

# **Money Raising Fundamentals for Renewable Energy Deals**

**Presented by  
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# Overview

- How can a company raise money?
  - Two Options
    - Equity. Ownership interest in the company
    - Debt. No ownership, but must be repaid
- Public or Private Offerings
  - Public Offering: Expensive, time consuming and very regulated.
  - Private Offering: less expensive, faster, but restrictive
  - Most capital raised in private offerings.

# Debt v. Equity

- Debt
  - loans from a private investor considered “securities” and subject to regulation
- Equity
  - “founders” rounds are sales of securities
  - No free lunch in the securities laws

# Private Offerings

- What must be done to raise money through a private offering?
  - Getting your business ready
  - Developing a solid plan
- What restrictions apply?
  - Amount of money raised
  - Disclosures needed
  - Limits on who can invest
  - No general advertising
  - Resale restrictions apply
  - Reporting requirements

# Example: Wind Project

- Developer and landowners contribute \$1 million in a Private offering.
- Partner with equity investor to secure the capital and debt need to construct the project. Private offering.
- Total investment near \$2 million per MW.

# Example: Ethanol Plant

- “Seed” Round – Small group contribute a couple of million dollars in a Private Offering.
- Final round – Public offering for multiple millions of dollars.

# Private Offerings

- No lengthy filing and disclosure form required to be filed with state or federal securities regulators
- Disclosure based on sophistication and economic situation of the investors
- Goal of requirements: Ensure investors have information needed to make an informed decision
- Company issues shares in company in exchange for capital (money, property, services, etc.)

# Private Offering

- Company must be able to demonstrate:
  - Investors meet certain requirements;
  - Proper information was provided to investors;
  - The offering is not connected with another offering;
  - No general solicitation or advertising occurred; and
  - Appropriate resale restrictions are in place.

# Getting your Business Ready

- Articles filed with Secretary of State
- Business in good standing
- Corporate records up to date
  - Accurate operating or member control agreement
  - Minutes recorded for actions taken by company
- Financial information complete

# Prepare a Solid Plan

- Basic company information
- Plan how the money will be used
- Identify and describe the business opportunity
- Describe all the key factors needed to succeed
- Identify and describe risks involved in this investment

# Amount of Money Raised

- Significant investment thresholds
  - \$1,000,000
  - \$5,000,000
- Differences: information given to investors and filing requirements

# Types of Disclosure Needed

- Financial statements
- Company contact information
- Investor eligibility requirements
- Disclosures related to lack of registration and limited transferability
- Business plan
- Company management
- Use of proceeds
- Risks related to the business
- Risks related to the offering and owning shares

# Investor Eligibility

- Two categories of investors
  - Accredited
  - Non-accredited
- Different disclosure requirements
- Limits on number of non-accredited investors

# Accredited Investors

- Individuals
  - Directors, executive officers or general partners in the company;
  - Net worth of \$1 million, individually or jointly with spouse; or
  - \$200,000 individual/ \$300,000 joint annual income for last two years and future expectation of the same.

# Accredited Investors

- Entities
  - Non-profit organizations, corporations, business trusts, LLCs, and partnerships with total assets over \$5 million;
  - Trusts with \$5 million in assets where purchase is directed by a sophisticated person;
  - Entity whose owners are all accredited; or
  - Certain other investment companies.

# Non-Accredited Investors

- Most protected group of investors, i.e., “poor widow next door”
- Sometimes must be sophisticated, i.e. have business and financial experience needed to make the decision to invest
- Often limited to 35 non-accredited investors
- Company must provide information related to the company and the offering so that the investor understands the risks and terms

# No General Advertising

- No advertisements, articles or notices in newspapers, magazines, television, radio, or other media, even about general company business if the intent is to “condition the market”
- Cannot hold seminar where attendees were invited through general solicitation or advertising
- To comply, look for pre-existing relationship between the parties

# Reporting Requirements

- Federal
  - Form D filed with SEC
- State
  - Filed with Minnesota Department of Commerce
  - Different rules by state. Not always the same rules state by state.

# Questions?



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