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Carbon Motors news hits Connersville hard

(topic overview)

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An Indiana company that wanted to make police cars of the future was denied a \$310 million government loan that would have brought jobs to this east central Indiana city. Officials with Carbon Motors Corp. in Connersville announced Wednesday that the company was denied a direct loan by the U.S. Department of Energy under its Advanced Technology Vehicle Manufacturing program. "We are outraged by the actions of the DOE and it is clear that this was a

political decision in a highly charged, election year environment, said William Santana Li, chairman and chief executive officer. [\[1\]](#) CONNERSVILLE, IN (FOX19) - A car maker that was expected to create 1500 jobs building police cars in Connersville says it has been denied an the Advanced Technology Vehicle Manufacturing loan by the Department of Energy. "We are outraged by the actions of the DOE and it is clear that this was a political decision in a highly-charged, election year environment. Since Solyndra became politicized last fall, the DOE has failed to make any other loans under the ATVM program, has pulled back one loan that it previously committed and, as of this month, the DOE has pushed aside the three remaining viable loans under active consideration," said William Santana Li, chairman and chief executive officer, Carbon Motors Corporation. [\[2\]](#)

The ATVM program was established during the Bush administration and continued under the Obama administration. "We are outraged by the actions of the DOE and it is clear that this was a political decision in a highly-charged, election year environment. Since Solyndra became politicized last fall, the DOE has failed to make any other loans under the ATVM program, has pulled back one loan that it previously committed and, as of this month, the DOE has pushed aside the three remaining viable loans under active consideration," said William Santana Li, chairman and chief executive officer, Carbon Motors Corporation. "Each of these applicants has been caught for several years in a costly and extensive DOE due diligence process. Carbon Motors simply appears to be the last victim of this political gamesmanship. In failing to deploy the tax dollars that Congress allocated for the creation of advanced technology manufacturing jobs in the U.S., the DOE ATVM program represents a glaring failure of the Obama Administration to create jobs that are clearly within its power to create," commented Li. [\[3\]](#) "We are outraged by the actions of the DOE," said William Santana Li, Carbon Motors' chairman and chief executive officer. "In failing to deploy the tax dollars that Congress allocated for the creation of advanced technology manufacturing jobs in the U.S., the DOE program represents a glaring failure of the Obama administration to create jobs that are clearly within its power to create." President Obama made government investment in clean energy companies an early hallmark of his administration, including a \$25 billion loan program to support the manufacture of fuel-efficient and electric cars and fleet trucks. [\[4\]](#)

Today Carbon Motors Corporation, a homeland security technology company, announced that the U.S. Department of Energy (DOE) has indicated that it will not proceed with Carbon's \$310 million application for a direct loan under the Advanced Technology Vehicle Manufacturing (ATVM) program. [\[3\]](#) The police car of the future has hit a major bump in the road. Carbon Motors announced Wednesday that the Department of Energy has informed the Indiana-based startup automaker that it is no longer considering its \$310 million loan application to the Advanced Technology Vehicle Manufacturing program. [\[5\]](#) The Carbon Motors Corporation announced on their website Wednesday that the U.S. Department of Energy would not proceed with the company's \$310 million application for a direct loan under the Advance Technology Vehicle Manufacturing program. [\[6\]](#) The Connersville-based company said the U.S. Department of Energy has "indicated that it will not proceed with Carbon's \$310 million application for a direct loan under the Advanced Technology Vehicle Manufacturing, or ATVM, program. [\[7\]](#) The Advanced Technology Vehicle Manufacturing program had been started under President George W. Bush, but gained new life under Obama with a major appropriation from Congress. Department of Energy spokesman Damien LaVera said in a prepared statement Wednesday that the department was honoring its dual missions in considering Carbon's application -- supporting innovation and clean vehicles but at the same time ensuring government loans will be repaid. "Over the last two and a half years, the Department has worked with Carbon Motors to try to negotiate a deal that supported their business while protecting the taxpayers," the statement said. "While we were not able to come to an agreement on terms that would protect the taxpayers, we continue to believe that Carbon Motors is an innovative company with an interesting project and we wish them luck." [\[4\]](#) The start-up company said it is "actively examining its strategic and financing alternatives," but did not specify where it might turn next for money needed to move ahead. Carbon Motors attacked the U.S. Department of Energy for its "political decision" in turning down its request for a loan under the Advanced Technology Vehicle Manufacturing program. [\[8\]](#) Li pointed out in a company press release that the Department of Energy has not approved any loans under the

