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FISKER AUTOMOTIVE'S ROAD TO RUIN: How a "Billion-Dollar Startup Became a Billion-Dollar Disaster"

Original Documents Detail How 2 of America's Smartest VCs - KLEINER PERKINS & NEW ENTERPRISE ASSOCIATES - & Others Will Lose Over $1 Billion Dollars In "The Largest Venture Capital Investment Debacle in U.S. History"...U.S. TAXPAYERS Will Lose Up to $200M on Failed 2010 Dept. of Energy Loan To FISKER In Largest Taxpayer Loss Since SOLYNDRA...Another 1,200 Individual Investors Were Induced To Invest A Total of $142M In Now Worthless Fisker Stock By A Small Brokerage Firm Shuttered By S.E.C. For "Fraudulent Sales Practices On Private Clean Energy Company Stock Investments"...FISKER To File For Bankruptcy Within Days

April 17, 2013, 1:00 pm ET (New York City) - After weeks of analysis by PrivCo's staff of attorneys, accountants and financial analysts, PrivCo has released its timeline detailing Fisker Automotive's "ROAD TO RUIN", supported by over 11,000 pages of original never-before published documents obtained through multiple Freedom Of Information Act requests.

*PrivCo CEO Sam Hamadeh: "**Fisker Automotive will go down as the largest venture capital-backed debacle in U.S. history, with over $1.3 Billion lost. Fisker spent a stunning $660,000 for each vehicle it produced**, a vehicle that had a sticker price of $100,000."*

FISKER'S ROAD TO BANKRUPTCY

© PrivCo Private Company Research

$ Funding | Employees | Production | Default Event

2/18/2003

Fisker Coachbuild Founded

Partners **Henrik Fisker** and **Bernhard Koehler** found Fisker Coachbuild LLC in the state of California. The company is a car design firm that seeks to create new exterior designs while utilizing automotive engineering already created by luxury automobile manufacturers.

[**PrivCo Note:** Henrik Fisker and Bernhard Koehler had backgrounds predominantly centered in design work]

In FISKER COACHBUILD, we have created something truly special. Not simply a new car company, but a new vision for what an exotic, high-performance, coachbuilt car can be. We have combined extraordinarily beautiful design with existing world-class engineering to deliver a final product without compromise. Our sports cars are created with a singular design language: instantly recognizable as a FISKER creation, inside and out. They are of the highest quality: using only the best materials. They are exclusive: each model will be built in strictly limited numbers. And they are thrilling: already beginning life as a premier sports car, then raised to new heights at FISKER.

Source: Original Documents Obtained by PrivCo

1/19/2007

Tesla Awards Fisker Coachbuild Design Contract

Tesla Motors awards Fisker Coachbuild a $750,000 design contract for the WhiteStar, an all electric sedan after choosing Fisker from a number of design studios who submitted proposal. Fisker was renowned in the design industry by this time

Based thereon, Fisker submitted a proposal, which resulted in a contract between the parties dated January 19th, 2007, Exhibit 222.

Source: Original Documents Obtained by PrivCo

8/7/2007

Fisker Coachbuild and Quantum Form Fisker Automotive

Fisker Automotive, Inc. is formed as a joint venture between Fisker Coachbuild and Quantum Fuel Systems Technologies WorldWide Inc. (NASDAQ:QTWW), with Quantum obtaining a 62% interest, and Fisker Coachbuild holding the remaining 38%

Fisker Automotive would manufacture vehicles entirely, not simply design and create the cosmetic exterior of the vehicles

On August 7, 2007, we obtained a 62.0% interest in Fisker Automotive, Inc. (Fisker Automotive), a joint venture with Fisker Coachbuild, LLC.

Source: Original Documents Obtained by PrivCo

door SUV. The vehicles were to be manufactured totally, not reskinned, by a new company to be called Fisker Automotive. Quantum was to own 62% of Fisker Automotive and Fisker would own 38%.

