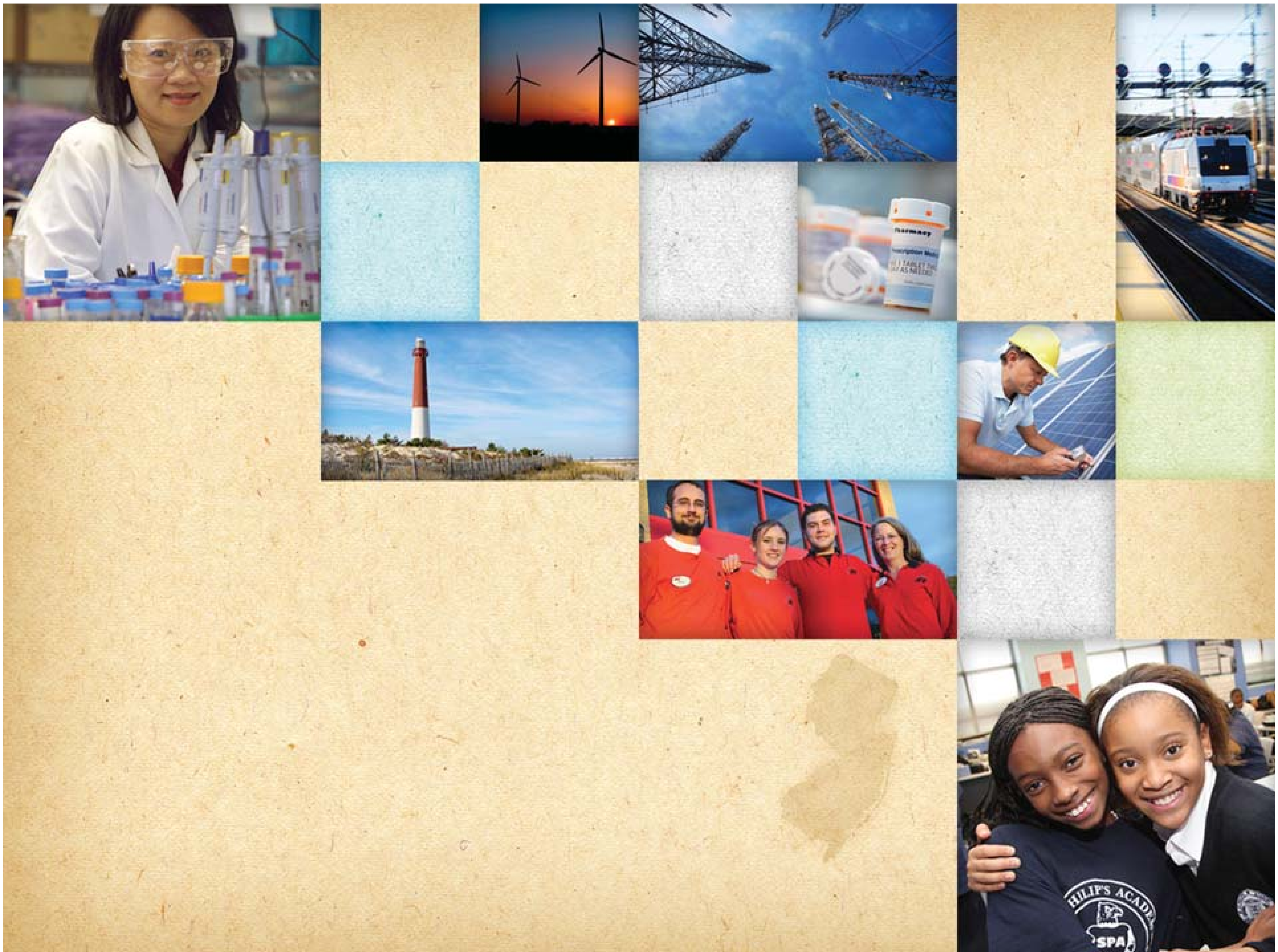

New Jersey Economic Development Authority
Annual Report 2012

New Jersey Economic Development Authority

new jersey

Highly educated, perfectly located.

Message from EDA Board Chairman Al Koeppe

As Chair of the Board of the New Jersey Economic Development Authority (EDA), 2012 was an evolutionary year as we said goodbye to longtime Chief Executive Officer (CEO) Caren Franzini and ushered in a new era of leadership under Michele Brown.

While transitions can be challenging, this change provided the EDA with an opportunity to enhance our operations and better meet the needs of our business community. Today, the EDA's executive structure involves Michele as CEO and Tim Lizura as President and Chief Operating Officer. This has enabled the sustained high performance of the Authority and allowed us to achieve new levels of success as an organization.

The accomplishments of the EDA in 2012 are a result of the strong and visionary leadership of Governor Chris Christie and his administration; a talented and dedicated staff of professionals; an informed and active business community; and, an engaged and effective Board of Directors who continue to encourage exceptionally high levels of performance throughout the Authority.

As the Board charged with overseeing the State's significant tax incentive programs, we share the Governor's and the Authority's commitment to full accountability and transparency. With the good counsel and advice of Board members, I am proud that the EDA continues to administer all of its programs with the utmost due diligence and integrity, and in strict compliance with enabling legislation.

As we look to take on additional responsibilities in the aftermath of Superstorm Sandy, I am confident that we have the people and processes in place to successfully advance our core responsibility of job creation and economic growth, as well as our new charge to support the rebuilding of our businesses and communities.

