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GM-backed electric car company folds, slams DOE loan process

Written By John Voelcker Published February 29, 2012 High Gear Media



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Startup plug-in vehicle maker Bright Automotive announced today that it is closing down.

While General Motors had invested \$5 million in the company, Bright had relied on the hope that the U.S. Department of Energy would grant it low-interest loans under the advanced-technology vehicle manufacturing program.

A letter from its CEO and COO to Energy Secretary [Steven Chu](#) notes that the Indiana company has waited more than three years for a DoE verdict on applications it submitted in December 2008.

'Unacceptable to us and our investors'

"Last week, we received the fourth 'near final' Conditional Commitment Letter since September 2010," Bright CEO Ruben Munger and COO Mike Donoughe wrote in the letter, which withdraws its loan application.

"Each new letter arrived with more onerous terms than the last."

"The first three were workable for us," wrote Munger and Donoughe, "but the last was so outlandish that the most rational and objective persons would likely conclude that your team was negotiating in bad faith."

The two had written a week earlier to Secretary Chu that the DoE's latest terms were "unacceptable to us and our potential investors."

Earliest terms the easiest

According to a Bright source, over the years the DoE negotiating team would claim that agreement was close, but that "we couldn't get consensus" on the 10-member board that decided on loan applications.

So each new draft contained additional and more onerous requirements.

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The DoE first required increasingly detailed agreements with partners--out of which came a \$5 million investment by GM Ventures in 2010. Bright signed vendor contracts.

In today's letter, Munger and Donoughe claim that in 2010, the DoE had urged them to link with an established automaker, and promised that if they did so, loans would be approved in "weeks, not months."

Increasing match, loan spending ban

More problematic for the private financiers, the DoE also steadily increased the level of matching funds Bright was required to raise.

For the earliest loan recipients in June 2009--[Ford, Nissan, and Tesla](#)--that level was at roughly 20 percent.

But Bright's required match on a \$314 million loan application grew from \$120 million in late 2010 to \$240 million last year, which the company reluctantly agreed to.

But then in the final round this year, it grew again, to \$345 million--or more than the total loan Bright had requested.

Perhaps most onerous of all, the DoE newly insisted that every penny of privately invested capital be spent first, before Bright could draw down any of its DoE funding.

There were also fine-grained milestones to be met in design, engineering, even marketing, that would be reviewed quarterly.

False words, false hope?

In the end, Bright never managed to put more than a few prototype [vans](#) on the road.

And 1,175 days after its first application, the company could wait no longer.

Bright's executives minced few words in laying out the impact of the DoE's lengthy decision-making process. Their letter says,

The ineffectiveness of the DOE to execute its program harms commercial enterprise as it not only interfered with the capital markets; it placed American companies at the whim of approval by a group of bureaucrats.

Today at your own ARPA-E conference, Fred Smith, the remarkable leader of FedEx, made the compelling case to reduce our dependence on oil; a product whose price is manipulated by a cartel which has caused the greatest wealth transfer in our history from the pockets of working people and businesses to countries, many of whom are not our allies.

And yet, having in hand a tremendous tool for progress in this critically strategic battle -- a tool that drew the country's best to your door -- you failed not only in the deployment of funds from ATVM but in dissipating these efforts against not just false hope, but false words.

Term sheet from [China](#)

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