

## **Footnote 830**



## **Footnote 831**

**Microsoft Outlook**

---

**From:** Utech, Dan G.  
**Sent:** Friday, August 26, 2011 12:36 PM  
**To:** Miller, Jason  
**Subject:** FW: [CALL] Solyndra

Can you hop on this if you're available?

**From:** Zichal, Heather R.  
**Sent:** Friday, August 26, 2011 11:27 AM  
**To:** Utech, Dan G.  
**Subject:** Fw: [CALL] Solyndra

Unclear if I can join. Can u plan to dial in?

---

**From:** Sanchez, Roque  
**To:** Zichal, Heather R.  
**Sent:** Fri Aug 26 11:09:11 2011  
**Subject:** FW: [CALL] Solyndra

**When:** Friday, August 26, 2011 12:30 PM-1:00 PM (GMT-05:00) Eastern Time (US & Canada).

**Where:** Number: [REDACTED] Passcode: [REDACTED]

**Note:** The GMT offset above does not reflect daylight saving time adjustments.

\*~\*~\*~\*~\*~\*~\*~\*~\*~\*

Call with DepSec Poneman regarding Solyndra.

-----Original Appointment-----

**From:** [REDACTED] On Behalf Of Deputy Secretary  
**Sent:** Friday, August 26, 2011 11:08 AM  
**To:** Deputy Secretary; Poneman, Daniel; Silver, Jonathan; Navin, Jeff; Levy, Jonathan; Sanchez, Roque; Hernandez, Phil  
**Subject:** [CALL] Solyndra  
**When:** Friday, August 26, 2011 12:30 PM-1:00 PM (GMT-05:00) Eastern Time (US & Canada).  
**Where:** Number: [REDACTED] Passcode: [REDACTED]

Calling in:

Poneman

Zichal

Silver

Navin

## **Footnote 832**

**Microsoft Outlook**

---

**From:** Utech, Dan G.  
**Sent:** Friday, August 26, 2011 1:16 PM  
**To:** Zichal, Heather R.  
**Subject:** solyndra call at 2

U need to be on

## Microsoft Outlook

---

**Subject:** Meeting Forward Notification: Call Re: Solyndra  
**Start:** Fri 8/25/2011 2:00 PM  
**End:** Fri 8/26/2011 2:30 PM  
**Show Time As:** Tentative  
**Recurrence:** (none)  
**Meeting Status:** Not yet responded  
**Organizer:** Utech, Dan G.

### Your meeting was forwarded

Utech, Dan G. has forwarded your meeting request to additional recipients.

**Meeting**  
Call Re: Solyndra

**Meeting Time**  
Friday, 26 August 2011 14:00-14:30.

**Recipients**  
mary.mile [REDACTED]

All times listed are in the following time zone: (GMT-05:00) Eastern Time (US & Canada)

---

Sent by Microsoft Exchange Server 2007

**Footnote 834, 835**

## Microsoft Outlook

---

**From:** Utech, Dan G.  
**Sent:** Friday, August 26, 2011 4:02 PM  
**To:** Zichal, Heather R.  
**Subject:** FW: DOE Solyndra Presentation  
**Attachments:** Solyndra Discussion Materials.pdf

**From:** Silver, Jonathan [REDACTED]  
**Sent:** Friday, August 26, 2011 4:01 PM  
**To:** Poneman, Daniel; Zients, Jeffrey D.; 'Mary Miller' [REDACTED]; Utech, Dan G.  
**Subject:** FW: DOE Solyndra Presentation

Attached please find the Lazard deck summarizing the impact of a revised business model.

Page 1 shows the company's original base case. This plan requires approximately \$74 million to reach break-even in late 2012. It also assumes an aggressive revenue ramp from dramatically increased panel sales through 2012, which could be challenging. This is the plan that the investor group opted not to fund.

Page 2 outlines the modeling assumptions made to restructure the business to drive down costs.

Page 3 summarizes the impact of those changes which reaches break-even at the end of May 2012 on about \$55 million of new money. As you will see in the note below the chart, these results can be achieved even on significantly lower MW sales as, which is a more conservative posture.

Page 4 adds several additional cuts to the mix. Because headcount is such an important part of the cost structure, this drives down break-even funding requirements to about \$47 million and break-even occurs in February of 2012. Note that in this third cut, MW sales target requirements are even lower.

Page 5 indicates that there are other areas that current or future investors could explore to seek still further reductions in the underlying cost structure. It is likely that these changes would continue to reduce the amount of capital need to reach break-even.

All of the reductions outlined in this deck are achievable with no significant change to the fundamental business of selling non-penetrating roof-top solar panel installations. They do, however, require implementation.

Page 6 identifies some of the risks embedded in the proposed restructuring.

The value of the recovery on a going concern basis is dramatically higher than in liquidation. The revised management case shows a \$54 million EBITDA in 2013. A 6-8x multiple implies a going concern value of between \$325-330 million. The second revised plan with \$67 million in EBITDA in 2013 suggests a going concern value of around \$400-535 million.

Jonathan Silver  
Executive Director  
Loan Programs  
US Department of Energy  
1000 Independence Avenue, S.W.

DISCUSSION MATERIALS | 25 AUGUST 2011 |

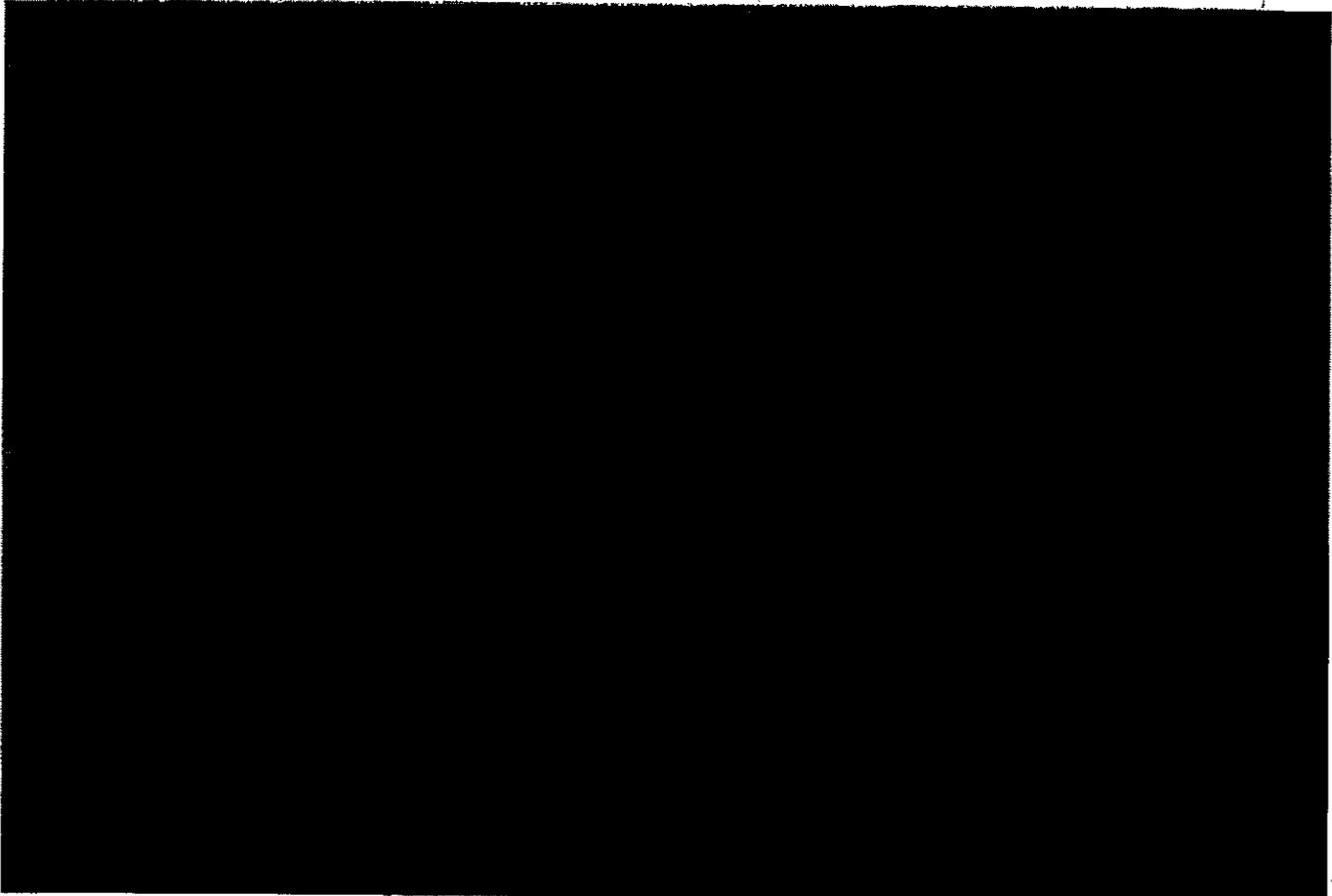
DISCUSSION MATERIALS

---

**Department of Energy**

[Preliminary Draft / Confidential]

REDACTED



[Preliminary Draft / Confidential]

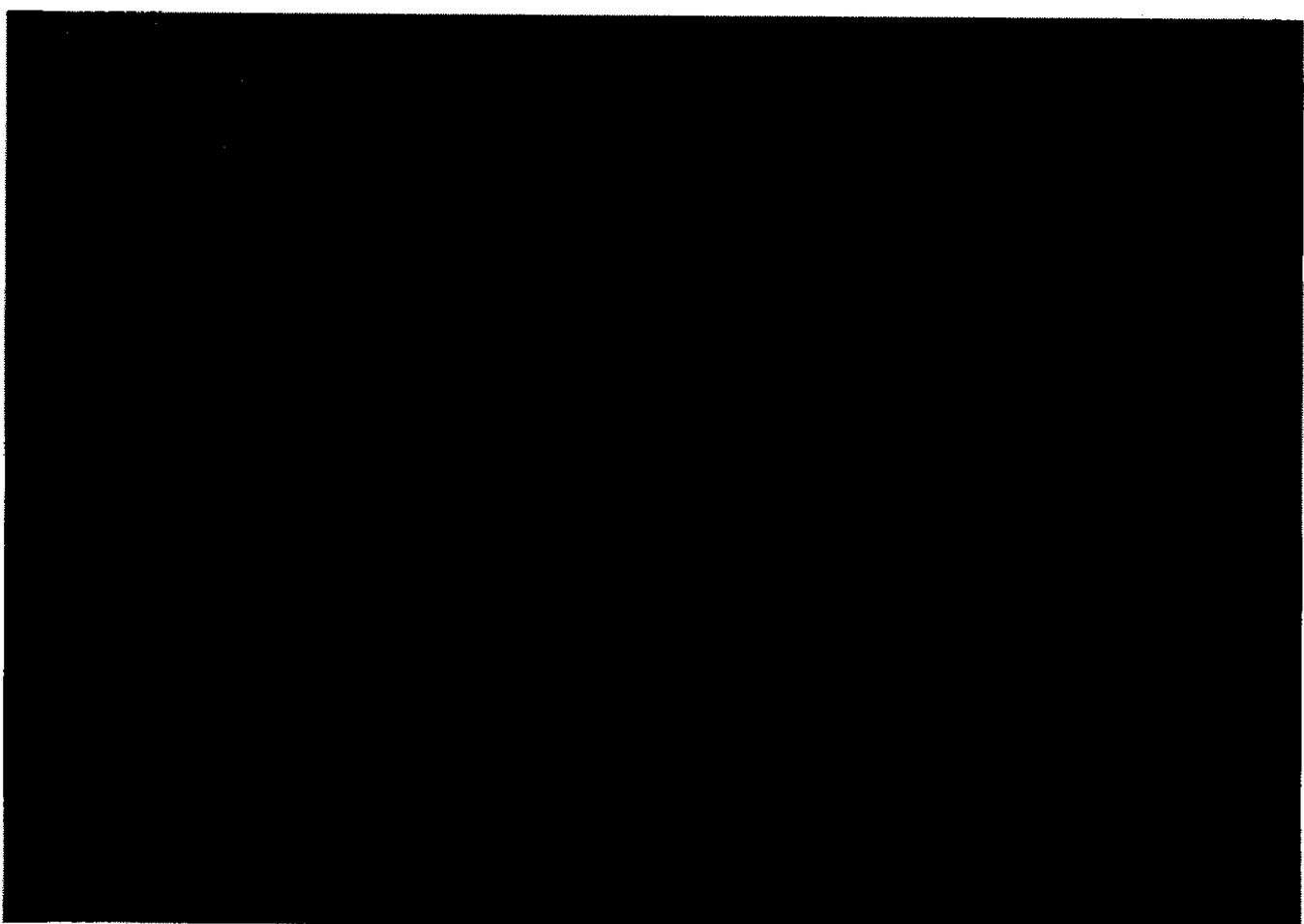
DISCLOSURE MATERIALS

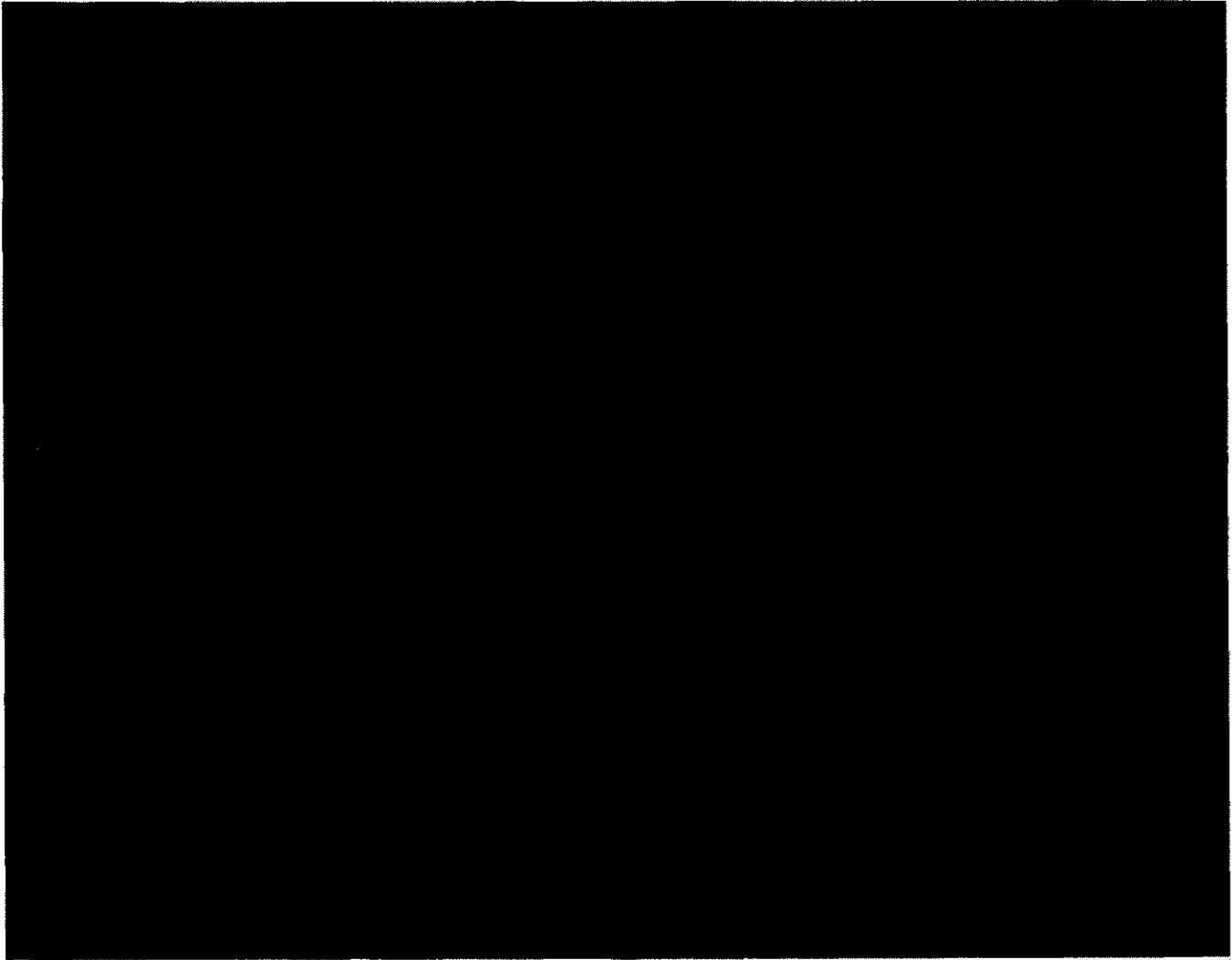
## Solyndra Financial Summary: Revised Management Case (8/23/11)

Key assumption changes from management base presented on 8/12/11:

- **Incremental reduction-in-force of ~80 operations personnel**
  - Company anticipates ramping back operations employee headcount beginning in 2Q 2012 as sales volume increases
  - Total estimated cash savings of ~\$3 million
- **Rolling shutdowns to maximize operating efficiency in February and May, 2012 – 2 week manufacturing facility shutdown (Presidents' Day and Memorial Day)**
  - Management plan called for a three week shutdown in December 2011
  - Cash savings of ~\$10 million +
    - ~\$8 million relating to employee salaries and ~\$2.5 million relating to facility overhead
- **Revised intra-quarter sales distribution profile (liquidity "pull-forward")**
  - Currently quarterly sales distribution of 10%, 30% and 60% (month 1, month 2 and month 3) revised to 25%, 35% and 45% in 2Q 2012 and 30%, 30% and 40% in 3Q / 4Q 2012
  - Positive cash flow impact of ~\$7 million primarily due to working capital effect of A/R and Inventory sales facility
- **~\$2 million of discretionary Capex pushed back to 2013 and ~\$1 million of "other items" costs (relating to equipment relocation costs) eliminated**
- **~\$3 million cash contribution from escrowed equity account not previously accounted for in model**
  - Subject to Tranche A and B milestone funding
- **Impact of drawing down ~6 months of glass inventory (Schott) netted against ~\$10 million in accounts payable "catch up" payments (cash neutral impact)**
- **Includes ~\$10 million of accounts payable "catch up" payments in August and September 2011 offset by return to Days Payable Outstanding profile later in the forecast period (cash neutral effect in the period)**

[Preliminary Draft / Confidential]





[Preliminary Draft / Confidential]

DISCONTINUED

## Additional Operating Savings

The prior analysis, including the "Additional Headcount Savings Case", does not capture any potential savings that may result from the following items:

- Reduction-in-force of non-operations personnel such as finance, HR, and legal
- Renegotiation of the lease contract on the Fab 1 facility
- Renegotiation of other outside provider contracts to the extent there are any
- Reevaluation of other non-payroll employee benefits such as health insurance, travel expenses, etc.
- Other G&A cost savings
- Sale of any assets not currently being utilized in operations (e.g., land and other PP&E)

[Preliminary Draft / Confidential]

DISCUSSION MATTER

---

## Key Risks

In addition to "top-line" risks from the increased sales ramp in 2012, the following risks may impact funding needs for Solyndra:

- Inability to change intra-quarterly sale distribution profile may have a negative impact on cash profile
- Additional vendor pressure may lead to increased "catch up" payments in the near term
- Near-term headcount reduction could negatively impact ramp up in production in latter half of 2012
- Unpaid downtime and potential salary reduction could lead to potential employee attrition and negative impact on operations

## **Footnote 836**

---

**From:** Buckhout, Scott

Sperling, Gene

belhaf of

**To:** Leibenluft, Jacob

Buckhout, Scott

Koronides,

**Cc:**

**Bcc:**

**Subject:** 10:30AM: MTG on Future of Solyndra

**Date:** Fri Aug 26 2011 16:10:39 EDT

**Attachments:**

---

**When:** Monday, August 29, 2011 10:30 AM-11:00 AM (GMT-05:00) Eastern Time (US & Canada).

**Where:** TBD

**Note:** The GMT offset above does not reflect daylight saving time adjustments.

\*~\*~\*~\*~\*~\*~\*~\*~\*~\*

**Manifest:**

Zichal

Barnes

DeParle

Sperling

Lew

Zients

**Footnote 837, 838**

**From:** SCHU  
**To:** Poneman, Daniel  
**Subject:** RE: Solyndra  
**Date:** Saturday, August 27, 2011 1:47:00 PM

---

Yes. Tell me when and where to dial in.

Steven Chu  
Department of Energy

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

**From:** Poneman, Daniel  
**Sent:** Saturday, August 27, 2011 1:46 PM  
**To:** SCHU  
**Subject:** Solyndra

Steve:

Would you be available for solyndra call w silver this afternoon? There have been developments and as you know decisions need to be made imminently.

Thanks

Dan

## **Footnote 839**

## Microsoft Outlook

---

**From:** Miller, Jason  
**Sent:** Friday, August 26, 2011 5:14 PM  
**To:** Koronides, Christine; Buckhout, Scott; Leibenluft, Jacob; Keohane, Nathaniel  
**Subject:** Re: Time sensitive Solyndra issue

I will send a write up. We are getting briefed by doe's financial advisors on sunday. Company may be filing for bankruptcy. Deese was part of convo about 8 mos ago when doe agreed to restructuring of solyndra.

---

**From:** Koronides, Christine  
**To:** Buckhout, Scott; Leibenluft, Jacob; Miller, Jason; Keohane, Nathaniel  
**Sent:** Fri Aug 26 16:35:05 2011  
**Subject:** RE: Time sensitive Solyndra issue

Looping in Jason M. and Nat  
Scott - let us know when the call lands; Nat and Jason, any background you have would be helpful.

**From:** Buckhout, Scott  
**Sent:** Friday, August 26, 2011 3:59 PM  
**To:** Koronides, Christine; Leibenluft, Jacob  
**Subject:** FW: Time sensitive Solyndra issue  
**Importance:** High

**From:** Hernandez, Phil  
**Sent:** Friday, August 26, 2011 3:49 PM  
**To:** Zelman, Allison L.; Updegrove, Laura; Geraghty, Melissa; Buckhout, Scott; Weiss, Maggie  
**Subject:** Time sensitive Solyndra issue  
**Importance:** High

Hello -

On Monday morning, Heather Zichal and Jeff Zients need to schedule a conference call with your bosses to discuss the future of Solyndra. I know some of your bosses will be out next week, but this issue is extremely time sensitive and so it'd be great to have as many folks hop on the call as possible.

Can we shoot for sometime in the 10-11am window? We'll only need 20 minutes or so.