Our success as an organization is a testament to a business philosophy that facilitates quick adaptability to marketplace needs, and productive partnerships with public, private and community organizations across New Jersey. I thank the Board for its service in 2012, and congratulate the Authority on its accomplishments of the last year.

Al C Koeppe

Al Koeppe
EDA Board Chair

New Jersey Economic Development Authority

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Highly educated, perfectly located.

Message from EDA CEO Michele Brown and President & COO Tim Lizura

2012 marked an extraordinary year at the EDA as we continued our work to spur economic growth in New Jersey, and acted swiftly to address the State's recovery in the aftermath of Superstorm Sandy. On behalf of the EDA, we thank the Christie Administration, the State Legislature, the EDA Board and New Jersey's business community for making 2012 a remarkable success, even in these challenging times.

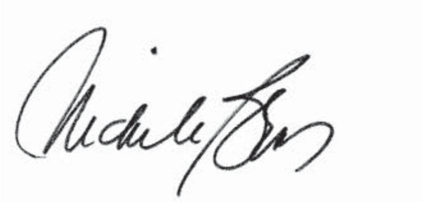
It is an honor to contribute to the economic well-being of the Garden State through the creation of new jobs and investment, and a privilege to have been called upon by Governor Chris Christie to support the recovery of our businesses and communities as we rebuild New Jersey.

By all accounts, the EDA continued to successfully meet the Governor's 2012 objectives that were related to helping New Jersey communities grow and prosper. We are fairly unique in this regard due to the extensive programs and services we offer to accomplish these goals. We are committed to helping businesses of all sizes, whether Fortune 500 corporations or microenterprises; and we remain steadfast in our work to spur community investment and improve the lives of New Jerseyans across the State.

As a result of New Jersey's more favorable tax and regulatory climate, a highly effective Partnership for Action team led by Lieutenant Governor Kim Guadagno, and new programs and policies that bolstered economic activity, the EDA finalized nearly $700 million in financing assistance, business incentives and tax credits in 2012. This assistance is leveraging over $1.4 billion of investment in New Jersey's economy, generating more than 4,820 new, permanent jobs and 3,030 construction jobs, and retaining 10,910 Jersey jobs that were at risk of leaving the State.

Moving forward in 2013, the EDA will continue to carry out the bold agenda of the Christie Administration to spur job creation and economic development, and ensure that our storm-impacted businesses and communities are able to thrive once again. The U.S. Department of Housing and Urban Development (HUD) approved New Jersey's Community Development Block Grant (CDBG) Disaster Recovery Action Plan on April 29, 2013, which paved the way for the EDA to launch the first of our business recovery programs. The Stronger NJ Business Grant program will utilize $260 million of the $460 million CDBG allocation that the State set aside for the recovery of impacted businesses.

It is our pleasure to report on the EDA's hard work during 2012 in the pages that follow. To learn more about opportunities for business growth and recovery throughout New Jersey, we invite you to visit www.njeda.com or www.NewJerseyBusiness.gov.



Michele A. Brown
EDA CEO

Timothy J. Lizura
EDA President & COO

2012 Results

EDA Results 2012	
Projects Assisted	228
Total Assistance	$698 million
Public/Private Investment	$1.46 billion
Estimated New Permanent Jobs	4,822
Estimated Construction Jobs	3,030
Estimated Retained "At Risk" Jobs*	10,912

**New Metric*

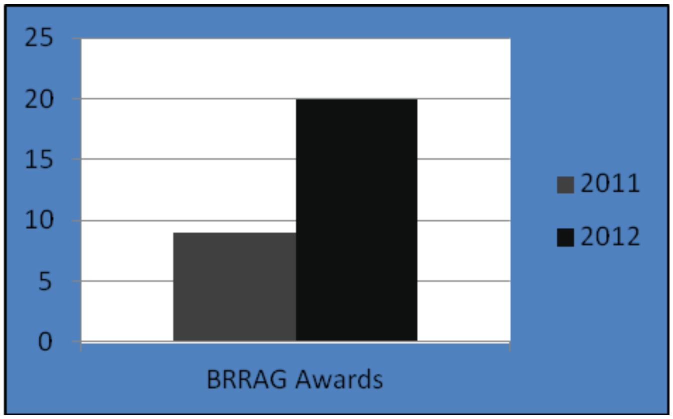
EDA Results 1974 - 2012	
Projects Assisted	11,309
Total Assistance	$22.3 billion
Public/Private Investment	$49.2 billion
Estimated New Permanent Jobs	327,704
Estimated Construction Jobs	335,789

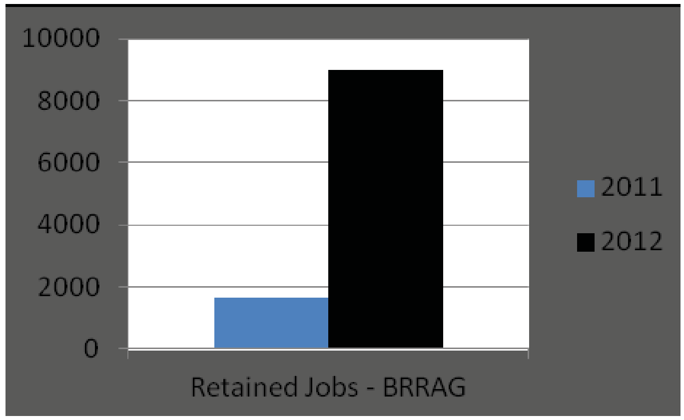
EDA Mission

The New Jersey Economic Development Authority (EDA) is an independent State agency that finances small and mid-sized businesses, administers tax incentives to retain and grow jobs, revitalizes communities through redevelopment initiatives, and supports entrepreneurial development by providing access to training and mentoring programs.

