

Fisker's Venture Capital Firm Still Hasn't Learned Cronyism Doesn't Pay

by [Paul Chesser](#)

The sniping and backbiting behind the financial scenes are escalating as those involved with [Fisker Automotive](#) and other green tech flops seek to direct blame for their investment failures. U.S. taxpayers, as usual, have suffered bystander casualties. The latest controversy surrounds Silicon Valley investment firm [Kleiner, Perkins, Caufield & Byers](#), which has suffered a series of setbacks over its strategy to place sizable wagers on so-called “clean energy” companies. Their tech bettors hit on several huge successes during the 1990s dot-com boom, which history shows was a huge bubble with a nasty burst. The same thing happened with the government-fueled housing expansion and now the renewable energy sector is ballooning for the same reason.



The conflicts with Kleiner Perkins are mostly about disagreements over who said what to whom and when – soap opera stuff. Tesla Motors CEO Elon Musk, recipient of a \$465 million stimulus loan guarantee from the Department of Energy, was willing to let Kleiner Perkins invest with them if popular partner [John Doerr](#) (in photo) would join their board of directors. Instead Kleiner partner Ray Lane wanted the spot, but Musk allegedly didn't want him, so Kleiner instead took their investor mega-millions to Tesla competitor Fisker, which welcomed Lane as a director. That was a bad gamble for Kleiner Perkins as Fisker, also anointed by DOE with its own \$529 million loan guarantee, burnt through well over \$1 billion in cash on its way to near bankruptcy.

Bloomberg News [described the ugly saga last week](#), the details of which should be of little importance to most Americans. What matters is that President Obama forced taxpayers to have to stomach this dysfunction because he made them “invest” in failures like Fisker, in addition to others like Solyndra, Abound Solar and A123 Systems. With his green energy visions of a growing public dependency industry thanks to “stimulus” (really more like “tryptophan”), now citizens have to watchdog where the money was directed and how it got there.

So while the bickering over which investor gets to put a board member on somebody's company is mostly irrelevant to the public, understanding the crony connections and political machinations to extract government funding is pertinent. In this case, while frittering Fisker applied some of its own influence to wheedle even more cash from the administration, Kleiner Perkins had the true muscle to make it work.

It happened the old-fashioned way: money and relationships. As NLPC has [reported](#), employees and partners of Kleiner Perkins have donated enormous amounts to Democratic candidates – including President Obama – and party committees. According to data compiled by the [Center for Responsive Politics](#), the firm's staff has given nearly \$3 million to campaigns and political action committees since the early 1990s, favoring Democrats over Republicans by a wide margin. Almost \$650,000 of that has come since the 2010 election cycle, including the 2014 campaign, so the support has not waned.

Also, Kleiner Perkins spent \$200,000 in each year from 2007 through 2010 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. That total increased to \$320,000 in 2011 and \$350,000 in 2012, which included efforts to gain favor on health care technology initiatives as well. Kleiner Perkins has spent \$160,000 so far this year to lobby, according to the Center for Responsive Politics.

Top Kleiner Perkins partner John Doerr is a major linchpin to the Obama administration. He [serves on the president's Council on Jobs and Competitiveness](#). Doerr and his Kleiner Perkins colleagues have donated well over \$2.6 million to candidates and political action committees, favoring Democrats over Republicans by a very wide margin. Doerr also hosted a dinner for President Obama at his estate in February 2011 with several other high-tech executives, [according to ABC News](#).

But all that's not to say that Fisker didn't exert any of its own effort to win support from the administration. The dreaming automaker dropped \$80,000 on lobbying muscle in the fourth quarter of 2008, then \$190,000 in 2009, to [lobby](#) Congress, the White House and the Departments of Energy and Defense 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 has spent \$610,000 on firms that employed lobbyist [Laura Lovelace](#), formerly of Goldman Sachs, 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, “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.” Even now, after firing nearly its entire staff is trying to avoid bankruptcy by [selling its few assets to a Chinese buyer](#), Fisker has still spent \$10,000 for lobbying with Wellford’s and Lovelace’s firm this year.

Collateral cronies also benefited from Fisker’s pursuit of Energy Dept. giveaways. Law firm [Debevoise & Plimpton LLC](#), received \$1,842,180 in [Recovery Act](#) funds to provide legal advice, conduct due diligence, and review documents for two loans – Fisker’s \$529 million award and another for Ford Motor Company, which received \$5.9 billion – from DOE’s [Advanced Technology Vehicles Manufacturing Loan Program](#). According to the Center for Responsive Politics, employees of the law firm gave \$199,944 to Sen. Barack Obama for his 2008 presidential campaign, and over the 2008-2012 congressional election cycles (two cycles for the presidency), Debevoise staff members donated more than \$745,000 to Democrat candidates and political committees, including nearly \$300,000 to the Obama campaign.

Information posted on the Recovery.gov Web site about Debevoise’s services for DOE says its lawyers provided “specialized legal advice and services (a) on programmatic aspects of the ATVM Program and (b) on transactions proposed or consummated under the ATVM Program.” The firm was paid based upon “Direct Productive Labor Hours” under the contract’s terms, and was available to DOE for about a year. The law firm reviewed the Fisker and Ford applications, met with DOE and the auto companies’ personnel, prepared draft term sheets and conditional commitment documents and “negotiation of same,” and conducted due diligence and prepared “due diligence” memoranda. At the height of its legal services activity for DOE, 1.25 jobs were created that were attributable to Debevoise’s work on the two loans. So that’s a cool \$1.8 million for the work of one or two lawyers over a year or so. Clearly the business of crony capitalism reaps to the benefit of a few at the expense of government’s subjects, but for many who think they’re flying high, it catches up with them eventually. A May [in-depth New York Times report](#) about Kleiner Perkins explained how the firm has lost its investment touch. According to one investor involved with them, “They really believed green tech was going to be the next big technology wave.”

“Going green is bigger than the Internet,” Doerr said in 2007. “It could be the biggest economic opportunity of the 21st century.”

Now, according to the *Times*, “some experts predict Fisker could become one of the biggest venture-capital losses ever.” Fast-forward to today and Doerr is still stubborn about his forecasts for the tech future – even with electric vehicles – with the exception of Fisker.

“We invested in Fisker because we believed in the electrification of transportation,” Doerr said at a Fortune tech conference in Aspen, [reported on by Techcrunch.com](#). But, he added, “Tesla out-executed them brilliantly,” and he insisted his firm’s investment thesis about the promise of electric vehicles “has been proven out.”

Amazing how a man with such a history of smart venture practices fails to see that an entire sector is wholly dependent on government to prop it up and sustain it. Even Tesla is only profitable because it is able to sell emissions certificates under a California law – merely selling its cars isn’t getting it done.

A free market could have figured these things out much faster and without harm to American taxpayers.