Thanks,  
Phil

Phil Hernandez  
White House Domestic Policy Council  
Energy & Climate Change | [REDACTED]

## **Footnote 841**

Microsoft Outlook

---

**From:** Utech, Dan G.  
**Sent:** Sunday, August 28, 2011 12:26 PM  
**To:** Miller, Jason  
**Subject:** FW: Solyndra

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

**From:** Winters, Matthew [REDACTED]  
**Sent:** Saturday, August 27, 2011 2:20 PM  
**To:** Zichal, Heather R.; Poneman, Daniel; Utech, Dan G.; Zients, Jeffrey D.; 'mary.miller' [REDACTED] Silver, Jonathan; Ericsson, Sally C.  
**Cc:** Levy, Jonathan; Navin, Jeff; Carlson, Jaime; [REDACTED]  
**Subject:** Re: Solyndra

All-

We are confirmed for a conference call with Lazard tomorrow at 5pm. We can use the following call-in number; [REDACTED] (no passcode required).

Matt

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

**From:** Zichal, Heather  
**Sent:** Saturday, August 27, 2011 01:02 PM  
**To:** Poneman, Daniel; Utech, Dan G. [REDACTED] Zients, Jeffrey D. [REDACTED]; 'mary.miller' [REDACTED] Silver, Jonathan; Winters, Matthew; Ericsson, Sally C. [REDACTED]  
**Cc:** Levy, Jonathan; Navin, Jeff; Carlson, Jaime; [REDACTED]  
**Subject:** Re: Solyndra

Great. Let us know when its set up and if you need a conference line.

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

**From:** Poneman, Daniel [REDACTED]  
**To:** Zichal, Heather R.; Utech, Dan G.; Zients, Jeffrey D.; 'mary.miller' [REDACTED]; Silver, Jonathan [REDACTED]; Winters, Matthew [REDACTED] Ericsson, Sally C.  
**Cc:** Levy, Jonathan [REDACTED]; Navin, Jeff [REDACTED]; Carlson, Jaime [REDACTED]  
**Sent:** Sat Aug 27 11:53:07 2011  
**Subject:** Re: Solyndra

If we have power, that works for me.

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

**From:** Zichal, Heather  
**Sent:** Saturday, August 27, 2011 11:07 AM

To: Poneman, Daniel; Utech, Dan G. [REDACTED]; Zients, Jeffrey D.  
[REDACTED]; 'mary.miller [REDACTED]; Silver, Jonathan; Winters,  
Matthew; Ericsson, Sally C. <[REDACTED]>  
Cc: Levy, Jonathan; Navin, Jeff; Carlson, Jaime; [REDACTED]  
Subject: Re: Solyndra

Our team was already planning a call sunday. Could we ask them to do briefing at 5pm on Sun? If weekend isn't an option, 8:30 Mon.

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

From: Poneman, Daniel [REDACTED]  
To: Zichal, Heather R.; Utech, Dan G.; Zients, Jeffrey D.; 'mary.miller [REDACTED] Silver,  
Jonathan [REDACTED]; Winters, Matthew [REDACTED] Ericsson, Sally C.  
Cc: Levy, Jonathan [REDACTED]; Navin, Jeff [REDACTED]; Carlson, Jaime  
[REDACTED]  
Sent: Sat Aug 27 10:12:47 2011  
Subject: Solyndra

Per our telcon yesterday, I would like to ask LPO to organize a conf call at the earliest opportunity for lazard to brief the options they see for solyndra under current circumstances. Impending whether counsels for today. I am available any time after noon. If people would reply w availabilities, LPO will take it from there. Many thanks. DP

## **Footnote 842**

Re: 2 things

From: "Poneman, Daniel" [REDACTED]  
To: [REDACTED] SCHU [REDACTED] "Navin, Jeff"  
Date: Sun, 28 Aug 2011 20:38:59 -0400

---

Silver just called me so I gave him the dial-in and we are calling now.

----- Original Message -----  
From: [REDACTED]  
Sent: Sunday, August 28, 2011 08:35 PM  
To: Poneman, Daniel; SCHU; [REDACTED]  
Subject: Re: 2 things

You can use the call in number from earlier.  
  
If you would like Jonathan as well, I'm happy to reach out to him.

[REDACTED]

----- Original Message -----  
From: Poneman, Daniel  
Sent: Sunday, August 28, 2011 08:32 PM  
To: SCHU; Navin, Jeff; [REDACTED]  
Subject: Re: 2 things

I am ready now. can we add silver?

----- Original Message -----  
From: SCHU  
Sent: Sunday, August 28, 2011 08:31 PM  
To: Poneman, Daniel; Navin, Jeff; [REDACTED]  
Subject: Re: 2 things

I am very concerned with Amp and the rest of the queue. When is the call?

----- Original Message -----  
From: Poneman, Daniel  
To: SCHU; Navin, Jeff; [REDACTED]  
Sent: Sun Aug 28 20:21:28 2011  
Subject: Re: 2 things

Replying to your 2 emails, what you did not hear was what our proposed path forward is, relative not only to solyndra but how it relates to Amp and the rest of the 1705 queue. I don't think we need much time but want to make sure we address the variables consistently w your views.

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

From: SCHU

Sent: Sunday, August 28, 2011 07:30 PM

To: Poneman, Daniel; Navin, Jeff; [REDACTED]

Subject: Re: 2 things

I will take the call. When is it? I presume it is on Solendra. My view has not changed. There are too many uncertainties if we take the path of "measured liquidation".

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

From: Poneman, Daniel

To: SCHU

Sent: Sun Aug 28 19:22:36 2011

Subject: RE: 2 things

Zichal just called and says she needs to brief WH principals tomorrow morning, so would you have 5-10 minutes this evening so I am sure that I accurately reflect your views on this? Sorry for the imposition.

Daniel B. Poneman  
Deputy Secretary  
US Department of Energy  
Washington, DC 20585  
[REDACTED]

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

From: SCHU

Sent: Sunday, August 28, 2011 6:41 PM

To: Poneman, Daniel

Subject: Re: 2 things

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

From: Poneman, Daniel

To: SCHU

Cc: Navin, Jeff

Sent: Sun Aug 28 18:39:25 2011

Subject: RE: 2 things

Sounds good.

Daniel B. Poneman  
Deputy Secretary  
US Department of Energy  
Washington, DC 20585  
[REDACTED]

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

From: SCHU

Sent: Sunday, August 28, 2011 6:39 PM

To: Poneman, Daniel  
Cc: Navin, Jeff  
Subject: Re: 2 things

Tomorrow.

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

From: Poneman, Daniel  
To: SCHU  
Cc: Navin, Jeff  
Sent: Sun Aug 28 18:36:31 2011  
Subject: RE: 2 things

Steve:

Agreed. Current situation presents difficult and urgent choices, none attractive.

Have a thought re the path ahead if you want to discuss this evening, or I can try to find a time that works for you tomorrow. What's your preference?

Dan

Daniel B. Poneman  
Deputy Secretary  
US Department of Energy  
Washington, DC 20585  
[REDACTED]

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

From: SCHU  
Sent: Sunday, August 28, 2011 5:57 PM  
To: Poneman, Daniel  
Cc: Navin, Jeff  
Subject: RE: 2 things

Dan,

I listened to the last half hour of the loan conversation. Unfortunately nothing new was revealed. The probability of finding a buyer and dramatically cutting costs to make to through seems small.

Steve

Steven Chu  
Department of Energy

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

From: Poneman, Daniel  
Sent: Sunday, August 28, 2011 4:17 PM  
To: SCHU  
Cc: Navin, Jeff

Subject: Re: 2 things

Let me know if you want a quick update if you get back in time to jump on solyndra call.

DP

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

From: SCHU

Sent: Sunday, August 28, 2011 02:09 PM

To: Poneman, Daniel

Cc: Navin, Jeff

Subject: RE: 2 things

I will call in about 3 hours.

Steven Chu

Department of Energy

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

From: Poneman, Daniel

Sent: Sunday, August 28, 2011 12:50 PM

To: SCHU

Cc: Navin, Jeff

Subject: 2 things

Steve:

2. Talked further today w zichal re loans, and silver has more info and will learn more this afternoon, too, so I think a tag-up to update you before the 5pm mtg would be useful; would that work for you? I could do it from 4pm on.

Regards

Dan

## **Footnote 843**

**Microsoft Outlook**

---

**From:** Utech, Dan G.  
**Sent:** Sunday, August 28, 2011 9:49 PM  
**To:** Utech, Dan G.  
**Subject:** Fw: solyndra memo  
**Attachments:** Solyndra 8-28-2011.docx

---

**From:** [REDACTED]  
**To:** Utech, Dan G.; Miller, Jason; Zichal, Heather R.; Zients, Jeffrey D.; [REDACTED]  
**Sent:** Sun Aug 28 19:11:00 2011  
**Subject:** RE: solyndra memo

OMB staff comments.

**From:** Utech, Dan G.  
**Sent:** Sunday, August 28, 2011 6:37 PM  
**To:** Miller, Jason; [REDACTED] Zichal, Heather R.; Zients, Jeffrey D.; [REDACTED]  
**Subject:** RE: solyndra memo

Revised memo attached to reflect call with Lazard. I think it's worth checking w DOE to see if they still are for extending the \$5 MM. If not we can present a unified position. Heather can you reach out to Poneman?

## **Footnote 845**

August 28, 2011

MEMORANDUM TO:

FROM:

SUBJECT: Solyndra Loan Guarantee

**SUMMARY**

Solyndra was the recipient of a \$535 million loan guaranteed by DOE in September 2009, the first loan guarantee under the DOE Title XVII loan program. The company manufactures an innovative solar panel constructed of cylindrical glass tubes. The \$535 million DOE loan provided 73% of the total \$733 million financing for the construction of a 231 MW solar panel manufacturing facility in Fremont, California. Over the life of the company, private investors have put in approximately \$1 billion. VPOTUS, Secretary Chu, Governor Schwarzenegger, and other state and local officials attended the announcement of the loan closing. POTUS visited Solyndra in May 2010.

Solyndra is in danger of imminent bankruptcy (potentially Monday or Tuesday, August 29-30). The company has been plagued by high costs, low sales and increasing competition in the rapidly evolving solar panel market. OMB, DPC and NEC have been working with press and OLA to be prepared for this news to break.

DOE has already restructured the loan once (in February), and subordinated a portion of their claims to \$75 million in new funding from investors with the presumption that getting the company to breakeven status would allow for the company to be refinanced or sold at a higher value as a going concern than would happen under a liquidation. As part of that restructuring, investors were also going to contribute an additional \$75 million that would have entered as senior debt in Tranche C (see below). At that time, DOE anticipated Solyndra would become cash flow positive in early to mid 2012. The current capital structure is:

SENIOR DEBT		\$M
Tranche A	Investors	\$75
Tranche B	DOE	\$150
SUB-DEBT		
Tranche D	DOE	\$385
Tranche E	Investors	\$190
<b>TOTAL</b>		<b>\$800</b>

DOE indicates that Solyndra revised their sales forecasts down in early August 2011 and that these projections have decreased significantly due to reduced sales in Europe and continued pressure from Chinese panel manufacturers. Since the restructuring last year, the company has shown no

Improvement in sales and in 1H 2011 had an EBITDA margin of -152%. In Q2 2011, the company had \$55 million EBITDA on \$36 million in sales. The decline in sales projections coupled with ongoing profitability issues caused a key investor to balk at adding additional capital that was pledged in the February restructuring. For several weeks, Solyndra has operated on funds loaned in advance of receivables from customer orders. In effect, this approach diminishes the expected value of recoveries in the event of a liquidation.

At this point, \$526.8 million of the \$535 million loan guarantee has been disbursed. DOE has expressed an interest in extending an additional \$5.4 million of credit to entice the investor to continue to work toward a second restructuring. The investor has offered to extend additional \$10 million cash against future inventory orders to keep the company operating for a few weeks while a second restructuring is developed, perhaps with new investors as well. It is not clear to whom Solyndra (Fab II, LLC) would pay the \$5.4 million, but some portion of that is likely to be paid to the parent company (Solyndra Inc.) since they are the key counter-party for the project company (Fab II, LLC).

Over the last several weeks, the company has worked with DOE's advisors to develop new financial projections based on a new business model to attract investors. Based on these projections, the company would need \$48 million between now and February 2012, its newly targeted breakeven date. Restructuring the company would require laying off approximately 350 of the 1200 employees almost immediately. In addition, the company would need to increase sales by 86% from Q2 2011 to Q1 2012 while maintaining prices near their current level which are not currently profitable for Solyndra. As a comparison, the company has had 0% sales growth since Q3 2009, and industry projections indicate prices for solar panels will continue to decline through 2012. So far the company has shown no ability to command any premium for their product and they are competing directly Solyndra is competing in a rapidly evolving solar panel market, where manufacturers continue to drive down average selling prices (ASP) of panels as they improve costs and compete for share. We should expect the market environment to continue to be challenging, and therefore that the sales projections are unlikely to hold. The financial projections also assume a restructuring of Solyndra's balance sheet, by further subordination of DOE claims, likely to those of an equity holder (versus senior debt.) As noted below, Lazard believes that the probability of Solyndra becoming a going concern under anticipated market conditions is near zero.

Thus the key question is whether the additional \$5.4 million would increase the expected government recovery. Answering this question entails answering a series of other questions, including: What is the likelihood that significant investment could be brought in over the next 2-3 weeks? How would the additional DOE funds affect the investor's willingness to put in additional funds for such a 2-3 week period? How realistic is the revised business plan prepared by Lazard and what is the likelihood the company would be able to execute it or something like it in the event that new investment and a financial restructuring is achieved over the next 2-3 weeks?

OMB, Treasury, DPC, and NEC recommend against extending any additional funds.<sup>1</sup> There is a near-zero chance that the company will become a going concern, any new deal developed during the next several weeks would be materially worse for the U.S. government, reducing the likelihood of an improved recovery. If an acceptable deal is not achievable, the U.S. government would have been better off from not having extended those funds.

DOE believes that if the additional \$5.4 million is not disbursed, the investor will be unwilling to put in new money, triggering bankruptcy and liquidation. DOE estimates that the liquidation value of the company is between \$75-\$150 million, implying a government recovery of \$0-\$75 million in liquidation. DOE believes that since there is some probability that additional investors can be attracted in the next 2-3 weeks, it is worth investing an additional \$5.4 million in order to keep alive the possibility of future profitability and a higher recovery to the government.

During a call today with Lazard, who has been a consultant to DOE for the last two weeks, Lazard made it clear that they believe that the company does not have a cost-competitive product, and therefore the only rationale for releasing the \$5.4 million in USG funds is to allow for an orderly liquidation. They do not believe the company can achieve profitability.

#### ADDITIONAL BACKGROUND

Solyndra was issued the first loan guarantee under the Title XVII program to manufacture an innovative solar panel constructed of cylindrical glass tubes. The \$535 million DOE loan provided 73% of the total \$733 million financing for the construction of a 231 MW solar panel manufacturing facility in Fremont, California. The project has garnered a significant amount of media and political attention; both good and bad. VPOTUS, Secretary Chu, Governor Schwarzenegger, and other state and local officials attended the closing ceremony. POTUS visited Solyndra in May 2010 calling Solyndra a, 'testament to American Ingenuity and dynamism and the fact that we continue to have the best universities in the world, the best technology in the world, and most importantly the best workers in the world.'

The project has been plagued by high costs of production and an increasingly competitive environment for more standard, flat solar panels. The company entered into a technical default in 2010, when Solyndra did not fund a reserve account as required by the terms of its loan agreement. Additional shortages of cash forced a restructuring in late 2010 that deferred payments, and brought new equity cash to the company conditioned on some of DOE's debt being subordinated.

According to the price and revenue projections in Solyndra's restructuring, the company was to reach cash flow positive situation by early to mid-2012 at a its current panel sales price of \$2.00 per watt, despite declining per-watt prices in the industry. The Solyndra per watt panel price was above the projected market for commodity flat panels, but the company argued that the lower cost for balance of plant and installation costs allowed for a higher priced panel in installations. Despite the attempt at

<sup>1</sup> While the funds would be used for costs deemed "eligible" to receive Federal loan funds, the project has been in default for failing to meet requirements under the loan guarantee agreement and DOE would be within its rights to refuse disbursement of these funds.

product differentiation, Lazard said there is no evidence that Solyndra has been able to get higher prices.

The project was restructured in early 2011 and DOE continued to disburse funds even though conditions precedent were not met. Under the February restructuring of the project, DOE subordinated \$75M senior secured debt in exchange for the new investor to pledge \$150 million in new capital. Under that plan, the investor contributed \$75 million immediately and \$75M of new capital at a later date. Solyndra's investor are due to provide an additional \$75 million in senior debt pursuant to the March restructuring, but so far they have refused based on the revised sales projections. Current investors are not willing to put up additional money in exchange for further USG subordination.

**Footnote 847, 848, 849**

To: Fred Dorwart; [REDACTED]  
Cc: [REDACTED] George Kaiser  
From: Steve Mitchell  
Sent: Mon 8/29/2011 1:51:10 AM  
Subject: Re: Re: Solyndra

A quick update - I've talked directly with [REDACTED] but wanted to send an email out to the group. Solyndra will not be laying off all employees tmrw morning - but it may still be doing so later this week.

I have had extensive conversations over the weekend with the DOE, Lazard (DOE's advisor) and the company.

Jonathan Silver is attempting to get access to the Tranche B funds in an effort to give the company 3 weeks to try and effect a fund raise or trade sale. I see this as highly unrealistic but the DOE wants to give it a shot. We have been very clear with the DOE that we cannot raise outside money if the balance sheet isn't dramatically revised to make this interesting as a going concern [REDACTED] has mentioned an interest in the assets in an insolvency but no interest to sign up for \$860 million of debt). DOE has agreed to revise the company's balance sheet along the lines that we originally proposed (essentially wipe out all debt but Tranche A's senior secured \$75 million and \$75 million of Tranche B in the junior secured position) leaving only \$150 million in total historical debt. In this instance new money would come in as junior debt to the A & B with warrants for a large chunk of the company (the revised business plan calls for \$55 million of new money but everyone agrees \$75 million is the prudent number to have committed).

With this framework of a structure the DOE (with company and our assistance) will be looking to attract a strategic [REDACTED] or a financial investor [REDACTED] to come in for all or at least half of the capital required to continue operations. I see this as a very low likelihood for success, however the DOE is willing to make the calls directly - one can only assume that they (and the Treasury) have built up some substantial good will over the past 2 or 3 years so I'm not completely counting this out.

We have made it very clear that we are not willing to invest in light of the fact that Argonaut must shoulder 80% to 90% of the load and it remains a risky proposition at best in light of the current solar market. I did indicate that if the DOE is able to secure a 50% partner, particularly a strategic with brand significance and cost efficiencies, then we and Madrone would re-evaluate our willingness to invest with such a partner.

We really aren't in a different position then we thought we were last week before the DOE recanted its ability to fund Tranche B without a fully funded plan. The DOE still doesn't have the ability to fund the B, but the heads of the OMB, DOE and other agencies are meeting Tuesday afternoon to make a decision around this path. If they decide not to release the B the company will immediately move to the wind down scenario it planned for all weekend long. We have not committed to fund the remaining tranche A funds - these are still subject to ProLogis and seeing a go-forward structure that has some chance of attracting a new investor.

Please let me know any questions you may have and I'm happy to give more color in person or by phone which may be more appropriate.

From: Steve Mitchell  
Sent: Friday, August 26, 2011 03:21 PM  
To: George Kaiser; Fred Dorwart; [REDACTED]  
Cc: [REDACTED]

**Subject: RE: Solyndra**

We are trying. We have told DOE that we would only fund enough capital to effect a wind down liquidation as we feel that should get us whole on the Tranche A. DOE would like to undertake a process that could sell the company as a going concern, however, that requires considerably more capital. As of now the DOE has said they cannot fund into a bankruptcy process.

**From: George Kaiser**  
**Sent: Friday, August 26, 2011 3:15 PM**  
**To: Steve Mitchell; Fred Dorwart; [REDACTED]**  
**Cc: [REDACTED]**  
**Subject: RE: Solyndra**

Could you get DOE to join you by funding increments of tranche B as you fund inventory and tranche A in order to provide a more "deliberate" wind down of the company and thereby interfere less with their interests?

---

**From: Steve Mitchell**  
**Sent: Friday, August 26, 2011 1:04 PM**  
**To: George Kaiser; Fred Dorwart; [REDACTED]**  
**Cc: [REDACTED]**  
**Subject: RE: Solyndra**

We think we have an enforceable agreement with ProLogis now (albeit just a signed letter of intent). I don't think we will get more than that. Fulfillment of that order will assist our effort in selling down inventory we have acquired from the company. GKFF may need to fund another inventory purchase or fund \$1 or \$2 million of Tranche A still remaining to enable the company to have enough capital to liquidate the business. But I hope not.

**From: George Kaiser**  
**Sent: Friday, August 26, 2011 2:52 PM**  
**To: Fred Dorwart; Steve Mitchell; [REDACTED]**  
**Cc: [REDACTED]**  
**Subject: RE: Solyndra**

Agree. Will DOE put pressure on Prologis to sign? Will fulfillment of that order require anything further from GKFF financially to preserve a remnant company effort?

---

**From:** Fred Dorwart  
**Sent:** Friday, August 26, 2011 12:40 PM  
**To:** Steve Mitchell; [REDACTED]  
**Cc:** [REDACTED] George Kaiser, Fred Dorwart  
**Subject:** RE: Solyndra

I think that is where we are. I agree with your recommendation.

Frederic Dorwart



To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein. If you are not the original addressee of this communication, you should seek advice based on your particular circumstances from an independent advisor.

**From:** Steve Mitchell [REDACTED]  
**Sent:** Friday, August 26, 2011 1:30 PM  
**To:** [REDACTED] Dorwart, Fred  
**Cc:** [REDACTED] George Kaiser  
**Subject:** Solyndra

Guys,

As discussed, I spent the first half of this week in Fremont with Solyndra management and the team from Lazard working on business plan alternatives that we could potentially get comfortable underwriting for a continued investment. We were unable to reach agreement on a plan that I feel comfortable recommending for investment. The key issue with the final revised plan is that although it does reduce costs in the short term it is still ultimately a revenue driven plan that requires Solyndra to be selling 55 MWs in the 4<sup>th</sup> quarter of 2012 – this plan also keeps ASP's at \$1.90 to \$1.85 per watt which I feel is optimistic in light of current pricing we are seeing in the market and the world glut of solar panels.

We did not fund Tranche A as was discussed last Friday, nor did the DOE fund Tranche B. This was dependent on the ProLogis order coming in which has still not been finalized (ProLogis keeps trying to re-trade the deal with the company – I think the ProLogis deal will be signed today but this may not occur in light of the state of the company). As of yesterday, the DOE has indicated that it will not fund Tranche B even if the ProLogis deal is executed unless there is also a broader commitment to fund the company going forward. In light of the current headwinds in the macro solar market (pricing, over-supply, Chinese irrational manufacturing decisions, etc.), I cannot recommend investing another \$75 to \$100 million in Solyndra and am not comfortable stating with certainty that \$75 to \$100 million will fully fund the company to cash flow break even.