2012 Highlights

Retaining Jersey Jobs





Award Winning Programs, Policies, Projects & People

New Jersey EDA
Program of the Year – Urban Transit Hub
Northeastern Economic Developers Association

New Jersey EDA
Achievement in Targeted Incentives -- Urban Transit Hub
Business Facilities Magazine

New Jersey Partnership for Action
Achievement in Reorganization of Economic Development
Business Facilities Magazine

NJTC Annual Gala Awards
CareKinesis – Growth Company of the Year
Sparta Systems – IT/Software Company of the Year
FieldView Solutions – Enviro/Energy Company of the Year

NAIOP Deal of the Year Awards
Panasonic Corporation – Economic Impact
Goya Foods – Economic Impact
Realogy Corporation – Creative Office

New Jersey Future Smart Growth Awards
Gateway Transit Village – Transit-Oriented Development Partnership

Michele Brown, CEO
NJBIZ Power 50 – Real Estate

Maureen Hassett, SVP Finance & Development
Real Estate Forum – Women of Influence

Supporting Small Business Growth and Entrepreneurial Development

> Governor Christie's team worked night and day with Riggins to get the gasoline and emergency generator fuel to the places that needed it most. His Administration's work to clear bureaucratic hurdles and quickly implement common sense solutions helped limit the damage and speed the recovery.
>
> *- Riggins Oil CEO Paul Riggins*

In 2012, New Jersey experienced one of the most devastating storms in its history. Lives were lost, homes and businesses were destroyed, and communities in the north, south and particularly along the coast, suffered immeasurably. Emblematic of the flexibility and ingenuity that has defined the New Jersey Economic Development Authority (EDA) over its nearly 40 year history, the organization acted quickly to support the state's recovery and assist impacted businesses.

Family-owned and operated **Riggins Oil Inc.** is one of the largest New Jersey-based distributors of gasoline and diesel. Located in Vineland, the company was continuously supplying gasoline, diesel and heating oil immediately after the storm, experiencing a 75-percent increase in call volume. Riggins' focus was supplying fuel to critical infrastructure, as well as to key elements of the emergency response, including emergency generators at fire and police stations. When the company needed to extend its line of credit to support the increased workload, EDA staff contacted Riggins' commercial bank. As a result of this outreach, the company's line was extended within 12 hours, ensuring uninterrupted access to credit for the company and continuous service to the state.

To help companies access cash while awaiting insurance proceeds, the EDA relaunched the Main Street Disaster Relief Program in the aftermath of the storm. In partnership with its more than 40 Premier Lender banking partners, the EDA is able to offer guarantees of up to $500,000 for commercial lines of credit, providing quick access to cash for businesses that are awaiting insurance proceeds.

The EDA also created a $2 million program to boost the lending capacity of Community Development Financial Institutions (CDFIs) that are offering support to small businesses impacted by the storm. The first investment of $500,000 helped support **New Jersey Community Capital's REBUILD New Jersey** loan fund, which was created to aid recovery for small businesses in areas most severely impacted by the storm.

Michael Sodano and Nancy Sabino received a REBUILD loan after the storm impacted the expansion of **The ShowRoom**, a movie theater in the heart of Asbury Park. The co-owners opened a single-screen theater in 2009 and were in the midst of constructing a new, three-screen venue across the street when the storm hit. The REBUILD loan helped to cover the costs associated with the construction and opening delays. The ShowRoom's new theater officially opened at the end of January.

In response to the devastation facing small businesses in the aftermath of the storm, longtime EDA partner UCEDC, a not-for-profit economic development corporation, launched a low-interest working capital loan program offering small business owners up to $25,000 at 2-percent interest for five years. **The Storm Recovery Loan Program**, supported in part by a grant from Investors Bank, features a two-week turn-around, no collateral requirements, no pre-payment penalties, and no processing or application fees.

Supporting Small Business Growth and Entrepreneurial Development

When storm surge from Sandy drove five feet of water through **Planet Food's** commercial property in Keyport, first-floor tenant and renowned restaurant, **Drew's Bayside Bistro**, was forced to shut its doors. Building owners Patrick and Helen Norris turned to UCEDC for help with a storm recovery loan. Coupled with their own capital investment, the $15,000 loan from UCEDC will rebuild the first floor infrastructure, replace electrical wiring, and ensure the reopening of the popular bistro.

Appearance Plus Day Spa Proprietors
Dinah & Maritza Diaz

The EDA formed a strategic partnership with UCEDC in 2008 to further 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 throughout the state, 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. Through its microloans, SBA 7(a) and 504 loans, UCEDC also offers a range of financing vehicles to address business needs at every stage of growth. In 2012, UCEDC benefitted from a $500,000 "Loan to Lender" from the EDA to enhance the capacity of its financing programs.

