



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
**44 South Clinton Avenue, 3<sup>rd</sup> Floor – Suite 314**  
**Post Office Box 350**  
**Trenton, New Jersey 08625-0350**  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

CLEAN ENERGY

IN THE MATTER OF THE CLEAN ENERGY ) ORDER  
MANUFACTURING FUND (CEMF) – REQUEST FOR )  
AWARD MODIFICATION ) DOCKET NO. EO09120966

**Parties of Record:**

**Sandy Zeglarski**, New Jersey Economic Development Authority  
Ken McCauley, President & CEO, Princeton Power Systems, Inc.

**BY THE BOARD:**

On December 16, 2009, the New Jersey Board of Public Utilities (Board or BPU) approved an award of \$3.3 million in assistance to Princeton Power Systems, Inc. (PPS or the Company), of which \$3 million was in the form of a loan, pursuant to the second public competitive solicitation for the Edison Innovation Clean Energy Manufacturing Fund (CEMF) as recommended by the Economic Development Authority (EDA), the administrator of the CEMF. PPS is now requesting subordination of the loan to allow for an Accounts Receivable Line of Credit (ARLOC) of up to \$2,000,000 by Square 1 Bank, and the execution of a satisfactory inter-creditor agreement between BPU and Square 1 Bank.

**BACKGROUND**

PPS designs and manufactures advanced power conversion products and alternative energy systems for microgrids, electronic vehicle charging stations, energy storage systems, and military applications. The Company was founded in 2001 by Princeton undergraduate students, based upon their patented electronic circuit and software mechanisms, to uniquely convert electric power. Since the PPS' first product release in 2005, the EDA and BPU have provided financial assistance to support the Company's growth including the following:

- BPU Recoverable Grant of \$263,429; closed August 2006; paid in full June 2014
- Business Employment Incentive Program (BEIP) \$435,000 closed in good standing - March 2009
- EDA Edison Innovation Fund Loan (EIF) of \$750,000; closed March 2009; paid in full March 2014
- BPU Clean Energy Manufacturing Fund (CEMF) Grant & Loan of \$3,300,000; closed May 2010

The Company received the \$3.0 million loan in disbursements having achieved all of its milestones for the loan. In December 2013, the Board approved a \$1.5 million line of credit (LOC) from Square 1 Bank (formerly Sand Hill Finance, LLC), and a subordinate lien position on all business assets to support the LOC as well as a restructured repayment plan due to a fire at the manufacturing site (Docket EO09120966). The Company began its CEMF loan repayments in December 2013, which will last through November 2020. The Company repaid in full the outstanding balance on the Square1 Bank LOC in July 2014 (and cancelled the line). The Company is current in its CEMF loan repayments and the loan is in good standing. At the end of Q3 2015, the company had 44 full-time employees in New Jersey, compared to twenty five (25) full-time employees at the time of CEMF loan approval.

The proposed ARLOC will allow the company to continue to fund the working capital growth. EDA represents that, without access to this working capital funding, the Company will face stalled growth. Because of business growth and additional equity raise, the collateral position for BPU loan will be better (even after ARLOC draw) as compared to the collateral position at the time of CEMF loan approval.

### **LOAN CONSENT AND MODIFICATION**

PPS requests the Board consent to an ARLOC of up to the lesser of \$2.0 million or 80% of the Company's eligible accounts receivable by Square 1 Bank. The ARLOC is a cash flow management tool for high-growth businesses that sell products or services to other business and await payment.

Currently the BPU is in a first lien position on all PPS business assets. The proposed ARLOC will require BPU to subordinate to Square 1 Bank, up to the outstanding balance of the ARLOC, its security interest on all assets except for all equipment purchased by the BPU loan, and will require the execution of a satisfactory inter-creditor agreement between BPU and Square 1 Bank.

EDA Staff conducted a financial analysis of PPS and considered the Company to be in a good financial position at the time of the analysis. EDA notes that since 2014 PPS experienced strong revenue growth due to new business, and enjoyed strong investor support. EDA staff recommended supporting the ARLOC facility based on historical performance and projected sales pipeline.

Board Staff reviewed the underwriting analysis and EDA's recommendations for approval, and recommends that the Board consent to the new indebtedness, approve the subordination of the CEMF loan to Square 1 Bank and enter into a satisfactory intercreditor agreement

### **DISCUSSION AND FINDINGS**

The Board **FINDS** that PPS was awarded a \$3 million loan on December 16, 2009 under the CEMF for which repayment began in December 2013 with \$2,214,291.71 remaining to be paid (as of December 7, 2015). The Board **FURTHER FINDS** that EDA conducted an underwriting review of request for consent and modification to its loan documents, and recommends that the consent and modifications be approved. The Board **FURTHER FINDS** that Board Staff reviewed the EDA's underwriting analysis of the proposed consent and modifications and concurs with the EDA's recommendation that the consent and modifications should be approved.