The company's current cash position will require the board to move toward a wind down over the weekend. I don't see a viable path forward for Solyndra unless Argonaut is prepared to make a commitment (subject to milestones) of 80% to 90% of a \$75 million equity investment. I have talked with [REDACTED] and Fred (George I haven't talked with you as you are travelling) and their recommendation, and mine, is that we inform the company that we are not prepared to make an investment. This will most likely lead Solyndra down the path of winding down.

Please let me know if anyone is in disagreement with this recommendation?

Steve



## **Footnote 850-853**

**To:** 'bill.stover [REDACTED]  
'brian.harrison [REDACTED]  
**From:** Steve Mitchell  
**Sent:** Sat 8/27/2011 11:25:51 PM  
**Subject:** Re: Re: Aug 27 Cash Analysis.xlsx

Yes. Just heard from the DOE that BAML won't fund the loan for Photon if Solyndra is bankrupt. So I have no backstop with ProLogis if this doesn't play out. So feel free to do what you guys need to do there with disregard for the downside situation. It may put my A dollars back in risk but I doubt it.

**From:** Bill Stover [REDACTED]  
**Sent:** Saturday, August 27, 2011 06:09 PM  
**To:** Steve Mitchell; Brian Harrison [REDACTED]  
**Subject:** RE: Aug 27 Cash Analysis.xlsx

**Moving forward...meaning funding an inventory purchase to give folks back East several days to fund Tranche B??**

**From:** Steve Mitchell [REDACTED]  
**Sent:** Saturday, August 27, 2011 4:02 PM  
**To:** Bill Stover; Brian Harrison  
**Subject:** Re: Aug 27 Cash Analysis.xlsx

I've got a note out to Jonathan Silver and Lazard but never heard back from Silver. Let's plan as if we are moving forward.

**From:** Bill Stover [REDACTED]  
**Sent:** Saturday, August 27, 2011 04:55 PM  
**To:** Brian Harrison [REDACTED]; Steve Mitchell  
**Subject:** Aug 27 Cash Analysis.xlsx

**The attached is an update after circling with [REDACTED]. It affirms a \$3 Million inventory sale is necessary tomorrow to release critical supplier amounts.**

**It is my recommendation that I send out a summary analysis like this ahead of the Board call tomorrow morning. That presumes that there is willingness/concurrence to play and see what card is turning over on Tuesday.**

**Thoughts?**

## **Footnote 854**

**Microsoft Outlook**

---

**From:** Zients, Jeffrey D.  
**Sent:** Sunday, August 28, 2011 10:35 PM  
**To:** Zichal, Heather R.  
**Subject:** Re: solyndra memo

Well done. You are good.

---

**From:** Zichal, Heather R.  
**To:** Zients, Jeffrey D.  
**Sent:** Sun Aug 28 22:31:34 2011  
**Subject:** Re: solyndra memo

We're good. Same page. Spoke w Chu too. Memo going out momentarily.

---

**From:** Zients, Jeffrey D.  
**To:** Zichal, Heather R.  
**Sent:** Sun Aug 28 22:30:36 2011  
**Subject:** Re: solyndra memo

Fun.

---

**From:** Zichal, Heather R.  
**To:** Zients, Jeffrey D.  
**Sent:** Sun Aug 28 22:17:44 2011  
**Subject:** Re: solyndra memo

On phone now.

---

**From:** Zients, Jeffrey D.  
**To:** Zichal, Heather R.  
**Sent:** Sun Aug 28 22:01:47 2011  
**Subject:** Re: solyndra memo

Any resolution?

---

**From:** Zichal, Heather R.  
**To:** Utech, Dan G.; Miller, Jason; Carroll, J. Kevin; Zients, Jeffrey D.; Colyar, Kelly T.  
**Sent:** Sun Aug 28 19:18:01 2011  
**Subject:** Re: solyndra memo

Poneman is speaking w folks there but I believe we're all in agreement on next steps.

---

**From:** Utech, Dan G.  
**To:** Miller, Jason; Carroll, J. Kevin; Zichal, Heather R.; Zients, Jeffrey D.; Colyar, Kelly T.  
**Sent:** Sun Aug 28 18:36:58 2011  
**Subject:** RE: solyndra memo

Revised memo attached to reflect call with Lazard. I think it's worth checking w DOE to see if they still are for extending the \$5 MM. If not we can present a unified position. Heather can you reach out to Poneman?

**Footnote 855, 856, 857**

**From:** SCHU  
**To:** [REDACTED]  
**Cc:** Navin, Jeff; Poneman, Daniel  
**Subject:** Re: 2 things  
**Date:** Sunday, August 28, 2011 7:59:50 PM

---

Dan,

I listened to much of the 5 pm call. If there is something I didn't hear I would be happy to call at 8:30. If it is a re-hash, it is not necessary.

Please respond to previous email.

Steve

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

**From:** [REDACTED]  
**To:** SCHU  
**Cc:** Navin, Jeff; Poneman, Daniel  
**Sent:** Sun Aug 28 19:47:28 2011  
**Subject:** Re: 2 things

Sir if it suits you, we could set up a conference call for 8:30pm.

[REDACTED]

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

**From:** Poneman, Daniel  
**Sent:** Sunday, August 28, 2011 07:40 PM  
**To:** SCHU; Navin, Jeff; [REDACTED]  
**Subject:** Re: 2 things

Am at a dinner now but available any time that suits you from 815pm. Recommend we add silver to the call.

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

**From:** SCHU  
**Sent:** Sunday, August 28, 2011 07:30 PM  
**To:** Poneman, Daniel; Navin, Jeff; [REDACTED]  
**Subject:** Re: 2 things

I will take the call. When is it? I presume it is on Solendra. My view has not changed. There are too many uncertainties if we take the path of "measured liquidation".

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

**From:** Poneman, Daniel  
**To:** SCHU  
**Sent:** Sun Aug 28 19:22:36 2011  
**Subject:** RE: 2 things

Zichal just called and says she needs to brief WH principals tomorrow morning, so would you have 5-10 minutes this evening so I am sure that I accurately reflect your views on this? Sorry for the imposition.

Daniel B. Poneman  
Deputy Secretary  
US Department of Energy  
Washington, DC 20585  
[REDACTED]

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

From: SCHU  
Sent: Sunday, August 28, 2011 6:41 PM  
To: Poneman, Daniel  
Subject: Re: 2 things

[REDACTED]

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

From: Poneman, Daniel  
To: SCHU  
Cc: Navin, Jeff  
Sent: Sun Aug 28 18:39:25 2011  
Subject: RE: 2 things

Sounds good. [REDACTED]

Daniel B. Poneman  
Deputy Secretary  
US Department of Energy  
Washington, DC 20585  
(202) 586-5500

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

From: SCHU  
Sent: Sunday, August 28, 2011 6:39 PM  
To: Poneman, Daniel  
Cc: Navin, Jeff  
Subject: Re: 2 things

Tomorrow.

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

From: Poneman, Daniel  
To: SCHU  
Cc: Navin, Jeff  
Sent: Sun Aug 28 18:36:31 2011  
Subject: RE: 2 things

Steve:

Agreed. Current situation presents difficult and urgent choices, none attractive.

Have a thought re the path ahead if you want to discuss this evening, or I can try to find a time that works for you tomorrow. What's your preference?

Dan

Daniel B. Poneman  
Deputy Secretary  
US Department of Energy  
Washington, DC 20585  
[REDACTED]

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

From: SCHU

Sent: Sunday, August 28, 2011 5:57 PM  
To: Poneman, Daniel  
Cc: Navin, Jeff  
Subject: RE: 2 things

Dan,

I listened to the last half hour of the loan conversation. Unfortunately nothing new was revealed. The probability of finding a buyer and dramatically cutting costs to make to through seems small.

Steve

Steven Chu  
Department of Energy

-----Original Message-----  
From: Poneman, Daniel  
Sent: Sunday, August 28, 2011 4:17 PM  
To: SCHU  
Cc: Navin, Jeff  
Subject: Re: 2 things

[REDACTED]

[REDACTED]

Let me know if you want a quick update if you get back in time to jump on sofyndra call.

DP

----- Original Message -----  
From: SCHU  
Sent: Sunday, August 28, 2011 02:09 PM  
To: Poneman, Daniel  
Cc: Navin, Jeff  
Subject: RE: 2 things

[REDACTED] I will call in about 3 hours.

Steven Chu  
Department of Energy

-----Original Message-----  
From: Poneman, Daniel  
Sent: Sunday, August 28, 2011 12:50 PM  
To: SCHU  
Cc: Navin, Jeff  
Subject: 2 things

Steve:

[REDACTED]

2. Talked further today w zichal re loans, and silver has more info and will learn more this afternoon, too, so I think a tag-up to update you before the 5pm mtg would be useful; would that work for you? I

could do it from 4pm on.

Regards

Dan

**Footnote 858, 859, 860**

## Re: 2 things

From: "Poneman, Daniel" [REDACTED]  
To: "Adams, Ian" [REDACTED], SCHU [REDACTED] "Navin, Jeff"  
Date: Sun, 28 Aug 2011 20:38:59 -0400

---

Silver just called me so I gave him the dial-in and we are calling now.

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

From: [REDACTED]  
Sent: Sunday, August 28, 2011 08:35 PM  
To: Poneman, Daniel; SCHU; Navin, Jeff  
Subject: Re: 2 things

You can use the call in number from earlier:

If you would like Jonathan as well, I'm happy to reach out to him.

Ian

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

From: Poneman, Daniel  
Sent: Sunday, August 28, 2011 08:32 PM  
To: SCHU; Navin, Jeff; [REDACTED]  
Subject: Re: 2 things

I am ready now. can we add silver?

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

From: SCHU  
Sent: Sunday, August 28, 2011 08:31 PM  
To: Poneman, Daniel; Navin, Jeff, [REDACTED]  
Subject: Re: 2 things

I am very concerned with Amp and the rest of the queue. When is the call?

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

From: Poneman, Daniel  
To: SCHU; Navin, Jeff; [REDACTED]  
Sent: Sun Aug 28 20:21:28 2011  
Subject: Re: 2 things

Replying to your 2 emails, what you did not hear was what our proposed path forward is, relative not only to solydra but how it relates to Amp and the rest of the 1705 queue. I don't think we need much time but want to make sure we address the variables consistently w your views.

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

From: SCHU

Sent: Sunday, August 28, 2011 07:30 PM

To: Poneman, Daniel; Navin, Jeff, [REDACTED]

Subject: Re: 2 things

I will take the call. When is it? I presume it is on Solendra. My view has not changed. There are too many uncertainties if we take the path of "measured liquidation".

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

From: Poneman, Daniel

To: SCHU

Sent: Sun Aug 28 19:22:36 2011

Subject: RE: 2 things

Zichal just called and says she needs to brief WH principals tomorrow morning, so would you have 5-10 minutes this evening so I am sure that I accurately reflect your views on this? Sorry for the imposition.

Daniel B. Poneman  
Deputy Secretary  
US Department of Energy  
Washington, DC 20585  
[REDACTED]

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

From: SCHU

Sent: Sunday, August 28, 2011 6:41 PM

To: Poneman, Daniel

Subject: Re: 2 things

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

From: Poneman, Daniel

To: SCHU

Cc: Navin, Jeff

Sent: Sun Aug 28 18:39:25 2011

Subject: RE: 2 things

Sounds good.

Daniel B. Poneman  
Deputy Secretary  
US Department of Energy  
Washington, DC 20585  
[REDACTED]

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

From: SCHU

Sent: Sunday, August 28, 2011 6:39 PM

To: Poneman, Daniel  
Cc: Navin, Jeff  
Subject: Re: 2 things

Tomorrow.

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

From: Poneman, Daniel  
To: SCHU  
Cc: Navin, Jeff  
Sent: Sun Aug 28 18:36:31 2011  
Subject: RE: 2 things

Steve:

Agreed. Current situation presents difficult and urgent choices, none attractive.

Have a thought re the path ahead if you want to discuss this evening, or I can try to find a time that works for you tomorrow. What's your preference?

Dan

Daniel B. Poneman  
Deputy Secretary  
US Department of Energy  
Washington, DC 20585  


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

From: SCHU  
Sent: Sunday, August 28, 2011 5:57 PM  
To: Poneman, Daniel  
Cc: Navin, Jeff  
Subject: RE: 2 things

Dan,

I listened to the last half hour of the loan conversation. Unfortunately nothing new was revealed. The probability of finding a buyer and dramatically cutting costs to make to through seems small.

Steve

Steven Chu  
Department of Energy

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

From: Poneman, Daniel  
Sent: Sunday, August 28, 2011 4:17 PM  
To: SCHU  
Cc: Navin, Jeff

Subject: Re: 2 things

Let me know if you want a quick update if you get back in time to jump on solydra call.

DP

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

From: SCHU

Sent: Sunday, August 28, 2011 02:09 PM

To: Poneman, Daniel

Cc: Navin, Jeff

Subject: RE: 2 things

I will call in about 3 hours.

Steven Chu

Department of Energy

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

From: Poneman, Daniel

Sent: Sunday, August 28, 2011 12:50 PM

To: SCHU

Cc: Navin, Jeff

Subject: 2 things

Steve:

2. Talked further today w zichal re loans, and silver has more info and will learn more this afternoon, too, so I think a tag-up to update you before the 5pm mtg would be useful; would that work for you? I could do it from 4pm on.

Regards

Dan

## Microsoft Outlook

---

**From:** Zients, Jeffrey D.  
**Sent:** Sunday, August 28, 2011 10:35 PM  
**To:** Zichal, Heather R.  
**Subject:** Re: solyndra memo

Well done. You are good.

---

**From:** Zichal, Heather R.  
**To:** Zients, Jeffrey D.  
**Sent:** Sun Aug 28 22:31:34 2011  
**Subject:** Re: solyndra memo

We're good. Same page. Spoke w Chu too. Memo going out momentarily.

---

**From:** Zients, Jeffrey D.  
**To:** Zichal, Heather R.  
**Sent:** Sun Aug 28 22:30:36 2011  
**Subject:** Re: solyndra memo

Fun.

---

**From:** Zichal, Heather R.  
**To:** Zients, Jeffrey D.  
**Sent:** Sun Aug 28 22:17:44 2011  
**Subject:** Re: solyndra memo

On phone now.

---

**From:** Zients, Jeffrey D.  
**To:** Zichal, Heather R.  
**Sent:** Sun Aug 28 22:01:47 2011  
**Subject:** Re: solyndra memo

Any resolution?

---

**From:** Zichal, Heather R.  
**To:** Utech, Dan G.; Miller, Jason; Carroll, J. Kevin; Zients, Jeffrey D.; Colyar, Kelly T.  
**Sent:** Sun Aug 28 19:18:01 2011  
**Subject:** Re: solyndra memo

Poneman is speaking w folks there but I believe we're all in agreement on next steps.

---

**From:** Utech, Dan G.  
**To:** Miller, Jason; Carroll, J. Kevin; Zichal, Heather R.; Zients, Jeffrey D.; Colyar, Kelly T.  
**Sent:** Sun Aug 28 18:36:58 2011  
**Subject:** RE: solyndra memo

Revised memo attached to reflect call with Lazard. I think it's worth checking w DOE to see if they still are for extending the \$5 MM. If not we can present a unified position. Heather can you reach out to Poneman?

**Footnote 861, 862, 863**

**Microsoft Outlook**

---

**From:** Utech, Dan G.  
**Sent:** Sunday, August 28, 2011 10:48 PM  
**To:** Zients, Jeffrey D.; Miller, Jason  
**Cc:** Zichal, Heather R.  
**Subject:** final update  
**Attachments:** Solyndra Update 8-28-2011.docx

I revised this substantially and cut a bunch of things to reflect the fact that DOE's view is that the additional funds should not be extended.

I forwarded separately to Heather who will send on to others.

## Update on Solyndra Loan Guarantee

### SUMMARY

Solyndra was the recipient of a \$535 million loan guaranteed by DOE in September 2009, the first loan guarantee under the DOE Title XVII loan program. The company manufactures an innovative solar panel constructed of cylindrical glass tubes. The \$535 million DOE loan provided 73% of the total \$733 million financing for the construction of a 231 MW solar panel manufacturing facility in Fremont, California. Over the life of the company, private investors have put in approximately \$1 billion. VPOTUS, Secretary Chu, Governor Schwarzenegger, and other state and local officials attended the announcement of the loan closing. POTUS visited Solyndra in May 2010.

Solyndra is in danger of imminent bankruptcy (potentially Monday or Tuesday, August 29-30). The company has been plagued by high costs, low sales growth and increasing competition in the rapidly evolving solar panel market. OMB, DPC and NEC have been working with press and OLA to be prepared for this news to break.

DOE has already restructured the loan once (in February), and subordinated a portion of their claims to \$75 million in new funding from investors with the presumption that getting the company to breakeven status would allow for the company to be refinanced or sold at a higher value as a going concern than would happen under a liquidation at that point in time. As part of that restructuring, investors were also going to contribute an additional \$75 million that would have entered as senior debt in Tranche C (see below). At that time, DOE anticipated Solyndra would become cash flow positive in early to mid 2012. The current capital structure is:

SENIOR DEBT		\$M
Tranche A	Investors	\$75
Tranche B	DOE	\$150
SUB-DEBT		
Tranche D	DOE	\$385
Tranche E	Investors	\$190
<b>TOTAL</b>		<b>\$800</b>

DOE indicates that Solyndra revised their sales forecasts down in early August 2011 and that these projections have decreased significantly due to reduced sales in Europe and continued pressure from Chinese panel manufacturers. Since the restructuring last year, the company has shown no improvement in sales, and in 1H 2011 had negative \$106 million EBITDA on sales of \$70 million. The decline in sales projections coupled with ongoing profitability issues caused a key investor to balk at adding additional capital that was pledged in the February restructuring. For several weeks, Solyndra has operated on funds loaned in advance of receivables from customer orders.

At this point, \$526.8 million of the \$535 million loan guarantee has been disbursed. There is now a decision point at which DOE could extend an additional \$5.4 million of credit to Solyndra to postpone

liquidation and allow time to work toward a second restructuring. If this credit were extended, the investor has offered to extend additional \$10 million cash against future inventory orders to keep the company operating for a few weeks while a second restructuring is developed, perhaps with new investors as well.

Over the last several weeks, the company has worked with DOE's advisors to develop new financial projections based on a new business model to attract investors. Based on these projections, the company would need a minimum of \$48 million between now and February 2012, its newly targeted breakeven date. Successfully executing on the new projections requires (i) laying off at least 350 of the 1200 employees almost immediately, (ii) approximately doubling sales volumes 2012 relative to 2011, and (iii) maintain relatively stable pricing in a competitive market that has seen 50% price declines in recent years. Solar panel manufacturers effectively compete on cost (measured as levelized cost of electricity), and despite Solyndra's unique technology, it has not been able to compete effectively on cost. The market is also characterized by approximately 50% excess supply, despite strong expected volume growth.

The financial projections also assume a restructuring of Solyndra's balance sheet, by further subordination of DOE claims, likely to those of an equity holder (versus senior debt.) As noted below, Lazard believes that the probability of Solyndra becoming a going concern under anticipated market conditions is near zero and that the end result is almost certainly a liquidation of the company.

During a call today with Lazard, who has been a consultant to DOE for the last two weeks, Lazard made it clear that they believe that given current solar market conditions, the company does not have a cost-competitive product, and therefore the only rationale for releasing the \$5.4 million in USG funds is to allow for an orderly liquidation. They do not believe the company can achieve profitability.

Thus the key question is whether the additional \$5.4 million, by maintaining operations for at least 2-3 weeks (or more if a new investor is found), result in a more orderly liquidation and higher recoveries to the government?

DOE believes that they should not extend any additional funds, though they plan to stay engaged with the company during the liquidation.<sup>1</sup> OMB, Treasury, DPC, and NEC agree, as there is a near-zero chance that the company will become a going concern, and any new deal developed during the next several weeks would be materially worse for the U.S. government, reducing the likelihood of an improved recovery. If an acceptable deal is not achievable, the U.S. government would have been better off from not having extended those funds.

---

<sup>1</sup> While the funds would be used for costs deemed "eligible" to receive Federal loan funds, the project has been in default for failing to meet requirements under the loan guarantee agreement and DOE would be within its rights to refuse disbursement of these funds.

## **Footnote 864**

To: Fred Dorwart; [REDACTED]  
Cc: [REDACTED] George Kaiser  
From: Steve Mitchell  
Sent: Mon 8/29/2011 1:51:10 AM  
Subject: Re: Re: Solyndra

A quick update - I've talked directly with [REDACTED] but wanted to send an email out to the group. Solyndra will not be laying off all employees tmrw morning - but it may still be doing so later this week.

I have had extensive conversations over the weekend with the DOE, Lazard (DOE's advisor) and the company.

Jonathan Silver is attempting to get access to the Tranche B funds in an effort to give the company 3 weeks to try and effect a fund raise or trade sale. I see this as highly unrealistic but the DOE wants to give it a shot. We have been very clear with the DOE that we cannot raise outside money if the balance sheet isn't dramatically revised to make this interesting as a going concern [REDACTED] has mentioned an interest in the assets in an insolvency but no interest to sign up for \$860 million of debt). DOE has agreed to revise the company's balance sheet along the lines that we originally proposed (essentially wipe out all debt but Tranche A's senior secured \$75 million and \$75 million of Tranche B in the junior secured position) leaving only \$150 million in total historical debt. In this instance new money would come in as junior debt to the A & B with warrants for a large chunk of the company (the revised business plan calls for \$55 million of new money but everyone agrees \$75 million is the prudent number to have committed).

With this framework of a structure the DOE (with company and our assistance) will be looking to attract a strategic [REDACTED] or a financial investor [REDACTED] to come in for all or at least half of the capital required to continue operations. I see this as a very low likelihood for success, however the DOE is willing to make the calls directly - one can only assume that they (and the Treasury) have built up some substantial good will over the past 2 or 3 years so I'm not completely counting this out.

We have made it very clear that we are not willing to invest in light of the fact that Argonaut must shoulder 80% to 90% of the load and it remains a risky proposition at best in light of the current solar market. I did indicate that if the DOE is able to secure a 50% partner, particularly a strategic with brand significance and cost efficiencies, then we and Madrone would re-evaluate our willingness to invest with such a partner.

we really aren't in a different position then we thought we were last week before the DOE recanted its ability to fund Tranche B without a fully funded plan. The DOE still doesn't have the ability to fund the B, but the heads of the OMB, DOE and other agencies are meeting Tuesday afternoon to make a decision around this path. If they decide not to release the B the company will immediately move to the wind down scenario it planned for all weekend long. We have not committed to fund the remaining tranche A funds - these are still subject to ProLogis and seeing a go-forward structure that has some chance of attracting a new investor.

