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Citing Onerous Energy Dept. Loan Terms, Bright Automotive Says It Will Close

By JIM MOTAVALLI

Agence France-Presse — Getty ImagesThe Idea, the light-duty commercial van that Bright Automotive intended to produce.

Bright Automotive, a start-up company based in Indiana that hoped to sell a plug-in hybrid delivery vehicle to fleet customers, is closing, but it's not going quietly.

The company had applied for a loan under the Advanced Technology Vehicles Manufacturing program, administered by the Energy Department. The company's loan request, which was reduced to $314 million from $450 million, had been under review for more than three years before Bright announced on Tuesday that it would withdraw the application.

In a letter signed by Reuben Munger, the company's chief executive, and Mike Donoughe, its chief operating officer, that was sent to Secretary of Energy Steven Chu, the executives said that the company's application had been under review "for more than 1,175 days. That is a record for which no one can be proud." According to the letter, Bright received its fourth letter of conditional commitment from the agency last week. "Each new letter arrived with more onerous terms than the last," it said. "The first three were workable for us, but the last was so outlandish that most rational and objective persons would likely conclude that your team was negotiating in bad faith."

Michael M. Brylawski, a Bright executive vice president and co-founder, said in a telephone interview that the company had, with difficulty, met many preconditions of the loan process, including satisfying requests for a strategic industry partnership and parts supplier. Bright announced a $5 million investment by G.M. Ventures, the venture capital arm of General Motors, in 2010. The government's most recent condition, Mr. Brylawski said, was for Bright to raise $345 million in private equity financing to support the $314 million loan and to spend the private financing before the federal funds could be accessed. "It was past byzantine," Mr. Brylawski said.

He also said that the federal loan program had "distorted" the market because the Energy Department had awarded so little financing since committing to a $529 million loan to Fisker Automotive in 2009. Consequently, many potential financiers would invest only in projects that had received guaranteed support from the federal government, Mr. Brylawski said.

Aptera, an electric vehicle start-up company based in California that worked to bring its 2e three-wheeler to market, ceased operations in December after failing to meet preconditions of a federal loan.

The Energy Department's loan program was allocated $25 billion by Congress in 2008. About $8 billion has been distributed, most recently in 2010 to the Vehicle Production Group, a company developing a wheelchair-accessible car that would run on compressed natural gas.

The Energy Department declined to respond to the specific charges made in the Bright executives' letter. In a prepared statement, Damien LaVera, a spokesman, said:

"We understand that this is a difficult day for Bright Automotive and their workers. Over the last three years, the department has worked with the company to try to negotiate a deal that supported their business while protecting the taxpayers. In the end, we were not able to come to an agreement on terms that would protect the taxpayers."