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dictates that loan recipients must be "financially viable without the receipt of additional Federal funding associated

with the proposed project."

Whether A123 meets that qualification is questionable. "Much of our planned domestic manufacturing capacity expansion depends on receipt of these funds [from the ATVM program] and other incentives," the company stated in its SEC filing, "and the failure to obtain these funds or other incentives could materially and adversely affect our ability to expand our manufacturing capacity and meet planned production levels."

The Energy Department did not return multiple requests for comment on A123's loan application.

Even if the company is eligible for the loan, however, it is in dire financial straits, and may be a shaky bet for an administration already plagued by a series of Solyndra-esque green energy flops.

According to its SEC filing, A123 is relying not only on further federal funding, but on its two largest clients, which together account for half of its business. One of those companies, Fisker Automotive, is also financially troubled.

"For the year ended December 31, 2011," its filing states, "revenue from our two largest customers, Fisker and AES Energy Storage, LLC and its affiliates, or AES, represented 26% and 24% of our revenue, respectively."

Fisker, which received a \$529 million loan through the ATVM program despite conducting significant portions of its operations in Finland, <u>delayed production</u> of one of its models, and was forced to <u>lay off 65 employees</u>. A pair of U.S. senators is <u>investigating</u> DOE's decision to award its Fisker loan.

The 26 percent of A123's revenue coming from its relationship with Fisker increased by 1,300% percent since 2010. "If Fisker is unable to fulfill its commitment under the supply agreement," A123 states, "our revenues could be materially lower than our forecasts and we may have under-utilized manufacturing capacity."

A123 even cites a shortfall in orders from Fisker as a cause of its declining financial health in 2011. "In November 2011 and again in January 2012, we announced revised annual revenue guidance for 2011 due to an unanticipated reduction in orders from Fisker for the fourth quarter," the SEC filing states.

Ali Meyer contributed to this report.

Posted in Energy and Environment, Ongoing Priorities, Scribe



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The Energy Department did not return multiple requests for comment on A123's loan application. [UPDATE: In an email Friday afternoon, DOE spokesman Bill Gibbons said that the Department could not comment on pending loan applications.]

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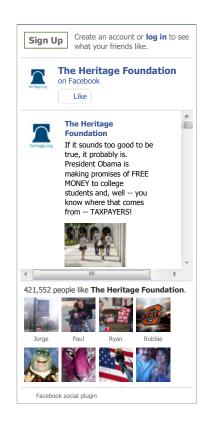
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