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ERIC WESOFF: NOVEMBER 25, 2011

Next Autoworks: The Curse of the Solyndra DOE Loan Guarantee

The future of Next Autoworks (the former V-Vehicle) is in doubt as it withdraws its DOE loan guarantee application and shelves a proposed factory.

Long shrouded in secrecy, auto startup **Next Autoworks**, formerly known as V-Vehicle, has withdrawn its application for a \$320 million loan from the DOE's Advanced Technology Vehicle Manufacturing (ATVM) program.



According to an **article** in Louisiana's *The News Star*, and a company release obtained by Greentech Media, the application was withdrawn after DOE officials informed the automobile startup that its application would not be approved. "Recent defaults of other DOE-funded start-ups [**Solyndra** and **Beacon Power** -ed.] have caused the government to re-evaluate its appetite for loans to early-stage companies," said Next Autoworks in the release which went on to state, "Next was advised by the DOE on November 22 that the Company's loan application would not be approved given political and credit-risk concerns regarding the funding of start-up companies."

Greentech Media reported on the firm in 2009. Backed by venture capital firm Kleiner Perkins Caufield and Byers (Kleiner has also invested in luxury hybrid-electric startup **Fisker Automotive**), the firm had intended to build a factory in Louisiana's Ouachita Parish to make what it called a "high quality, environmentally friendly and fuel-efficient" car at a "very competitive price." The San Diego-based startup is also backed by Texas oil billionaire T. Boone Pickens, who has evangelized for switching the country's vehicles to run on natural gas as well as Google Ventures and James Davison, owner of the former Guide headlight factory in Louisiana. Investors have put about \$100 million in the company. *The News Star* reports that "the company spent virtually all of its more than \$90 million in private capital."

That Guide factory was intended to be converted into an auto assembly plant that would eventually employ 1,400 workers.

The company was founded by Frank Varasano, a former Oracle executive (Ray Lane of KP is a former Oracle CEO). Mazda Miata designer Tom Matano is the design director at the firm. And stepping into a hotseat, Kathleen Ligocki was just named CEO of Next Autoworks in October, replacing interim CEO Ray Lane, who will continue to serve as Chairman of the Board. Ligocki previously served as CEO of Tower Automotive and GS Motors and led global divisions of Ford Motor Company. The former CEO, Varasano, parted with the firm after the DOE rejected an initial ATVM application in 2010.

Just what Next Autoworks is (or was) implementing is unclear. Given the comments made by

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The future of this startup which had promised to "change the automotive business in the United States" is uncertain. "For the company, Next Autoworks will evaluate strategic alternatives with our board and our stockholders," said Ligocki, the new CEO in the official statement.

That term, "evaluate strategic alternatives," rarely bodes well for a company's fate.

Next autoworks would not expand on the prepared statement and we await a response from Lane of KPCB.

The ATVM Loan Program consists of direct loans to support the development of advanced technology vehicles and associated components in the United States. Here are the loans it has provided, as per the **DOE website**:

Project	Loan Amount	Loan (contract) total	Date of agreement	Number of Projects	Status
ATVM					
Proton Solarcell	\$20 million	\$20	Apr 2011	2	Closed
First Solar Company	\$1.87 million	\$1.87	Apr 2011	11	Closed
Maxim North America, Inc.	\$1.44 million	\$1.44	Apr 2011	2	Closed
General Quarters, LLC	\$75 million	\$222,000	June 2011		Unfilled/Cancelled
Hydro Motors	\$65 million	\$78	Apr 2011	2	Closed
The Electric Propulsion Group LLC	\$20 million	\$20	May 2011	1	Unfilled

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MacAfrican 11/28/11 1:23 AM

The auto plant was a dumb strategy from day one. Sadly for many clever people, the odds of a startup in auto succeeding, measured as any meaningful volume, are next to zero. Consumers buy brands because they have service and parts everywhere, which is near impossible to set up without scale. The future green autos will have badges from the present market dominators. So the clever green tech auto people should be focusing on niche tech supply of a million green tech components to a monster player, not building their own little assembly line of a few hundred cars??? Maybe a problem of ego, having your name on the hood...

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