NJEDA Clean Energy Solutions
Grants & Loans

June 29, 2009
EDA - Who We Are

State financing and economic development agency dedicated to offering:

- Financing Assistance
- Access to Small Business Services
- Real Estate Development Assistance
- International Trade Services

Mission: To strengthen New Jersey’s economy by retaining and growing businesses through financial assistance, by renewing communities, and by promoting the State’s strategic advantages to attract domestic and international businesses.
# EDA Results

## EDA Results 2008

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projects Assisted</td>
<td>396</td>
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<tr>
<td>Total Assistance</td>
<td>$551.5 Million</td>
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<tr>
<td>Public/Private Investments</td>
<td>$1.4 Billion</td>
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<tr>
<td>Estimated New Permanent Jobs</td>
<td>7,018</td>
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<tr>
<td>Estimated Construction Jobs</td>
<td>16,943</td>
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</table>

## EDA Results 1974-2008

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
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</thead>
<tbody>
<tr>
<td>Projects Assisted</td>
<td>9,996</td>
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<tr>
<td>Total Assistance</td>
<td>$19.6 Billion</td>
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<tr>
<td>Public/Private Investments</td>
<td>$41.4 Billion</td>
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<td>Estimated New Permanent Jobs</td>
<td>295,018</td>
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<tr>
<td>Estimated Construction Jobs</td>
<td>299,943</td>
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EDA Resources

Traditional Lending
- Loan Participations/Direct Loans
- Guarantees
- Bond Financing
- Statewide Loan Pool
- Preferred Lender Program
- New Jersey Business Growth Fund
- Fast Start for small business

Expansion/Relocation
- BEIP
- BRRAG

Real Estate Assistance
- Site Location Services
- Technical Assistance

Technology & Life Sciences
- Edison Innovation Fund:
  - Edison Innovation R&D Fund Wraparound
  - Edison Innovation Commercialization Fund
  - Edison Innovation Growth Fund
  - Technology Business Tax Certificate Transfer Program
  - Venture Fund Investments
  - Edison Innovation Clean Energy Manufacturing Fund

Urban & Site Solutions
- Urban Plus
- Sales Tax Exemption (UEZ)
- Local Development Financing Fund (LDFF)
- Urban Transit Hub Tax Credit Program
- Fund for Community Economic Development
- Brownfields Reimbursement

Small Business Services

International Trade Services
New Jersey Energy Master Plan

- **Blueprint** for the State’s Clean Energy Future, released October 2008, updated every 3 years

- **Spells** out how the State will meet our energy needs, spur the development of clean energy businesses, and control energy costs

- **Lists** a series of goals and related action items that will put the State on track to successfully meet the energy challenges facing it:
  - Reduce energy consumption by at least 20% by 2020
  - Reduce peak demand for electricity by 5,700 mW by 2020
  - Achieve 30% of the state’s electricity needs from renewable sources by 2020
  - Develop a 21st century energy infrastructure
  - Invest in innovative clean energy technologies and businesses to stimulate the industry’s growth in New Jersey
EDA Role in Energy Master Plan

• Develop a product portfolio of grants, loans and investments to provide assistance to businesses with projects that advance the goals of the state’s Energy Master Plan.

• Expand the Edison Innovation Fund to invest in innovative clean energy technologies including both energy efficiency and renewable energy manufacturing businesses to stimulate the industry’s growth in New Jersey.

EDA Clean Energy Strategy for Energy Master Plan (Programs)

- **Lower demand** by encouraging the use of energy efficient technologies by the business community by creating incentives that complement others offered by sister state agencies.

- **Increase energy supply** through incentives for co-generative facilities and state-of-the-art electric generation, financing for renewable energy manufacturers, and investments in new renewable energy technologies.
Edison Innovation
Clean Energy Manufacturing Fund (CEMF)

- Designed to support companies looking to site a Class I renewable energy or energy efficiency product manufacturing facility in New Jersey.

- New Jersey clean technology manufacturers can receive funding under two separate components: project assessment and design, and project construction and operation.

- In total, up to $3.3 million in grants and interest-free loans available.
  - Up to $300,000 for predevelopment
  - Up to $3 million as a zero-interest, 10-year loan to support site improvements, equipment purchases, and facility construction and completion.

