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TECHNOLOGY

Austin's Valence is now private

Battery maker out of bankruptcy, looking to expand operations.

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Valence Technology Inc. emerged from bankruptcy Wednesday after a federal judge in San Antonio approved a reorganization plan that will leave the Austin company almost wholly owned by longtime backer Carl Berg.

The ruling will end the battery maker's 21-year run as a public company and wipes out any remaining hopes stockholders had of recovering value from their shares. But the reorganization also gives Valence a more solid financial footing as it looks to expand both its product development and sales.

"It took longer than we all had hoped, but we're emerging with a strong new balance sheet, and that's going to allow us the funds to grow the business," CEO Joe Fisher said in an interview Thursday.

Fisher said the company actually added customers during the Chapter 11 bankruptcy process. With the infusion of cash provided by Berg in exchange for his ownership stake, Valence will now look to expand its engineering and sales staff, he said.

Valence employs about 325 workers, including 25 employees at its home base in Austin, where it does much of its battery system design. "It's really a case of using the period to reorganize and get into fighting shape, if you will," Fisher said. "And now with the financial infusion of cash it gives us the ability to take what's already been fixed and go out and grow."

With the court's approval of Valence's bankruptcy plan, ownership of the company will transfer entirely to Berg, a Silicon Valley billionaire whose backing was almost solely responsible for keeping the company solvent in recent years.

Valence has not posted a profitable quarter since its launch in 1989, and Berg pumped more than $100 million into the company to keep it afloat. He will hold 90 percent of the shares in the reorganized company after contributing a 10 percent stake for executive-compensation plans.

In exchange for full control of the company, Berg will forgive $50 million of $69.1 million Valence owes him. He also loaned the company an additional $20 million to help finance its reorganization and repay most of its remaining creditors.

The ruling essentially concludes a 16-month bankruptcy process that began with a contentious debate amongst Valence board members and ended as many of the company's outside shareholders had feared – with Berg taking full control at a time when, those critics contend, the company is finally approaching profitability.

A heated boardroom argument spilled out into regulatory filings after Berg declined to provide the financing the company needed to make a looming debt payment. Two directors eventually resigned over the row, and the board voted to file for bankruptcy protection in July 2012.

The decision left many shareholders questioning why Berg would decline to provide more funding after stepping in numerous times with cash infusions to keep the company solvent. Several shareholders suggested Berg had made the move to take full control of the company at a time when they felt its fortunes were on the rise.

The company in recent years has ironed out its manufacturing and supply chain operations and has signed agreements with several electric vehicle companies around the world. And around the time of the bankruptcy filing, several shareholders and one of the departing directors argued that the company was finally about to break even.

According to previous court documents, the company's board had met in June to consider an outside acquisition offer. However, the directors turned it down after Berg, who is by far the company largest creditor, declined to consent to the deal and offered his own proposal for exit financing.

"We went through an exhaustive process to try to raise equity, and we were not able to do that," Fisher said. "We ultimately received a decent offer, but in the end it wasn't as good as what the (Berg) offer was."

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