In 2012, UCEDC provided loans totaling $580,000 to support 18 small businesses across the state; over 60% went to women- or minority-owned businesses

Women- and Hispanic-owned **Appearance Plus Day Spa** in Metuchen received a $15,000 microloan to support working capital needs. The full service salon and spa employs a staff of five people. A $15,000 working capital line of credit is helping **24/7 Courier Services** maintain its operations in Mountainside. The minority-owned company, which expects to add one new employee to its existing staff of five, provides around-the-clock commercial and personal delivery services to the tri-state area. In Lanoka Harbor, woman-owned start-up **Sew What's New** is benefiting from a $23,000 microloan to support equipment and working capital needs.

Supporting Small Business Growth and Entrepreneurial Development

"These borrowers could not qualify under regular banking requirements, but because of the GNEC lending activities, small businesses are opening and expanding in northern New Jersey. EDA's loan will help ensure we are able to continue to provide that critical support."
- Mike Wall, Executive Director, Greater Newark Enterprises Corporation

In September, the EDA closed on a $500,000 "Loan to Lender" to support the **Greater Newark Enterprises Corporation** (GNEC), a CDFI serving the northern New Jersey community. The EDA's loan requires a commitment of $500,000 in additional capital, stimulating a total of $1 million in new funding for the GNEC to provide to small businesses. Formed in 2007, the GNEC provides financial assistance and training to small businesses in a variety of areas, including financial literacy for entrepreneurs, business planning and business management across a myriad of industries. GNEC has graduated more than 150 individuals from its entrepreneurial training curriculum, and has provided approximately $1.5 million in financing to small businesses throughout northern New Jersey. Of the loans provided, 93-percent were to minority-owned enterprises and 70-percent of those businesses were located in underserved communities.

The "Loan to Lenders" program, targeted to established CDFIs, is funded with $3 million from New Jersey's State Small Business Credit Initiative federal allocation, announced by Governor Chris Christie in October 2011.

In addition to leveraging partnerships with local and not-for-profit economic development organizations, the EDA's efforts to fuel economic growth and job creation are strengthened by its strong partnership with New Jersey's banking community. The EDA works with its more than 40 Premier Lender banking partners to offer low-cost financing opportunities with faster turnaround through the Statewide Loan Pool Program. Eligible businesses may qualify for EDA participations or guarantees of up to 50-percent of the bank loan for fixed assets or working capital. The streamlined loan approval process involves the EDA reviewing finance applications within five 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.

Headquartered in Lawrenceville, **LMT-Mercer Group** is the largest manufacturer of vinyl fence, deck and railing accessories in the United States and Canada. In July, the company received a $1.7 million loan from EDA Premier Lender JP Morgan Chase that included a 50-percent EDA participation through the Statewide Loan Pool Program. The assistance is helping LMT acquire and renovate a second location in Pennington for its growing company. LMT previously received assistance from the EDA to support its 2009 expansion in Lawrenceville. At the time, LMT expected to create 25 new jobs, growing to a staff of 65. LMT has actually created 43 new jobs, exceeding their anticipated growth. The company expects to create 20 additional jobs at the new location in Pennington.

Supporting Small Business Growth and Entrepreneurial Development

The Main Street Business Assistance Program was advanced in order 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.

Located in West Deptford, **J.L. Dobbs, Inc.** is a rental service for cranes and operators. In April, the company sought to refinance $2 million of existing equipment loans to improve its cash flow. Premier Lender Roma Bank approved a $1.15 million loan that was contingent on a 50-percent EDA guarantee for 24 months under the Main Street Business Assistance Program. In addition, Roma approved a $200,000 working capital line of credit that also includes a 50-percent EDA guarantee. The company expects to maintain its staff of 14 and create one new job.

Millville Rescue Squad

When the **Millville Rescue Squad** needed cash flow relief and working capital, the non-profit organization also turned to the Main Street Business Assistance Program. In November, Premier Lender Susquehanna Bank provided a $2.5 million loan that included a 20-percent EDA participation, and a $1 million line of credit that included a nine-month, 50-percent EDA guarantee. The organization, one of the largest non-profit rescue squads in southern New Jersey, provides a full spectrum of medical transportation services, local 911 EMS services, non-emergency ambulance services, mobility assistance, and specialty care transport services.

Through the New Jersey Business Growth Fund, the EDA partners exclusively with Premier Lender PNC Bank to support credit-worthy companies that are retaining or creating jobs in the state. Launched in 2004, the program offers up to a $3 million PNC Bank loan with a 25- or 50-percent EDA guarantee. Funding can be used for machinery and equipment or real estate. The program had required that one new job be created for every $50,000 in guarantees. Beginning in 2012, the program expanded to include job maintenance in order to assist a greater number of businesses, and in particular, those challenged by a difficult economy. Since inception, the program has supported over 300 businesses with $150 million in bank loans and approximately $46 million in EDA guarantees.

In 2012, **R. Fanelle & Sons** used a $150,000 PNC Bank loan backed by a 25-percent guarantee to purchase new equipment and machinery for its scrap iron and metal yard in the City of Camden. R. Fanelle & Sons has been family-owned and operated in Camden for nearly 100 years and credits itself as the City's first scrap yard. The company employs 32 people.

Supporting Small Business Growth and Entrepreneurial Development

Through the Small Business Fund, the EDA provides below-market rate financing as either direct loans or guarantees to eligible businesses. **Doggy Care of Jersey City** received a $281,275 direct loan from EDA, which was used in conjunction with financing from PNC Bank to purchase its facility on Luiz Marin Boulevard. The company was recently formed to open the doggy daycare operation in Jersey City under the trade name of Club Barks. This new location represents an expansion of the Club Barks brand, and provides exposure to a high-visibility area in Jersey City. The company expects to create 17 new jobs over the next two years.

