

Growth Stage Financing for an Algae Company

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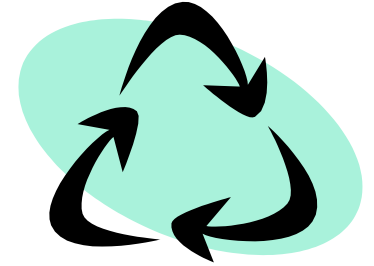
Algae Jokes...

- What is algae's favorite sandwich? A chlorophyllly steak sandwich
- Knock knock...who's there...Al...Al who? Al G Bloom
- Why did algae go to confession? To confess its photosynthesis
- What do algae study in school? algebra

Starting Point

- What do you offer?
 - Inventor
 - Finance
 - Marketing
 - Hire what you don't know
 - Don't try to do everything, you will end up doing nothing
 - Do not assume you are irreplaceable
 - A founder that refuses to give up any control is a founder that will not succeed

The IP \$\$ Interface



- Without IP, no chance to raise \$
- Without \$, no chance IP can be commercialized
- Good IP makes it easier to get money
- Good money makes it easier to develop better IP

From where will funding come?

- Personal resources
- Angels
- Venture capital
- Strategic investors
- Government funding
- Cash flow from Operations

Common Issues with Funding

- Dilution
 - New investors own significant percentage of company and rights to financial rewards
- Loss of Control
 - New investors may be able to out vote founders
- Risk of founders getting fired
 - Employment agreements
 - Make yourself valuable
- Would you rather own 10% of a successful company or 100% of a failure?

Legal Issues with Funding

- Securities laws
 - Regulate offers and sales of securities
 - Securities include common stock, preferred stock, promissory notes, warrants, options and more.
 - Follow state and federal rules, often different
 - Keys:
 - Wealthy (“accredited”) investors are best investors
 - Avoid advertising or broad, public requests for investors
 - Provide full and fair disclosure of the business, the company and the risks by using a Private Placement Memorandum (“PPM”)
 - Realize securities laws designed to protect investors, not help you raise money

Financing

- Seed Round
 - Focus on a small number of wealthy investors as too many angels make later rounds harder
- Ramp Up or Series A
 - Preferred stock or Convertible notes
 - Progress from Seed round key to valuation
- Angels, VC's, and Strategics
 - Angels are wealthy individuals who invest early
 - Venture Capitalists usually invest later, once the business is more developed
 - Strategic investors invest because they have a business interest

Valley of Death

- Gap between when angels will fund early and when VC's or Strategics will fund later.
- Valley usually occurs when companies need cash to ramp up.
- Made worse due to financial crisis
- Fewer angels and VC's tend to wait for later stage
- Government funding in the form of grants and guaranteed loans designed to fill this gap.

Government Programs

- Grants designed to help new technologies be research and developed
- Guaranteed Loans designed to help new technologies be built
- Lots of Money, but lots of applicants
- System often overwhelmed by amount of money to distribute and number of applicants
- Applicants should seriously consider professional help to create their applications
- Do not count on federal funding to make your business a success

Final Thoughts

- Concentrate on Building a Business, not an exit event
- Hire good employees and advisors
- Tell a good story with a strong value proposition
- Legal compliance can be a challenge, but doing it right up front saves problems later



Thank You

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