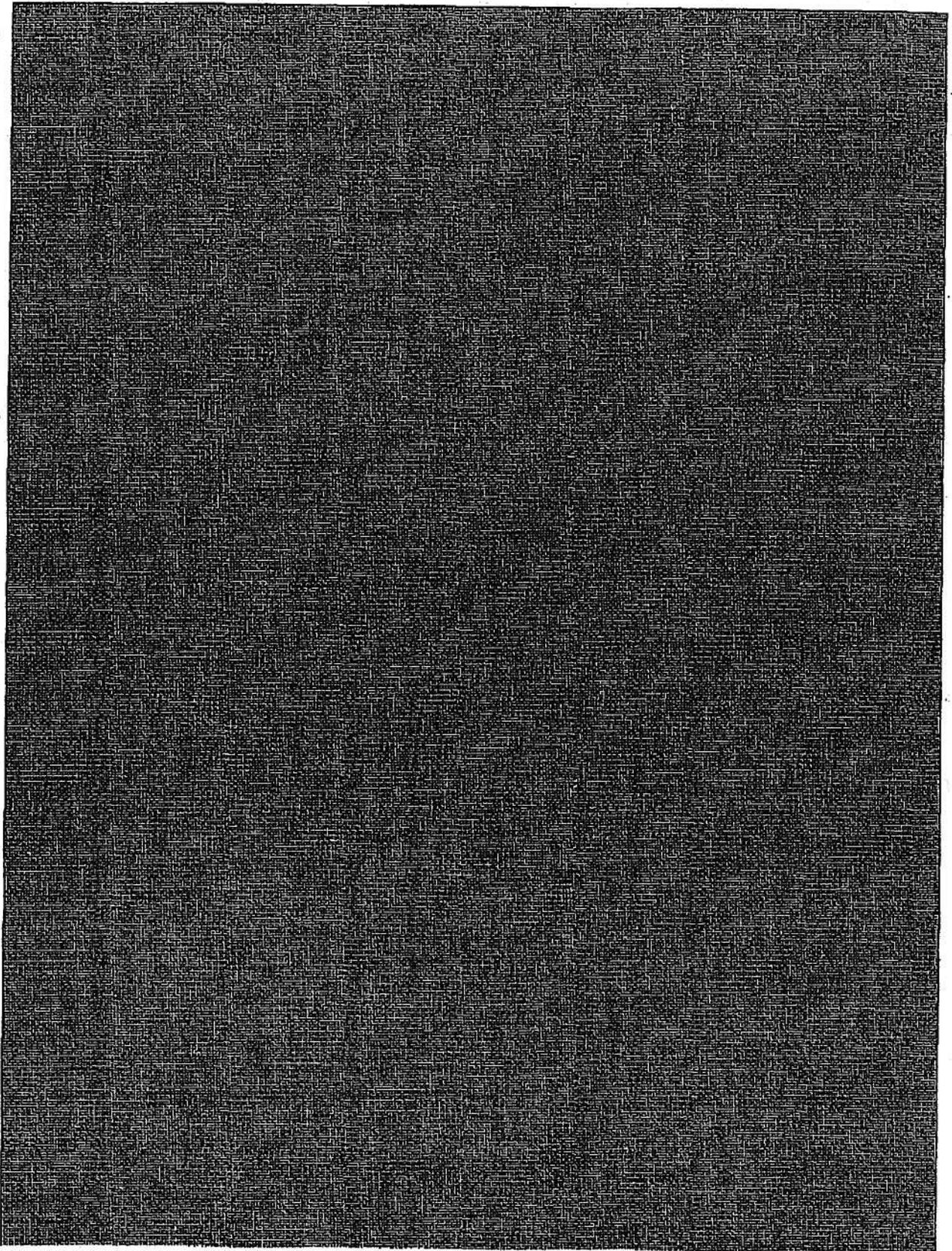


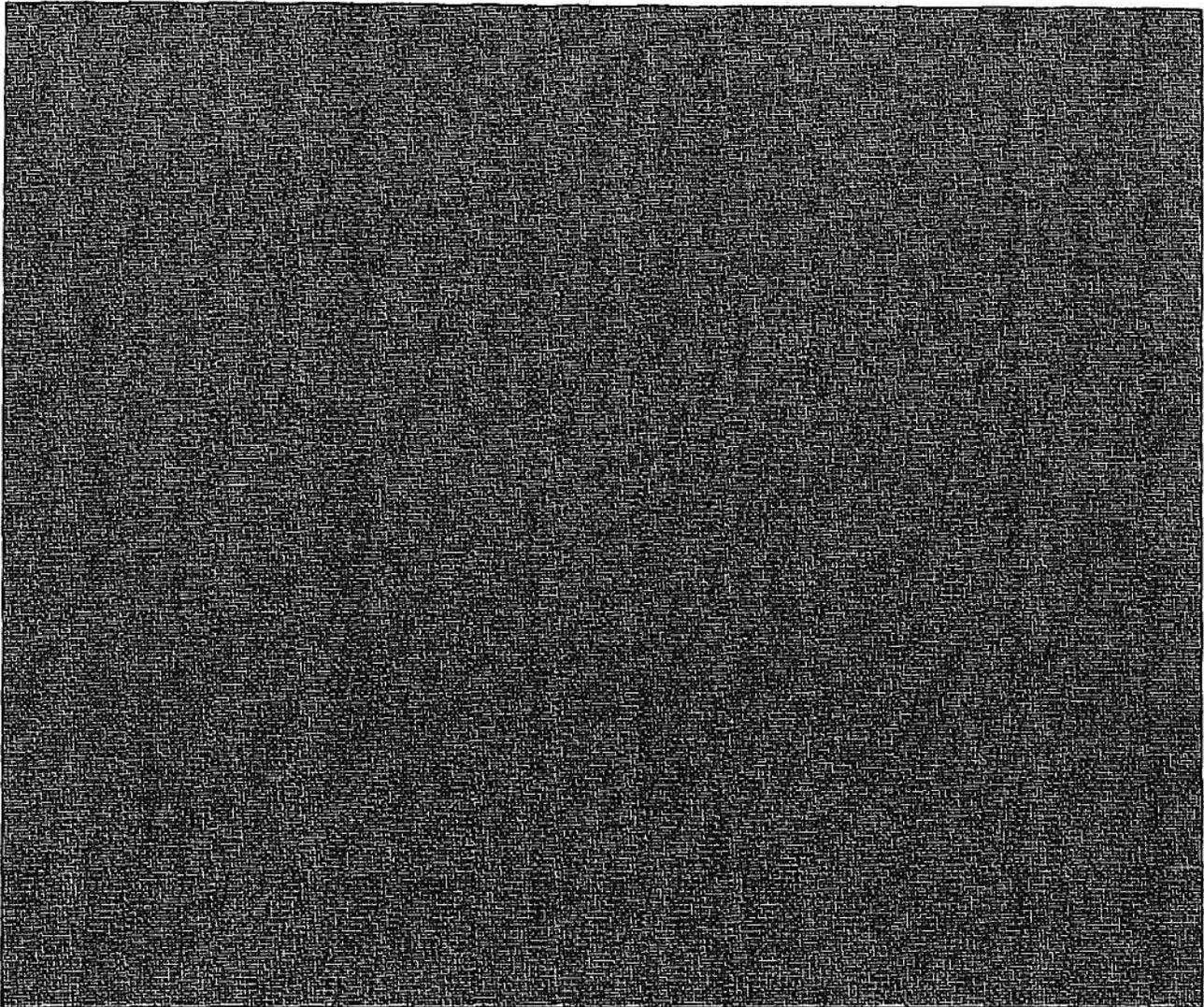




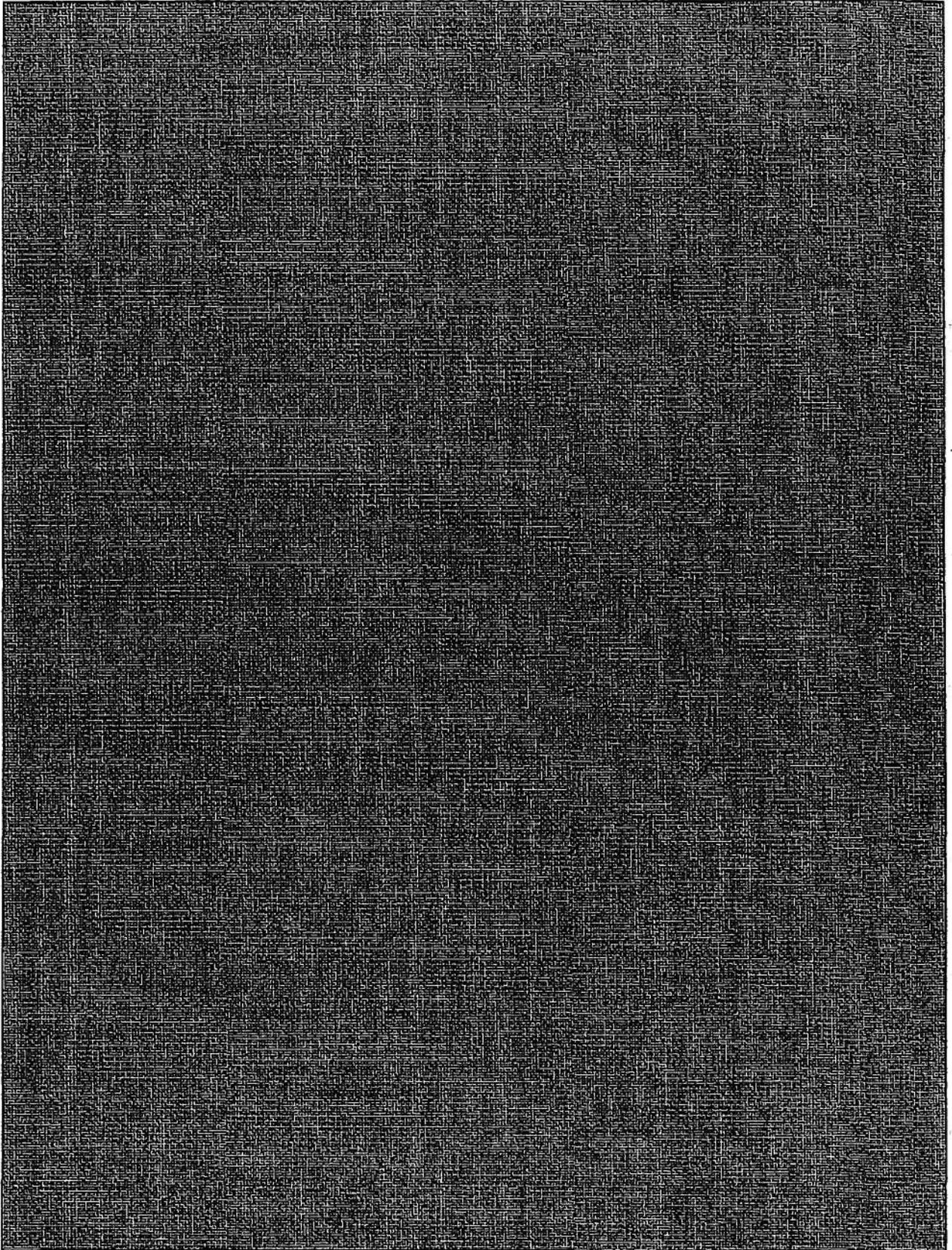


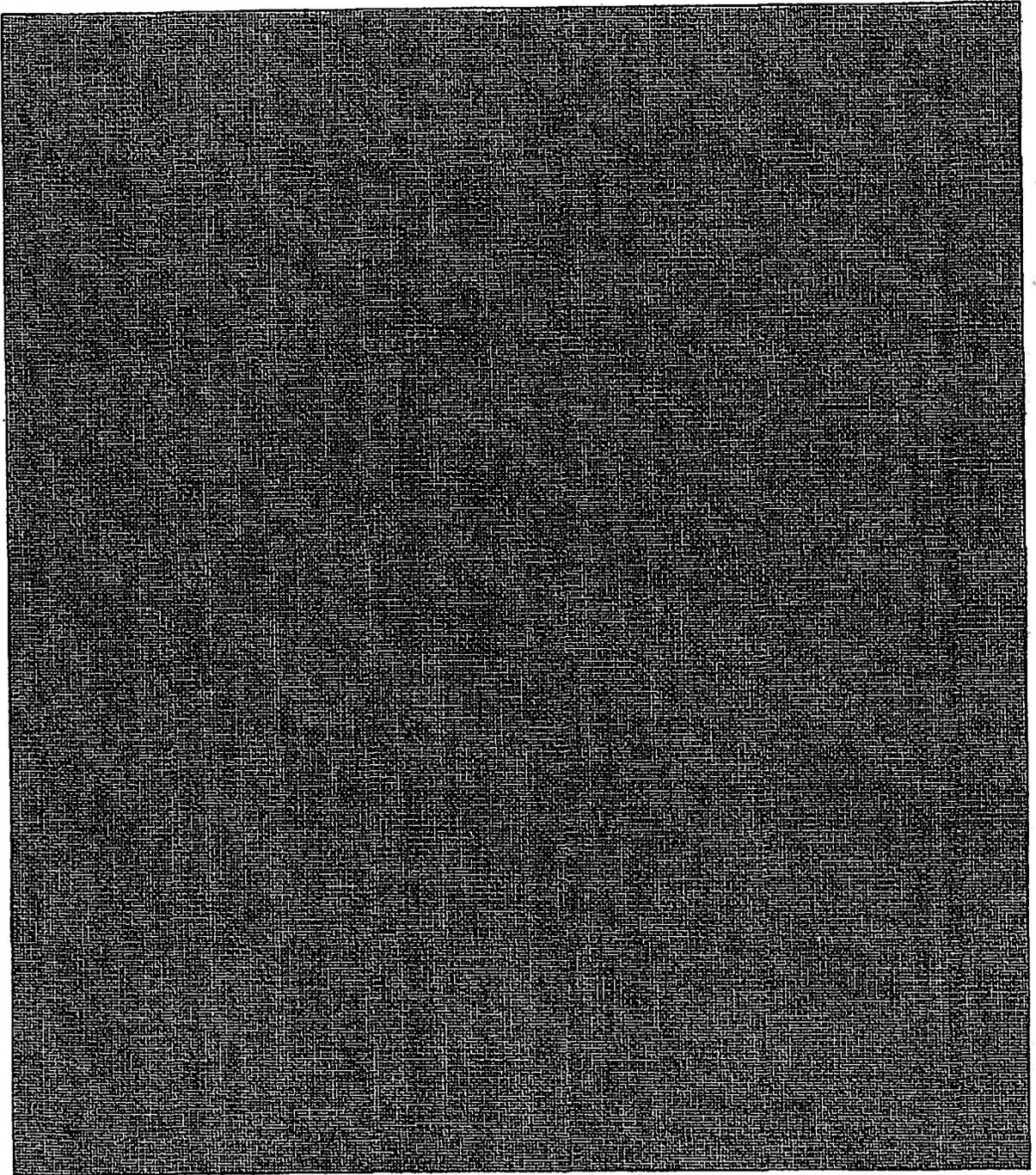
Attachment A





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Footnote 53

[REDACTED]
From: [REDACTED]
Sent: Tuesday, February 01, 2011 7:02 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: Solyndra

Glad we checked. Thanks much. We'll convey that to the group.

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

From: [REDACTED]
Sent: Tuesday, February 01, 2011 7:01 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: Solyndra

Yes, there are concerns. I am the one that has to convey the modification. I believe the plan is to do that tomorrow.

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

From: [REDACTED]
Sent: Tuesday, February 01, 2011 6:45 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: Solyndra

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[REDACTED]
DOE is moving up the timeline on closing the Solyndra restructuring. Are there any concerns if OMB staff gets back to DOE on Solyndra regarding the modification determination, or is there anything that needs to be done before folks get back to DOE?

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

From: [REDACTED]
Sent: Tuesday, February 01, 2011 6:35 PM
To: [REDACTED]
Subject: FW: Solyndra

It looks like DOE has changed their date for closing the revised Solyndra deal. They are now indicating February 11 instead of February 16.

Can we go ahead and follow up with DOE regarding the modification?

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

From: [REDACTED]
