



# It *Didn't Work* For A123 Systems

*The Company Backed By Taxpayer Dollars And Praised By Obama Is Laying Off Workers, Running Out Of Money, And Looking For A Chinese Takeover*

After Significant Government Assistance, Obama Predicted That A123 Systems Would Create 3,000 Jobs, But Has Only 690 Employees And Has Announced Forced Layoffs. "A123 Systems, a battery maker that received \$380 million in government support, announced recently that declining orders had forced layoffs. Instead of up to 3,000 new Michigan jobs as Obama and the company had predicted, it now has 690 employees." (Carol D. Leonnig, and Joe Stephens, "For Obama's Green-Car Revolution, Fits And Starts," [The Washington Post](#), 12/7/11)

- **In September 2010, President Obama Phoned In A "Congratulations" To A123 Systems, Recipient Of A \$249 Million Recovery Act Grant.** "This morning, President Barack Obama called A123 Systems from the Oval Office to congratulate them on opening the nation's first manufacturing facility to mass-produce electric vehicle batteries. Today's plant opening was made possible by a \$249 million Recovery Act advanced battery grant the company received last August, an award the company matched dollar-for-dollar with private capital." (President Barack Obama, [Remarks By The President In A Phone Call To Recovery Act Advanced Battery Grant Recipient, A123 Systems in Livonia, MI](#), Washington, DC, 9/13/10)
- **In July 2011, President Obama Touted A123 Systems As A Job-Creating Company With Soaring Demand For Its Vehicle Components.** OBAMA: "As these companies look for ways to boost efficiency, they'll be conducting research and development on test tracks. They're going to look to startups working on biofuels and new engine technologies. They're going to continue to invest in advanced battery manufacturing. They're going to spur growth in clean energy. And that means new jobs in cutting-edge industries all across America. I'll give you a couple of examples. There's a company called Celgard in North Carolina that's expanding its production line to meet demand for advanced batteries. And they've hired 200 employees and they're adding 250 more. There's A123, a clean-energy manufacturer in Michigan that just hired its 1,000th worker as demand has soared for its vehicle components. Companies like these are taking root and putting people to work in every corner of the country." (President Barack Obama, [Remarks By The President On Fuel Efficiency Standards](#), Washington, DC, 7/29/11)

**THIS WEEK, CHINA'S WANXIANG GROUP ANNOUNCED THAT IT WILL TAKE AN 80 PERCENT STAKE IN STRUGGLING BATTERY MAKER A123 SYSTEMS**

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**China's Wanxiang Plans To Invest \$450 Million In Obama-Funded A123 Systems Taking 80 Percent Stake.** "China's largest automotive parts supplier is poised to take control of U.S. battery maker A123 Systems (AONE.O), which received \$249 million green-technology grant from the Obama administration in 2009. China's Wanxiang Group Corp plans to invest up to \$450 million in A123 Systems, taking an 80 percent stake in the U.S. company, A123 said on Wednesday." (A. Ananthalakshmi and Paul Lienert, "China's Wanxiang To Take Control Of Battery Maker A123," [Reuters](#), 8/8/12)

- **Wanxiang Is "One Of The Largest Non-Government-Owned Companies In China" And Has A U.S. Subsidiary Based Outside Chicago.** "Wanxiang, one of the largest non-government-owned companies in China, with annual revenue of more than \$13 billion, has an electric vehicles subsidiary in Hangzhou and a U.S. subsidiary based outside Chicago. The parent company supplies auto parts to many of China's largest automakers." (A. Ananthalakshmi and Paul Lienert, "China's Wanxiang To Take Control Of Battery Maker A123," [Reuters](#), 8/8/12)

**After Receiving Taxpayer Dollars, A123 Warns It Has Enough "Cash To Fund Its Operations For Only The Next Four To Five Months."** "A123 warned last month that it had cash to fund its operations for only the next four to five months. A123 received more than \$200 million from venture investors before raising \$378 million in a 2009 initial public offering. That same year, it was awarded a grant under the Obama administration's \$2.4 billion Electric Drive Battery and Component Manufacturing Initiative." (A. Ananthalakshmi and Paul Lienert, "China's Wanxiang To Take Control Of Battery Maker A123," [Reuters](#), 8/8/12)

