

## Solyndra Fab 2, LLC

### Credit Committee Recommendation

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



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

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

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

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

[REDACTED]

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**From:** Seward, Lachlan  
**Sent:** Tuesday, January 13, 2009 2:11 PM  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** RE: USA Today Article on Rooftop Solar Systems

[REDACTED] Thanks. It serves serves to bolster our argument for a market analysis at this time.

Lach

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

**From:** [REDACTED]  
**Sent:** Tuesday, January 13, 2009 1:16 PM  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** RE: USA Today Article on Rooftop Solar Systems

To All-There is an article on page 1B of today's USA Today news paper on the "Glut of roof top solar systems."

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

**From:** Seward, Lachlan  
**Sent:** Tuesday, January 13, 2009 12:30 PM

**To:** [REDACTED]

**c:** [REDACTED]

**Subject:** Solyndra Meeting

After canvassing the committee it was the unanimous decision not to engage in further discussions with Solyndra at this time.

Lach

[REDACTED]

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**From:** [REDACTED]  
**Sent:** Monday, January 26, 2009 5:15 PM  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** RE: Solyndra Analysis

[REDACTED]

As we are approaching the beginning of the approval process for Solyndra again, I wanted to highlight the questions below that remain outstanding. In order to move forward with the credit review of this project, I will need the responses to the questions below. Please let me know when the responses are ready. Delay in getting these responses will delay our ability to review the project and to meet the target deadline we have set.

As an additional note, I want to ensure that these concerns are addressed in the negotiations occurring Friday with Solyndra. As a practical matter, it would be awkward to finalize negotiations with the applicant and then to go back to them with additional requests for information. I want to ensure that the specific concerns Credit Policy and Credit Committee have indicated are reflected in the negotiated terms.

Please send your responses to the questions below at your earliest convenience.

Thanks.

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**From:** [REDACTED]  
**Sent:** Wednesday, January 07, 2009 5:12 PM  
**To:** [REDACTED]  
**Subject:** Solyndra Analysis  
**Importance:** High

All,

Below is a status of information requests Credit Policy has made regarding Solyndra. Each of these three emails was intended to provide constructive feedback to move this process forward. To-date, I have not received a response to most of these requests.

Also attached is Credit Policy's presentation for OMB. This analysis was run based on information received as of January 4 and does not reflect any subsequent submissions.

We have not run the credit subsidy range pending receipt of information requested below. At this point, I believe we have two options:

- 1) Provide the initial estimate provided to the applicant 12/9 stating that it has not been updated to reflect the LGPO's due diligence and underwriting assumptions.
- 2) Run the calculation based on the amortization we received today and Credit Policy's ratings with the caveat that this is subject to change based on new/additional information as well as the new Term Sheet proposal.

I suggest we discuss as soon as possible. I have not released any information to OMB as was originally scheduled for today. I am scheduled to brief OMB tomorrow.

Thanks.

**December 15, 2008 Email**

The credit analysis of the Solyndra project may benefit from the following considerations. These are grouped into several categories

From: [REDACTED]  
Sent: Tuesday, March 10, 2009 11:59 AM  
To: [REDACTED]  
Subject: RE: Solar co loan announcement in northern california

DOE is trying to deliver the first loan guarantee within 60 days from inauguration (the prior administration could not get it done in four years). This deal is NOT ready for prime time.

This loan guarantee will NOT be delivered or approved by any of these actions by March 19

- 1) [REDACTED] acknowledges that the company needs to raise \$200 million in private equity
- 2) All of the OMB approval steps need to be completed. (OMB staff have not seen the draft Term Sheet (or any of the negotiated terms), the independent engineer's report, or the independent market assessment)
- 3) After DOE gets the final credit ratings, they will submit a subsidy cost to OMB for review and approval. It's anticipated that this would likely be happening in May. OMB has serious issues with the DOE subsidy cost model which we need to address very quickly -- we are planning to kick this discussion off next week.

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

From: [REDACTED]  
Sent: Tuesday, March 10, 2009 11:36 AM  
To: [REDACTED]  
Subject: RE: Solar co loan announcement in northern california

Lets expedite the conversation. If I need to pull this off the track, its needs to be within the next few hours.

**DO NOT COPY**

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

From: [REDACTED]  
Sent: Tuesday, March 10, 2009 11:27 AM  
To: [REDACTED]  
Subject: FW: Solar co loan announcement in northern california

It looks like this needs to be vetted with Preeta before the deal can be announced -- it would not be god if there was an announcement and the deal was not completed. There's a recurrent problem with the scheduling office looking for events before they are ready to go.

