New Jersey Economic Development Authority
Annual Report 2011

New Jersey Economic Development Authority

2011 Annual Report

2011 was a busy and exciting year at the New Jersey Economic Development Authority (EDA) as we continued to support the bold economic development agenda of Governor Chris Christie and Lieutenant Governor Kim Guadagno: a more favorable tax climate, a common-sense, predictable regulatory process, competitive business incentives, and a proactive business outreach strategy.

Over the course of 2011, the Christie Administration's focus on making New Jersey a home for growth prompted the introduction of new programs and policies that bolstered the EDA's ability to spur lending activity for small businesses, generate and maintain jobs and encourage private investment in our communities. As a result, the EDA finalized over $882 million in financing assistance, business incentives and tax credits in 2011 to support New Jersey-based businesses, not-for-profit organizations and municipalities. Compared to 2010, the impact of this assistance is significant:

- More than doubled the amount of total public/private investment, from $1.4 billion in 2010 to $3.4 billion in 2011;
- More than doubled the number of estimated new jobs, from 5,200 in 2010 to over 13,000 in 2011;
- More than doubled the number of existing jobs supported, from 12,350 in 2010 to 26,942 in 2011.

The expansion of the Business Retention and Relocation Assistance Grant (BRRAG) and Urban Transit Hub Tax Credit programs were particularly critical to New Jersey's ability to retain companies and jobs in the state, and encourage major investment in our cities. In tandem with administering the still powerful Business Employment Incentive Program (BEIP), the transformational Economic Redevelopment and Growth (ERG) program, and various lending programs, the EDA has enthusiastically continued its role as the state's "bank for business" to encourage economic development and job creation.

The Partnership for Action team joined Governor Chris Christie and Lt. Governor Kim Guadagno at the February 2011 New Jersey Economic Summit, a roundtable discussion with business leaders from across the state at Rutgers Business School in Newark.

Working under the leadership of Lt. Governor Guadagno, EDA collaborates closely with the Business Action Center and Choose New Jersey as part of the New Jersey Partnership for Action. The Partnership has successfully attracted new businesses to the state and helps existing businesses thrive by zeroing in on relationship-building and person-to-person outreach, promoting state incentives and resources, developing pro-growth policies, and helping businesses navigate state government and programs.

Through advocacy and business incentives, the Partnership for Action team has: encouraged companies such as Archimedes Pharma, Fluitec International and Allergan, Inc. to locate new facilities in New Jersey; supported Watson Pharmaceuticals, Bayer Healthcare and Church & Dwight as they sought to remain and expand here; and, assisted Panasonic Corporation, Revel Entertainment and Wakefern Food Corporation as they advanced projects that will result in significant private investment in New Jersey's urban centers.

The Urban Transit Hub Tax Credit (UTHTC) and Economic Redevelopment and Growth (ERG) programs have been critical to New Jersey's ability to advance transformational, catalytic redevelopment projects in New Jersey's cities and other geographic areas targeted for growth.

Through 2011, 14 projects have been approved through the UTHTC for a total benefit of more than $887 million in tax credits. These projects are expected to leverage an estimated $1.7 billion in private investment, and spur the creation of 2,330 new jobs and 8,400 construction jobs, as well as help to ensure the retention of 2,270 jobs that were certified as "at risk" of leaving the state. Under ERG, 12 projects have been approved for incentives totaling approximately $370 million over an average term of 19 years. These projects are spurring an estimated $2.2 billion in private investment, and are expected to create an estimated 9,190 new jobs and over 7,975 construction jobs. The net benefit to the state tied to these projects is estimated to be $877.5 million over the term.

Our focus on supporting entrepreneurs and small businesses was also expanded in 2011 as the state worked to create new funding and technical assistance opportunities for this critical sector of New Jersey's economy. In October, the Christie Administration announced that New Jersey was allocated $33.8 million in funding through the federal Small Business Jobs Act. These funds strengthen EDA's existing lending programs, with a focus on supporting small manufacturers, women and minority-owned enterprises, and businesses that are located in underserved communities throughout the state.

Support for Small Businesses

The EDA Board took action in November and December to further support small business development in New Jersey. This included doubling the EDA's line of credit guarantee assistance from $250,000 to $500,000; increasing the number of banks from 15 to 44 that can participate in a new Premier Lenders banking program to expedite loan approvals; strengthening the lending capacity of microlenders and other financial intermediary organizations through the Fund for Community Economic Development; and entering into a new contract with UCEDC and awarding first-time contracts to Rising Tide Capital, Inc. and the Latin American Economic Development Association (LAEDA) to expand the array of training, technical and financial assistance services available to small, women and minority-owned businesses. In 2011, UCEDC trained or mentored over 2,400 entrepreneurs across the state and offered 82 business training and informational workshops. Additionally, 16 small business owners received a total of nearly $430,000 in loans to start or expand their business.

In an effort to educate more small businesses across New Jersey on available financial and advocacy assistance, EDA hosted several small business forums in coordination with Urban Enterprise Zones (UEZs) and other local business community members. In 2011, events were held in Asbury Park, Trenton, Lakewood and Carteret. EDA also launched a new website landing pages, with a focus on key audience segments, including bankers, small business owners, manufacturers, and not-for-profit organizations. In addition, EDA launched e-mail newsletters that inform these key audiences about updates on products, success stories and related business news from around the state. In 2011, EDA completed its first video testimonial which highlighted North Bergen-based Sequin City and the small manufacturing company's experience working with the Partnership for Action team.

Growing the Innovation Economy

With a continued focus on growing New Jersey's "innovation" economy, EDA took significant steps in 2011 to expand the availability of capital for life sciences and technology companies. In August, the EDA introduced three new programs under the Edison Innovation Fund to support emerging companies that have attracted capital through angel and venture capital investors. EDA also worked with the state's technology community to create New Jersey's first Technology Accelerator Initiative, which will provide a competitive environment for entrepreneurs to showcase their products, ideas and business model in a mentor driven program that leverages EDA's initial investment with private capital.

Encouraging Sustainability

To help promote a green economy in New Jersey, EDA enhanced its Clean Energy Solutions portfolio in 2011 with the introduction of the Edison Innovation Green Growth Fund (EIGGF) and Energy Efficiency Revolving Loan Fund (EERLF). The EIGGF is a program funded by the New Jersey Board of Public Utilities (BPU) that offers growth capital loans to assist New Jersey clean technology companies in advancing energy efficient and renewable energy products.

Through EERLF, New Jersey-based commercial, institutional or industrial entities that have already received an approved Energy Reduction Plan under the BPU's Pay for Performance program can apply for a low-interest loan to help achieve energy efficiency improvements that benefit New Jersey ratepayers, reduce operating costs for businesses, and enhance the environment.

2011 also marked the official launch of EDA's internal sustainability initiative. Through this effort, we are striving to become a more sustainable organization by focusing on the triple bottom line – people, planet and profits. This approach will allow EDA to plan for and respond to current and future challenges and opportunities through adaptive decision making that accounts for social, economic and environmental protections and enhancements.

EDA is also staff to the Fort Monmouth Economic Revitalization Authority (FMERA), which kept busy in 2011 with the closing of the Fort Monmouth post in September 2011.

Invested in the Business of Sustaining New Jersey

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

EDA's new sustainability logo and tagline, "Invested in the Business of Sustaining New Jersey."

The essential component of FMERA's initial redevelopment effort is the transfer of the 1,100-acre property from the U.S. Army to FMERA, which takes place through the Economic Development Conveyance (EDC) agreement. The Memorandum of Agreement (MOA) is the overarching agreement between the U.S. Army and FMERA, which lays out the deal points for the future EDC agreement. Drafts of both documents were submitted to the U.S. Army in December 2011 and we expect that both agreements will be in place by April, with action on transferring the land parcels identified for Phase 1 of the redevelopment beginning soon after.

As we continue to cultivate an environment conducive to economic growth and job creation, the EDA looks forward to working with the Christie Administration to build on the success the Partnership for Action achieved in 2011. As we move ahead in 2012, we are focused on increasing our lending activity for small and mid-size businesses, supporting companies looking to expand globally, and ensuring our policies are aligned with the new State Strategic Plan, which is focused on growing targeted industries, including advanced manufacturing, transportation, logistics and distribution, life sciences, technology, green energy, health and finance.

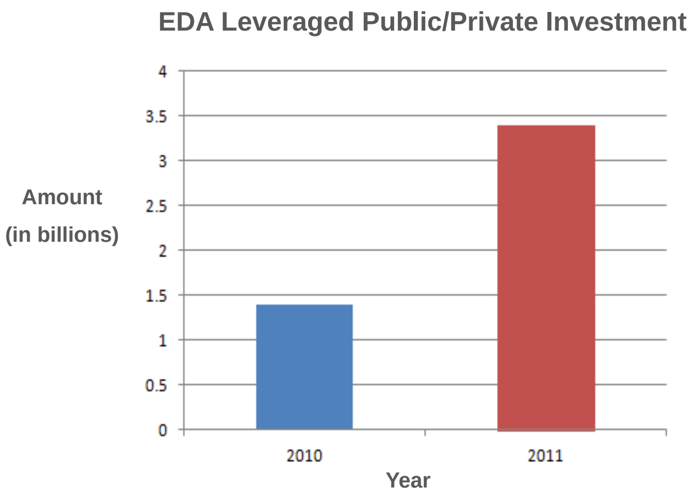
The EDA remains committed to growing New Jersey's economy through financial assistance, facilitation and partnerships; optimizing internal workforce effectiveness to improve and strengthen the customer experience; and, advancing a financially sustainable business platform to ensure we are able to meet the state's economic development needs while excercising financial stewardship. Our success as an organization is a testament to our talented and dedicated staff, a business philosophy that facilitates quick adaptability to marketplace needs, and productive partnerships with public, private and community organizations across New Jersey.

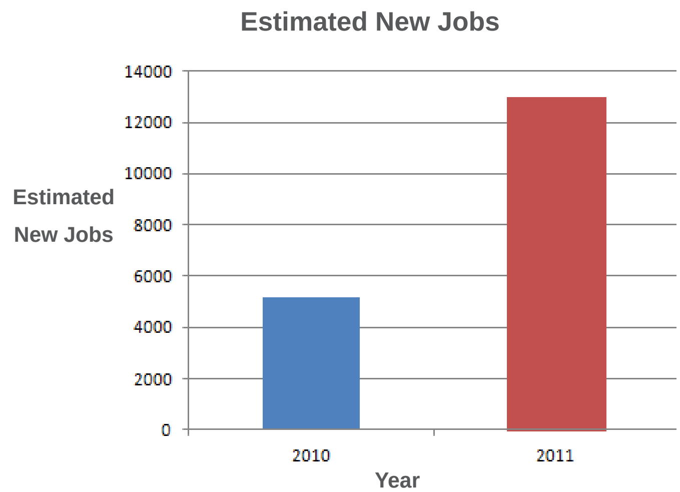
The following pages highlight the various ways EDA supported and encouraged economic development in 2011. We invite you to visit www.njeda.com or the state's business portal at www.NewJerseyBusiness.gov to learn more about opportunities for business growth throughout the state.

Al Koeppe
Chairman of the Board

Caren S. Franzini
Chief Executive Officer

2011 Results





EDA Results 2011	
Projects Assisted	**301**
Total Assistance	**$882.7 million**
Public/Private Investment	**$3.44 billion**
Estimated New Permanent Jobs	**13,025**
Estimated Construction Jobs	**13,942**

EDA Results 1974-2011	
Projects Assisted	**11,081**
Total Assistance	**$21.6 billion**
Public/Private Investment	**$47.8 billion**
Estimated New Permanent Jobs	**322,882**
Estimated Construction Jobs	**332,759**

EDA Mission

The New Jersey Economic Development Authority (EDA) is an independent State agency that serves as the State's "bank for business" by financing small and mid-sized businesses, administering tax incentives to retain and grow jobs, revitalizing communities through redevelopment initiatives, and supporting entrepreneurial development by providing access to training and mentoring programs.

Supporting Entrepreneurial Development and Business Growth

2011 was marked by the Christie Administration's staunch commitment to support small and mid-size businesses in New Jersey. The state's efforts are strengthened by EDA's relationship with New Jersey's banking community. In partnership with commercial banks, nearly 100 small and mid-size companies and not-for-profit organizations across New Jersey received approximately $867 million in total public/private assistance through the state's small business lending and bond financing programs.

Sequin City represents a great example of the unprecedented responsiveness that defines the Partnership for Action and its efforts to support the needs of New Jersey businesses, large and small.

With 40 years of experience in the textile industry and a desire to make his son proud, Raymond Hill acquired Sequin City in 2002, making him the owner of the only sequin fabrics manufacturing company in the United States. The company supplies its fabrics to the fashion district in New York City, Broadway costume designers, and major American theme parks such as Disneyland. In March 2011, Mr. Hill was told by his landlord that the building housing his company would be demolished that April. After experiencing difficulty in obtaining a conventional bank loan to purchase a new property, Mr. Hill wrote Governor Christie seeking help. Lt. Governor Guadagno immediately reached out to Mr. Hill to discuss his issues and how the state could assist with his facility needs. The New Jersey Partnership for Action stepped in, and with advocacy from the Business Action Center and a $225,000 Small Business Fund loan from the EDA, Sequin City was able to relocate into new space. Mr. Hill credits the Christie Administration and the Partnership for Action for keeping his business operational and growing in New Jersey. Sequin City plans to retain its staff of six and create three new jobs as it continues to grow at its new facility in North Bergen.

Sequin City

Raymond Hill, President of Sequin City, pictured in the company's new North Bergen-based manufacturing facility.

The Small Business Fund program provides below-market rate financing to eligible businesses through direct loans or guarantees, with the choice of a variable or fixed interest rate. Roselle Park-based **Hexacon Electric** has been manufacturing soldering parts and equipment longer than any other company of its kind worldwide. The company, which has been family-owned since it was established in 1932, was the pioneer developer of long-life, iron-plated tip technology and also introduced the first industrial pencil-style soldering iron, the first temperature-controlled soldering station, and the first irons and tips for surface mount technology. These technological developments were essential to the creation of high-reliability military electronic applications and to advancing space program resources for achieving moon landing. To support the company's continued growth in New Jersey, Hexacon closed a $70,000 loan through the Small Business Fund. The low-interest financing was used to purchase new equipment. Hexacon expects to maintain its existing staff of 28.

Supporting Entrepreneurial Development and Business Growth

To help facilitate its expansion in East Rutherford, **MamaMia Produce** closed on a $2.8 million mixed credit facility from EDA Premier Lender Provident Bank that included a $250,000 EDA guarantee through the Main Street Business Assistance Program. With three generations of agricultural experience, the company utilizes greenhouse and hydroponic technology to offer premium fruits and vegetables under the MamaMia and La Vita™ brands. MamaMia plans to add six new employees to its existing staff of 26 as it continues to grow in Bergen County. Based in Berlin, **Interlock Device of New Jersey (IDNJ)** provides installation and monitoring of interlock devices, which are breath alcohol analysis devices that are installed in motor vehicles to prevent an alcohol-impaired person from starting their vehicle. Through the Main Street program, EDA provided this company with a 50 percent guarantee of a $200,000 Fulton Bank of NJ line of credit. Fulton Bank is also an EDA Premier Lender.

Hexacon Electric

The owners of Hexacon Electric, Kathi and Art Schwaiger, pictured in front of their new CNC Machine, acquired with financing from the Small Business Fund.

The Main Street Business Assistance Program was advanced to help businesses in New Jersey access capital. The program provides financial support to commercial banks in New Jersey to assist in offering loans, guarantees and line of credit guarantees to small businesses and not-for-profit organizations. Among the actions taken in December to enhance the state's small business support, the EDA Board voted to double the line of credit guarantee available through the Main Street program from $250,000 to $500,000. Additionally, the Board voted to reduce the interest rate for the program from 5-percent fixed to the Five Year U.S. Treasury plus 300 basis points with a 3-percent floor, fixed at closing.

The EDA Board voted to launch the new Premier Lenders Program in December to be more responsive to the needs of businesses and bank partners. The Program helps to expedite approvals for small business loans and increase activity with all of the EDA's banking partners. The streamlined loan approval process involves the EDA reviewing finance applications within three days, the result of which speeds the flow of capital to growing businesses in the state. Quick turnaround time from approval to closing provides a strong incentive for borrowers, while the EDA's exposure by participating in or guaranteeing a portion of a loan reduces the lender's risk.