Advanced Technology Vehicle Manufacturing program since the Solyndra debacle. "Carbon Motors simply appears to be the last victim of this political gamesmanship," said Li. [\[9\]](#)

The program is one of three Energy Department lending programs drawing scrutiny since last year's bankruptcy of solar-panel maker Solyndra LLC, a recipient of U.S. loan guarantees. "We are outraged by the actions of the DOE and it is clear that this was a political decision in a highly-charged, election-year environment," Carbon Motors Chief Executive Officer William Santana Li said in a statement on the company's website. At least 14 members of Congress, including Senator [Richard Lugar](#), an Indiana Republican, wrote to the Energy Department in support of Carbon Motors's application, according to letters provided by the agency. "Over the last two and a half years, the department has worked with Carbon Motors to try to negotiate a deal that supported their business while protecting the taxpayers," [Damien LaVera](#), an Energy Department spokesman, said in an e-mail. "While we were not able to come to an agreement on terms that would protect the taxpayers, we continue to believe that Carbon Motors is an innovative company with an interesting project and we wish them luck." [\[10\]](#) Up until we were told the DOE would no longer work on our application, we had been assured that it was a top priority for the DOE and encouraged to continue with the multi-million dollar due diligence and negotiation process. Our experience, when viewed in light of the situation with other applicants, makes it hard to conclude that this action is anything other than a political decision to avoid further scrutiny of the ATVM loan program and of DOE officials," described Li. The Company noted that in recent months the DOE had gone so far as to send members of its loan monitoring team to meet with Carbon Motors in Indiana, and then subsequently requested a follow-up meeting in Washington DC. The loan monitoring team's role is to monitor DOE loans and work with borrowers after the loan has closed. These professionals do not play a material role in the process until a loan is finalized, which supported the Company's view that the DOE had not identified any material issues with the Carbon business plan that would impede the approval of the loan. In recent months the DOE staff held several meetings with Carbon's key partners, suppliers, investors and state and local officials and in each case, these parties were left with the impression that a positive decision on the loan was imminent. [\[3\]](#)

Stephens says that the company has sourced over \$200 million in private matching funds as part of the loan requirements and began constructing a new headquarters building in Connersville, Ind., where the car was to be manufactured at a former brownfield site, creating over 1,500 jobs. The automaker's CEO, William Li, says his company is outraged by what it calls a "political decision in a highly charged, election-year environment," caused by the fallout from the bankruptcy of Energy loan recipient Solyndra last fall. The move by the Energy Department comes one week after another Indiana startup working on a plug-in hybrid van, Bright Automotive, closed down after dropping its pursuit of a similar loan it originally applied for in 2008, saying it could no longer wait for the agency to act on the application. Carbon Motors has no plans to shut down at this point and says it is "examining strategic and financing alternatives." [\[5\]](#) In July 2009, Li proclaimed Connersville "the police car capital of the world" and promised 1,550 new jobs making high-tech police cars. His goal was to begin production in 2012, but he lacked the capital to do it without the DOE loan. In an interview with Eyewitness News Wednesday, Li said the DOE "turned its back" on Carbon Motors and the city of Connersville. He called the decision not to give Carbon Motors the loan a "foolish" one, and accused the DOE of holding Carbon Motors and the City of Connersville "hostage" for 33 months. Li said his company still has the backing of private investors and a billion-dollar backlog of orders, and that he will try to remain in Connersville. "We're deeply disappointed for the people of Connersville and those who tried to bring this promising business here. It would have been far better if the federal government had never gone into the banking business." [\[9\]](#) The company said it had lined up an additional \$200 million in loans based on the DOE loan receiving approval. Carbon Motors said "is actively examining its strategic and financing alternatives" to continue its goals as a company. Indiana Gov. Mitch Daniels said he was "deeply disappointed for the people of Connersville and those who tried to bring this promising business here." "It would have been far better if the federal government had never gone into the banking business." [\[7\]](#)

