

## A123 SYSTEMS FILES FOR CHAPTER 11 BANKRUPTCY



In October 2012, CNN Money reported A123 Systems, once all the rage with the U.S. electric car industry and government funding, filed for Chapter 11 bankruptcy. The filing draws attention to federal subsidies for green energy companies. A123 has \$144 million in debt and was not able to pay a \$2.7 million interest payment on October 15, 2012. In 2009, the battery maker received \$249 million in federal funding for battery technology manufacturing at two sites in Michigan. One site was in Romulus and the other was in Brownstown. The government funding was part of \$2.4 billion in stimulus funds improve vehicle manufacturing in the United States. A123 is based in Waltham, MA. The company manufactures lithium ion batteries for electric cars. The company stemmed from research labs at the Massachusetts Institute of Technology in 2001. The founders started the company with \$100,000 in seed money from the U.S. government. A123 advanced batteries were praised as the U.S. solution to an industry dominated by Asian companies. The company did well on the U.S. stock market in 2009. A123 shares moved up over 50% on its first day of trading. However, demand for electric vehicles has not materialized in this weak economy because the cost of electric vehicles is high. The A123 bankruptcy filing follows the steps of other companies that received government money under President Obama, including Ener1, another battery maker, solar panel maker Solyndra, energy storage firm Beacon Power, and solar panel maker Abound Solar. In a Chapter 11, the U.S. Trustee takes a percentage of the cash flow from the bankruptcy estate each quarter. The debtor must file operating reports with the bankruptcy court to calculate the U.S. Trustee's fees. After a Chapter 11 bankruptcy filing, a debtor can convert to Chapter 7 when the debtor decides not to keep certain assets or reorganize a business that induced the debtor to file Chapter 11. To do so, there is generally a status conference in bankruptcy court on the conversion of a Chapter 11 to a Chapter 7 bankruptcy. Critics say the government does not have the ability to pick winners in the alternative energy sector, and should keep funding to basic research. Opposing views say government funding is important to support small companies. They note that many of the companies the government has funded are still in business. In bankruptcy, when the debtor has the debtor's name as an owner of an asset, the property will be considered as part of the estate for paying off creditors even when the debtor does not use the asset. The title on property establishes ownership not the possession of the property. Looking forward to make your career in the [bankruptcy industry](#) [click here](#) .