## IN JUNE, A123 ANNOUNCED THERE WAS SUBSTANTIAL DOUBT THAT IT COULD CONTINUE OPERATING

**A123 Systems Lost \$621 Million Since 2009 And Disclosed "Substantial Doubt About Its Ability To Continue" In Its SEC Filing Disclosure.** "A123 was forced to launch an expensive recall -- its second in four months. With \$621 million in net losses since 2009, the company disclosed in SEC filings last month that there was 'substantial doubt' about its 'ability to continue.'" (Sharyl Attkisson, "Electric Car Battery Company Hits Road Bumps," [CBS Evening News](#), 6/17/12)

- **A123 Systems "Still Has More Than 100 Million Federal Stimulus Tax Dollars Left To Spend."** "A123 isn't giving up. It still has more than 100 million federal stimulus tax dollars left to spend." (Sharyl Attkisson, "Electric Car Battery Company Hits Road Bumps," [CBS Evening News](#), 6/17/12)
- **A123 May Not be Able To Survive If It Doesn't Obtain Private Funding.** "Completion of the factory has been delayed. The company is running short of money and has warned that unless it raises more cash from private investors, it might not be able to stay in business." (Bill Vlasic and Matthew Wald, "Shaky Battery Maker Claims A Breakthrough," [The New York Times](#), 6/11/12)

## WANXIANG HAS A HISTORY OF GETTING INVOLVED WITH OTHER OBAMA-BACKED GREEN ENERGY COMPANIES

**In 2011, Obama Met With Wanxiang Group Founder And Chairman Lu Guanqui.** "The day after a trade meeting with President Barack Obama, Wanxiang Group founder and Chairman Lu Guanqiu came to visit with a Rockford delegation that would like to see more than just a Wanxiang solar panel assembly plant in Rockford." (Brian Leaf, "Future Partnerships' With Chinese Company Explored," [Rockford Register Star](#), 1/21/11)

- **Guanqui Toured Wanxiang's Rockford Solar Assembly Plant.** "Lu runs the second largest private business in China, with more than \$10 billion in revenue. It's a conglomerate with business interests that include automotive components (it's the largest parts maker in China), financial services, alternative energies, agricultural products and real estate. Lu toured Wanxiang's solar panel assembly plant near the airport, then met for lunch with Rockford Mayor Larry Morrissey,

Winnebago County Chairman Scott Christiansen, businessman Sunil Puri, airport Director Bob O'Brien, Regional Director of Government Affairs Mike Dunn, economic development officials, and Bryan Davis, a spokesman for U.S. Rep. Don Manzullo, R-Egan." (Brian Leaf, "Future Partnerships' With Chinese Company Explored," [Rockford Register Star](#), 1/21/11)

- **Waxiang's Rockford Investment Followed A Law Passed Requiring Utilities To Generate 25 Percent Of Their Power For Small Users From Renewables By 2025.** "Wanxiang's Rockford investment followed a law passed last year requiring utilities to generate 25 percent of their power for small users from renewable sources by 2025. Last week, Obama signed a law requiring that solar panels used by the military be made in the U.S., which would include Rockford's Wanxiang plant." (Brian Leaf, "Future Partnerships' With Chinese Company Explored," [Rockford Register Star](#), 1/21/11)

***Ener1 Entered Into An Agreement With Wanxaing Which Would Have Moved Some Production To China Before Going Bankrupt And Being Bought By A Russian Billionaire***

**Ener1 Inc. And Wanxaing Electric Vehicle Co. Signed A Joint Venture Agreement To Make Lithium-Ion Battery Cells And Packs For Chinese Cars And "Eventually Could Be Expanded To Export Batteries From China."** "A start-up battery company is launching a joint venture with one of China's largest auto suppliers to serve the anticipated growth in electric vehicles in China and beyond. Wanxiang Electric Vehicle Co., a division of the Chinese conglomerate Wanxiang Group Corp., signed a joint venture agreement Monday night with Ener1 Inc. to make lithium-ion battery cells and packs for vehicles in China. Company officials on both sides said the partnership eventually could be expanded to export batteries from China, but officials at Ener1 have concerns about protecting its U.S. battery production." (Matthew Dolan, "U.S. Battery firm in China Venture," [The Wall Street Journal](#), 1/18/11)