Through the Statewide Loan Pool Program, Premier Lender TD Bank worked in partnership with EDA to provide **Specialty Vehicle Solutions (SVS)** an $810,000 bank loan supported by a $180,000 EDA participation. The manufacturing company specializes in custom law enforcement and government vehicles, with a customer base of both domestic and international clients. As a result of this financing, SVS was able to purchase a 22,800-square-foot facility that it had previously leased in Trenton. The company expects to add five positions to its existing staff of 25.

Supporting Entrepreneurial Development and Business Growth

The Statewide Loan Pool Program also proved beneficial to **Hays Sheet Metal, Inc.** when it sought to purchase a building in Pennsauken to house its sheet metal contracting business. With an $800,000 mortgage loan from Premier Lender Citizens Bank that included a $240,000 EDA participation, the company is acquiring its new facility on Kaighn Avenue, where it expects to grow from a staff of 12 to 16. Under the Statewide Loan Pool Program, EDA can participate in or guarantee up to 50 percent of a bank loan, up to $1.5 million for fixed assets or working capital.

The EDA partners exclusively with PNC Bank to support credit-worthy companies that are retaining or creating jobs in the state through the New Jersey Business Growth Fund. Small and mid-sized businesses may be eligible for up to a $3 million PNC Bank loan with a 25 percent or 50 percent EDA guarantee.

Companies that received assistance through this partnership in 2011 include **Wipe Out Productions**, which used a $330,000 PNC Bank loan, backed by a 25 percent EDA guarantee, to purchase a new facility in West Berlin for its video and radio programming production company. **Bennie's Bread**, a wholesale and retail Italian bakery located in Ocean City, utilized a $580,000 PNC Bank loan that included a $290,000 EDA guarantee to refinance existing debt. **Interfashion Cosmetics Corp.**, a second generation family-owned cosmetic and skin care custom house contract manufacturer and formulator, utilized a $500,000 PNC Bank loan, backed by a 50 percent EDA guarantee, to purchase new equipment and machinery for its Teterboro-based facility.

Kontos Foods

Kontos President Evris Kontos pictured with his employees.

Through tax-exempt bond financing, the EDA supports manufacturing companies and not-for-profit organizations across the state. The EDA serves as a conduit issuer of these private activity bonds, which provide long-term, tax advantaged financing, with either a fixed or variable interest rate.

With nearly $9 million in tax-exempt bond financing, **Kontos Foods** purchased and made renovations to a 60,000-square-foot facility in Paterson, as well as a nearby 25,000-square-foot facility. Additional proceeds from the tax-exempt bonds were used to finance equipment and machinery. Kontos, a manufacturer of authentic, hand-stretched flatbread, was founded by Evris Kontos, a master fillo maker who emigrated to the United States from Capri in 1949. Utilizing the preparation process that Mr. Kontos has perfected through the years, Kontos has seen considerable growth, and the additional space will accommodate new equipment and product lines. Kontos expects to add 20 new employees to its existing staff of 160. The bond was directly purchased by EDA Premier Lender TD Bank.

Supporting Entrepreneurial Development and Business Growth

Century Packaging, Inc. of East Brunswick utilized a $1.62 million tax-exempt bond to acquire a new printing press that will allow the manufacturing company to increase business by an estimated 20 percent. Founded in 1986, Century Packaging is a full service manufacturer that specializes in designing folding cartons for a variety of industries, including cosmetic, pharmaceutical, healthcare, bakery products, automotive and pet products. In October, Century Packaging became the 79th stop on the Lt. Governor's "100 Business Initiative" tour, which began in mid-February with the goal of visiting businesses across key industries to foster a stronger dialogue with New Jersey's job creators. Century Packaging expects to maintain its staff of 53 and create seven new jobs. The bond was directly purchased by People's Capital and Leasing Corp.

The **South Brunswick Family YMCA** benefited from $2.25 million in tax-exempt bond financing, which will allow the not-for-profit organization to refinance existing debt and undertake a roof replacement capital project. The community and family-centered organization runs a childcare facility, summer camps, and after school programs. The facility boasts a teaching pool, dance studio and fitness center, and offers a wide range of programs, including parent/tot gymnastics classes and classes for seniors. The bonds were directly purchased by EDA Premier Lender TD Bank.

South Brunswick Family YMCA

The childcare facility at the South Brunswick Family YMCA

Enhancing Governor Christie's commitment to economic growth and entrepreneurial development, the EDA entered into a new contract with UCEDC in November 2011. The EDA formed a strategic partnership with the not-for-profit economic development corporation in 2008 to deepen the state's reach into underserved communities and provide greater access to resources for aspiring entrepreneurs and small business owners.

UCEDC offers various training workshops that are available in English and Spanish, including a series of courses that help develop financial and business literacy for business owners at all stages of maturation, and a comprehensive Entrepreneurial Training Initiative that walks entrepreneurs through all aspects of starting a business, culminating in the development of a business plan. All UCEDC clients receive one-on-one business counseling customized to meet the specific needs of their business. Through its microloans, SBA 7(a) loans and business growth fund, UCEDC also offers a range of financing vehicles to address business needs at every stage of growth.

Jersey Farm Produce, Inc. was founded in 2009 by Hector Perez, a former agricultural engineer from Mexico who came to the United States in 2000. Jersey Farm operates from a 46-acre farm in Milford and grows a wide variety of vegetables, fruit, flowers and plants year-round. In addition to serving neighborhoods in New York, Perez has also been the featured farmer at the Golden Nugget Green Market in Lambertville. In 2011, Perez received a $15,000 microloan and one-on-one mentoring from UCEDC to support the continued growth of his business. Jersey Farm expects to grow from a staff of three to 10 in the next few years.

Supporting Entrepreneurial Development and Business Growth

Jersey Farm Produce

Hector Perez of Jersey Farm Produce tends to his 46-acre farm in Hunterdon County.

With a lifelong interest in biology, Olive Lynch turned her enthusiasm into a business idea two years ago when she sought to use bugs to recycle food waste. Today, Lynch is utilizing UCEDC's training and mentorship services to successfully launch **Green Waste Technologies**. The Plainfield entrepreneur, a recent graduate of UCEDC's Entrepreneurial Training Initiative, recently had her first taste of success when she won the business plan contest sponsored by the Central Jersey Chapter of the National Association of Women Business Owners.

Two guys, fresh out of college, couldn't get past their dream of selling ice cream at the Jersey shore. Despite having full-time jobs, they used their own money and sweat equity from family and friends to open **Ensign Ice Cream** last summer. But as a seasonal startup business, Ensign's co-owners didn't know where to turn when additional funds were needed to keep their business moving forward. UCEDC's help came in the form of a $15,000 microloan that allowed the owners to obtain vending permits for the 2011 summer season and purchase and convert additional vehicles to sell their ice cream in Beach Haven, Harvey Cedar, Barnegat Light and Toms River. With a successful summer, Ensign Ice Cream has already paid off its microloan.

In addition to its partnership with UCEDC, EDA also manages the New Jersey Small Business Development Centers (SBDCs) contract on behalf of the Business Action Center. The SBDC network is comprised of 11 centers across the state. Small business owners and entrepreneurs can use these centers to develop a business plan, create marketing strategies, learn principles of accounting and financial analysis and identify capital financing.

Encouraging Business Attraction, Retention and Expansion

Governor Christie provided an immediate economic boost to the state by advancing competitive business incentives that complement his tax and regulatory reform policies and further demonstrate that New Jersey is well-positioned for business expansion, economic growth and job creation.

Statutory revisions signed into law by the Governor in January 2011 enhanced the effectiveness of the Business Retention and Relocation Assistance Grant (BRRAG), which is a key incentive for businesses committed to retaining jobs in New Jersey. The BRRAG program involves the utilization of corporation business tax credits, or insurance premiums tax credits, to businesses to encourage economic development and job creation while preserving existing jobs in the state. The program now offers up to $2,250 per year for up to six years, per job retained in the state. With a meaningful incentive for retention, activity under BRRAG in 2011 significantly increased.

Since 1996, companies that have chosen to locate new facilities in New Jersey have taken advantage of the Business Employment Incentive Program (BEIP), which continues to be a powerful tool to attract and encourage businesses to grow in the state. Approved businesses receive annual cash grants for up to 10 years. Grant amounts are based on a percentage – up to 80 percent – of the state income taxes withheld from the employees who fill the newly created jobs, and grants are disbursed to companies only after verification of new employment.

Governor Christie and Lt. Governor Guadagno joined global industry leader **Church & Dwight** in October 2011 to announce the company's decision to build their new global headquarters in Ewing Township, further expanding their manufacturing and R&D footprint in New Jersey. Founded in 1846, the company manufactures and markets a wide range of personal care, household and specialty products, under the ARM & HAMMER brand name and other trademarks.

Church & Dwight currently has its global headquarters and R&D center in Princeton and a manufacturing plant in Lakewood. The company was approved for a $2.7 million BEIP and a $13.5 million BRRAG to support the relocation of its corporate headquarters to a new, 250,000-square-foot facility in Ewing, rather than a competing location in Pennsylvania. In addition to this new corporate center, the company remains committed to the Princeton location, which will become its new R&D center. The company also will be expanding their facility in Lakewood with the help of a $719,000 BEIP tied to the creation of 28 new positions at this manufacturing plant. Together, this is resulting in the retention of over 1,000 jobs, the creation of more than 130 new jobs, and the private investment of nearly $80 million in New Jersey's economy.

"I commend the pro-business efforts of Governor Christie's Administration and the incredible customer service that we received throughout our decision-making process. That coupled with the incentives is what our company needed to maintain our headquarters in New Jersey and keep our employees in the state."
– James R. Craigie, Chairman and Chief Executive Officer, Church & Dwight

Governor Christie and Lt. Governor Guadagno join James R. Cragie of Church & Dwight to break ground on the company's new headquarters in Ewing.

Encouraging Business Attraction, Retention and Expansion

Two years ago, **Realogy Corporation** had essentially made the decision to move its headquarters from New Jersey to North Carolina. The leading provider of real estate and relocation services needed to move due to a stalled economy, and its lease in Parsippany was set to expire in 2013. Dubbed "the state's first retention save" by Lt. Governor Guadagno, the proactive outreach by the Christie Administration and enhanced BRRAG helped encourage Realogy to remain and invest in New Jersey. The company announced in late November 2011 plans to move its corporate headquarters to a new facility currently under development in Madison. The EDA approved a BRRAG in April 2011 estimated at $10.7 million and a $1.4 million sales tax exemption to help retain the company and its 953 employees. Realogy signed a 17-year lease and will be the sole tenant of the 270,000-square-foot state-of-the-art facility that is being developed by The Hampshire Companies of Morristown. The building will house all current Realogy corporate headquarters location employees, including the Realogy Franchise Group and its leading franchise brands, Realogy's brokerage subsidiary, NRT, as well as NRT's Eastern Seaboard Support Center and its local brokerage, Coldwell Banker Residential Brokerage.

Other state-assisted projects in 2011 also proved that New Jersey had successfully redefined itself in the marketplace, as a host of out-of-state and international companies chose to expand in or relocate to the Garden State.

Biomeasure Inc., a U.S.-based subsidiary of Ipsen, announced in December 2011 that the company will relocate its U.S. headquarters from Brisbane, California to Bridgewater, New Jersey. The company expects to begin operating from its new 30,000-square-foot facility by April 2012. To encourage the company to locate in New Jersey, EDA approved a BEIP grant worth an estimated $4.47 million over 10 years based on the creation of 91 new, high-wage positions. Based in Paris, France, Ipsen is a global biopharmaceutical specialty care group.

An artist's rendering of the Realogy Corp.'s future headquarters at 175 Park Ave. in Madison. Courtesy of The Hampshire Companies.

Archimedes Pharma US Inc. is a recently formed subsidiary of United Kingdom-based specialty biopharmaceutical company Archimedes Pharma Ltd. In early 2011, the company decided to locate its first U.S. operations in Bedminster with the support of a 10-year, $2-million BEIP grant. The company expects to create 75 new, high-wage jobs.

Crane Group International produces steel framed, all inclusive commercial and residential structures, with a focus on providing quality, sustainable living environments. A BEIP grant worth an estimated $1 million over 10 years helped to encourage the company to grow its New Jersey workforce from a staff of six to over 180. The company invested approximately $4.25 million to support its move to a new, 200,000-square-foot manufacturing facility in Hillside. The company also explored facilities in Louisiana.

Encouraging Business Attraction, Retention and Expansion

When **Revolution Foods** was looking to expand its market reach in the Northeast, a BEIP grant worth an estimated $222,000 over 10 years helped to encourage the company to lease and build out a 25,000-square-foot facility in Elizabeth over competing locations in Connecticut and New York. The company delivers healthy meals and nutrition education to schools and community programs across the country. Revolution expects to create 75 new jobs and invest an estimated $2.83 million in its new facility.

SSM Industries, a manufacturer of heating, ventilation and air conditioning products, shifted operations from Philadelphia to West Deptford with the help of a 10-year, $609,750 BEIP tied to the creation of 70 new, high-wage jobs and the private investment of $2.15 million.

SSM is another great representation of the proactive efforts and responsiveness that defines the Christie Administration and the Partnership for Action. After hearing that SSM was considering relocating to New Jersey, Lt. Governor Guadagno personally called the company to encourage them to move to the state. As the process moved forward, the Lt. Governor called SSM again and was told that the company was facing an unexpected issue that threatened to scuttle the project. The Partnership for Action team worked fervently to successfully resolve the issue, and today the company is thriving at its new location in Gloucester County.

"The State of New Jersey really stepped up to help make sure the transition to Gloucester County was a smooth one."
– Thomas Szymczak, President, SSM Industries

In October, Lt. Governor Kim Guadagno announced the relocation of Damascus Bakery from Brooklyn, N.Y. to Newark with owners Ed and David Mafoud. The EDA previously provided the bakery tax-exempt bond financing, two loans through the Local Development Financing Fund, and a Business Employment Incentive Program grant tied to the creation of 180 new manufacturing jobs in New Jersey.

Growing New Jersey's Innovation Economy

The success of New Jersey's technology and life sciences companies is critical to growing the state's economy and essential to maintaining the Garden State's role as a leader in the development of innovative technologies that enhance and save lives, while creating new jobs and attracting private investment. The EDA offers a continuum of assistance through the Edison Innovation Fund to support these companies throughout their lifecycle of growth.

As part of the Edison Innovation Fund, the EDA helps increase available capital for emerging technology and life sciences companies by investing as a limited partner in venture capital firms that invest in New Jersey-based companies. Venture capital serves as a lifeline for many promising companies that need a large infusion of cash prior to becoming commercially viable. EDA's venture fund investments include: NextStage Capital, NJTC Venture Fund, Edison Venture Fund, NewSpring Health Capital, the Garden State Life Sciences Fund, managed by Quaker BioVentures and OmniCapital Group. Investments made by the EDA are expected to earn a reasonable rate of return, which is measured in financial terms and by job growth. Funds in which the EDA invest in demonstrate an ability to leverage the EDA's investment with other investment dollars at a minimum ratio of 3:1. Gains resulting from these investments are utilized to offer new funding opportunities to support New Jersey businesses.

In August 2011, Governor Christie and Lt. Governor Guadagno announced three new programs offered through the Edison Innovation Fund to support emerging companies that have attracted capital through angel and venture capital investors. The three programs – the Edison Innovation Angel Growth Fund; Edison Innovation VC Growth Fund; and, Edison Innovation Growth Stars Fund - are structured as subordinated convertible debt and will benefit early stage, emerging technology and life sciences companies by providing growth capital to directly fund uses such as hiring key staff, product marketing and sales.

"In late 2009, Replication Medical was in trouble. With revenues totaling just $9,000 for the year, we were quickly running out of cash. Because of Pennsylvania's close proximity and our existing relationships with researchers in that state, I very seriously considered moving the company out of New Jersey. Why are we still here? The State's Technology Business Tax Certificate Transfer Program."

\- Ann Prewett, Chief Executive Officer, Replication Medical, Inc.

In September 2011, EDA approved the first project under the Edison Innovation VC Growth Fund with its support of **CareKinesis, Inc.** The company, which began operating in 2010, is a provider of personalized medication management and customized medication distribution for elderly and other at-risk individuals. The Moorestown-based company was approved for a $500,000 loan from EDA for growth capital. CareKinesis plans to maintain its staff of 50 and create 40 new jobs as it continues to grow in Burlington County.

In support of the Christie Administration's commitment to entrepreneurial development within the technology industry, the EDA is working with the state's technology community to advance a Technology Accelerator Initiative. The initiative will provide a competitive, "in search of excellence" environment for technology-focused entrepreneurs to showcase their products, ideas and business model in a mentor driven program in return for an opportunity to receive funding. The program will be funded with $450,000 over three years through the EDA and is modeled on successful accelerators in other states.

