

## PROMOTING ETHICS IN PUBLIC LIFE

# National Legal and Policy Center



Published on *National Legal and Policy Center* (<http://nlpc.org>)

[Home](#) > [Blogs](#) > [Paul Chesser's blog](#) > Integrity of Fisker Capital Funding is Questioned

## Integrity of Fisker Capital Funding is Questioned

Submitted by [Paul Chesser](#) [1] on Tue, 02/14/2012 - 11:54

How did a start-up electric car company that raised more than \$1 billion suddenly fail to meet government-lending standards, to the point where it can no longer draw on an awarded [Department of Energy](#) [2] loan and has therefore halted renovation work on a [Delaware](#) [3] plant?



That's one curiosity about [Fisker Automotive](#) [4], a high-end manufacturer that apparently has burned through so much cash that it does not want to move forward with plans to produce an electric family sedan without the [assurance](#) [5] that another \$336 million will come forth from taxpayers. Despite having a reported \$850 million in private investment and \$193 million from that \$529 million loan, Fisker [laid off 65-or-so employees](#) [6] last week as DOE froze payments.

DOE's action was attributed to Fisker's failure to attain certain unidentified "milestones." Fisker had projected the delivery of 15,000 Karmas in 2012, at a showroom cost of \$102,000 for the base model, with the less-expensive "Project Nina" (\$50,000 per electric vehicle) planned to ramp up at the Delaware plant early in 2012 or early 2013.

But beyond logistics issues, questions might be raised about the stability of Fisker's private financial backers. Under heightened scrutiny from majority Republicans in the House after the [Solyndra](#) [7] bankruptcy debacle, DOE loan managers could be taking a harder look at the private investors.

Among the highest profile backers is the Silicon Valley venture capital firm [Kleiner, Perkins, Caufield and Byers](#) [8], which highlights Green companies as one sector where it focuses technology investments. Not surprisingly, former Vice President and global warming alarmist Al Gore is a senior partner for KPCB. Gore is also a supporter of Fisker and he purchased one of the first Karma models, [according to the Wall Street Journal](#) [9]. Employees of KPCB have donated \$2.6 million to candidates and political action committees, favoring Democrats over Republicans by a very wide margin, according to the [Center for Responsive Politics](#) [10]. Also, throughout 2009 and 2010 KPCB spent \$50,000 per quarter lobbying Congress on legislation that was heavy-laden with renewable energy government incentives, such as the Recovery Act, the American Clean Energy and Security Act, the Clean Energy Jobs and American Power Act, and various climate and energy bills.

Perhaps of greater concern is the trouble surrounding the broker that has raised the private financing for Fisker, [Advanced Equities, Inc](#) [11]. The Chicago-based venture capital investment bank says it specializes in late-stage equity financing, raising funds to "bridge the gap between venture money and traditional corporate finance." Last week an investor [sued Fisker](#) [12] and Advanced Equities for their alleged failure to perform fiduciary duties and for fraud. He alleged that after he bought \$210,000 of preferred stock between 2009 and 2011, Fisker and Advanced Equities last month demanded more than \$83,000 "due to Fisker's urgent need for equity capital," or else he would lose privileges that came with his purchase of earlier stock.

"The lawsuit says Fisker and...Advanced Equities Inc., knew their promises to him were false all along," reported the *Orange County Register*. "The suit seeks restitution, compensatory and punitive damages from Fisker and Advanced Equities."

Advanced Equities is [is co-led](#) [13] by its founders, Keith Daubenspeck and Dwayne Badger. The pair were the subject of a scathing 2008 [article](#) [14] in *Forbes* which accused the company of "foisting junky startups on investors." The article cited the rapid rise of Advanced Equities in the technology venture capital environment, but accused Daubenspeck and Badger of leaning heavily on the credibility and recognition of bigger firms like Kleiner Perkins to impress investors to buy in on still-shaky tech prospects at later stages.

