From: Jason Martin
Sent: Wednesday, October 06, 2010 6:49 PM
To: Steve Mitchell
Subject: RE: RE: Solyndra Update

And if you want to get really practical...without DOE flexibility on loan terms, we will lose $400MM. Are we expecting our conversations with the WH on our charitable initiatives to yield $400MM cash? If not, we need to change the conversation with them right now.

From: Steve Mitchell
Sent: 2010-10-06 1:31 PM
To: Jason Martin
Subject: RE: Solyndra Update

I was surprised he was so territorial, at the end of the day this is his money.

From: Jason Martin
Sent: Wednesday, October 06, 2010 1:30 PM
To: Steve Mitchell
Subject: Re: Solyndra Update

You might want to call Ken and tell him that u see the $400m GKFF has in Solyndra and GKFF's philanthropic mission as "inextricably linked."

From: Steve Mitchell
Sent: Wednesday, October 06, 2010 01:15 PM
To: 'ken[redacted]George Kaiser
Cc: Jason Martin; Anil Khatod; Robert Waldo; Robert Thomas; Don Millican; Jonathan Adamson
Subject: Re: Solyndra Update

Ken,

I will get you the lobbyist information. I know nothing about Washington politics but the WH probably gets hundreds if not thousands of requests a week. I think they were just hoping that George may have a more direct pathway for getting a meeting set up. I've warned them that we probably don't and that all of our Washington efforts have always been around philanthropy but that I would ask.

From: Ken Levit[redacted]
Sent: Wednesday, October 06, 2010 12:27 PM
To: Steve Mitchell; George Kaiser
Cc: Jason Martin; Anil Khatod; Robert Waldo; Robert Thomas; Don Millican; Jonathan Adamson
Subject: Re: Solyndra Update

Sorry to jump in... But what's the story w Solyndra lobbyists? Who are they again? Can they not get a DoE meeting or reach out to WH? I'd rather consult with them for them to do this than have this come from us. It's really quite hard to engineer an ask like that to WH Chief of Staff from GKFF or GBK. Our relationship is based on completely different issues. George may feel differently but I think it's real tricky.

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From: Steve Mitchell [redacted]
To: Steve Mitchell [redacted] George Kaiser [redacted]
Cc: Jason Martin [redacted] Anil Khatod [redacted] Robert Waldo [redacted] Robert Thomas; Don Millican [redacted] Jonathan Adamson [redacted] Ken Levit
Sent: Wed Oct 06 12:17:34 2010
Subject: RE: Solyndra Update

George,

We had another call last night and we continue to eliminate Plan B options that we don't beleive the DOE will support (we need the DOE to continue funding draws on the loan or Solyndra's issues are accelerated). To be clear, Goldman is still marching forward and following today's board call they will start approaching financials and strategics this week. [redacted] However, the company and shareholders feel it is necessary to have a plan B mapped out if we cannot find an outside investor to provide capital for the fully funded plan. In addition, in light of the circumstances and the revised business plan that was adopted last week, we are obligated (and should anyway) to communicate the revised circumstances with the DOE.

The most viable Plan B option is shaping up to be a plan in which Solydnra shuts down Fab 1 and uses the Fab 1 equipment to finish lines 2 & 3 of Fab 2. Line 1 is complete and the company will conserve capital by not paying for the additional equipment. DOE ends up with a finished Fab 2 for the same capital. This pushes Solyndra's ramp out for about 6 months and gives us much needed time to continue to develop the market channels that we need to develop (Brian is in Europe and he continues to believe that we have a product that customers want - we just need to partner better with the appropriate partners).

This plan is still shaping up but it appears to push off the need for any additioanal capital until March (they cautioned this could be Feb or April as this firms up) and that the additional capital for this plan would be approximately $100 to $125 million. This capital would enable us to reach cash flow break even and the 2013 ebitda run rate would be in the range of $200 million. I should have much better numbers later today but I wanted to give you the headline numbers we were looking at last night. We have significant asks of the DOE (continue to fund under the current funding schedule, push off payment for another year (May 2013 instead of May 2012, pay for any additional credit subsidy, change amortization from 5 years to 7 years, do not hold $30 million in completion reserves). In exchange, Solyndra will contribute Fab 1 equipment to Fab 2, provide a full corporate guaranty and give the DOE a security in the intellectual property as well.

Jonathan is spending the week in Fremont assisting the finanacial team in all modelling - this gives us complete access to all of the assumptions that are being made as we underwrite the vaibiity of any new plans. I will attend all negotiations and meetings with the DOE and any other government agencies. We are trying to schedule a meeitng with the DOE next Thursday. In addition, the consensus is that a meeting with the new White House Chief of Staff is the best avenue to approach the administration for support on the DOE front and for assistance in securing any type of procurement committments form the government or the military. Both Robert W. and Jason mentioned that you and or Ken Levit may have a fairly good relationship there. Are you open to helping Solyndra secure a meeting - the desired date would be next Friday if at all possible but I will firm that up as we hear from the DOE.