Growing New Jersey's Innovation Economy

As companies progress beyond the venture funding stage, they have access to a full range of services provided by the EDA, including the competitive Technology Business Tax Certificate Transfer (NOL) Program. The program allows emerging technology and life sciences businesses to sell New Jersey net operating losses and/or research and development tax credits to profitable businesses in order to raise cash to finance their growth and operations. Recognizing the importance of this program, Governor Christie's Fiscal Year 2012 budget increased funds by $30 million over the Fiscal Year 2011 allocation. The 75 applicants approved this year will share the $60 million allocation, and on average, receive approximately $800,000 each, more than double last year's average. Companies that benefited include Bridgewater-based **Nistica, Inc.**, **Immunogenetics, Inc.** of Buena, New Providence-based **KIRUSA, Inc.**, **Akers Laboratories, Inc.** of Thorofare, and Manalapan-based **Tobira Therapeutics**.

Replication Medical, Inc. of Cranbury also benefited from the program in 2011. The medical device company's Chief Executive Officer Ann Prewett noted that the vital injection of cash her company received through the NOL program in 2010 kept them in business and in New Jersey. "In late 2009, our company was in trouble. With revenues totaling just $9,000 for the year, we were quickly running out of cash. Because of Pennsylvania's close proximity and our existing relationships with researchers in that state, I very seriously considered moving Replication Medical out of New Jersey," Prewett said. "Why are we still here? The State's Technology Business Tax Certificate Transfer Program."

In the heart of the state's bioscience cluster is the EDA's Technology Centre of New Jersey, which offers young, growing firms, as well as large established companies, customizable laboratory and production facilities.

Replication Medical, Inc. CEO Ann Prewett pictured at the Annual Meeting of the North American Spine Society with Luis Gonzalez and Luis Holl of the John D. Thompson Hospice Institute for Education, Training and Research, Inc.

The Centre complex sits on more than 50 acres, and consists of approximately 325,000 square feet of lab, production and office space. The Centre's proximity to prestigious institutions of higher learning and major research corporations provides occupants with access to a highly educated and skilled labor pool.

In August 2011, EDA approved a BEIP grant worth an estimated $569,910 over three years to encourage **Watson Pharmaceuticals** to locate its new Global R&D Center at the Technology Centre. Watson intends to initially invest approximately $4.5 million in outfitting its new 32,000-square-foot facility, and will immediately retrofit roughly 19,000 square feet for product development and analytical laboratories. The remaining 13,000 square feet will accommodate future expansion. The new facility will house approximately 50 scientists, chemists, engineers and support staff.

Growing New Jersey's Innovation Economy

"Watson is pleased to continue to work with Governor Chris Christie, Lieutenant Governor Kim Guadagno and the Partnership for Action team as we expand our presence in New Jersey. The location of the new Global R&D Technology Center will enable Watson to leverage our proximity to such educational centers of excellence as Rutgers University. This will enable Watson to establish collaborations with University departments including pharmaceutics, chemistry and engineering and permit us to benefit from the talent pool in the heart of the pharmaceutical industry of New Jersey."
- Paul Bisaro, President and CEO, Watson Pharmaceuticals

With its new location at the Technology Centre of New Jersey complex, Watson joins such prestigious companies as **Merial Limited**, **Chromocell Corporation** and **Rutgers Technology Center II** — home to **WINLAB** and **Energy Storage Research Group**.

The complex also includes the Commercialization Center for Innovative Technologies (CCIT), which houses 22 emerging biotech companies and is one of only 23 business incubation programs from around the world that have earned the Soft Landings International Incubator designation from the National Business Incubation Association. The designation recognizes incubators that are especially capable of helping nondomestic companies enter the domestic market with translation services, cutting through red tape, accessing capital, providing domestic market research, and other assistance programs.

Chromocell Corporation is a drug discovery company focused on the identification and development of novel therapeutics. When Chromocell moved to CCIT, the company occupied one lab and employed a staff of three. It has since grown to occupy 26,000 square feet at the Biotechnology Development Center (BDC) - "tweener" space that is also on the Tech Centre campus. The company recently celebrated its 100th employee.

CCIT is one of the more significant incubation facilities in the nation dedicated to life sciences and biotechnology companies. The 46,000-square-foot facility offers the most wet labs in the state for incubation, in addition to business accelerator office space and flexible conference facilities. Among other unique features, business development and collaborative opportunities are provided to tenants through a "corporate technology transfer" initiative exclusive to CCIT and working relationships with over a dozen global bioscience research parks and incubators. Current tenants include **ShanghaiBio Corporation**, a U.S.-based subsidiary of Shanghai Biochip Co. Ltd., one of the largest biotech companies in China, and and **Actinobac Biomed**, a UMDNJ spin-out focused on the development of pharmaceutical technologies based upon agents which target Leukocyte Function Antigen-1.

Growing New Jersey's Innovation Economy

The EDA's Waterfront Technology Center at Camden is a 100,000-square-foot facility designed exclusively to accommodate the work of established businesses and startups in the biosciences, microelectronics, advanced materials, information technology and other high-tech and life sciences fields. The five-story building is in close proximity to other technology companies, universities and research centers, offering an ideal location convenient to a pool of talented people and important local and regional resources.

Waterfront Technology Center tenant **Agilence, Inc.** is a leading provider of Event-based Video Analytics (eVA) and the developer of "Hawkeye," an industry leading video auditing solution that enables retailers to quickly identify losses caused by operational errors, promotion execution, systemic errors, and associate fraud. Agilence is supoprted by NextStage Capital, an early stage venture capital fund focused on investing in undiscovered software and hardware technology and/or services companies in the Mid-Atlantic region. EDA is a Limited Partner in this fund.

For more established companies, the BEIP has proven to be an especially powerful incentive for encouraging technology and life sciences businesses to expand in or relocate to New Jersey. In order to qualify for BEIP, businesses must create at least 25 new jobs within a 2-year period; however, the eligibility threshold for technology and life sciences companies is 10 new jobs.

In October 2011, a BEIP grant worth an estimated $125,190 over 10 years helped encourage **Vertellus Specialties, Inc.** to locate a new 6,5000-square-foot R&D center in Roxbury, over competing locations in Delaware and Pennsylvania. The specialty chemicals company, focused on the manufacture of ingredients used in pharmaceuticals, personal care, nutrition, agriculture, and a host of other market areas, expects to create 13 new, high-wage positions at its new facility in Morris County.

Celsion Corporation executed a BEIP in December 2011 worth an estimated $1.1 million over 10 years tied to its relocation from Maryland to Lawrenceville and the creation of 35 new, high-wage jobs. When the company was deciding where to relocate their growing drug company, President and CEO Michael Targudno initially reached out to the Business Action Center hotline. With his call returned in less than 24 hours, Targudno was immediately impressed. Of its decision to ultimately choose New Jersey over Massachusetts and Pennsylvania, Targudno notes, "there was a sense of urgency from the economic development people and a commitment that was palpable. That was an important aspect.''

In Mercer County, **Mednet Healthcare Technologies Inc.** expects to create 65 new jobs as it expands its footprint by up to 8,000 square feet in Ewing. The company, a leader in specialized non-invasive cardiac monitoring services and products, finalized a BEIP grant in January tied to its expansion and also executed a BRRAG to support the retention of 66 existing jobs in New Jersey. The company also considered relocating its operations to Pennsylvania.

To accommodate its growth in the U.S. market, **ThromboGenics US** executed a BEIP grant in November 2011 worth an estimated $1.5 million over 10 years to help establish a facility in Woodbridge and create 60 new, high-wage jobs. ThromboGenics US is the U.S. subsidiary of ThromboGenics NV, a Belgium-based biopharmaceutical company focused on the discovery and development of innovative therapies and medicines for the treatment of eye disease, vascular disease and cancer. Middlesex County also welcomed the new Northeastern facility for **Vitech Systems Group** in 2011. The company executed a BEIP grant worth an estimated $1.3 million over 10 years tied to the relocation of 50 jobs from New York to New Jersey and the creation of an additional 50 new jobs in the state. Vitech is a leading provider of insurance, investment and benefit administration software. Its new state-of-the-art facility in Iselin includes a data center, on-site cafeteria and fitness center.

Nurturing the Growth of New Jersey's Green Economy

Promoting and advancing a more sustainable New Jersey is a top priority of the Christie Administration, and the Partnership for Action aims to help business and industry leaders identify ideas, programs and funding sources to help them reduce energy costs and their carbon footprint.

EDA's significant incentives - BEIP, BRRAG, the Urban Transit Hub Tax Credit and Economic Redevelopment and Growth programs - all have green building elements integrated into the program as either a requirement or tied to priority funding.

In 2011, EDA unveiled two new "green" programs in partnership with BPU. The Edison Innovation Green Growth Fund offers loans of up to $2 million to Class I renewable or energy efficient clean technology companies that are seeking funding to grow and support their technology business. The loan, which may be converted to a 50 percent performance grant, must be used for growth capital, including key hires, product iteration/ rollout, product enhancement and marketing/sales. The program requires that a business employ 75 percent of its workforce in New Jersey or commit to growing 10 high paying jobs in the state within two years.

The Energy Efficiency Revolving Loan Fund (EERLF) provides funding for those applicants that have already been approved under BPU's Pay for Performance (PFP) program or the Large Energy Users (LEUP) Program, which became available in 2011. BPU's PFP is a comprehensive energy efficiency program that provides incentives towards whole-building energy improvements. To support this effort, the EERLF provides up to a $2.5 million loan to support up to 100 percent of the eligible project costs of commercial or industrial entities that received BPU rebates.

These programs complement the existing Clean Energy Manufacturing Fund (CEMF), which is another EDA/BPU offering that provides up to $3.3 million in the form of low-interest loans and grants to companies manufacturing renewable energy, clean energy and energy-efficiency products in New Jersey. Up to $300,000 is available as a grant to assist with site identification and procurement, design and permits, and up to $3 million is available as a loan to support site improvements, equipment purchases and facility construction and completion. To be eligible, products manufactured must contribute to the cost-competitiveness of renewable energy and energy efficiency in New Jersey, and other tangible ratepayer benefits, including economic development and environmental benefits, must result from either the production or the direct use of a company's products.

In October 2011, **Fluitec International** became the first wind project to be approved through CEMF. The $3.3 million award will help the company establish the manufacturing of wind turbine lubricating systems in New Jersey. The Belgium-based clean energy startup relocated its U.S. operations to Jersey City from Florida. To encourage the company to consolidate its U.S. operations and all global corporate functions in New Jersey, EDA approved a $463,800 BEIP grant over 10 years that proved to be a key factor in the company's decision-making process.

Fluitec is growing by an estimated 70 percent annually and expects to create 25 new, high-paying jobs in Jersey City by next year and 80 by 2017. Fluitec invested approximately $5.6 million to support its move to New Jersey.

"With its talented workforce, diverse population, excellent transportation network and supportive State partners like Lt. Governor Guadagno, we are very pleased to announce our plans to relocate to and grow in New Jersey. We expect to bring more than 80 jobs to New Jersey over the next five years and hope to soon be counted as one of the State's many Fortune 500 companies."
- Frank Magnotti, CEO of Fluitec.

Nurturing the Growth of New Jersey's Green Economy

In 2011, the EDA closed on six projects that received funding through the Clean Energy Solutions ARRA Combined Heat and Power (CHP) Program, a competitive grant program supported by the American Recovery and Reinvestment Act and jointly administered by the EDA and BPU. The program made project based grants available to commercial, institutional or industrial entities (including public and not-for-profit entities) in New Jersey with a CHP project. The federally allocated funding was available in an amount of $450 per kW of installed electric generation.

With the help of a $1.36 million grant, RED-Burlington, LLC is developing an ultra-efficient CHP generating facility that will serve the Burlington-based manufacturing facility of the National Gypsum Company (NGC), one of the largest gypsum board producers in the world. The facility will produce approximately 3.4 megawatts of clean electricity and deliver more than 210,000 MMBtu of thermal energy, resulting in an overall efficiency of greater than 90 percent and reducing the company's energy costs, consumption, and greenhouse gas emissions. The project, developed by CHP specialist Recycled Energy Development, is expected to create over 50 construction jobs.

With an anticipated opening of May 2012, the new University Medical Center of Princeton at Plainsboro will be among the most sustainable hospitals in New Jersey due, in part, to an on-site Energy Center NRG Thermal is developing. The Energy Center will be comprised of a central utility plant, CHP facility, and a thermal energy storage system, supplying 100 percent of the hospital's heating and cooling needs. The project will reduce the hospital's energy bill and greenhouse gas emissions, as well as increase reliability. NRG Thermal received a $1.9 million grant to establish the 4.6 megawatt CHP facility. NRG Thermal is a subsidiary of NRG Energy, Inc., a Princeton-based Fortune 500 company that owns and operates one of the country's largest power generation portfolios. NRG will operate the Energy Center for the hospital. The project is expected to create nearly 300 construction jobs.

NRG Thermal's Energy Center at the new University Medical Center of Princeton at Plainsboro. The hospital is expected to open in May 2012.

Revitalizing Communities through Redevelopment

"The tax credit showed Wall Street that the State of New Jersey was going to stand behind Atlantic City. It was a huge boost in financing, and I think it would have been very difficult to do without it."
– Kevin DeSanctis, CEO, Revel Entertainment

The revitalization of New Jersey's cities is essential to the growth of the state's economy. With a focus on invigorating and restoring underutilized community assets, Governor Christie signed legislation to expand the Urban Transit Hub Tax Credit (UTHTC) and Economic Redevelopment and Growth (ERG) programs in July.

The legislation expanded the ERG program to make growth areas in the Meadowlands eligible. Previously, the program was limited to projects in State Planning Areas, Pinelands growth areas, transit villages and closed federal military bases. ERG is a powerful incentive that provides reimbursement incentive grants so developers can utilize new state and local incremental taxes generated from a project to fund the gap in the total project cost.

Specifically, the program utilizes up to 75 percent of the incremental increase in certain state and local revenue sources attributed to the project to provide gap financing of up to 20 percent of the total project cost, which may be paid out over a 20 year period. The EDA, in conjunction with the Department of the Treasury, undertake rigorous due diligence in order to determine eligibility. Further, the EDA must conduct a comprehensive net benefit test to ensure that the project will result in a positive financial impact to the state. No funding is provided until the project generates revenue to the state in terms of the new incremental tax collection. To achieve greater protection of public funds, the EDA adopted a new policy in February 2011 that entitles the EDA to recoup its investment through ERG for those projects in excess of $50 million.

UTHTC is another redevelopment tool that the state offers to developers, owners, or tenants making a qualified capital investment within a designated Urban Transit Hub. These Hubs are located within ½ mile of New Jersey Transit, PATH, PATCO, or light rail stations in: Camden (expanded to one mile), East Orange, Elizabeth, Hoboken, Jersey City, Newark, New Brunswick, Paterson and Trenton. Eligibility was expanded to locations within these municipalities that have active freight adjacent or connected to the proposed building, and utilized by the occupant. The program was designed to spur private capital investment, business development and employment by providing tax credits for businesses planning a large expansion or relocating to a designated transit hub.

Governor Christie signed into law changes to the program in 2011 including: increasing the credit for residential projects from 20 percent to 35 percent of eligible costs over 10 years; providing that affordable housing requirements for UTHTC projects are to be determined at the sole discretion of the municipality; allowing mixed use projects to receive tax credits for both the residential and commercial components of a project; allowing the tax credits to be carried forward for up to 20 years; and, providing new standards and procedures for the net benefit analysis for in-state job moves.

Under the UTHTC program, a developer or owner making a minimum $50 million capital investment within a designated Hub may be eligible for tax credits equal to up to 100 percent of the capital investment.

The ERG and UTHTC programs have already proven to be successful in stimulating new redevelopment and business growth. Through 2011, 12 projects have been approved under the ERG program for incentives totaling approximately $370 million over an average term of 19.2 years. These projects are leveraging $2.2 billion in private sector investment, and spurring the creation of an estimated 9,190 new, permanent jobs and 7,975 construction jobs. The net benefit to the state as a result of these projects is estimated to be $877.5 million over the term.

In February 2011, **Revel Atlantic City** became the first project to close under the ERG program. Revel was approved for just over $261 million in tax reimbursements over 20 years for the construction of a 6.3 million-square-foot entertainment resort that will create an estimated 5,500 new jobs, 5,400 construction jobs, and leverage over $2 billion in capital investment. Payments will only be made to Revel after the state collects the new taxes. Money from the tax credits will go to revitalize the blighted South Inlet neighborhood, including a host of improvements to the Boardwalk and other areas surrounding the site and improving public access to the beach and recreational areas.

