

## Case Study Green Energy Generator, Inc.

**Rudy Scarioto**

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Founded in 2014, Green Energy Generator (“GEG”) developed and patented technology that harnesses energy from natural elements (e.g. sun, wind, water) and stores the energy in a battery array for future use. The initial application was to install the device on any vehicle with a diesel engine, allowing the vehicle to draw on stored energy when the engine was not running, and allowing the device to replenish its energy stores when not in use. Independently-verified test results showed the technology’s efficacy in harnessing and converting natural elements into stored energy. They also show that GEG’s devices reduce both fuel consumption and CO2 emissions in truck fleets, cargo ships and other vessels.

### **Entrepreneur / Founder**

Joe Castle was the founder of GEG. He was universally acknowledged as a brilliant inventor and had worked in many capacities, including as a lawyer, investor, facilities manager and chemistry teacher. Joe quit his most recent job as a lawyer to pursue his life’s passion: to develop revolutionary technology that provides clean, renewable energy to diesel-powered vehicles throughout the world.

### **Funding**

Joe initially raised capital from friends and family while he developed the technology and tested prototypes on actual vehicles. When the technology was finally ready for commercial deployment, Joe raised \$3 million of equity in a Series A round.

Investors were Bud Shott, the head of a small venture fund. The fund invested in pre-revenue companies that had survived at least eight years, on the premise that companies with such longevity must have a legitimate value proposition. The lead investor was Strategic Green Motors (SGM), a global logistics company with an extensive network of ocean-going cargo ships and trucking fleets. Strategic Green Motors was not a conventional venture capital investor, but instead funded companies with exciting technologies that could enhance its own business and give it a competitive advantage in the market. Both Bud Shott and the executive within SGM who was responsible for the investment in GEG joined GEG’s board.

Shortly after the closing of the Series A round, Joe received a call from the U.S. Military who wanted GEG to develop a device for a tactical vehicle typically deployed in locations far removed from conventional fuel sources. Excited that he now had cash to hire a team, refine

the original product and commercialize his technology, Joe seized the opportunity to work with this highly-visible customer.

GEG's board was also very excited, as they saw their capital being deployed in-line with their corporate ethos of being "green" / "clean tech" investors. They also found the high-profile nature of the U.S. Military very promising.

Development took over a year and consumed substantially all of the GEG staff's time and attention, all at the expense of commercial sales. While prospective commercial customers were intrigued by the technology, the sales team did not have the bandwidth or experience to convert interest to actual sales or offer field support.

Although Strategic Green Motors had significant influence with trucking fleets that participated in SGM's global logistics network, SGM did not make its truck fleets available to GEG. With cash running out and increasingly limited prospects for either near-term revenue from the Military or commercial sales, Bud Shott grew nervous. He urged Joe to lay off staff and distribute the remaining cash to investors to mitigate their losses.

Strategic Green Motors also grew nervous, as the executive who made the investment perceived risk to his career trajectory. He developed a combative tone and chastised management for its lack of commercial traction.

With only six months of cash left to fund operations, Joe had lost the support of his existing investors. He was becoming increasingly stressed as he considered his options.

Founder's / CEO's Questions:

- Should he liquidate the company and refund as much cash as possible to investors?
- How can a CEO of a venture company protect from self-serving actions of its board?
- Should the CEO have thought differently about Board selection?

Board Considerations:

- Are the board members right to act in their own best interest?
- Should investors fund a bridge loan to help the company generate commercial sales?
- Replace the CEO?
- Facilitate introductions and commerce with SGM's subsidiaries?

**Rudy Scarito**  
**Founder and President**  
**RS Finance & Consulting, LLC**

**Experience**

Francesca (“Rudy”) Scarito has been an investment banker for over 30 years, working for both global, full-service firms as well as smaller, regional firms. She founded RS Finance & Consulting, LLC in April 2009 where she advises corporate clients on mergers and acquisitions, capital raising and other financial advisory assignments.

Ms. Scarito began her career at Lehman Brothers in New York in the firm’s Mergers and Acquisitions group. Later in her tenure at Lehman Brothers, Ms. Scarito worked in Equity Capital Markets and Syndicate where she completed over \$9 billion of initial public offerings of equity and convertible securities. Following her experience at Lehman Brothers, Ms. Scarito moved to Goldman Sachs Asset Management where she gained additional capital markets experience as an institutional investor.

After gaining experience on Wall Street, Ms. Scarito transitioned to the middle market to work with smaller, owner-operated companies. During her tenure in the middle market, Ms. Scarito managed the Private Placement groups of Tucker Anthony and SunTrust Robinson Humphrey. Ms. Scarito has extensive experience originating, structuring and negotiating private placements of equity and debt, as well as in structuring and placing PIPEs. Today at RS Finance & Consulting, Ms. Scarito has focused primarily on mergers and acquisitions, completing over 20 transactions in the last 15 years.

**Board Positions and Other Activities**

Ms. Scarito is President and a member of the Board of Directors of the Association for Corporate Growth, Boston Chapter, an organization comprising professionals focused on sourcing, executing and financing M&A transactions. She previously served on the Board of Directors of Ambient Corporation (NASDAQ: AMBT), a publicly traded networking communications and technology company, Industrial Services of America, Inc. (NASDAQ: IDSA), a publicly traded scrap metal recycler, and Material Sampling Technologies, LLC, a privately-held precious metals reclamation company. Ms. Scarito is also a Director of the Brookline Center for Community Mental Health and of the Greater Boston chapter of the Exit Planning Exchange. Ms. Scarito serves as an expert witness on business valuations, mergers & acquisitions and capital markets matters. Ms. Scarito holds her Series 7, 24, 63 and 79 securities licenses with FINRA.

**Education**

Ms. Scarito is a graduate of St. Paul’s School, Dartmouth College and Harvard Business School.