

FREQUENTLY ASKED QUESTIONS

EDISON INNOVATION CLEAN ENERGY MANUFACTURING FUND (CEMF)

1. Is the Applicant eligible to apply for other Edison Innovation Fund programs and the CEMF?

Response: Yes, the Applicant may apply for other Edison Innovation Fund programs such as the Edison Innovation Clean Energy Fund, Commercialization or Growth Fund but must meet the program eligibility requirements under each program's guidelines.

2. Who is eligible to participate?

Response: To be eligible for consideration for the CEMF:

- The Applicant must first be pre-qualified by showing that the product proposed for manufacturing meets the requirements set forth in EDECA at N.J.S.A. 48: 3-60 and N.J.A.C. 14:8-2 et seq. as an Energy Efficiency technology, equipment or system that uses electricity or natural gas as a principle input resulting in a substantial increase in the efficient use and/or conservation of electricity or natural gas or Renewable Energy that is naturally regenerated over a short time scale and derived from the sun (such as thermal, photochemical or photoelectric), or from other natural sources such as wind, hydropower, geothermal and tidal energy, or photosynthetic energy stored in biomass.
- Applicants must be legally organized, for-profit companies that currently, or plan to, manufacture eligible Class I renewable energy or energy efficiency systems, products or technologies in New Jersey and enter or expand within the manufacturing stage of commercial – not prototype - development. The Applicant may be a corporate joint venture and teaming arrangements are encouraged, when necessary, to meet program goals and increase likelihood of commercial success. Applicants should provide technical verification data to support that technology is proven to work.

Power plant projects, including those that use biodiesel or ethanol as fuels, are not eligible under this solicitation nor are proposals that produce fuels or feedstocks including bio-organic catalysts.

3. What are the eligible technologies for funding?

Response: Energy Efficiency Technologies refers to those technologies, equipment or systems that use electricity or natural gas as a principle input resulting in a substantial increase in the efficient use and/or conservation of electricity or natural gas.

Energy efficiency equipment and technology that reduce electric or natural gas consumption such as furnaces, boilers, and air conditioning systems with higher efficiencies than adopted New Jersey building energy codes or federal or New Jersey appliance standards, as well as lighting systems, including LED lights and energy monitoring and control systems would qualify. Products which improve the efficiency of electricity or gas generation, transmission or distribution are not eligible.

The manufacture of products or equipment integral to the generation of electricity using Class I renewable energy, such as photovoltaic, solar, wind energy, renewably fueled fuel cells, wave, tidal, sustainable harvested biomass, and methane gas from landfills would qualify as well as other technologies or equipment that can demonstrate their integral nature to the development of Class I renewable energy and energy efficiency technologies, including “balance of system” technologies that produce or support the production of renewable or clean electricity generation. Components that are an integral part of an eligible product are eligible.

CEMF is not intended to finance facilities that will produce renewable electricity from these technologies in any form, such as the installation of solar photovoltaic panels at a facility.

4. Does the Applicant have to be headquartered in NJ or in the U.S.?

Response: No, there is no New Jersey headquarters requirement. The manufacturing project has to be located in the State of New Jersey and is expected to accelerate economic development, job growth, and to ultimately benefit NJ consumers by facilitating a competitive and diverse electricity supply.

For projects that are proposing an electric EE or RE product manufacturing plant, the Subject Facility must be located within the service territory of an electric public utility whose customers pay the Societal Benefits Charge pursuant to N.J.S.A. 48:3-60. For projects that are proposing a natural gas EE product manufacturing plant, the Subject Facility must be located within the service territory of a gas public utility whose customers pay the Societal Benefits Charge pursuant to N.J.S.A. 48:3-60.

5. Does the manufacturer have to have developed proprietary technology?

Response: No, but the technology must meet the Class I renewable energy and energy efficiency technical requirements and the Applicant must provide the documentation for their right to use or further develop that technology.

