

Mintz Levin Energy Technology

## Energy Technology Connections Newsletter

### Your Law Firm Link to Industry News

JUNE 2017

#### A Note from the Editors

Our June edition of *Energy Technology Connections* brings you recent industry highlights and features a list of upcoming energy industry events throughout the nation. The Leaders in the News profile spotlights our client **T-REX Group, Inc.** (“T-REX”), an industry-leading financial technology company that recently closed a \$10 million Series B funding round. This month, the investor feature, “**Seniority Matters**,” offers an insightful original post from Mintz Levin’s *TechConnect* newsletter that discusses the growing importance of purchasing senior preferred stock. In **Event Highlights**, we share three exciting events coming up soon: the Hult Prize Welcome Reception, which will take place on June 27; Cleantech Open’s East Coast Academy, which will also take place on June 27; and the Nantucket Impact Capitalism Summit, taking place July 19-20. Finally, our **Washington Update** offers an extensive overview of the major legislation that has recently been introduced on Capitol Hill, as well as the big takeaways from this month’s congressional hearings related to energy policy. We also examine the ramifications of President Trump’s decision to withdraw the United States from the Paris Agreement, and highlight the Department of Energy’s latest funding announcements for three research and development projects.

For links to industry grant opportunities and stories from the business, policy, and research sectors of the energy and clean technology industry, please see our Energy Navigator.

You can subscribe to our *Energy Technology Matters* blog here.

We would also like to remind our readers that you can always ask us anything at <http://mintzedge.com/ask-anything/>. We built the MintzEdge website as a resource for entrepreneurs and investors, and hope that all of you take advantage of the site and see how it can help you.

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## Leaders in the News: T-REX Group, Inc.

This month we feature **T-REX Group, Inc.** (“T-REX”), an industry-leading financial technology (“fintech”) company. T-REX specializes in valuation, risk analysis, and structuring tools for investment professionals in the energy project finance and property-assessed clean energy (“PACE”) markets. Founded in 2012, T-REX has since developed partnerships with some of the leading investment banking institutions. The fintech company’s platform is used to bridge the gap between institutional investors, developers, and lenders in order to finance, securitize, and manage assets.



Thomas R. Burton, III



Sahir Surmeli

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T-REX recently closed its Series B funding round at \$10 million. The Series B was originally led by [Safeguard Scientifics](#) and was joined by the [Ecosystem Integrity Fund](#), [innogy](#), and the [Partnership Fund for New York City](#). T-REX will use this funding to continue to expand its team, grow its international client base, and optimize its SaaS platform for target markets across renewables and other asset classes.

Funding from leading European utility innogy will be particularly instrumental in giving T-REX the foundation to broaden its offerings in the renewables market, especially in Europe. "With innogy's strategic commitment, T-REX has reached a significant milestone and found a global strategic partner to catalyze growth in the European renewable energy space," said **T-REX Founder and CEO Benjamin Cohen**. "We look forward to working with the innogy team to facilitate unprecedented liquidity in the European renewables market through the transparency and transactional capabilities that the T-REX platform provides."

The Partnership Fund for New York City joined the funding round after selecting T-REX to join the Fund's **Fintech Innovation Lab**. "As a graduate of the FinTech Innovation Lab, T-REX is a standout example of what can be achieved when you leverage New York City's business leadership to support great entrepreneurs," said **Maria Gotsch, President and CEO of the Partnership Fund for New York City**.

With offices in New York City and Tel Aviv, T-REX has already established an international reputation for gathering world-class expertise in finance, renewables, and technology to support the development of sustainable, market-driven economics. T-REX's new funding round will allow the company to continue its mission of increasing standardization, providing efficiency, prioritizing transparency, and enhancing compliance.

Congratulations to T-REX on the latest funding round. We look forward to keeping up with your great work!

## Investor Feature: Seniority Matters

There is little doubt that activity in the trading of secondary shares of private companies remains robust. Private companies are staying private longer and there seems to be an unlimited demand to buy into the newest "Unicorn" anointed each week. As the market for secondary shares stays strong, valuations seem not to matter much to most buyers. Additionally, many buyers seem to pay little attention to whether they are buying senior preferred stock at the top of the stack, as compared to junior securities, or common stock sold by many former employees. But as we all know, things that can't go on forever, don't. And, as Warren Buffet once famously said, only when the tide goes out do you discover who has been swimming naked.

At some point a number of these Unicorns will become Unicornpse. We have seen this multiple times in various sectors where once high flying companies run out of money. And, when these companies are forced to sell (often in order to survive), where a stockholder stands in the stack is of critical importance.

In a sale of a company, after the payment of deal expenses and any carve out for management, the senior preferred stockholders receive their money back first. After holders of the senior preferred get paid, then holders of the junior preferred are paid. Lastly, the residual proceeds, if any, are paid to the common shareholders. In many sale situations, particularly if a sale is the only alternative to survival, the common shareholder walks away with zero. The closer you are to the top of the stack, the more likely you will at least receive your money back. The closer you are to common, the greater the chance you will receive back less than your basis.

