

INC. PREMIUM STARTUP

How This Startup Stayed Alive After \$8 Million in VC Vanished in a Weekend

Dillon Baxter of PlantSwitch moved quickly after his company's funding fell through, a situation all too common these days.

BY JENNIFER ALSEVER @JENNIFERALSEVER

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PlantSwitch utensil. Photo: courtesy company

For Dillon Baxter, finding growth capital for his fledgling alternative-plastics company wasn't nearly as hard as losing it.

Three years after launching his Sanford, North Carolina-based startup, PlantSwitch, in 2020, Baxter had lined up customers to use the company's new bio-based plastic, signed a lease on a manufacturing facility, sent out job offers, and made down payments for commercial production equipment. He even had an \$8 million signed term sheet from a venture capital firm.

Then everything nearly fell apart.

In May 2023, Baxter sent the final investment subscription documents outlining stock purchase agreements and investor rights agreements

couple of days. But after two to three weeks of silence and then stalling by the fund's chief operating officer, Baxter got the phone call that the fund didn't have the money. A limited partner who had promised the fund money didn't come through.

"It was this situation when your heart hits the ground and your stomach's in your throat, and you don't know what's going to happen," Baxter says. "It was this domino effect of commitments."

Baxter, then 25, feared he was going to look foolish, telling people what he promised was not going to happen. He had just two months of money before he would have to shut the company down. Baxter recalls, "It was a very scary time."

And one that's all too common these days, as uncertainty and volatility overtake calmer conditions that may be more conducive to investing in startups. To wit, total fund-raising in 2024 declined quarter over quarter, ending the year at just \$55.8 billion raised in the fourth quarter, down from \$136 billion in the first quarter. The number of funds closed fell to 2017 levels, and a third of the closed funds were two years in the making, according to Bain & Company's [2025 Private Equity Outlook report](#).

Since the venture capital market came to a halt in 2022, VCs have been far more cautious about where they park their money. With the

funding picture has remained subdued, says Kyle Stanford, chief researcher of PitchBook, which tracks public and private markets. Hedge funds, family offices, and mutual funds invested in the hot VC market because of high returns. But after a high in 2021, the market collapsed—and layoffs haven't led to a return in liquidity, adds Stanford.

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Prior to the funding freeze, Baxter says he felt good about his startup's swift progress. He came upon the idea of bio-based plastics while interning at a private equity firm and studying finance at Southern Methodist University. A proposal for a plastic alternative crossed his desk, and he began researching the sector. He discovered that large companies resisted plastic alternatives because hefty investments to add entirely new machinery were typically required.

In 2020, Baxter quit his job at a private investment firm and joined fellow SMU student Maxime Blandin to start PlantSwitch and build a “drop-in solution” so alternative plastic fixes would be compatible with existing plastic processing machinery.

They created alternative plastic pellets using agricultural waste from rice husks, wheat straw, and other cellulose-rich byproducts. Those pellets were just like traditional polypropylene plastic pellets and

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machinery. Plus, the bioplastics could break down within months in a backyard compost bin.

PlantSwitch founder Maxime Blandin (left) and CEO Dillon Baxter. Photo: courtesy company



Their startup raised \$3.25 million in a seed round from wealthy individuals and family offices, and it went on to complete successful trials of the raw material on industrial equipment.

When the company's venture round went south, Baxter turned to a team of advisers who were successful entrepreneurs they'd met playing on SMU's golf team. Those seasoned experts told the pair not to worry: This sort of thing can happen. They outlined strategies on what to do next.

Baxter asked vendors for extensions, offered delayed start dates to new employees, and held tight to a move-in date with the landlord of the manufacturing facility. Then, he went back to early seed investors and restructured a convertible note funding round, giving investors 8 to 10 percent interest on a loan that would later convert into equity.

Within a few weeks, PlantSwitch was able to raise \$2 million, enough to move forward, and over the next year raised more money for a total

bioplastic products for clients with its raw material and it will eventually sell its bio-based pellets to manufacturers that can drop them into existing injection molding machinery to replace plastic products. Last year, PlantSwitch began production for a number of large customers, including Taylor Farms, a \$7 billion family-owned producer of salads and fresh foods based in Salinas, California.

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For several years, Taylor Farms sought an ecofriendly alternative for the plastic forks inside its prepackaged salad bowls sold across the country. More retailers are demanding sustainable packaging, and some governments are even requiring it. At least a dozen states have rolled out restrictions on single-use plastics, and Washington, D.C., and New York City have banned select non-compostable items.

