Energy Department Seizes $21 Million From Failed Hybrid Automaker

The U.S. Department of Energy (DOE) announced Monday that it had seized $21 million from the reserve account of "green" automaker Fisker Automotive after the company failed to make its first payment on federal loan guarantees totaling $192 million, the *Daily Caller* reports.

The California-based company received the guarantees as part of the 2009 "stimulus" law, which handed out $90 billion in subsidies and loan guarantees for various green-energy programs, many of which have foundered when confronted with the realities of the marketplace.

Fisker, too, has struggled throughout its brief existence. Since its inception in August 2007, the automaker has sold fewer than 2,200 cars, a third of which never left dealers' lots. The cars that were produced — the hybrid subcompact known as the Karma (shown) — were beset with problems: They were very small; had a limited driving range under electrical power and poor gas mileage when the batteries gave out; performed poorly in testing for *Consumer Reports*; and — worst of all — would spontaneously burst into flames. The company finally ceased production of Karmas last year.

In March, founder and executive chairman Henrik Fisker, who designed the Karma, resigned from the company. Three weeks later Fisker Automotive laid off 75 percent of its workforce; the company is now being sued for failing to give the terminated employees 60 days' notice and severance pay as required under federal law. Having failed to attract new investors in recent months, the automaker is now widely expected to file for bankruptcy. It recently hired the law firm of Kirkland and Ellis, which has one of the largest bankruptcy practices in the country, and the public-relations firm Sitrick and Co., which specializes in crisis management.

Henrik Fisker is among those slated to testify before the House Oversight Committee Wednesday in a hearing entitled "Green Energy Oversight: Examining the Department of Energy's Bad Bet on Fisker Automotive." The committee will have much to investigate, for while Fisker is largely privately funded, politics and government collaboration have played a major part in keeping it afloat for nearly six years despite its anemic performance.

For starters, one of the company's seed investors was the venture capital firm Kleiner Perkins Caufield and Byers, a Democrat-leaning company of which former vice president Al Gore is a partner. The company "spent $400,000 in 2009 and 2010 on lobbying, including in favor of the stimulus package," writes the *Daily Caller*. That lobbying paid off in the form of a $529 million DOE loan.

And that was just the beginning of the government's "gross negligence" and coverups designed to help Fisker attract private investment and continue operating, according to a report by PrivCo. The New York-based research firm charges that the DOE "applied negligent underwriting standards in granting the DOE Loan and Credit Agreement to Fisker, which was by any commercial standard clearly a financially unqualified borrower for the loan."

> Fisker was incapable of meeting any of the Loan's Repayment Schedules, fulfilling its Required Production Milestones, and meeting any of its Financial Projections required by the Loan's Events of Default. Fisker repeatedly defaulted on the DOE Loan's and Credit Line's Terms & Covenants, and in return the Agency demonstrated gross negligence in both its Underwriting and Approval of the $528.7 Million Loan to FISKER, as well as its supervision of the Loan's and Credit Line's Terms. This is despite receiving quarterly required updates from FISKER (as proven by original documents obtained by PrivCo), with each update demonstrating that Fisker was in breach of the Terms and Covenants of its … $528.7 Million DOE Loan and Credit Line as early as September, 2011, merely months after its DOE Loan and Credit Line Agreement was signed and effective. If the U.S. DOE [had] enforced the terms of the DOE Loan and Credit Line Agreement and immediately issued a "Drawdown Stop Notice," the DOE would have protected taxpayers from near-certain losses of the $192.3 Million that Fisker borrowed and received in cash.

When the DOE finally did stop the drawdown, it did so privately, thus maintaining the public perception that Fisker was not in default and continued to have access to the remainder of the credit line. This gave "hundreds of individual investors" confidence to purchase "Fisker stock in the hundreds of millions of dollars," PrivCo writes.

The DOE disputes PrivCo's claims. "PrivCo's assertion that Fisker defaulted in December 2010 is simply false," department spokesman Bill Gibbons told the *Daily Caller*. "The milestones that PrivCo includes in its report are also wrong. The fact is, the department stopped disbursements on the loan after the company stopped meeting its milestones." PrivCo, however, lives or dies on the basis of the accuracy of the information it supplies, while the DOE will pay no penalty whatsoever if it turns out to be lying and, in fact, has every incentive to put the most favorable spin on its own actions.

According to PrivCo, the state of Delaware also had a hand in concealing Fisker's true financial condition. The company got a $12.5 million loan and $9 million grant for utilities expenses from Dover in exchange for opening a plant in Delaware. In 2012, the state loan reporting requirement "showed that during that year Fisker received a check for $2,461,625 to keep the lights on at its shuttered Delaware auto plant which employed a grand total of 3 employees," the research firm observes.

As a result of these governments' willing assistance to a favored business, asserts PrivCo, Fisker's "1200+ investors — from Pension Funds to University Endowments — will soon find their investments wiped out as Fisker Automotive, Kleiner Perkins partner Ray Lane, and Government agencies kept Fisker's troubles secret while Fisker raised even more money from new individual investors."

"Fisker Automotive will go down as the largest venture capital-backed debacle in U.S. history," PrivCo CEO Sam Hamadeh said in a statement. "The sheer scale of investment capital and government loan money — over $1.3 Billion in all — was squandered so rapidly and with so little to show for it that the wreckage is breathtaking. Bankruptcy will be the end of Fisker, but for the taxpayers, venture capital firms, individual investors, laid-off employees, and Fisker's suppliers, it will all be too little too late. Fisker spent a stunning $660,000 for each vehicle it produced, a vehicle that had a sticker price of $100,000, and that is sold to auto dealers for an average of $70,000. Ultimately, Fisker proved to be far better at raising money than at making cars."

All this could have been avoided had the federal government not strayed from the boundaries of the

Constitution, which nowhere permits it to subsidize or loan money to private companies. Instead, because of a failure to remain bound by the Constitution's chains and an adherence to the ideology of environmentalism — plus a healthy dose of good, old-fashioned politics — taxpayers, private investors, and others have been taken for a ride by Fisker and its bad Karma.