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DealBook Edited by Andrew Ross Sorkin

LS9 to Target Smaller Third Round

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LS9, a biofuel company, is planning to raise a smaller third round of financing than it previously said it was seeking, its chief executive, Bill Haywood, said during a presentation at the Cleantech Forum in San Francisco on Tuesday.

Mr. Haywood said LS9 planned to raise around \$65 million, which it would use to begin build a second plant this year, and reach commercial production, GigaOm reported. In October, he said the company was seeking to raise between \$75 million and \$100 million.

LS9, which is using a genetically modified version of e.coli bacteria to make diesel fuel from biomass, didn't say how much fuel its demonstration plant — expected to be completed in 2010 — would produce, but previously told Earth2Tech that it would have an annual capacity of 2.5 million gallons.

LS9, which raised \$15 million in its second round of financing in 2007, plans to tap its internal investors for the money, and may also take funds from strategic partners or new follow-on partners, Mr. Haywood said. LS9's current investors include **Lightspeed Venture Partners**, **Flagship Ventures** and **Khosla Ventures**.

But the round isn't a sure thing, the company's spokesman Jon Ballesteros told GigaOm. He told the publication that the company might end up getting money from strategic partners and existing investors instead of completing a formal venture round.

"We're working on strategic partnerships and they are going to be imminent, and we already have commitments from internal funders and some follow-ons, so we don't really know if we will need to go for a full-blown raise," he told GigaOm. "We're looking for some sense of that and exactly what we will be needing in the second half of this year."

In any case, the company isn't planning to take on any debt financing until at least 2011, and it may be able to avoid it all together, Mr. Haywood said. "By then, we hope to have a strategic

relationship with someone with deeper pockets,” he said. LS9 hopes to start commercial production by 2012 and then plans to build a dozen or more plants to reach a capacity of 1 billion barrels.

The company also is considering the possibility of buying distressed assets — like defunct biofuel plants — to reduce its cost of adding capacity, Mr. Haywood said, although he added that most of the equipment at those plants aren’t applicable to LS9’s technology.

