

[REDACTED]

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**From:** [REDACTED]  
**Sent:** Monday, January 03, 2011 12:37 PM  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** RE: [REDACTED] - Background on 3:45 mtg today on DOE proposed loan restructuring (Room 282)

I am recused from solar energy, and so I will not participate.

[REDACTED]

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**From:** [REDACTED]  
**Sent:** Monday, January 03, 2011 12:31 PM  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** [REDACTED] - Background on 3:45 mtg today on DOE proposed loan restructuring (Room 282)

[REDACTED] - As a follow-up to the meeting invitation that I have just forwarded to you, below and attached is the background information for the 3:45-4:15 meeting today, in Room 282, that [REDACTED] has scheduled with [REDACTED] to discuss a DOE proposal to restructure an existing DOE loan guarantee (to address financial difficulties with the project). This is apparently on a fast track, as DOE would like to close the deal early next week.

There is a legal question that the RMO raised with me this morning, regarding whether DOE can agree - as part of this restructuring - to subordinate DOE's interest in the project. At my request, they have reached out to DOE to seek DOE's views on this question, as well as on an intellectual property question (this is in the attached email chain).

I am planning to attend the 3:45 meeting.

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**From:** [REDACTED]  
**Sent:** Monday, January 03, 2011 11:09 AM  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** FW: Solyndra restructuring update

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

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

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

- See the PPT presentation attached for an update on the company's status, DOE loan amounts disbursed (\$460 out of \$535 as of Dec.), background on the consolidation plan, etc.
- DOE asserts that this restructuring is a work-out, as Solyndra (the parent) will run out of cash as of January, 2011, and while the project's finances would at first glance be fine, it would be greatly impacted by a Solyndra bankruptcy given how integral the parent is to the project.
- DOE and its contractors has reviewed Solyndra's consolidation plan, which calls for \$150 million in additional capital to achieve construction completion in Q2 of calendar year 2011 and turn cash flow positive in Q1 2012. DOE has not, however, sought any independent third party validation of the plan and estimates; they have sought to assess its reasonableness internally. They have also not sought any external support from restructuring specialists over the past few months
- As we learned from DOE last week, Solyndra's investors will be contributing \$75 million over the next 2 quarters, during the same time period during which DOE's remaining \$75 million loan disbursements occur. This equity contribution would be ranked pari passu with DOE's remaining senior debt (\$150 million). The balance of DOE's debt \$385 would become "senior second position," along with the equity investors' most recent capital contribution of \$175 million, which they put in as convertible debt (and for which they gained rights to Solyndra's IP, apparently). Using Original Issue Discount (OID) notes in implementing this re-structuring DOE's debt (\$385m) would be discounted by 30%, the investors' convertible notes (\$175m) are to be discounted by 55%.
- However, the investors' new \$75 million infusion would be allowed to receive first payment preference in a liquidation prior to March 2013. We asked whether this might effectively subordinate even DOE's remaining senior secured loan. DOE stated that they did not believe it does, and that their counsel (LGP and DOE) had been involved [REDACTED]. I have requested DOE's legal position on this.
- DOE explains that it had "access" to Solyndra's IP in the original loan documentation, with a capacity limit of 300MW anticipated for Fab 2; DOE did not have unlimited claims to the IP itself, and indeed the IP was later pledged to the investors who provided the most recent \$175 million in capital. DOE's contemplated restructuring would pledge this IP fully to DOE. It would also give DOE recourse to all the assets of Solyndra, the parent (asses, contracts, IP, etc).
- DOE believes recoveries that would result from this restructuring would exceed recoveries if the project were to default today. They have provided their analysis. Their approach seems reasonable to me, although it depends on the feasibility of the consolidation plan, and various assumptions around the value of Solyndra as a going concern if it gets the capital it needs and makes it to 2012. DOE used two different comparable valuation approaches that led to similar results (\$200 to \$300 million valuation in 2012), and conclude the government is better off restructuring now than letting it default.
- While this may be true, the terms of the deal may not be as good as they could have been for the government.

Next steps:

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

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

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From: [REDACTED]  
Sent: Tuesday, December 21, 2010 1:05 PM

To: [REDACTED]  
Cc: [REDACTED]  
Subject: RE: follow up

Find attached the recovery analysis as promised.

[REDACTED]

[REDACTED]

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

[REDACTED]

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

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

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

[REDACTED]

From: [REDACTED]  
Sent: Monday, December 20, 2010 5:59 PM  
To: [REDACTED]  
Cc: [REDACTED]  
Subject: RE: follow up

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

[REDACTED]

[REDACTED]

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

[Redacted]

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

Hello [Redacted]

Does tomorrow at 2:30 still work for DOE?

[Redacted]

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

Sorry—meant to cc [Redacted] here.

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

[Redacted]

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

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

[Redacted]

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

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

[Redacted]

[Redacted]

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

[REDACTED]

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

[REDACTED]

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 Beacon 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.