My Benesch My Team – RES Polyflow

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Jay Schabel
President
RES Polyflow and Brightmark Energy’s Plastics Division

RES Polyflow, a subsidiary of Brightmark Energy, is an Ohio-based energy technology company that innovated the process for converting plastics directly into transportation fuel and other products. RES Polyflow’s plastics-to-fuel process sustainably recycles waste that has reached the end of its useful life- including items that cannot readily be recycled, like plastic film, flexible packing, styrofoam and children’s toys. Its new plant, Brightmark Energy Ashley Indiana, is scheduled to come online in late 2020 and will be the first of its kind to take mixed-waste single-use plastics and convert them into usable products at commercial scale.

The following is a testimonial from Jay Schabel, president of RES Polyflow and of Brightmark Energy’s plastics division.

Your bio says you are a serial entrepreneur. How did you start working with Benesch-does your relationship predate RES Polyflow?

Very much so. In the early 2000s, I met Ira Kaplan when I was with a group that was effecting a rollup of troubled and nonstrategic automotive businesses. Ira introduced us to an opportunity, and Benesch served as our attorneys on that deal plus a few other acquisitions. Ira sculpted the buy-sell arrangement I had with my partners. After the buyout in early 2008, Ira and I went to dinner and he said, “So what are you going to do now?”

I told him I’d like to get my hands dirty again (I’m a process engineer). I said I’d like to do something with a fair bit of risk to it but also a lot of potential upside. He said he’d been serving pro bono on an advisory board for a promising company that had some brilliant chemists and chemical engineers but didn’t really have the ability to develop the business side and asked me to consider it. I went for two weeks, waking up in the middle of the night thinking of the possibilities, and finally told him I’d like to look at it. So he introduced me to Polyflow while it was just in its infancy.

What has Benesch’s involvement been as Polyflow has grown?

Ira has been an advisor to Polyflow, and Benesch served as the attorney for Polyflow. They did all the documentation for our funding and helped us negotiate on behalf of RES Polyflow as well as deal with any other bumps along the way. Benesch is now serving in several capacities: Barry Miller is our construction counsel as we build our new plant, Jessica Angney has been alongside with Ira on all the tax ramifications and shareholder-related items, with Mike Mozes handling a lot of the contract work.

RES Polyflow has recently been acquired by Brightmark Energy. Did you find Brightmark or did Brightmark find Polyflow?

We found Brightmark through an investment banker we hired in 2015 to help us get our funding. Our funding has a technology insurance policy, which basically guarantees the technology's performance to a certain level needed to protect the financing. Our insurer also knew the team at Brightmark, so we were introduced to them from a couple different directions. Brightmark was very intrigued by the technology and the business model.

Was Benesch involved in getting that acquisition through the pipeline?

Yes, we had to put together offtake agreements for our finished product with BP and with a wax broker for 10 years. We had to have 10-year feedstock supply contracts with garbage contractors, so that added a little twist. Trying to get someone to commit to supplying you garbage for 10 years...not easy. And locking down the contractors and the site. All of that was handled with Benesch, so they did a tremendous amount of work before we even got into the bond offering documents and the equity agreements. When we went out to meet with Brightmark, Ira came out with me and was part of the negotiations. He does it in a manner that's very positive-a team-oriented, win-win approach. That's my style as well, so I believe we really complement each other.

What do you like about working with Benesch?

Ira brings skills beyond just the legal aspect. He's a business deal-minded person. When times get tough, people show their true colors, and Ira Kaplan has proven himself in the hardest of times. We've been in some pretty deep and contentious scenes along the way, as you can imagine with a technology like this. Survival is the most difficult part because it's such a large initial capital investment to bring it to commercialization that you're spending all your time scraping together dollars just to get to the starting line.

Ira has been there throughout, and our payment schedule has not always been prompt. Ira's been incredibly supportive, and he brought in the rest of the team members. These aren't new folks, but attorneys who bring a tremendous amount of experience to a client that doesn't have much of a balance sheet. He's really brought the cream of the crop into situations where we needed them to survive. I've been really pleased with the quality of resources.

In a startup there's every reason to not move forward, and you have to come up with reasons to keep things progressing. I find a lot of value in the fact that Benesch can bring to bear the different disciplines needed for the situation. You have to be able to adapt and adjust as a startup to survive the 'valleys of death' in getting to commercialization. Benesch knows how to step into unconventional situations and come up with creative ways to make something work.

Your new plant is under construction now?

We broke ground on May 6, 2019. We completed the bond offering April 10 officially, and so we secured in total about $252 million for the plant. We had already raised another $12.5 million in equity just getting here over the last 11 years.

How long is construction?

It will be approximately 18 months to get to where we'll start running the plant and ramping up the throughput. The plant takes about 100,000 tons per year of plastic that is destined for the landfills. We don't take the plastic that's already being recycled and has a better use as a regrind or other type of product; we take what the recycling companies throw away. It will be converted into about 18 million gallons of diesel and gasoline blend stock and about 6 million gallons of wax.

How have you been doing manufacturing up until now?

We built a small trailer-mounted pilot unit and were fortunate enough to receive a grant from the state of Ohio's Third Frontier alternative energy program for part of the money to scale up to a full-scale unit. We proved conclusively that the chemistry at full scale was the same as the chemistry at pilot. At that point, we started taking the end product, the single liquid we produce, and turning it into the three product streams that we can sell. In 2015 we were then able to go out and start getting the contracts with the end customers and going for the funding for the full plant.

That's quite a timeline from conception to startup!

Yes-the technology first started in 2002, I was introduced in 2008, and we finally got to a point of commercialization where we could start to go out for funding in 2016. At that point we had to gather all the contracts and put the business together and officially went out for funding in late 2018. From there it went pretty quickly because of all the work done up-front and with the investment bankers, who have worked tirelessly for us since 2015.

Who knows what the potential is for the future. This could just be your first plant!

Now that we are part of the Brightmark team, we are enabled to expand this technology rapidly around the world, and certainly there's adequate supply of plastic waste. We're taking a fraction of the waste available in the 150-mile radius around the plant. We would locate these plants just outside larger metropolitan areas to catch the plastic heading to the landfill.

Is there anything else you'd like to add?

I know as attorneys, Benesch focuses on helping their clients, and one of their most rewarding ways to contribute to society is helping get a company off the ground that employs people. In our case, Benesch had the clear understanding that we're also going to make the planet a better place, and they really went the extra mile to help us succeed. So far all we've done is get to the starting line of building the plant. We still will be proving the commercial operation of the business, but as we do that-and I'm confident we will-the adventure becomes how to grow without growing out of control. I'll be looking to Benesch to advise us along the way. We're excited about where we've come together, but we're also excited about where we're going together.