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August 14, 2012

Michael J. Madigan


CONFIDENTIAL PROPRIETARY BUSINESS INFORMATION

The Honorable Charles E. Grassley
United States Senate
Washington, D.C. 20510

The Honorable John R. Thune
United States Senate
Washington, D.C. 20510

Re: Fisker Automotive-ATVM Loan Program

Dear Senator Grassley and Senator Thune:

We are in receipt of your July 23, 2012 letter to our client, Fisker Automotive (“Fisker”), requesting answers to questions regarding Fisker’s participation in the Department of Energy’s (“DOE”) Advanced Technology Vehicles Manufacturing Loan Program (“ATVM”). We are sure that you both appreciate that Fisker is a small start-up company that has limited staff and resources. Nonetheless, Fisker intends to answer your questions to the best of its ability.

1. The DOE initially estimated that its loan to Fisker Automotive would create one permanent job for every \$264,500 lent while touting the number of jobs saved or created by the ATVM program. Please provide a detailed explanation of the methodology Fisker provided which led the DOE to arrive at this job creation estimate. What evidence is there to indicate whether the estimate has been proven accurate?

Fisker was not involved in the drafting of this “initial estimate” by DOE referenced in the question. Fisker did forecast that there could be up to 1,500 employees at the plant in Delaware three years into the Nina production, as well as up to 1,000 workers indirectly supporting operations in Delaware and another 400-700 employees at Fisker headquarters in Irvine, CA. Fisker, however, did not provide DOE with “methodology” as we understand the question.

2. The DOE has estimated that its loan to Fisker would result in the equivalent of 30,000 fewer cars on the road. Please provide a detailed explanation of the methodology Fisker provided which led to this estimate. What evidence is there to indicate whether this estimate has been proven to be accurate?



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Fisker was not involved in calculating these estimates by DOE. Nor, did Fisker provide any specific “methodology” as we understand the question. As part of the DOE’s due diligence, Fisker understands that DOE assessed the projected fuel economy improvements of the Fisker plug-in hybrid electric vehicles over vehicles with more traditional internal combustion engine powertrains.

Given the number of Fisker Karma sedans currently on the road and the temporary delay of the Nina program, there is no way to currently assess the accuracy of the DOE estimates of fuel economy improvement. Likewise, given that the Nina sedan (Atlantic) is not yet in production, there, of course, has been limited impact on jobs stemming from the Nina program. Unfortunately, Fisker has had to temporarily delay the Nina program, including readying the Delaware plant for production, pending resolution of certain issues related to project milestones and covenants under its DOE loan.

3. Has Fisker revised this data in light of the decision to halt production of Nina/Atlantic? If so, what is the current estimate?

As stated above, Fisker was not involved in calculating the referenced estimates. and has no current estimate.

4. When working with the DOE, what technical experts did the DOE utilize to evaluate, originate, and monitor Fisker’s loan?

Fisker is aware of the involvement of AT Kearney, Grant Thornton and Debevoise & Plimpton LLP.

5. Did the DOE at any time explain to Fisker why it chose a classification for the Karma (“subcompact”) which, in the words of Fisker’s officials, was not “accurate?”

It is Fisker’s understanding that the DOE classified the Karma as a “subcompact” vehicle consistent with the EPA vehicle classifications (based on the interior and cargo dimensions of the car) that are used for fuel economy ratings and comparisons. Please see the EPA fuel economy label for the Fisker Karma below. These EPA definitions are technical definitions and do not describe the vehicles for marketing and sales purposes.



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EPA DOT Fuel Economy and Environment **Plug-In Hybrid Vehicle Electricity-Gasoline**

Fuel Economy Subcompact cars range from 10 to 112 MPGe. The best vehicle rates 112 MPGe.

Electricity
Charge Time: 6 hours (240V)
54 MPGe **62** kW-hrs per 100 miles
combined city/highway

Gasoline Only
20 MPG **5.0** Gallons per 100 miles
combined city/highway

You save \$3,600
in fuel costs over 5 years compared to the average new vehicle.

Driving Range
All Electric Range: 0 to 33 miles
Gasoline Only: 0 to 240 miles

Annual fuel cost \$1,800

Fuel Economy & Greenhouse Gas Rating (tailpipe only) **Smog Rating** (tailpipe only)

MPG **9** **10** Best
CO₂ **10** Best

This vehicle emits 169 grams CO₂ per mile. The best emits 0 grams per mile (tailpipe only). Producing and distributing fuel & electricity also create emissions; Learn more at fueleconomy.gov

Actual results will vary for many reasons, including driving conditions and how you drive and maintain your vehicle. The average new vehicle gets 22 mpg and costs \$12,600 to fuel over 5 years. Cost estimates are based on 15,000 miles per year at \$3.95 per gallon and \$0.12 per kW-hr. This is a dual fueled automobile. MPGe is miles per gasoline gallon equivalent. Vehicle emissions are a significant cause of climate change and smog.

fueleconomy.gov
Calculate personalized estimates and compare vehicles

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6. In Fisker's interaction with the DOE, did the DOE ever set targeted levels of performance for your loan guarantee? If so, what are they? How many has Fisker achieved to date?

There are financial covenants and project milestones in Fisker's loan agreement with the DOE as indicated in the Government Accounting Office ("GAO") Report. Fisker did meet many of the early project milestones related to the Karma program. However, as a result of the delayed timing of the launch of the Karma sedan as well as the temporary delay of the Nina program, Fisker has not met some of the later Karma and Nina project milestones or the financial covenants.

6. [sic] How many people are currently employed at Fisker's plant in Delaware?

As a result of the temporary delay of the Nina program, there are currently 16 direct employees at the Delaware plant. As indicated above, Fisker projected the number of direct and



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indirect employees at the Delaware facility to reach approximately 2,500 in connection with the production of the Nina platform.

7. How many people have been employed in Finland manufacturing Fisker's Karma?

Fisker has no employees based in Finland. Fisker uses a contract manufacturer named Valmet Automotive, based in Finland, to perform final assembly of the Karma. At any given time, up to 250 jobs are supported at Valmet to assemble the Karma. By contrast, Fisker has created more than 1,000 jobs in the U.S. in engineering, design, and technology at our U.S. facilities and across our supply chain and retail distribution networks.

8. Fisker has claimed that all \$169 million Fisker received from the DOE was spent in the United States. Please provide a specific detailed breakdown of how this money was spent.

Fisker created and maintained a detailed written breakdown of how the DOE loan money was spent in the United States. This information was provided directly to DOE in Fisker's Advance Requests for loan disbursements. We have assembled those documents and put them on the enclosed CD. The CD is encrypted; please email Brooke Daley at [REDACTED] for the password.

Sincerely,


Michael J. Madigan

Enclosure

cc: Chris Lucas (via email)
Brendon Plack (via email)