"The problem with this picture is that in vaulting AE to its high perch in the VC world, Daubenspeck and Badger have left a wake of aggrieved customers, furious former employees, lawsuits and more than their share of busted startups," *Forbes* reported. "At least 18 former clients have filed arbitration [complaints](#) [15] accusing the firm of [wrongdoing](#) [16]. Separately, six brokers have alleged that AE stiffed them for millions of dollars."

The magazine cited several examples, and noted the "humble origins" of Daubenspeck (a community college graduate) and Badger (a college dropout). Daubenspeck was fired in 1993 by Oppenheimer Securities for buying client lists from another firm, and in 2002

Badger was accused of accepting under-the-table money to inflate the value of stocks. Both have attracted brokers to Advanced Equities by promising higher commissions than their competitors. But some former and current (at the time) unidentified employees criticized the firm.

“This place is a stereotypical bucket shop,” an unidentified Advanced Equities broker told *Forbes* in 2008, who said he was sticking around only because he hadn’t been paid in full. “The deal flow is a joke. The only reason we get these deals is because we massively overpay.”

In a [letter](#) [17] to *Forbes*, Daubenspeck and Badger defended their work and claimed the article was one-sided, based on old information, and claimed they “struggled with our business model during the early years.”

Advanced Equities has been entrusted with nearly all, if not entirely all, of Fisker’s private equity fundraising. Whether or not they are under scrutiny as DOE, feeling the heat from Congressional investigators, considers if Fisker should have the remainder of its loan is unclear. Advanced Equities’ track record can’t be helpful, but that should have been vetted before the loan was awarded.

Then there is the government money. Besides KPCB’s efforts, Fisker [also lobbied](#) [18] Congress, the White House and the Departments of Energy and Defense – spending \$190,000 in 2009 – to seek “funds through (the) Advanced Technology Vehicles Manufacturing Loan Program” that was passed in 2007 by the Democrat Congress and President Bush. Overall Fisker spent \$480,000 on firms the employed lobbyist [Laura Lovelace](#) [19], a Goldman Sachs veteran who worked on the National Energy Policy Interagency Task Force under President Bush “to formulate a comprehensive energy plan.” She now works for an energy-lobbying firm headed by Harrison Wellford, who served on President Obama’s transition team in 2008. As the Future of Capitalism blog [put it](#) [18], “How do you get a \$529 million loan from the government? You hire the former Bush administration official who helped set up the program, and President Obama’s transition adviser.”

As NLPC reported last week, now watchdog group Judicial Watch has [demanded documents](#) [20] related to the Fisker DOE loan, under the Freedom of Information Act. Meanwhile an independent consultant hired by the White House to examine the Department of Energy’s loan programs [determined](#) [21] that DOE should create a new risk management department. The White House seemed relieved that the consultant, Herbert Allison, considered only \$2.7 billion in the programs to be at “risk,” less than the nearly \$3 billion DOE had set aside to cover potential losses.

House Energy and Commerce Committee Chairman Fred Upton and Oversight and Investigations Subcommittee Chairman Cliff Stearns had another view.

“It would be a stunning case of bureaucratic disregard to declare victory because the government is expecting to lose ‘just’ \$3 billion,” the Congressmen said [in a joint statement](#) [22]. “One key lesson is that taxpayers should not have been placed in the position to lose one dollar, let alone billions, all because the stimulus allowed companies with shaky finances to apply for and receive taxpayer support without putting up any money.”

Yesterday Fisker [showed off](#) [23] the Karma in Beverly Hills for the media, which seemed an attempt to divert attention from its woes. And now its founder, former Aston Martin designer Henrik Fisker, says he doesn’t want his company to be dependent on DOE.

“We have already looked into alternative financing and we have really good possibilities,” he told Reuters.

If that’s to be believed, then why did he so aggressively seek taxpayer money in the first place?

