

## **BCBR Article**

### **InPhase plans to restructure under Chapter 11**

By Beth Potter

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LONGMONT - InPhase Technologies Inc. filed for Chapter 11 bankruptcy protection Oct. 18 to stave off an auction of assets to satisfy creditors.

The U.S. Bankruptcy Court filing in Denver comes as the company seeks to restructure its business, said Bart Stuck, managing director of Signal Lake Management LLC, an investment company in Westport, Connecticut, which took a majority stake in InPhase in March 2010.

InPhase has developed technology for holographic data storage, but has been in financial trouble for several years as it tries to bring the technology to market.

"The nature of Chapter 11 is to put in place processes to work out differences. We have a number of creditors, and we're trying to make everybody whole on this thing," Stuck said.

Chapter 11 is the most common form of bankruptcy. It frees a company from the threat of creditors' lawsuits while it reorganizes its finances. The debtor's reorganization plan must be accepted by a majority of its creditors. Unless the court rules otherwise, the debtor remains in control of the business and its assets.

InPhase's office at 2000 Pike Road in Longmont is closed, and its contractor employees are working from home, Stuck said.

The company reported estimated assets of \$50 million to \$100 million and liabilities of up to \$50 million in its bankruptcy filing. It has "multimillion-dollar contracts," with Turner Broadcasting and other customers, Stuck said.

"We just have to work through it," Stuck said.

The company has shipped an initial amount of holographic data-storage system products to Turner Broadcasting and expects follow-on orders, Stuck said. The current poor economic climate has created a challenging funding environment, he said.

The bankruptcy filing is the latest turn for InPhase, which spun out of Bell Laboratories in December 2000. The company has raised more than \$100 million in capital over five rounds of funding, Stuck said.

Chief executive officer Art Rancis leads the company, along with executive vice president of engineering James Russo. The number of contract employees currently is in "the double digits" Stuck said, without giving specific numbers.

InPhase previously managed to stop an auction of its assets in October 2010 with a court order requested by Signal Lake. At that time Stuck said the company would get on with funding and work to bring employees back on board.

InPhase was attempting to develop and market its data-storage products in spring 2010 but apparently caught up in a dispute between investors Signal Lake and Acadia Woods Partners, a New York-based investment firm.

In March 2010, Acadia loaned \$5 million to Signal Lake; Signal Lake put in another \$5 million, then attempted to find another \$30 million in investment capital to keep InPhase solvent. When additional investors were not found, a judge in September 2010 approved Acadia's request to auction off the company's assets.

Now that InPhase has filed for bankruptcy, having employees work as contractors will help keep the company "lean and mean," Stuck said.