Please let me know any questions you may have and I'm happy to give more color in person or by phone which may be more appropriate.

From: Steve Mitchell  
Sent: Friday, August 26, 2011 03:21 PM  
To: George Kaiser; Fred Dorwart; [REDACTED]  
Cc: [REDACTED]

**Subject:** RE: Solyndra

We are trying. We have told DOE that we would only fund enough capital to effect a wind down liquidation as we feel that should get us whole on the Tranche A. DOE would like to undertake a process that could sell the company as a going concern, however, that requires considerably more capital. As of now the DOE has said they cannot fund into a bankruptcy process.

**From:** George Kaiser  
**Sent:** Friday, August 26, 2011 3:15 PM  
**To:** Steve Mitchell; Fred Dorwart; [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** RE: Solyndra

Could you get DOE to join you by funding increments of tranche B as you fund inventory and tranche A in order to provide a more "deliberate" wind down of the company and thereby interfere less with their interests?

---

**From:** Steve Mitchell  
**Sent:** Friday, August 26, 2011 1:04 PM  
**To:** George Kaiser; Fred Dorwart; [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** RE: Solyndra

We think we have an enforceable agreement with ProLogis now (albeit just a signed letter of intent). I don't think we will get more than that. Fulfillment of that order will assist our effort in selling down inventory we have acquired from the company. GKFF may need to fund another inventory purchase or fund \$1 or \$2 million of Tranche A still remaining to enable the company to have enough capital to liquidate the business. But I hope not.

**From:** George Kaiser  
**Sent:** Friday, August 26, 2011 2:52 PM  
**To:** Fred Dorwart; Steve Mitchell; [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** RE: Solyndra

Agree. Will DOE put pressure on Prologis to sign? Will fulfillment of that order require anything further from GKFF financially to preserve a remnant company effort?

---

**From:** Fred Dorwart  
**Sent:** Friday, August 26, 2011 12:40 PM  
**To:** Steve Mitchell, [REDACTED]  
**Cc:** [REDACTED] George Kaiser, Fred Dorwart  
**Subject:** RE: Solyndra

I think that is where we are. I agree with your recommendation.

Frederic Dorwart



To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein. If you are not the original addressee of this communication, you should seek advice based on your particular circumstances from an independent advisor.

**From:** Steve Mitchell [REDACTED]  
**Sent:** Friday, August 26, 2011 1:30 PM  
**To:** [REDACTED] Dorwart, Fred  
**Cc:** [REDACTED] George Kaiser  
**Subject:** Solyndra

Guys,

As discussed, I spent the first half of this week in Fremont with Solyndra management and the team from Lazard working on business plan alternatives that we could potentially get comfortable underwriting for a continued investment. We were unable to reach agreement on a plan that I feel comfortable recommending for investment. The key issue with the final revised plan is that although it does reduce costs in the short term it is still ultimately a revenue driven plan that requires Solyndra to be selling 55 MWs in the 4<sup>th</sup> quarter of 2012 – this plan also keeps ASP's at \$1.90 to \$1.85 per watt which I feel is optimistic in light of current pricing we are seeing in the market and the world glut of solar panels.

We did not fund Tranche A as was discussed last Friday, nor did the DOE fund Tranche B. This was dependent on the ProLogis order coming in which has still not been finalized (ProLogis keeps trying to re-trade the deal with the company – I think the ProLogis deal will be signed today but this may not occur in light of the state of the company). As of yesterday, the DOE has indicated that it will not fund Tranche B even if the ProLogis deal is executed unless there is also a broader commitment to fund the company going forward. In light of the current headwinds in the macro solar market (pricing, over-supply, Chinese irrational manufacturing decisions, etc.), I cannot recommend investing another \$75 to \$100 million in Solyndra and am not comfortable stating with certainty that \$75 to \$100 million will fully fund the company to cash flow break even.

The company's current cash position will require the board to move toward a wind down over the weekend. I don't see a viable path forward for Solyndra unless Argonaut is prepared to make a commitment (subject to milestones) of 80% to 90% of a \$75 million equity investment. I have talked with [REDACTED] and Fred (George I haven't talked with you as you are travelling) and their recommendation, and mine, is that we inform the company that we are not prepared to make an investment. This will most likely lead Solyndra down the path of winding down.

Please let me know if anyone is in disagreement with this recommendation?

Steve



## **Footnote 866**

To: Silver, Jonathan [REDACTED]  
Cc: [REDACTED]; Steve Mitchell; [REDACTED]  
bob.peck [REDACTED]  
From: Brian Harrison  
Sent: Mon 8/29/2011 7:58:49 PM  
Subject: RE: RE: Solar panel manufacturer

Jonathan

Thanks for this introduction. Solyndra has had significant engagement with GSA over the past year, including a recent meeting with Administrator Johnson at the GovEnergy Conference in Cincinnati. I have have copied [REDACTED], Managing Director of Government Sales. [REDACTED] will be directly in contact with [REDACTED].

Thanks again, Brian

From: Silver, Jonathan [REDACTED]  
Sent: Monday, August 29, 2011 12:16 PM  
To: [REDACTED]; Brian Harrison  
Cc: [REDACTED]; 'Steve Mitchell'  
Subject: RE: Solar panel manufacturer

Brian,

Please see the email chain below. A discussion with GSA could potentially be productive.

Best,

Jonathan

Jonathan Silver

Executive Director

Loan Programs

US Department of Energy

1000 Independence Avenue, S.W.

Washington, DC 20585



**From:** [REDACTED]  
**Sent:** Monday, August 29, 2011 3:02 PM  
**To:** Silver, Jonathan  
**Cc:** [REDACTED]  
**Subject:** Fwd: Solar panel manufacturer

Jonathan - feel free to have someone from this company contact me; my contact info is below.  
We will put together a list of projects and associated GC's that have not yet purchased the solar panel requirement of our projects.

Thank you

[REDACTED] Director  
Information Management Division  
Office of Design and Construction  
Public Buildings Service  
U.S. GENERAL SERVICES ADMINISTRATION  
1800 F Street NW, Room 3046

Washington, DC 20405



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

From: [REDACTED]  
Date: Mon, Aug 29, 2011 at 2:44 PM  
Subject: Re: Solar panel manufacturer  
To: "Robert Peck (P)" [REDACTED]  
Cc: [REDACTED]  
Jonathan Silver [REDACTED]

We will reach out to Jonathan Bob.

On Mon, Aug 29, 2011 at 12:50 PM, Robert Peck (P) [REDACTED] wrote:

[REDACTED]: Jonathan Silver runs a loan program at DOE focused on the renewable energy market. He tells me that a California company that manufactures solar panels is looking for business. Who could Jonathan have the company talk to about opportunities on our projects for this company? I told Jonathan that many if not most of our ARRA projects may have already contracted for their solar panels, where solar is a part of the project scope.

I'm copying Jonathan on this email so we can go through him directly to the company.

Jonathan: the company may already have some work on GSA projects, but even if so we'd be happy to see what other opportunities we might have for them.

Bob

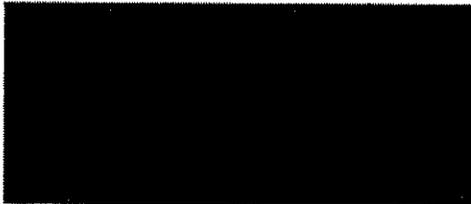
**ROBERT A. PECK**

Commissioner, Public Buildings Service

U.S. General Services Administration

1800 F Street, NW

Washington, DC 20405



Assistant Commissioner for Project Delivery

Public Buildings Service



## **Footnote 867**

**To:** Steve Mitchell; David Prend  
**From:** Jamie McJunkin  
**Sent:** Mon 8/29/2011 9:25:33 PM  
**Subject:** RE: RE:

Thanks. I still think DOE/Mgmt needs to take the lead on getting people to the table.

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

**From:** Steve Mitchell [REDACTED]  
**Sent:** Monday, August 29, 2011 2:11 PM  
**To:** Jamie McJunkin; David Prend  
**Subject:** FW:

fyi

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

**From:** Jonathan Silver [REDACTED]  
**Sent:** Monday, August 29, 2011 3:58 PM  
**To:** Steve Mitchell  
**Subject:**

Fyi. Below excerpt from [REDACTED] banking solar analyst.

**Key Takeaway**

Looking ahead, we believe with 2Q bad news out of the way, pricing has stabilized, the rate of demand growth is improving

Also wanted you to know that I've made a few calls to begin to elicit interest. All generic. As folks respond, I will explain our flexibility, connect them with you and step back.

J

Jonathan Silver  
[REDACTED]

## **Footnote 869-873**

**To:** 'Jonathan [REDACTED]  
**From:** Steve Mitchell  
**Sent:** Tue 8/30/2011 8:35:00 PM  
**Subject:** Re: Re: Update

When do you think we will have feedback on the Tranche B?

**From:** Steve Mitchell  
**Sent:** Tuesday, August 30, 2011 03:26 PM  
**To:** 'Jonathan [REDACTED]  
**Subject:** RE: Update

I can't make it to Fremont by tmrw. Had a couple of good calls with potential investors today as well.

**From:** Jonathan Silver [REDACTED]  
**Sent:** Tuesday, August 30, 2011 2:56 PM  
**To:** Steve Mitchell  
**Subject:** Re: Update

You going to attend? I think that would make sense, since the ultimate decision is yours. Need to make sure meeting and opportunity for merged savings is clear.

Jonathan Silver  
[REDACTED]

---

**From:** "Steve Mitchell" [REDACTED]  
**Date:** Tue, 30 Aug 2011 14:10:04 -0500  
**To:** <jonathan [REDACTED]>  
**Subject:** RE: Update

Brian is meeting with [REDACTED] COO tmrw.

**From:** Jonathan Silver [REDACTED]  
**Sent:** Tuesday, August 30, 2011 11:55 AM

To: Steve Mitchell  
Subject: Re: Update

Thanks.  
Sent [REDACTED] your contact info.  
His email is:  
[REDACTED]

Jonathan Silver  
[REDACTED]

---

From: "Steve Mitchell" [REDACTED]  
Date: Tue, 30 Aug 2011 11:28:30 -0500  
To: [REDACTED]  
Subject: FW: Update

Jonathan,

Here are the bits of good news I mentioned. Don't worry about the [REDACTED] reference, that was prior to our discussion.

Steve

From: Brian Harrison [REDACTED]  
Sent: Monday, August 29, 2011 6:09 PM  
To: Steve Mitchell; David Prend; Jamie McJunkin  
Cc: Bill Stover; [REDACTED]  
Subject: Update

Guys

I wanted to give you an update on some efforts to de-risk the pipeline with long term MOU with strategic players:

1. We have reached agreement with ProLogis. The documents should be signed within hours. Basic terms:

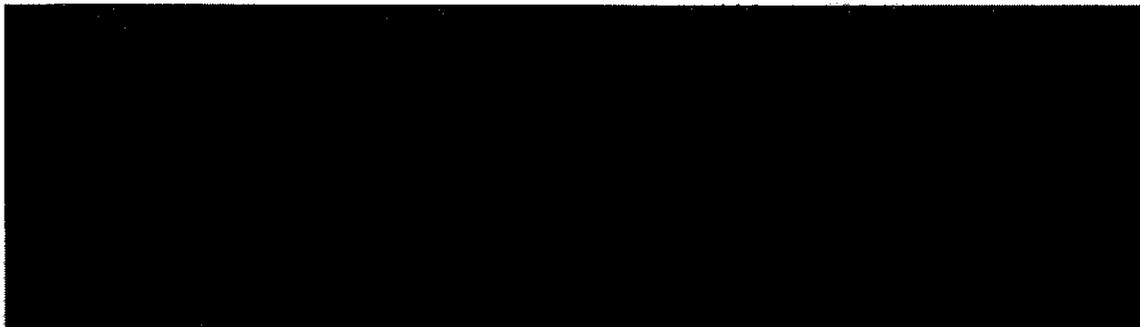
- a. Ability to ship all 11.7MW this quarter (we likely have supply for only 11.0MW of the specific Wp required.
- b. An MOU for 150MW over 3 year period ('12-'14) for Project Amp. This is non-binding but we can disclose publicly after loan closes.
- c. We accepted their price to get this done now.

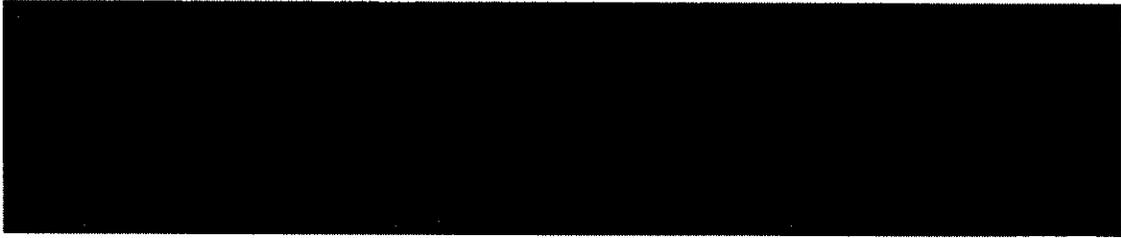
2. We have verbal agreement with [REDACTED] for a 70MW MOU ('12-13) for [REDACTED] stores. We will mention [REDACTED] in the press release while making clear neither is a party to the agreement.

In addition we have begun to reach out to strategic players on our own:

- 1. [REDACTED] has responded with no interest
- 2. [REDACTED] has responded that they will get back to me today with "a proposal". I offered them:
  - a. opportunity to make equity investment as strategic partner
  - b. an MOU with favorable pricing.

Additional good news:





Brian

**Footnote 874, 875, 876**

**To:** Brian Harrison; Steve Mitchell  
**From:** Bill Stover  
**Sent:** Tue 8/30/2011 9:56:10 PM  
**Subject:** Fwd: Fwd: Are we to understand that deliberations are still going on?

Begin forwarded message:

**From:** [REDACTED]  
**Date:** August 30, 2011 14:59:01 PDT  
**To:** Bill Stover [REDACTED]  
**Subject:** RE: Are we to understand that deliberations are still going on?

I just spoke with Frances and she should follow up with you directly. I have not been involved in the conversations.

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

**From:** Bill Stover [REDACTED]  
**Sent:** Tuesday, August 30, 2011 5:43 PM  
**To:** [REDACTED]  
**Subject:** FW: Are we to understand that deliberations are still going on?

[REDACTED]  
Someone needs to give us an update.

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

**From:** Bill Stover  
**Sent:** Tuesday, August 30, 2011 2:37 PM  
**To:** Frances Nwachuku  
**Subject:** Are we to understand that deliberations are still going on?

Our team is assembling to finish termination packages and prepare for notification of team members in the morning. We have no cash to allow continuing payroll accrual.

I trust you will give us an indication within the hour.

Sorry for the direct tone of the message.

Bill

## **Footnote 877**

**To:** [REDACTED]  
**From:** Steve Mitchell  
**Sent:** Wed 8/31/2011 2:41:11 AM  
**Subject:** Re: Re: Solyndra

I just left you a voice mail about 20 minutes ago. An incredible evening with some bombs dropped by the DOE. If your people have not taken off please call them off and let's discuss in the morning. I apologize and am embarrassed for pulling you into this in light of tonight's events.

**From:** [REDACTED]  
**Sent:** Tuesday, August 30, 2011 09:29 PM  
**To:** Steve Mitchell  
**Subject:** Solyndra

Steve,

FYI. Not sure what the status of the meeting is according to Bill Stover. We will keep you informed.

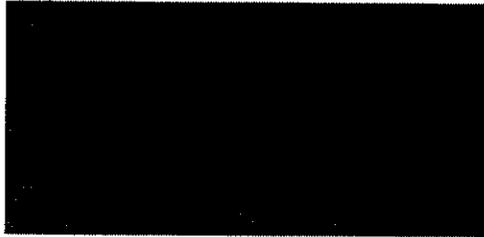
[REDACTED]

Begin forwarded message:

**From:** [REDACTED]  
**Date:** August 30, 2011 6:56:14 PM PDT  
**To:** [REDACTED]  
**Subject:** FW: Great Speaking with You

FYI – below. We may have a conflict for 3 pm. I will keep following up with the team until we have some clarity...

[REDACTED]



**P** Please consider the environment before printing this e-mail

**From:** Bill Stover [REDACTED]  
**Sent:** Tuesday, August 30, 2011 9:48 PM  
**To:** [REDACTED]  
**Cc:** Brian Harrison  
**Subject:** RE: Great Speaking with You



**Thanks for the follow up. We're getting the data room set up.**

**However, we've encountered a conflict for tomorrow that we're trying to resolve. We'll call you in the morning to confirm whether we can make the 3:00 meeting work.**

**Bill**

**From:** [REDACTED]  
**Sent:** Tuesday, August 30, 2011 6:47 PM  
**To:** Bill Stover  
**Cc:** Brian Harrison  
**Subject:** RE: Great Speaking with You

**Bill,**

Just checking in to see if you were able to permission the team to the data room? I will reforward the note we sent to Brian as well, in case our contact details did not come through.

With Best Regards,

[REDACTED]

[REDACTED]

**P** Please consider the environment before printing this e-mail

**From:** Brian Harrison [REDACTED]  
**Sent:** Tuesday, August 30, 2011 4:28 PM  
**To:** [REDACTED]  
**Cc:** Bill Stover  
**Subject:** Re: Great Speaking with You

Thanks [REDACTED]

I have copied Bill Stover, Solyndra CFO. Bill will have the data room "opened" to you an your colleagues.

See you tomorrow, Brian

Sent from my iPhone. Please excuse typographical errors.

On Aug 30, 2011, at 1:19 PM, [REDACTED]  
wrote:

Brian,

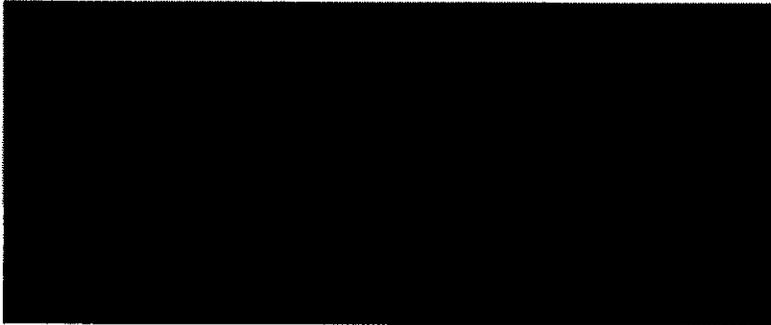
It was a pleasure speaking with you earlier today. Please find our team's contact details attached. We look forward to speaking with you further tomorrow and reviewing additional materials this afternoon.

With Best Regards,

[REDACTED]

[REDACTED]

**P** Please consider the environment before printing this e-mail



Disclaimer: Please go to [redacted] for important information about [redacted] and the confidentiality of this e-mail message.

Disclaimer: Please go to [redacted] for important information about [redacted] and the confidentiality of this e-mail message.

## **Footnote 878**

To: [REDACTED]  
Cc: George Kaiser; Steve Mitchell; [REDACTED] Fred Dorwart  
From: Fred Dorwart  
Sent: Wed 8/31/2011 2:40:53 AM  
Subject: RE: RE: Solyndra

[REDACTED]

Frederic Dorwart

[REDACTED]

To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein. If you are not the original addressee of this communication, you should seek advice based on your particular circumstances from an independent advisor.

From: Steve Mitchell [REDACTED]  
Sent: Tuesday, August 30, 2011 9:17 PM  
To: Dorwart, Fred; [REDACTED]  
Cc: [REDACTED] George Kaiser  
Subject: Re: Solyndra

I wanted to send another quick update. Unfortunately the various federal agencies have determined that they cannot release the remaining tranche B funds into a possible bankruptcy situation. They would most likely fund if we committed to fund some portion of the revised business plan to give the company a greater time period to raise outside capital.

Apparently their decision was primarily driven by the fact that (as of yesterday) the government had agreed to write off \$460 million of debt and right-size the balance sheet with \$150 million of debt. To them, this should have been a significant enough action to get current investors to fund \$20 or \$30 million to give Solyndra through the end of the year to raise the remaining capital necessary to cash flow break even.

As a result, employees will be notified by management at approximately 5am tmrw morning not to show up for work. A press release will be released at 9am in the morning as well indicating the cessation of operations. Obviously a disappointing outcome and I'm surprised that DOE came back without the Tranche B funding that they had essentially proposed. Please let me know if you have any questions or comments.

Steve

From: Steve Mitchell  
Sent: Sunday, August 28, 2011 08:51 PM  
To: Fred Dorwart; [REDACTED]  
Cc: [REDACTED] George Kaiser  
Subject: Re: Solyndra

A quick update - I've talked directly with [REDACTED] but wanted to send an email out to the group. Solyndra will not be laying off all employees tmrw morning - but it may still be doing so later this week.

I have had extensive conversations over the weekend with the DOE, Lazard (DOE's advisor) and the company.

Jonathan Silver is attempting to get access to the Tranche B funds in an effort to give the company 3 weeks to try and effect a fund raise or trade sale. I see this as highly unrealistic but the DOE wants to give it a shot. We have been very clear with the DOE that we cannot raise outside money if the balance sheet isn't dramatically revised to make this interesting as a going concern (First Solar has mentioned an interest in the assets in an insolvency but no interest to sign up for \$860 million of debt). DOE has agreed to revise the company's balance sheet along the lines that we originally proposed (essentially wipe out all debt but Tranche A's senior secured \$75 million and \$75 million of Tranche B in the junior secured position) leaving only \$150 million in total historical debt. In this instance new money would come in as junior debt to the A & B with warrants for a large chunk of the company (the revised business plan calls for \$55 million of new money but everyone agrees \$75 million is the prudent number to have committed).

With this framework of a structure the DOE (with company and our assistance) will be looking to attract a strategic [REDACTED] or a financial investor [REDACTED] to come in for all or at least half of the capital required to continue operations. I see this as a very low likelihood for success, however the DOE is willing to make the calls directly - one can only assume that they (and the Treasury) have built up some substantial good will over the past 2 or 3 years so I'm not completely counting this out.

We have made it very clear that we are not willing to invest in light of the fact that Argonaut must shoulder 80% to 90% of the load and it remains a risky proposition at best in light of the

current solar market. I did indicate that if the DOE is able to secure a 50% partner, particularly a strategic with brand significance and cost efficiencies, then we and Madrone would re-evaluate our willingness to invest with such a partner.

we really aren't in a different position then we thought we were last week before the DOE recanted its ability to fund Tranche B without a fully funded plan. The DOE still doesn't have the ability to fund the B, but the heads of the OMB, DOE and other agencies are meeting Tuesday afternoon to make a decision around this path. If they decide not to release the B the company will immediately move to the wind down scenario it planned for all weekend long. We have not committed to fund the remaining tranche A funds - these are still subject to ProLogis and seeing a go-forward structure that has some chance of attracting a new investor.