We have a board meeting today and another run through the various scenarios as the numbers are firmed up. I will provide another update and we should probably sit down for an hour later this week if you can. If not, I will give you all the details you need via emails.

Steve

From: Steve Mitchell
Sent: Mon 10/4/2010 10:05 PM
To: George Kaiser
Cc: Jason Martin; Anil Khatod; Robert Waldo; Robert Thomas; Don Millican; Jonathan Adamson; ken [redacted]
Subject: RE: Solyndra Update

George,

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Jamie McJunkin from Madrone and I had our call with management today to go over plans that would be an alternative option for the company in the event Goldman Sachs is not successful in securing an outside investment (Robert W. participated as well). These plans are very much a work in process and we are still largely eliminating various options that would not work. In every case Solyndra needs a plan that will garner the support of the DOE as any diversion from the current business plan would be in violation of the debt covenants.

The leading option appears to a plan in which Solyndra uses the Fab 1 equipment to finish the final two lines of Fab 2 (the first line of Fab 2 is complete). The company would then ramp up Fab 2 over 2011 with production heavily weighted to the 2nd half of 2011. This gives them time to develop the appropriate sales and marketing channels to justify the ramped production and greatly reduces the overhead required to operate two facilities. This also gives the DOE the same security they would have if we completed Fab 2 with new equipment, however, under a slower ramp - in exchange we would be requesting a deferred and longer amortization schedule and that they continue to fund under the current funding schedule. The downside is that on a fully ramped basis the company has app. 80 to 100MW less of production capacity - but a much more efficient overhead structure as Fab 1 is too small to reach the appropriate efficiencies. We don't know the capital need that this plan requires, nor do we have a clear picture of the financial projections of such a plan.

We have another call at 4pm tomorrow and I will update you again as this starts to shape up but I don't see a reason to meet until we have something more definitive to discuss.

Steve

From: George Kaiser
Sent: Mon 10/4/2010 7:05 AM
To: Steve Mitchell
Cc: Jason Martin; Anil Khatod; Robert Waldo; Robert Thomas; Don Millican; Jonathan Adamson; ken[redacted]
Subject: RE: Solyndra Update

Let's set up a meeting after the board meeting unless you feel it should be between the call and the board meeting.

From: Steve Mitchell
Sent: Sunday, October 03, 2010 11:27 PM
To: George Kaiser
Cc: Jason Martin; Anil Khatod; Robert Waldo; Robert Thomas; Don Millican; Jonathan Adamson; Steve Mitchell
Subject: Fw: Solyndra Update

From: Steve Mitchell
Sent: Sunday, October 03, 2010 11:24 PM
To: Steve Mitchell
Subject: Solyndra Update

George,

I spent a day with management and Goldman Sachs last week to discuss Solyndra, get a better understanding of the state of the business right now, hear Brian Harrison's down load after almost 2 months on the job and I then attended the full board meeting the following day. Unfortunately the update was not encouraging. As you know, the current shareholders bridged the company with $175 million early this summer with an understanding that Solyndra needed an additional $175 to $225 million to reach cash flow break even and that this money would need to be raised by the end of the year. This was based on a base case revised business plan that the company (along with the investors) set out in early spring when we were reacting to the dramatic decline in

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ASP as China started to dominate the solar market. Last week we were presented an updated business plan that still shows the company running out of money by the end of the year; however, it requires an additional $300 million for Solyndra to reach cash flow breakeven.

This is driven by several issues, including the company's failure to meet the spring projections in each of the last two quarters, but the primary driver is a revised working capital assumption. The other plan adjustments are ASP reduction of 5%, slower Fab 2 ramp, bill of materials and R&D reduced and sales and marketing increased. Brian has imposed several cost cutting measures that early indications had Solyndra stretching its cash into February, however, the reality of our unsold inventory this quarter (we sold 13 to 14MWs out of 18MWs produced (with a plan to produce 20MWs)) and our AR collection period has pulled the cash need back to the end of the year. The new plan leaves all other production parameters the same and Brian is quick to point out that he is still getting his head around these assumptions and cannot with certainty underwrite these.

Brian has visited all of our major US customers and has reached the same conclusion that I reached last spring which is that our customers who understand Solyndra's product and the rooftop market love the product – typically they lead with a Solyndra only solution. However, we have done such a poor job developing our markets and we don't have channels robust enough to absorb all of our current production (much less all of the Fab 2 output which is the basis for slowing down Fab 2's ramp).

