

## **FlexEnergy Fills Up With \$18M Convertible Debt Round For Growth**

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FlexEnergy has a long to-do list for this year, as it answers to the growing interest from diverse customers like oil and gas companies, office buildings, and landfills, for its low-emissions micro-turbines. To that end, the company just raised an \$18 million convertible debt round, VentureWire has learned.

"The investment is being made to assist us as we expand manufacturing and sales and marketing throughout the country," said Joseph Perry, chief executive of the Irvine, Calif.-based company.

The company closed a \$13 million round in early December from previous investors SAIL Capital and RNS Capital, and a \$5 million follow-on more recently from SAIL's sister fund Louisiana Sustainability Fund, Perry said.

In 2011, the company pulled in just shy of \$9 million in revenue, Perry said, in its first year of commercial sales. Already it has an \$8 million new order from an Orange County landfill that wants eight FlexEnergy systems that take methane emitted by the landfill, and convert it into electricity in a cheap, efficient, and state-subsidized way.

Still, the company is a couple of years away from profitability, said Perry.

The company's growing demand comes from different sources. Office buildings, said Perry, can take advantage of the low natural gas prices to use natural gas for electricity generation with FlexEnergy's micro-turbines, and reduce their electric utility bills.

Oil and gas companies, meanwhile, can use the transportable FlexEnergy systems on oil platforms and substitute the expensive diesel power there, or at hydraulic fracturing sites, that are often far from energy sources. FlexEnergy is shipping three of its systems to BP PLC now, said Perry.

FlexEnergy's technology relies on a slow-combustion process inside metal cylinders. "That large steel vessel can be manufactured in Louisiana," said Perry. The company is negotiating with state manufacturers who would supply the components for FlexEnergy's systems. That would satisfy the mission of recently launched Louisiana Sustainability Fund that invests in later-stage companies that have both sustainable technologies and business in the state.

SAIL Sustainable Partners LLC is the general partner of the Louisiana fund and an affiliate of SAIL Capital Partners.

FlexEnergy is working on raising a Series C round of funding later this year from strategic investors, according to Walter Schindler, a FlexEnergy director and managing partner at SAIL Capital. That fund raising is being managed by investment bankers at Citigroup Inc., said Schindler.

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