Sent: Tuesday, February 01, 2011 4:40 PM
To: [REDACTED]
Subject: Solyndra

Hi [REDACTED]

Footnote 54

[REDACTED]

From: [REDACTED]
Sent: Friday, February 04, 2011 11:31 AM
To: Zients, Jeffrey D.
Subject: RE: Solyndra update

We want to see the cash flows and then we should have a discussion. They left the impression on Friday that they were not in imminent default, so it seemed like a major switch to avoid the modification. We need to think through the implications of the two paths – for the program, in addition to the fiduciary issues.

From: Zients, Jeffrey D.
Sent: Friday, February 04, 2011 8:17 AM
To: [REDACTED]
Subject: RE: Solyndra update

Are we agreeing with them on this deal or do we still believe it is a modification?

From: [REDACTED]
Sent: Thursday, February 03, 2011 7:07 PM
To: Zients, Jeffrey D.
Cc: [REDACTED]
Subject: Solyndra update

The DOE crew does not believe this constitutes a modification since under their read of Circular A-11, it would be considered a workout if the loan is in imminent default. Last week they were talking about it being in technical default, which is true, but in this call, they were adamant that the borrower is in imminent default, and thus is not a modification. They will send us the subsidy estimate cash flows tomorrow so our team can take a look. We will meet next week so that we can come to agreement on the restructuring issues and have a template for modifications vs. workouts in the future.

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Footnote 55

From: [REDACTED]
Sent: Friday, February 11, 2011 6:31 PM
To: [REDACTED]
Subject: RE: Comments requested ASAP please...FW: Draft email to DOE on Solyndra