Revel Entertainment announced in late February that it had secured the remainder of the financing necessary to complete the project, which had been stalled for five years. Under the policy change approved by the EDA Board in February, the Revel project will also provide for a return on the state's investment. The policy entitles EDA to recoup its investment through ERG for those projects in excess of $50 million.

In December 2011, Lt. Governor Guadagno announced the award of a $2.6 million training grant from the New Jersey Department of Labor and Workforce Development that will help local residents qualify for the new jobs once the resort opens this spring. Revel has committed to hiring locally.

In August 2011, **Saker ShopRites, Inc.** became the second project to close under ERG. The new, 70,000-square-foot world-class ShopRite opened in Somerville in October 2011 with the help of $5 million over 20 years through ERG. This marked the Borough's first and only supermarket since Pathmark closed in 2007. The project is expected to create 300 new jobs, and 235 employees have been hired to date.

Governor Chris Christie greets construction workers during an August visit to Revel Atlantic City.

An estimated 200 construction jobs were created as well. The $28.1 million project, which was built with the latest sustainable technologies, represents the first element of the Borough's West Main Street Redevelopment project, and is expected to serve as the anchor for a future shopping and residential complex.

In 2011, 14 projects have been approved through UTHTC for a total benefit of more than $887 million in tax credits. These projects are expected to leverage an estimated $1.7 billion in private investment, and spur the creation of 2,330 new, permanent jobs and 8,400 construction jobs, as well as help to ensure the retention of 2,270 jobs that were certified as "at risk" of leaving the state.

Revitalizing Communities through Redevelopment

Supported by both ERG and UTHTC, the $124.3 million **Teachers Village** is a catalytic redevelopment project moving forward in downtown Newark. The project, being developed by RBH Group, is a 368,993-square-foot development that will include eight low-rise, mixed-use buildings that cover five city blocks. Teachers Village will consist of 224 rental residential units, pre-marketed to Newark teachers; three charter schools and a daycare center totaling 100,000 square feet; and, 70,000 square feet of retail. The project consists of environmentally-conscious, LEED-certified design and construction, and will also include a health club, dry cleaner, café, parking, and shops. The project was approved for up to $20.5 million for up to 20 years under ERG and up to $39.45 million under UTHTC.

A rendering of Teachers Village in downtown Newark. Courtesy of RBH Group.

The Teachers Village is located on both sides of Halsey Street, connecting the existing University Heights area with the Prudential Center and the rest of downtown Newark's existing core. Designed by was world-renowned architect and Newark native Richard Meier, the project represents the first development phase in the SoMa Newark redevelopment plan, which consists of 12 square blocks and 15 million square feet of development in downtown Newark. The Teachers Village project is expected to create 450 construction jobs and 460 permanent jobs.

Lt. Governor Guadagno greets Panasonic employees at the October 2011 event announcing the company's decision to stay in New Jersey and build its new North American headquarters in Newark

Upon hearing that **Panasonic Corporation** was considering moving to another state, the Governor and Partnership for Action team worked diligently to ensure that the company's U.S. operations remained in New Jersey. With the help of UTHTC, Panasonic will be moving to a new, state-of-the-art, sustainable facility in Newark that will serve as its North American headquarters and be home to 1,000 of the corporation's employees and contractors, beginning in 2013.

By staying and expanding operations, Panasonic will retain over 800 jobs in New Jersey, and create an additional 200 new, permanent positions. The project will also create over 900 construction jobs. Panasonic's new high-rise office building is being constructed by Matrix Development Group and SJP Properties adjacent to Newark's One Riverfront Center. The $125.8 million development will total 410,000 square feet, with 250,000 square feet leased to Panasonic. The UTHTC award is estimated to be $102.4 million. Panasonic is one of the largest electronic product manufacturers in the world.

Wakefern Food Corp. and the **Newark Farmers Market** are advancing a $65 million redevelopment project in Newark that involves the construction of 260,000 square feet of warehouse space. The new distribution facility for Wakefern is expected to create over 280 new jobs at full build-out. The project, which is supporting an estimated 550 construction jobs, was approved for a total of up to $45 million through UTHTC.

The **Gateway Transit Village** is a mixed-used development providing significant economic benefits to the City of New Brunswick. Located adjacent to the New Brunswick Train Station, the project is being developed by the New Brunswick Development Corporation (DEVCO). Gateway was approved for up to $76.6 million through UTHTC to support the $326 million redevelopment, which is expected to create over 450 jobs and 3,000 construction jobs.

When completed, the development will include a parking structure; Class A office space; destination retail, including a new Barnes & Noble-operated bookstore for Rutgers University; and, over 190 for-sale and rental units. Situated on the eastbound side of the Northeast rail line, the Wellness Plaza component of the project worked to bring two vital and long-awaited elements to the downtown streetscape: a 50,000-square-foot full-service Fresh Grocer supermarket and a 60,000-square-foot fitness and wellness center, in partnership with Robert Wood Johnson Hospital.

"The [Gateway] development would not have been able to be built in the current environment but for the benefits of the Urban Transit Hub Tax Credit Program. It has allowed us to bridge a variety of financial challenges."
– Christopher J. Paladino, President, New Brunswick Development Corporation

DEVCO is working with Middlesex County to create both a local hiring initiative for immediate job opportunities at the grocery store, as well as utilizing the facility as an incubator for a more formal, on-site job training program for careers in the supermarket industry. DEVCO has also created an innovative financing structure to support reduced membership fees at the fitness center and the elimination of initial registration costs for city residents. Through a partnership with the New Brunswick Public Schools, the pool in the privately managed fitness center will be made available during the regular school day to provide swimming instruction for all 6th grade students as part of the Physical Education curriculum.

The Gateway project was a 2011 finalist for the highly coveted "Deal of the Year Awards," sponsored by the New Jersey Chapter of NAIOP, the commercial real estate development association. It was ultimately rewarded with a Meritorious Recognition Award.

View of the Gateway Transit Village from the westbound train platform of the New Brunswick Train Station. Courtesy of DEVCO.

Revitalizing Communities through Redevelopment

In addition to ERG and UTHTC, EDA's other incentive and lending programs also help to contribute to the revitalization of New Jersey's cities.

In March 2010, New Jersey received a bond allocation to issue Qualified School Construction Bonds (QSCB). The State Treasurer authorized the transfer of a portion of its allocation to the EDA for the purpose of issuing bonds to benefit charter school projects in the State. QSCBs were issued to help finance the construction, rehabilitation or repair of school facilities or for the acquisition of land where a school will be built.

In 2011, **Camden Academy Charter High School** closed on just over $2.4 million in QSCB financing. Camden Academy is a part of Camden's Charter School Network – a group of charter schools designed to provide a better educational opportunity for Camden youth. This assistance allowed Camden Academy to renovate the former Camden City YMCA into a 30,000-square-foot Science, Technology, Engineering, and Math (STEM) Center that will serve as many as 525 students. Camden Academy has graduated five classes of seniors with a 90 percent college admissions rate. The bond was directly purchased by EDA Premier Lender TD Bank.

Ace Alliance, Inc. is a not-for-profit community based organization that has purchased several historic properties in the downtown Newark area to house its mission advancing initiatives such as the **Adelaide L. Sanford Charter School**, which currently serves 288 students in grades K-5. The EDA finalized $6 million in traditional tax-exempt bond financing and a $3 million QSCB to support an expansion of the Charter School that will result in the addition of grades 6-8, as well as a new cafeteria, auditorium, gymnasium, a special activities learning center and expanded classroom space.

A $500,000 direct loan from EDA is helping to support the expansion of **Pride Academy Charter School**, a tuition free middle school serving 240 students from Newark, Orange, East Orange, and surrounding communities.

Shining Schools, Inc. was formed in 2007 to provide educational support services to Essex County charter schools. The organization is acquiring an existing three story building and four adjacent parcels, which will be rehabilitated and leased solely to Pride Academy. EDA's loan provided the gap financing necessary to complete the project, which was supported by a $1.65 million loan from The Reinvestment Fund (TRF) and a $500,000 equity contribution from Pride Academy.

Fort Monmouth Economic Revitalization Authority

2011 was an eventful year for the **Fort Monmouth Economic Revitalization Authority (FMERA)** as its staff and Board began activities, the official closing of Fort Monmouth commenced, and the following key principles to accelerate redevelopment were determined:

- Continue interactive and transparent communications with stakeholders/public;
- Identify and target industries to match facilities and investors/employers;
- Utilize New Jersey incentives to attract the best and brightest employers and employees;
- Emphasize the Fort's outstanding location;
- Ensure professional, fast and accurate responses from the FMERA team;
- Uphold a commitment to excellence in all aspects;
- Create a branding strategy to promote the Fort nationally and internationally, with assistance from the New Jersey Partnership for Action.

One of the most noteworthy accomplishments in 2011 came in April when the Governor announced plans to invest New Jersey Turnpike Authority capital funds in a project that will provide an important boost to the redevelopment of the former post. The Turnpike Authority plans to reconfigure the Garden State Parkway in Tinton Falls, adding new ramps from the southbound Parkway to Wayside Avenue and signage in both directions at Exit 105 for Fort Monmouth visitors. The project also includes improving the intersection of Hope Road and Route 36, an area plagued by congestion and traffic delays. The project will improve traffic flow in the vicinity and provide better access to the western portion of the property. These improvements will serve to add value to the property and further demonstrate a commitment to development. In late July, the Turnpike Authority Board awarded the design contract to RBA Group of Parsippany. Construction on the new exit and Hope Road improvements are anticipated to start in 2013.

In May 2011, FMERA approved the selection of a professional planning consultant, Phillips Preiss Grygiel LLC, another significant step that will result in the preparation of design guidelines, zoning maps and land use regulations. In addition, the FMERA Board also set forth procedures for land sales and leasing space at the property in accordance with the appropriate land transfer from the U.S. Army. These rules provide a transparent process for FMERA to proceed with the reuse and economic revitalization of Fort Monmouth and were advanced to encourage the use of existing buildings at the post, optimize revenue opportunities to support redevelopment, and prioritize job creation and economic activity.

The FMERA Board approved the Memorandum of Agreement (MOA) with the U.S. Army and Economic Development Conveyance (EDC) application at its December 2011 Meeting. The MOA is the foundation document for the deal with the U.S. Army, and together with the EA, identifies the properties intended for transfer. With this key action taken by the Board of Directors, FMERA now awaits final approval of the conveyance documents from the U.S. Army that will guide the first phase of the redevelopment.

As FMERA moves forward in advancing the redevelopment plan, staff has outlined four central goals tied to its key strategies:

1. Job Creation
2. Re-Investment of Sale Proceeds within the Fort's footprint
3. Ensure Army Resolves Environmental Issues
4. Satisfied Stakeholders

FMERA staff continues to build upon its early redevelopment efforts, and lay the foundation for the transfer of the 1,100+ acres that make up the former post.

EDA Board Members

EDA Executive Team

Caren S. Franzini
Chief Executive Officer

Frederick J. Cole
Chief Operating Officer

Maureen M. Hassett
Senior Vice President
Governance and Communications

Timothy J. Lizura
Senior Vice President
Finance & Development

Thomas A. Murphy, III
Chief Information Officer

Greg Ritz, CPA
Chief Financial Officer

Certifications Pursuant to E.O. 37

March 15, 2012

In accordance with Executive Order No. 37, the New Jersey Economic Development Authority's 2011 Annual Report also serves as the comprehensive report of the Authority's operations. This report highlights the significant action of the Authority for the year, including the degree of success the EDA had in promoting the State's economic growth strategies and other policies.

The report of independent auditors, Ernst & Young, dated March 15, 2012, is attached and completes the EDA's requirements concerning the preparation of a comprehensive report required by Executive Order No. 37.

I, Caren Franzini, certify that during 2011, the Authority has, to the best of my knowledge, followed all of the Authority's standards, procedures and internal controls.

I further certify that the financial information provided to the auditor in connection with the audit is, to the best of my knowledge, accurate and that such information, to the best of my knowledge, fairly represents the financial condition and operational results of the authority for the year in question.

Caren S. Franzini
Chief Executive Officer

I, Greg Ritz, certify that the financial information provided to the auditor in connection with the audit is, to the best of my knowledge, accurate and that such information, to the best of my knowledge, fairly represents the financial condition and operational results of the authority for the year in question.

Greg Ritz, CPA
Chief Financial Officer

FINANCIAL STATEMENTS

New Jersey Economic Development Authority
Years Ended December 31, 2011 and 2010
With Report of Independent Auditors

Ernst & Young LLP

Ernst & Young

New Jersey Economic Development Authority

Financial Statements

Years Ended December 31, 2011 and 2010

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Report of Independent Auditors

Members of the Authority
New Jersey Economic Development Authority

We have audited the accompanying basic financial statements of the New Jersey Economic Development Authority (the "Authority"), a component unit of the State of New Jersey, as of December 31, 2011 and 2010 and for the years then ended as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Authority's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with US generally accepted accounting principles.

As discussed in Note 2, the Authority adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* as of January 1, 2011.

Accounting principles generally accepted in the United States require that accompanying required supplementary information, such as management's discussion and analysis and the schedule of funding progress of the postemployment healthcare plan as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst & Young LLP

March 15, 2012

This section of the New Jersey Economic Development Authority's ("Authority" or "NJEDA") annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal years ended on December 31, 2011 and 2010. Please read it in conjunction with the Authority's financial statements and accompanying notes.

2011 FINANCIAL HIGHLIGHTS

- The Authority's total net position decreased $29.4 million (or 4.5%).
- Current liabilities decreased $2.8 million (or 11.4%).
- Bonds payable-gross decreased $9.4 million (or 15.3%) due to scheduled debt service payments.
- Capital assets-net decreased $8.7 million (or 7.9%) primarily due to the sale of MSNBC production equipment.

2010 FINANCIAL HIGHLIGHTS

- The Authority's total net position decreased $44.9 million (or 6.4%).
- Current liabilities increased $ 1.6 million (or 7.1%).
- Bonds payable-gross decreased $10.0 million (or 14.0%) due to scheduled debt service payments.
- Capital assets-net decreased $3.6 million (or 3.2%) primarily due to the sale of MSNBC production equipment and offset by leasehold improvements at the Waterfront Technology Center at Camden ("WTCC").

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The Authority is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short- and long-term financial information about the activities and operations of the Authority. These statements are presented in a manner similar to a private business engaged in such activities as real estate development, investment banking, commercial lending, construction management and consultation. While detailed sub-fund information is not presented, separate accounts are maintained for each program or project to control and manage money for particular purposes or to demonstrate that the Authority is properly using specific appropriations, grants and bond proceeds.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position. The following table summarizes the changes in Net Position for the years ended December 31, 2011, 2010 and 2009:

	2011	2010	2009	**Current Year % increase/ (decrease)**	**Prior Year % increase/ (decrease)**
Assets:					
Other assets	**$ 622,346,017**	$ 664,493,212	$ 716,519,427	(6.5)%	(7.3)%
Capital assets, net	**101,549,806**	110,221,663	113,833,398	(7.9)%	(3.2)%
Total assets	**723,895,823**	774,714,875	830,352,825	(6.7)%	(6.7)%
Deferred outflows of resources:					
Accumulated decrease in fair value of hedging derivatives	**2,172,742**	1,433,898	–	51.5%	100.0%
Liabilities:					
Long-term debt	**54,881,569**	71,277,865	82,689,576	(23.0)%	(13.8)%
Other liabilities	**41,076,055**	45,406,406	43,335,850	(9.5)%	4.8%
Total liabilities	**95,957,624**	116,684,271	126,025,426	(17.8)%	(7.4)%
Net position:					
Invested in capital assets, net of related debt	**55,803,672**	53,969,928	52,623,398	3.4%	2.6%
Restricted	**24,609,225**	19,512,748	25,686,302	26.1%	(24.0)%
Unrestricted	**549,697,044**	585,981,826	626,017,699	(6.2)%	(6.4)%
Total net position	**$ 630,109,941**	$ 659,464,502	$ 704,327,399	(4.5)%	(6.4)%

During 2011, the Authority's combined net position decreased $29.4 million (or 4.5%) due to:

$13.4	Million	Petroleum Underground Storage Tank ("PUST") grant award payments and loan disbursements
$16.6	Million	Hazardous Discharge Site Remediation Fund ("HDSRF") disbursements
$3.1	Million	Municipal Economic Recovery Initiative grant award payments
$5.8	Million	School Loan Program repayments returned to the State
$(0.9)	Million	Business Assistance, Marketing and International Trade transferred from the State
$(8.6)	Million	Other Program Payments and Payments to/from the State

During 2010, the Authority's combined net position decreased $44.9 million (or 6.4%) due to:

$26.6	Million	Petroleum Underground Storage Tank ("PUST") grant award payments and loan disbursements
$5.0	Million	Hazardous Discharge Site Remediation Fund ("HDSRF") disbursements
$5.9	Million	Municipal Economic Recovery Initiative grant award payments
$5.7	Million	School Loan Program repayments returned to the State
$(2.7)	Million	Business Assistance, Marketing and International Trade transferred from the State
$(8.4)	Million	Clean Energy Solutions Capital Investment transferred from the State
$12.8	Million	Other Program Payments and Payments to/from the State

Operating Activities. The Authority charges financing fees that may include an application fee, commitment fee, closing fee and a document execution fee. The Authority also charges an agency fee for the administration of financial programs for various government agencies; a program service fee for the administration of Authority programs that are service-provider based, rather than based on the exchange of assets such as the commercial lending program; and a real estate development fee for real estate activities undertaken on behalf of governmental entities and commercial enterprises. Interest income on investments, notes and intergovernmental obligations is recognized as earned. Grant revenue is earned when the Authority has complied with the terms and conditions of the grant agreements. The Authority also earns income from operating leases and interest income on lease revenue from capital lease financings. Late fees are charged to borrowers delinquent in their monthly loan payments. All forms of revenue accrue to the benefit of the program for which the underlying source of funds are utilized. The Authority considers all activity, except for the sale of capital assets and interest earned from investments, to be operating activities.

