



Agenda Date: 6/21/13
Agenda Item: 8G

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

CLEAN ENERGY

IN THE MATTER OF THE CLEAN ENERGY)
MANUFACTURING FUND - AWARD MODIFICATION)
)
) DOCKET NOS. EO08070470
) & EO09100830

Party of Record:

Shawn Brosnan, Chief Financial Officer, Noveda Technologies, Inc.

BY THE BOARD:

This Order amends an award granted by the Board at its October 28, 2009 Agenda Meeting, for \$3.3 million in assistance to Noveda Technologies, Inc. ("Noveda" or "Company") pursuant to the second public competitive solicitation for the Edison Innovation Clean Energy Manufacturing Fund ("CEMF"). The modifications include: revising the amortization to a graduated payment plan that provides temporary cash relief during the Company's period of fundraising, downsizing and strategic pivoting; canceling the undisbursed commitment of \$652,517 in grant and loan funds; and strengthening the Board's collateral position by filing perfected liens with the US Patents and Trademarks Office on all available intellectual property.

BACKGROUND

Noveda provides energy monitoring services to lower the energy and maintenance costs in commercial buildings, and its business model anticipates continued emphasis in energy efficiency and renewable energy. Noveda sought CEMF funds to establish a manufacturing facility for energy monitoring software and proprietary equipment. The CEMF offers financial assistance in the form of zero interest loans and grants to support Class I renewable energy or energy efficiency companies entering or expanding their manufacturing operations in New Jersey. Eligible applicants were companies that currently do, or within 36 months plan to, manufacture Class I renewable energy or energy efficiency systems, products or technologies in New Jersey. The New Jersey Economic Development Authority ("EDA"), in conjunction with Staff, administers the program.

The total funds that can be awarded under the CEMF program include up to 50% of total project's budgeted costs, not to exceed \$3.3 million per project for each solicitation under the Program. This program requires a firm commitment of a 50% cash match of total project

budgeted costs from other sources of funding for cost sharing, either from non-State grants, loans, or equity. The Program offers funding in the form of a grant for facility site assessment, procurement, and design, the amount of the grant not to exceed 10% of total CEMF funds requested by the applicant and capped at \$300,000 ("Tranche I"). The Program also offers a ten-year zero interest loan for site improvements, equipment purchases, and facility construction and operation ("Tranche II"). The amount of the loan is not to exceed \$3,000,000. At the closing of the grant, twenty percent (20%) of the Tranche I approved funds will be advanced for upfront "seed money" with the remainder paid after work has been completed upon submission of invoices. Equal monthly repayments of the zero interest loan start in the fourth year after documentation closing on the loan for a seven-year term, with the Board taking a lien on assets subordinate to any existing senior debt. As of May 6, 2013, \$209,983 and \$2,437,500 in grant and loan funds have been disbursed to Noveda, respectively.

On the basis of the EDA's recommendation and subsequent underwriting review, and recommendation of Staff, the Board approved a \$300,000 grant and \$3.0 million loan from the CEMF to Noveda at its October 28, 2009 Agenda Meeting. On March 5, 2012, the EDA approved, under its delegated authority, milestone revisions to the original award. On March 16, 2012, President Hanna signed the amended award documents.

DISCUSSION AND FINDING

The CEMF award granted to Noveda requires repayment be based upon an equal monthly amortization of principal, of approximately \$29,000, starting in the third year of the loan – April 1, 2013 – and due in full by the tenth year anniversary; repaid over seven years with 0% interest (fully amortizing by maturity). The EDA is requesting restructuring the loan amortization to a graduated payment plan that provides temporary cash relief during the Company's period of fundraising, downsizing and strategic pivoting. Moreover, the EDA requests that the undisbursed commitment of \$652,517 in grant and loan funds be cancelled, and that the BPU's collateral position be strengthened by filing perfected liens with the US Patents and Trademarks Office ("USPTO") on all available intellectual property, to be released in the event the company becomes current on all payments in accordance with the original loan agreement.

According to the EDA, since obtaining Board assistance, Noveda has set up a light manufacturing facility in Branchburg, and installed 1,076 units to monitor over 280 million KWh of energy in New Jersey. Noveda's customers include Rutgers University, NJ Meadowlands Commission, Newark Public Schools District and Middlesex County College. However, the EDA explains, Noveda faced a number of business and financial challenges that have forced the company to downsize operations, pivot its business strategy and pursue alternative fundraising options. As a result the company did not qualify for the performance-based conversion grant and is presently unable to begin amortizing the loan as required.

In April 2013, the Company received terms for \$1 million in new equity led by a strategic investor to fund operations for the next 12-18 months. Noveda requested payment relief to conserve cash during this transitional period. EDA staff has reviewed Noveda's current business plan, financial statements and budget forecasts and has negotiated a graduated repayment plan as follows:

	May '13	'13-Jul	Aug '13	'13-Oct	Nov '14	'13-Jan	Feb '14	'14-Apr	May thereafter	'14-
Monthly Payment	\$14,509		\$17,410		\$20,312		\$23,214		\$30,711 (e)	

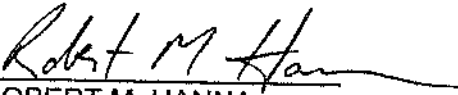
The Board **FINDS** that the EDA conducted an underwriting review of Noveda and recommended restructuring the amortization of the loan to a temporary reduction and graduated payment increase, subject to the following conditions: BPU formally cancels undisbursed grant and loan amounts of \$90,017 and \$562,500, respectively; BPU files UCC and USPTO lien positions on intellectual property; and BPU holds a first security interest in all assets, including "General Intangibles," but not "Intellectual Property" specifically.

EDA has recommended the loan restructuring to increase the likelihood of loan repayment given Noveda's change in financial strength. The Board **FINDS** that Noveda and EDA have negotiated a repayment schedule that will allow the Board to proceed with less risk of a total loss of the remaining loan investment. The Board **FINDS** that the recommended modifications are appropriate and proper.

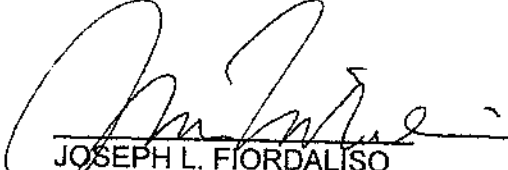
Now, therefore, the Board **HEREBY ACCEPTS** the EDA's recommendations, and based on Staff's recommendation, **HEREBY APPROVES** the Noveda award modifications. The Board **ORDERS** that the appropriate award modification documents, consistent with the terms of this Order, be issued to Noveda by BPU staff in coordination with appropriate EDA staff. The Board **AUTHORIZES** President Hanna to execute the award modification.

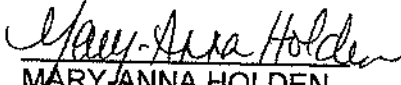
DATED: 6/21/13

BOARD OF PUBLIC UTILITIES
BY:

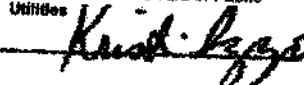

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PRESIDENT


JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER


MARYANNA HOLDEN
COMMISSIONER

ATTEST: 
KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities


IN THE MATTER OF THE CLEAN ENERGY MANUFACTURING FUND --
AWARD MODIFICATION
Docket Numbers EOO8070470 & EO09100830

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