Instead of appropriately developing the sales channels for our specific markets (low load, low slope highly engineered rooftops – which is a very big market and no one else can be on these rooftops), Gronet and his team relied heavily on the European distributors to absorb our panels – and we were deeply discounting the panels at the end of each quarter to sell out. The distributors are the worst customer for Solyndra as they take our panels in inventory and do not develop the appropriate end users (this was driving some of the customer satisfaction issues earlier in the year). This channel stuffing started in 2010 as we were responding (poorly) to the Chinese pricing (China went from 10% to 50% of the worldwide solar market in an 18 month period). This quarter management realized that our distributor partners had 13MWs of unsold inventory in the channel and they made the decision to start letting this inventory sell through – hence the 13MWs sold out of 18MWs produced (all 13MWs went to a specific project). This enabled pricing to rebound as well – Q3 was $2.55 per watt and Q2 was $2.36 per watt. We now have approximately 6MWs with distributors so that has sold down but we also ended the quarter with 5MWs of excess inventory on our books.

Goldman does not believe that a financial investor with make an investment in Solyndra without seeing two good quarters of performance – pricing strength was a nice surprise but missing both sales and production targets is a bad fact pattern. Q4 and Q1 are the seasonal low period for solar installations as snow and weather prevent projects from being installed in some of the biggest solar markets in the world (Germany, New Jersey, Canada, and Belgium). We are gaining traction in southern Europe, however, the sales cycle in Italy, Greece, Spain and France is 9 to 18 months versus 3 to 6 months in the more mature solar markets. Accordingly, a financial investor will be very hard to attract in Q4.

Bridging the company through Q1 or Q2 is a dangerous prospect as well as it takes $100 million to get the company through Q1 and over $150 million (in total) to get through the first 6 months of 2011 and the company will likely have a tough Q1. Goldman is going to go out to the bigger financial investors who can write a significant check and the current investors (primarily Argonaut and Madrone) have indicated that we would most likely participate in a fully funded plan (so Goldman is looking for an investor to write a $150 to $200 million check). The revised plan requires $200 million to reach ebitda positive (but peak cash need is $300 million).

Goldman is more hopeful that a strategic or large industrial will be interested in making an investment. They are adamant that any of these groups would want this to be a control transaction (i.e. either buy out the current investors – which would not get everyone whole; or invest directly in the company for at least 51%). Goldman

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has about 20 industrial strategics and 6 solar strategics they are going out to. [redacted]

Obviously this is very disappointing news and not what I want to be reporting back to you – for that I am sorry. It is incredibly frustrating as Solyndra does have a differentiated product and our customers that understand its differentiation are big fans. As mentioned above, the company failed to develop the appropriate market channels in 2009 and the "going concern" statement that was issued by E&Y in connection with the S-1 clearly spooked the market and got the rumors going. We fought the S-1 filing but ultimately caved as we were the only hold out against going public – what happened with the Chinese manufacturers would have occurred anyway – but we did ourselves no favors by putting out very confusing cost information with no ability to refute the bloggers.

We are not just sitting back and hoping that Goldman can pull a rabbit out of the hat. Management has been working on several different scenarios over the weekend and we have a call at 2pm tomorrow to discuss these and start to formulate a strategy. The leading thought is too dramatically slow down Fab 2, essentially finish it and put it on ice for a year, skinny down our funding requirement (I don't know those figures yet) and spend 2011 further developing our market channels and bring Fab 2 online one year late. This requires a concession from the DOE – which they should do as it protects jobs and is a far better solution than handing them the keys in January. However, it is the federal government and this could become politically charged very quickly. We are also planning to ask the DOD to execute a purchase order to buy our panels – DOD has 3X the rooftops of Wal-mart and is the biggest consumer of electricity in the US (and wants to buy solar panels). We are still exploring the right way to approach this without getting bogged down in all of the government pitfalls (the US needs a Premier for just one day). The current thinking is that the White House chief of staff is the right person to approach – obviously big changes in that role and they have asked who has strong connections there.

This is obviously still very half baked but we are trying to act with a sense of urgency and I want to be as transparent to you as possible and get your feedback, thoughts and direction as well. I will update you after tomorrow's call and we have a full board meeting on Wednesday (phone) to hopefully set a back up course if Goldman fails.

Two things to note, the DOD has the capacity to easily sign a 300MW three year purchase order for our panels – this would have to be through a "carve out" that occurs outside of the traditional RFP process through GSA. This would be incredibly difficult to pull off but we are preparing the proposal (no special pricing high or low, just market pricing and the DOD is expected to buy more solar panels than this over the next 3 years – that is not confirmed). Second, we are going to have to update the DOE within the next 10 days as this plan is materially different than our loan agreement contemplates and we require a variance. If DOE decides to withhold funding on the Fab 2 loan this would bring all of this too a head much sooner as the DOE draws cover a good portion of our overhead as well.

Steve

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