I'm not comfortable with the language that deems DOE's analysis reasonable.

From: [REDACTED]
Sent: Friday, February 11, 2011 6:28 PM
To: [REDACTED]
Subject: RE: Comments requested ASAP please...FW: Draft email to DOE on Solyndra

This looks good to us. No suggested edits.

Policy Analyst | Federal Credit Programs
Office of Management and Budget | Budget Review Division

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From: [REDACTED]
Sent: Friday, February 11, 2011 5:59 PM
To: [REDACTED]
Subject: Comments requested ASAP please...FW: Draft email to DOE on Solyndra

I think we need to get this out ASAP. Please let me know if you have any showstoppers. Sorry for the delay in sending, I didn't realize you weren't on here.

From: [REDACTED]
Sent: Friday, February 11, 2011 5:05 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: Draft email to DOE on Solyndra

All,

Below is an email I've drafted on the Solyndra restructuring, letting DOE know that their demonstration of imminent default, along with the analysis they've provided, is what will qualify as a workout. Please let me know if you have any comments.

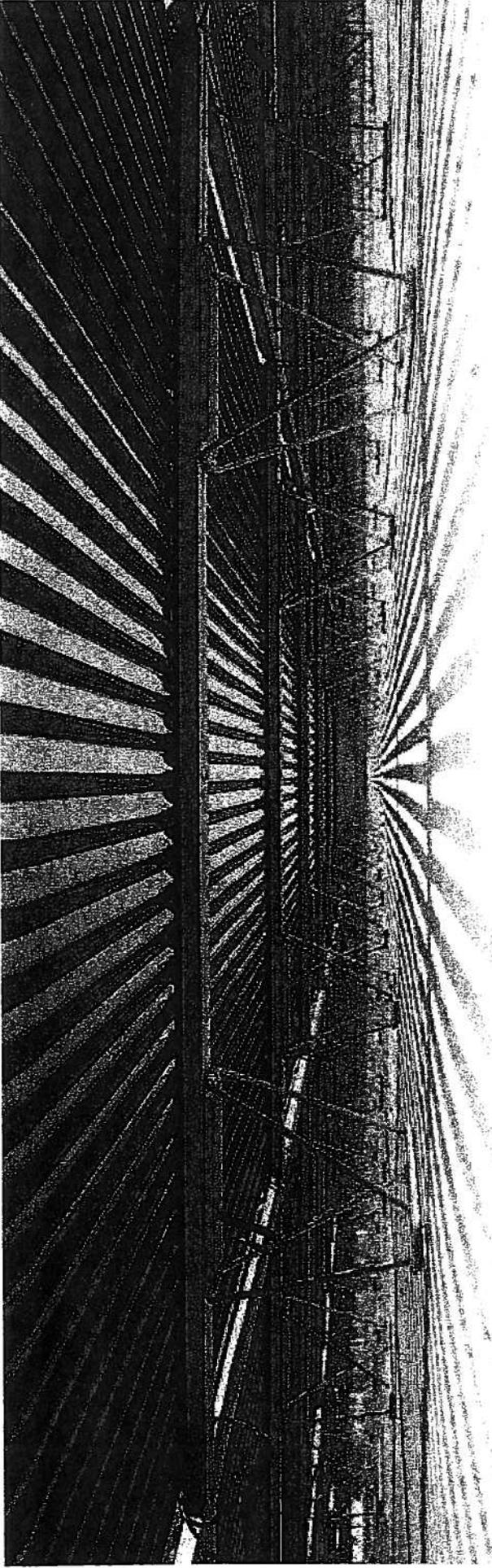
Thank you for working with us to better understand the details of the Solyndra restructuring. Based on the information you have provided to support DOE's stated position that Solyndra is in "imminent default" and the reasonableness of DOE's analysis that the restructuring would leave DOE in a better position if the borrower does ultimately default, OMB has concluded that the restructuring constitutes a workout, rather than a modification, under OMB Circular A-11, Section 185.