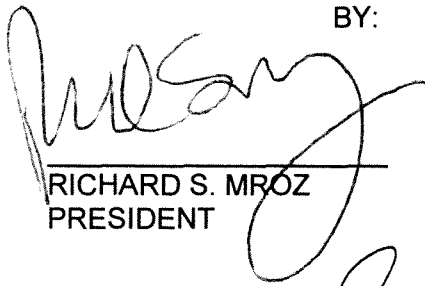
Based upon consideration of the unique facts and circumstances as stated in this Order, the Board **FINDS** EDA's assessment to be reasonable, namely, that the subordination of the first lien position will allow the Company to fund its working capital growth and continue on a positive trajectory. The Board also **FINDS** that PPS, Square 1, and EDA negotiated an intercreditor agreement whereby the Board will subordinate its security position on all assets up to the \$2.0 million, except for all business equipment purchased with the CEMF loan. Therefore, the Board **FINDS** that the recommended consent and modifications to be appropriate and proper.

The Board **HEREBY ACCEPTS** Board Staff's recommendation and **HEREBY APPROVES** the consent and modification to the PPS CEMF loan. The Board **AUTHORIZES** the President of the Board to sign the necessary the intercreditor agreement, consistent with the terms of this Order.

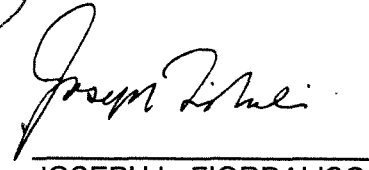
This Board Order shall be effective as of February 6, 2016.

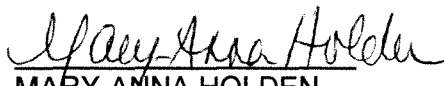
DATED: Jan 18, 2016

BOARD OF PUBLIC UTILITIES  
BY:

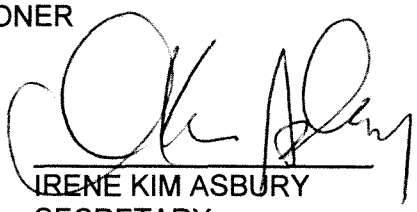
  
RICHARD S. MROZ  
PRESIDENT

  
DIANNE SOLOMON  
COMMISSIONER

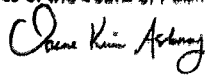
  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
MARY-ANNA HOLDEN  
COMMISSIONER

  
UPENDRA J. CHIVUKULA  
COMMISSIONER

ATTEST:   
IRENE KIM ASBURY  
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 SOLICITATION –  
AWARD MODIFICATION - DOCKET NO. EO09120966

SERVICE LIST

Chris Tattory, Esq.  
State of New Jersey  
Deputy Attorney General  
Division of Law - Treasury  
Hughes Justice Complex  
25 Market Street  
Post Office Box 106  
Trenton, N.J. 08625-0106

Ken McCauley  
Chief Executive Officer  
Princeton Power Systems, Inc.  
3175 Princeton Pike  
Princeton, NJ 08648

David Wand, DAG  
Department of Law & Public Safety  
Division of Law  
124 Halsey St.  
Post Office Box 45029  
Newark, New Jersey 07102

Rachel Boylan, Esq.  
Counsel's Office  
Board of Public Utilities  
44 South Clinton Avenue, 3<sup>rd</sup> Floor, Suite 314  
Post Office Box 350  
Trenton, NJ 08625-0350  
[Rachel.boylan@bpu.state.nj.us](mailto:Rachel.boylan@bpu.state.nj.us)

Sandy Zeglarski  
State of New Jersey  
New Jersey Economic Development Authority  
36 West State Street  
Trenton, NJ 08625

Stefanie A. Brand, Esq., Director  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Floor  
Post Office Box 003  
Trenton, NJ 08625-0003  
[sbrand@rpa.state.nj.us](mailto:sbrand@rpa.state.nj.us)

Secil Onat, Director  
Office of Clean Energy  
Board of Public Utilities  
44 South Clinton Avenue, 3<sup>rd</sup> Floor, Suite 314  
Post Office Box 350  
Trenton, NJ 08625-0350  
[Secil.onat@bpu.state.nj.us](mailto:Secil.onat@bpu.state.nj.us)

Marisa Slaten, Esq.  
Office of Clean Energy  
Board of Public Utilities  
44 South Clinton Avenue, 3<sup>rd</sup> Floor, Suite 314  
Post Office Box 350  
Trenton, NJ 08625-0350  
[Marisa.slaten@bpu.state.nj.us](mailto:Marisa.slaten@bpu.state.nj.us)

Allison E. Mitchell  
Office of Clean Energy  
Board of Public Utilities  
44 South Clinton Avenue, 3<sup>rd</sup> Floor, Suite 314  
Post Office Box 350  
Trenton, NJ 08625-0350  
[Allison.mitchell@bpu.state.nj.us](mailto:Allison.mitchell@bpu.state.nj.us)

Anne Marie McShea  
Office of Clean Energy  
Board of Public Utilities  
44 South Clinton Avenue, 3<sup>rd</sup> Floor, Suite 314  
Post Office Box 350  
Trenton, NJ 08625-0350  
[anne.mcshea@bpu.state.nj.us](mailto:anne.mcshea@bpu.state.nj.us)