Please let me know any questions you may have and I'm happy to give more color in person or by phone which may be more appropriate.

**From:** Steve Mitchell  
**Sent:** Friday, August 26, 2011 03:21 PM  
**To:** George Kaiser; Fred Dorwart; [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** RE: Solyndra

We are trying. We have told DOE that we would only fund enough capital to effect a wind down liquidation as we feel that should get us whole on the Tranche A. DOE would like to undertake a process that could sell the company as a going concern, however, that requires considerably more capital. As of now the DOE has said they cannot fund into a bankruptcy process.

**From:** George Kaiser  
**Sent:** Friday, August 26, 2011 3:15 PM  
**To:** Steve Mitchell; Fred Dorwart; [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** RE: Solyndra

Could you get DOE to join you by funding increments of tranche B as you fund inventory and tranche A in order to provide a more "deliberate" wind down of the company and thereby interfere less with their interests?

---

**From:** Steve Mitchell  
**Sent:** Friday, August 26, 2011 1:04 PM

To: George Kaiser, Fred Dorwart, [REDACTED]  
Cc: [REDACTED]  
Subject: RE: Solyndra

We think we have an enforceable agreement with ProLogis now (albeit just a signed letter of intent). I don't think we will get more than that. Fulfillment of that order will assist our effort in selling down inventory we have acquired from the company. GKFF may need to fund another inventory purchase or fund \$1 or \$2 million of Tranche A still remaining to enable the company to have enough capital to liquidate the business. But I hope not.

From: George Kaiser  
Sent: Friday, August 26, 2011 2:52 PM  
To: Fred Dorwart, Steve Mitchell, [REDACTED]  
Cc: [REDACTED]  
Subject: RE: Solyndra

Agree. Will DOE put pressure on Prologis to sign? Will fulfillment of that order require anything further from GKFF financially to preserve a remnant company effort?

---

From: Fred Dorwart  
Sent: Friday, August 26, 2011 12:40 PM  
To: Steve Mitchell, [REDACTED]  
Cc: [REDACTED], George Kaiser, Fred Dorwart  
Subject: RE: Solyndra

I think that is where we are. I agree with your recommendation.

Frederic Dorwart  
[REDACTED]

[REDACTED]

To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein. If you are not the original addressee of this communication, you should seek advice based on your particular circumstances from an independent advisor.

From: Steve Mitchell [REDACTED]  
Sent: Friday, August 26, 2011 1:30 PM  
To: [REDACTED] Dorwart, Fred  
Cc: [REDACTED] George Kaiser  
Subject: Solyndra

Guys,

As discussed, I spent the first half of this week in Fremont with Solyndra management and the team from Lazard working on business plan alternatives that we could potentially get comfortable underwriting for a continued investment. We were unable to reach agreement on a plan that I feel comfortable recommending for investment. The key issue with the final revised plan is that although it does reduce costs in the short term it is still ultimately a revenue driven plan that requires Solyndra to be selling 55 MWs in the 4<sup>th</sup> quarter of 2012 – this plan also keeps ASP's at \$1.90 to \$1.85 per watt which I feel is optimistic in light of current pricing we are seeing in the market and the world glut of solar panels.

We did not fund Tranche A as was discussed last Friday, nor did the DOE fund Tranche B. This was dependent on the ProLogis order coming in which has still not been finalized (ProLogis keeps trying to re-trade the deal with the company – I think the ProLogis deal will be signed today but this may not occur in light of the state of the company). As of yesterday, the DOE has indicated that it will not fund Tranche B even if the ProLogis deal is executed unless there is also a broader commitment to fund the company going forward. In light of the current headwinds in the macro solar market (pricing, over-supply, Chinese irrational manufacturing decisions, etc.), I cannot recommend investing another \$75 to \$100 million in Solyndra and am not comfortable stating with certainty that \$75 to \$100 million will fully fund the company to cash flow break even.

The company's current cash position will require the board to move toward a wind down over the weekend. I don't see a viable path forward for Solyndra unless Argonaut is prepared to make a commitment (subject to milestones) of 80% to 90% of a \$75 million equity investment. I have talked with [REDACTED] and Fred (George I haven't talked with you as you are travelling) and their recommendation, and mine, is that we inform the company that we are not prepared to make an investment. This will most likely lead Solyndra down the path of winding down.

Please let me know if anyone is in disagreement with this recommendation?

Steve

## **Footnote 879**

**Microsoft Outlook**

---

**From:** Lu, Chris  
**Sent:** Wednesday, August 31, 2011 8:52 AM  
**To:** DeParle, Nancy-Anne; Lane, David; Beliveau, Emmett; Mastromonaco, Alyssa; Cutter, Stephanie; Gavin, Tom; Psaki, Jennifer R.; Pfeiffer, Dan  
**Subject:** FW: Solyndra  
**Importance:** High

I think most of you are aware of this already, but it's going to happen later today.

---

**From:** Navin, Jeff [REDACTED]  
**Sent:** Wednesday, August 31, 2011 8:44 AM  
**To:** Lu, Chris; Bhowmik, Rachana; Greenawalt, Andrei  
**Subject:** Solyndra  
**Importance:** High

One of our loan guarantee recipients, Solyndra, will announce today that it is going out of business. This was the first loan guarantee that the Department of Energy made available, and it has generated some controversy because one of the equity investors was a political supporter of the President. The guarantee was for a loan of roughly \$530 million. While there is never a single reason for something like this, the biggest issue for the company is that the price of solar panels has dropped 42% in 2011 (due to significant price cuts to Chinese panels) and their product, while cost competitive when we issued the loan guarantee, is no longer competitive.

We have been working with the company on options, and have kept Jeff Zients, Heather Zichal and others on. We talked to Jeff and Heather last night when we learned of the announcement, and have developed some talking points and a draft message we'll release with WH Comms. Our legislative affairs folks have developed a notification plan for the Hill and have, I'm told, shared that with WH Leg Affairs.

The company will tell its European employees roughly now, and they will tell their California employees at 9:00am pacific. They'll issue a public release at that point, and the company will pursue a liquidation path via the bankruptcy courts.

Let me know if you have any questions.

Jeff Navin  
Deputy Chief of Staff  
Office of the Secretary  
Department of Energy  
[REDACTED]

## **Footnote 880-884**

## RE: Project Amp Closing Launch -- Revised Fitch Rating

From: [REDACTED]

To: [REDACTED]

\*Colyar, Kelly T.\*

Date: [REDACTED]

Mon, 12 Sep 2011 15:00:09 -0400

Attachments:

Amp OMB Follow-Up DOE Response 091211 FINAL.docx (24.26 kB)

Kelly --

Attached are the DOE responses to the OMB follow-up questions.

[REDACTED]  
Contractor & Senior Credit Advisor  
Loan Programs  
U.S. Department of Energy  
[REDACTED]

---

From: Colyar, Kelly T. [REDACTED]

Sent: Thursday, September 08, 2011 6:19 PM

To: [REDACTED]

Subject: RE: Project Amp Closing Launch -- Revised Fitch Rating

Thanks for sending these. Below are a few follow up questions.

1. If Phase I is not approved, will it remain part of the overall project?
2. Do Bank of America and ProLogis anticipate Phase I will be approved even if it does not comply with the basic parameters for suppliers?
3. If Phase I uses Solyndra panels, this does not appear to meet the basic parameters defined in the Term Sheet. How has this deviation been incorporated in the cash flows?
4. When is Phase I anticipated to be complete? Is there any risk that the Solyndra bankruptcy could put Phase I in jeopardy of not meeting any requirements (deadlines etc.) in the PPA?
5. Has the ProLogis paid Solyndra for some or all of the panels to be installed for Phase I? Have those panels been delivered? What is the status of any deposits Pro Logis may have made?
6. Is Solyndra able to deliver panels required for Phase I during bankruptcy? How will the project proceed in the event that Solyndra is unable to deliver enough panels to complete Phase 1 as planned?
7. When was the PPA transferred from Solyndra to ProLogis? Was Solyndra compensated for that transfer?

8. Although the project has always contemplated using Solyndra panels for Phase I, Solyndra's bankruptcy is a material change. How has this been factored into the cash flows?

---

**From:** [REDACTED]  
**Sent:** Wednesday, September 07, 2011 1:54 PM  
**To:** Colyar, Kelly T.; [REDACTED]  
**Subject:** RE: Project Amp Closing Launch -- Revised Fitch Rating

Kelly --

Attached are the DOE responses to the OMB questions.

[REDACTED]  
[REDACTED]  
Contractor & Senior Credit Advisor  
Loan Programs  
U.S. Department of Energy  
[REDACTED]

---

**From:** Colyar, Kelly T.; [REDACTED]  
**Sent:** Friday, September 02, 2011 6:48 PM  
**To:** [REDACTED]  
**Subject:** RE: Project Amp Closing Launch -- Revised Fitch Rating

Thanks again for the background information and update on Project Amp. As we discussed, below are some follow up questions.

Please let me know if you have any questions.

Thanks.

1. What is the status of Phase I?
2. Please outline the criteria for approval of Phase I and how the project satisfied these criteria.
3. What specific activities will commence by September 30, 2011 to meet the commencement of construction requirement?
4. Please provide the current list of panel and inverter suppliers for the project. What are the required credit and technical criteria for these suppliers for each phase?
5. Is there a current list of approved suppliers? Has this list changed given the status of some of those listed in the power point slides (e.g., Q-Cells, Solyndra)? How do the recent events in the solar industry affect DOE's assessment of what companies may be deemed "commercial" or otherwise acceptable for the project?
6. Since Phase I was intended to utilize Solyndra panels, what implications does the recent shutdown and planned

bankruptcy of Solyndra have on Phase I?

7. Given the status of Solyndra, will they be deemed an approved supplier for the project? If so, how does this square with the warranty and other requirements for panel suppliers?
8. When is Phase I anticipated to be approved?
9. If Phase I is not approved, what activities will have satisfied the commencement of construction requirement?
10. Has a rating agency provided a rating for Phase I as required by the Term Sheet? When will that information be available?
11. The October 29, 2010 Revised Advice Letter from the CPUC and the preliminary credit assessment for Photon Solar (now Phase I of Project Amp) seem to indicate Solyndra is the counterparty for the Power Purchase Agreement for Phase I. Is that correct? What rights does SCE have under the PPA to terminate the contract or seek damages from Solyndra? Could SCE be a claimant in the bankruptcy? If this contract is terminated or other actions are taken with respect to that contract, how does it affect Phase I of Project Amp?

Non Responsive

---

**From:** [REDACTED]

**Sent:** Sunday, August 21, 2011 10:56 PM

**To:** Colyar, Kelly T.; Dick, John H.

**Cc:** [REDACTED]

**Subject:** Project Amp Closing Launch -- Revised Fitch Rating

Kelly & John --

Non Responsive



Contractor & Senior Credit Advisor  
Loan Programs  
U.S. Department of Energy



Project Amp – OMB Supplemental Questions 9/8/11

DOE Responses 09/12/11 FINAL

1. If Phase I is not approved, will it remain part of the overall project?
  - a. Because of the time spent underwriting Project Amp (which has always included Phase 1), DOE has a good amount of knowledge about Phase 1 in spite of the fact that Prologis has not formally proposed Phase 1 for approval. In addition, we know that Prologis has expended considerable funds (our estimate is well more than \$5 million) to commence the build-out of Phase 1 and has paid a significant amount in interconnection fees under the Phase 1 PPAs. Accordingly, Prologis has every incentive to recoup its investment by making sure that they propose a Phase 1 (utilizing the approximately 2.8 million square foot planned footprint) that DOE and the Lender can approve. If any Phase is proposed and not approved, it will not be part of the overall project. Regardless, it is reasonable to expect that any roofs receiving substantial construction activity will be incorporated into a future Phase or Phases.
2. Do Bank of America and Prologis anticipate Phase I will be approved even if it does not comply with the basic parameters for suppliers?
  - a. Once Phase 1 is submitted for approval, both DOE and BAML will determine whether or not Phase 1 meets or does not meet the Phase Parameters. In any event, DOE and BAML certainly will require the Fitch rating affirmation (as required in the Phase Parameters) before even considering whether to approve Phase 1.
  - b. As noted below, DOE understands that Prologis recognizes some of the challenges that have arisen with respect to Phase 1 and is working to mitigate them in a manner that will be acceptable to DOE and BAML.
  - c. DOE does not know whether BAML or Prologis anticipate that Phase 1 will be approved if it does not comply with the Phase Parameters. DOE's discussions to-date with Prologis regarding Phase Approval have focused on how to make Phase 1 comply with the Parameters. However, DOE does not believe Prologis' views about whether/how Phase 1 is approved are relevant to the decision that will be made by DOE and BAML.
3. If Phase I uses Solyndra panels, this does not appear to meet the basic parameters defined in the Term Sheet. How has this deviation been incorporated in the cash flows?
  - a. The Basic Phase Parameters require that solar panel vendors be reasonably acceptable, based on consultation with the IE and other technical experts and by reference to certain risk underwriting criteria. The Parameters also list a number of panel vendors that were assumed to be acceptable, unless a MAC occurs with respect to the quality of the vendor's product, warranty, or ability to satisfy its delivery or

warranty obligations. Although Solyndra was listed as a panel manufacturer that was assumed to be acceptable, the value of the warranty has been discounted throughout the underwriting of this transactions. Accordingly, it will be up to DOE and the Lender to determine whether a MAC has occurred with respect to Solyndra's ability to satisfy its quality of product, warranty, or ability to satisfy delivery or its warranty obligations. However, even if DOE and the Lender were to make such a determination, that determination would not, according to the Parameters, deem the vendor unacceptable. It would simply indicate, pursuant to the Parameters, that Solyndra, as a panel vendor, is not assumed to be listed in the Parameters on the pre-approved list of vendors.

- b. Any Phase currently contemplated to use Solyndra panels (such as Phase 1) would have to address the issues that result from the Solyndra bankruptcy. For the reasons explained in above, DOE believes that ProLogis will submit a Phase 1 for Phase Approval that addresses this concern. For example, DOE understands from discussions with ProLogis that it is considering several options to address the warranty concern, including, additional maintenance reserve funding, less leverage, a stand-by inventory of Solyndra panels, and potentially a smaller Phase 1 at full build-out. As another example, with respect to delivery risks, DOE expects that delivery of the panels will be secured certain by the time phase approval is requested.

In addition, as noted in Question #7 responding to OMB questions dated September 2, 2011, the credit paper made it clear that exceptions for supplier financial strength or minimum operating history may be approved on a limited case-by-case basis within small concentration limits. Despite this flexibility, the Sponsor will need to develop an approach to satisfy the warranty requirements of the Basic Phase Parameters.

- c. The specific mitigants for the Solyndra situation will be presented in the Phase Approval process. As part of this process, the Phase will need to have received a rating affirmation of 'BB.' Accordingly, DOE expects the specific changes to be developed during the rating agency interaction and as the Solyndra bankruptcy proceedings progress.
- d. Given the potential mitigants under consideration, the requirement for a rating affirmation of 'BB', DOE's expectation that the project will involve numerous Phases and will incorporate a diversity of panel suppliers, and the potential weakness of the value of the Solyndra warranty, even at the time of the Conditional Commitment issuance, and the mitigants for the Solyndra warranty issue that may now be imposed on Phase 1, DOE does not believe that the use of Solyndra panels will increase the risk for the entire project. As discussed in greater length under #8 below, DOE believes that the cashflows can be adjusted to recognize the unique circumstances presented by Phase 1.

4. When is Phase I anticipated to be complete? Is there any risk that the Solyndra bankruptcy could put Phase I in jeopardy of not meeting any requirements (deadlines etc.) in the PPA?
  - a. Each of the PPAs permits SCE to terminate the PPA if Photon (1) "has not installed any of the equipment or devices necessary" for such facility (rooftop) to satisfy the gross power rating of such facility (rooftop) as of the date the PPA's term commences, which must occur within 18 months of the CPUC approval (which we understand occurred in late October 2010) or (2) fails to interconnect and operate a photovoltaic module within the relevant facility within 120 days after SCE delivery electricity to such facility for use in connection with the generation of solar electricity
  - b. As noted previously, construction on Phase 1 that is already underway is anticipated to be completed by Q1 2012. Such construction (which has already been completed on some roofs) should satisfy item (1) above (which does not require installation of panels). After that, the only timing that is relevant is ensuring that item (2) above is satisfied. Given the work that has already been done, that there are 15 separate and completely independent PPAs in Phase 1, and that satisfaction of the requirements noted in (1) and (2) for a single facility (rooftop) is sufficient to ensure that the single PPA is not terminated by SCE because of timing, DOE does not view the risk of meeting the timing requirements under the PPAs as a significant risk at this time.
5. Has the ProLogis paid Solyndra for some or all of the panels to be installed for Phase I? Have those panels been delivered? What is the status of any deposits Pro Logis may have made?
  - a. As we currently understand, Prologis has not paid Solyndra for any panels and no panels have been delivered. And as we further understand, under the terms of the current agreement between ProLogis and Solyndra, there is no requirement for Prologis to pay a deposit upon ordering panels. As a result, we believe that Prologis has no deposits tied up in the bankruptcy.
6. Is Solyndra able to deliver panels required for Phase I during bankruptcy? How will the project proceed in the event that Solyndra is unable to deliver enough panels to complete Phase 1 as planned?
  - a. As we understand, Solyndra is able to operate during bankruptcy in the ordinary course of its business and subject to the terms of the Interim DIP Financing Order and the Budget annexed thereto. Any transactions outside of the ordinary course of business will need to be approved by an order of the court. A final hearing on the DIP Financing is scheduled for September 27, 2011. If that order is not timely entered, or if there arises an Event of Default under the DIP Financing prior thereto, the DIP Financing may terminate and the DIP Lender may exercise remedies with respect to its DIP Collateral (which, we believe, includes all inventory that Solyndra owns from time to time). If the DIP Financier were to exercise such remedies, it is reasonable to

assume that they would be willing and eager to dispose of panels by selling them to Prologis. Therefore, subject to the sufficiency of the Budget and the requisite panels, Solyndra, directly or indirectly, should be able to deliver the panels required for Phase 1. Given that each of the 15 PPAs is a separate, standalone PPA, Prologis will be able to build out as many PPAs as possible, while still maintaining compliance with the Phase Parameters, including but not limited to coverage ratios, debt/equity ratio, and the other material credit considerations.

7. When was the PPA transferred from Solyndra to ProLogis? Was Solyndra compensated for that transfer?
  - a. As noted in DOE's reply to OMB's previous questions (see answer to Question 11), Solyndra assigned the project company (Photon Solar) that is party to each of the PPAs to Prologis in July 2011.
  - b. Under this assignment agreement, the consideration includes: (1) Solyndra is obligated to transfer Photon Solar (with the PPAs) to Prologis and to sell panels to Prologis to develop the rooftops referred to in the PPAs; and (2) Prologis is obligated to make significant interconnection payments (which it has been making) as well as to arrange for Photon Solar to comply with the other terms of the PPAs, and to purchase Solyndra panels for the development of the PPA rooftops.
8. Although the project has always contemplated using Solyndra panels for Phase I, Solyndra's bankruptcy is a material change. How has this been factored into the cash flows?
  - a. As noted in DOE's past documentation and replies and in question 3 above, the financial health of Solyndra and its ability to honor its warranties have from day one represented a credit concern. This was incorporated into DOE's risk rating and resultant cash flows that contemplate the entire project at full build-out.
  - b. As noted under question #3 above, DOE expects that Sponsor to introduce changes in the Phase that will address the risk introduced by Solyndra's bankruptcy. While such proposals are still being developed, DOE believes that this could result in an improved position since the project will not be exposed to changes in Solyndra's financial health over the long term. DOE expects that this issue will be fully vetted with Fitch as part of getting the affirmation of the 'BB' credit rating.
  - c. With regard to the cashflows, DOE recognizes that the bankruptcy of Solyndra has introduced uncertainty with respect to Phase 1. DOE believes that there are structural provisions in place to address this uncertainty and options available to the Sponsor in this regard (as noted above), but does not believe that the specific risk mitigants will be known before closing. Therefore, DOE suggests that the Phase 1 cashflows could be adjusted to reflect this added uncertainty and any potential concerns that cannot be

addressed by closing. DOE's credit subsidy personnel are prepared to discuss this option with OMB at your convenience.

## **Footnote 886**

## Amp CRB update

From:

To:

Cc:

Date: Sun, 18 Sep 2011 12:01:58 -0400

Attachments: Phase 1 v2.docx (17.87 kB); Amp - Update 9-19-11.pptm (212.63 kB)

---

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

From:

Sent: Friday, September 16, 2011 9:01 PM

To:

Cc:

Subject: FW: document

[REDACTED]  
Non Responsive

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

From:

Sent: Friday, September 16, 2011 3:03 PM

To:

Cc:

Subject: document

[REDACTED]  
Non Responsive

Thanks

[REDACTED]

[REDACTED]

**Project Amp**  
**Change of Panel Supplier for Phase 1**  
**September 16, 2011**

- On September 15, 2011, Prologis (the Sponsor) informed DOE that it will not use Solyndra solar panels for Phase 1 of Project Amp. According to Prologis, this decision was based on the following commercial reasons, among others:
  - 1) uncertainty that Solyndra has a sufficient number of panels available in order to build out Phase 1;
  - 2) uncertainty that if sufficient panels are available that they can be purchased and delivered to Prologis in any reasonable period of time;
  - 3) increased costs associated with using Solyndra panels (e.g., insurance costs, 'synthetic' warranties to replace manufacturer warranty).
  
- DOE has understood that this scenario was possible, given the recent bankruptcy announcement by Solyndra. DOE has communicated this possibility to both senior DOE officials and to OMB (verbally and in writing).
  
- DOE believes that the risks to the Project associated with this decision primarily are twofold.
  - First, the change of the panel provider could put the PPAs at risk.
    - It could call into question the validity of the assignment of the Photon project company (which owns the PPAs associated with Phase 1) from Solyndra to Prologis because a portion of the consideration for this assignment the agreement to purchase Solyndra panels to develop the rooftops listed in the PPAs. If that portion of the consideration is not satisfied, there could be a claim that the assignment of Photon should be voided.
    - However, there are several options that Prologis has indicated to us that they are pursuing to mitigate this risk.
      - They are considering offering to make a payment to Solyndra in exchange for cancelling the obligation to purchase Solyndra panels, which, in combination for the consideration already paid, is sufficient consideration for the assignment of Photon.
      - They are considering making the argument to the court that there is an anticipatory breach by Solyndra regarding its obligation to sell the panels to Prologis. Further, they would argue that the anticipatory breach caused damage to Prologis. Finally, they would argue that they would drop their claim for damages for the Solyndra breach in exchange for cancelling the obligation to purchase Solyndra panels. We note that Prologis appears to currently be in compliance with their agreement with Solyndra and has paid substantial sums required under the assigned PPAs.
      - We note that a sign-off from the bankruptcy court would be necessary for either of these two options, to ensure that the ownership of the PPAs is free and clear of all claims.