"Through the New Jersey Global Growth Financing Program, Citi will capitalize on the combination of its local market experience and international expertise to help local companies grow and create jobs."

- Robert Koar, President, Citi's Eastern Regional Commercial Banking Group

To support the Christie Administration's focus on helping New Jersey businesses expand globally, the EDA announced in May that it was partnering with Citi's Commercial Banking group to launch the New Jersey Global Growth Financing Program. The new initiative offers low-interest loans to New Jersey companies currently engaged or looking to engage in international trade. Through the program, Premier Lender Citi will provide up to $50 million in term loans and lines of credit to New Jersey companies over the next three years. EDA will offer guarantees on individual transactions of up to 50-percent of the Citi financing, not to exceed $1.5 million for term loans and $500,000 for lines of credit.

As a result of EDA's guarantee, companies will benefit from interest rates that are typically lower than conventional pricing, as well as from more flexible loan terms. As a global banking firm with a comprehensive international market presence, New Jersey businesses will also benefit from the global expertise that Citi offers.

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 financing with either a fixed or variable interest rate.

As part of her manufacturing tour in October, Lt. Governor Guadagno visited **Superior Powder Coating, Inc.** (SPCI), an Elizabeth-based metal finisher. In 2012, this longtime EDA customer received an $827,826 tax-exempt bond to purchase new manufacturing equipment, as well as a $750,000 direct loan for working capital and to refinance existing loans. The company expects to add 16 new positions to its existing staff of 139.

"Thanks to financial assistance from the state, we've been able to operate a successful business, provide jobs for 139 workers, most of who live in Union County, and will soon hire 16 more workers."

- Peter G. Markey, CEO, Superior Powder Coating, Inc.

Supporting Small Business Growth and Entrepreneurial Development

Lt. Governor Guadagno tours SPCI in Elizabeth as part of her manufacturing tour

With the help of a $19.14 million tax-exempt bond issued by the EDA in June 2012, **The Seeing Eye** is undertaking a major campus renovation project, which includes the expansion and modernization of the multi-purpose main student building, the expansion of an administrative building, and related site improvements. As part of her not-for-profit tour in December, Lt. Governor Kim Guadagno and EDA Senior Vice President of Finance and Development Maureen Hassett visited the organization to meet with CEO Jim Kutsch and tour the campus, which is in the midst of construction.

The Seeing Eye is an educational not-for-profit organization with the primary purpose of helping blind and visually impaired people achieve independence and mobility through the use of trained guide dogs. The organization boasts a staff of 171 and over 700 active volunteers who instruct an annual average of 270 students to use Seeing Eye® dogs. CEO Jim Kutsch is a graduate of The Seeing Eye program and is the proud owner of his seventh Seeing Eye® dog, Colby.

Jim Kutsch, CEO of The Seeing Eye, pictured with his Seeing Eye® dog Colby, and Chairman of the Seeing Eye Board of Trustees Lewis M. Chakrin.

Promoting Business Attraction, Expansion and Retention

> You know you're not going to win every fight, but I think it is fair to say that in this administration, you will have a fight. If you want to come to New Jersey, we will fight to bring you here.
>
> *- Lt. Governor Kim Guadagno*

In a still challenging economy and increasingly competitive global marketplace, State incentive programs have helped to advance significant projects in New Jersey that create and retain jobs and leverage private investment in the local economy. Consistent with the statutes creating these programs, and reflective of the EDA's commitment to protect the investment of public funds, these incentives include vigorous protections for taxpayers; one of the most critical being that no funding is provided upfront. Rather, projects must first generate new tax revenue, complete capital investments, and/or hire or retain employees to receive benefits.

Companies that have chosen to locate new facilities or expand 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 ten 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. Coupled with the proactive business outreach that is the hallmark of the Christie Administration, companies are once again choosing to locate and grow in the Garden State.

In Bridgewater, **Allergan, Inc.** opened its new R&D center in September. The decision by this global, technology-driven multi-specialty healthcare company to locate its new research and development center in New Jersey will create as many as 400 high-paying jobs and inject $12 million of private investment in the local economy. Allergan's headquarters are located in California, but the company looked east to expand because of the talent in the region. Thanks to personal outreach by Governor Christie and the work of the Partnership for Action, New Jersey triumphed over Pennsylvania for the new facility. Governor Christie and Choose New Jersey met with Allergan Chief Executive Officer David Pyot in California to demonstrate New Jersey's commitment to work with the company to bring its R&D facility to the Garden State. The Business Action Center provided Allergan with advocacy services and identified potential sites for the new facility, and a BEIP executed in June proved to be the final piece in successfully attracting the company to New Jersey.

Enhanced by Governor Christie in 2011, the Business Retention and Relocation Assistant Grant (BRRAG) continued to be an effective tool in 2012 as the EDA worked to keep companies and jobs in New Jersey.

