

Partnership Mounts a More Sustainable Attack on Algae

GREEN: AECOM to Help BLOOM Scale Its Harvesting, Production Process

■ By SARAH DE CRESCENZO

Solana Beach-based materials development company **BLOOM Holdings LLC** has partnered with **AECOM**, one of the world's largest engineering firms, on a new way of managing harmful algae blooms in lakes, reservoirs and river systems.

BLOOM's primary business is using algae harvested and dried by its Mississippi-based parent company, **Algix Inc.**, as a component in the making of more-sustainable flexible foams for use in everyday products, from sporting goods to shoes.

With AECOM's backing, BLOOM Managing Director **Rob Falken**

aims to scale up the deployment of the harvesting technology, and the subsequent manufacturing of goods, in a big way.

AECOM, which reported more than \$17 billion in revenue in the past fiscal year, began talks with BLOOM about a year ago.

Together, they recently landed their first customer, a "private client" in Florida.

Alternative to Chemical

It was an algae bloom that slimed 33 square miles of South Florida's Lake

Okeechobee in the summer of 2016 — growth so intense it became visible from outer space — that proved the impetus for the companies' strategic partnership.

AECOM, a **Fortune** 500 company, was researching better ways to manage algae for clients such as municipalities, local governments and state agencies. **Bill Colona**, a senior project geologist who has been with the firm for 26 years, wanted to identify a more sustainable solution to the issue.

Algae, when it grows wildly, can cause harmful blooms that can reduce water flows, clog filters, make drinking water taste and smell bad and produce toxins. The primary method used to control algae at the moment is by adding copper sulfate to bodies of water in which algae is living. That doesn't, however, kill the nutrients on which algae feeds, leaving it behind for other algae to consume. At high concentrations, copper sulfate can be toxic to fish and other organisms.

Colona came across BLOOM, which had recently begun producing materials incorporating algae sucked out of China's Lake Tai, also known as Taihu, a freshwater lake that has been severely affected by algae blooms in recent years, and some smaller locations in the U.S.

Harvesting algae using Algix harvesters removes the nutrients on which algae feeds from the water, reducing the likelihood of future algae growth.



Bill Colona



Dan Levy

A Global Market

According to the U.S. **Environmental Protection Agency**, harmful algal blooms are becoming increasingly common in inland freshwater ecosystems, and have been recorded in all 50 states. It's happening internationally, too, as temperatures rise, providing an even more comfortable environment for algae to thrive.

And while it was a crisis in the U.S. that brought the companies together, the market appears to be a global one.

"We see this as a world crisis," said **Dan Levy**, a vice president with AECOM who heads its environmental business in Florida.

AECOM, as it happens, has the wherewithal to handle issues on a global level: The company designs, builds, finances and operates infrastructure for governments, businesses and organizations in more than 150 countries.

Its role in its partnership with BLOOM is designing and building the infrastructure needed to deploy BLOOM's trailer-mounted algae harvesting units, which were developed by Algix.

As businesses and governments become more aware of how human activities are negatively impacting natural ecosystems, the companies believe their pitch could get them out in front when it comes to spending on mitigation efforts.

"The true beauty (of BLOOM's technology) is the ability to take this waste product and turn it into a valuable end product offsetting petroleum usage," Colona said.

He said the company's technology looked efficient — and scalable, a necessity for the scope of the work AECOM perceives as possible.

California a Key Market

BLOOM and AECOM are in talks with agencies in Southern California, for which they plan to conduct a demonstration sometime this fall showcasing the harvesting process, about the alternative, chemical-free management method.

Falken said California, with its history of progressive environmental policies, will likely be on the forefront of any move to stop the use of chemicals for algae management.

The challenge is convincing water management agencies, which are tasked with using taxpayer money in a responsible way, to adopt a new way.

"We're looking at changing the culture of how municipalities deal with algae blooms," Levy said. "What we're trying to do is solve the problem and restore the water to its natural state."

UPCOMING SPECIAL REPORTS

Aug. 28 Diversity

Sept. 4 Co-Working

Sept. 18 Banking & Finance

Sept. 25 Best Places to Work

Oct. 2 North County

Structure Your Golden Parachute Agreement to Help Mitigate Tax Consequences

by Jennifer Menendez, CPA, Moss Adams

At any given time, a transaction is on the horizon for most technology companies, bringing potentially negative tax consequences with it. Because of this, companies can benefit from continually addressing the issues that need to be considered with each new transaction—including employee compensation in the form of golden parachute payments.

TAX CONSEQUENCES

Companies that don't structure their golden parachutes to avoid excess parachute payments can face strict tax consequences:

- Internal Revenue Code (IRC) Section 280G prohibits corporations from taking a tax deduction for these types of payments.
- IRC Section 4999 imposes a 20% excise tax on any person who receives an excess parachute payment.

GOLDEN PARACHUTE PAYMENTS

IRC Section 280G, *Golden Parachute Payments*, provides rules for determining when a payment will be considered a *parachute payment*. These payments can include, but aren't limited to, wages, bonuses, severance pay, fringe benefits, and stock compensation.

To qualify as a golden parachute payment, the payment must:

- **Be in the nature of compensation.**
- **Be contingent upon an ownership change.** This includes a change in the ownership of a company or a substantial portion of a company's assets.
- **Be made to a disqualified individual.** This includes officers, shareholders, and highly compensated employees.

EXCESS PARACHUTE PAYMENTS

IRC Section 280G defines *excess parachute payments* as parachute payments that have an aggregate present value equal to or exceeding three times the base amount for an individual. In general, the base amount is equal to the average annual compensation paid by the company and includible in the gross income for the five taxable years prior to the date of the ownership change.

Exceptions

One of the important exceptions to note is that private companies can avoid payments being treated as excess parachute payments by obtaining shareholder approval. To qualify, a company must adequately disclose all material facts to shareholders and obtain approval of any parachute payments by more than 75% of the voting power of all outstanding stock.

Jennifer Menendez has practiced public accounting since 2006. She serves privately and publicly held companies in the technology, life sciences, and manufacturing and distribution industries. She can be reached at (858) 627-1485 or jennifer.menendez@mossadams.com.

MOSSADAMS.COM

Assurance, tax, and consulting offered through Moss Adams LLP. Wealth management offered through Moss Adams Wealth Advisors LLC. Investment banking offered through Moss Adams Capital LLC.

