Record of Categorical Exclusion for

The E7
("world's first purpose-built law enforcement patrol vehicle")

Carbon Motors Corporation ("Carbon Motors") Loan Application for the E7

Description of Proposed Action:

The Department of Energy's (DOE) proposed action is to issue a loan to Carbon Motors for the development of the E7 vehicle, the assembly of which would take place in an existing facility, previously used to manufacture automotive parts. Carbon Motors has applied for a loan in response to the Advanced Technology Vehicle Manufacturing (ATVM) Loan Program that was established pursuant to Section 136 of the Energy Independence and Security Act of 2007, as amended, which provides for loans to eligible automobile manufacturers and component suppliers for projects that reequip, expand, and establish manufacturing facilities in the United States to produce light-duty vehicles and components that provide meaningful improvement in fuel economy, and for engineering integration costs associated with such projects. The E7 vehicle is designed to serve as the world's first purpose-built law enforcement patrol vehicle and would utilize a fuel efficient turbodiesel engine.

Assembly of the vehicle would take place in an existing manufacturing plant, located at One Carbon Motors Drive, Connersville, IN (formerly known as 4747 Western Drive, Connersville, In 47331). The proposed project site has been used for manufacturing since 1953 and includes approximately 1.8 million square feet under roof on approximately 184 acres of land. The manufacturing facility was formerly operated by Visteon Corporation for automotive parts manufacturing and assembly.

Carbon Motors plans to retool and reequip approximately [redacted] square feet of the existing building for use as a manufacturing building and office facility. [redacted]

Although Visteon Corporation's previous operations required a Title V major source air permit, the Carbon Motors reconfigured facility would not be a major source of criteria or hazardous air pollutants and would apply for a [redacted]. The facility would be connected to the municipal sanitary sewer system and would not use a septic system. The facility would also utilize the City of Connersville's water utility which has a capacity of 8.22 million gallons per day. Since the proposed project has [redacted], no impact on the utility is anticipated. Stormwater would be collected via the existing drainage system and collected in the existing 315,000

gallon catch basin. And finally, no measurable noise increases above levels produced by Visteon's operations are anticipated to be generated by future plant operations.

In contrast to Visteon's operations, the proposed project would [redacted]. Moreover, the proposed project would not disturb existing hazardous substances at the project site. The site is currently in the Indiana Department of Environmental Management (IDEM) State Cleanup Program for Visteon-related impacts. Remediation activities currently underway include soil vapor extraction (on-site), bio-injection (on-site), and bio-barriers (on/off-site), combined with Environmental Restrictive Covenants at on/off-site properties to limit or eliminate exposure to environmental impacts. The City of Connersville, as successor-in-interest to Visteon, is conducting the cleanup (originally begun by Visteon) in accordance with an IDEM-approved remedial strategy with direct oversight and review by IDEM. Carbon Motors is not directly involved in this remediation process, but it will ensure that existing hazardous substances are not disturbed by [redacted].

As the project would draw construction and operation workers from the existing workforce, it would have minimal impacts on local housing, public services and community infrastructure.

Number and Title of Categorical Exclusion:

The actions that would be taken pursuant to the ATVM loan are consistent with and are covered by categorical exclusion B1.31 for the retooling and reequipping of the existing facility in Indiana. The full text of the categorical exclusion is as follows:

> B1.31, as provided in 10 CFR § 1021, Appendix B to Subpart D, Relocation of machinery and equipment, such as analytical laboratory apparatus, electronic hardware, maintenance equipment, and health and safety equipment, including minor construction necessary for removal and installation, where uses of the relocated items will be similar to their former uses and consistent with the general missions of the receiving structure.

Regulatory Requirements defined in 10 CFR § 1021.410 (b):

The proposed ATVM loan and related actions described above were subjected to an environmental due diligence review by ATVM staff to ensure they are consistent with the specific categories of actions (categorical exclusions) contained in Appendix B of 10 CFR Part 1021 and the conditions for applying categorical exclusions specified in Section 410 of Part 1021. To ensure that the requirements of Appendix B were met, ATVM staff reviewed the Environmental Report submitted August 12, 2010 by Carbon Motors, held multiple teleconference calls, and conducted numerous email exchanges with Carbon Motors representatives to fully understand the scope of the activities being proposed. In

addition, a site visit by ATVM staff to the Carbon Motors facility in Connersville, Indiana was conducted on September 22, 2010. The results of the environmental due diligence review produced the following conclusions:

_X__ The proposed loan project does not threaten a violation of applicable statutory, regulatory or permit requirements for environmental, safety and health, including DOE and /or Executive Orders.

_X__ The proposed loan project does not require siting, construction, or major expansion of waste storage, disposal, recovery, or treatment facilities.

_X__ The proposed loan project does not disturb hazardous substance, pollutants, contaminants or CERCLA-excluding petroleum and natural gas products that pre-exist in the environment such that there would be uncontrolled or unpermitted releases.

_X__ There are no extraordinary circumstances related to the proposed project that may affect its environmental significance.

_X__ The proposed action is not a connected action as set forth in 40 CFR § 1508.25(a)(2)).

_X__ The proposed action is not part of a DOE proposal for which an EIS is being prepared and therefore a CE is not precluded by 40 CFR § 1506.1 or 10 CFR § 1021.211.

The proposed loan project does not adversely affect any environmentally sensitive resources, including the following:

_X__ Property of historic, archaeological, or architectural significance designated by Federal, state, or local governments or property eligible for listing on the National Register of Historic Places;

_X_ Federal-listed threatened or endangered species or their habitat (including critical habitat), Federally-proposed or candidate species or their habitat, or state-listed endangered species or their habitat;

_X__ Wetlands regulated under the Clean Water Act (33 U.S.C. 1344) and floodplains;

_X__ Areas having a special designation such as Federally- and state-designated wilderness areas, national parks, national natural landmarks, wild and scenic rivers, state and Federal wildlife refuges, and marine sanctuaries;

_X__ Prime agricultural lands;

_X__ Special sources of water (such as sole source aquifers, wellhead protection areas, and other water sources that are vital in a region;

_X__ Tundra, coral reefs, or rain forests.

Comment:

Corporate Validation
Name and Title (Print): Dalton Sprinkle Date: 9-22-10

Signature: EVP and Chief Legal Officer

Determination:

Based on my review of information conveyed to me and in my possession concerning the proposed action, as NEPA Compliance Officer (as prescribed by DOE Order 451.1B), I have determined that the proposed loan and associated actions involve no extraordinary circumstances (10 CFR 1021.410(b)) and fit within the specified categories of actions in Appendix B of 10 CRR 1021 described above, and are hereby categorically excluded from further review under the National Environmental Policy Act (42 USC 4321, as amended).

Signature
Matthew McMillen
NEPA Compliance Officer
Office of the Chief Financial Officer

9-23-10
Date