Johnson Controls Declines Lender Role For A123

The Associated Press

MILWAUKEE (AP) — Auto parts maker Johnson Controls is stepping away from its position as the debtor-in-possession lender during the bankruptcy process for battery maker A123 Systems in order to prevent delays.

The company is avoiding a premature legal tussle with Chinese auto parts maker Wanxiang Group Corp., which is challenging Johnson Controls' role as the primary bidder for A123.

A123 Systems Inc. filed for bankruptcy protection earlier this month and Johnson Controls Inc. agreed to buy its automotive assets. Johnson said Friday that its $125 million offer stands, and it now plans to expand the offer to include the company's government business, which involves military contracts.

Johnson, based in Milwaukee, said it also maintains its "stalking horse" position in the bankruptcy process, subject to court approval next month, over Wanxiang or any other rivals. The "stalking-horse bid" is the initial bid in a court-supervised auction of a business. It allows a company selling assets under bankruptcy protection to avoid low-ball bids.

After its first day as a public company just three years ago, when investors bid up shares by 50 percent, A123 had struggled.

The company also received a $249 million Department of Energy grant three years ago with high hopes that it would help foster a U.S. battery industry. At the time, the country was far behind the world leaders, South Korea and China.

But the technology offered by the Waltham, Massachusetts-based A123 Systems turned out to be ahead of its time. Americans continue to shun costly electric cars in favor of gas-powered ones.

The company has yet to post a profit and lost $83 million in the second quarter.

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