



Written by [Brian Koenig](#) on September 1, 2011

Solyndra Falls After Acquiring Over \$500 Million in Federal Loans

After collecting \$535 million in loan guarantees from the federal government, solar technology manufacturer Solyndra is shutting down its operations, as hundreds of employees were turned away Wednesday morning. Just last year, the Silicon Valley solar panel maker drew valiant praise from President Obama (pictured during his visit to the company, left) for being an “innovator” in solar technology, while the President touted the economic opportunity for thousands of “green” jobs.



Solyndra’s grievous acknowledgement resulted in immediate layoffs for 1,100 workers. “We are incredibly proud of our employees, and we would like to thank our investors, channel partners, customers and suppliers for the years of support that allowed us to bring our innovative technology to market,” [said](#) Chief Executive Officer Brian Harrison. “This was an unexpected outcome and is most unfortunate.”

Early Wednesday morning a steady stream of workers grudgingly exited the company’s facility. “They are getting no severance,” [lamented](#) Solyndra spokesman Dave Miller. “They are getting nothing.”

Not long after [building](#) an enormous \$700 million facility, Solyndra axed its plans for a public stock offering and baited the federal government for loan guarantees, denoting that increased competition and less demand for solar panels have been swallowing its profits.

President Obama visited the facility last year and applauded employees for their rich contributions to America’s prosperity: “It is just a testament to American ingenuity and dynamism and the fact that we continue to have the best universities in the world, the best technology in the world, and most importantly the best workers in the world. And you guys all represent that.” The President branded the company as a poster child for clean energy, asserting, “Companies like Solyndra are leading the way toward a brighter and more prosperous future.”

The loan program was appropriated in the Energy Act of 2005, but was added to the federal stimulus package under President Obama and approved by the Department of Energy (DOE). Subsidies to China’s solar industry have severely impaired Solyndra and other American manufacturers, said the DOE. SpectraWatt and Evergreen Solar, two other American solar companies, condemned Chinese companies for their financial wreckage and [sought](#) bankruptcy protection this month.



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But Solyndra was not the only inheritor of such federal favoritism. The *New York Times* [reported](#):

Solyndra was promised loans of up to \$535 million under a guarantee program authorized by Congress as part of the 2009 stimulus package. The Energy Department has made more than 40 promises of guarantees, of which Solyndra was the first. It has committed \$18 billion in guarantees and expects to allocate several billion dollars more by the time the program finishes at the end of September.

The government calculates premiums for the guarantees, essentially a loan fee based on the risk of default, but it picks up the cost of the premiums for the companies in the subsidy program. By that yardstick, it has spent \$2.4 billion in credit subsidies for the program.

The DOE acknowledged that startup companies always hold a certain degree of risk for investors, but that Solyndra's departure must not deter the government and venture capitalists from investing in energy technologies. "We have always recognized that not every one of the innovative companies supported by our loans and loan guarantees would succeed, but we can't stop investing in game-changing technologies that are key to America's leadership in the global economy," [wrote](#) DOE Public Affairs Director Dan Leistikow

Poor management, foreign competition, and low demand for solar technology have stirred criticism among many Republicans about energy subsidies. "I am concerned that the DOE is providing loans and loan guarantees to firms that aren't capable of competing in the global market, even with government subsidies," suggested Florida Congressman Cliff Stearns. "In an apparent rush to push stimulus dollars out the door, the Obama administration wasted \$535 million in taxpayer funds in guaranteeing a loan to a firm that has proven to be unviable in the global market."

Stearns claims Oklahoma billionaire George Kaiser, an investor in the Solyndra project, might have had a heavy hand in the DOE's decision to authorize the guarantee, as Kaiser [raised](#) between \$50,000 and \$100,000 to Obama's 2008 presidential campaign. Rep. Stearns and Rep. Fred Upton (R-Mich.) averred in a joint statement, "We smelled a rat from the onset."

Solyndra's demise will likely rekindle the Washington debate over clean energy subsidies and loan guarantees, but this time around, voters and constituencies may also join in the fray. After all, if the federal government does not recover its investment through Solyndra's bankruptcy proceedings, the American people will be footing a pretty hefty bill.



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