Source: Original Documents Obtained by PrivCo

11/30/2007

Fisker Automotive Raises $5.5 Million

Fisker Automotive raises $5.5 Million in Series A venture capital

Investors include:

- Palo Alto Investors

[Round Valuation: **$25 MILLION**]

Fisker Funding Reaches: $5.5 MILLION

11/2007

Fisker Awards Supply Contract to Part-Owner Quantum

Quantum receives $1 million contract from Fisker for

In November 2007, we began providing services to Fisker Automotive on an initial concept analysis program associated with powertrain and software control systems for the production intent hybrid-electric vehicle under a $1.0 million arrangement.

5/5/2010

Fisker Raises $145 million

Fisker raises an additional $145 million in Series A-1 venture capital

Investors include:

- Funds raised by Advanced Equities (Investment amount = $27M, Number of Investors = 348)
- Kleiner Perkins
- Palo Alto Investors

[Round Valuation: **$360 MILLION**]

Fisker Funding Reaches: $296 MILLION

9/21/2010

Fisker Issues Net Income Projection

Fisker receives temporary exemption for National Highway Traffic Safety Administration from advanced airbag requirements. The requirement was one of many safety roadblocks Fisker faced. In its application, Fisker estimated net loss of $21.7 million in 2011 and net income of 188.8 million in 2012; if exemption was not granted, Fisker predicted net loss of $50.6 million in 2011 and net loss of $132.3 million in 2012

> Fisker estimated that if the exemption is approved, it would have net income (loss) of $ (21,724,141) in 2011 and net income of $ 188,768,234 in 2012. The petitioner estimated that without the exemption, it would have net income (loss) of $ (50,592,209) in 2011 and net income (loss) of $ (132,268,961) in 2012.
>
> Source: Original Documents Obtained by PrivCo

5/5/2010

Fisker Raises $145 million

Fisker raises an additional $145 million in Series A-1 venture capital

Investors include:

- Funds raised by Advanced Equities (Investment amount = $27M, Number of Investors = 348)
- Kleiner Perkins
- Palo Alto Investors

[Round Valuation: **$360 MILLION**]

Fisker Funding Reaches: $296 MILLION

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>
> Source: Original Documents Obtained by PrivCo

12/31/2010

Fisker Reaches 150 Employees

Total Fisker employees reach 150. Fisker spokesperson Roger Ormisher states the company plans to double employee count in 2011

Fisker's Total Employees: 150

> Meanwhile, Fisker is moving into a new building on East La Palma in Anaheim, which totals more than 156,000 square feet. The new space will allow the company to combine its facilities – Fisker currently occupies three in Irvine – and bring its employees together under one roof. Additionally, the site will support the firms growth this year, said Ormisher.
>
> We doubled staff to around 150 in 2010, and (we) plan to double it again in 2011, he said.

2/28/2012

Henrik Fisker Steps Down as CEO

Henrik Fisker steps down as CEO, taking the position of Executive Chairman. Former Chrysler and General Motors executive Tom LaSorda assumes position. By stepping down as CEO, Henrik Fisker triggered the "Key Personnel" covenant which resulted in a default (Henrik Fisker is no longer "responsible for the management of the Borrower")

DEFAULT EVENT

Anaheim, California USA – February 28, 2012: Fisker Automotive is pleased to announce that, effective immediately, Co-Founder Henrik Fisker will become Executive Chairman of the company, and Tom LaSorda is appointed CEO and Vice Chairman of the Board, with full responsibility for the running of the company's day to day operations.

Henrik Fisker, who co-founded Fisker Automotive in 2007 after an illustrious design career at brands including BMW and Aston Martin, will focus on building the Fisker brand in global markets and the styling and design of future Fisker models.

(f) Key Personnel. Henrik Fisker and Bernhard Koehler are no longer responsible for the management of the Borrower.

Source: Original Documents Obtained by PrivCo

3/26/2012

A123 Battery Recall

A123 announces recall of lithium-ion batteries that caused the Fisker automobile failure in Consumer Reports' test. Total costs are expected to be $55 million. This event played a part in A123's eventual bankruptcy

As for the financial impact of this campaign, we anticipate that the cost of replacing the affected customer modules and packs will be approximately $55 million and we expect it will be funded over the next several quarters. We have sufficient liquidity to fund this campaign, but expect this situation will require us to adjust our fund-raising strategy. We plan to provide an updated outlook during our next quarterly earnings call.

4/13/2012

Fisker Raises $411 Million

Fisker raises $411 million in Series D venture capital.