The now-shuttered solar firm won a \$535 million federal loan in the first two months

of the Obama administration despite staff concerns about a rushed process and the company's questionable financial prospects. "They're sitting on billions of dollars," Li said. Energy Secretary Steven Chu was in Indianapolis on Monday, and said he supported the Carbon Motors project but needed to be careful the loan was repaid. Last week, Connersville Mayor Leonard Urban told local reporters he was trying to get a face-to-face meeting with Chu to stress the importance of the project to his community. [\[4\]](#) WASHINGTON (Indiana's NewsCenter) - Connersville, Ind. based Carbon Motors announced Wednesday that the U.S. Department of Energy (DOE) will not be providing the vehicle manufacturing with a \$310 million loan. [\[11\]](#) CONNERSVILLE, Ind. -- The United States Department of Energy will not grant a \$310 million loan to Carbon Motors Corp., the Connersville company announced today. [\[12\]](#) The Department of Energy has denied Carbon Motors' \$310 million loan request, leaving the Connersville start-up's future uncertain. [\[9\]](#)

United States Energy Secretary Steven Chu says his department still wants to move forward on a \$335 million federal loan to Carbon Motors Corp. in Connersville, but only if a reasonable chance of repayment is written into the contract. [\[13\]](#)

The DOE in 2009 approved green car loans worth nearly \$8.5 billion under the program for four companies, but since has approved just one \$50 million loan. (The bulk of the early money went to Ford Motor Co. -- \$5.9 billion -- to retrofit assembly lines for fuel- efficient cars.) That leaves roughly \$16.5 billion remaining from the amount Congress authorized for loans for advanced technology vehicles. Carbon Motors officials blame the department's decision to turn its project down -- and failure to approve any recent loans -- on skittishness in the wake of the [failure of Solyndra](#). [\[4\]](#) The Connersville, Indiana-based company said today it had asked for \$310 million in financing from the Advanced Technology Vehicle Manufacturing program, which last week declined to give Bright Automotive Inc. a loan to develop electric commercial vans. [\[10\]](#) Carbon applied for a direct loan more than two years ago under the Advanced Technology Vehicle Manufacturing (ATVM) program, which was established during the Bush administration and continued under the Obama administration. [\[12\]](#) "Each of these applicants has been caught for several years in a costly and extensive DOE due diligence process. Carbon Motors simply appears to be the last victim of this political gamesmanship. In failing to deploy the tax dollars that Congress allocated for the creation of advanced technology manufacturing jobs in the U.S., the DOE ATVM program represents a glaring failure of the Obama Administration to create jobs that are clearly within its power to create." [\[6\]](#)

According to the Carbon Motors News Release the DOE is back tracking on previous commitments it's made to other companies and is ignoring the three remaining loans asking to be apart of the program. William Santana Li, chairman and chief executive officer of Carbon Motors expressed that, "the DOE ATVM program represents a glaring failure of the Obama Administration to create jobs that are clearly within its power to create." [\[11\]](#)

"The truth is, government funds are already being used to pay for law enforcement vehicle substitutes -- many of which function very effectively as retail passenger cars and none of which function well for the unique law enforcement mission," stated Stacy Dean Stephens, co-founder of Carbon Motors Corporation and a former law enforcement officer. "It is a basic role of government to protect its citizens. The Carbon ATVM loan (which would have been paid back with interest) would simply have ensured that the taxpayers were getting their money's worth as law enforcement end users would benefit from using safe and efficient products that actually work well for their mission," Stephens said. [\[3\]](#) According to the Carbon Motors, it has received more than "20,000 reservations for the 'E7' vehicle from over 500 law enforcement agencies spread across all 50 U.S. states, in addition to interest in the product for export received from over 35 foreign law enforcement jurisdictions." Carbon Motors is having to regroup, but company officials said that without the loan they will not be able to produce police cars or hire new employees, reports News Center 7's Mark Bruce. [\[1\]](#)

