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# Coronavirus-Disrupted Drug Firm's \$23M Ch. 11 Sale OK'd

By **Rose Krebs**

Law360 (March 20, 2020, 2:44 PM EDT) -- A Delaware bankruptcy judge on Friday signed off on the \$23 million sale of diabetes drug technology company Valeritas Holdings Inc., which cited the coronavirus outbreak's impact on its Chinese factories in its Chapter 11 filing, to a Denmark-based biotech company.

During a teleconference hearing, U.S. Bankruptcy Judge Laurie Selber Silverstein said she would sign off on a revised sale order approving the sale of Valeritas to stalking horse bidder Zealand Pharma AS once it is submitted to the court.

"The [sale] process itself was fair," the judge said. "It yielded the highest and best offer."

Judge Silverstein expressed some concern about whether more parties may object to assumption and assignment of contract and cure cost issues in the Chapter 11. Valeritas' counsel said Friday that most cure amount objections have been resolved, with one pushed off to a future date.

However, Judge Silverstein pointed out that since certain notices related to assumption and cure costs were only sent out days ago, those issues may still need to be dealt with if they arise.

Judge Silverstein also signed off on an agreement between Valeritas, the committee of unsecured creditors, and prepetition lender agent CRG Servicing LLC by which the lenders will share some estate proceeds with unsecured creditors if certain conditions are met.

Under the deal, prepetition lenders have agreed to subordinate their unsecured claim to clear the way for unsecured creditors to potentially get a distribution from the bankruptcy estate, according to comments during the hearing. Also, the committee will have the right to seek certain claims and causes of action such as those against officers or vendors.

Prepetition lenders have a total claim of about \$22 million, roughly \$18 million of which is unsecured, according to comments during the hearing.

Before the hearing, Valeritas was able to **resolve an objection** filed by the U.S. Trustee that had raised concerns that per the settlement's terms unsecured creditors' claims could "skip past" administrative and priority creditors who under the law should receive payments first.

To address the trustee's concerns, Valeritas said it has agreed to submit and seek approval of a Chapter 11 plan that would set forth how distributions will be made to creditors. Given the settlement in place with lenders and the committee and the sale now set to soon close, Valeritas said it believes it has a path forward to get a plan confirmed.

Valeritas and three affiliates **hit bankruptcy** last month, saying years of losses and a one-two punch of late-year manufacturing problems and coronavirus-related production disruptions had sent it into default on its debt and left it no way to preserve the company other than a Chapter 11 sale with a \$23 million stalking horse bid in hand from Zealand.

No other bids were received, so the company canceled an auction scheduled for March 17, according to court filings. The sale is expected to close in early April, according to comments during the hearing.

The New Jersey-based Valeritas manufactures V-Go, a patchlike insulin delivery device for Type 2 diabetics. The device is manufactured in China and has been on the market since 2012, the company said in its filings.

Valeritas is represented by Maris J. Kandestin, Rachel Ehrlich Albanese and Matthew S. Sarna of DLA Piper.

Zealand is represented by Kevin M. Capuzzi of Benesch Friedlander Coplan & Aronoff LLP and Cullen D. Speckhart and Richard Kanowitz of Cooley LLP.

The committee is represented by Jeffrey R. Waxman, Eric J. Monzo and Brya M. Keilson of Morris James LLP and Kelly D. Curtin, Robert M. Schechter and Brett S. Moore of Porzio Bromberg & Newman PC.

The prepetition lenders are represented by Daniel A. O'Brien, Jeffrey S. Sabin and Carol Weiner Levy of Venable LLP.

The case is In re: Valeritas Holdings Inc., case number 1:20-bk-10290, in the U.S. Bankruptcy Court for the District of Delaware.

--Additional reporting by Rick Archer. Editing by John Campbell.