*[**PrivCo Note:** A123 recognizes a second impairment charge on its 2010 investment – the impairment reduces the original $23 million investment to $6 million]*

Investors include:

- New Enterprise Associates
- Funds raised by Advanced Equities (Investment amount = $34.1 million, Number of Investors = 277)
- Kleiner Perkins

[Round Valuation: **$1.3 BILLION**]

Fisker Funding Reaches: $1.01 BILLION

During the three months ended June 30, 2012, the Company updated its analysis and valuation of its investment in Fisker resulting in the recognition of an impairment charge of $2.9 million for the three and six months ended June 30, 2012. The Company's investment in Fisker at June 30, 2012 had a carrying value of $6.0 million.

Source: Original Documents Obtained by PrivCo

4/13/2012

Delaware Plant Shuttered

Fisker lays off 12 more employees at its Delaware plant; production of the Atlantic model grinds to a halt. The skeleton maintenance team is a far cry from the 2,500 jobs Fisker predicted it would bring to the state

Total Employees: 400

Fisker Automotive has laid off another dozen workers at the former General Motors plant in Delaware that it has been refitting with federal and state money to build a new sedan.

The layoffs, which occurred quietly Friday, come as California-based Fisker continues talks with the U.S. Energy Department to unfreeze loan money that could determine whether it ever builds a car at the plant. Meanwhile, the state continues to pay utility bills for the factory in hopes Fisker will still provide jobs there.

For now, Fisker employs only a small maintenance team at the site "protecting plant assets and maintaining the facility," said Fisker spokesman Russell Datz. "We have always had a flexible business model that allows us to scale up and down as work demands. ... The plant is now ready for the next phase of installing new production equipment."

4/24/2012

HOULIHAN LOKEY

Dept. of Energy hires Houlihan Lokey

Department of Energy hires restructuring advisor Houlihan Lokey to

PrivCo's Conclusion on Fisker's Road To Ruin

- That **Fisker repeatedly defaulted on the terms and covenants of its $528.7 Million U.S. Department of Energy ("DOE") Loan** ("DOE Loan") and Credit Agreement ("Credit Line") without action taken by the DOE to enforce the DOE Loan's Terms of Breach and Covenants of Default and prevent any further quarterly Draw-Downs of Cash from the DOE Loan and Credit Line.

- **That the U.S. Department of Energy 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 DOE $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 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.

- That the U.S. Department of Energy finally issued a "Drawdown Stop Notice" under the "Consequences of Default" provisions of the Fisker DOE Loan and Credit Agreement in June 2011, yet **took no action to enforce the other rights to seize control of the company, or to compel a Chapter 11 filing or a sale of the company for the benefit of U.S. taxpayers** (at a time when Fisker still had assets, an equity valuation in private funding in the hundreds of millions of dollars, and significant investor interest still existed in the clean energy sector - now materially impaired in investment activity according to PrivCo's private clean-energy investment tracking).

- That despite the U.S. DOE's private issuance of a Drawdown Stop Notice to Fisker and to the U.S. Federal Financing Bank where Fisker had been regularly making cash withdrawals using its $528.7 Million credit line, the **U.S. Department of Energy made no announcement to the public that Fisker was in default of its DOE Loan and Credit Line Agreements and no longer had access to the remaining balance of $336.4 Million. This resulted in the continued reliance on hundreds of individual investors purchasing Fisker stock in the hundreds of millions of dollars** through the Advanced Equities "AEI Fisker" limited liability corporations based on the assumption that Fisker had continued and substantial access to the remaining $336.4 Million of credit line liquidity through the U.S. government.

- That Fisker applied for and received a $12.5 Million Loan and a $9 Million Grant for Utilities Expenses Refunds from the State of Delaware's Department of Workforce Development Fund (established to provide financial incentives to employers to relocate or create new jobs in Delaware). According to documents obtained by PrivCo through Freedom of Information Act requests, the 2012 annual reporting requirement of the Delaware State Loan to Fisker 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.**

- That the first Fisker DOE Loan and Credit Line Repayment as determined by PrivCo financial analysts (applying the Interest Rates in the Fisker DOE Loan and Credit Line Agreement - along with the Fisker cash drawdown schedule obtained by PrivCo through its Freedom of Information Act Requests) is **due by 1pm ET next Monday, April 22nd in the amount of $20.2 Million.**

- That Fisker on Friday, April 12th **laid off 80% of its last 220 remaining staff members**, effective that day, without giving at least 60 days warning and without making any severance payments, in **clear violation of the Federal WARN ACT** (which requires 60 days notice and appropriate payments), making Fisker subject to liabilities and Federal Penalties in excess of $1 Million. On April 15th, a Class Action Lawsuit was filed against Fisker seeking full payments to employees along with federal fines and penalties under the WARN Act.

