

Stimulus-Backed Car Charging Company Close to Bankruptcy

by Joel R. Glucksman on August 29, 2013

ECotality Inc., a U.S. Energy Department-backed maker of electric car charging systems, is teetering on the brink of bankruptcy as a result of heavy debt and sustained operating losses.

The company was previously awarded nearly \$100 million in grant funding under the 2009 stimulus law, but the Energy Department has since suspended stimulus payments due to the firm's financial difficulties. ECotality noted that it has been facing significant cash flow problems as it seeks to increase sales, establish new products, raise more capital, and resolve an overheating issue with certain charging equipment already on the market.

The firm has faced allegations of insider trading, and its latest filing with the Securities and Exchange Commission revealed that it has also been under investigation by the Department of Labor for alleged violations of the Fair Labor Standards Act and the Davis-Bacon Act, according to the Washington Free Beacon. The investigation - which resulted in a settlement of \$855,000 to be paid to certain employees and independent contractors - has been a large contributing factor to the company's financial struggles, according to the SEC filing.

"Although the company is currently exploring options for a restructuring or sale of the entire business and/or assets of the company, the company may need to file a petition commencing a case under the United States Bankruptcy Code as part of any such process or otherwise in the very near future," ECotality said in its SEC filing.

ECotality would not be the first electric car battery manufacturer backed by the federal government to file for bankruptcy protection, as a handful of green auto companies have faced financial ruin as a result of slow demand and sizable creditor obligations. In recent months, several DOE-backed companies - including Fisker Automotive and A123 Systems - have filed for bankruptcy protection after failing to penetrate the alternative energy market.