In an era where investors are making wild bets on companies that often lack meaningful profit margins or even meaningful revenues, and are doing so relatively blindly without receiving the normal financial information generally available to investors in the public markets, it really does matter that you are as close to the top of the equity stack as possible. For when the market turns just a little bit south, as it inevitably will, you really don't want to be the one swimming naked.

*(Note: this feature by [Dan DeWolf](#) was originally published in the [June 2017 Mintz Levin TechConnect](#)*

## Event Highlights

### Hult Prize Welcome Reception

For the third consecutive year, we are thrilled to host the [Hult Prize](#) Welcome Reception, taking place June 27 in our Boston office. Our own [Kristin Gerber](#) will provide opening remarks, followed by a keynote from Mintz Levin's [Sue Finegan](#). The Hult Prize Foundation is a start-up accelerator and enabler for budding young social entrepreneurs emerging from the world's universities. Named as one of the top five ideas changing the world by President Bill Clinton and *TIME* magazine, the annual competition for the Hult Prize aims to identify and launch the most compelling social business ideas—start-up enterprises that tackle grave issues faced by billions of people. This year's challenge for teams is Reawakening Human Potential: The Refugee Opportunity – Can we build sustainable, scalable social enterprises that restore the rights and dignity of 10 million refugees by 2022? Mintz Levin is proud to serve as the exclusive legal mentor for Hult Prize finalists for the third year as well.

### Cleantech Open East Coast Academy

We are excited to be part of Cleantech Open's [East Coast Academy](#) on June 27. Our own [Tom Burton](#) and [Bill Geary](#) will serve as panelists on the "Legal Challenges of Doing a Startup in Cleantech" panel. Both attorneys will utilize their deep knowledge of the energy and sustainability industry and experience working with start-ups to provide tips to accelerator teams participating in this "business bootcamp" event. The teams who attend the Academy represent some of the most innovative clean tech ideas in the country, and the event brings together a wealth of resources that help teams improve their business models, network with mentors and speakers, and connect to the broader Northeast community. Mintz Levin is a proud sponsor of Cleantech Open Northeast.

### Nantucket Impact Capitalism Summit

Big Path Capital's [Nantucket Impact Capitalism Summit](#) is just around the corner on July 19-20. Mintz Levin is proud to serve as a sponsor of this event since its inception three years ago. The Impact Capitalism Summit is the largest convening of investors focused on maximizing impact and maximizing return. Our own [Tom Burton](#) will speak at the [pre-event](#), which will focus on clean energy. We are pleased to offer clients and friends a discount to the Summit – use promo code FRIEND to receive a \$300 discount.

## Washington Update

Six months into the 115th Congress, and nearly 150 days into the Trump administration, the debate on Capitol Hill is still largely defined by efforts to "repeal and replace" Obamacare.

The House of Representatives has passed the American Health Care Act (AHCA) leaving it to the Senate to make the next move. Despite a general view that Obamacare "repeal and replace" was likely dead in the Senate, there is a renewed effort to pass a bill. At question is whether Senate GOP leadership can secure enough Republican votes for passage, and whether, if a bill were to pass the Senate, it could be reconciled with the AHCA. Senate Republicans hope to vote on their legislation in June, but that vote could slip into July.

What does this have to do with energy policy?

In short, there is still a long road ahead on the health care debate, and this impacts the timeline for most other legislative initiatives.

With that said, advocates of energy policy are still active on Capitol Hill, and the Trump administration

continues to advance its energy agenda at the agency level.

## Capitol Hill

### Legislation Introduced

Rep. Markwayne Mullin (R-OK) has introduced the *Promoting Cross-Border Energy Infrastructure Act* (H.R. 2883) to “establish a more uniform, transparent, and modern process to authorize the construction, connection, operation, and maintenance of international border-crossing facilities for the import and export of oil and natural gas and the transmission of electricity.”

Rep. David Loebsack (D-IA) has introduced the *Renew America’s Schools Act* (H.R. 2536), which provides grants for energy efficiency improvements and renewable energy improvements at public school facilities.

Rep. John Sarbanes (D-MD) has introduced the *21st Century Power Grid Act* (H.R. 2507) providing for a technology demonstration related to the modernization of the power grid.

Sen. Tim Kaine (D-VA) has introduced the *Pipeline Fairness and Transparency Act* (S. 1314), which would amend the Natural Gas Act to “bolster fairness and transparency” in consideration of interstate natural gas pipelines.

Sen. Jeanne Shaheen (D-VA) has introduced the *Public Engagement at FERC Act* (S. 1240), which would amend the Federal Power Act to establish an Office of Public Participation and Consumer Advocacy at the Federal Energy Regulatory Commission (FERC).