- That in December 2012, Fisker attempted to claim and receive funds as "creditor" from the Bankruptcy Estate of former electric battery supplier A123 Holdings, with **two Proof of Claims Forms filed with the Bankruptcy Court: 1.) $40 Million on the legal theory of "contract negation" - as its supplier contract for electric batteries was Voided by the Bankruptcy Judge at the request of the Creditors' Committee appointed by the Court, and 2.) a second Proof of Claim for an additional $50 Million on the theory that Fisker may suffer future warranty claims from A123's electric battery fire risks on 2,200 Fisker vehicles that were produced**. The court promptly dismissed the $50 Million "supplier contract negation" claim (based on the Bankruptcy Court's power to negate burdensome contracts). The court looked skeptically on Fisker's second claim on potential theoretical future warranty liability, but last month permitted the claim to at least remain "timely filed" awaiting future review. Review of documents obtained by PrivCo reveal that days later **Fisker sold and transferred rights to the lesser of: $10 million - or if lower, the amount of the final judgment of this questionable $50 million warranty liability claim to a claim purchasing company** for an amount that is less the typically high interest rate for advancing against a risky court claim (i.e. **Fisker gets a desperately needed cash infusion** by selling its claim for a price below the claim's expected value).

- That this week Henrik Fisker received a Notice To Testify by end of this month before the **House Oversight Committee investigating the Department of Energy's negligence, malfeasance and losses** in its DOE Loan and Credit Line to Fisker, approval and oversights, and lack of enforcement of the credit terms (permitting tens of millions each month in additional cash drawdowns by Fisker despite clear and conclusive written documentary evidence that Fisker was in default of its DOE Loan and Credit Line Agreement), and accounting of where its total $1.3 Billion in funding has been spent. Henrik Fisker has responded that his primary assets consist of less than **a 1% stake in Fisker Automotive common stock options that have zero value**, and requested travel expenses to testify before the Oversight Committee.

- That the leading law firm of **Kirkland and Ellis has now completed drafting a Chapter 11 Filing for Fisker Automotive** and its affiliates.

- That **Fisker Automotive has less than $20 Million in Cash on Hand**, and has lawsuits filed against it by suppliers and trade creditors. These include suits for over $500,000 by its web design firm, $173,000 in unpaid office rent by the landlord of Fisker's offices, and a class action lawsuit over violations of the Federal WARN Act.

- That through documents obtained through the Freedom of Information Act by PrivCo, it is revealed that **Fisker sold fewer than 2,200 vehicles in the company's lifetime,** a third of which remained on Dealers' lots unsold (Consumers purchased only 1,600 Fisker vehicles before Fisker ceased production of them in 2012).

- That 1,200+ 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. A Kleiner Perkins spokesperson declined to comment on the record or provide a statement for this Research Report. A Kleiner Perkins partner reached by PrivCo confirmed several facts on Fisker and Kleiner Perkin's investment in Fisker on condition of anonymity. Calls to Fisker Automotive were not returned. (Note: Fisker's head of Media Relations was laid off by the company last week along with 80% of its remaining staff.) PrivCo confirmed through sources familiar with the matter that **Kleiner Perkins Managing Partner Ray Lane had been "encouraged to resign" as head of the firm, and had in fact resigned**.

- Official statements of PrivCo CEO Sam Hamadeh: **"Fisker Automotive will go down as the largest venture capital-backed debacle in U.S. history.** 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."

Select Released Documents Obtained by PrivCo's Weeks-Long Investigation on Privately-Held FISKER AUTMOTIVE Can Be Viewed Under Exhibits on PrivCo's Fisker Automotive, Inc. Profile