- Competitive solicitation process. *Next solicitation will begin June 1, 2009.*
CEMF Program Eligibility

• Company must be a legally organized, for-profit entity and may include corporate joint ventures.

• Company must currently, or plan to within 36 months of Tranche II closing, manufacture products in NJ with no prototyping.

• Minimum 50% cash match of total project costs.

• Preference given to those projects that display a greater percentage of project activity in New Jersey (design, manufacture, processing, assembly).

• Projects subject to Prevailing Wage and Affirmative Action where applicable.

• Company does not have to be headquartered in NJ, but manufacturing project has to be located in NJ and within the service territory of a public utility whose customers pay Societal Benefits Charge.
CEMF Program Background

2 Program Components:

• Project Assessment and Design Grant (up to $300,000)
• Project Construction and Operation Zero Interest Loan with Performance Grant (up to $3 Million)

CEMF Program Description

Project Assessment and Design Grant – Tranche I

• Up to $300,000 to assist with manufacturing site identification and procurement, design, and permits
• Minimum 50% cash match from other (non-state) funding sources
• Tranche I Funds Advancement: 20% available as upfront seed funds, Remainder paid after submission of invoices
Project Construction and Operation Zero Interest Loan with Performance Grant – Tranche II

- Up to $3 Million to support site improvements, equipment purchases, and facility construction and completion
- 10 Year, Zero Interest Loan
- Minimum 50% cash match from other (non-state) funding sources
- 1/3 of loan (up to $1 Million) may convert to a performance grant if the business and technology milestones specific to each company are met during the first 3 years
- Repayments to begin at Start of 4th year for a 7 year term
- BPU takes subordinate lien on assets
- Next solicitation will begin June 1, 2009.
Regional Greenhouse Gas Initiative (RGGI)

Program Description

• Initiative by states in Northeastern US regions to reduce greenhouse gas emission
• “Cap and trade program” – states sell emissions allowances through auctions and invest proceeds in support of a clean energy economy
• EDA to receive 60% of NJ auction proceeds
  ▪ Proceeds to finance a broad variety of projects that support the goals of the State’s EMP
  ▪ 1st auction held Dec ’08, March ’09, June ‘09, December ‘09
  ▪ EDA forecasting upwards of $36MM in 2009 RGGI proceeds
NJ Clean Energy Solutions

• New suite of products for “green” programs with the goal of reducing the amount of greenhouse gases produced in New Jersey to support the goals of the State’s Energy Master Plan.

• The products will enhance the EDA’s capacity to provide funds to encourage the creation of green collar jobs in New Jersey.

• The NJ Clean Energy Solutions portfolio will deliver products based on the following funding sources:
  - BPU Clean Energy Program Fund
  - Global Warming Solutions Fund/Regional Greenhouse Gas Initiative (RGGI)
  - Retail Margin Fund
  - American Recovery and Reinvestment Act
Clean Energy Solutions Capital Investment (CESCI) Loan/Grant

- New program will support commercial, institutional or industrial entities advancing energy-efficient end-use projects, combined heat and power (CHP or cogen) production facilities, or construction of state-of-the-art, efficient electric generation facilities, including Class I and Class II renewable energy.

- Zero-interest loans and grants of up to $5 million are available to eligible commercial, industrial or institutional customers, with up to 10-year loan term to fund purchase of fixed-assets (including real estate or equipment).

- Maximum/Limits:
  - 100% loan, a portion of which can become a grant, based on EDA scoring criteria
  - Total EDA RGGI funding cannot exceed $5 million per applicant and aggregate state public funding cannot exceed 50% of the project cost
  - Business should create or maintain jobs in New Jersey

- The loans and grants offered through CESCI are capitalized through RGGI in partnership with the DEP.
EDA Financing Resources

Statewide Loan Pool
Fast Start for small business
Bond Financing
Main Street NJ
Key Benefits of Partnering with the EDA

When banks partner with the EDA, it is truly a win/win situation: the bank keeps and satisfies the customer, while the customer receives low-cost financing.

- **Bank**
  - Maintains customer relationship
  - Mitigates risk through EDA participation and/or guarantee
    - EDA’s DSCR and LTV requirements are less demanding
      - 1.10 DSCR
      - Up to 100% LTV
  - The EDA takes a subordinated collateral position

- **Customer**
  - Grows business with low-cost financing
Statewide Loan Pool

The EDA participates in bank loans to make the project viable for the bank and affordable for the company. The key benefits are reduced risk and blended interest rate.