6. What are the cost-sharing qualifying requirements?

Response: One-half (50%) of the total budgeted expansion and capital expenditure plan must be covered by other sources of cash funding from non-state grants, debt, equity (new equity or retained earnings- as evidenced by certified public accountant-prepared financial statements - from the Borrower), or other federal and/or local government or private sources. If the matching funds are not reported on the Applicant’s balance sheet at the time of application, a written letter of interest (LOI) must be provided for the 50% cash match on private sector funds. In order to be acceptable the LOI must contain the basic terms of the proposed financing including form (equity or debt), repayment (if applicable), and proposed collateral (if applicable). The LOI must be converted to a funded commitment for the transaction closing and evidenced by bank statement or other applicable documentation. In-kind support – defined as salary costs of the existing team and use of equipment and resources from the company and other third party sources – cannot be included in the cost sharing of the project. Funding commitments under the CEMF may be approved prior to a commitment from other funding sources, but will be contingent on the Applicant, prior to closing, demonstrating the minimum required match from financial sources.

7. When do project costs become eligible for funding under the CEMF?

Response: Qualified project costs may be eligible for Tranche I and II funding under the CEMF as of 90 days prior to acceptance date of Applicant's Eligibility Intake Form (or date of resubmitted Eligibility Intake Form for those reapplying) as documented in the Agency's (*BPU and EDA collectively known as the "Agency"*) letter to the Applicant. The Agency reserves the right to reduce or disallow the amount of any proposed milestone payment. Qualified project costs are subject to Agency review and approval of adequate documentation of cost sharing incurred and performance of activities as documented in the Applicant's Statement of Work.

8. What project costs are included under the CEMF?

Response: All qualified costs necessary to the project for Tranche I and Tranche II will be considered. The Agency will consider Tranche I costs for both an expansion and development of a manufacturing facility within New Jersey.

- For Tranche I, costs include the following activities: manufacturing facility site procurement (evidenced by either a lease or purchase), plant layout, design of the manufacturing line, subcontractor work designating site improvements including utility access, engineering and architectural plans, preparation of financial and budgetary plans, and costs of permits and regulatory approvals to operate the facility, and general and administrative costs for related activities. All capital expenditures including building renovations and modifications are to be included under Tranche II costs.
- For Tranche II, costs include the following activities: capital equipment purchases, leasehold and building improvements and/or purchase, direct employee salaries and benefits associated with hiring, equipment installation and testing, potential increases in product inventory, and general and administrative costs for related activities. Research and development costs for commercialization of products are not included.
- A preference will be given to those projects that demonstrate a greater percentage of the product being designed, processed, assembled or otherwise made available for commercial sale at a manufacturing facility in New Jersey. Non-project related costs are to be excluded such as interest expense and entertainment. The Agency may disallow any costs.

The CEMF may not be used to fund an Applicant's subcontracting of the manufacturing operation at another site in NJ to produce the Applicant's commercial product or system for sale unless there is a joint venture between the two companies that demonstrates an Applicant's equity stake in the manufacturing operation.

9. Does an Applicant have to apply for both tranches of the CEMF?

Response: An Applicant may apply for Tranche II if the Tranche I project phase has been completed prior to Agency approval of the Eligibility Intake form. However, any new Applicant for Tranche II that has entered into commercial production may only apply if there is development of a manufacturing facility or manufacturing facility expansion of both employment and commercial product output. Incremental additions or modifications to existing manufacturing lines will be considered only if of significant or material quality, to be determined at sole discretion of EDA.

Any Applicant requesting Tranche I funding must also apply for Tranche II funding. Should the Applicant receiving a Tranche I award later advise the Agency in writing that it would not proceed with receipt of Tranche II funding, the Applicant may not reapply for a Tranche II award for the same project under a subsequent solicitation.

10. Can the grant award amount for Tranche I that exceeds the actual project costs be applied towards Tranche II?

Response: Yes. The amount awarded under the Tranche I grant based on budgeted costs may exceed the actual invoices submitted for reimbursement. This difference may be applied towards Tranche II project costs and is subject to EDA approval and a 50% cost-sharing requirement.

