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Taxpayer-Backed Yet Cash-Poor A123 Stock Hits All-Time Low

Submitted by [Paul Chesser \(bios/paul-chesser\)](#) on Wed, 07/18/2012 - 20:07

A week and a half  [Printer-friendly \(http://nlpc.org/print/4078\)](http://nlpc.org/print/4078)  [Email to friend \(http://nlpc.org/printmail/4078\)](http://nlpc.org/printmail/4078)

ago cash-poor [A123](#)

[systems \(http://nlpc.org/category/keywords/a123-](http://nlpc.org/category/keywords/a123-systems)

[systems\)](http://nlpc.org/category/keywords/a123-systems), recipient of \$279 million-plus in federal

money and millions more from the State of

[Michigan \(http://nlpc.org/category/keywords/michigan\)](http://nlpc.org/category/keywords/michigan),

announced it would [access \\$39 million](#)

[http://in.reuters.com/article/2012/07/06/us-a123systems-](http://in.reuters.com/article/2012/07/06/us-a123systems-issue-idINBRE8650No20120706)

[issue-idINBRE8650No20120706](http://in.reuters.com/article/2012/07/06/us-a123systems-issue-idINBRE8650No20120706)) via a stock sale to

institutional investors and the release of other

cash after meeting requirements related to its existing reserves.



It has been downhill ever since – all the way down to its all-time low of 75

cents per share price yesterday (and now 73 cents this morning). It may be

too much for even these [masters of the press release cycle](#)

<http://nlpc.org/stories/2012/06/13/a123s-positive-developments-are-clockwork>) to

overcome by creating good news out of thin air.

A123 is in the throes of a deathwatch. Occasionally its leadership has

boosted its stock price by telling the media about real-or-phantom positive

developments – like new [contracts \(http://www.a123systems.com/5d882ec6-4783-](http://www.a123systems.com/5d882ec6-4783-1ad1-9ee7-31293ec875f9/media-room-2012-press-releases-detail.htm)

[1ad1-9ee7-31293ec875f9/media-room-2012-press-releases-detail.htm](http://www.a123systems.com/5d882ec6-4783-1ad1-9ee7-31293ec875f9/media-room-2012-press-releases-detail.htm)) with automakers,

new developments in [China \(http://www.a123systems.com/b62cc06a-2de4-47d4-961b-](http://www.a123systems.com/b62cc06a-2de4-47d4-961b-8486d6fed752/media-room-2012-press-releases-detail.htm)

[8486d6fed752/media-room-2012-press-releases-detail.htm](http://www.a123systems.com/b62cc06a-2de4-47d4-961b-8486d6fed752/media-room-2012-press-releases-detail.htm)) and [India](http://www.a123systems.com/14c095d2-4379-4e2f-aaa7-69985dae2666/media-room-2012-press-releases-detail.htm)

[http://www.a123systems.com/14c095d2-4379-4e2f-aaa7-69985dae2666/media-room-2012-](http://www.a123systems.com/14c095d2-4379-4e2f-aaa7-69985dae2666/media-room-2012-press-releases-detail.htm)

[press-releases-detail.htm](http://www.a123systems.com/14c095d2-4379-4e2f-aaa7-69985dae2666/media-room-2012-press-releases-detail.htm)), or a [technological breakthrough](#)

[http://www.a123systems.com/93f6a479-ed0f-4267-b270-3a9f51665815/media-room-2012-](http://www.a123systems.com/93f6a479-ed0f-4267-b270-3a9f51665815/media-room-2012-press-releases-detail.htm)

[press-releases-detail.htm](http://www.a123systems.com/93f6a479-ed0f-4267-b270-3a9f51665815/media-room-2012-press-releases-detail.htm)) – but every time the enthusiasm from Wall Street was

temporary.

“There are few industries with more BS than the battery industry. It’s quite

remarkable.” said [Elon Musk \(http://nlpc.org/category/people/elon-musk\)](http://nlpc.org/category/people/elon-musk), [CEO](http://www.dailyfinance.com/2012/06/14/a-buy-or-bye-bye-for-a123-systems/?source=eddlftxt0860001)

[http://www.dailyfinance.com/2012/06/14/a-buy-or-bye-bye-for-a123-systems/?](http://www.dailyfinance.com/2012/06/14/a-buy-or-bye-bye-for-a123-systems/?source=eddlftxt0860001)

[source=eddlftxt0860001](http://www.dailyfinance.com/2012/06/14/a-buy-or-bye-bye-for-a123-systems/?source=eddlftxt0860001)) of electric car manufacturer [Tesla](#)

<http://nlpc.org/category/keywords/tesla>), which is also the recipient of a [\\$465](#)

[million loan guarantee \(http://nlpc.org/stories/2012/05/15/taxpayers-subsidize-forbes-](http://nlpc.org/category/keywords/tesla)

[green-billionaires-schemes](http://nlpc.org/stories/2012/05/15/taxpayers-subsidize-forbes-green-billionaires-schemes)) from the [Department of Energy](#)

<http://nlpc.org/category/keywords/department-energy>)’s [stimulus](#)

<http://nlpc.org/category/keywords/stimulus>) stash.

Musk, who ought to know something about dealing with the battery

industry, echoed thoughts that Theodore O’Neill of Wunderlich Securities

had about A123 and the alternative energy business in general, which he

follows closely.

“New battery technologies are a dime a dozen, do nothing to solve the

company’s current problems and can take years to develop and get into

production,” he said.