The Company was not given any indication of any substantive issues and instead feels blindsided by government officials that simply failed to exhibit any real leadership in the face of typical election year political mudslinging. Carbon Motors is developing the

world's first and only purpose-built law enforcement patrol vehicle, amid strong interest in its breakthrough "E7" product from law enforcement both domestic and foreign. [3] The decision is made even more puzzling when viewed in light of two of President Obama's Executive Orders: one calling for a 30% improvement in fuel efficiency among federal vehicle fleets, and one for coordinating policies on automotive communities and workers recovering from the Great Recession. "These goals are not going to be satisfied by simply wishing them to be -- they require leadership by those in a position to deliver results," noted Stephens. Carbon Motors has received substantial bipartisan political support of its business plan and mission to support the nearly 1 million law enforcement first responders in the U.S. "Our plan cuts across party lines and would have a positive impact on every highway, every street, every city, town, airport, road, port and congressional district. [3] Carbon Motors is set to develop the world's first and only purpose-built law enforcement patrol vehicle and has already received over 20,000 reservations from over 500 law enforcement agencies in the U.S. and 35 from around the world. [11]

Carbon Motors Corporation is a bold homeland security technology company on a critical mission to design, develop, manufacture, distribute, service, and recycle, the world's first and only portfolio of purpose-built law enforcement patrol vehicles. [3] The E7 vehicle being developed by Carbon Motors is the world's first and only purpose-built law enforcement patrol vehicle. [1]

"The E7 has been designed to meet all Federal Motor Vehicle Safety Standards with all law enforcement equipment installed, will increase fuel efficiency by up to 40% over the gas-guzzlers used today and, importantly, will satisfy substantially all requirements of the law enforcement mission," said Li. The Company's product strategy includes a state-of-the-art fuel-efficient clean diesel engine mated to an 8-speed transmission, and has been supported by over 50 world-class development partners and suppliers -- many of whom have had their businesses materially impacted by this failure of leadership by the DOE, according to Li. [3] The Company has received over 20,000 reservations for the "E7" vehicle from over 500 law enforcement agencies spread across all 50 U.S. states, in addition to interest in the product for export received from over 35 foreign law enforcement jurisdictions. As a truly purpose-built product, the E7 represents a substantial innovative step over the retail passenger vehicles that have historically been retrofitted in the aftermarket, with great improvements in areas such as occupant safety, operating cost, mission effectiveness and environmental impact, to mention just a few. [3]

The company planned to use the money to produce a purpose-built, fuel-efficient law enforcement vehicle called the E7 for police and use. [5] The company has received over 20,000 reservations for the "E7" vehicle from over 500 law enforcement agencies. [8]

We remain honored to have had received so much support from leaders of all political stripes from around the country," said Li. The Company is actively examining its strategic and financing alternatives in support of its goal to provide law enforcement first responders with a purpose-built tool suitable for their critical mission. "Our country was not built by those who stood on the sidelines or by those who hid behind political convenience or by those too scared to lead. [3]

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"We have a much better asset today than we had three years ago," said Pete Bell, with Connersville Economic Development Department. Late Wednesday afternoon Carbon Motors announced plans to open are on hold. [Company executives said they are caught in the political crossfire](#) with Department of Energy. [14] "The Department is committed to balancing our goal of supporting innovative projects that can promote the development of clean vehicles in the United States with our responsibility to be good stewards of the taxpayer's money. Over the last two and a half years, the Department has worked with Carbon Motors to try to negotiate a deal that supported their business while protecting the taxpayers. While we were not able to come to an agreement on terms that would protect the taxpayers, we continue to believe that Carbon Motors is an innovative company with an interesting project and we wish them luck." It's tough news for Connersville, which has been struggling with

high unemployment. In the two and a half years since Carbon Motors' big announcement to establish its headquarters there, some residents will not be surprised by Wednesday's developments. [\[9\]](#)

Carbon Motors had planned since 2009 to build high-tech police cars in Fayette County. Governor Mitch Daniels issued a statement that he's disappointed for the people of Connersville and that the company was seduced into wasting years of work for subsidies that never happened. [\[15\]](#) Carbon Motors hoped to hire more than 1,550 people in Connersville to build the next generation of police cars, the company said in a statement. [\[1\]](#)

