May 16 (Bloomberg) -- Tesla Motors Inc., the electric-car maker run by Elon Musk, plans to sell as much as $830 million in shares and debt to be first to repay its federal loan awarded under a program that fueled political controversy.

Teslasaid in a U.S. regulatory filing and statement that proceeds from selling 2.7 million shares, valued at $229 million at yesterday’s $84.84 closing price, and $450 million in convertible senior notes due in 2018 will go to pay off its $465 million loan with interest and fund other operations.

Tesla is making the government whole by repaying a loan awarded under the Advanced Technology Vehicles Manufacturing program that was implemented by President Barack Obama in 2009. The standard repayment schedule for Ford Motor Co.’s $5.9 billion loan and Nissan Motor Co.’s $1.4 billion loan is 10 years. Fisker Automotive Inc., which missed a payment in April, is at risk of bankruptcy after halting vehicle output last year and firing most of its staff last month.

“One Republicans in Congress are also business people, and they should know better than others that not all investments pay off,” said Dan Becker, director of the Safe Climate Campaign, based in Washington. Tesla’s moves “demonstrate that a smart company with the government’s help can get off the ground and become a success,” he said.

The offering is scheduled to price today after market close, data compiled by Bloomberg show. The Energy Department agreed to Tesla’s modified terms on May 14, according to the carmaker’s filing.

Government Loans

Aoife McCarthy, an Energy Department spokeswoman, declined to comment. Loans from the Obama administration were given out in 2009 to spur a market for rechargeable autos including Tesla’s Model S, Nissan’s Leaf hatchback and Ford plug-in cars.

Tesla rose as much as 12 percent. The shares gained 9.3 percent to $92.72 at 11:02 a.m. New York time after reaching $95. The shares surged 150 percent this year through yesterday, compared with a 17 percent increase for the Russell 1000 Index.
The cost of bullish options on Tesla jumped to the highest level ever relative to bearish ones after the company’s first profit triggered a 57 percent rally when short sellers rushed to buy shares.

Calls betting on a 10 percent gain in the stock cost 2.5 points more than puts protecting against a 10 percent loss, according to data compiled by Bloomberg on three-month contracts. That’s the most since the options started trading in July 2010.

Political Critics

The government loans, along with Energy Department funds for failed lithium-ion battery manufacturer A123 Systems Inc. and solar-panel maker Solyndra LLC, have been a target of criticism from Republicans.

Tesla and Fisker were lumped together as “losers” by Mitt Romney, the 2012 GOP nominee, as he campaigned for president last year. Sarah Palin, the Republican 2008 vice presidential candidate, attacked Tesla last month in a Facebook comment as “Obama-subsidized” and the loan program as an “atrocious waste of taxpayer money.”

Musk, 41, said in an interview this month there was a need for U.S. support following the 2008 recession.

“Particularly given the timing of where the economy was, there was some merit to the government involvement,” Musk said on May 2 in Hawthorne, California.

“Of all the car companies that got government funding, we got the least, and we’re going to pay it off first,” Musk said. “That’s not bad.”

First Profit

Tesla’s funding plan comes after the Palo Alto, California-based company last week reported its first quarterly profit, leading its shares to surge to record highs. The next day a Consumer Reports magazine review of the Model S scored the electric car, with a $69,900 base price, as among the best it’s ever tested.

The carmaker, named for inventor Nikola Tesla, in March announced an arrangement to repay its U.S. loan in five years, rather than the original 10-year period. Tesla didn’t clarify yesterday how much faster it would pay back the funds.

The company said last week it made a payment of about $13 million in the first quarter.

“They are obviously striking when the iron is hot and are probably going to find willing buyers,” said Alan Baum, analyst at Baum & Associates in West Bloomfield, Michigan. Paying off the government loan early gives “Tesla more flexibility with the use of their funds going forward,” he said.

Willing Buyer
Chief Executive Officer Musk, already Tesla’s biggest shareholder, intends to buy $100 million of shares of common stock at the same public offering price, the company said. He will invest about $45 million in the public sale and about $55 million in a private placement.

“He is making a statement that, with the stock doing well, he’s personally willing to buy at what would have been considered an inflated price, shares which he expects can go higher still,” Baum said.

Goldman Sachs Group Inc. will manage the stock offering, and Goldman, Morgan Stanley and JPMorgan Chase & Co. will jointly manage the notes offering, Tesla said. The underwriters have an option to buy as many as 405,454 additional shares, the company said.

Recent gains for Tesla shares, along with SolarCity Corp., a solar power company also led by Musk, have raised his fortune to $5.1 billion, according to the Bloomberg Billionaires Index.

Tesla’s market capitalization totaled $9.8 billion as of yesterday’s close, higher than the $8.6 billion for Turin, Italy-based Fiat SpA, majority owner of Chrysler Group LLC.


http://washpost.bloomberg.com/Story?docId=1376-MMUX6V07SXKX01-3K64EMKEBGM74PULQGUSHREJ8V