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## Quicker than you can say IPO, organic food company goes public

By **Melissa Allison**

*Seattle Times business reporter*

Organic to Go went public this week, but not in the usual way.

The Seattle company, which serves organic and natural sandwiches, soups and salads, inserted itself into the shell of a publicly traded company.

Its founder and chief executive, Jason Brown, said he sees it as faster and cheaper than an initial public offering.

"We're too small a business to do an IPO today," he said.

The organic food chain gained very little cash from the shell company into which it merged, SP Holding. It trades on the over-the-counter bulletin board under the symbol SPHG.OB. Shares rose \$1.25 Tuesday to \$4.25.

For such a young, small company — a dozen cafes and 200 employees in Washington and Southern California — Organic to Go has been on a bit of an acquisition tear.

Begun in 2004, it bought 12 locations in 2005 from bankrupt sandwich chain Briazz.

### Organic to Go

**Locations:** 12 cafes in Washington and Southern California, plus catering and delivery. Products also are available at 30 other locations, including airport coffee shops and college campuses.

**Acquisitions:** A dozen stores from the Briazz chain in Seattle and

Last year, it bought Vinaigrettes Full Spectrum Catering of Los Angeles, which caters everything from boxed lunches to lavish Hollywood events. Terms were not disclosed.

Brown, 49, said this is the fifth company he has built since he was 19. His last one, Custom Nutrition Services in Carlsbad, Calif., was bought by Bellevue-based [drugstore.com](http://drugstore.com) in 2003.

Brown said Organic to Go "could become a significant business over the course of the next five years."



JOHN LOK / THE SEATTLE TIMES

Manager Lilly Anunda fills an order at Organic to Go in the company's flagship store, Two Union Square in downtown Seattle. The business followed a rare path to go public this week, inserting itself into the shell of a publicly traded company.



JOHN LOK / THE SEATTLE TIMES

Jason Brown, CEO of Organic to Go, said the company's path to going public was faster and cheaper than an initial public offering. "We're too small a business to do an IPO today," he said.

Vinaigrettes Full Spectrum Catering of Los Angeles.

**Numbers:** Sales of \$6.7 million for the first nine months of 2006, up 56 percent from a year earlier. Organic to Go's net loss for that period was \$4.6 million.

**Founder:** Jason Brown, whose last company, Custom Nutrition Services in Carlsbad, Calif., was bought by Bellevue-based [drugstore.com](http://drugstore.com) in 2003.

To help it grow, the company just raised \$4.7 million as the first phase of a \$6.5 million private placement.

It also converted \$5.6 million of debt into equity.

Those deals more than doubled the number of company investors to 150.

Bulletin-board stocks are traded through a telephone and computer network instead of on a traditional exchange floor.

The companies tend to be small and unable to meet the capital and corporate-governance requirements of the major stock exchanges.

The NASD oversees their trading.

The financial mechanism Organic to Go used to go public is called a reverse merger, and it is rare.

Kevin Gabelein, managing director of Fluke Venture Partners in Bellevue, has done IPOs but never a reverse merger.

It can be good for a company that cannot raise the money it wants from the private markets, he said, but it adds to a company's regulatory burden without necessarily creating a large market for the stock the way an IPO could.

"When a company is still fairly young and in growth mode, you'd rather raise money privately as opposed to airing out everything in a public format," Gabelein said.

Bill Glynn, chief financial officer at Bellevue-based Action Engine, which enables access to the Web through cellphones, did a reverse merger while at another company, and it didn't go well.

"If you're a successful company you can absolutely make it work," said Glynn, who preferred not to name his former employer.

Problems happen when a company performs poorly, he said, because the over-the-counter market is even less forgiving than larger stock markets.

"Your stock price goes down to pennies, and it can be impossible to raise money without incredible dilution," he said.

Sales at Organic to Go are growing fast, but filings this week with the Securities and Exchange Commission show it has yet to turn a profit.

In the first nine months of 2006, sales were \$6.7 million, up 56 percent from a year earlier. Its net loss for that period was \$4.6 million.

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