



case 1-429-302
February 14, 2013

A123 Systems Powering a Sustainable Future: Strategizing in the Advanced Battery Market

I am calling to congratulate A123 Systems on this tremendous milestone. Thanks to the Recovery Act, you guys are the first American factory to start high-volume production of advanced vehicle batteries. This is about the birth of an entire new industry in America.¹

— Barack Obama
President, United States

In order to guarantee our economic prosperity in this century and to solve our energy problems, we are going to need nothing short of a new industrial revolution. Instead of watching a technology be discovered here and be shipped overseas, we fought to keep it here.²

— Steven Chu
Secretary of Energy, United States

Introduction

Just nine years after its founding in 2001, A123 Systems Inc. (A123) stood as a beacon of hope for a struggling American economy. The company successfully went to market with Nanophosphate[®], a new nanotechnology developed by its Massachusetts Institute of Technology (MIT) founders that offered the potential to revolutionize both the energy storage and electric battery industries.³ A123 had drawn critical acclaim from President Barack Obama and Secretary of Energy Steven Chu, the automotive industry, the environmental and scientific communities, and especially Wall Street investors, who drove a 50% price increase on the stock's first day of trading.⁴ The *Wall Street Journal* praised General Electric's investment in A123, describing the partnership as "the future of electricity" and one worthy "of Warren Buffet's investment."⁵ The California Energy Commission heralded the company as "the smartest storage renewable resource enabler."⁶ Lastly, CNN Money's analysts viewed A123 as the company "that charged the car battery market."⁷

On the heels of opening the largest hybrid vehicle battery manufacturing facility in North America and hiring his thousandth employee in Michigan, CEO David Vieau contemplated the future of A123. Despite the company's strong position, the political uncertainty and economic turmoil of 2008 left him uneasy. He firmly

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