- **"Wanxaing Is Putting Up Almost All Of The Capital For The Venture, Including A 553,000-Square-Foot Plant in Hangzhou, China."** (Matthew Dolan, "U.S. Battery firm in China Venture," [The Wall Street Journal](#), 1/18/11)
- **Ener1 Chief Executive Charles Gassenehimer Expects Jobs And Investment Equipment To Move To China.** "Ener1 plans to move some of its engineers to China to help the new venture improve the quality of battery density and reliability. The U.S. company also anticipates transferring some of its factory machinery to increase the production quality, Mr. Gassenheimer said." (Matthew Dolan, "U.S. Battery firm in China Venture," [The Wall Street Journal](#), 1/18/11)

**Ener1, An Energy Storage Company That Received A \$118.5 Million Stimulus Grant, Filed For Bankruptcy.** "An Indiana-based energy-storage company that received a \$118.5 million stimulus grant from the Energy Department filed for bankruptcy Thursday. Ener1 is asking a federal bankruptcy court in New York to approve a plan to restructure the company's debt and infuse \$81 million in equity funding." (Andrew Restuccia, "Obama-Backed Electric Car Battery-Maker Files For Bankruptcy," [The Hill's E2 Wire](#), 1/26/12)

**A Year After Vice President Joe Biden Praised Ener1, The Company Was Bought Outright By A Russian Businessman With Ties To Then-Russian President Dmitry Medvedev.** "A little more than a year after Biden's visit to Ener1's Indiana manufacturing plant, the company's technology is owned outright by Boris Zingarevich, a Russian businessman with ties to Russian President Dmitry Medvedev, a fact that concerns some technology experts in the U.S." (Julie Wernau, "U.S.-Backed Battery Company's Sale To Russian Tycoon Sparks Anxiety," [Chicago Tribune](#), 4/8/12)

- **"Zingarevich Acquired Ener1 Out Of Bankruptcy March 30 With An Agreement To Infuse \$81 Million In Financing, Giving Him A Sophisticated Line Of Batteries That Can Power Electric Cars, Store Electricity For Power Grids And Supply Portable Power For Soldiers."** (Julie Wernau, "U.S.-Backed Battery Company's Sale To Russian Tycoon Sparks Anxiety," [Chicago Tribune](#), 4/8/12)

***Smith Electric Vehicles Partnered With Wanxiang To Produce Electric School Buses And Commercial Vehicles For The Chinese Market***

**Smith Electric Vehicles Announced It Would Partner With Wanxiang Group “To Develop, Manufacture, And Commercialize All-Electric School Buses And Commercial Vehicles For Multiple Industries In China.”** “Smith Electric Vehicles Corp. (Smith), a global leader in all-electric commercial vehicles, announced today that it has signed a letter of intent with Wanxiang Group, a global leader in automotive parts manufacturing and supply. The principal terms include a \$25 million equity investment in Smith by Wanxiang and up to a \$75 million investment in a joint venture between Smith and Wanxiang to develop, manufacture and commercialize all-electric school buses and commercial vehicles for multiple industries in China.” (Press Release, “Smith Electric Vehicles And Wanxiang Group Announce Investment And Joint Venture,” [Smith Electric Vehicles](#), 2/17/12)

- **Defending Stimulus Spending, Obama Toured Smith Electric Vehicles Which “Received \$32 Million in American Recovery And Reinvestment Act Money.”** “President Obama used a visit Thursday to Kansas City’s Smith Electric Vehicles U.S. Corp. to defend his administration’s use of grants and other stimulus spending to help pull the nation out of recession. Obama toured the 80,000-square-foot plant, which makes all-electric commercial trucks and received \$32 million in American Recovery and Reinvestment Act money, and noted that the manufacturer plans to double its 50-person work force by the end of the year.” (David Twiddy, “Obama visits Smith Electric Vehicles, Defends Stimulus Spending,” [Kansas City Business Journal](#), 7/8/10)