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

From: [REDACTED]  
Sent: Tuesday, March 10, 2009 11:25 AM  
To: [REDACTED]  
Cc: [REDACTED]  
Subject: FW: Solar co loan announcement in northern california

Solyndra's Board approved the negotiated terms of a deal last night. DOE hasn't offered them the official "Term Sheet" yet. That can only be offered after DOE's Credit Committee and Credit Review Board recommend (or not) to the Secretary that he approve the guarantee.

The Credit Committee is scheduled for Thursday, and CRB on Friday-Tuesday.

Assuming the CC and CRB recommend approval, then DOE will enter into a Conditional Commitment with Solyndra. Subsequent to that, Solyndra must meet all conditions precedent to a loan guarantee before the guarantee is executed. (At execution the obligation is entered into.)

After conditional commitment DOE must consult Treasury on the terms and conditions of the deal, and OMB must review and approve the credit subsidy cost. (No later than 30 days prior to closing, Solyndra must give DOE a credit rating based on the final terms and financials of the deal. This will inform the credit subsidy cost estimate.)

According to DOE, the credit subsidy cost will be paid by Recovery Act appropriations, not by the borrower. This loan guarantee is being processed under the new Section 1705b of Title XVII. While DOE had originally told OMB that they would need to amend existing Title XVII regulations to process any 1705b loan, they are now arguing that applications that were submitted under the 2008 Solicitation can be processed. They say that it is therefore not necessary to amend the regulations to execute this loan guarantee. We have not vetted this idea with our general counsel.

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

From: [REDACTED]  
Sent: Tuesday, March 10, 2009 10:38 AM  
To: [REDACTED]  
Subject: FW: Solar co loan announcement in northern california

**DO NOT COPY**

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

From: [REDACTED]  
Sent: Tuesday, March 10, 2009 10:33 AM  
To: [REDACTED]  
Subject: FW: Solar co loan announcement in northern california

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

From: [REDACTED]  
Sent: Tuesday, March 10, 2009 10:31 AM  
To: [REDACTED]  
Subject: FW: Solar co loan announcement in northern california

Need to know where we are asap.

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

From: [REDACTED]  
Sent: Tuesday, March 10, 2009 10:05 AM  
To: [REDACTED]  
Subject: FW: Solar co loan announcement in northern california

Your thoughts?

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

From: [redacted] [hq.doe.gov]  
Sent: Tuesday, March 10, 2009 10:04 AM  
To: [redacted]  
Cc: [redacted]  
Subject: Solar co loan announcement in northern california

[redacted]

The solar co board approved the terms of the loan guarantee last night, setting us up for the first loan guarantee conditional commitment for the president's visit to california on the 19th. We still need to do internal credit committee and credit review board internally this week, but all is on track for this announcement in northern california (I mixed tesla's so cal mfg facility and the norther california solar mfg facility). The team is putting together a two page briefing memo for you this morning on the visit. Three highlights:

First loan guarantee from the department of energy--delivered in 60 days from inauguration (the prior administration could not get it done in four years). This illustrates the pace at which the department is moving to address the urgent challenges in the economy.

This loan is for an advanced technology solar manufacturing facility with strong global markets--this company will serve the US market (thanks to the strong tax policies from the recovery act) and will make significant exports to europe (US mfg jobs to serve the global market).

This deal is designed to bring private capital off the sidelines. The sponsors now need to go out and raise \$200mm in equity, but the combination of tax policy and the loan guarantee makes this an attractive business for private capital again. Doe taking this action should help unfreeze the credit markets.

Regards, [redacted]

[redacted]  
Senior Advisor to the Secretary of Energy for Recovery Act Spending Department of Energy 1000 Independence Avenue, 7th Floor  
202 586 1989

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**From:** [REDACTED]  
**To:** [REDACTED]  
**Subject:** Solyndra  
**Date:** Wednesday, August 19, 2009 10:28:21 PM  
**Attachments:** [Solyndra - Base Case Projections 2009-08-18.xlsx](#)

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[REDACTED]

Thanks for following up yesterday on Solyndra. I think we were able to close out a number of issues. I appreciate the work Solyndra did on this yesterday evening regarding the financial model and construction milestones.

I'm concerned, however, that we still have a major outstanding issue. The attached model represents the Base Case that was utilized by Fitch and the project team. In this version, all working capital assumptions were eliminated, suggesting that Fab2 will hold no A/R; inventory or A/P balances. While debt coverage is robust under stress conditions, the project cash balance goes to \$62,000.00 in September 2011. Under the assumption that a small amount of cash is tied up in working capital, the project will face a funding shortfall. Even one day of A/R results in a negative cash balance, for example.

