

A123 SYSTEMS, INC.
Form 8-K
May 15, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): **May 11, 2012**

A123 Systems, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-34463
(Commission File Number)

04-3583876
(IRS Employer
Identification Number)

A123 Systems, Inc.
200 West Street
Waltham, Massachusetts
(Address of Principal Executive Offices)

02451
(Zip Code)

Registrant's telephone number, including area code: **617-778-5700**

Edgar Filing: A123 SYSTEMS, INC. - Form 8-K

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Edgar Filing: A123 SYSTEMS, INC. - Form 8-K

the closing subject to the account control agreement will not be available to the Company prior to the Company obtaining shareholder approval and the declaration of effectiveness of the registration statement by the Securities and Exchange Commission on or prior to August 9, 2012.

The Purchasers will also have the right at any time, and from time to time, after August 15, 2012, to elect to convert up to \$30.0 million aggregate principal amount of Notes at a price equal to 85% of the closing price of the Company's common stock on the trading day immediately preceding the conversion date; provided, however, that

the Purchasers may not convert more than \$3.5 million aggregate principal amount of the Notes on any given trading date.

The Notes may not be converted if, after giving effect to the conversion, the Purchasers together with their affiliates would beneficially own in excess of 4.99% of the outstanding shares of the Company's common stock (the Maximum Percentage). The Maximum Percentage may be raised to any other percentage not in excess of 9.99% at the option of the Purchasers, upon at least 61-days' prior notice to the Company, or lowered to any other percentage, at the option of the Purchasers, at any time.

In no event will the Company issue more than 19.9% of the number of shares of the Company's outstanding common stock on the closing date in respect of the Notes as a result of conversions, amortization or interest payments, or redemptions unless prior shareholder approval has been obtained, except as a result of stock splits or similar events.

In the event of a change of control (as defined), the holders of the Notes will have the option to cause the Company to redeem the Notes at the greater of 100% of the par value of the Notes then outstanding plus interest on the notes payable through maturity and the value of the Notes on an as converted basis.

The Notes contain certain covenants and restrictions, including, among others, that, for so long as the Notes are outstanding, the Company will not incur any indebtedness (other than permitted indebtedness under the Notes), permit liens on its properties (other than permitted liens under the Notes), make payments on junior securities, make dividends or transfer certain assets. Events of default under the Notes include, among others events, failure to pay principal or interest on the Notes or comply with certain covenants under the Notes and cross defaults to other material indebtedness.

Warrants

The Warrants have a strike price equal to 125% of the closing price of the Company's common stock on May 11, 2012, or \$1.29 per share. In the event of a fundamental change, the Purchasers are entitled to a fair value settlement for the lost option value based on a Black-Scholes-based calculation. The Warrants may not be exercised for six months from the date of issuance. The Warrants are subject to customary anti-dilution adjustments; however, until shareholder approval of the transaction is obtained, in no event will such adjustments result in a strike price less than the closing bid price of the Company's common stock on May 10, 2012, or \$1.11 per share.

The Warrants may not be exercised if, after giving effect to the exercise, the Purchasers together with their affiliates would beneficially own in excess of the Maximum Percentage of 4.99%. The Maximum Percentage may be raised to any other percentage not in excess of 9.99% at the option of the holder of the Warrants, upon at least 61-days' prior notice to the Company, or lowered to any other percentage, at the option of the Purchasers, at any time.

Registration Rights Agreement

Edgar Filing: A123 SYSTEMS, INC. - Form 8-K

In connection with the Purchase Agreement, the Company will enter into a Registration Rights Agreement with the Purchasers pursuant to which the Company will agree to register the shares of common stock underlying the Notes and Warrant. The Company will agree to file a registration statement with respect to the shares of common stock initially underlying the Notes and Warrant as soon as practicable. If the Company fails to register the appropriate number of shares of common stock, or fails to file the registration statements on a timely basis or the registration statements are not declared effective within 60 days (or 75 days if reviewed by the Securities and Exchange Commission) after the date of the issuance of the Notes, or maintained, or if all of so registered shares of common stock cannot be sold on any date after such registration statement is declared effective, the Company will agree to make a cash payment to the Purchasers equal to 2% of the then-outstanding principal amount of the Notes, and accrued but unpaid interest thereon.

The foregoing descriptions of the Purchase Agreement, the Notes, the Warrants, and the Registration Rights Agreement, are summaries, and are qualified in their entirety by reference to such documents, which are filed herewith as Exhibits 10.1, 4.1, 4.2, and 4.3 respectively, and are incorporated herein by reference.

Amendment to Credit Agreement

On May 11, 2012, the Company and A123 Securities Corporation, a wholly-owned subsidiary of the Company (together with the Company, the Companies), Silicon Valley Bank (the Bank), as administrative agent, letter of credit issuer and lender, and the other financial institutions from time to time party thereto as lenders (collectively with the Bank, the Lenders) entered into the Second Amendment (the Amendment) to that certain Credit Agreement (the Credit Agreement), dated as of September 30, 2011, by and between the Companies and the Lenders (as amended by the First Amendment to the Credit Agreement dated as of March 6, 2012, the Agreement).

The following is a summary of the material terms of the amendments to the Agreement as set forth in the Amendment:

- No further revolving extensions of credit (including under the Borrowing Base) are permitted under the Agreement.
- Up to \$15,000,000 of cash-collateralized letters of credit may be issued under the Agreement.
- The Companies are no longer required to maintain a Consolidated Tangible Net Worth (as defined in the Credit Agreement).
- The dollar threshold for a Liquidity Event (as defined in the Agreement), which triggers various reporting and other requirements as provided under the Agreement, was decreased from \$75,000,000 to \$60,000,000.
- The amount of liquidity (customarily defined) that the Borrower must maintain was decreased from \$50,000,000 to \$40,000,000.
- The Companies are permitted to enter into the transactions described above.

The Amendment contains customary representations and warranties by and on behalf of the Companies. In connection with the entry into the Amendment, the Company paid to the Bank, as administrative agent, a fee of \$50,000.

The foregoing description of the Amendment is a summary and is qualified in its entirety by reference to the Amendment, which will be filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the three-month period ending March 31, 2012. A summary of the material terms of the Credit Agreement and the First Amendment to the Credit Agreement are contained in the Company's Current Reports on Form 8-K filed with the Securities and Exchange Commission on October 4, 2011 and March 8, 2012, respectively, and are incorporated by reference herein.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

A list of exhibits is set forth in the Exhibit Index which immediately precedes such Exhibits and is incorporated herein by reference.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: May 15, 2012

A123 SYSTEMS, INC.

/s/ Eric J. Pyenson
Eric J. Pyenson
Vice President and General Counsel

5

Exhibit Index

Exhibit No.	Description
4.1	Form of 6.00% Senior Convertible Note due 2013
4.2	Form of Warrant
4.3	Form of Registration Rights Agreement by and between A123 Systems, Inc. Hudson Bay Master Fund Ltd., J.P.Morgan Omni SPC, Ltd., Tenor Special Situations Fund, L.P., Parsoon Special Situation Ltd., Tenor Opportunity Master Fund, Ltd., and Aria Opportunity Fund, Ltd.
10.1	Securities Purchase Agreement, dated as of May 11, 2012, by and between A123 Systems, Inc., Hudson Bay Master Fund Ltd., J.P.Morgan Omni SPC, Ltd., Tenor Special Situations Fund, L.P., Parsoon Special Situation Ltd., Tenor Opportunity Master Fund, Ltd., and Aria Opportunity Fund, Ltd.