

United States Senate

WASHINGTON, DC 20510

November 1, 2012

The Honorable Timothy Geithner
Secretary of the Treasury
United States Department of the Treasury
1500 Pennsylvania Avenue, NW, Room 3330
Washington, DC 20220

Dear Secretary Geithner:

In your capacity as the Secretary of Treasury, which oversees the Committee on Foreign Investment in the United States (CFIUS), you are responsible for reviewing certain transactions involving foreign ownership of U.S. companies. There is a potential transaction between A123 Systems, a Massachusetts-based battery manufacturer, and Wanxiang Group, a China-based automotive parts company, which may result in a CFIUS review.

In August 2012, A123 and Wanxiang announced a \$450 million deal that could have resulted in Wanxiang owning 80 percent of A123. We raised concerns regarding this development to the Department of Energy and in a letter sent directly to A123. Now, a similar transaction could be imminent as a result of A123's bankruptcy filing. Reports indicate that Wanxiang will provide debtor in possession financing for A123's bankruptcy proceedings and will bid for A123's assets including its consumer and grid energy lines.

In addition to a \$249 million Recovery Act grant to spur its lithium-ion battery manufacturing, A123 was also the recipient of several military contracts for research and development and energy storage devices. If Wanxiang successfully acquires A123 during the bankruptcy process, it could gain access to these defense contracts and technology used by multiple branches of the U.S. military. A123 has also pursued utility-scale grid storage projects that could play an important role in strengthening our nation's electric grid in the near future. These issues should be thoroughly and transparently reviewed to ensure U.S. military and taxpayer interests are protected throughout the process.

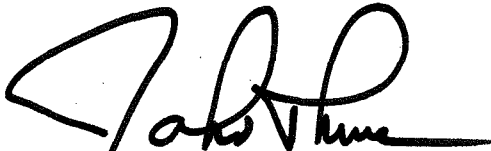
While we welcome foreign investment in the United States, we must ensure that national security and taxpayer interests are appropriately addressed. We would appreciate answers to the following questions:

1. Is CFIUS formally or informally reviewing this transaction, has it concluded a formal or informal review, or does it plan to review this transaction in the near future? Has either party submitted a notice to CFIUS on the proposed transaction? If so, when was the notice submitted?

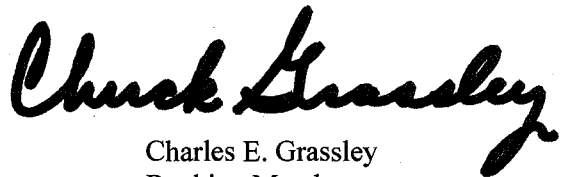
2. How will military strategies and intellectual property be protected as part of this transaction?
3. Do A123's grants and contracts with various federal agencies contain transfer restrictions that would prohibit these grants and contracts from going to a foreign-based company such as Wanxiang?
4. How does CFIUS propose to handle export restriction requirements, notably those relating to the International Traffic in Arms Regulations (ITAR), in its review of the potential transaction? Are there products, services, or employees subject to ITAR or classified contract restrictions that are part of the supply chain involving non-subject products or services?
5. Do A123's grid storage initiatives have any application to preventing cyber attacks on U.S. electric grid systems? If so, would these technologies be transferred to Wanxiang as part of this transaction?
6. As part of the potential transaction, what safeguards are in place to protect taxpayer-funded intellectual property?
7. How would this transaction impact efforts by Congress or the administration to improve energy security and national security?

Thank you for your cooperation and attention to this matter. We would appreciate a response by November 15, 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