The issue of working capital assumptions has been a major issue repeatedly raised since December. Furthermore, the assumption of no working capital at the project company is inconsistent with the model we looked at just yesterday and the project team 'due diligence update'. We are now two days away from the scheduled OMB presentation and, having received some information, we seem to have a major issue. We need to figure out how to resolve ASAP.

In addition to the critical issue above, we have a number of other modeling issues that need to be addressed. For example, as stated yesterday, property taxes don't seem to appear in the model. We should also revise the income tax assumption to match the PWC assessment.

I suggest we convene tomorrow morning to figure out how we are going to address. I have to meet with Medicine Bow first thing, but suggest 10:30.

Does that work for everyone?

Thanks.

**From:** [REDACTED]  
**To:** [REDACTED]  
**Subject:** RE: Solyndra  
**Date:** Thursday, August 20, 2009 12:30:18 AM

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This sounds like an issue needing immediate attention. Certainly, we can't meet with OMB until this is addressed.

[REDACTED] called to get a status check from me. Do I need to raise this with him?

[REDACTED]

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**From:** [REDACTED]  
**Sent:** Wednesday, August 19, 2009 10:28 PM  
**To:** [REDACTED]  
**Subject:** Solyndra

[REDACTED]

Thanks for following up yesterday on Solyndra. I think we were able to close out a number of issues. I appreciate the work Solyndra did on this yesterday evening regarding the financial model and construction milestones.

I'm concerned, however, that we still have a major outstanding issue. The attached model represents the Base Case that was utilized by Fitch and the project team. In this version, all working capital assumptions were eliminated, suggesting that Fab2 will hold no A/R; inventory or A/P balances. While debt coverage is robust under stress conditions, the project cash balance goes to \$62,000.00 in September 2011. Under the assumption that a small amount of cash is tied up in working capital, the project will face a funding shortfall. Even one day of A/R results in a negative cash balance, for example.

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I suggest we convene tomorrow morning to figure out how we are going to address. I have to meet with Medicine Bow first thing, but suggest 10:30.

Does that work for everyone?

Thanks.



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

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[REDACTED]

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

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

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

Thanks.

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

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

[REDACTED]

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

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

[REDACTED]

**From:** [REDACTED]@hq.doe.gov  
**Sent:** Thursday, August 27, 2009 10:31 AM  
**To:** [REDACTED]  
**Subject:** Solyndra Closing Date

[REDACTED]

Could you confirm whether there are any issues regarding a closing on Sept. 3 for a Sept. 4 VP event on Solyndra? This implies we will need to wrap up our review/approval by Sept. 1 so we can get internal approval here for the loan/subsidy commitment and then execute the apportionment etc. I believe you were going to follow up with [REDACTED]

Thanks.

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

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

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

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

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

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

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

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

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

[REDACTED]

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

Hi Terrell,

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

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

[REDACTED]  
Office of Management and Budget

395 [REDACTED]

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

I'm checking with OMB...

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

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

See below

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

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

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

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

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

On the OMB side, from our Credit Policy Director

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

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

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

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

Cc: [REDACTED]

Subject: RE: Solyndra Update

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

Defer to [REDACTED] on the OMB part.

Proposal for notifications is:

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

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

Questions?

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

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

Sent: Thursday, August 27, 2009 4:39 AM

To: [REDACTED]

Cc: [REDACTED]

Subject: RE: Solyndra Update

Hello folks -

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Wrapping up some loose ends from our call today:

1. Timing - We've made some adjustments to our schedule and it now looks like the VP's window of availability is 12:00 PM ET - 12:45 PM ET. That would put us at a 9:00 AM PT event start with VP portion around 9:15 AM PT. Does that work on the CA end?

2. OMB Approval - Can someone provide a quick rundown of what final step this is that OMB would be clearing? We just want to make sure we can be as helpful as possible in ensuring this gets done for you on timeline. We were thinking all OMB clearance was to be finished this week (?) - but perhaps there is a final step we hadn't considered?

3. Browner/WH Attendee - [REDACTED] can you took a look at this part?

4. Notification Timeline - Team DOE will draft up a proposal for Congressional/elected, company/investor and press notification for discussion. Noting that I'm connecting [REDACTED] and [REDACTED] with [REDACTED] and [REDACTED] re: electeds.

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

Anything I've missed?



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

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Sure. Including DOE press..

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

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

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

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

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

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

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

Glad to discuss tomorrow.

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

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

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

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

**DO NOT COPY**

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

[redacted]

Department of Energy  
202-586-1335

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



Cc: [REDACTED]  
Subject: Solyndra Update

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

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

[REDACTED]

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

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

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

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

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