*Paul Chesser is an associate fellow for the National Legal and Policy Center.*

[Advanced Equities](#) [24] [Al Gore](#) [25] [California](#) [26] [Cliff Stearns](#) [27] [Delaware](#) [3] [Department of Energy](#) [2] [electric car](#) [28] [electric vehicles](#) [29] [Fisker](#) [4] [Fred Upton](#) [30] [Goldman Sachs](#) [31] [Government Integrity Project](#) [32] [Green jobs](#) [33] [House Committee on Oversight and Government Reform](#) [34] [Kleiner Perkins](#) [35] [President Obama](#) [36] [Recovery Act](#) [37] [Solyndra](#) [7] [stimulus](#) [38]

**Source URL:** <http://nlpc.org/stories/2012/02/14/integrity-fisker-equity-fundraisers-questioned>

#### Links:

- [1] <http://nlpc.org/bios/paul-chesser>
- [2] <http://nlpc.org/category/keywords/department-energy>
- [3] <http://nlpc.org/category/keywords/delaware>
- [4] <http://nlpc.org/category/keywords/fisker>
- [5] <http://nlpc.org/stories/2012/02/08/luxury-carmaker-fisker-looking-more-taxpayer-money-0>
- [6] <http://nlpc.org/stories/2012/02/08/many-unanswered-questions-surround-fisker-layoffs>
- [7] <http://nlpc.org/category/keywords/solyndra>
- [8] <http://kpcb.com/>
- [9] <http://online.wsj.com/article/SB125383160812639013.html>
- [10] <http://www.opensecrets.org/index.php>
- [11] <http://aei.advancedequities.com/>
- [12] <http://www.oeregister.com/articles/fisker-157642-ocprint-stock-.html>
- [13] <http://aei.advancedequities.com/team.php>
- [14] <http://www.forbes.com/forbes/2008/0901/048b.html>
- [15] <http://www.consumer-complaintreport.com/claims-of-wrongdoing-continue-against-advanced-equities-financial-corporation-and-first-allied-securities/>
- [16] <http://www.investorprotection.com/blog/category/firms-under-investigation/first-allied/>
- [17] [http://www.forbes.com/2008/08/26/aei-readers-response-cx\\_rr\\_o826badger.html](http://www.forbes.com/2008/08/26/aei-readers-response-cx_rr_o826badger.html)
- [18] <http://www.futureofcapitalism.com/2009/09/fiskers-lobbyists>
- [19] <http://www.wellfordenergy.com/index.php?q=node/8>

- [20] <http://www.judicialwatch.org/press-room/press-releases/judicial-watch-sues-obama-department-of-energy-for-records-detailing-529-million-loan-to-failing-green-energy-car-manufacturer/>
- [21] <http://www.iwatchnews.org/2012/02/10/8127/does-needs-better-risk-management>
- [22] <http://www.stearns.house.gov/index.cfm?sectionid=134&sectiontree=6,134&itemid=1983>
- [23] <http://www.reuters.com/article/2012/02/14/fisker-idUSL2E8DB00520120214>
- [24] <http://nlpc.org/category/keywords/advanced-equities>
- [25] <http://nlpc.org/category/people/al-gore>
- [26] <http://nlpc.org/category/keywords/california>
- [27] <http://nlpc.org/category/people/cliff-stearns>
- [28] <http://nlpc.org/category/keywords/electric-car>
- [29] <http://nlpc.org/category/keywords/electric-vehicles>
- [30] <http://nlpc.org/category/people/fred-upton>
- [31] <http://nlpc.org/category/keywords/goldman-sachs>
- [32] <http://nlpc.org/category/project-name/government-integrity-project>
- [33] <http://nlpc.org/category/keywords/green-jobs>
- [34] <http://nlpc.org/category/keywords/house-committee-oversight-and-government-reform>
- [35] <http://nlpc.org/category/keywords/kleiner-perkins>
- [36] <http://nlpc.org/category/people/president-obama>
- [37] <http://nlpc.org/category/keywords/recovery-act>
- [38] <http://nlpc.org/category/keywords/stimulus>