> We were spending a lot of money transplanting people from the East Coast to the West…it did come down to talent availability and dollars and cents.
>
> *-Allergan Chief Executive Officer David Pyot*

Promoting Business Attraction, Expansion and Retention

The BRRAG program involves the utilization of corporation business tax credits, or insurance premiums tax credits, awarded to businesses to encourage economic development and job creation while preserving existing jobs in New Jersey. 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, the EDA executed 20 BRRAG awards in 2012, supporting the retention of over 9,000 jobs "at risk" of leaving the State of New Jersey. In comparison, nine BRRAGs tied to 1,640 retained jobs were finalized in 2011.

In February, Governor Christie and Lt. Governor Guadagno joined The Hampshire Companies at a groundbreaking event for its new office building in Madison. **Realogy Corporation**, the parent company of real estate franchise brands including Better Homes and Gardens Real Estate, ERA and Sotheby's International Realty, will soon be relocating its headquarters to the 270,000-square-foot, LEED-certified facility. To encourage this move and the retention of the company's more than 950 employees, EDA executed a BRRAG with Realogy in May. The company considered relocating its operations out of state, and credits the Christie Administration and the enhanced BRRAG for its decision to remain and invest in Morris County.

A BRRAG executed in June helped encourage **Evonik Degussa Corporation** to keep its headquarters and nearly 340 employees in New Jersey. When the lease on its office space in Parsippany expired, Evonik sought out other locations in the United States, including Alabama. Rather than move out of state, the company reinvested in New Jersey by moving its headquarters to a new facility in Parsippany. The company is the North American arm of Evonik Corporation, an industrial group from Germany and one of the world leaders in specialty chemicals.

Governor Christie and Lt. Governor Guadagno at the groundbreaking of Realogy Corporation's new headquarters in Madison

In November, EDA CEO Michele Brown attended the grand opening of **Sparta Systems Inc.'s** new headquarters in Hamilton. With its lease set to expire, the company was searching for a new facility and seriously considered a move to Pennsylvania.

"As a global company with locations in over 100 countries, we were in a position to locate our headquarters anywhere. We were strongly considering relocating to North Carolina, but the state administration's dedication to business development allowed us the great opportunity to stay and grow our business right here in New Jersey in a new, state-of-the art headquarters."

- Richard A. Smith, President and CEO, Realogy

Promoting Business Attraction, Expansion and Retention

Lt. Governor Guadagno visited Evonik's new headquarters in July to announce the new Office of International Business Development and Protocol within the New Jersey Business Action Center

"Most recently, Evonik Degussa Corporation was in the position of either moving to another state or remaining and growing in New Jersey. Our decision to stay and expand was in our company's best interest. New Jersey is taking bold steps to become more business friendly. And these efforts are working. The Garden State provides exciting opportunities for corporations to succeed and grow."

- Tom Bates, Evonik Degussa Corporation's Regional President

With the help of BEIP and BRRAG awards, the company ultimately chose its Mercer County location, ensuring the retention of more than 80 existing Jersey jobs and the creation of 60 new, high-wage positions. Sparta is a leading provider of enterprise quality management software, with over customers, including the top 20 pharmaceutical and biotechnology companies and the top ten medical device vendors. In addition to its headquarters in New Jersey, the company has locations in Israel, the United Kingdom, and Hong Kong.

"The State's unwavering support made our decision to move to Hamilton an easy one, and we look forward to what lies ahead in our company expansion."

- Eileen Martinson, CEO, Sparta Systems

EDA CEO Michele Brown joined Eileen Martinson, CEO of Sparta Systems, at the company's grand opening in Hamilton

Encouraging Community Investment and Growth

> "Under the stewardship of Governor Chris Christie and the New Jersey Economic Development Authority, programs such as the Urban Transit Hub Tax Credit and the Economic Redevelopment and Growth Program have helped transform entire neighborhoods, created tens of thousands of jobs and prevented several major corporations from leaving the state."
>
> *- Richard Tucker, CEO and President, Tucker Development Corporation and developer of Courtyard by Marriott in Newark*

With support from the Urban Transit Hub Tax Credit (Hub), Economic Redevelopment and Growth (ERG), and Grow New Jersey Assistance (Grow NJ) programs, the Christie Administration is helping to advance transformational projects that are spurring job growth and economic expansion in communities throughout the state. Together, these programs have effectively worked to stimulate the local economy while yielding a net positive impact to New Jersey.

Unique to New Jersey, the award-winning Hub program was designed to encourage transit-centered, sustainable development in nine targeted communities that have historically suffered from disinvestment. Through the program, a developer or owner making a minimum $50 million capital investment in a designated Urban Transit Hub may be eligible for tax credits equal to up to 100 percent of the qualified capital investment. At least 250 employees must work full-time at the project site. Projects meeting the 250 full-time job requirement with existing employees are eligible for tax credits of up to 80-percent, while projects creating 200 or more new jobs are eligible for up to 100 percent. Through the writing of this report in early March 2013, 19 commercial and residential projects have been approved for Hub awards totaling just over $1.02 billion. These projects represent the capital investment of more than $2.27 billion in New Jersey's economy, and will lead to the creation of an estimated 4,900 new, permanent jobs and 10,300 construction jobs, as well as the retention of 2,935 jobs that were "at risk" of leaving the state.

ERG is another powerful redevelopment tool that provides reimbursement incentive grants so developers can utilize new state and local incremental taxes generated from a project to fund a gap in the total project cost. 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, paid out over a period of up to 20 years. Through the end of February 2013, 20 projects have been approved for ERG awards totaling approximately $454 million. These projects are injecting an estimated $2.7 billion of private investment in New Jersey's economy, and are expected to create 10,975 new, permanent jobs and 9,880 construction jobs.