The following table summarizes the changes in operating and nonoperating activities between fiscal year 2011 and 2010:

	2011	2010	2009	Current Year % increase/ (decrease)	Prior Year % increase/ (decrease)
Operating revenues:					
Financing fees	**$ 7,077,314**	$ 5,923,767	$ 4,242,026	19.5%	39.6%
Interest income – intergovernmental	**191,477**	310,008	420,572	(38.2)%	(26.3)%
Interest income – notes	**6,845,874**	7,430,780	7,095,531	(7.9)%	4.7%
Lease revenue	**11,736,286**	12,239,351	12,208,242	(4.1)%	0.3%
Other	**16,509,596**	5,883,214	6,931,051	180.6%	(15.1)%
Total operating revenues	**42,360,547**	31,787,120	30,897,422	33.3%	2.9%
Operating expenses:					
Administrative expenses	**20,989,516**	22,726,721	25,677,921	(7.6)%	(11.5)%
Interest expense	**2,219,726**	2,233,997	3,468,690	(0.6)%	(35.6)%
Depreciation	**8,113,426**	8,509,698	8,684,083	(4.7)%	(2.0)%
Recoveries (Loss) provisions – net	**(208,045)**	11,122,800	5,942,290	(101.9)%	87.2%
Other	**6,804,374**	7,002,423	7,967,816	(2.8)%	(12.1)%
Total operating expenses	**37,918,997**	51,595,639	51,740,800	(26.5)%	(0.3)%
Operating income (loss)	**4,441,550**	(19,808,519)	(20,843,378)	(122.4)%	(5.0)%
Nonoperating revenues and (expenses):					
Interest income – investments	**4,644,020**	6,566,194	9,104,441	(29.3)%	(27.9)%
State appropriations and program payments-net	**(45,349,492)**	(31,647,502)	(12,489,446)	43.3%	153.4%
Federal appropriations	**7,293,688**	–	–	100.0%	–
Other (expense) revenue	**(384,327)**	26,930	(2,348,075)	(1,527.1)%	(101.1)%
Total nonoperating, net	**(33,796,111)**	(25,054,378)	(5,733,080)	34.9%	337.0%
Change in net position	**(29,354,561)**	(44,862,897)	(26,576,458)	(34.6)%	68.8%
Beginning net position	**659,464,502**	704,327,399	730,903,857		
Ending net position	**$ 630,109,941**	$ 659,464,502	$ 704,327,399		

Operating Revenues

During 2011, the Authority's operating revenues were materially impacted by the following:

- Financing fees increased by $1.2 million, due to expanded program offerings.
- Program services revenue decreased by $1.2 million.
- Agency Fees increased by $1.9 million.
- Grant Revenue increased by $10.2 million, due to receipt of the first tranche of the State Small Business Credit Initiative ("SSBCI").

During 2010, the Authority's operating revenues were materially impacted by the following:

- Financing fees increased by $1.7 million, due to expanded program offerings.

- Program services revenue decreased by $2.6 million, due to the elimination of HDSRF surcharges.

- Loss Recoveries decreased by $0.4 million.

- Grant Revenue increased by $1.2 million.

Operating Expenses

In 2011, total operating expenses decreased $13.7 million compared to 2010 with minimal decreases in salaries and benefits expense and marketing expenses through continued program efficiencies and a decrease in loss provisions of $11.3 million.

In 2010, total operating expenses remained flat, due to a decrease in salaries and benefits expense of $3.0 million, caused in part by a reduction in headcount, and a decrease in marketing expenses of $0.9 million realized through program efficiencies; and offset by an increase in loss provisions of $4.9 million, related to changes in value in certain venture capital funds in which the Authority invests.

Nonoperating Expenses – net

In 2011, nonoperating expenses, net, increased by $8.7 million, due to a reduction in the receipt of State appropriations of $13.6 million; and offset by a reduction in program payments of $7.2 million, resulting from fewer appropriations to administer.

In 2010, nonoperating expenses, net, increased by $19.3 million, due to a reduction in the receipt of State appropriations of $27.4 million, related to the State's suspension of the Regional Greenhouse Gas Initiative ("RGGI"); and offset by a reduction in program payments of $8.3 million, resulting from fewer appropriations to administer.

Allowance for Credit Losses

The Authority has aligned its allowance policy to that practiced in the financial services industry. Allowances for doubtful notes and guarantee payments are determined in accordance with guidelines established by the Office of the Comptroller of the Currency. The Authority accounts for its potential loss exposure through the use of risk ratings. These specifically assigned risk ratings are updated to account for changes in financial condition of the borrower or guarantor, delinquent payment history, loan covenant violations, and changing economic conditions.

The assigned risk rating classifications are consistent with the ratings used by the Office of the Comptroller of the Currency. Each risk rating is assigned a specific loss factor in accordance with the severity of the classification. Each month an analysis is prepared using the current loan balances, existing exposure on guarantees, and the assigned risk rating to determine the adequacy of the reserve. Any adjustments needed to adequately provide for potential credit losses (recoveries) are reported as a Loss Provision (Recovery).

The following table summarizes the Loan Allowance activity for the end of the period from December 31, 2009 through December 31, 2011:

December 31, 2009		
Allowance for loan losses	$ 26,593,381	
Accrued guarantee losses	3,046,935	
Total allowance		$ 29,640,316
2010 Provision for credit losses-net	5,634,863	
2010 Write-offs	(3,196,713)	2,438,150
December 31, 2010		
Allowance for loan losses	28,617,717	
Accrued guarantee losses	3,460,749	
Total allowance		32,078,466
2011 Provision for credit losses-net	(626,041)	
2011 Write-offs	(3,192,944)	(3,818,985)
December 31, 2011		
Allowance for loan losses	25,679,433	
Accrued guarantee losses	2,580,048	
Total allowance		$ 28,259,481

The Authority's write-down and Loan Loss Reserve policies closely align with the reporting requirements of the banking industry. When management determines that the probability of collection is less than 50% of the remaining balance, it is the policy to assign a Loss rating to the account. For an account rated as Loss, a loss provision is recognized for the entire loan balance.

Loans are written-off against the Loss Allowance when it is determined that the probability of collection within the near term is remote. The recognition of a loss does not automatically release the borrower from the obligation to pay the debt. Should the borrower, guarantors, or collateral position improve in the future, any and all steps necessary to preserve the right to collect these obligations will be taken.

Aggregate gross loan and guarantee exposure at December 31, 2011, was $212,569,369, of which $194,442,064 or 91% is for loans and $18,127,305 for issued loan guarantees.

At December 31, 2011 the Authority maintained a Credit Loss Allowance of $28,259,481 or 13.29% of total exposure to cover potential losses in the loan and guaranty portfolio. Total credit losses for the year ended December 31, 2011, were $3,192,944 or 1.50% of the loan and guaranty exposure.

As of December 31, 2010 the Authority maintained a Credit Loss Allowance of $32,078,466 or 13.29% of total exposure to cover potential losses in the loan and guaranty portfolio. Total credit losses for the year ended December 31, 2010, were $3,196,713 or 1.32% of the loan and guaranty exposure.

The 2011 Loss Recoveries – Net, of $(208) thousand, are related to the following detailed information:

$(624,000)	Loan and Guarantee Program activity
$301,000	Real Estate Program activity
$115,000	Authority's share in Venture Capital Funds and Capital Investments

The 2010 Loss Provisions – Net, of $11.1 million, are related to the following detailed information:

$5,614,000	Loan and Guarantee Program activity
$2,288,000	Authority's share in the New Jersey Tech Council Venture Capital Fund
$(334,000)	Authority's share in the Edison Venture Capital Funds
$3,464,000	Authority's share in the Garden State Life Sciences Venture Fund
$27,000	Authority's share in Archive

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The Authority independently, or in cooperation with a private or governmental entity, acquires, invests in and/or develops vacant industrial sites, existing facilities, unimproved land, equipment and other real estate for private or governmental use. Sites developed and equipment purchased for private use are marketed or leased to businesses that will create new job opportunities and tax ratables for the municipalities. Sites are developed for governmental use for a fee and also may be leased to the State or State entities. For the majority of these leases, future minimum lease rental payments are equal to the debt service payments related to the bonds or notes issued for the applicable property.

The following table summarizes the change in other Capital Assets-Net between fiscal year 2011 and 2010:

	2011	2010	2009	Current Year % increase/ (decrease)	Prior Year % increase/ (decrease)
Land	**$ 23,397,313**	$ 23,435,478	$ 21,253,466	(0.2)%	10.3%
Construction in progress	**–**	–	285,986	0.0%	(100.0)%
Total nondepreciable capital assets	**23,397,313**	23,435,478	21,539,452		
Building	**97,364,839**	97,364,839	97,364,839	0.0%	0.0%
Leasehold improvements	**36,859,763**	36,859,763	32,732,932	0.0%	12.6%
Equipment	**15,298,322**	17,503,229	22,462,990	(12.6)%	(22.1)%
Total depreciable capital assets	**149,522,924**	151,727,831	152,560,761		
Less accumulated depreciation	**(71,370,431)**	(64,941,646)	(60,266,815)	9.9%	7.8%
Capital assets–net	**$ 101,549,806**	$ 110,221,663	$ 113,833,398	(7.9)%	(3.2)%

The change in Leasehold Improvements resulted from the completion of tenant fit-out of WTCC in 2010 and for the Authority's Tech III and Tech IV buildings in 2009. Additionally, the purchase and sale of production equipment to MSNBC fluctuates each year.

More detailed information about the Authority's capital assets is presented in the Notes to the financial statements.

Capital Debt. At year end, the Authority had $63,386,135 of gross bond and note principal outstanding; a net decrease of 20.7%, due to the paydown of scheduled debt. More detailed information about the Authority's capital debt is presented in the Notes to the financial statements.

The following table summarizes the changes in capital debt between fiscal year 2011 and 2010:

	2011	2010	2009	Current Year % increase/ (decrease)	Prior Year % increase/ (decrease)
Bonds payable – gross	**$ 51,800,000**	$ 61,190,000	$ 71,145,000	(15.3)%	(14.0)%
Notes payable	**11,586,135**	18,691,736	19,410,000	(38.0)%	(3.7)%
Total bonds and notes payable	**$ 63,386,135**	$ 79,881,736	$ 90,555,000	(20.7)%	(11.8)%

SIGNIFICANT BUSINESS DEVELOPMENTS

On September 27, 2010, President Obama signed into law the Small Business Jobs Act of 2010 (the “Act”). The Act created, among other actions, the State Small Business Credit Initiative (“SSBCI”), which was funded with $1.5 billion to strengthen state programs that support lending to small businesses and small manufacturers. On September 2, 2011, the New Jersey Department of the Treasury applied to the US Treasury to receive up to a total of $33,760,698 on behalf of the State. NJEDA, as the contracting entity for the State of New Jersey, prepared and will administer New Jersey’s allocation of funds. On September 8, 2011 the US Treasury approved New Jersey’s SSBCI application and in early October 2011 funded the first tranche of $11,141,031.

CONTACTING THE AUTHORITY’S FINANCIAL MANAGEMENT

This financial report is designed to provide New Jersey citizens, and our customers, clients, investors and creditors, with a general overview of the Authority’s finances and to demonstrate the Authority’s accountability for the appropriations and grants that it receives. If you have questions about this report or need additional information, contact Customer Care at (609) 858-6700, CustomerCare@njeda.com, NJEDA, P.O. Box 990, Trenton, NJ 08625-0990, or visit our web site at: www.njeda.com.

New Jersey Economic Development Authority
(a component unit of the State of New Jersey)

Statements of Net Position

	December 31 2011	December 31 2010
Assets		
Current assets:		
Cash and cash equivalents – restricted	**$ 79,907,592**	$ 137,698,444
Cash and cash equivalents – unrestricted	**11,540,288**	19,928,769
Investments	**89,073,954**	41,184,534
Receivables:		
Notes	**18,025,109**	18,344,669
Accrued interest on notes	**483,131**	672,916
Accrued interest on investments	**1,067,281**	1,426,913
Intergovernmental	**620,833**	831,945
Leases	**100,000**	100,000
Other receivables	**20,627,200**	9,015,046
Total receivables	**40,923,554**	30,391,489
Prepaids and deferred costs	**1,107,788**	986,234
Total current assets	**222,553,176**	230,189,470
Noncurrent assets		
Investments – restricted	**6,163,017**	6,064,904
Investments – unrestricted	**231,293,091**	246,110,563
Receivables:		
Notes	**158,675,989**	169,945,736
Notes-restricted	**17,740,966**	28,790,524
Accrued interest on notes	**3,831,486**	3,627,230
Accrued interest on notes – restricted	**64,902**	97,379
Unamortized discount	**(25,784)**	(27,913)
Total notes receivables	**180,287,559**	202,432,956
Allowance for doubtful notes and guarantees	**(25,679,433)**	(28,617,717)
Net notes receivable	**154,608,126**	173,815,239
Intergovernmental restricted	**934,726**	1,627,781
Unamortized discount	**(22,067)**	(213,545)
Net intergovernmental receivables	**912,659**	1,414,236
Leases – restricted	**7,748,102**	7,706,869
Unamortized discount	**(1,071,124)**	(1,039,397)
Net leases receivable	**6,676,978**	6,667,472
Total receivables	**162,197,763**	181,896,947
Prepaids and deferred costs	**138,970**	231,328
Nondepreciable capital assets	**23,397,313**	23,435,478
Depreciable capital assets, net	**78,152,493**	86,786,185
Total capital assets, net	**101,549,806**	110,221,663
Total noncurrent assets	**501,342,647**	544,525,405
Total assets	**723,895,823**	774,714,875
Deferred outflows of resources		
Accumulated decrease in the fair value of hedging derivatives	**2,171,742**	1,433,898

New Jersey Economic Development Authority
(a component unit of the State of New Jersey)

Statements of Net Position (continued)

	December 31			
	2011		2010	
Liabilities				
Current liabilities:				
Accrued liabilities	**$**	**7,110,816**	$	9,794,353
Unearned lease revenues		**1,228,423**		1,369,896
Deposits		**4,267,100**		3,464,408
Bonds payable		**8,510,000**		7,890,000
Notes payable		**128,685**		1,012,735
Accrued interest payable		**505,384**		1,005,750
Total current liabilities		**21,750,408**		24,537,142
Noncurrent liabilities				
Bonds payable – net		**43,424,119**		53,598,864
Notes payable		**11,457,450**		17,679,001
Unearned lease revenues		**14,226,947**		15,280,794
Accrued guarantee losses		**2,580,047**		3,460,749
Derivative instrument – interest rate swap		**2,171,742**		1,433,898
Other		**346,911**		693,823
Total noncurrent liabilities		**74,207,216**		92,147,129
Total liabilities		**95,957,624**		116,684,271
Net position				
Invested in capital assets, net of related debt		**55,803,672**		53,969,928
Restricted		**24,609,225**		19,512,748
Unrestricted		**549,697,044**		585,981,826
Total net position	**$**	**630,109,941**	$	659,464,502

See accompanying notes.