Carbon Motors was counting on the loan to establish a major manufacturing plant in Indiana. The company, founded in Georgia, announced in 2009 that it had selected the Fayette County community of Connersville in mideastern Indiana to manufacture its [police cruiser](#) in a 1.8-million-square-foot facility formerly occupied by Visteon Corp. The company said it could ultimately employ more than 1,500 workers. [\[7\]](#) Carbon Motors Corp. said it won't get a U.S. Energy Department loan it applied for to develop more fuel-efficient police cars. [\[10\]](#) Carbon Motors spokesman Stacy Stephens tells FoxNews.com that the company was blindsided by the decision after being engaged in positive discussions with the government agency for the past 30 months, having recently been told by officials that it was "the number one priority of the Department of Energy." When Energy Secretary Steven Chu visited Indianapolis on Monday, he told reporters that the department wanted to go forward with the loan but that it has "a responsibility to the taxpayers and they need to make sure it's written in the statute that there's a reasonable chance of repayment," according to WIBC radio. [\[5\]](#) Carbon Motors said it has raised approximately \$200 million of matching funds from a variety of private and state and local government sources, which, together with the ATVM loan, would put into effect one of the Company's stated goals of creating a true public-private partnership. [\[8\]](#)

Bright [called it quits](#) late last month after it gave up on receiving a \$450 million DOE loan. "Each of these applicants has been caught for several years in a costly and extensive DOE due-diligence process," Li said. "Carbon Motors simply appears to be the last victim of this political gamesmanship." [\[7\]](#)

As President Reagan once said, "When you get in bed with the federal government, you get a lot more than a good night's sleep." Indianapolis TV station WRTV reports that DOE Secretary Steven Chu, who visited there this week, refused to talk about the loan for Carbon Motors. [\[2\]](#) Carbon Motors said it had working under the assumption it would receive the loan for almost 30 months. [\[7\]](#)

Carbon Motors Corp., which hoped to create hundreds of jobs and thousands of high-tech, fuel-efficient police cars in Indiana, announced a major setback Wednesday. [\[7\]](#) In May 2009, Carbon Motors executives announced plans to move to the old Visteon building in Connersville and bring 1,500 jobs. [\[14\]](#)

Carbon Motors officials said they had been assured their application to build a new plant, and create an estimated 1,500 jobs, was nearing approval. [\[4\]](#) Local leaders hoped Carbon Motors could provide hundreds, even thousands, of jobs for the city and region. Company officials say they are examining financing alternatives. [\[12\]](#)

The company also plans to recycle all vehicles it sells. Carbon Motors already had about 20,000 reservations for their cars. [\[2\]](#) Carbon Motors police cars are planned to run on diesel fuel, saving vast amounts of energy compared to gasoline cars while lasting for hundreds of thousands of miles. [\[2\]](#) Carbon Motors is developing a new, high-tech police car, called the E7, that it says has higher fuel efficiency. [\[8\]](#)

Ford is going to make Taurus and Explorer based police vehicles. These vehicles will be almost as good as the proposed Carbon Motors vehicles at less than half the price. [\[7\]](#)

General Motors, Chrysler, Next Auto, Aptera, Bright Automotive and Carbon Motors all suffered through the horrendous DOE process that ended in nothing but a vote

against the American worker. It clearly indicates an irrational pattern of rejecting or forcing withdrawals of viable applications of all sizes, both from established companies and promising manufacturing start-ups, according to Li. "Similar to the experiences of other applicants, we spent over 30 months responding to every request made of us by the DOE -- many of which were at best challenging and at worst, unnatural," said Li. [\[3\]](#) William Santana Li, chairman and chief executive officer of Carbon Motors, said in a prepared statement. Connersville lost 12.5 percent of its population between 2000 and 2010, according to the U.S. Census Bureau. [\[12\]](#) Connersville has the highest unemployment in the state, at 12.3 percent, and many people there were counting on Carbon Motors changing that. [\[14\]](#)

Indiana Governor Mitch Daniels was on hand in Connersville two years ago when the company, which then had a headquarters in Georgia but no plant, announced it would move to Connersville. "We're deeply disappointed for the people of Connersville and those who tried to bring this promising business here. It would have been far better if the federal government had never gone into the banking business. [\[2\]](#) Sources said the DOE will want to move forward, but only if a reasonable chance of repayment is written into the contract. "We're deeply disappointed for the people of Connersville and those who tried to bring this promising business here. It would have been far better if the federal government had never gone into the banking business. [\[6\]](#)