A company may use funds from the Tranche II award towards Tranche I if actual costs for Tranche I exceed budgeted costs. However, the funds advanced cannot exceed \$300,000 and 10% of total CEMF funds awarded and are subject to a 50% cost-sharing requirement. This transfer of funding award to Tranche I is subject to Agency approval, the same repayment guidelines under Tranche II, and is excluded from the calculation of the Tranche II performance grant.

11. If a company does not receive the maximum amount of the Tranche II zero interest loan award under this Solicitation, can it apply directly for the remaining available balance up to the maximum \$3 million award?

Response: Yes. The company may directly apply for the remaining balance of the maximum Tranche II zero-interest loan up to \$3 million under this Solicitation. The criteria are outlined as follows:

- application must be within three years from closing of the original Tranche II funds
- subsequent to satisfactorily meeting all milestones under the Tranche II award
- subject to the sole discretion of the BPU
- subject to availability of CEMF program approved funding for that fiscal year and EDA approval.
- this new request shall not exceed the difference between the Tranche II amount disbursed under the Tranche II award and a maximum of \$3 million.
- the amount disbursed under the original award may be less than the Tranche II loan commitment and undisbursed amounts under original Tranche II commitment will not be made available for further drawdowns under this new commitment.

In order to apply for the remaining balance of the Tranche II award under this Solicitation, the company must demonstrate additional capital costs for the same project and that it has met the 50% cost-sharing requirement. This remaining Tranche II amount the company may apply for is subject to the same repayment terms as the Tranche II zero interest loan the company is currently receiving. No additional amount awarded under Tranche II will be included as a performance grant.

12. How will funds be advanced under Tranche II?

Response: Funds are to be advanced against completion of business and technology-based milestones specific to each company as outlined by the Applicant and review and modification by the Agency. These milestones are expected to be satisfactorily completed by the Applicant, in the sole discretion of the BPU within a 3-year period from closing of the loan documentation - with no more than 50% of funds advanced prior to commercial production, as such the Applicant Company must demonstrate adequate bridge financing or capital reserves to complete the project until the second half of the funds under Tranche II are advanced - and are to be supported by the awardee with adequate documentation. Failure to reach these milestones within three years from the Tranche II closing date will result in a forfeiture of the performance grant.

The milestones established encompass not only certain phases of project completion such as installation of new equipment, but also key hires, number of jobs created, major partnerships, units of sales achieved, new distribution channels, etc.

13. Are there any time deadlines involved with funding of Tranches I and II?

Response: Yes. Funding for each tranche must be completed within 36 months from the closing date of the grant and loan agreements for Tranches I and II. The closing for Tranche II agreement may occur no later than 36 months from the closing date of the Tranche I agreement.

14. Explain the application and review process for determination of the awards. What is the expected turnaround time for awards?

Response: Applications will be reviewed on a first-come, first-serve basis. Following are the application and review process steps for the CEMF Program:

A. Technical Eligibility

Interested Applicants are required to submit an eligibility intake form for preliminary Agency technical review and program eligibility as described in Section 2.0 of the Solicitation. The short Eligibility Intake Form can be found on the EDA's web site at www.njeda.com/cemf. The Agency anticipates notifying applicants within 14 business days after submission as to whether they meet the technical eligibility criteria and will move forward in the application process.

B. Full Application

Upon being notified of complying with the program eligibility, and after reviewing the eligible use of funds and program conditions with an EDA officer, the Applicant will be instructed by such officer to complete the EDA online application for CEMF. The application can be found at www.njeda.com/cemf, along with a list of all required attachments and the required tax certificate clearance form (with fee).

CEMF proposals must document the approach, plans and strategies intended to meet project goals including:

- Technical project information and benefits
- Business plan including financial projections
- Proposing team and qualifications
- Project procedural steps to accomplish the project milestones
- Project budget including schedule of matching funds

The project budget is estimated by the Applicant and will include expenses to be incurred during the course of the project, including direct labor, overhead, materials, subcontractors, consultants, travel, and selling and administrative expenses related to the project.

Details of the proposal are outlined in the proposal instructions and requirements.

