

**MEMORANDUM**

April 6, 2010

To: Jonathan Silver, ED/LGPO  
[REDACTED]

Through: [REDACTED]

From: [REDACTED]

Re: Solyndra Fab 2 LLC – Project Status Update

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**SUMMARY**

Solyndra Inc., (“Solyndra”) the sponsor of the DOE financed project, Solyndra Fab 2 LLC (the “Project” or “Fab 2”), recently received a “going concern” statement from its auditors, PricewaterhouseCoopers LLP (“PWC”), issued in connection with their audit of Solyndra’s 2009 financial statements. In preparation for a possible initial public offering (“IPO”), Solyndra has filed documents with the U.S. Securities and Exchange Commission that describe its business and financial position. The 2009 audit, AMENDMENT NO. 1 TO FORM S-1, was prepared and filed with the U.S. SEC on March 16, 2010, as part of this process. PWC states that Solyndra “has suffered recurring losses from operations, negative cash flows since inception and has a net stockholders’ deficit that, among other factors, raise substantial doubt about its ability to continue as a going concern.”

The statement from the auditors confirms Solyndra’s status as a development stage corporation reliant on outside sources for capital (versus internally generated cash flow) to fund ongoing operations and growth, and should not be viewed as unusual for a high-growth company like Solyndra at this stage in its development. It should be noted that PWC’s statement was made regarding Solyndra’s ability to raise equity through an IPO and does not make mention of the Solyndra Fab 2 LLC’s development, which is currently on schedule and on budget.

The Project transitioned from LGPO originations to Portfolio Management on March 22, 2010. Portfolio Management believes that the Project continues to be successfully developed in accordance with the overall business plan:

- The Project is on schedule and is expected to be finished by the anticipated completion date of December 31, 2012.
- The Project is within the construction budget, and costs are not expected to exceed the overall \$733,000,000 financial plan.
- Solyndra successfully raised all equity funding required by DOE for the Project (\$198,000,000) in August of 2009, and deposited \$159,986,041 into the Equity Funding Account secured in favor of DOE.
- The Borrower is in compliance with all known requirements under the DOE Common Agreement and related financing documents; and
- There are no events of default or potential events of default under the Common Agreement or related financing documents.

In short, progress on the DOE financed Project continues apace and Portfolio Management will continue to monitor Project developments. Successful completion of the Fab2 facility is an integral component in Solyndra's projections and cash flow. Completion of Fab 2 will facilitate economies of scale by manufacturing product at necessary volumes and prices which will generate profitability and cash flow.

#### BACKGROUND

<i>Technology</i> .....	CIGS Thin Film Solar PV Technology
<i>Project Type</i> .....	Solar Manufacturing
<i>Description</i> .....	Manufacturing of thin-film omnifacial solar modules for commercial roof-top applications.
<i>Location</i> .....	Fremont, California
<i>Innovation</i> .....	Novel design for photovoltaic ("PV") panels based on Copper Indium Gallium Selenide ("CIGS") which has the highest efficiency of known thin film PV technologies as well as a unique cylindrical design of solar cells.
<i>Amount of Loan</i> .....	\$535,000,000
<i>Amount Outstanding</i> .....	\$250,697,260 (As of 4/6/10)

#### UPDATE

- Seven months into the construction, the Project is ahead of schedule and under budget.
- The Project and the Parent have to date fully complied with all conditions of the Loan.
- These conditions include specific reporting and certifications for each loan disbursement (essentially, monthly) and separate and more detailed reporting quarterly.
- Submission and review of these reports and certificates are confirmed by lender independent engineer and DOE outside law firm.

<i>Major Construction Category</i>	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Equipment	48%	47%	1%
Front-End Facilities	29%	23%	6%
Back-End Facilities	42%	27%	15%
Total Project	40%	38%	2%

RW Beck, DOE's Independent Engineer, provides monthly Construction Progress Reports for the Project. RW Beck's March 5, 2010 report states that overall progress during the Relevant Period was sufficient to complete the Project materially in accordance with the Project Milestone Schedule, as defined in the Common Agreement. RW Beck's review supplements information received by DOE from Solyndra, Fab 2, LLC (Borrower), Solyndra Inc. (Sponsor), and Rudolph & Sletten Inc. (General Contractor).

RW Beck notes:

*"Construction work continued to proceed quickly under the Front-End Construction Agreement. Solyndra did not report any negative variances to the Project Milestone Schedule for the Relevant Period."*

*"Back-End Facility construction activities started earlier than planned and key activities are shown based on information from the working schedule included in the latest Fab 2 Back-End Construction Report."*

*All tools have been installed and projected first run of the ... CIGS 5 tool is scheduled for early March 2010. Solyndra produced 76% of the planned shippable megawatt production for the quarter [from its existing production facility]."*

#### PARENT COMPANY CONSIDERATIONS

- Other than the DOE loan facility, the Parent company has no significant debt.
- Parent shareholders have invested approximately \$1 billion in equity in Solyndra to date (including the equity for DOE-guaranteed Project).
- Parent company fully repaid the debt financing on its Fab1 line prior to closing the DOE loan facility

#### DEAL STRUCTURE CONSIDERATIONS

- The Project covered by the DOE Loan is structured as limited recourse project financing.
- All of the required equity for the Project has been contributed and is held in escrow until used to cover construction expenses.
- The budgeted Project costs provide for contingency costs higher than usual industry practice.
- The Parent has provided full construction completion support, backed by a cash account to be funded during construction.
- Parent company is a prime equipment supplier to the Project, will operate the facility and will be the purchaser/sales agent of the Project's output.
- There is no other reliance on or recourse to the Parent's balance sheet.
- None of the proceeds for the intended IPO are required for or will be used to support the existing DOE loan facility.

#### CONCLUSION

The DOE-financed Fab 2 project is proceeding on budget and on plan.

#### Attachments:

1. Lender's Engineer's Construction Progress Report No. 6 dated March 30, 2010

IV. DOE Loan Program Monitoring

- o Solyndra pre-IPO audit generated press and concerns about Solyndra cash situation
- o Upon OMB's request for an update on the Solyndra loan, DOE required 2 weeks to produce a fairly shallow report
- o OMB/Treasury share concerns that limited DOE resources, systems, processes are in place re: loan monitoring thus far
- o Solyndra [redacted] billion in obligated loans already
- o Suggest NEC tasks DOE with establishing robust monitoring system as per OMB/Treasury input ASAP