- We note that this risk would exist regardless of whether Prologis made the decision to use or not to use Solyndra panels because (inter alia) there is real concern that Solyndra does not have the inventory sufficient to fulfill its obligations under the Assignment Agreement.
- Also, SCE (the PPA offtaker) could refuse to allow non-Solyndra panels to be used for the PPA
  - The PPAs currently contemplate the use of Solyndra panels. A change to that provision will require the consent of SCE. Prologis does not anticipate that discussions with SCE to be extremely challenging, but the discussions have not yet commenced. To the extent that the discussions with SCE are a bit challenging, Prologis has contemplated a number of options to mitigate SCE's power, including:
    - Reducing the size of Phase 1 by using fewer rooftops, and/or
    - Reducing the PPA price in the agreement
  - The interconnection agreements will have to be amended, which is a purely technical matter. Discussions with SCE already have occurred, and Prologis sees no problems.
- Second, it might be argued that the Project as a whole would not to have commenced construction by September 30, 2011, if Phase 1 is never built out.
  - It is possible that this could occur if Prologis is unsuccessful in its arguments to keep ownership of Photon and the PPAs.
  - DOE is comfortable, however, that the Project has commenced construction for the following reasons:
    - A significant amount of physical work has occurred, including reroofing activity on ~2.8 million square feet of rooftops that is intended to extend the life of the roofs to match the PPAs (which would be required for any solar panels, not just Solyndra panels).
    - The Borrower has completed all pre-construction engineering and design work, engaged all contractors and ordered all essential equipment and supplies that are reasonably necessary to begin and continue such physical work of a significant nature.
    - Prologis has spent in excess of \$5M to-date on this work, and it will spend another approximately \$5M to finalize construction.
    - If Phase 1 is not built out, Prologis believes that the Project sites for Phase 1 (i.e., the Prologis rooftops) are highly likely to remain in the Project and be used for the first Phase or future Phases. Specifically, these rooftops are located in Southern California Edison's jurisdiction – and SCE is expected to issue future RFPs for solar generation (the first such RFP is expected in Q3 2011). As such, the construction activity that has taken place on Phase 1 sites is expected to be part of the Project in a future Phase(s).

## **Footnote 898**

**From:** Mertens, Richard A.  
**Sent:** Monday, August 31, 2009 4:50 PM  
**To:** Ericsson, Sally C.  
**Cc:** [REDACTED]; Carroll, J. Kevin  
**Subject:** FW: Solyndra Update

Sally: we should discuss this with you early tomorrow morning.

**From:** Carroll, J. Kevin  
**Sent:** Monday, August 31, 2009 4:27 PM  
**To:** Mertens, Richard A.  
**Cc:** [REDACTED]  
**Subject:** RE: Solyndra Update

Falkenheim,

I would prefer that the announcement be postponed. The BRD credit crew is out on leave this week, as is Uday. 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: Mertens, Richard A.  
Sent: Monday, August 31, 2009 3:59 PM  
To: Carroll, J. Kevin  
Subject: FW: Solyndra Update

What should we tell Sally on our review status?

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

From: Kumar, Aditya  
Sent: Monday, August 31, 2009 3:23 PM  
To: [REDACTED]; Ericsson, Sally C.; Mertens, Richard A.  
Cc: Deseve, G. Edward  
Subject: FW: Solyndra Update

[REDACTED], Sally, Richard:

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.

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

Adi

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

From: Oxhorn, Elizabeth A.  
Sent: Monday, August 31, 2009 3:05 PM  
To: Kumar, Aditya; Deseve, G. Edward  
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: Spinner, Steve [REDACTED]  
Sent: Friday, August 28, 2009 10:08 AM  
To: [REDACTED] Oxhorn, Elizabeth A.; Owens, Missy; Kumar, Aditya; [REDACTED]  
Cc: Rogers, Matt; Hurlbut, [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 Bill 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.

Steve

CONFIDENTIAL

DO NOT COPY

## **Footnote 923**

From: Colyar, Kelly T.  
 Sent: Wednesday, January 26, 2011 12:19 PM  
 To: [REDACTED]; Saad, Fouad P.  
 Cc: [REDACTED]  
 Subject: RE: T17 - senior secured / Solyndra  
 Attachments: DOE Response to OMB 8-1.doc; 061008 Recovery Rate Methodology.doc

Let me know if this helps. I can also dig up the Moody's report if that helps.

From: [REDACTED]  
 Sent: Wednesday, January 26, 2011 12:02 PM  
 To: Saad, Fouad P.; Colyar, Kelly T.  
 Cc: [REDACTED]  
 Subject: FW: T17 - senior secured / Solyndra

Folks, please find the below and attached the backup for the "senior secured" assumption for Solyndra that [REDACTED] was able to dig up. I was also able to find something (which may not be as helpful) from the DOE responses on the recovery rate model itself. See first DOE response in red in the word doc.

Have you all had any luck in finding better model documentation (Solyndra or more broadly)—to get to Courtney's point about making sure we have something in writing on what reasonable assumptions were included in the baseline cash flow?

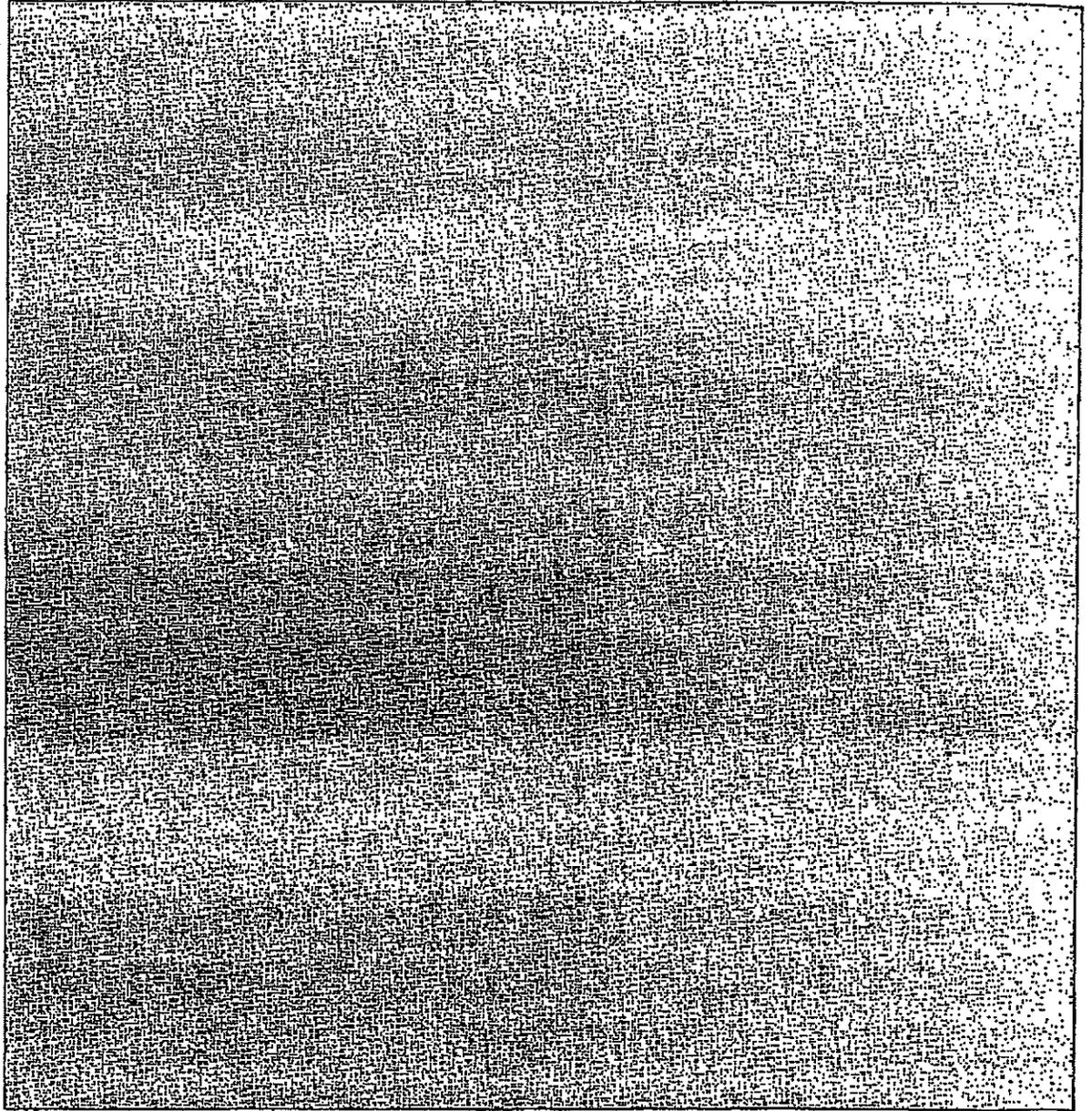
From: [REDACTED]  
 Sent: Wednesday, January 26, 2011 11:28 AM  
 To: [REDACTED]  
 Subject: T17 - senior secured

Solyndra's recovery estimate was based on a liquidation scenario using Fitch assumptions which include haircuts for depreciation, carry costs, admin expenses etc. based on the entire face value. I saw nothing in the Solyndra closing documentation sent to OMB to indicate that the liquidation value would be further decreased as a result of DOE taking a subordinate position.

From Solyndra closing briefing, slide 10:

- **Pledged Collateral**  
Includes 100% of the equity interests in the Solyndra FAB 2, LLC; first priority mortgage on all real property interests of the Borrower, including the project site and buildings and all related easements, rights-of-way, licenses; first priority security interests in contracts, licenses, insurance policies, etc.
- **Other Security Features/Considerations**  
Project Sponsor is granting a license to Borrower covering all intellectual property.
- **Recovery Estimate will be Based on Liquidation**  
Fitch estimated recoveries at [REDACTED] in its final private rating based on assumptions related to liquidating the assets.  
Importantly, the Fitch recovery rating is based on a default scenario that occurs after \$212 million of principal has been repaid. Applying the Fitch liquidation assumptions to the LGPO recovery methodology results in a recovery percentage of [REDACTED].

I also looked at recovery matrices for several direct loan closed/committed deals. The contractual foundation of the recovery matrix is the most relevant section and addresses lender protections. A summary of DOE's description of each is below.



[Redacted]  
Budget Review Division  
Policy Analyst, Federal Credit Programs  
Office of Management and Budget  
[Redacted]

---

**From:** [Redacted]  
**Sent:** Tuesday, January 25, 2011 7:53 PM  
**To:** [Redacted]  
**Subject:** RE: request

I'd start with the recovery analyses and materials supporting the model itself, vs. Solyndra/.

---

**From:** [REDACTED]  
**Sent:** Tuesday, January 25, 2011 7:52 PM  
**To:** [REDACTED]  
**Subject:** Re: request

Sure. Are you imagining an assumption in one of DOE's financial or credit subsidy models that would suggest a senior position throughout? I can't imagine what this might look like. There may be something that suggests this in the various Q and As. I'll think more on it in the morning. Thanks!

---

**From:** [REDACTED]  
**To:** [REDACTED]  
**Sent:** Tue Jan 25 19:41:06 2011  
**Subject:** request

Can you please take a quick look through the cashflow model documentation you have for Title XVII, to see if we have anything that captures the assumption that DOE will maintain a senior secured position for any deal?

I wouldn't spend a huge amount of time, but just a quick 30 minute dig. If it comes up in tomorrow's chat, it would be good to have.

[REDACTED]  
Budget Review Division  
Policy Analyst, Federal Credit Programs  
Office of Management and Budget  
[REDACTED]

**CONFIDENTIAL**

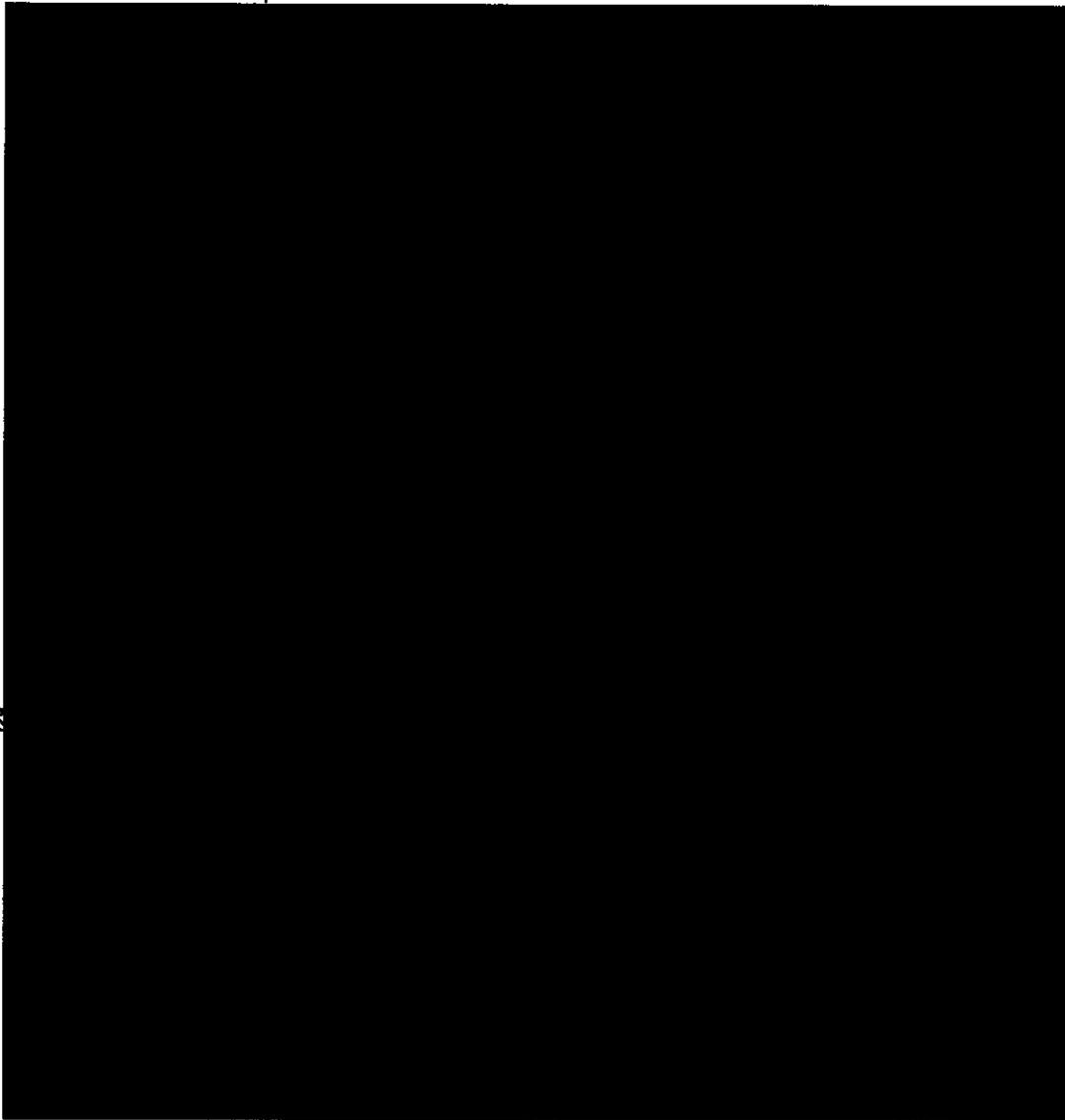
**DO NOT COPY**

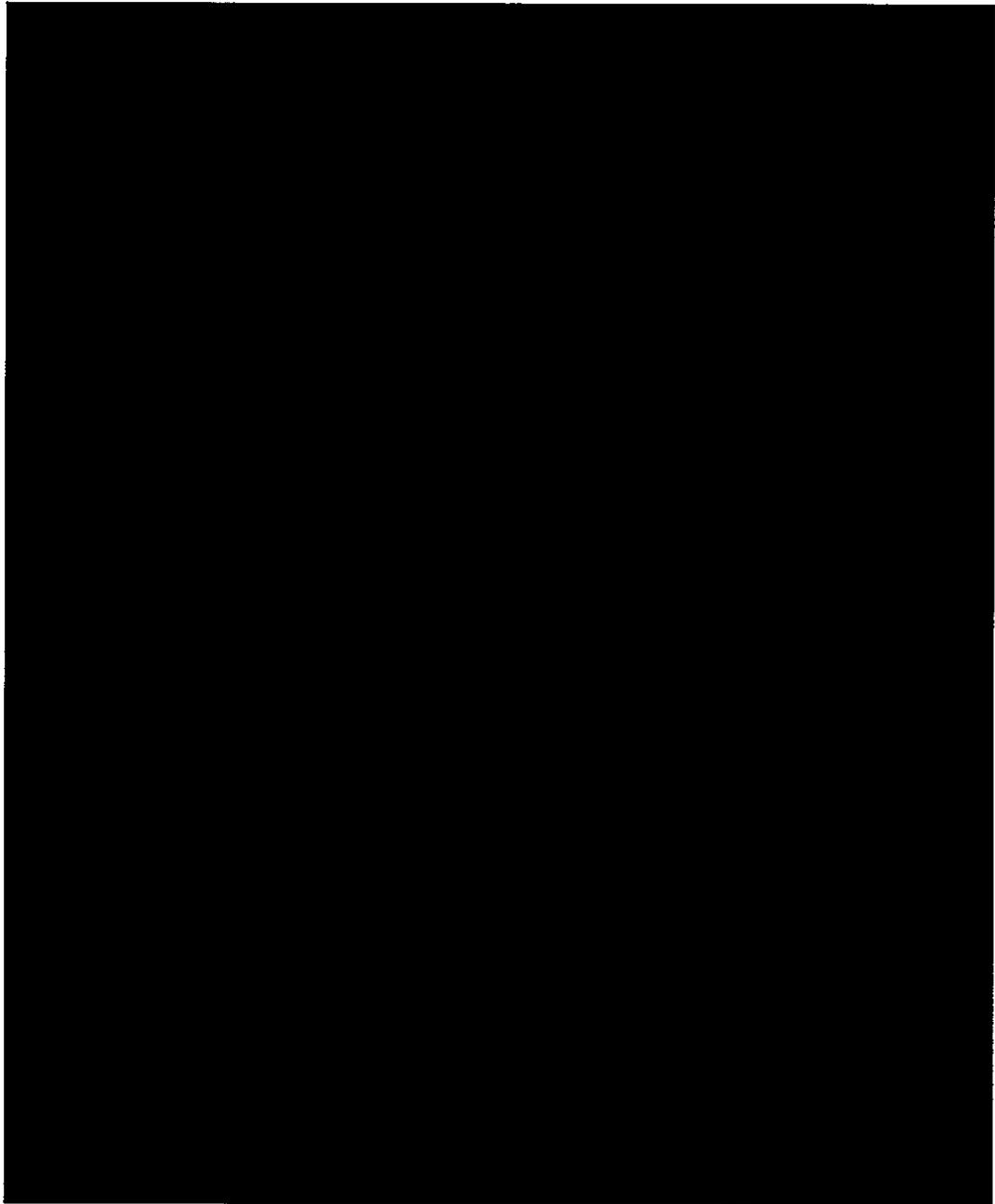
7-31-08

**DOE Loan Guarantee Recovery Rate**  
**OMB Response to DOE Proposal of July 28, 2008**

"Anchor" Recovery Rate

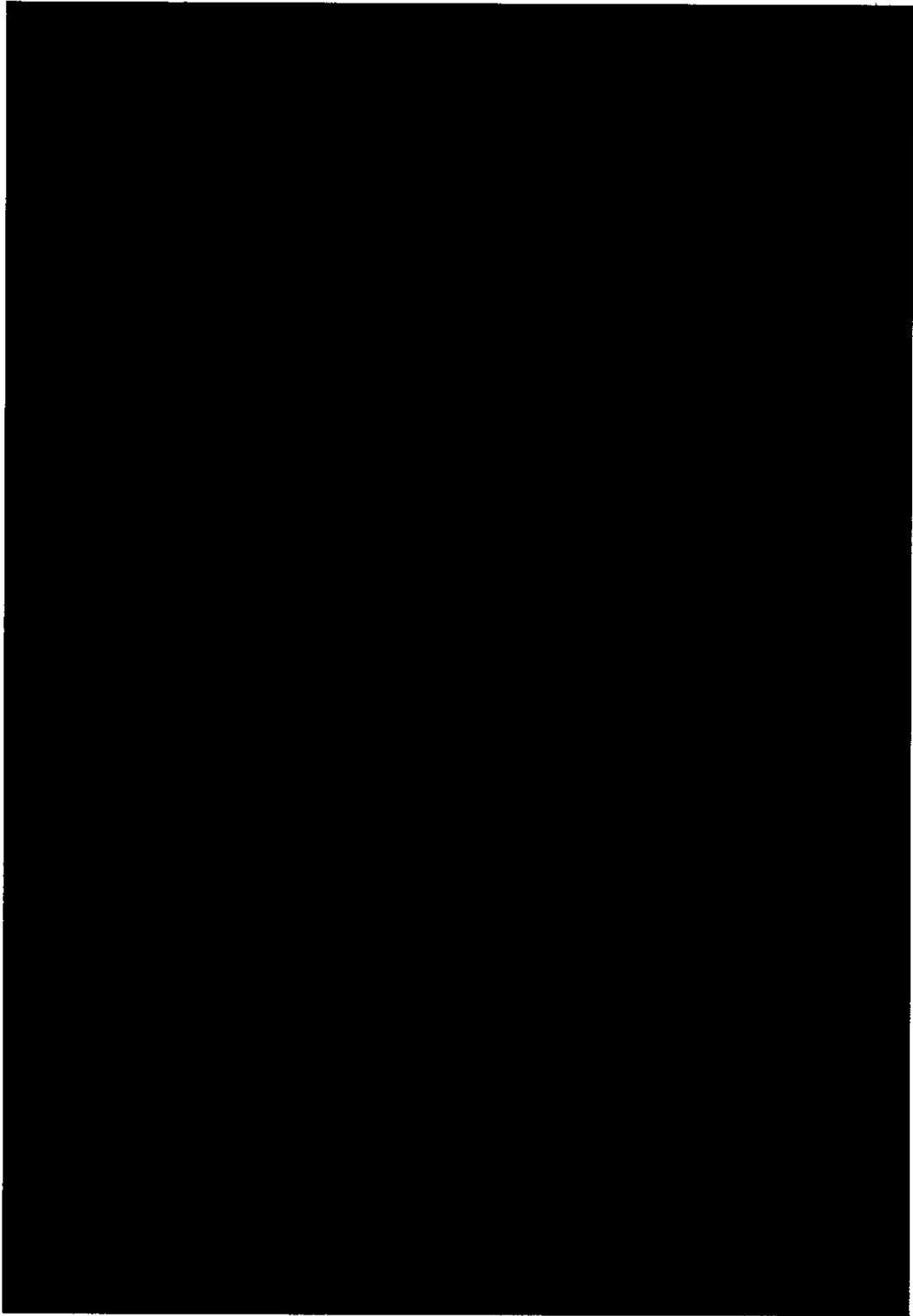
- OMB agrees that a [REDACTED] percent anchor recovery rate provides a reasonable starting point for estimating project-specific recovery rates. [DOE RESPONSE/ADDITION: *Concurs but notes the following:* This starting point reflects the U.S. government's senior secured position. Adjustments to the anchor rate would be made based on the notching factors detailed below].