In addition to the online application completion, the applicant is requested to send an electronic and paper copy of the application.

C. Clean Technology Advisory Committee

Applicants successfully completing the full application, meeting program eligibility requirements and conditions as outlined in the Solicitation, will be asked to present to a Clean Technology Advisory Committee, comprised of EDA, BPU, representatives from other government entities and industry volunteers with EE and/or RE and business technology subject matter expertise. The Clean Technology Advisory Committee will review and advise the Agency, based upon the Applicant's ability to meet Evaluation Criteria as detailed in Section 4F of the Solicitation.

D. Underwriting and Due Diligence

Applicants will be subject to an extensive financial and technical due diligence. The EDA will administer the underwriting and due diligence process including reference calls and verification of supplied documentation. This information will be provided in an underwriting document for consideration by the BPU Board for Approval

E. BPU Board Approval

Applicants successfully meeting all the program criteria, a positive review from the advisory board based on the program eligibility and conditions, the evaluation criteria and the due diligence process will be presented to the BPU Board for approval consideration.

The expected turnaround time for project awards is approximately 3-4 months. Some proposals may take longer. The actual turnaround time will vary depending upon the specific information provided by the Applicant and individual project status.

15. Are there any clawback provisions that apply to the CEMF program?

Response: Yes. Awardee must establish and/or maintain its principal manufacturing operations for the project in New Jersey during the funding period, which is no later than 36 months from the closing date, and until the expiration or earlier termination of the Loan Agreement. Awardee must acknowledge and agree that BPU has made the Award in reliance on this representation by Awardee. Violation of this covenant, or moving a substantial number of project-related jobs out of New Jersey during the aforementioned time period, as determined by BPU in its sole discretion, shall constitute an event of default under the Agreement and may result in the exercise by BPU of its rights and remedies including without limitation, the demand by BPU of the immediate return of all or any portion of the Award previously disbursed to Awardee.

If the Awardee materially fails to comply with any term of their Agreement or a State or Federal statute or regulation, or if any statement, representation, or warranty made by Awardee was materially false at the time when it was made or is breached any time before the expiration or earlier termination of the Loan Agreement, BPU may, in its sole discretion, consider any such misrepresentation or breach an event of default, and BPU may take one or more of the following actions, as appropriate in the circumstances: suspend the award, terminate the Award in whole or in part, disallow any costs, demand immediate return of some or all funds already disbursed, terminate any obligation it may have to make a loan to Awardee to fund Tranche II of the Project; and may pursue other remedies at law or in equity as may be within legal right.

16. Describe the Clean Technology Advisory Committee (CTAC) review process.

Response: For Applicants presenting before the Clean Technology Advisory Committee, it is recommended that senior management, CEO/President and/or founders along with a technology officer attend on behalf of the Company. The Company has the option of preparing a 10 minute PowerPoint presentation highlighting the project evaluation criteria: economic impact in NJ, technical merit, investment criteria, management and team qualifications, and market potential. This presentation would need to be sent to the EDA, the day before the presentation date – and no later than 10 a.m. to edisoncemf@njeda.com. A short question and answer period from the Committee members will follow the presentation. All members of CTAC have signed confidentiality and non-disclosure agreements.

17. Is there an appeal process?

Response: No. There is no appeal process.

18. What collateral or security must be pledged for the Tranche II loan?

Response: The BPU intends to take a blanket lien on all assets (including a mortgage or leasehold mortgage on the project site, as applicable). That lien will be subordinate in position (but not in payment) to existing liens held by senior secured lenders. The Borrower may secure additional debt of up to 25% of the CEMF funding commitment to be senior in collateral position (but not in payment), with no current payment restrictions and without any prior BPU consent. Approval for senior secured indebtedness in excess of the 25% amount will require prior approval from the BPU.

19. Are there any specific management requirements?

Response: Yes. Applicant must have a full time management team who works only at the applicant company and consists of W-2 employees. The full time W-2 management team must include at least one individual with applicable MANUFACTURING industry operating experience (to be detailed in supplied business plan).