A package of House legislation focused on how low-income and minority communities are impacted by climate change was introduced by Reps. Donald McEachin (D-VA), Pramila Jayapal (D-WA), and Nanette Diaz Barragan (D-CA). The three bills would affirm the commitment of the House of Representatives to environmental and public health policies that protect all Americans, establish an Office of Environmental Justice at the EPA, and create a White House Office of Environmental Justice.

### Congressional Hearings

On June 8 the Senate Energy and Natural Resources Committee held a hearing to consider cost trends in emerging energy technologies. The committee heard from witnesses who detailed cost reductions in oil and natural gas, renewables, energy storage, and alternative fuel vehicles.

On June 12, the full House of Representatives [approved](#) ten energy-related bills, including a bill to promote a 21st century energy and manufacturing workforce, the *Streamlining Energy Efficiency for Schools Act of 2017*, the *Hydropower Permit Extension Act*, and seven other bills associated with hydropower projects.

On June 15 the House Energy and Commerce Subcommittee on the Environment advanced three bills to the full committee for consideration: 1) the *Brownfields Enhancement Economic Development and Reauthorization Act* by voice vote 2) the *Nuclear Waste Policy Amendments Act* by voice vote, and 3) the *Ozone Standards Implementation Act* by a vote of 12-8.

Energy Secretary Perry will provide testimony this week on the DOE budget for the upcoming fiscal year. Hearings are scheduled at the Senate Energy and Natural Resources Committee, the Senate Appropriations Committee, and the House Appropriations Committee.

## Executive Branch

### US Bids Farewell to Paris Agreement

On June 1, President Trump [announced](#) that the United States will cease implementation of the Paris Climate Agreement and, according to a White House statement, “begin negotiations to either re-enter or negotiate an entirely new agreement with more favorable terms for the United States.” The decision to leave the Paris Agreement fulfills a campaign promise that then-candidate Trump made during the 2016 presidential campaign. The White House says that the agreement would cost the US economy nearly \$3 trillion in reduced output, over 6 million industrial jobs, and over 3 million manufacturing jobs. In response, a number of US states

and cities have announced their intention to go forward with implementation of the Paris Agreement goals on a sub-national basis, with California Governor Jerry Brown going so far as to sign an agreement between his state and China on reducing emissions.

### **DOE Funding Announcements**

The Department of Energy has announced funding for a number of projects:

- Approximately \$28 million for cost-shared research and development. Three new funding opportunities will advance technologies related to advanced combustion systems, advanced turbines, and gasification as part of the Office of Fossil Energy's (FE) Advanced Energy System program. The funding will go to R&D projects related to: 1) Small-Scale Modularization of Gasification Technology Components for Radically Engineering Modular Systems (\$12.8 million), 2) Advanced Combustion Systems: Existing Plant Improvements and Transformational Technologies (\$10 million), and 3) University Turbine Systems Research Program (\$5.15 million).
- Up to \$32 million in funding for 16 projects as part of two new Advanced Research Projects Agency-Energy (ARPA-E) programs: Energy-efficient Light-wave Integrated Enabling Networks that Enhance Datacenters (ENLITENED) and Power Nitride Doping Innovation Offers Devices Enabling SWITCHES (PNDIODES).
- Approximately \$15.8 million for 30 new projects aimed at discovery and development of "novel, low-cost materials" necessary for hydrogen production and storage and for fuel cells onboard light-duty vehicles. Selected projects will leverage national lab consortia launched under the Department's Energy Materials Network (EMN) last year, in support of DOE's materials research and advanced manufacturing priorities. Selected projects will cover the following topics: 1) PGM-free Catalyst and Electrode R&D, 2) Advanced Water Splitting Materials, 3) Hydrogen Storage Materials Discovery, and 4) Precursor Development for Low-Cost, High-Strength Carbon Fiber.

## Energy Navigator

Please visit and bookmark our [Energy Navigator](#) to easily view all of the latest headlines from the most trusted publications reporting on developments in the energy and clean technology industries. It is housed on our blog, [Energy Technology Matters](#).

## Upcoming Events

### **2017 Cleantech Open East Coast Academy**

June 26-27, 2017  
Boston, MA

[More Info »](#)

### **Hult Prize Welcome Reception**

June 27, 2017  
Boston, MA (Mintz Levin)

[More Info »](#)

### **Grid Edge World Forum – Greentech Media**

### **Intersolar North America**

July 11-13, 2017  
San Francisco, CA

[More Info »](#)

### **Impact Capitalism Summit – Nantucket, presented by Big Path Capital**

July 19-20, 2017  
Nantucket

[More Info »](#)

### **CCSA Community Solar Summit, presented by Infocast**

June 27-29, 2017

San Jose, CA

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### 2017 Navigate Investor Corporate Customer Connect

June 28, 2017

Boston, MA

[More Info »](#)

### New England Energy Research Forum

June 28, 2017

Worcester, MA

[More Info »](#)

July 26-28, 2017

Denver, CO

[More Info »](#)

### NECEC's Emerging Trends Series: State & Federal Perspectives on Energy Storage

July 27, 2017

Boston, MA

[More Info »](#)

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