- **Uses**: Fixed assets or working capital

- **Eligibility**: Any business that meets the following criteria:
  - Located in a targeted municipality, or
  - Operating in a targeted industry, and
  - Creates one new job for every $50,000 of EDA assistance

- **Amount of Assistance**:
  - Fixed assets: Up to $1.25 million loan/$1.5 million guarantee: Total of $2.75 million
  - Working capital: Up to $750,000 loan/$1.5 million guarantee: Total of $2.25 million

- **Interest Rates**: Fixed and variable rates are available
  - Fixed rate is typically indexed to 5-year Treasury rate, plus 0 to 1.5% depending on a scoring formula, with a current floor of 3%
  - Variable is indexed to Prime Rate, minus 1 to 4% depending on a scoring formula, with a current floor of 2%
Fast Start for small business

The Fast Start for small business program offers an expedited approval process on financing for small businesses that have been in business from one to three years. The key benefit is that the EDA provides the financing, while the bank keeps the deposits from the customer.

- **Uses:** Business expenses not related to rent, capital construction, utilities or other indirect costs

- **Eligibility:**
  - Business must be in operation for at least one year
  - The EDA places a particular emphasis on creditworthiness, cash flow, and collateral

- **Amount of Assistance:**
  - Up to $300,000 for credit scores greater than or equal to 700
  - Up to $125,000 for credit scores greater than or equal to 650

- **Interest Rates:** Fixed and variable rates are available
  - Fixed rate is typically indexed to 5-year Treasury rate, plus 0 to 1.5% depending on a scoring formula, with a current floor of 3%
  - Variable is indexed to Prime Rate, minus 1 to 4% depending on a scoring formula, with a current floor of 2%
Bond Financing

- **Eligibility:**
  - Tax-exempt bonds are available to manufacturers and nonprofits and for certain exempt facilities.
  - $20 million capital expenditure limit for manufacturers (3 years back and 3 years forward)

- **Uses:**
  - Fixed assets, working capital, and refinancing for non-profits
  - Fixed assets (land/buildings and new equipment) for manufacturers

- **Amount:**
  - $500,000 with no dollar limit on tax-exempt bonds for nonprofits
  - $500,000 to $10,000,000 on tax-exempt bonds for manufacturers

- **Interest Rates:**
  - The bank sets the interest rate, terms and other financial conditions
Main Street Assistance Program

• $50 million fund deployed to assist eligible businesses in three ways:

- Loan Participations
  *Up to $1 million per total transaction for fixed assets; up to $750,000 for working capital, with EDA loan participation not to exceed 25% of total transaction
  *Fixed 5-percent interest rate
  *Collateral subordinate to the bank
  *Total EDA exposure can not exceed $2 million or 50% of bank transaction

- Loan Guarantees
  *Up to $2 million guarantee on a term loan for fixed assets; up to $1.5 million guarantee on a term loan for working capital (guarantee must be less than 50% of total transaction)

- Lines of Credit Guarantees
  *Up to $250,000 guarantee on a line of credit (guarantee must be less than 50% of total transaction and is available through EDA’s Preferred Lenders only)
Main Street Business Assistance Program

Terms/Conditions

- 5% fixed interest rate on EDA portion
- Maximum term of 5 years; amortizations may be longer
- Personal guarantees required for any person or entity with 10% of more ownership in applicant/operating company
- 1.1X debt service coverage ratio
  - Based on 2 most current years of financial statements
  - Global debt service can be used
  - DSCR defined as net income plus interest, depreciation & amortization minus owner distributions (plus add back in rent if rent will be replaced by loan payment) divided by principal and interest payments on existing debt plus new debt
- Collateral required for all loan participations and guarantees
- LTV not to exceed 100%
Main Street Assistance Program

Eligibility

• Business must be located in NJ and in business for at least 2 years

• In good standing with EDA, federal/state agencies and requesting bank

• No bankruptcy within the past 7 years or criminal history

• Minimum credit score of 680 for at least one of the guarantors

• Business should maintain jobs in NJ