



ECotality Files for Bankruptcy

ECotality was awarded \$115 million in stimulus funds



ECotality charging station / AP

BY: [Lachlan Markay](#)
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Taxpayer-backed green energy company ECotality filed for chapter 11 bankruptcy protection on Monday following weeks of turmoil in which the company [laid off employees](#) and ceased filling orders for its electric vehicle

charging stations.

The Department of Energy (DOE), which awarded the company about \$115 million in stimulus funds to produce those chargers, suspended payments last month.

DOE has [already paid](#) \$96 million of its \$115 million commitment to the company.

ECotality announced the bankruptcy in a [Monday filing](#) with the Securities and Exchange Commission. The bankruptcy proceedings will take place in the United States Bankruptcy Court for the District of Arizona, the company said.

The company's work in building and installing electric vehicle charging stations was integral to the Obama administration's attempts to get a million electric vehicles on the road by 2015. That goal has been walked back as its achievability came into question.

Rep. Lamar Smith (R., Texas), chairman of the House Committee on Science, Space and Technology, said the failure of the company is another demonstration of the administration's disastrous policies.

"How many bankruptcies will it take for DOE to finally recognize that picking winners and losers in the energy marketplace simply doesn't work?" Smith asked in an emailed statement.

"Mistakes can be forgiven, but there is no excuse for repeating these failures over and over," he added. "American taxpayers deserve better."

DOE spokesman Bill Gibbons defended the department's support for ECOTality in a Tuesday statement.

Federal support for the company, Gibbons said, was "meant to establish the seeds of infrastructure needed to support a growing market for advanced vehicles, [and] the company installed more than 12,500 charging stations in 18 US cities—or approximately 95% of their goal."

ECOTality revealed in its Monday filing that Brandon Hurlbut, a company director, resigned on Sunday. Hurlbut was the chief of staff for former Energy Secretary Steven Chu, and led the transition to its current secretary, Ernest Moniz, before departing for the private sector.

Hurlbut's role at the company [underscored](#) criticism of what some described as ECOTality's overtly political business model.

"Government is terrible at picking winners and losers for a simple reason: Politics always interferes," said William Yeatman, an energy policy expert at the Competitive Enterprise Institute, in response to the bankruptcy news.

"That news is only the latest costly reminder that Energy Department bureaucrats shouldn't be running a taxpayer-backed investment bank for green energy," Yeatman said in an email.

Jonathan Read, the company's former CEO, [styled himself](#) as a "political beast." Read boasted about his political connections, and received bonus payments contingent on ECOTality winning DOE support.

One ECOTality executive [blamed](#) the company's financial troubles on Read, who, the executive said, "offered no leadership and either directly or indirectly [...] squandered or pocketed all the government money."

Federal support for ECOTality was [criticized](#) by members of Congress who said that the company was under investigation by the Securities and Exchange Commission for alleged insider trading.

The company recently revealed that the Labor Department was also probing alleged

violations of the Davis-Bacon Act and the Fair Labor Standards Act. It recently paid \$855,000 in back wages to settle those allegations.

The company [first raised the possibility](#) of a bankruptcy filing last month, saying it could not sustain its business without continued payments from DOE.

The inability of the company to survive without continued federal handouts undercuts statements about its viability made by top company executives, and could constitute legal wrongdoing, according to a number of law firms that have [filed class action suits](#) against the company on behalf of investors.

One of those firms claims that ECotality executives “made false and misleading statements and engaged in a scheme to deceive the market and a course of conduct that artificially inflated the price of ECotality common stock and operated as a fraud or deceit” against investors.

ECotality trading was [halted](#) on Tuesday morning pending news of the bankruptcy. It resumed at 10:20 a.m., at which point stock values plummeted.

“It is likely that the Company’s common stock will have very little or no value given the amount of the Company’s liabilities compared to its assets,” the filing noted.

The decision to file for chapter 11 came after a [conference call](#) with top company executives on Monday.

Restructuring advisors with FTI Consulting will advise the company throughout the proceedings. Akin Gump Strauss Hauer & Feld LLP will represent the company in bankruptcy court.

According to the bankruptcy filing, Nissan, an unsecured ECotality creditor, has extended an additional \$1.25 million loan to the company.

ECotality will use that financing to continue operations until it sells off its assets at auction as part of the bankruptcy proceedings.