In the future, to the extent that such circumstances occur in this or other DOE financings, DOE will be required to similarly demonstrate that the borrower is in "imminent default" and provide reasonable analysis that any actions taken will produce a better return to the Government in order for the action to qualify as a workout, rather than as a modification.

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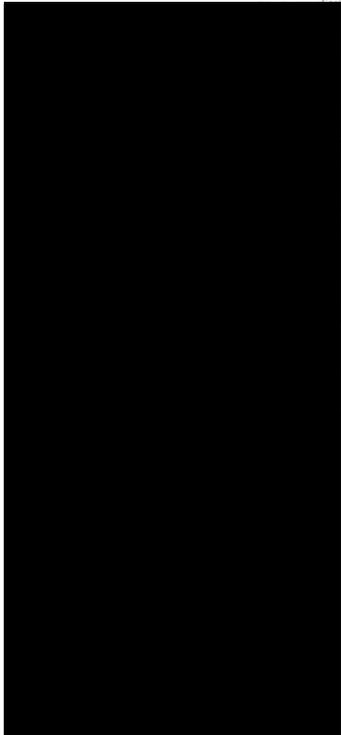
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Footnote 58



Board Call- May 5, 2011

Financial Position Update



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SOLYNDRA®
The new shape of solar™

Conference Call Agenda

- 2:00 – 2:10 PM Introduction & Business Overview Brian Harrison
- 2:10 – 2:30 PM Financial Condition Summary Bill Stover
- 2:30 – 3:00 PM Board Fiduciary Duties [REDACTED]

Adjournment

Business Overview

- **Operational Performance** – All operational metrics (power, yield, availability and spending) are on plan or favorable.
- **Demand and Pipeline** – Today's resolution of the Italian Feed-In-Tariff uncertainties is expected to relieve the bottleneck that has existed for several months. Continued progress is being made with key accounts.
- **Working Capital** – The difficulties previously communicated with regard to Accounts Receivable and customer expectations for extended terms are exacerbating the challenges which already were built into the steep ramp of production and sales.
 - Incremental financing must occur in the first week of June.
 - The alternative is commencement of bankruptcy proceedings.

Cash Forecast

Weekly Cash Flow Forecast	
Week ending:	
Receipts	
Waterfall release of collections	
Euro MCA receipts	
Tranche B/Project Equity Funding	
901 Page TI reimbursement	
Tranche A Funding	
Tranche C Funding	
Total Receipts	
Payments	
AP Payments	
Salaries, wages and benefits	
Rent	
Utilities	
Hedge maturity	
Kato/Page Deposit Increase	
Southern California Edison project fee	
Total Payments	
Net Cash Inflow / (Outflow)	
Opening Cash Balance	
Closing Cash Balance	

1) **Funds Available:** The May 16th DOE/Tranche A draws, and incremental funding in the 1st week of June are fundamental to continued operation of the Company.

2) **Vendor Management:** Company operations are already impacted by delayed payments to vendors. Reducing past due A/P's is essential to our ramp of the business.

Cash - Cumulative Sensitivity Analysis

Cash Balance - Layered Effects



Risk/sensitivity analysis: Assumptions herein will be discussed during conference call.

Q1-11 Spending Comparison to Budget

Operating Budget Report Budget Spending Categories	Actual	Volume- Adjusted Forecast**	Variance	V%	Comments
	Q1-11	Q1-11			
Materials					Material cost in line with higher output volume
Operations Labor					Factory labor higher than forecast due to increased production volume
Operations Overhead (Non-Labor)					Lower spending in CIP (continuous improvement program) and spares
Facilities					Lower spending in utilities and chemicals & gases; lower spending partially due to slower ramp of [REDACTED]
Information Technology					Software maintenance; [REDACTED] lower than forecasted
Logistics (incl. revenue freight)					
Research & Development					Delayed spending on encap qualification costs, high Tg glass development, and materials across multiple projects
Sales & Marketing					[REDACTED] interconnection payments delayed to Q2; timing on U.S. trade show spending, recruiting
General & Administrative					[REDACTED] of debt restructuring fees reclassified to Balance Sheet
Warranty & Disposal					
Total					

** Material spending per the Restructured Business Plan was adjusted higher to account for the actual panel output, which was [REDACTED]

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Balance Sheet

April 2, 2011

January 1, 2011

ASSETS

Current assets:
Cash and cash equivalents
Accounts receivable, net
Inventories
Prepaid expenses and other current assets
Total current assets

