

FlexEnergy In First Close Of \$4.5M Series B, Gets \$1.2M Deal With DOD

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Dow Jones VentureWire

12/11/2009

Irvine, Calif. -- Methane-to-power systems developer FlexEnergy LLC held a first closing of a \$4.5 million Series B equity financing last week to speed the commercialization of its technology, just as it is about to deploy the technology to a military facility under a U.S. Department of Defense \$1.2 million grant, VentureWire has learned.

Costa Mesa, Calif.-based Sail Venture Partners is the lead investor in the Series B funding, with NextStep Investments LLC and FlexEnergy Founder Edan Prabhu joining in the first close of the Series B round. Sail and NextStep were the main investors in the Irvine, Calif.-based company's Series A round that closed in May 2008 at \$2.75 million, said Joseph Perry, FlexEnergy's chief executive, in an interview.

FlexEnergy, which has developed a modular power-generation system that converts pollutant gases into electricity with low emissions, will deploy its first demonstration unit at a landfill in Lamb Canyon, in Riverside County, Calif., in the first quarter of next year. Soon after that, it will install one of two systems under the DOD grant, said Perry.

The company was awarded the \$1.2 million grant, to be announced in coming days, through the Environmental Security Technology Certification Program, or ESTCP, which aims to demonstrate promising innovative technologies tackling the DOD's environmental needs. FlexEnergy's systems will take methane from a landfill at Fort Benning, Ga., and generate 200 kilowatts of power per unit.

"Our systems eliminate the methane, generate renewable energy and produce extremely low emissions," said Perry.

The low emissions of FlexEnergy's system are its key selling point as state and federal authorities are setting increasingly strict regulation to curb air pollution, said Perry. The technology is based on a flameless oxidation technology in which the system takes methane gas and instead of burning it, uses an oxidation process that results in some of lowest emissions ever recorded for a power plant, he said.

Besides landfills, FlexEnergy says the technology can be applied to process waste gases at coal mines, oil and gas fields, oil platforms, and waste-water treatment facilities.

"The power generation capability of the Flex [system] will transform the worldwide problem of waste gas emissions into a clean, continuous source of renewable energy", said Walter Schindler, a managing partner at Sail Venture, in a statement.

FlexEnergy was founded in 2000 and has received approximately \$7 million in government funding for its research and development over the years. As it moves closer to commercial stage, it is seeking more private sector capital, including from strategic partners, said Perry.

"Over time, we're seeing a lot more activity in that area where the ability in generating clean green power is attractive" for waste management companies, he said. The company hopes to hold a final close of the Series B round in late February.