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August 14, 2012

Dr. Stephen Chu
Secretary
Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Dear Secretary Chu:

We write today in regards to the Department of Energy (DOE) grant to A123 Systems, Inc., and the recent announcement of Wanxiang Group Corp, a China-based company, to heavily invest in the U.S. battery manufacturer.

In 2009, A123 was awarded a \$249.1 million grant through the American Reinvestment and Recovery Act of 2009 (Recovery Act). In a letter dated June 25, 2012, we asked you how much of this grant has yet to be transferred to A123. Although you failed to answer this straightforward question, media reports indicate that A123 has approximately \$120 million of the \$249.1 million grant currently outstanding.

Recently, A123 and the China-based Wanxiang announced a \$450 million deal to save the struggling battery manufacturer. According to media reports, Wanxiang will purchase \$200 million of A123's secured debt and provide up to an additional \$250 million in financing. A key part of this transaction gives Wanxiang the option to transfer some of this debt into ownership of the company, which could result in Wanxiang owing 80 percent of A123.

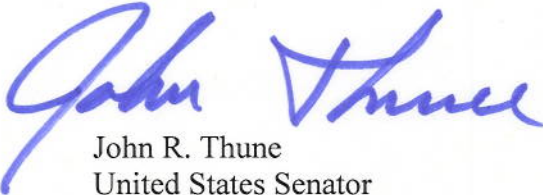
Billions of U.S. taxpayer dollars have flowed to foreign companies through the Recovery Act, and we are concerned that the recent announcement could lead to even more taxpayer dollars going overseas. Given that A123 could soon be owned by a Chinese company, please answer the following questions with regards to this transaction and A123's outstanding Recovery Act grant:

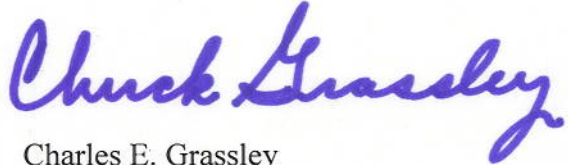
1. How much of A123's \$249.1 million Recovery Act grant is still outstanding?
2. Considering that A123 has already received millions of U.S. taxpayer dollars and could potentially receive up to \$450 million from a foreign company, does A123 need additional taxpayer dollars to continue its operations?
3. If the A123-Wanxiang transaction is approved, how will that impact future distributions of A123's Recovery Act grant, if at all?

4. If the A123-Wanxiang transaction is approved and Wanxiang exercises its option to convert the A123's debt into equity, does DOE still plan to distribute the unused portion of A123's Recovery Act grant? If so, why?
5. What assurances does DOE have that Wanxiang will not simply wait until the additional grant money is awarded and then exercise its option to convert A123's debt into ownership of the U.S.-subsidized company? Would DOE view that as an appropriate outcome? If so, why?
6. What assurances, if any, does DOE have that the A123-Wanxiang transaction and additional DOE funding through the Recovery Act will not lead to a transfer of taxpayer-funded intellectual property to a China-based company, or that the taxpayer funded manufacturing jobs will remain in the United States?
7. With the recent announcement that Wanxiang will be investing in A123, will the DOE place additional milestones on A123's progress before awarding the additional Recovery Act grant dollars, and if so, what would those be? What assurances does DOE have, if any, that A123 has solved its technical problems and that A123 will become profitable in the near future?
8. In an August 3, 2012, letter to us, Acting Executive Director of DOE's Loan Program Office David Frantz wrote that, "(t)he Department is in constant dialogue with A123 to stay abreast of progress, challenges, plans and developments to assure that the project is meeting the objectives as defined in the grant. DOE is also continually monitoring risk and financial conditions. As part of this "continual monitoring" when did DOE become aware of A123's pending transaction with Wanxiang?
9. Did DOE raise any objection to this transaction? If so, when? Please provide documents supporting any objection raised by DOE to this transaction.

Thank you for your cooperation and attention in this matter. We would appreciate a response by August 21, 2012. If you have any questions, please do not hesitate to contact Chris Lucas for Senator Grassley at (202) 224-5225 and Brendon Plack for Senator Thune at (202) 224-2321.

Sincerely,


John R. Thune
United States Senator


Charles E. Grassley
Ranking Member
Committee on the Judiciary