---

<sup>1</sup> The Journal of Structure and Project Finance. "Credit Attributes of Project Finance". Chris Beale, Michel Chatain, Nathan Fox, Sandra Bell, James Berner, Robert Preminger, and Jan Prins. Fall 2002 Volume 8, Number 3.





CONFIDENTIAL

DO NOT COPY

TO: [REDACTED]

FROM: Dave Frantz

DATE: June 10, 2008

SUBJECT: Final LGPO Proposal on Recovery Rates

Please see below the LGPO's response to the items raised by OMB during our meeting of June 5th and our revised proposal for a recovery approach that will be appropriate to the Title XVII Loan Guarantee Program while advancing the policy objectives of EPACT 2005.

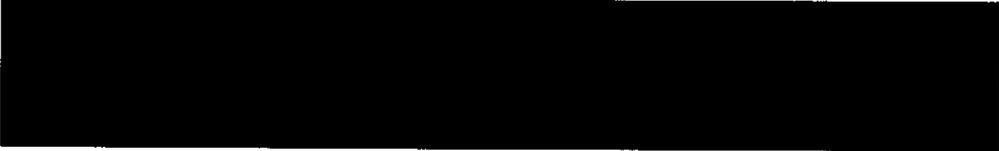
The LGPO's response is based on thoughtful consideration of OMB's input and observations and includes a lower anchoring point and a narrower band around which recovery ratings may move. In addition, the proposed approach will be simpler to apply and will help to avoid protracted discussions with OMB regarding individual projects. Notwithstanding these concessions, our approach is based on our best estimate of the likely financial structures the LGPO anticipates and on our application of available market data. Under a self-pay program, this represents an essential consideration for developing credit subsidy estimates. The losses associated with an unreasonably low recovery rate for a larger project under the program could approach [REDACTED]. A credit subsidy level of this magnitude would diminish the credit quality of individual projects and undermine the ability of the program to achieve its statutory mission. Therefore, the LGPO urges OMB to consider the basis of our recovery approach and the necessity to incorporate unique project features into each and every subsidy estimate.

#### Background

<sup>1</sup> Altman, Edward. "Default Recovery Rates and LGD in the Credit Risk Modeling and Practice: An Updated Review of the Literature and Empirical Evidence," November 2006.

<sup>2</sup> "Probability of Default Ratings and Loss Given Default Assessments for Non-Financial Speculative Grade Corporate Obligor in the United States and Canada," Moody's Investors Service, Global Credit Research. August 2006.

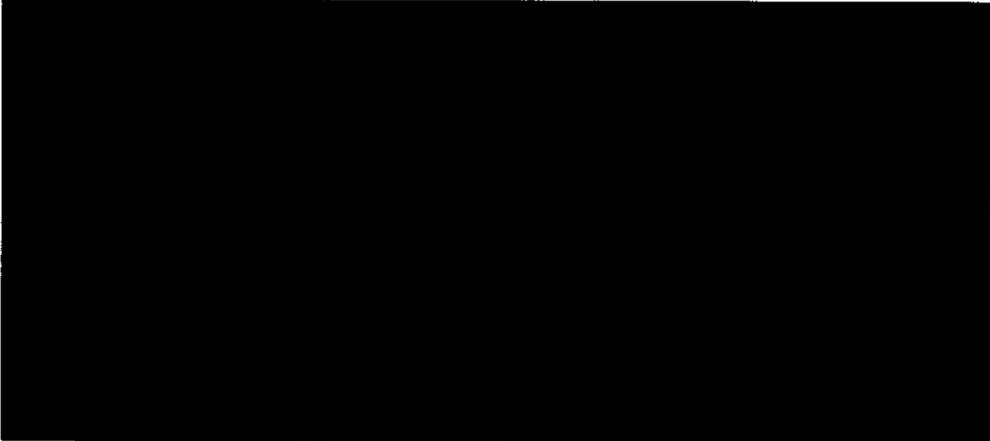
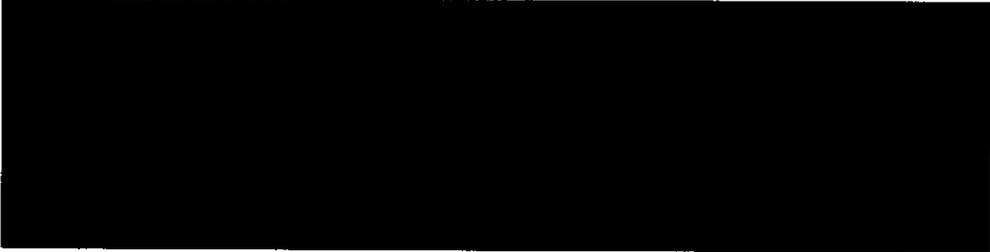
June 10, 2008  
Page 2



LGPO's Response

The LGPO has carefully considered OMB's position and incorporated a series of adjustments. Our final proposal to OMB, described below addresses OMB's concerns over total project leverage and provides for a limited number of project-specific adjustment factors that would notch the recovery rating up or down. Our final proposal is organized as follows: (i) revised anchor rate; and (ii) proposed notching criteria.

Revised Anchor Rate

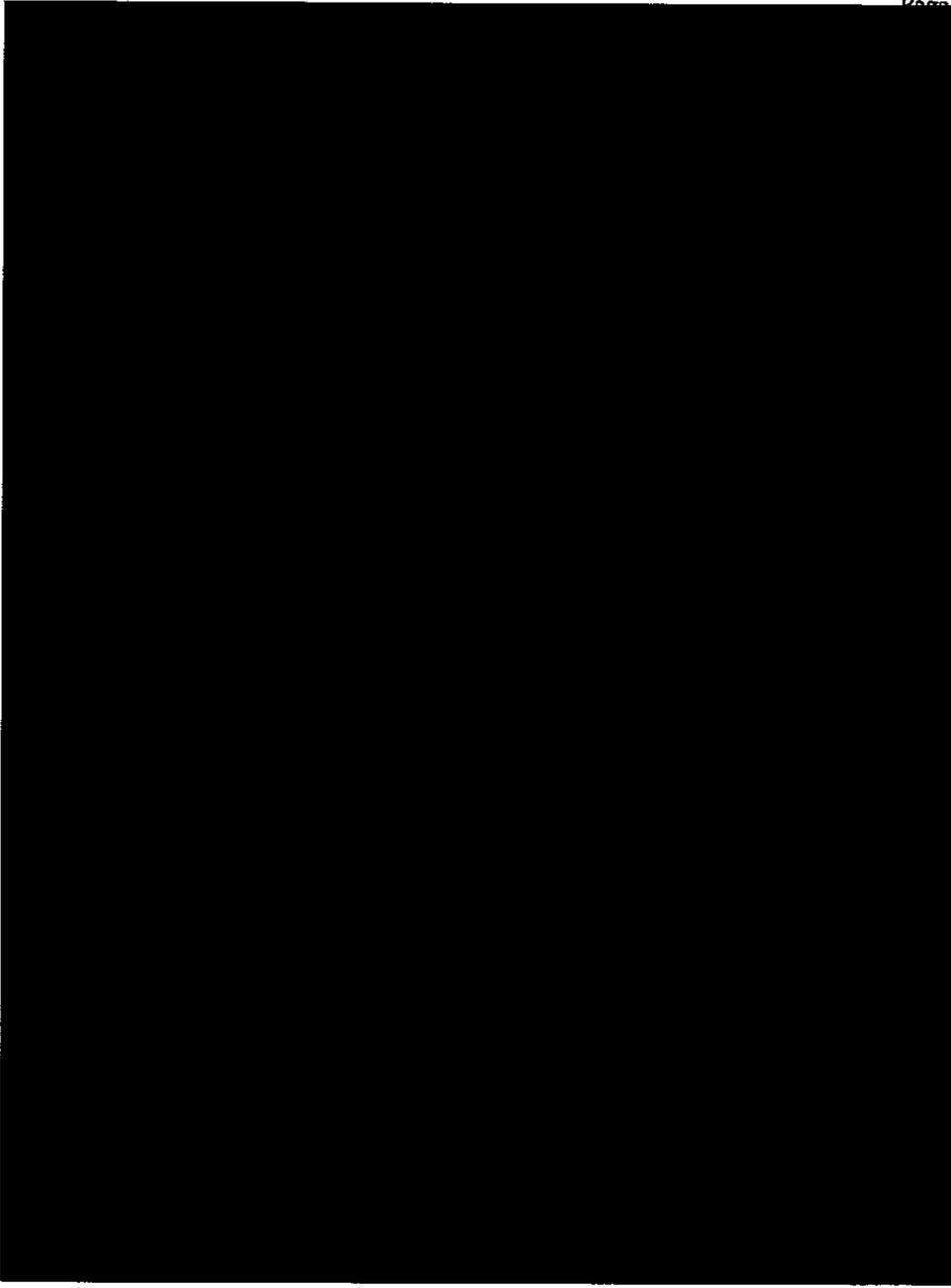


<sup>3</sup> "Corporate Default and Recovery Rates, 1982-2007," Moodys Global Corporate Finance, February 2008.

<sup>4</sup> Source: Federal Reserve System NPR regarding Basel II Capital Accord, [www.federalreserve.gov/GeneralInfo/Basel2/NPR\\_20060905/NPR/](http://www.federalreserve.gov/GeneralInfo/Basel2/NPR_20060905/NPR/).

June 10, 2008

Page 3



<sup>5</sup> Altman, Edward. "Default Recovery Rates and LGD in the Credit Risk Modeling and Practice: An Updated Review of the Literature and Empirical Evidence," November 2006.

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

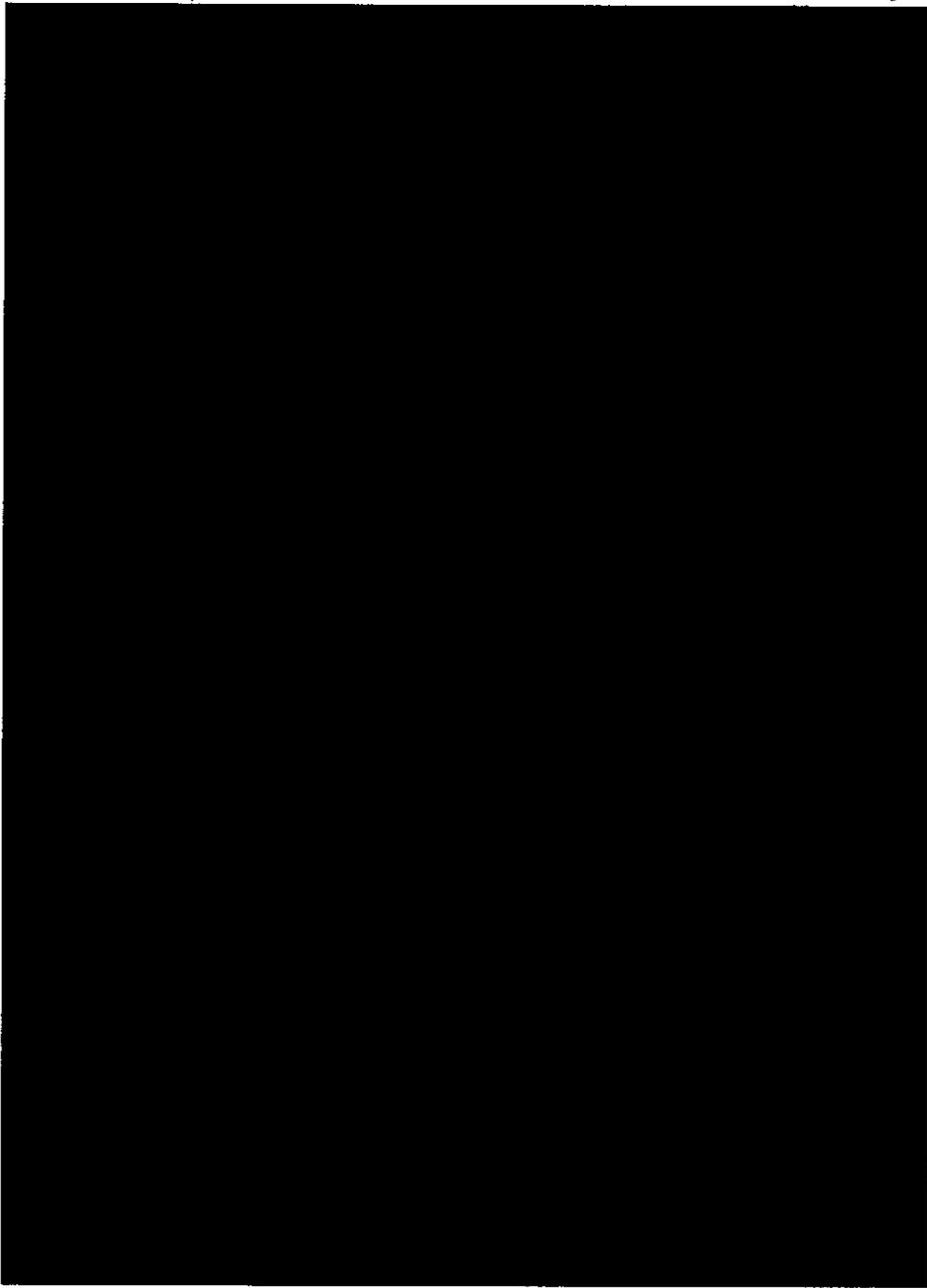
<sup>8</sup> Ibid.

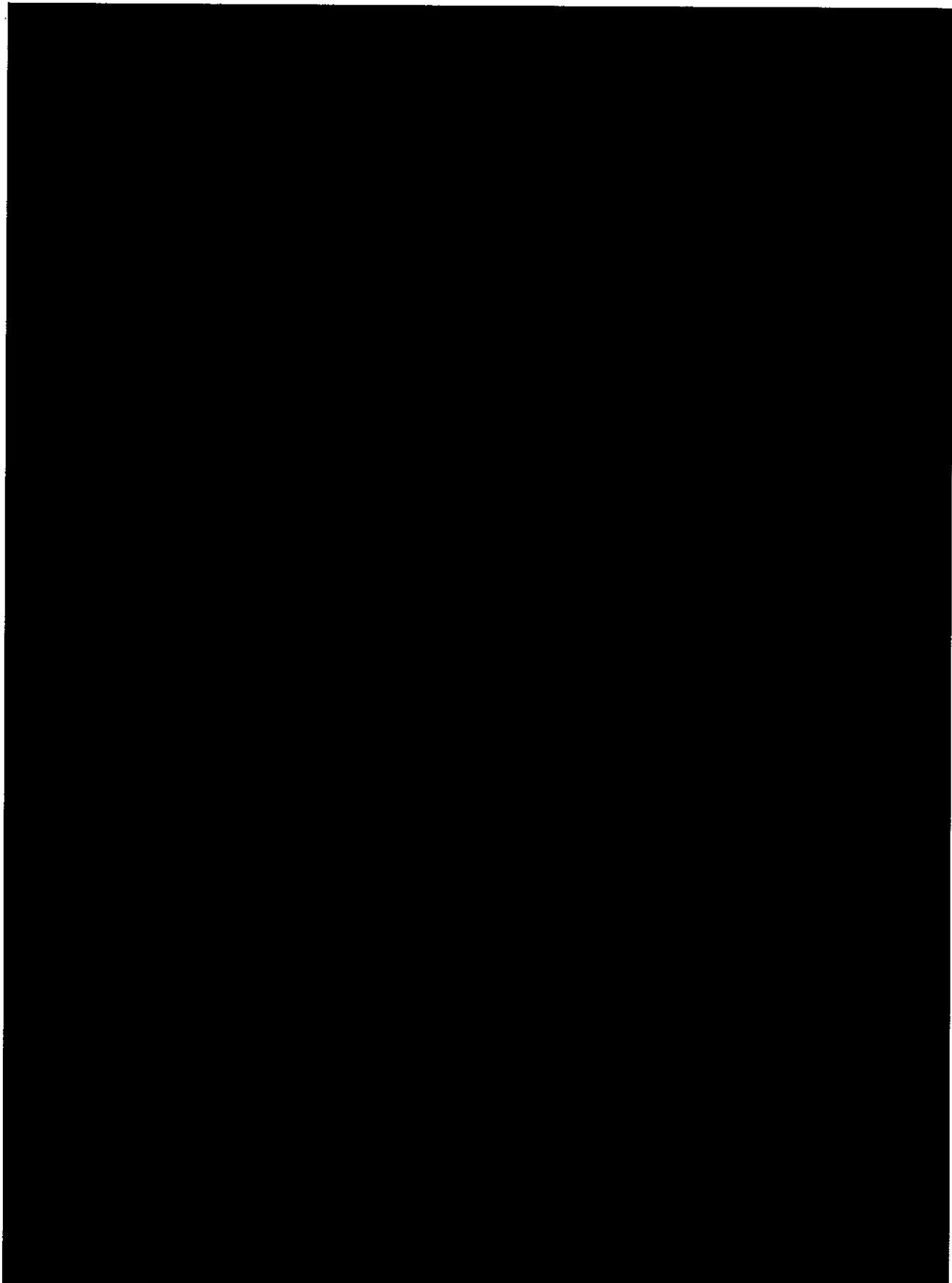
<sup>9</sup> Ibid.

[REDACTED]

June 10, 2008

Page 4

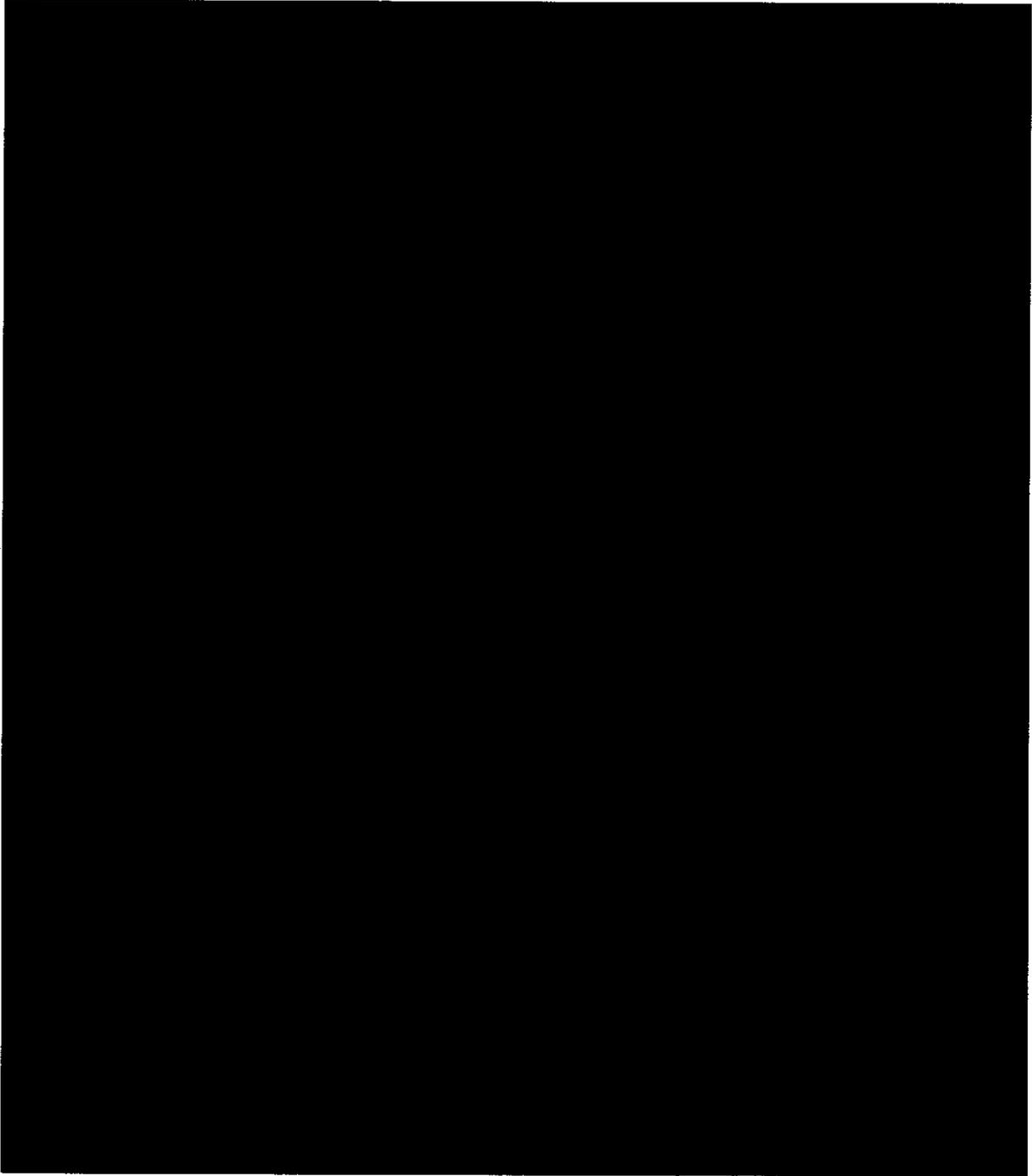


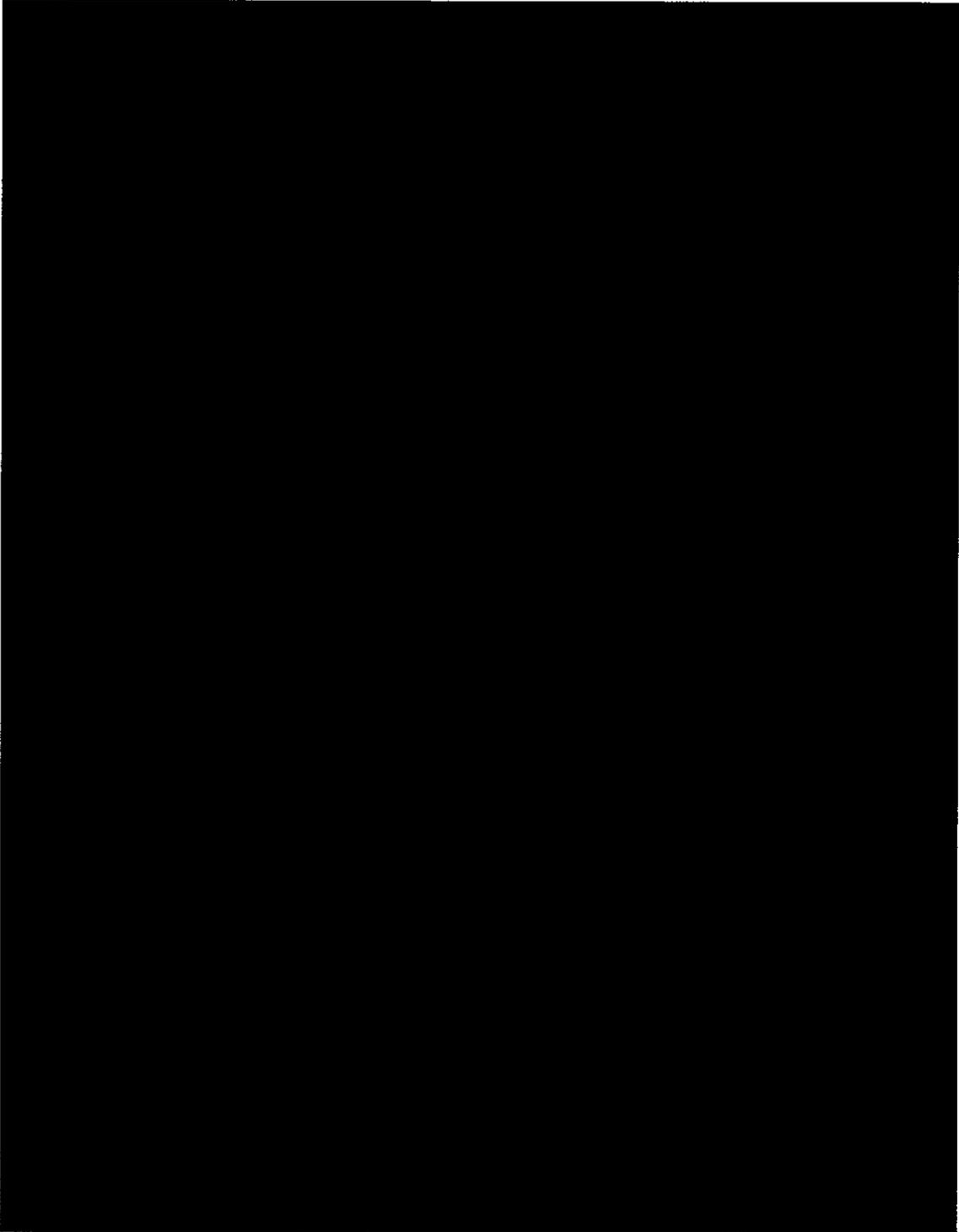


**Tab I: DOE Counter-offer to OMB with changes to adjustment factors**

Received from DOE on 8/3/08.