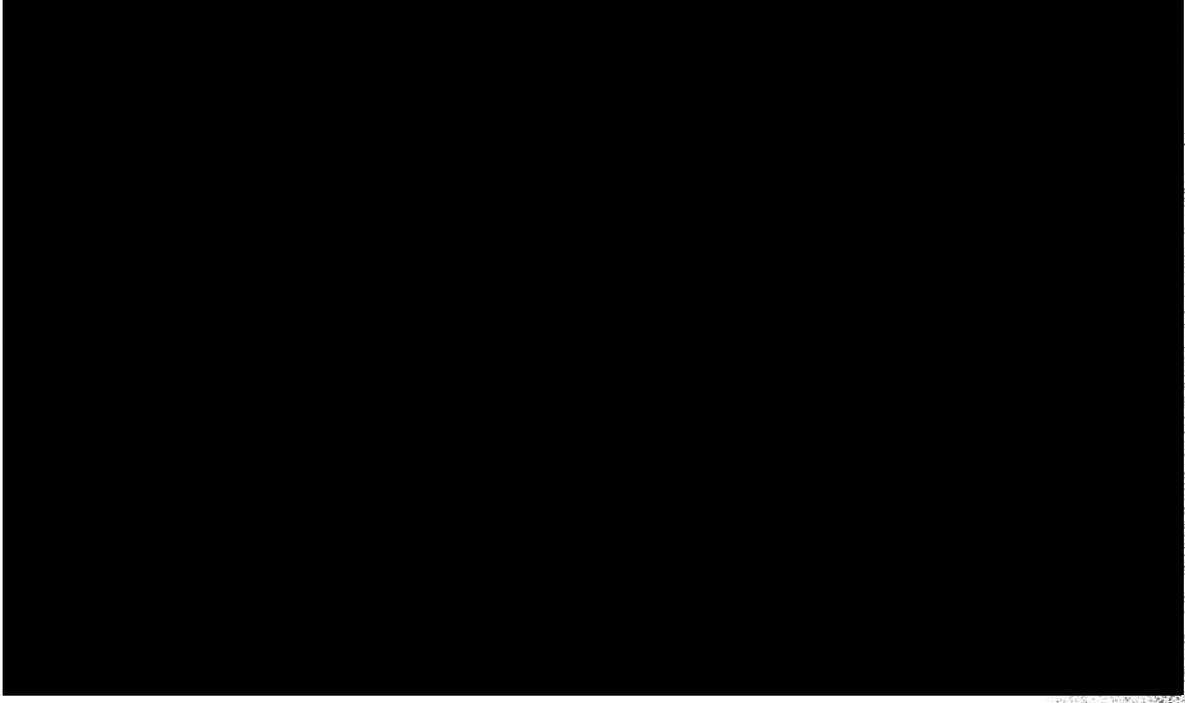
Property, plant and equipment, net
Restricted cash
Other assets
Total assets

LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK, AND STOCKHOLDERS' DEFICIT

Current liabilities:
Accounts payable
Accrued liabilities
Convertible debt
Total current liabilities
Deferred rent
Long-term debt
Preferred stock warrants
Total liabilities

Redeemable convertible preferred stock

Stockholders' deficit:
Common stock and APIC
Accumulated other comprehensive income
Accumulated deficit
Total stockholders' deficit
Total liabilities, redeemable convertible preferred stock, and stockholders' deficit



Forecasted 2011 Financial Statements

	Q1	Q2	Q3	Q4
Financial Summary				
Revenue				
Cost of Sales				
Gross Margin				
Gross Margin Percentage				
Research & Development				
Sales & Marketing				
General & Administrative				
Write-down				
Depreciation & Amortization				
EBITDA				
Interest (Expense) / Income				
Earnings Before Taxes				
Income Tax				
Net (Loss) / Income				
Cash Flow Available for Debt Service				
Net Income				
Depreciation & Amortization, Other non-cash				
Change in Working Capital				
Interest & Fees				
Capital Expenditures				
Cash Flow Available for Debt Service				
Debt Service				
Scheduled Debt Payments				
Cash Sweep				
Current Interest				
Total Debt Service				
Operational Metrics				
Number of Panels Shipped				
Panel Efficiency (watts/panel)				
Annual Shipments (MW)				
Average Selling Price (\$/watt)				
Balance Sheet				
Cash & Equivalents				
Accounts Receivable				
Inventory				
Other Current Assets				
Net Property, Plant, and Equipment				
Fab 2 Restricted Cash				
Other Assets				
Total Assets				
Accounts Payable & Accrued Liabilities				
Long Term Debt				
Total Stockholder's Equity				
Total Liabilities and Equity				
Outstanding Debt				
Tranche A				
Tranche B				
Tranche C				
Tranche D				
Tranche E				
Beginning Debt Balance				
Debt Payments & Sweep				
Funding & PIK Interest				
Total Outstanding Debt				

Footnotes 59-60

From: [REDACTED]
Sent: Thursday, May 19, 2011 11:07 AM
To: [REDACTED]
Subject: FW: Argonaut Purchase AR Analysis_051611.xlsx

Importance: High

Attached is the AR analysis that Solyndra put together. I have cut and paste below [REDACTED] explanation of how it works. For some reason, the revised business plan has not made it through, which has to be open to change the inputs to the AR model. Please let me know if you received the revised business plan.

The current AR model assumes the following:

- ARs are outstanding for an average of [REDACTED] and [REDACTED]
- Factoring is consistent with the term sheet [REDACTED]
- Risk discount of [REDACTED]

Based on the current numbers, Argonaut's plan to buy ARs will bridge Solyndra through September 2011. Solyndra's cash balance will decrease to around \$200,000 in October 2011. As [REDACTED] points out, Argonaut's maximum outlay under the current model would be \$56 million, but the company would still require in excess of \$46 million of Tranche C funding.

Email from [REDACTED]

- The Argonaut Purchase AR Analysis file is the one that calculates to effect of the structure being discussed. The Solyndra Plan model is the same one that supported the financing, updated for Q1 actuals and adjusted for 75 A/R days outstanding.
- The two files are linked together. Receivables, revenue, and shipment data are fed from the financial model to the analysis file, which then calculates the cash flows and balances that result from the structure. In the financial model, the original tranche C assumption of [REDACTED] starting Jun-11 has been replaced with the line called "Argonaut cash flow" from the analysis file. This line is the effective benefit to Solyndra of implementing the structure. The resulting effect on Solyndra's cash balance is then fed back to the analysis file.
- The analysis file inputs regarding % of receivables paid are highlighted in blue in the top left corner. You can change these numbers, but to see the results flow through to the cash balance you need to have the plan model open at the same time.
- For the set of assumptions in the blue cells, Argonaut's maximum outlay would be \$56M. Even with this structure in place, the company would require \$46M of tranche C funding, plus more to maintain a workable minimum balance.

From: [REDACTED]
Sent: Wednesday, May 18, 2011 6:03 PM
To: [REDACTED]
Subject: FW: Argonaut Purchase AR Analysis_051611.xlsx
Importance: High

Here is the A/R analysis file only. Maybe the model was too big (5MB). Please send a note to confirm that you can open this file.

From: [REDACTED]
Sent: Wednesday, May 18, 2011 1:36 PM
To: [REDACTED]
Subject: FW: Argonaut Purchase AR Analysis_051611.xlsx
Importance: High

[REDACTED]

Here they are. Please call me at [REDACTED] when you have them open.

[REDACTED]

From: [REDACTED]
Sent: Tuesday, May 17, 2011 5:48 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: Argonaut Purchase AR Analysis_051611.xlsx

[REDACTED]

Attached are the revised file and underlying model. Hopefully they are linked when you open them so the cash balances update. Since I am sending the model, I did not build the formulas that would calculate the change in cash directly in the AR Analysis file. Let me know if you have any trouble, I can built that functionality if we need it.

Changes include:

- Starting May A/R balance [REDACTED] at fiscal month end 6/4.
- Starting May cash [REDACTED] at fiscal month end 6/4. If you take the [REDACTED] subtract the [REDACTED] in Argonaut receivables funding, then add [REDACTED] you get the [REDACTED] June, which would be fiscal May in the model).
- A/R days set to [REDACTED]
- MW shipped and ASP added for reference. They are also in the model, of course.