New Jersey Economic Development Authority
(a component unit of the State of New Jersey)

Statements of Revenues, Expenses and Changes in Net Position

	Years Ended December 31	
	2011	**2010**
Operating revenues		
Financing fees	**$ 7,077,314**	$ 5,923,767
Interest income – intergovernmental obligations	**191,477**	310,008
Interest income – notes	**6,845,874**	7,430,780
Total interest income	**7,037,351**	7,740,788
Financing lease revenue	**109,505**	102,637
Operating lease revenue	**11,626,781**	12,136,714
Agency fees	**3,158,484**	1,261,242
Program services	**815,679**	2,044,477
Real estate development	**361,814**	595,522
Grant revenue	**11,366,430**	1,188,517
Other	**807,189**	793,456
Total other revenues	**28,245,882**	18,122,565
Total operating revenue	**42,360,547**	31,787,120
Operating expenses		
Salaries and benefits	**17,823,559**	18,773,432
General and administrative	**3,165,957**	3,953,289
Interest	**2,219,726**	2,233,997
Program costs	**6,804,374**	7,002,423
Depreciation	**8,113,426**	8,509,698
(Recoveries) loss provisions-net	**(208,045)**	11,122,800
Total operating expenses	**37,918,997**	51,595,639
Operating income (loss)	**4,441,550**	(19,808,519)
Nonoperating revenues and expenses		
Interest income – investments	**4,644,020**	6,566,194
Unrealized gain (loss) in investment securities	**(256,254)**	26,930
Loss on sale of assets – net	**(128,073)**	–
State appropriations – net	**30,811,634**	51,754,616
Federal appropriations	**7,293,688**	–
Program payments	**(76,161,126)**	(83,402,118)
Nonoperating expenses – net	**(33,796,111)**	(25,054,378)
Change in net position	**(29,354,561)**	(44,862,897)
Net position – beginning of year	**659,464,502**	704,327,399
Net position – end of year	**$ 630,109,941**	$ 659,464,502

See accompanying notes.

New Jersey Economic Development Authority
(a component unit of the State of New Jersey)

Statements of Cash Flows

	Years Ended December 31 2011	2010
Cash flows from operating activities		
Financing fees	**$ 6,343,563**	$ 5,242,578
Interest from notes	**8,196,140**	8,234,154
Lease rents	**10,702,023**	10,933,487
Agency fees	**2,970,984**	1,201,242
Program services	**1,343,440**	2,736,078
Grants	**12,554,947**	–
Distributions	**–**	153,054
Real estate development	**251,015**	592,729
General and administrative expenses paid	**(20,978,785)**	(23,116,262)
Program costs paid	**(6,285,800)**	(6,394,680)
Collection of notes receivable	**31,324,927**	32,445,815
Loan disbursements	**(10,816,588)**	(26,803,979)
Deposits received	**3,249,197**	4,932,049
Deposits released	**(2,538,487)**	(5,800,073)
Net cash provided by operating activities	**36,316,576**	4,356,192
Cash flows from capital and related financing activities		
Payment of bonds and notes payable	**(8,905,601)**	(2,398,264)
Interest paid on bonds and notes payable	**(2,127,164)**	(1,608,333)
Issuance and servicing costs paid	**–**	(272,353)
Purchase of capital assets	**(709,699)**	(5,641,709)
Sale of assets	**530,765**	1,124,894
Net cash used in capital and related financing activities	**(11,211,699)**	(8,795,765)
Cash flows from noncapital financing activities		
Program funding received	**904,167**	2,209,715
Deposits received – net	**(2,054)**	(2,059)
Redemption and refunding of bonds payable	**(8,490,000)**	(9,115,000)
Interest paid on revenue bonds	**(2,256,609)**	(1,926,354)
Obligations paid	**(346,911)**	(346,911)
Issuance and servicing costs paid	**(556,055)**	(546,418)
Appropriations received	**189,367,715**	207,841,694
Payments to State of New Jersey	**(6,065,844)**	(5,738,949)
Program payments	**(235,769,696)**	(231,113,049)
Net cash used in noncapital financing activities	**(63,215,287)**	(38,737,331)
Cash flows from investing activities		
Interest from investments	**5,003,651**	7,356,138
Capital investments	**(358,185)**	(1,143,901)
Investments:		
Purchases	**(93,064,615)**	(58,090,426)
Redemptions	**60,350,226**	69,684,363
Net cash (used in) provided by investing activities	**(28,068,923)**	17,806,174
Net decrease in cash and cash equivalents	**(66,179,333)**	(25,370,730)
Cash and cash equivalents – beginning of year	**157,627,213**	182,997,943
Cash and cash equivalents – end of year	**$ 91,447,880**	$ 157,627,213

New Jersey Economic Development Authority
(a component unit of the State of New Jersey)

Statements of Cash Flows (continued)

	Years Ended December 31 2011	2010
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	**$ 4,441,550**	$ (19,808,519)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
(Recoveries) loss provisions -net	**(208,045)**	11,115,694
Depreciation	**8,113,426**	8,509,698
Amortization of discounts, premiums, deferred loss	**(159,750)**	(412,644)
Cash provided by nonoperating activities	**5,839,828**	5,193,457
Change in assets and liabilities:		
Notes receivable	**20,348,697**	5,641,603
Accrued interest receivable-notes	**10,965**	(470,658)
Lease payments receivable	**(41,233)**	100,000
Other receivables	**888,270**	(1,620,061)
Prepaids and deferred costs	**(94,277)**	(558,856)
Capital investments	**(468,675)**	(134,487)
Notes payable	**(900,000)**	(840,000)
Accrued liabilities	**(402,779)**	166,799
Deferred lease revenues	**(1,195,320)**	(1,425,692)
Accrued interest payable	**(665,111)**	(26,506)
Deposits	**809,030**	(1,073,636)
Net cash provided by operating activities	**$ 36,316,576**	$ 4,356,192
Noncash investing activities		
Unrealized (loss) gain in investment securities	**$ (256,254)**	$ 26,930

See accompanying notes.

Note 1: Nature of the Authority

The New Jersey Economic Development Authority ("Authority") is a public body corporate and politic, constituting an instrumentality and component unit of the State of New Jersey ("State"). The Authority was established by Chapter 80, P.L. 1974 ("Act") on August 7, 1974, as amended and supplemented, primarily to provide financial assistance to companies for the purpose of maintaining and expanding employment opportunities in the State and increasing tax ratables in underserved communities. The Act prohibits the Authority from obligating the credit of the State in any manner.

The Authority primarily offers the following products and services:

(a) Bond Financing

The Authority issues tax-exempt private activity bonds and taxable bonds. The proceeds from these single issue or composite series bonds are used to provide long-term, below-market interest loans to eligible entities, which include certain 501(c)(3) nonprofit organizations, manufacturers, exempt public facilities, solid waste facilities, and local, county, and State governmental agencies for real estate acquisition, equipment, machinery, building construction and renovations. All such bonds are special conduit debt obligations of the Authority, are payable solely from the revenues pledged with respect to the issue, and do not constitute an obligation against the general credit of the Authority.

(b) Loans/Guarantees/Investments and Tax Incentives

The Authority directly provides loans, loan participations, loan guarantees and line of credit guarantees to for-profit and not-for-profit enterprises for various purposes to include: the acquisition of fixed assets; building construction and renovation; financing for working capital; technological development; and infrastructure improvements. The Authority also may provide financial assistance in the form of convertible debt, and take an equity position in technology and life sciences companies through warrant options. In addition to lending and investing its own financial resources, the Authority also administers several business growth programs supported through State appropriation/allocation, including the technology business tax certificate transfer program, tax credits for film industry and digital media projects, job creation and retention incentive grants and tax credits, tax credits for capital investment in urban areas, and

Note 1: Nature of the Authority (continued)

reimbursement grants based on incremental revenues generated by redevelopment projects. Other state mandated programs include loans/grants to support hazardous discharge site remediation and petroleum underground storage tank remediation.

(c) Real Estate Development

The Authority independently, or in cooperation with a private or another governmental entity, acquires, invests in and/or develops vacant industrial sites, existing facilities, unimproved land, equipment and other real estate for private or governmental use. Sites developed and equipment purchased for private use are marketed or leased to businesses that will create new job opportunities and tax ratables for municipalities. Sites are developed for governmental use for a fee and also may be leased to the State or State entities.

Component Units

Pursuant to Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, the financial statements include the accounts of the Authority and the Camden County Urban Renewal Limited Partnership ("CCURLP"), a blended component unit. CCURLP is a real estate joint venture which provides services for the exclusive benefit of the Authority. All intercompany transactions and balances are eliminated.

The Authority's financial statements do not include the accounts of the New Jersey Community Development Entity ("NJCDE"), a component unit. NJCDE is a separate legal entity whose primary mission is to provide investment capital for low-income communities, on behalf of the Authority, through the allocation of federal New Markets Tax Credits. The Authority does not deem the operations of the NJCDE to be significant to the operations of the Authority. As of December 31, 2011 and 2010, total assets were $3,501,141 and $3,433,744, respectively.

Related Party Transactions

The Authority has contracted with several other state entities to administer certain loan programs on their behalf for a fee. In order for the Authority to effectively administer the programs, the Authority has custody of the cash accounts for each program. The cash in these accounts, however, is not an asset of the Authority and, accordingly, the balances in these accounts have

Note 1: Nature of the Authority (continued)

not been included in the Authority's statements of net position. The cash balances total $73,824,686 and $45,793,695 at December 31, 2011 and 2010, respectively. The following is a summary of the programs that the Authority manages on behalf of other state entities:

Department/Board	Program	2011	2010
Treasury	Local Development Financing Fund	$ 26,530,467	$ 25,223,760
Treasury	Invest New Jersey	–	29,343
Board of Public Utilities	BPU Clean Energy Program	47,294,219	20,540,592

Note 2: Summary of Significant Accounting Policies

(a) Basis of Accounting and Presentation

The Authority is a self-supporting entity and follows enterprise fund reporting; accordingly, the accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. While detailed sub-fund information is not presented, separate accounts are maintained for each program and include certain funds that are legally designated as to use. Administrative expenses are allocated to the various programs.

In its accounting and financial reporting, the Authority follows the pronouncements of the Governmental Accounting Standards Board ("GASB"). Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed to the extent that those standards do not conflict with or contradict guidance of the GASB. The Authority has elected not to follow subsequent private-sector guidance.

(b) Revenue Recognition

The Authority charges various program financing fees that may include an application fee, commitment fee, closing fee and a document execution fee. The Authority also charges a fee for the administration of financial programs for various government agencies and for certain real estate development and management activities. Fees are recognized when earned. Grant revenue is recognized when the Authority has complied with the terms and conditions of the grant agreements. The Authority recognizes interest income on intergovernmental obligations and lease revenue by amortizing the discount over the life of the related agreement. Operating lease revenue is recognized pursuant to the terms of the lease.

Note 2: Summary of Significant Accounting Policies (continued)

When available, it is the Authority's policy to first use restricted resources for completion of specific projects.

(c) Cash Equivalents

Cash equivalents are highly liquid debt instruments with original maturities of three months or less and units of participation in the State of New Jersey Cash Management Fund ("NJCMF"). The NJCMF is managed by the State's Division of Investment under the Department of the Treasury. All investments must fall within the guidelines set forth by the Regulations of the State Investment Council. The Division of Investment is permitted to invest in a variety of securities to include obligations of the U.S. Government and certain of its agencies, certificates of deposit, commercial paper, repurchase agreements, bankers' acceptances and loan participation notes. Investment guidelines provide that all investments in the NJCMF should mature or are to be redeemed within one year, except that up to 25% of the NJCMF may be invested in eligible securities which mature within 25 months; provided, however, that the average maturity of all investments in the NJCMF shall not exceed one year. Cash equivalents are stated at fair value.

(d) Investments

All investments, except for investment agreements, are stated at fair value. The Authority also invests in various types of joint ventures and uses the cost method to record such investments, as the Authority lacks the ability to exercise significant control in the ventures. Under the cost method, the Authority records the investment at its historical cost and recognizes as income dividends received from net earnings of the Fund. Dividends received in excess of earnings are considered a return of investment and reduce the cost basis.

The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

(e) Amortization of Discounts and Premiums

The Authority uses the bonds outstanding method as it relates to the discounting of bonds.

Note 2: Summary of Significant Accounting Policies (continued)

(f) Guarantees Receivable

Payments made by the Authority under its various guarantee programs are reported as Guarantees Receivable. These receivables are expected to be recovered either from the lender, as the lender continues to service the loan, or from the liquidation of the underlying collateral. Recoveries increase Worth (see Note 10).

(g) Allowance for Doubtful Notes and Accrued Guarantee Losses

Allowances for doubtful notes and accrued guarantee losses are determined in accordance with guidelines established by the Office of Comptroller of Currency. These guidelines include classifications based on routine portfolio reviews of various factors that impact collectability.

(h) Operating and Non-Operating Revenues and Expenses

The Authority defines operating revenues and expenses as relating to activities resulting from providing bond financing, direct lending, incentives, and real estate development to commercial businesses, certain not-for-profit entities, and to local, county and State governmental entities. Non-operating revenues and expenses include income earned on the investment of funds, proceeds from the sale of certain assets, State appropriations and program payments.

(i) Taxes

The Authority is exempt from all Federal and State income taxes and real estate taxes.

(j) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Note 2: Summary of Significant Accounting Policies (continued)

(k) Capitalization Policy

Unless material, it is the Authority's policy to expense all expenditures of an administrative nature. Administrative expenditures typically include expenses directly incurred to support staff operations, such as automobiles, information technology hardware and software, office furniture, and equipment.

With the exception of immaterial tenant fit-out costs of retail space that is sublet from the State of New Jersey, the Authority capitalizes all expenditures related to the acquisition of land, construction and renovation of buildings, and procurement of certain production equipment intended for sale or lease to its clients.

(l) Depreciation Policy

Capital assets are stated at cost. Depreciation is computed using the straight-line method over the following estimated economic useful lives of the assets:

Building	20 years
Building improvements	20 years
Leasehold improvements	Term of the lease
Tenant fit-out	Term of the lease
Production equipment	4 to 15 years
Vehicles	Expensed
Furniture and equipment	Expensed

(m) Recent Accounting Standards

In 2011, the Authority adopted GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board ("FASB") and AICPA Pronouncements ("GASB No. 62"). This Standard

Note 2: Summary of Significant Accounting Policies (continued)

improves financial reporting by incorporating into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and the American Institute of Certified Public Accountants ("AICPA") pronouncements issued on or before November 30, 1989, which does not conflict or contradict GASB pronouncements. GASB No. 62 superseded Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting. The adoption of this new standard did not have a significant impact on the Authority.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* ("GASB No. 63"). The objective of this Statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. Amounts that are required to be reported as deferred outflows should be reported in a statement of financial position in a separate section following assets. Similarly, amounts to be reported as deferred inflows of resources should be reported in a separate section following liabilities. The statement of net position should report the residual amount as net position, rather than net assets. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011; however the Authority elected to early-adopt this Statement in the year ended December 31, 2011.

The adoption of this statement resulted in a change in the presentation of the Balance Sheets to what is now referred to as the Statements of Net Position and the term "net assets" is changed to "net position" throughout the financial statements.

Note 3: Deposits and Investments

(a) Cash and Cash Equivalents

Operating cash is held in the form of Negotiable Order of Withdrawal ("NOW") accounts, money market accounts, and certificates of deposit. At December 31, 2011, the Authority's bank balance was $48,067,371. Of the bank balance, $1,250,000 was insured with Federal Deposit Insurance.

Note 3: Deposits and Investments (continued)

Pursuant to GASB Statement No. 40 "Deposit and Investment Risk Disclosures" ("GASB 40"), the Authority's NOW accounts, as well as money market accounts and certificates of deposit, are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the Authority would not be able to recover the value of its deposit or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uninsured, uncollateralized (securities are not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's (NJEDA) name. At December 31, 2011 and 2010, all of the Authority's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk.

Cash deposits at December 31, 2011 and 2010 were as follows:

Deposit Type	2011	2010
NOW Accounts	**$ 23,520,732**	$ 22,253,579
Money Market Accounts	**10,139,803**	10,114,557
Certificates of Deposit	**6,163,017**	6,064,904
Total deposits	**$ 39,823,552**	$ 38,433,040

(b) Investments

Pursuant to the Act, the funds of the Authority may be invested in any direct obligations of, or obligations as to which the principal and interest thereof is guaranteed by, the United States of America or other obligations as the Authority may approve. Accordingly, the Authority directly purchases permitted securities and enters into interest-earning investment contracts.

