

Upton, Stearns Discover Treasury Department Believed DOE Violated Law in Restructuring Solyndra Loan

DOE had Rebuffed Treasury's Repeated Concerns in Solyndra Mess - Committee Leaders Press Treasury Department for Further Answers

WASHINGTON, DC – Energy and Commerce Committee Chairman Fred Upton (R-MI) and Oversight and Investigations Subcommittee Chairman Cliff Stearns (R-FL) have uncovered new information as part of their ongoing investigation into the \$535 million loan guarantee to now-bankrupt Solyndra about the level of disagreement among federal agencies about how the loan guarantee was handled. The committee has learned that the Treasury Department was concerned that the Department of Energy's restructuring of the Solyndra Loan in early 2011 was in violation of the law. Despite the plain letter of the law, DOE allowed Solyndra's investors to be moved to the front of the line for the first \$75 million in the event of Solyndra's bankruptcy. Upton and Stearns today sent a letter to the Treasury Department seeking information about the agency's involvement with the loan and its concerns. An excerpt from the letter to Treasury Secretary Timothy Geithner follows:

"In the course of our investigation, we have uncovered information that raises questions as to whether the Department of Energy satisfied the requirement to consult with the Department of the Treasury about the \$535 million loan guarantee issued to Solyndra in September 2009 and the restructuring of that agreement in February 2011. On August 17, 2011, Department of the Treasury Assistant Secretary for Financial Markets Mary J. Miller sent an email to Jeffrey D. Zients, Deputy Director of OMB, in which she stated that '[s]ince July of 2010, Treasury has asked DOE for briefings on Solyndra's financial condition and any restructuring of terms. The only information we have received about this has been through OMB, as DOE has not responded to any requests for information about Solyndra.' Further, Assistant Secretary Miller also questioned whether DOE's decision to subordinate its interest in Solyndra to Solyndra's investors was proper, stating '[o]ur legal counsel believes that the statute and the DOE regulations both require that the guaranteed loan should not be subordinate to any loan or other debt obligation. The DOE regulations also state that DOE shall consult with OMB and Treasury before any 'deviation' is granted from the financial terms of the Loan Guarantee Agreement. In February, we requested in writing that DOE seek the Department of Justice's approval of any proposed restructuring. To our knowledge, that has never happened.'"

<http://www.energycommerce.house.gov/news/PRArticle.aspx?NewsID=9002>