Please review and call with any questions.

Scott

From: [REDACTED]
Sent: Tuesday, May 17, 2011 12:14 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: Argonaut Purchase AR Analysis_051611.xlsx

[REDACTED]

So you have it, I am including [REDACTED] email. He is cc'd here. Thanks,

[REDACTED]

From: [REDACTED]
Sent: Tuesday, May 17, 2011 1:20 PM
To: [REDACTED]
Subject: RE: Argonaut Purchase AR Analysis_051611.xlsx

[REDACTED]

Got your voicemail. Attached is one more version, this one contemplating a discount on the receivables instead of interest. I'll call you in 5-10 min if you are available. I should be able to get you the current A/R aging shortly.

[REDACTED]

From: [REDACTED]
Sent: Monday, May 16, 2011 2:46 PM
To: [REDACTED]
Subject: RE: Argonaut Purchase AR Analysis_051611.xlsx

Thanks. Do you have a current aging of A/R that you can send also?

From: [REDACTED]
Sent: Monday, May 16, 2011 4:31 PM
To: [REDACTED]
Subject: RE: Argonaut Purchase AR Analysis_051611.xlsx

Working on another rev. [REDACTED] called back and said we should model [REDACTED] for North America and [REDACTED] for Europe, and also look at a case where the [REDACTED] is a discount instead of an interest rate. Once I send this new version I'll call you.

From: [REDACTED]
Sent: Monday, May 16, 2011 2:29 PM
To: [REDACTED]
Subject: RE: Argonaut Purchase AR Analysis_051611.xlsx

Thanks. I'm free whenever you want to talk.

From: [REDACTED]
Sent: Monday, May 16, 2011 3:21 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: Argonaut Purchase AR Analysis_051611.xlsx

[REDACTED]

Here is the latest analysis. The A/R days outstanding assumption in the model is shown under the A/R balance (59 days dropping to 55 over several months and holding there). Solyndra's estimated cash balance is shown at the bottom.

Please review and let me know if there are questions/concerns. I'll give you a call later this afternoon to discuss.

[REDACTED]

Footnote 62

[REDACTED]

From: [REDACTED]
Sent: Sunday, July 31, 2011 3:18 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: Re: FW: Board Materials

When do they expect to provide the updated financial model? The pushing-out of positive EBITDA by 3-4 quarters is especially concerning and raises questions of the patience that Argonaut may continue to have.

On Thu, Jul 28, 2011 at 6:38 PM, [REDACTED] wrote:
The Solyndra Board presentation from today's meeting is attached. Bottom line is that Solyndra is revising its projections going forward because of weak market conditions and now projects that it will have to raise an additional \$25M bringing the total necessary Tranche C funding to \$75M. The amount that it needs to raise this year is still \$50M. A high level overview of the main points is below.

- The global solar market is very, very challenging
 - Demand growth has slowed/stopped and supply exceeds demand
 - Inventory growing, market price declining and margins shrinking
- Solyndra is impacted by these market conditions
 - Especially in Europe where Solyndra believes the market will return to its 2009 size by 2012 after doubling from 2009 to 2010.
 - Competitors are also beginning to lower their BOS costs so Solyndra's premium is likely to be more realistic in the low end of the [REDACTED] range.
- Solyndra shipment/revenue is below Plan but winning in a bad market
 - Strong demand creation
 - Strong shipment growth
 - Delivered to operational and cost plan to date
- Strategy, approach and execution is correct. The good news is that Solyndra has been able to grow its business during the first half of 2011 in a declining global market.
- Solyndra is in the process of revising the Annual Plan to adapt to market conditions. An overview of the adjustments is below.
 - Reduce shipment/revenue forecast
 - Shipments: [REDACTED] (down 19%)
 - Revenue: [REDACTED] (down 23%)

- ASPs: [REDACTED] (down 6%) and [REDACTED] in Q4 (down 10%)
- Panel Power: 3% below plan for H2
- Solyndra also plans to take the following actions:
 - Lower build plan to match sales: [REDACTED] – 75% management decision and 25% operational impact
 - Reduce spending to preserve cash: targeting [REDACTED] reduction in H2 2011.
- Net impact to cash: Capital needs estimated to be \$75M, an increase of \$25M
 - Planning to raise \$20M week of 8/12 and \$30M week of 9/16. 8/12 funding can only be delayed a few weeks. There was not much discussion about the specifics, but it sounds like Argonaut will be at Solyndra next week.
 - An additional \$20M in 1/12 and \$5M in 4/12 is currently anticipated
 - EBITDA Impact (see slides 23 and 24)
 - Pushes out positive EBITDA from Q4 2011/Q1 2012 to Q4 2012
 - Annual EBITDA impact is as follows: 2012 [REDACTED] 2013 [REDACTED] 2014 [REDACTED]
- Sales:
 - Wal-Mart looks like it could lead to [REDACTED] on up to 71 stores based on the economics. Probably would not ship until Q2/Q3 of 2012.
 - SCE on track for Q3/Q4
 - 58MW of potential in Italy, but registration may delay any shipments until Q4
- Long-Term Strategy: Certain directors expressed an interest in engaging Goldman or Bank of America to explore strategic partners and a potential IPO in 2012 (if the second half of 2012 goes well).

From: [REDACTED]
Sent: Wednesday, July 27, 2011 11:20 PM
To: [REDACTED]
Subject: FW: Board Materials

Gentlemen:

My apologies. You should have been included on this distribution.

Thanks.

[REDACTED]

From: [REDACTED]
Sent: Wednesday, July 27, 2011 8:13 PM
To: [REDACTED]
Cc: Bill Stover; [REDACTED]
Subject: Board Materials

All,

Attached is the Board file for tomorrow's board meeting. I will be circulating separately additional materials relating to the inventory facility and prior minutes.

Thanks.

[Redacted]

[Redacted]

VP, Deputy General Counsel
Solyndra LLC

[Redacted]

Footnote 63

From: Silver, Jonathan
To: [REDACTED]
Subject: Fw: Solyndra
Date: Thursday, August 04, 2011 3:46:33 PM

Fyi.

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

From: [REDACTED]
Sent: Thursday, August 04, 2011 03:23 PM
To: Silver, Jonathan
Cc: [REDACTED]
Subject: Solyndra

Update: Cash position is very low and investors appear unwilling to provide \$20 million required within the next 10 days. We were informed last week of a downward revision to the operating plan because of challenges in Europe and heightened pressure on price.

Just got off the phone with Bill Stove, CFO, and we are planning for a meeting next week to determine the most elegant path forward.

[REDACTED] I will be speaking with [REDACTED] and the Mofo gang today.