As of December 31, 2011 the Authority's total investments, excluding capital investments, amounted to $293,813,207. The Authority's investment portfolio ("Portfolio") is comprised of short to medium term bonds and is managed by a financial institution, for the Authority, per a schedule of permitted investments. These investments include obligations guaranteed by the U.S. Government, Government Sponsored Enterprises, Money Market Funds, Corporate Debt rated at least AA-/Aa3 by Standard & Poors or Moody's, and Repurchase Agreements. The Portfolio is managed with the investment objectives of: preserving capital, maintaining liquidity, achieving

Note 3: Deposits and Investments (continued)

superior yields, and providing consistent returns over time. In order to limit interest rate risk, investments are laddered, with maturities ranging from several months to a maximum of five years.

Investment of bond proceeds is made in accordance with the Authority's various bond resolutions. The bond resolutions generally permit the investment of funds held by the trustee in the following: (a) obligations of, or guaranteed by, the State or the U.S. Government; (b) repurchase agreements secured by obligations noted in (a) above; (c) interest-bearing deposits, in any bank or trust company, insured or secured by a pledge of obligations noted in (a) above; (d) NJCMF; (e) shares of an open-end diversified investment company which invests in obligations with maturities of less than one year of, or guaranteed by, the U.S. Government or Government Agencies; and (f) non-participating guaranteed investment contracts.

In order to maintain adequate liquidity, significant Authority funds are invested in the NJCMF, which typically earns returns that mirror short term interest rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty. At December 31, 2011 and 2010 the Authority's balance in the NJCMF is $46,931,353 and $114,268,639, respectively.

(c) Special Purpose Investments

Pursuant to the Authority's mission, from time to time, in order to expand employment opportunities in the State and to spur economic development opportunities, the Authority, with the authorization of the Board, will make special purpose investments. These special purpose investments include the following:

The Authority is the managing member of the Technology Centre of New Jersey, L.L.C., a real estate joint venture formed in 1999 to spur the growth of high tech industries in the State. The Centre is situated on a 50 acre site and comprised of infrastructure improvements and buildings. As the managing member, the Authority earns an administrative fee based on 5% of gross rents received from the operation of the Centre. At December 31, 2011 and 2010, the value of the Authority's investment in the Centre is $14,379,488 and $14,508,736, respectively. On behalf of the venture, the Authority prepares an annual report, a copy of which may be obtained by contacting the Authority.

Note 3: Deposits and Investments (continued)

The Authority is also a limited partner in various venture funds formed with the primary purpose of providing venture capital to exceptionally talented entrepreneurs dedicated to the application of proprietary technologies or unique services in emerging markets and whose companies are in the expansion stage. At December 31, 2011 and 2010, the aggregate value of the Authority's investment in these funds is $13,251,455 and $12,288,026, respectively. As a limited partner, the Authority receives financial reports from the managing partner of the funds, copies of which may be obtained by contacting the Authority.

At December 31, 2011 and 2010, the Authority held other equity investments of $250,000 and $372,255, respectively. The investments are held in the form of stock. Value is based on analysis of companies' prospects in conjunction with valuations of comparable companies.

Custodial Credit Risk

Pursuant to GASB 40, the Authority's investments are profiled to determine if they are exposed to Custodial Credit Risk. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government (NJEDA), and are held by either: the counterparty (institution that pledges collateral to government or that buys/sells investments for government) or the counterparty's trust department or agent but not in the name of the government. Investment pools such as the NJCMF and open ended mutual funds including Mutual Bond Funds are deemed not to have custodial credit risk. As of December 31, 2011, $292,486,102 in NJEDA investments, comprised of $75,435,370 in U.S. Treasuries, $162,749,426 in U.S. Agencies, $40,149,011 in Corporate bonds, $9,999,360 in Commercial paper, and $4,152,935 in Municipal bonds were not registered in the name of the Authority and were held by the counterparty.

Concentration of Credit Risk

The Authority limits investments in certain issuers. No more than 5% of the Authority funds may be invested in individual corporate and municipal issuers; and no more than 30% in individual U.S. Government Agencies. At December 31, 2011 more than 5 percent of the Authority's investments are in: Federal Farm Credit Bank ("FFCB"), Federal Home Loan Mortgage Corp ("FHLMC"), and Federal National Mortgage Association ("FNMA"). These investments are 6.70% (25,321,475), 9.87% ($37,309,060), and 21.81% ($82,478,704), respectively, of the

Note 3: Deposits and Investments (continued)

Authority's total investments. These three investments are included in the U.S. Government Agency category of investments. Investments issued by or guaranteed by the U.S. Government, mutual fund investments, and pooled investments are exempt from this requirement.

Credit Risk

The Authority does not have an investment policy regarding the management of Credit Risk, as outlined above. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. All investments in mutual bond funds and U.S. Agencies are rated Aaa by Moody's and AA+ by Standard & Poors ("S&P"). Corporate bonds were rated AAA ($7,287,611), AA/AA+/AA- ($29,669,502), and A+ (3,191,898) by S&P. Commercial paper is rated A-1+ by S&P. Municipal bonds are rated AA or AAA by S&P. The NJCMF is not rated.

Interest Rate Risk

The Authority does not have a policy to limit interest rate risk, however, its practice is to hold investments to maturity.

Note 3: Deposits and Investments (continued)

As of December 31, 2011 and 2010, the Authority had the following investments and maturities:

Investment Type	December 31, 2011 Fair Value	December 31, 2011 Investments Less than 1 Year	December 31, 2011 Maturities 1-5 Years	Fair Value as of December 31, 2010
Debt Securities:				
U.S. Treasuries	**$ 75,435,370**	$ 30,270,545	$ 45,164,825	$ 61,733,977
U.S. Agencies	**162,749,426**	35,507,191	127,242,235	148,425,351
Corporate Bonds	**40,149,011**	13,296,858	26,852,153	45,988,940
Commercial Paper	**9,999,360**	9,999,360	–	–
Municipal Bonds	**4,152,935**	–	4,152,935	3,977,812
Mutual Bond Funds	**10,855,992**	10,855,992	–	10,990,438
Certificates of Deposit	**6,163,017**	–	6,163,017	6,064,904
NJ Cash Management Fund	**46,931,353**	46,931,353	–	114,268,639
Subtotal, total debt securities	**356,436,464**	146,861,299	209,575,165	391,450,061
Special purpose investments:				
Investment in Technology Centre Joint Venture	**14,379,488**	–	–	14,508,736
Venture Fund Investments	**13,251,455**	–	–	12,288,026
Other Equity Investments	**250,000**	–	–	372,255
Subtotal	**384,317,407**	–	–	418,619,078
Less amounts reported as cash equivalents	**(57,787,345)**	–	–	(125,259,077)
Total investments	**$ 326,530,062**	$ –	$ –	$ 293,360,001

Note 4: Notes Receivable

Notes receivable consist of the following:

	December 31, 2011	December 31, 2010
Economic Development Fund ("EDF") loan program; interest ranging up to 6.27%; maximum term 10 years	**$ 38,664,995**	$ 40,681,830
Economic Recovery Fund ("ERF") loan and guarantee programs; interest ranging up to 7.25%; maximum term of 9 years	**125,372,879**	134,698,926
Hazardous Discharge Site Remediation ("HDSR") loan program; interest ranging up to 5.5%; maximum term of 7 years	**4,878,044**	5,154,094
Public School Facilities ("PSF") loan program; interest ranging from 1.5% to 5.288%; maximum term of 2 years	**22,295,032**	33,149,047
Municipal Economic Recovery Initiative ("MERI") loan program; interest ranging up to 3%; maximum term of 19 years	**3,231,114**	3,397,032
	$ 194,442,064	$ 217,080,929

Aggregate Notes Receivable activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Loan Disbursements	Loan Receipts	Write-offs, Adjustments, Restructures-Net	Ending Balance	Amounts Due Within One Year
EDF/ERF	$ 175,380,756	$ 10,495,964	$ (18,748,619)	$ (3,090,227)	$ 164,037,874	$12,166,779
HDSR	5,154,094	320,625	(656,376)	59,701	4,878,044	1,125,223
PSF	33,149,047	–	(10,854,015)	–	22,295,032	11,047,030
MERI	3,397,032	–	(165,918)	–	3,231,114	143,326
	$ 217,080,929	$ 10,816,589	$ (30,424,928)	$ (3,030,526)	$ 194,442,064	$24,482,358

Of the amount's due within one year, as noted above, $7,547,861 related to the Public School Facilities Program ("PSF") is categorized as restricted since it cannot be used to pay other current liabilities.

Note 5: Intergovernmental Receivable

The Authority has an agreement with the Port Authority of New York New Jersey ("Port Authority") relating to the issuance of Bonds. Pursuant to the terms of the agreement, the debt service on these bonds is payable solely from scheduled amounts receivable.

The Series 1996 Port Authority bonds are secured solely by loan payments originally scheduled to be made to the Port Authority by various utilities authorities. The Port Authority has assigned the right to receive such loan payments to the Authority.

At December 31, 2011 and 2010, Intergovernmental Receivable is comprised of the following:

	2011	**2010**
NJ Port Authority District Utilities Authorities	**$ 1,555,559**	$ 2,459,726
Unamortized discount	**(22,067)**	(213,545)
Total Net Intergovernmental Receivable	**$ 1,533,492**	$ 2,246,181

Aggregate gross receipts from the intergovernmental receivable due through 2015 is as follows:

2012	$ 620,833
2013	693,057
2014	120,833
2015	120,836
	$ 1,555,559

Note 5: Intergovernmental Receivables (continued)

Intergovernmental Receivable activity for the year ended December 31, 2011 was as follows**:**

	Beginning Balance	Reductions	Ending Balance	Amount Receivable Within One Year
Gross receivable	$ 2,459,726	$ (904,167)	$ 1,555,559	$ 620,833
Discount	(213,545)	191,47	(22,067)	
Net receivable	$ 2,246,181	$ (712,689)	$ 1,533,492	

Note 6: Leases

(a) Leases Receivable

The Authority has a financing lease relating to the issuance of Bonds and Notes Payable. Bond and Note proceeds finance specific projects. The financing lease provides for basic rental payments, by the tenant to the Authority, in an amount at least equal to the amount of debt service on the Bonds and Notes. In the event of default by the tenant to make rental payments, the Authority generally has recourse, including, but not limited to, taking possession and selling or subletting the leased premises and property.

The outstanding lease is as follows:

Lease Description	2011	2010
NY Daily News, through 1/23/21	**$ 7,848,102**	$ 7,806,869
Unamortized discount	**(1,071,124)**	(1,039,397)
Aggregate lease payments receivable – net	**$ 6,776,978**	$ 6,767,472

Note 6: Leases (continued)

Aggregate gross lease receipts due through 2016 and thereafter are as follows:

2012	$ 100,000
2013	100,000
2014	100,000
2015	100,000
2016	100,000
2017-2021	7,348,102
	$ 7,848,102

Lease payments receivable activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Reductions	Ending Balance	Amount Receivable Within One Year
Gross receivable	$ 7,806,869	$ 41,233	$ 7,848,102	$ 100,000
Discount	(1,039,397)	(31,727)	(1,071,124)	
Net receivable	$ 6,767,472	$ 9,506	$ 6,776,978	

Note 6: Leases (continued)

(b) Operating Leases

(i) Authority as Lessor

At December 31, 2011, capital assets with a gross carrying value of $158,564,839 and accumulated depreciation of $65,631,572 are leased to commercial enterprises. These leases generally provide the tenant with renewal and purchase options. Aggregate minimum lease receipts are expected as follows:

2012	$ 9,235,291
2013	7,509,950
2014	7,503,576
2015	7,501,379
2016	6,959,285
2017-2021	12,344,969
2022-2026	4,742,315
	$ 55,796,765

Note 6: Leases (continued)

(ii) Authority as Lessee

The Authority leases commercial property, buildings, and office space. The leased premises are either sublet to commercial enterprises or utilized by Authority staff. Aggregate rental expense for the current year on commercial property amounted to $737,788; and for property used by the Authority, rental expense amounted to $188,994. Aggregate future lease obligations are as follows:

2012	$ 892,611
2013	898,522
2014	902,858
2015	940,072
2016	744,338
2017-2021	2,512,674
2022-2026	2,007,436
2027-2031	1,262,000
2032-2036	1,370,720
2037-2041	646,300
2042-2046	685,080
2047-2051	743,250
2052-2056	445,950
	$ 14,051,811

Note 7: Capital Assets

Capital asset activity for the years ended December 31, 2011 and 2010 was as follows:

	December 31, 2010	Additions	Reductions	Adjustments to Reserve	December 31, 2011
Capital assets not being depreciated:					
Land	$ 23,435,478	$ 348,799	$ (386,964)	$ –	**$ 23,397,313**
Capital assets being depreciated:					
Buildings	97,364,839	–	–	–	**97,364,839**
Leasehold improvements	36,859,763	–	–	–	**36,859,763**
Production equipment	17,503,229	–	(2,246,189)	41,282	**15,298,322**
Capital assets – gross	175,163,309	348,799	(2,633,153)	41,282	**172,920,237**
Less: accumulated depreciation	64,941,646	8,113,426	(1,684,641)		**71,370,431**
Capital assets – net	$ 110,221,663	$ (7,764,627)	$ (948,512)	$ 41,282	**$ 101,549,806**

	December 31, 2009	Additions	Reductions	Adjustments to Reserve	December 31, 2010
Capital assets not being depreciated:					
Land	$ 21,253,466	$ 2,182,012	$ –	$ –	$ 23,435,478
Construction in progress	285,986	3,840,845	(4,126,831)	–	–
Capital assets being depreciated:					
Buildings	97,364,839	–	–	–	97,364,839
Leasehold improvements	32,732,932	4,126,831	–	–	36,859,763
Production equipment	22,462,990	–	(5,113,156)	153,395	17,503,229
Capital assets – gross	174,100,213	10,149,688	(9,239,987)	153,395	175,163,309
Less: accumulated depreciation	60,266,815	8,509,698	(3,834,867)	–	64,941,646
Capital assets – net	$ 113,833,398	$ 1,639,990	$ (5,405,120)	$ 153,395	$ 110,221,663

Note 7: Capital Assets (continued)

In 2011, as a result of condemnation for State Department of Transportation improvement projects, the Authority sold a parcel of land with a book value of $138,573 to the State of New Jersey, known as the Technology Centre Expansion site, located on U.S. Highway Route 1 in North Brunswick, New Jersey. The Authority sold approximately one acre of land for the total sum of $10,500.

In 2011, the Authority wrote down a parcel of land at the corner of Center Square Road in Logan Township, New Jersey, to coincide with an appraisal of $180,000 prepared on the Authority's behalf. The Authority obtained title to the land several years earlier as collateral on a previous financing, and intends to market the property for sale.

Note 8: Bonds Payable

The bonds reported in the following table have been issued in order to fund commercial loans, loans to school districts, commercial real estate development and capital construction. The bonds are secured by lease rental payments, loan repayments and the underlying assets pledged pursuant to the bond resolutions. In the event of default by the tenant to make rental payments, the Authority generally has recourse, including, but not limited to, taking possession and selling or subletting the leased premises and property.

The Series 1996 Port Authority bonds are secured solely by loan payments originally scheduled to be made to the Port Authority by various utilities authorities. The Port Authority has assigned the right to receive such loan payments to the Authority.

