Bankruptcy probe finds no evidence of wrongdoing at Solyndra

Dow Jones Newswires
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A newly released independent report essentially clears the name of failed solar company Solyndra LLC, the recipient of a $535 million federally backed loan whose abrupt bankruptcy led to a criminal investigation and a Congressional inquiry into whether it misled the government about its financial health.

The report, a copy of which Dow Jones obtained before it was filed in bankruptcy court Tuesday, March 27, is the culmination of a four-month-long probe conducted by Chief Restructuring Officer R. Todd Neilson. Solyndra's board of directors hired Neilson, a former FBI agent, to independently manage the company's liquidation and investigate whether any improprieties occurred with respect to its finances, including its Department of Energy loan guarantee.

"I didn't see anything which would lead me to conclude that there would be indictments issued here," Neilson told Dow Jones Monday, and none have been issued to date, Neilson added that he has "only seen what I have seen" and that he has not personally been in contact with the Department of Justice or the FBI.

Still, the report could provide more fuel for critics of the Obama administration's handling of the loan and public displays of support for Solyndra, as Neilson concluded that the Energy Department was fully aware of the risks confronted by Solyndra and was well informed of its deteriorating financial situation.

Rather than wade into "the briar patch of politics," Neilson said his report provides an unbiased analysis of Solyndra's failure, its efforts to obtain the federal loan guarantee and how the company actually used the $528 million of the loan it drew down, an amount, he said, the government likely won't recover.

Neilson said the report doesn't evaluate or issue judgment on the roles played by the Obama administration and Energy Department, which have already attracted the lion's share of scrutiny.

Solyndra ceased operations, filed for bankruptcy and was raided by the FBI over a nine-day span last summer. Once seen as a shining star of the solar industry, the company's demise set off a political firestorm over whether it misled the government with overly optimistic and inaccurate financial information.

Neilson's report, nearly 200 pages long, contains two key conclusions that could debunk these allegations: First, he said the solar company did not misuse the $535 million in government-backed funds distributed under a clean-energy program that dates back to the administration of President George W. Bush.

Neilson also concluded that Solyndra provided Energy officials with sufficient and correct information explaining the challenges it faced and the risks it posed to investors.

Representatives of the Department of Justice and the Department of Energy could not be

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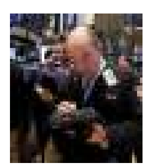

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reached for comment Tuesday.

Founded in 2005, Solyndra attracted more than $1.2 billion in private investment funds - the "vast majority" of which will be lost in the company's bankruptcy liquidation. Its investors were excited by its prospects as a new kind of solar company, one that differed from its competitors by offering solar panels made of cylindrical tubes that were cheaper and easier to install.

"With thousands of flat roofs throughout the world awaiting the comparatively uncomplicated installation of efficient Solyndra solar panels .. the future looked bright for Solyndra," Neilson wrote.

Such an outlook is what led Solyndra to file its pre-application for a federally backed loan in December 2006, embarking on "an unexpectedly long and costly road" to secure the funds and build a brand-new, state-of-the-art manufacturing facility in Fremont, Calif.

It would get that loan in September 2009, Neilson wrote, after more than 2-1/2 years of "numerous meetings and discussions" with Energy officials. The process also required the production of "thousands upon thousands of pages of documentation and information," including detailed financial projections and historical financial performance analyses.

But by late 2009, the economic downturn had slashed demand for solar panels, lowered prices and caused European governments to pull back on clean-energy subsidies. Solyndra and other U.S. solar companies were further battered when Chinese competitors began storming the market, bringing with them lower production costs and significant subsidies.

"Solyndra's investors and lenders were well advised of these risks facing the company," he wrote.

As the promise of Solyndra's bright future waned and the company embarked on several searches for new capital to staunch significant operating losses, Neilson said a "vast level of communications" kept the Energy Department apprised of each new development.

Furthermore, Neilson said Solyndra correctly reported its use of the loan proceeds.

As for what comes next, Neilson told Dow Jones that the company will continue to seek buyers for its remaining assets and will work on drafting a plan to distribute the proceeds of its liquidation among creditors owed more than $780 million.

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