Government bureaucrats have overseen the distribution of billions of dollars to favored companies in pursuit of [Recovery Act](http://nlpc.org/category/keywords/recovery-act) <http://nlpc.org/category/keywords/recovery-act> funds under [President Obama](http://nlpc.org/category/people/president-obama) <http://nlpc.org/category/people/president-obama>'s green energy economy, but they are clueless as venture capitalists on behalf of taxpayers. Bankrupt stimulus recipients such as [Solyndra](http://nlpc.org/category/keywords/solyndra) (<http://nlpc.org/category/keywords/solyndra>), [Ener1](http://nlpc.org/category/keywords/ener1) (<http://nlpc.org/category/keywords/ener1>), and [Abound Solar](http://nlpc.org/category/keywords/about-solar) (<http://nlpc.org/category/keywords/about-solar>) are examples of companies that were unworthy of the investment faith placed in them – a judgment that should have been left to the private finance industry, not public pen pushers. Worse is the likelihood that most of the companies who benefited did so thanks to crony corporatism practices, thanks to cozy relationships with the Obama administration and other politicians in a position to wield influence.

The results seen with A123 were predictable. With little proof and no track record that they were a viable company, the Massachusetts-based battery maker was [given](http://nlpc.org/stories/2011/12/02/taxpayer-funded-green-job-losses-easy-a123) (<http://nlpc.org/stories/2011/12/02/taxpayer-funded-green-job-losses-easy-a123>) \$249.1 million to help launch two battery-manufacturing plants in Michigan. A123 also received grants and tax credits from the state that would total more than \$135 million. In a separate federal grant as a subcontractor for another grantee, A123 received nearly \$30 million for a wind energy storage project. Another award from the stimulus, a [\\$5 million grant for a battery storage project](http://www.recovery.gov/Transparency/RecipientReportedData/Pages/RecipientProjectSummary508.aspx?AwardIDSUR=103339&qtr=2012Q1) (<http://www.recovery.gov/Transparency/RecipientReportedData/Pages/RecipientProjectSummary508.aspx?AwardIDSUR=103339&qtr=2012Q1>) for Detroit Edison, also went to A123. Apparently A123 also sought a taxpayer-backed loan from DOE's Advanced Technology Vehicle Manufacturing Loan Program – the same resource tapped by bankrupt Solyndra, Abound Solar and Beacon Power – but was either found unworthy or withdrew its request. But at least [a half million dollars was spent by DOE](http://www.recovery.gov/Transparency/RecipientReportedData/Pages/RecipientProjectSummary508.aspx?AwardIDSUR=19499&qtr=2009Q4) (<http://www.recovery.gov/Transparency/RecipientReportedData/Pages/RecipientProjectSummary508.aspx?AwardIDSUR=19499&qtr=2009Q4>) on a law firm to review A123's application.

With all that public money, plus millions of dollars more in private equity (including an initial public offering that drew \$378 million), A123 has [tumbled badly](http://nlpc.org/stories/2012/04/12/another-blunder-taxpayer-funded-by-battery-company-a123) (<http://nlpc.org/stories/2012/04/12/another-blunder-taxpayer-funded-by-battery-company-a123>). Despite the promise of “green jobs,” the company laid off 125 workers in November. Its defective batteries have been the cause of at least two recalls for its top customer, [Fisker Automotive](http://nlpc.org/category/keywords/fisker) (<http://nlpc.org/category/keywords/fisker>), one of which caused a vehicle to shut down during testing by [Consumer Reports](http://nlpc.org/category/keywords/consumer-reports) (<http://nlpc.org/category/keywords/consumer-reports>). Another of its batteries caused an explosion at a [General Motors](http://nlpc.org/category/keywords/general-motors) (<http://nlpc.org/category/keywords/general-motors>) test facility, injuring at least one person.

After suffering net losses of \$85.8 million in 2009 and \$152.6 million in 2010, A123 reported a loss of \$257.7 million for last year that included an \$11.6 million write-down of its ownership in Fisker. Meanwhile an investor class action lawsuit was filed against A123 for failure to adequately disclose its costs incurred to fix its batteries over the next several quarters, which represents approximately one quarter of the company's projected annual revenue for 2012. And despite its new announcement that it will get a small infusion of cash, earlier this month A123 reiterated a message [to investors](http://in.reuters.com/article/2012/07/06/us-a123systems-issue-dINBRE8650N020120706) (<http://in.reuters.com/article/2012/07/06/us-a123systems-issue-dINBRE8650N020120706>) that it only has about five-months' worth of reserves to continue operations. Yet laughably, in another of its media spin-jobs, A123 [announced last month](http://www.reuters.com/article/2012/06/06/us-a123) (<http://www.reuters.com/article/2012/06/06/us-a123>

[iring-idUSBRE8550V120120606](#)) it would hire 400 workers in the coming months.

Why journalists report anything positive that A123 and CEO David Vieau says, when Wall Street keeps beating it down based on economic reality, illustrates how the media robotically follows the Obama green agenda buffery. Fortunately the track record also has reporters on the watch for [the next Solyndra \(http://nlpc.org/stories/2012/04/19/a123-systems-next-solyndra\)](http://nlpc.org/stories/2012/04/19/a123-systems-next-solyndra)” because train wrecks with taxpayer dollars always draw the interest of readers and viewers.

A 75-cent stock price – down from A123’s 52-week high of \$5.91 and over \$25 in late 2009 – confirms Theodore O’Neill’s forecast that the company faces a “doomsday scenario.” If A123 isn’t the “next” Solyndra, then it’s one of them.

Paul Chesser is an associate fellow for the National Legal and Policy Center.