Encouraging Community Investment and Growth

Building on the success of the HUB and ERG programs, Governor Christie signed the bill implementing Grow NJ in January 2012 to further encourage private investment and the creation and retention of New Jersey jobs. Through the program, eligible businesses can receive an annual tax credit of $5,000 - $8,000 for ten years for each full-time job created or retained. Grow NJ also provides for enhanced funding in return for significant capital investments that maximize economic activity. To be eligible, a business must make capital investments of at least $20 million at a qualified facility and create or retain a minimum of 100 jobs. In the first year of its launch, Grow NJ supported 15 projects with awards totaling over $391.5 million; this is leveraging $877.9 million of private investment, the creation of 1,200 new, permanent jobs and 4,085 construction jobs, and the retention of 5,990 jobs that were "at risk" of leaving New Jersey.

Following the approval of its Grow NJ award, **Ascena Retail Group and Dress Barn Inc.** announced in October plans to move its existing combined corporate headquarters to a 129,000-square-foot facility in Mahwah. The leading national specialty retailer of apparel for women and "tween" girls expects to invest more than $38.4 million and create 405 new jobs. An estimated 315 construction jobs will also be created.

Grow NJ helped to encourage **Burlington Coat Factory Warehouse Corporation** to renew its commitment to the Garden State. In June, the company announced it will remain in New Jersey and build a new $41 million, 180,000-square-foot headquarters in Burlington County that will accommodate 120 new full-time employees, in addition to its current workforce of 626. The multi-story office building will be situated on an undeveloped 50-acre parcel of land in Florence. This project also involves the expected creation of over 285 construction jobs.

Grow New Jersey and Urban Transit Hub tax credits helped to nearly fill the 880,000-square-foot warehouse and distribution center that Prologis is building on the site of a former Jersey City landfill. The facility, three miles from New York City and the New Jersey Turnpike, offered the location and access that both **Peapod and Imperial Bag & Paper Co**. were looking for.

Online grocery seller Peapod, a subsidiary of Ahold US Inc., was looking for a facility to support its expansion into the Metro New York market. Urban Transit Hub tax credits helped encourage the company to choose the location in Jersey City. Peapod anticipates 500 full-time employees at the new facility, which includes the addition of 380 new employees in New Jersey over five years and the retention of 90 existing transportation-related employees. Imperial Bag & Paper Company, one of the Northeast's leading distributors of paper, packaging and janitorial supplies, currently operates out of three sites in Bayonne. To increase efficiency, the company sought to consolidate its operations and more than 360 employees into one site, and was considering Jersey City or a location in New York. A Grow NJ award was a key factor in its decision to choose Jersey City.

Both Peapod and Imperial Bag & Paper Co. signed leases in December and will essentially split 740,000 square feet of the new space Prologis is developing.

"On behalf of Burlington Coat Factory, I would like to thank Governor Christie, Lt. Governor Guadagno and the State of New Jersey for making it possible to maintain our corporate headquarters within the state. We are very excited and look forward to many more years of continued growth in New Jersey."

-Burlington Coat Factory President and CEO Thomas Kingsbury

Encouraging Community Investment and Growth

Governor Christie attends the groundbreaking of Goya's new headquarters and distribution center in Jersey City

In September, Governor Christie was on hand to celebrate the groundbreaking of **Goya Food's** new corporate headquarters and distribution center in Jersey City. The 617,000-square-foot, $127 million facility, which represents the largest expansion in the company's history, is expected to be completed by 2014. Goya was approved for a tax credits through the Hub program to encourage the company to remain and grow in New Jersey, preserving more than 315 at risk jobs and creating an estimated 175 new, permanent positions, as well generating 750 construction jobs. The company also credits advocacy it received from the Business Action Center as critical to its location decision.

EDA President and Chief Operating Officer Tim Lizura joined Lt. Governor Guadagno in December to celebrate the groundbreaking of **Pearson Inc.'s** new headquarters in Hoboken. The textbook publisher signed a long-term, 206,000-square-foot lease with SJP Properties, which allowed for the construction of the new, 500,000-square-foot Waterfront Corporate Center III building. Pearson had considered moving its entire workforce to New York; a HUB award helped encourage the company to remain and invest in New Jersey. Pearson will retain 900 jobs when it moves to its new headquarters in July 2014. The project is also expected to generate 600 construction jobs. The mixed-use building is the final piece of Hoboken's 26-acre waterfront master plan and the last phase of SJP's three-building office and retail development.

EDA President & COO Tim Lizura at the groundbreaking for Pearson Inc's new headquarters in Hoboken

Encouraging Community Investment and Growth

"We extend our gratitude to the Governor and Lt. Governor for the State's investment, as well as the support of the New York and New Jersey Port Authority, in our choice of this Hoboken location. Together along with our partner, SJP Properties, we are creating a green and affordable waterfront home for our world-class workforce and investing in the technology essential to Pearson's mission to foster learning and achievement around the globe."