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The Company's plan submitted to the DOE included the creation of over 1,550 direct jobs in Connersville, Indiana, one of the areas hardest hit by the prevailing economic malaise, and approximately 10,000 total direct and indirect jobs throughout the country. "Bureaucrats in Washington may view inaction as the safest bet for them personally, but those who are without jobs today in Connersville and facing a very uncertain future have a very different view. Sadly, many of the people who are now in desperate need of a job in our country's heartland had contributed their hard earned tax dollars to the very fund that the DOE now appears unwilling to distribute to qualified candidates," said Li. "Although the DOE's new found focus on protecting taxpayer interest may be a good talking point for the media, in this particular case, it fails to ring true. [\[3\]](#) Our partners at Network Indiana/WIBC report Connersville Mayor Leonard Urban says without the loan, the plan to build fuel-efficient police cruisers and the creation of 1,500 jobs are in doubt. [\[13\]](#) The homeland security technology company has waited several years for the loan and wanted to build the next generation of the American police car three years after receiving the federal money. [\[6\]](#) The company originally applied for the funding in early 2010. The police car manufacturer announced in July 2009 plans to locate its headquarters and production facility in the former Visteon building. [\[13\]](#)

The company had planned to hire more than 1,500 people in Fayette County but they announced Wednesday they will not get a loan from the Department of Energy to proceed. [\[15\]](#) Solyndra was a solar company that quickly used up more than half a billion dollars in Department of Energy loans before going bankrupt, leading to massive criticism of the Obama administration for making the loans. [\[2\]](#) Solyndra became the first alternative energy company to receive a loan guarantee under the stimulus-loan program that President Barack Obama promoted. [\[7\]](#)

The news comes 30 months after the company first applied under a special green car loan program. [\[4\]](#)

In simple terms the company's \$315 million loan application to fund the move to Connersville was not approved. "We could have used it in this town for our kids, and all of the families," said Connersville resident Lonnie Davison. [\[14\]](#) Public and political outrage over \$525 million in loan defaults by California-based solar panel maker Solyndra LLC has put the ATVM program on hold. [\[7\]](#) "We are outraged by the actions of the DOE and it is clear that this was a political decision in a highly-charged, election year environment. Since Solyndra became politicized last fall, the DOE has failed to make any other loans under the ATVM program, has pulled back one loan that it previously committed and, as of this month, the DOE has pushed aside the three remaining viable loans under active consideration. [\[6\]](#)

After the company went bankrupt in September, Republicans seized on it to criticize Obama. "We are outraged by the actions of the DOE and it is clear that this was a political decision in a highly-charged, election year environment," CEO William Santana Li said in a prepared statement. [\[7\]](#) The company said it was the "victim of political gamesmanship." "We are outraged by the actions of the DOE and it is clear that this was a political decision in a highly-charged, election year environment," the company said in a press release. [\[8\]](#)

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The Company expected the DOE to negotiate in good faith and, after several years of positive assurances, advise the Company if there were any real substantive issues with the plan that would need to be addressed in order to close the loan. [\[3\]](#)

The DOE has killed or not acted on all other large motor vehicle manufacturing loans recently. [\[2\]](#) The ATVM loan, together with the equity and other funding dedicated to the project was to be used to complete the development work on the vehicle in the U.S., as well as the tooling and facility costs necessary to produce the E7. [\[3\]](#)

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We have put millions into it ourselves, and 33 months of our time," Urban said. Carbon, whose officials say they plan to proceed with their project, is the [second company](#) to recently leave the green-car program. [\[4\]](#) Companies like

Carbon that might have proceeded and succeeded with a conventional business plan were seduced into wasting irreplaceable years chasing federal subsidies that never happened," Daniels said. [7] Bell said city officials are staying optimistic. Carbon Motors said they plan to move forward, and Bell hopes they will be a part of that plan. [14] These vehicles will be almost as good as the proposed Carbon Motors vehicles at less than half the price. [7] We will continue the fight. We at Carbon Motors choose this path not because it is easy, but because it is hard, because it is just, because it is honorable and because we are Americans," exclaimed Li. [3] The dreams of some who were looking forward to working at Carbon Motors have been put on hold. [14] Carbon Motors said it spent more than 30 months responding to numerous requests by the DOE. [8]

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