[REDACTED]
Portfolio Management Division
Loan Programs Office
US Department of Energy
1000 Independence Avenue SW
Washington, DC 20585

[REDACTED]

Footnote 64

DISCUSSION MATERIALS



Preliminary and Draft
Subject to Applicable Confidentiality Agreements and FRE 408

Historical Financials

(\$ in millions)

SOLYNDRA - HISTORICAL FINANCIALS										
	2009A				2010A				2011A	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Total Revenue										
Cost of Sales										
Gross Margin - \$										
Gross Margin - %										
Research and Development										
Sales and Marketing										
General and Administrative										
Total Pre Production Start Up										
Operating Expense - \$										
Operating Margin										
Operating Margin - %										
Interest Income / (Expense)										
Other Income / (Expense)										
EBIT										
Margin %										
Income Taxes										
Net Income										
Margin %										
EBEEDA										
Margin %										

Source: Company management.

Situation Overview

- Solyndra LLC ("Solyndra", or the "Company") designs and manufactures solar photovoltaic (PV) systems for the commercial rooftop market
 - Using innovative cylindrical modules and thin film Copper-Indium-Gallium-Selenium (CIGS) technology, Solyndra products are designed to provide a low levelized cost of electricity and high kilowatt hour production per rooftop
 - Solyndra's unique system offers fast and easy installation, a non-penetrating mounting system, and superior wind, snow and soiling performance
- The Company constructed a 300MW per year manufacturing facility in part with Department of Energy ("DOE") loan guarantee proceeds. The facility was sized in expectation of rapid adoption of its product based on an expanding solar market and the strength of the Company's unique technology
 - While Solyndra has experienced substantial revenue growth and attracted over \$1.1 billion of private capital, its results have fallen short of plan. The Company has been negatively impacted by an increasingly competitive solar market and a challenging overall economic environment resulting in unanticipated price declines and lower than expected sales volumes. Simply stated, the Company has not reached sales levels necessary to reach break-even profitability or free cash flow
- Today, the Company is operating under constrained liquidity and will need an infusion of cash immediately in order to remain viable
 - Previous attempts to raise capital in the public markets, including an attempted IPO in 2009, did not prove successful due to the difficult solar market conditions and the Company's already highly levered balance sheet. The Company has raised significant capital in a series of private offerings but faced with constrained liquidity and significant debt, its sponsors are no longer willing to provide additional capital absent a comprehensive restructuring of the Company's debt obligations
- The DOE has been in discussions with the Company and certain of its sponsors to provide incremental capital with a goal to allow the Company the opportunity to reach break-even cash flow during 2012. The sponsors are unwilling to do so absent a comprehensive restructuring transaction which delevers the business significantly

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Situation Overview (cont'd)

- Consequently, Lazard has developed a restructuring proposal in an effort to provide the Company the runway to attempt to reach breakeven cash flow. The proposal is based on the following:
 - Company to commit to a cost rationalization program
 - While the restructuring proposal contemplates a substantial conversion of DOE guaranteed debt to equity, the conversion is designed to occur contemporaneously with new capital funding in order to maintain a portion of the DOE's debt claims until all new amounts committed have been funded
 - \$150 million of DOE guaranteed debt to remain in place, of which \$75 million will receive an improved structural position
 - Additionally, DOE to receive out of the money warrants designed to return par plus accrued interest on the initial loan amount based on a turnaround of the business
 - Other junior debt will also be converted to equity along the same schedule as the DOE
 - Current common and preferred equity holders will receive no recovery
 - Other key terms include the reconstitution of the board of directors, and the retention of an independent Chief Restructuring Officer to review and evaluate the business plan
- Absent new funding in the near-term, the Company will be forced to begin an orderly wind-down of the business, which in Lazard's best judgment, will likely result in little recovery to the DOE

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30 SEPTEMBER 2009

DOE Loan Comparison

Terms	Original Loan	Reassigned Loan		
	DOE Senior Debt	Senior Debt	DOE Sub Debt	Investor Sub Debt
Date	Sep 2009	Feb 2011		
Amount	\$535 mm	A: \$75 mm (Inv.) B: \$150 mm (DOE) C: \$75 mm (Inv.)	\$385 mm	\$175 mm (existing convertible debt)
Tenor	7 years	6 years (A, B, C)	12 years	15 years
Principal payments	17 quarters beginning 5/2012	16 quarters beginning 3/2013 (A, B, C)	24 quarters beginning 3/2017	36 quarters beginning 3/2017
Final maturity	8/2016	12/2016	12/2022	12/2025
Expected maturity	8/2016	Q4 2015	Q3 2017	Q3 2017
PIK interest period	None	Through 12/2012	Through 12/2014	Through 12/2015
Mandatory Prepayment	Usual and customary, plus partial sweep under certain conditions	Usual and customary, plus 60% of free cash swept quarterly, plus remaining balance once total balances in certain accounts exceed 125% of outstanding balance. No dividends or use of cash outside the project permitted.		
Optional Prepayment	Original principal and accrued interest	Original principal and accrued interest		
Payment Event of Default	Acceleration of outstanding principal and accrued interest	All future accretions brought forward if uncured payment default		
Collateral available to DOE	Fab2 building, land, equipment, leasehold interests and license for Solyndra IP up to the production output of Fab 2	All company building and land, equipment, leasehold interests, IP, Fab 1 and associated equipment, supply, sales, and other operating agreements and transfer of all Solyndra, Inc. assets to Fab 2 LLC		

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Projected Financials

(\$ in millions)

SOLYNDRA - PROJECTED FINANCIALS														
	2011E		2012E		2013E				2014E				2015E	
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Total Revenue	[REDACTED]													
Cost of Sales														
Gross Margin %														
Research and Development														
Sales and Marketing														
General and Administrative														
Total Pre Production Start Up														
Operating Expense - \$														
Operating Expense - %														
Interest Income / (Expense)														
Other Income / (Expense)														
EBIT														
Margin %														
Income Taxes														
Net Income														
Margin %														
EBITDA														
Margin %														

Source: Company management.

Illustrative Restructuring Proposal

The DOE has developed a restructuring proposal premised on the following key restructuring principles:

KEY RESTRUCTURING PRINCIPLES

- Solyndra is experiencing a significant liquidity crisis and has embarked on a restructuring plan premised on cost reduction, new money investment, and conversion of debt to equity
- Argonaut, the Company, and DOE aim to agree on an approach to allow the Company the opportunity to reach cash flow break-even during 2012
- Argonaut/investors to provide sufficient investment to take Company to cash flow breakeven and agree to fund balance of AR / Inventory facility on an approved schedule
- DOE to agree to a conversion of debt to equity subject to certain key conditions:
 - \$75 million of DOE Tranche B loan to become pari passu with \$75 million of Tranche A loan in all respects (including in a liquidation scenario) and share same economic terms
 - Debt to equity conversion to occur concurrent with Argonaut/investors funding of new money and commitment of balance of AR / Inventory facility
- All existing preferred equity, common equity and warrants cancelled as part of restructuring
- Independent Chief Restructuring Officer ("CRO") to be appointed and agreed by Argonaut, Independent Board members and DOE within 45 days of closing of restructuring. CRO to report to independent committee of the Board and responsibilities to include review and validation of operating plan, among other agreed scope of duties
- Incremental outside equity investment to be explored as well as deeper cost measures evaluated given risks to financial plan and challenging operating environment
- Board to be reconstituted consistent with restructured equity ownership
- Resetting of management equity option plan