Note 8: Bonds Payable (continued)

The outstanding issues are as follows:

	December 31, 2011		December 31, 2010	
$46,815,000 NJEDA Revenue Bonds (Public Schools Small Project Loan Program), 2004 Series, interest ranging from 3% to 5%; due 8/15/12 through 8/15/13. Series 1993 was refunded on 3/15/04.	**$**	**9,205,000**	$	13,535,000
$43,000,000 Variable Rate Lease Revenue Bonds, 2003 Series A and B, (Camden Center Urban Renewal Limited Partnership Project); adjustable rate with maximum of 12% per annum, due annually through 3/15/18		**35,060,000**		35,960,000
$167,500,000 NJEDA Taxable Economic Development Bonds MSNBC/CNBC Project, 1997 Series A and B, adjustable rate, with maximum of 15% annually, due through 10/1/21		**5,100,000**		7,600,000
$18,355,000 NJEDA Taxable Revenue Bonds, North Jersey Port District Utilities Authorities Loan Securitization Program, Series 1996, interest rate of 7.25%; due 2/15/12		**2,435,000**		4,095,000
Subtotal		**51,800,000**		61,190,000
Unamortized premium		**134,119**		298,864
	$	**51,934,119**	$	61,488,864

Note 8: Bonds Payable (continued)

At December 31, 2011, aggregate debt service requirements of bonds payable through 2016 and thereafter are as follows:

	Principal	Interest	Total
2012	$ 8,510,000	$ 1,922,069	$ 10,432,069
2013	6,025,000	1,575,705	7,600,705
2014	1,490,000	1,289,085	2,779,085
2015	1,570,000	1,230,975	2,800,975
2016	1,715,000	1,169,745	2,884,745
2017-2021	32,490,000	2,164,898	34,654,898
	$ 51,800,000	$ 9,352,477	$ 61,152,477

Bonds payable activity for the years ended December 31, 2011 and 2010 was as follows:

	December 31, 2010	Additions	Reductions	December 31, 2011	Amounts Due Within One Year
Bonds payable – gross	$ 61,190,000	$ –	$ (9,390,000)	**$ 51,800,000**	$ 8,510,000
Unamortized premium	298,864	–	(164,745)	**134,119**	
Total bonds payable – net	$ 61,488,864	$ –	$ (9,554,745)	**$ 51,934,119**	

	December 31, 2009	Additions	Reductions	December 31, 2010	Amounts Due Within One Year
Bonds payable – gross	$ 71,145,000	$ –	$ (9,955,000)	$ 61,190,000	$ 7,890,000
Unamortized premium	539,576	–	(240,712)	298,864	
Total bonds payable – net	$ 71,684,576	$ –	$ (10,195,712)	$ 61,488,864	

Note 8: Bonds Payable (continued)

Pursuant to GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations (GASBI-2)*, there is no requirement to record conduit debt that is simultaneously recorded by the entity that is responsible for its payment. The State of New Jersey records this debt on its financial statements. It is the Authority's opinion that by not reporting the State-backed conduit debt and Agency - type transactions on its financial statements a more accurate assessment of its financial position and operations exists.

Swap Payments and Associated Debt

Over the remaining life of the Authority's interest rate swap, which expires in 2015, the Authority has debt service requirements on its debt and net swap payments as shown in the table below. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of the interest rate swap as of December 31, 2011 will not change. As these rates vary, interest rates on the variable rate bonds and net receipts/payments on the interest rate swap will vary. See Note 12 for information on derivative instruments.

Year	Principal	Interest	Net Swap payment	Total
2012	$ 965,000	$ 95,774	$ 872,615	$ 1,933,389
2013	1,330,000	93,046	848,817	2,271,863
2014	1,490,000	89,359	816,681	2,396,040
2015	–	28,382	259,906	288,288
	$ 3,785,000	$ 306,561	$ 2,798,019	$ 6,889,580

Note 9: Notes Payable

Generally, Notes Payable are special obligations of the Authority payable solely from loan payments, lease rental payments and other revenues, funds and other assets pledged under the notes and do not constitute obligations against the general credit of the Authority. Note proceeds are used to fund specific programs and projects and are not commingled with other Authority funds.

Note 9: Notes Payable (continued)

The outstanding notes are as follows:

	December 31, 2011	December 31, 2010
Community Development Investments, LLC; interest at 5%; principal & interest due monthly through 4/12/14 with final payment due at maturity on 5/12/14	**$ 2,000,000**	$ 2,000,000
City of Camden, NJ; interest at 6%; principal & interest due monthly through maturity on 2/5/16	**3,586,135**	3,731,736
FirstEnergy Corp./JCP&L; interest at 3%; interest only due monthly through 11/12/20; principal due at maturity on 11/12/20	**1,000,000**	1,000,000
Public Service New Millennium Economic Development Fund, LLC; interest at 2%; interest only due monthly through 11/7/20; principal due at maturity on 11/7/20	**5,000,000**	5,000,000
Waterfront Technology Center Construction Loan; variable interest; principal and interest due monthly over 60 month period, through maturity on 1/31/12	**–**	6,960,000
	$ 11,586,135	$ 18,691,736

At December 31, 2011, aggregate debt service requirements of notes payable through 2016 and thereafter are as follows:

	Principal	Interest	Total
2012	$ 128,685	$ 528,174	$ 656,859
2013	136,300	432,610	568,910
2014	2,144,591	376,997	2,521,588
2015	152,591	311,422	464,013
2016	3,023,968	144,316	3,168,284
2017-2020	6,000,000	502,722	6,502,722
Total	$ 11,586,135	$ 2,296,241	$ 13,882,376

Note 9: Notes Payable (continued)

Notes payable activity for the years ended December 31, 2011 and 2010 was as follows:

December 31, 2010	Additions	Reductions	December 31, 2011	Amounts Due Within One Year
$ 18,691,736	$ –	$ (7,105,601)	$ 11,586,135	$ 128,685

December 31, 2009	Additions	Reductions	December 31, 2010	Amounts Due Within One Year
$ 19,410,000	$ –	$ (718,264)	$ 18,691,736	$ 1,012,735

Note 10: Commitments and Contingencies

(a) Loan and Bond Guarantee Programs

The Authority has a special binding obligation regarding all guarantees to the extent that funds are available in the guarantee accounts as specified in the guarantee agreements. Guarantees are not, in any way, a debt or liability of the State.

(1) Economic Recovery Fund

The guarantee agreements restrict the Authority from approving any loan or bond guarantee if, at the time of approval, the Debt (exposure and commitments) to Worth (the amount on deposit and available for payment) ratio is greater than 5 to 1. At any time, payment of the guarantee is limited to the amount of Worth within the guarantee program account. Principal payments on guaranteed loans and bonds reduce the Authority's exposure. At December 31, 2011, Debt was $8,594,176 and Worth was $85,240,380, with a ratio of 0.10 to 1.

Note 10: Commitments and Contingencies (continued)

(2) New Jersey Business Growth Fund

The Authority guarantees between 25% and 50% of specific, low-interest loans to New Jersey companies, made by one of its preferred lenders, with a maximum aggregate exposure to the Authority not to exceed $10 million and, at no time will the Authority pay more than $10 million, net, of guarantee demands. At December 31, 2011, aggregate exposure and related worth within the Business Growth Fund account are both $9,533,128.

(b) Loan Program Commitments and Project Financings

At December 31, 2011 the Authority has $21,609,916 of loan commitments not yet closed or disbursed and $88,718,269 of project financing commitments.

(c) New Markets Tax Credit Program

On December 28, 2005, the Authority loaned $31,000,000 to a limited liability company ("company"), to facilitate their investment in a certified community development entity ("entity") whose primary mission is to provide loan capital for commercial projects in low-income areas throughout New Jersey. The company also received an equity investment from a private corporation ("corporation"). The company then invested the combined proceeds in the entity, which was awarded an allocation in Federal tax credits under the New Markets Tax Credit Program.

During 2007, the Authority made two additional New Markets commitments. On September 24, 2007 the Authority facilitated a transaction in which $3,500,000 in credits were allocated (no Authority funds were utilized). On September 26, 2007, the Authority loaned $20,296,000 to another company with terms similar to the first transaction.

During 2008, the Authority closed three additional New Markets commitments. A total of $37,000,000 in credits were allocated (no Authority funds were utilized).

Note 10: Commitments and Contingencies (continued)

In 2009, one New Markets commitment was closed. A total of $12,419,151 in credits were allocated (no Authority funds were utilized).

As part of the seven agreements, the corporation will claim the Federal tax credits in exchange for their investment. Claiming these credits carries the risk of recapture, whereby an event occurs that would negate the credit taken, causing it to be returned with interest. Based on the agreements between the Authority and the respective companies, the Authority will provide a guaranty to the corporation against adverse consequences caused by a recapture event. As of December 31, 2011, the aggregate exposure to the Authority for all of the seven transactions described above is $58,116,382. The Authority has determined the likelihood of paying on the guaranty, at this time, is remote.

Note 11: State Appropriations and Program Payments

The Authority receives appropriations from the State of New Jersey, as part of the State's annual budget, for purposes of administering certain grant programs enacted by State statute. The Authority also collects loan repayments on behalf of the State for the Public School Facilities Program (See Note 4), which are remitted to the State, semiannually. The Authority recognizes the disbursement of these funds to both grantees and the State as program payments. For the year ended December 31, 2011 state appropriations and program payments were $38,105,322 and $76,161,126, respectively.

Note 12: Derivative Instrument

In connection with its issuance of $43,000,000 Variable Rate Revenue Refunding Bonds, 2002 Series A and B issues, on April 27, 2010, the Authority entered into a fixed interest rate swap agreement (swap) with TD Bank, N.A. ("TD"), for which the fair value as of December 31, 2011 and 2010 was ($2,171,742) and ($1,433,898), respectively. For accounting and financial reporting purposes, the swap is considered a hedging derivative instrument and reported as debt and as a deferred outflow on the statement of net position.

Note 12: Derivative Instrument (continued)

Objective and Terms of Hedging Derivative Instrument

The swap is a pay-fixed interest rate swap. The objective is to hedge against changes in cash flows of the 2002 Series A and B CCURLP bonds by limiting interest rate risk. The notional amount of the swap is currently $34,975,000 which was effective as of May 1, 2010 and is due to expire on May 1, 2015. The terms call for the Authority to pay a fixed rate of 2.65% on the Series A bonds (notional amount $14,975,000) and 2.80% on the Series B bonds (notional amount $20,000,000), while receiving a rate based on the one month LIBOR rate. The swap provider is currently rated AA- by Standard & Poor's.

Credit Risk

The Authority is exposed to credit risk to the extent hedging instruments are in asset positions. As of December 31, 2011 and 2010, the Authority was not exposed to credit risk, as the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, however, the Authority would be exposed to credit risk in the amount of the swap's fair value. The Authority has no policy in place in order to limit such risk. No counterparty collateral is being held. There are no netting arrangements.

Rollover Risk

The swap agreement is due to expire on May 1, 2015, while the bonds are due to mature in March 2018. Presently, no arrangement has been made to renew the swap or provide for a similar instrument. If the swap is not renewed the Authority would be exposed to interest rate risk on its variable rate bonds. This could unfavorably impact cash flows.

Note 13: Litigation

The Authority is involved in several lawsuits that, in the opinion of the management of the Authority, will not have a material effect on the accompanying financial statements.

Note 14: Employee Benefits

(a) Public Employees Retirement System of New Jersey ("PERS")

The Authority's employees participate in the PERS, a cost sharing multiple-employer defined benefit plan administered by the State. The Authority's contribution is based upon an actuarial computation performed by the PERS. Pursuant to the Pension Security Legislation Act of 1997, the issuance of bonds permitted the pension benefit obligation to be fully funded from 1998 to 2004. Beginning in 2005, the Authority was assessed a portion of its normal contribution, which increased each year until 2009, when 100% of the normal contribution was assessed, and for each year thereafter. For the years ending December 31, 2011, 2010 and 2009, the Authority was assessed $1,292,500, $1,029,900 and $743,700, respectively. Employees of the Authority are required to participate in the PERS and contribute 6.5% of their annual compensation. The payroll for employees covered by PERS for the years ending December 31, 2011, 2010 and 2009 was $12,062,333, $13,183,135 and $13,769,583, respectively.

The general formula for annual retirement benefits is the final average salary divided by 55, times the employee's years of service. Pension benefits fully vest upon reaching 10 years of credited service. Members are eligible for retirement at age 60 with no minimum years of service required. Members who have 25 years or more of credited service may select early retirement without penalty at or after age 55 and receive full retirement benefits. The PERS also provides death and disability benefits. All benefits and contribution requirements are established, or amended, by State statute.

The State of New Jersey, Department of the Treasury, Division of Pension and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information for the PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pension and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

(b) Postemployment Health Care and Insurance Benefits

The Authority sponsors a single employer postemployment benefits plan that provides benefits in accordance with State statute, through the State Health Benefits Bureau, to its retirees having 25 years or more of service in the PERS and are at least 47 years of age or to employees approved

Note 14: Employee Benefits (continued)

for disability retirement. Health benefits and prescription benefits provided by the plan are at no cost to the retiree. Upon turning 65 years of age, a retiree must utilize Medicare as their primary coverage, with State Health Benefits providing supplemental coverage. In addition, life insurance is provided at no cost to the Authority and the retiree in an amount equal to 3/16 of their average salary during the final 12 months of active employment.

Since the Authority is a participating employer in the State Health Benefits Bureau, the Authority does not issue a separate stand-alone financial report regarding other postemployment benefits. The State of New Jersey, Department of the Treasury, Division of Pension and Benefits, issues publicly available financial reports that include the financial statements for the State Health Benefits Program Funds. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pension and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

The State has the authority to establish and amend the benefit provisions offered and contribution requirements.

Pursuant to GASB Statement No. 45 (“GASB 45”), *Accounting & Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the Authority obtained an actuarially determined calculation for this obligation, and has established and funded an irrevocable trust for the payments required by this obligation.

The Authority’s annual other postemployment benefits (“OPEB”) cost for the plan is calculated based on the annual required contribution of the employer (“ARC”), an amount actuarially determined in accordance with the parameters of GASB 45. This represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year, and to amortize any unfunded actuarial accrued liability (“UAAL”) or excess over a period not to exceed 30 years. The Authority elected to amortize the UAAL over one year in 2006. The Authority’s annual OPEB cost for the years ended December 31, 2011 and 2010, and the related information for the Plan are as follows (dollar amounts in thousands):

Note 14: Employee Benefits (continued)

		2011		2010
Annual required contribution (ARC)	**$**	**806**	$	768
Contributions made		**806**		768
(Increase) in net OPEB obligation		**–**		–
Net OPEB Obligation – beginning of year		**–**		–
Net OPEB Obligation – end of year	**$**	**–**	$	–

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for fiscal years 2011, 2010 and 2009 are as follows (dollar amounts in thousands):

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
December 31, 2011	$	806	100.0%	$	–
December 31, 2010		768	100.0%		–
December 31, 2009		3,666	100.0%		–

As of December 31, 2009, the actuarial accrued liability for benefits was $16,298,519, none of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $10,524,909, and the ratio of unfunded actuarial accrued liability to the covered payroll was 0%.

To fund its OPEB obligation, the Authority has set aside monies (plan assets) in a bank account administered by a Trustee. As of December 31, 2011, the balance was $18,373,620 and interest earnings on the account were $293,858 in 2011. The plan assets are reported at fair value.

Actuarial valuations of an ongoing plan involve estimates and assumptions about the probability of occurrence of future events, such as employment, mortality, and healthcare costs. Amounts determined regarding the funded status of the plan and the annual required contributions of the

Note 14: Employee Benefits (continued)

Authority are subject to continual revision as actual results are compared with past expectations and new estimates are made regarding the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of benefit cost sharing between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the January 1, 2009 actuarial valuation the projected unit credit actuarial cost method was used. In this method benefits are attributed from date of hire to the date of decrement. In the actuarial assumptions the investment return on plan assets was projected at an annual rate of 4%. The healthcare cost trend assumed in the actuarial valuation includes an initial annual healthcare cost trend rate of 9% annually, decreasing by 1% per year to an ultimate rate of 5% effective 2013 and thereafter. Both rates include a 4% inflation assumption.

Note 15: Compensated Absences

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences,* the Authority recorded current liabilities in the amount of $674,793 and $774,012 as of December 31, 2011 and 2010, respectively. The liability as of those dates is the value of employee accrued vacation time and vested estimated sick leave benefits that are probable of payment to employees upon retirement. The vested sick leave benefit to retirees for unused accumulated sick leave is calculated at the lesser of ½ the value of earned time or $15,000. The payment of sick leave benefits, prior to retirement, is dependent on the occurrence of sickness as defined by Authority policy; therefore, such non-vested benefits are not accrued.

Note 16: Net Position

The Authority's Net Position is categorized as follows:

- Invested in capital assets, net of related debt
- Restricted
- Unrestricted

Invested in Capital Assets, Net of Related Debt includes capital assets net of accumulated depreciation used in the Authority's operations as well as capital assets that result from the Authority's real estate development and operating lease activities. Restricted net assets include net assets that have been restricted in use in accordance with State law, such as the Public School Facilities loan program, noted in Note 4, as well as Federal grant proceeds intended for specific projects. Unrestricted net assets include all net assets not included above.

Required Supplementary Information

New Jersey Economic Development Authority
(a component unit of the State of New Jersey)

Schedule of Funding Progress of the Postemployment Healthcare Plan

The funding status of the postemployment health care plan as of December 31, 2011 (based on January 1, 2009 valuation date), and the preceding actuarial valuation date of January 1, 2006, are as follows:

	2009	**2006**
Actuarial accrued liability (AAL)	$ 16,298,519	$ 12,656,316
Actuarial value of plan assets	17,101,900	–
Unfunded actuarial accrued (asset)/liability (UAAL)	$ (803,381)	$ 12,656,316
Funded ratio (actuarial value of plan assets/AAL)	104.9%	0%
Covered payroll (active plan members)	$ 11,507,298	$ 8,596,556
UAAL as a percentage of covered payroll	0%	147.2%