

COMMANDER KIRK S. LIPPOLD, USN (RET)

Lippold Strategies, LLC
1208 Huntly Place
Alexandria, VA 22307
Tel 775-684-9197

March 27, 2017

The Honorable Rex W. Tillerson
Secretary of State
2201 C Street, NW
Washington, DC 20037

Dear Secretary Tillerson,

I write to alert you to the significant potential negative implications related to the financial health of Toshiba Corporation and, specifically, its Westinghouse Electric Company LLC business unit. At present, there is considerable speculation about the prospect of Westinghouse declaring bankruptcy and being sold to another foreign power, specifically China—a scenario that poses significant risks to the United States. This divestiture, were it to occur, could negatively impact the prospects for the modern U.S. nuclear industry at a pivotal point in the industry's reemergence, packing significant implications for our country's energy security and independence, as well as broader negative effects for our national security as a whole.

Our country's need for energy independence was indelibly etched into my memory on October 12, 2000, when suicide bombers affiliated with al-Qaeda drove a small craft filled with explosives into the side of my ship, USS *Cole*. That attack killed 17 American sailors and wounded an additional 37. At the 15th anniversary of the attack, many crew and families recalled sadly that we were conducting a refueling stop in Yemen when it occurred. The security implications of our dependence on foreign sources of energy can at times become harsh reality.

Despite the fact that the United States relies on nuclear power for 20 percent of our overall energy mix, not one new nuclear power plant has been constructed in this country since 1977. Westinghouse at this moment is undertaking crucial work to change that dynamic by advancing the development of "new" nuclear technology in the U.S. through its role leading the build-out of cutting-edge nuclear power generation facilities in Georgia and South Carolina. A potential Westinghouse bankruptcy and divestiture threatens to delay or forestall much of that critical work, while simultaneously opening the door for the transfer of innovative intellectual property to the government of China.

Accordingly, I strongly urge you to consider the following points:

1. The Japanese government must encourage its financial institutions to provide the necessary capital for Toshiba to efficiently reorganize without the need for Westinghouse to declare bankruptcy. The troubles being experienced by Toshiba have significant implications for the bilateral relationship between Japan and the United States, and the company should be held to a higher standard due to the nature of the businesses it operates.

COMMANDER KIRK S. LIPPOLD, USN (RET)

Lippold Strategies, LLC
1208 Huntly Place
Alexandria, VA 22307
Tel 775-684-9197

2. The contracts to build and complete the four new nuclear reactors in the United States must be completed in a timely manner as already agreed. Access to reliable and sustainable sources of energy is a cornerstone of U.S. economic security, and the completion of these reactors directly contributes to continuing our country's path toward energy independence—a long-held political imperative of the United States and top priority of this Administration.

3. The Japanese government must know of the United States' concern about Westinghouse being sold to another foreign power. Should Toshiba continue to consider the sell-off of this business unit to another company, it cannot be allowed to fall into the hands of nations, like China, whose long-term economic and strategic goals run counter to the national security and strategic interests of both the United States and Japan. The prospect of Westinghouse intellectual property falling into the hands of the Chinese government should give significant pause to the U.S. government, which must make every effort to prevent such a scenario.

My own 26-year career in the Navy centered on a commitment to safeguard and enhance our nation's security. The integrity of Toshiba and Westinghouse, coupled with the timely and financially responsible completion of the four nuclear power plants under construction in the United States, directly contributes to our nation's energy independence and security.

The relationship between the U.S. and Japan, as you articulated in Tokyo just last week, is both "strong and enduring." As a statesman and businessman, you are able to appreciate the complex and often sensitive interplay of our core diplomatic, commercial and security interests, particularly in the context of cutting-edge energy technology. I urge you to directly engage with the Government of Japan to ensure the future viability of our nation's nuclear power industry, and to help safeguard our country's own long-term security.

A similar letter has been sent to The Honorable Rick Perry, Secretary of Energy.

Sincerely,

A handwritten signature in black ink, appearing to read "Kirk S. Lippold". The signature is fluid and cursive, with a large loop at the end.

Kirk S. Lippold
Commander, USN (Ret)