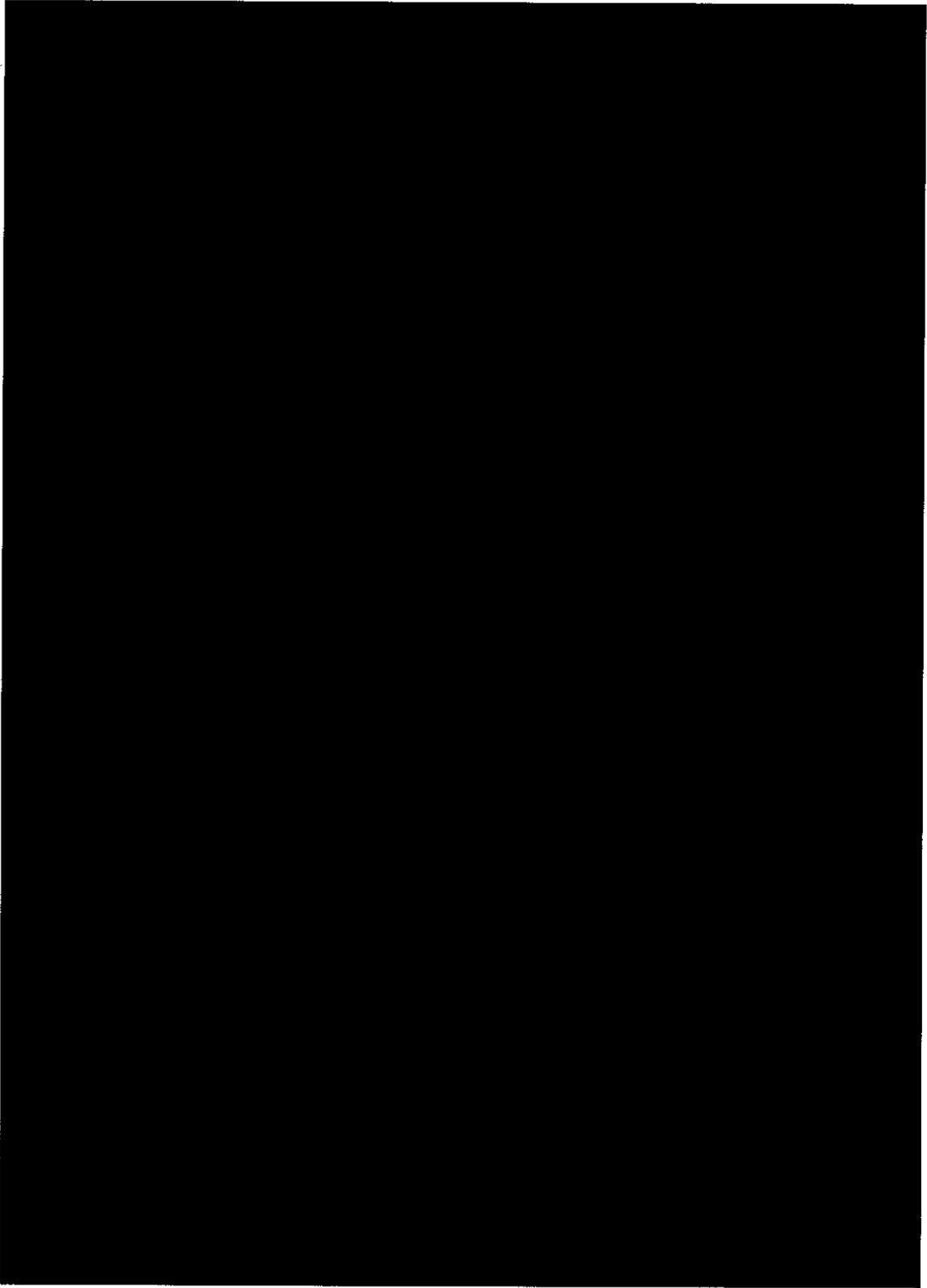
**DOE Loan Guarantee Recovery Rate  
OMB Response to DOE Proposal of July 28, 2008**

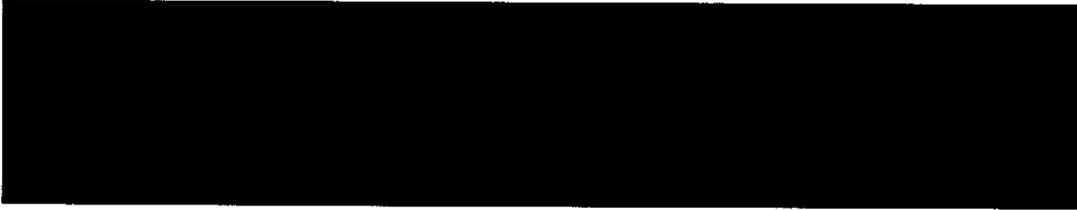




---

<sup>1</sup> The Journal of Structure and Project Finance. "Credit Attributes of Project Finance". Chris Beale, Michel Chatain, Nathan Fox, Sandra Bell, James Berner, Robert Preminger, and Jan Prins. Fall 2002 Volume 8, Number 3.





CONFIDENTIAL

DO NOT COPY

[REDACTED]

---

**From:** [REDACTED]  
**Sent:** Monday, January 31, 2011 2:40 PM  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** Update RE: Credit issues update week of January 31, 2011.

I just got off the weekly DOE call and wanted to note two items that weren't captured in the credit issues update.

- DOE sent [REDACTED] closing materials last Friday. The loan level increased by \$250M to serve as a bridge loan until the tax grant comes in.
- [REDACTED] may be facing cost-overrun issues and could look to rate-payers to cover some portion.

[REDACTED]  
Budget Review Division  
Policy Analyst, Federal Credit Programs  
Office of Management and Budget  
[REDACTED]

---

**From:** [REDACTED]  
**Sent:** Sunday, January 30, 2011 8:23 PM  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** Credit issues update week of January 31, 2011

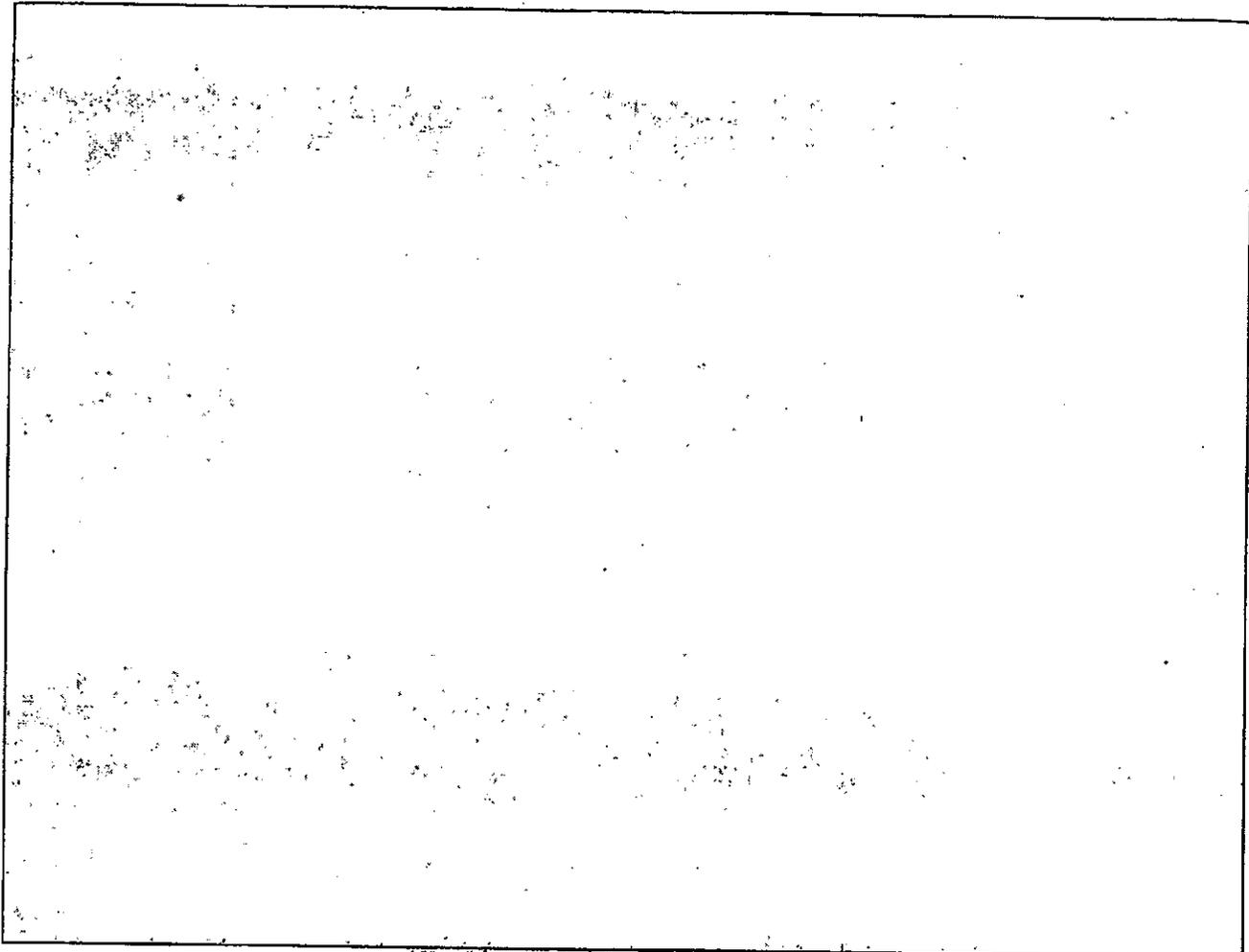
**FHS:** [REDACTED]

**HUD:** [REDACTED]

**DOE**

Title XVII - We have four deals currently at OMB (two conditional commitments and two for financial closing). We also expect a modification cost estimate soon for Solindra.

Solindra: OMB staff have reviewed the documentation for Solindra and confirmed that the baseline cash flows assume that DOE would maintain a senior secured position in the event of default. Therefore, the restructuring would result in a modification. After meeting with DOE on Friday to discuss DOE's analysis OMB intends to let DOE know this week of the modification determination.



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

## **Footnote 934**

Outlook E-mail

**From:** Richardson, Susan  
**Sent:** 1/19/2011 10:24:18 AM  
**To:** [REDACTED]  
**Cc:** Nwachuku, Frances  
**Subject:** RE: Solyndra Memo\_SSR\_01-18-11 RHE Jr edits  
**Attachments** Solyndra Memo\_SSR\_01-18-11B.doc

---

Attached is a cumulative set of changes (including the ones I circulated ystdy AM – apologies for technical ineptitude...). This (with any final suggestions from the group) is what I propose to send to OMB. I will put it into formal memo format, but send it as a draft.

[REDACTED] pls see one question for you on first page, arising from a comment of [REDACTED]

---

**From:** [REDACTED]  
**Sent:** Tuesday, January 18, 2011 9:13 PM  
**To:** [REDACTED], Richardson, Susan; [REDACTED]  
**Cc:** Nwachuku, Frances  
**Subject:** Re: Solyndra Memo\_SSR\_01-18-11 RHE Jr edits

I am not pushing less detail, though I think the less we say now the less likely it is that we get tripped up in our own words later.

---

**From:** [REDACTED]  
**To:** Richardson, Susan; [REDACTED]  
**Cc:** Nwachuku, Frances  
**Sent:** Tue Jan 18 17:25:16 2011  
**Subject:** FW: Solyndra Memo\_SSR\_01-18-11 RHE Jr edits

Team,

My edits in blue added to Susan's and [REDACTED]. I think the memo is the right level of detail to support the contemplated action to be taken by the Secretary.

Only need to meet if [REDACTED] comments are other comments cannot be reconciled, or if [REDACTED] would like to further discuss the merits of a shorter approach.

[REDACTED]  
Deputy General Counsel for Energy Policy  
United States Department of Energy

[REDACTED]

## **Footnote 936**

[Redacted]

**From:** Saad, Fouad P.  
**Sent:** Tuesday, December 21, 2010 2:09 PM  
**To:** [Redacted]  
**Cc:** Colyar, Kelly T.  
**Subject:** Solyndra follow up  
**Attachments:** OMB Update on Solyndra (Draft 12-20-10).pptx; Solyndra Consolidation Plan\_101110\_MC.xlsx; Solyndra - Liquidation.docx

Sorry for the late notice. We're having a call at 2:30 with DOE on Solyndra, mostly to follow-up on the recovery analysis, but you're welcome to join. Attached are a few docs DOE sent yesterday and today.

BRIDGE NUMBER: [Redacted]

CONFERENCE PASSCODE: [Redacted]

**CONFIDENTIAL**  
**CONFIDENTIAL**

**From:** Nwachuku, Frances [Redacted]  
**Sent:** Monday, December 20, 2010 5:58 PM  
**To:** Saad, Fouad P.  
**Cc:** Colyar, Kelly T.  
**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.

Frances

**DO NOT COPY**

Frances I. Nwachuku  
 Director  
 Portfolio Management  
 Loan Guarantee Program Office  
 US Department of Energy  
 1000 Independence Avenue SW  
 Washington, DC 20585

[Redacted]

**From:** Saad, Fouad P. [Redacted]  
**Sent:** Monday, December 20, 2010 5:28 PM  
**To:** Nwachuku, Frances  
**Cc:** Colyar, Kelly T.  
**Subject:** RE: follow up

Hello Frances,

Does tomorrow at 2:30 still work for DOE?

Fouad

**From:** Colyar, Kelly T.  
**Sent:** Friday, December 17, 2010 5:33 PM  
**To:** Nwachuku, Frances  
**Cc:** Saad, Fouad P.  
**Subject:** RE: follow up

Sorry—meant to cc Fouad here.

**From:** Colyar, Kelly T.  
**Sent:** Friday, December 17, 2010 5:33 PM  
**To:** 'Nwachuku, Frances'  
**Subject:** RE: follow up

Frances,

That sounds great. I am hoping to be out part of next week, but Fouad 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:** Nwachuku, Frances  
**Sent:** Friday, December 17, 2010 5:20 PM  
**To:** Colyar, Kelly T.  
**Subject:** RE: follow up

**CONFIDENTIAL**

Kelly,

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).

**DO NOT COPY**

Frances

Frances I. Nwachuku  
Director  
Portfolio Management  
Loan Guarantee Program Office  
US Department of Energy  
1000 Independence Avenue SW  
Washington, DC 20585

**From:** Colyar, Kelly T.  
**Sent:** Thursday, December 16, 2010 6:57 PM  
**To:** Nwachuku, Frances  
**Subject:** follow up

Frances,

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.

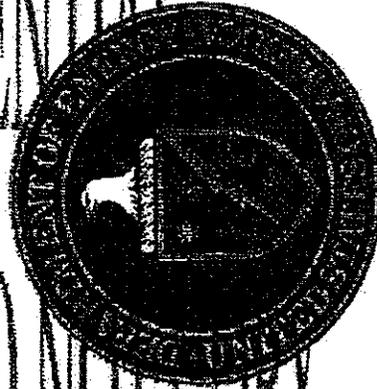
Let me know if you have any questions or would like to discuss.

Thanks.

[Large redacted area]

DRAFT - 12/20/10

# Loan Programs Office



U.S. Department of Energy

# Briefing Agenda - Solyndra

- Current Situation
- Solyndra Response to Liquidity Pressures
- Assessment of Solyndra's Viability and Proposed Consolidation Plan
- Overview of Financial Restructuring Plan
- Rationale for Financial Restructuring Plan
- Next Steps

## Current Financial Condition

- Solyndra runs out of cash in January 2011 without continued DOE funding (~\$460 million of the \$535 million loan has disbursed)
- Company needs, in addition to the balance of the DOE facility, an additional \$150 million in new funds to bridge until it reaches positive cash flow from operations
- Deterioration of financial condition is acknowledged to be due to:
  - A failure to provide competitive forward pricing for their panels while competitors (crystalline silicon manufacturers) cut prices by over 30% in 2009
  - Limited investment in marketing and sales infrastructure resulting in significantly lower demand for product commencing in mid FY 2010
  - Relatively higher cost structure compared to peers and overspending on R&D through mid-2010
  - Lack of new equity to fund operations during ramp-up period (suspended IPO effort in early 2010)

## Solyndra's Response to Liquidity Pressures

- Hiring of key personnel (Brian Harrison as President/CEO in July 2010 and [REDACTED] in September 2010 as SVP Marketing)
- Development of a Consolidation Plan that includes
  - Shut down of FAB 1 (scheduled for December 23, 2010)
  - Transfer of specific equipment from FAB 1 to FAB 2 (started in November 2010 with last tool turning over to production in September 2011)
  - Layoff of approximately 200 personnel (12.5% of workforce) primarily in R&D (commencing January 2011)
  - Refocus on marketing/sales activity and increase in sales/marketing personnel (new strategy is in place and significant increase in sales/marketing personnel since Q3 2010)
- Consolidation Plan is designed to optimize operations, better match production levels with market demand, reduce the cash burn rate, facilitate an equity raise and give Solyndra time to execute on its targeted marketing and sales plan
- Consolidation Plan assumes: i) continued funding under DOE Guarantee Facility; ii) \$150 million of additional equity capital; and iii) adjustments to the DOE Guarantee

Terms

## Assessment of Solyndra's Viability and Proposed Consolidation Plan

- Conclusions from DOE's financial and technical teams' due diligence over last two months:
  - Solyndra's product offers unique business solution for certain PV rooftop installations
  - Solyndra should be able to produce and sell its product given technical and market considerations
  - Consolidation Plan appears feasible if Solyndra can raise additional capital to execute on the Plan
- To secure this capital raise, DOE, Solyndra and its lead investors (Argonaut and Madrone) negotiated a financial restructuring plan that:
  - Requires investors to commit additional funding to help bridge the company to positive cash flow from operations – existing investors to commit first \$75 M;
  - Improves DOE's collateral package; and
  - Provides an expected higher recovery rate in event of forced liquidation

## Overview of Financial Restructuring Plan

- Restructuring consists of Senior Debt of up to \$300 M and Senior Second Position Debt of \$560 M
- Senior Secured Debt (\$300 M): Three tranches that all have a period of PIK interest and principle deferral to conserve cash
  - Tranche A - \$75 M of new investor equity (Contribution in January 2011), ranked pari-passu with DOE senior debt (\$150 M) and to receive a first payment preference in liquidation prior to March 2013
  - Tranche B - \$150 M of DOE debt (including remaining undistributed ~\$75 M)
  - Tranche C - up to \$75 M of new investor equity without a share in first out payment preference
- Senior Second Position (\$560 M) - \$385 M of existing DOE/FFB debt and existing \$175 M of investor convertible debt
  - Both loans are restructured to reduce the face at issuance and accrete to full face amount at maturity
  - Both pieces have interest capitalization and deferred principal payment periods
- Other provisions provide for close control over spending and facilitate early repayment of debt (e.g., cash sweeps and traps - applicable first to the DOE Tranche)

## Rationale for Financial Restructuring Plan

- DOE believes that the restructuring plan represents the best possible course of action to achieve the highest return on its invested capital
- Proposed restructuring plan accomplishes the following:
  - Secures the funding necessary to complete Fab 2 and build the required sales pipeline;
  - Gives DOE the collateral necessary to liquidate on a going-concern basis if necessary, which significantly improves the projected recovery rate; and
  - Improves Solyndra's (and DOE's) bargaining position with respect to any new equity investments

## Next Steps

- DOE will:
  - Work toward obtaining the necessary internal and external approvals for the proposed financial restructuring;
  - Complete, with Solyndra, document negotiations for the proposed restructuring with a scheduled close of January 10, 2011;
  - Closely monitor Solyndra's performance against the Consolidation Plan through weekly reviews, monthly calls and quarterly visits;
  - Work with investors and financial advisors to secure an additional \$75 million in outside investment in an optimal manner