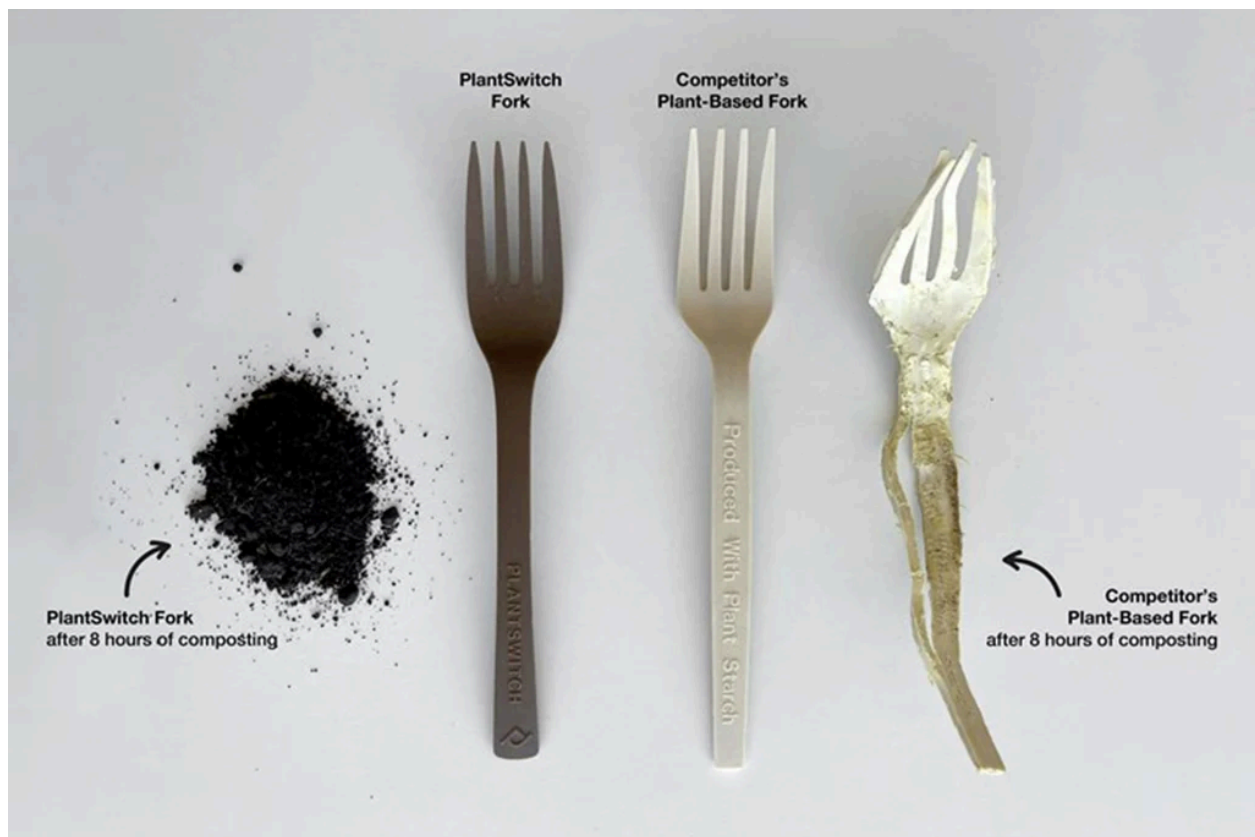
The effort is part of Taylor Farms' broader sustainable packaging initiative, which includes the launch of a plant-based tray under the Earthbound Farm brand. It is aiming to replace 100 million forks in its chopped salad bowls sold in Walmart and Costco stores.

“How to recycle, reduce, or reuse plastic is a worldwide problem. We challenge ourselves in our business to be responsible with our resources and this is one step to decrease plastic,” says Lisa Anthony, Taylor Farms' director of national packaging procurement. “There are

vetted.”

However, greenwashing remains a problem. Unlike PlantSwitch products, most bioplastics and compostable packaging are not truly biodegradable and will not break down in a backyard bin. They must be composted in high-heat industrial compost facilities, where materials are exposed to 150-degree temperatures. Very few cities have these facilities, so most bioplastics end up in landfills. As a result, many bioplastics aren't as green as some think.

PlantSwitch products and those made by Taylor Farms are biodegradable in a landfill or a backyard compost bin. The bioplastic can also withstand the cold, wet environment inside a salad bowl.



talks with another vendor when she discovered PlantSwitch on LinkedIn.

“Once I started talking to Dillon, you see he’s very smart and he knows the science behind it,” she says. “You can feel the passion. He had the perfect product, and I had this major need.”

And, as it turned out, Baxter figured out how to get the money to deliver.

The final application deadline for the 2025 Inc. 5000 is Friday, April 25, at 11:59 p.m. PT. Apply Today.

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