Illustrative Restructuring Proposal (cont'd)

The restructuring proposal results in a significant deleveraging of the Company and new equity sponsorship. Under this proposal, all existing preferred equity, common equity and warrants would be cancelled

PROPOSED CAPITAL STRUCTURE

- New investment of \$100 million plus commitment of balance of A/R and Inventory facility
- Maintain existing Tranche A at \$75 million
- \$75 million of existing Tranche B debt to remain and become pari passu to Tranche A debt in all respects and share same economic terms
- Convert \$75 million of existing Tranche B debt into New Tranche D; subordinated to Tranches A, B, and new Tranche C debt
- Sponsors to fund new \$100 million Tranche C debt; subordinated to Tranches A and B and senior to New Tranche D
- Existing Tranche D (\$385 million) to convert to equity in exchange for 40% of the common equity of the restructured company. Debt conversion shall be concurrent with and at the same percentage funding as the \$100 million Tranche C facility (if 25% of the \$100 million of the Tranche C is funded then 25% of the \$385 million in Tranche D will convert to equity for 10% of the common equity)
- DOE would agree to convert 100% of its Tranche D debt for 35% of the common equity of the restructured company if \$100 million in Tranche C debt is funded at closing
- Tranche D to receive out of the money warrants designed to return par plus accrued in upside valuation scenarios
- DOE equity subject to repurchase at par plus accrued value of converted debt claim by Company at any time
- Tranche E lenders would convert to equity through similar mechanism as Tranche D lenders and receive equity in an amount to be determined in negotiation with investors
- Tranche C investors would receive 60%/65% of the equity before allocation of equity to Tranche E lenders and proposed new management equity plan

Illustrative Restructuring Proposal (cont'd)

OTHER KEY TERMS	<ul style="list-style-type: none">■ Reconstitute board of directors to reflect new equity ownership. Sponsors to appoint 3 members, DOE to appoint 2 independent directors, and all equity to agree on 2 additional independent directors■ Retention of an independent Chief Restructuring Officer to be agreed by Argonaut, Independent Board members and DOE within 45 days of closing of restructuring. CRO to report to independent committee of the Board and responsibilities to include review and validation of operating plan, among other agreed scope of duties■ New board to retain an independent investment bank to consider new third party debt and equity financing alternatives as well as broader strategic options■ Drag, tag and other equity issues to be considered to protect DOE equity position given inability to invest new equity in future funding rounds
IMPLEMENTATION	<ul style="list-style-type: none">■ Ability to execute restructuring on an out-of-court basis subject to further investigation and discussion with counsel

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Illustrative Restructuring Proposal (cont'd)
(\$ in millions)

CAPITALIZATION WALK						
	Current	Close	Funding Step 1 (\$30 mm Tranche C)	Funding Step 2 (\$45 mm Tranche C)	Funding Step 3 (\$25 mm Tranche C)	Illustrative Rates
Tranche A	\$75.0	\$75.0	\$75.0	\$75.0	\$75.0	L+600
Tranche B	150.0	75.0	75.0	75.0	75.0	L+600
Tranche C	0.0	0.0	30.0	75.0	100.0	L+800
New Tranche D	0.0	75.0	75.0	75.0	75.0	L+1,000
Tranche D	385.0	385.0	269.5	96.3	0.0	
Tranche E	190.0	190.0	133.0	47.5	0.0	
Total Debt	\$800.0	\$800.0	\$657.5	\$443.8	\$325.0	
Equity Ownership (a)						
Total "Investors"	80.0%	100.0%	88.0%	70.0%	60.0%	
Management	20.0%	0.0%	0.0%	0.0%	0.0%	
Department of Energy		0.0%	12.0%	30.0%	40.0%	
New Management Plan		TBD	TBD	TBD	TBD	
Total Equity Ownership %	100.0%	100.0%	100.0%	100.0%	100.0%	

Note: Tranche E consideration to be provided out of "investor" equity stake

(a) Shown undiluted by any management incentive plan.

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Illustrative Restructuring Proposal (cont'd)
(\$ in millions)

RECOVERY CALCULATIONS				
Illustrative Enterprise Value	\$250.0	\$500.0	\$750.0	\$1,000.0
DOE Receives 40% Equity				
DOE Recovery (\$535 mm of existing obligations)	16.9%	42.6%	61.3%	80.0%
DOE Recovery (\$150 mm of Tranche B obligations)	60.4%	151.8%	218.5%	285.2%
DOE Receives 35% Equity				
DOE Recovery (\$535 mm of existing obligations)	16.9%	41.7%	58.1%	74.4%
DOE Recovery (\$150 mm of Tranche B obligations)	60.4%	148.8%	207.2%	265.5%

Note: Reflects 3 year exit horizon. Recoveries are shown prior to warrants that may be in-the-money in upside valuation scenarios.

Footnote 65

From: [REDACTED]
To: [REDACTED]
Cc: [REDACTED]
Subject: FW: DOE/Solyndra
Date: Friday, August 26, 2011 1:42:02 PM

See below. I just spoke with [REDACTED] who told me that JS, S2 and the WH are discussing whether to further fund the company with another advance. The [REDACTED] PO has a price differential of [REDACTED] which is why the [REDACTED] has not been signed yet. [REDACTED] and the company continue to negotiate.

[REDACTED]
Loan Guarantee Program
U.S. Department of Energy
1000 Independence Avenue SW
Washington, DC 20585

[REDACTED]

From: [REDACTED]
Sent: Friday, August 26, 2011 1:22 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: FW: DOE/Solyndra

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[REDACTED]
Please see my email to the Mofa team below. I can be available to discuss shortly,

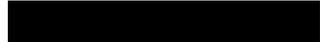
[REDACTED]

From: [REDACTED]
Sent: Friday, August 26, 2011 12:54 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: DOE/Solyndra

[REDACTED]
I participated in the call with [REDACTED] and Solyndra and Argonaut bankruptcy counsel. Short story, in their view they are at crises mode again because according to [REDACTED] DOE is not prepared to fund anything additional absent a fully funded plan and DOE will not agree to fund anything additional on the B tranche to allow the process to continue (i.e., they can't fund into a bankruptcy filing"). As a result, according to [REDACTED] Argonaut will not fund anything additional on the A piece. There was some noise about how this was not the understanding with going forward last week (I sensed some DOE finger pointing), but in any event, unless there was movement on this issue, Solyndra felt constrained to shut down next week to be followed by a prompt bankruptcy.

Solyndra is having a board meeting at 10:00 a.m. Pacific. I'm finishing a call now, and I'll call you with some more details shortly. Solyndra has apparently not given any thought or devoted

time or resources to figuring out how to accomplish the liquidation and clearly have spent not time exploring a going concern sale.



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