-Rich Glicini, Pearson's Senior Vice President for People and Social Responsibility

Building on the Christie Administration's commitment to revitalizing Atlantic City, the Governor announced in July that a "Margaritaville" complex will soon be coming to the Resorts Casino Hotel. Supported by the ERG program, the project is being built on the site of the former Steeplechase Pier behind Resorts that was destroyed in a 1988 fire. The $43.2 million project will include retail stores, a renovated gaming floor and entry hall, a new food court and the Landshark Pier, which will feature a Landshark Bar & Grill, surf shop, and outdoor recreation area. Non-gambling attractions such as Margaritaville remain vital to Atlantic City's revival, and this project will help to generate nearly 300 new, permanent jobs and over 200 construction jobs.

"The Margaritaville project at Resorts is an amazing step forward for Atlantic City. Our investment coupled with the Jimmy Buffett Margaritaville brand is a huge coup for Atlantic City and I am extremely proud to say it was Resorts and the state of New Jersey that made it happen."

- Morris Bailey, owner of Resorts Casino Hotel

Construction has commenced for the new Landshark Bar and Grill, which will soon become part of the new "Margaritaville" complex of Resorts Casino Hotel.

Encouraging Community Investment and Growth

Spotlight: Newark

The Christie Administration's economic development policy has focused largely on revitalizing urban communities and nowhere is that more evident than in the City of Newark. Through the use of EDA-administered tax credits, a host of transformational projects are either under construction or have already been completed.

At its grand opening in September, Tucker Development's $35 million **Courtyard by Marriott** became the first new hotel in Newark's downtown in over four decades. Adjacent to the Prudential Center, the 150-room hotel includes 14,000 square feet of street-level retail; in November, it was announced that Joe's Crab Shack would occupy nearly 5,400 square feet of the retail space. The project generated an estimated 175 construction jobs and over 50 new permanent jobs. Notably, Newark residents accounted for more than 30-percent of the construction workers, and as of December 2012, Newark residents accounted for roughly 50-percent of the permanent hires. The ERG-supported project also received financing through the EDA's issuance of a Redevelopment Area Bond that pledges new incremental taxes to support the project.

Around the corner from the Marriott, the restoration of the National State Bank Building is underway and will soon reemerge as **Hotel Indigo**, featuring 110 rooms, 6,000 square feet of space for a restaurant and 3,000 square feet of rooftop space.

The new Courtyard by Marriott in downtown Newark

The property was originally envisioned as residential rental units; however, after reviewing the City's Master Plan, the Hanini Group determined that a hotel in the area was more in line with Newark's vision of a 24/7 downtown. A market study concluded that the City could absorb the rooms created by both this and the Marriott project. Hotel Indigo is expected to create 171 construction jobs and 65 new permanent jobs. In August, the EDA closed on an ERG to support the $29.6 million project.

Encouraging Community Investment and Growth

Spotlight: Newark

In November, EDA was on hand to celebrate the opening of the **RockPlaza Lofts**, which is part of a $38 million project Fidelco Group is developing along Market Street in Newark. Supported by the ERG program, the mixed-use, multi-building development also includes the Syracuse, New York-based Dinosaur BBQ, which opened to much fanfare in May. RockPlaza Lofts consists of seven historic properties that have been rehabilitated and retrofitted for residential, retail and commercial opportunities.

The multi-property redevelopment is helping to bring a new mix of rental apartments, retail, galleries and restaurants to Newark's downtown, only steps away from Newark Penn Station. The full redevelopment is expected to create 140 permanent new jobs. The project also will create an estimated 80 construction jobs.

Located above the popular Dinosaur Bar-B-Que, Rock-Plaza Lofts held its grand opening event in November

> "Without any one component, but especially without those tax credits, this project would not be. These projects hinge on dollars, and these tax credits go to fill the gaps and make the difference."
>
> *- RBH Group President Ron Beit, developer of Teachers Village*

Teachers Village

Spanning five blocks in Newark's downtown district, **RBH Group's Teachers Village** celebrated its groundbreaking in February. The 425,000-square-foot, mixed-use development will consist of residential units, pre-marketed to Newark's teachers; three charter schools and a daycare facility; and, 65,000 square feet of retail. The first phase of a larger development, Teachers Village will result in an estimated 450 construction jobs and 460 new permanent jobs.

Of the complex sources used to advance the project, the EDA approved both ERG and HUB awards, as well as providing financing through the issuance of a Redevelopment Area Bond. Other financing included loans from the City of Newark and Brick City Development Corporation, New Markets Tax Credits, and Community Development Block Grants.

Encouraging Community Investment and Growth

Spotlight: Newark

To continue New Jersey's record of excellence in education and ensure that every child has access to a quality education, the EDA has issued tax-exempt and taxable bonds, including Qualified School Construction Bonds (QSCBs) and Qualified Zone Academy Bonds (QZABs), to support the construction, expansion or enhancement of charter schools in the state.

In 2012, the EDA issued a $17.46 million QZAB and a $14.63 million QSCB to help TEAM Academy Charter Schools acquire a former public school building in Newark, and make renovations, for a combined 120,000-square-foot new elementary and middle school. TEAM Academy, a network of charter schools in Newark, currently serves over 1,800 students in grades K-2 and 5-12 in the City.

In December, the EDA finalized a $7.8 million QZAB to help finance the planned renovation of several of North Star Academy's campuses. North Star Academy Charter School of Newark is a network of nine public charter schools serving over 2,200 students in grades K-12 across six campuses. The financing will be used for a variety of purposes, including upgrades to classroom space, improvements to infrastructure, new roofs, safety upgrades, plumbing and bathroom upgrades, and the purchase of new furniture and fixtures.

In 2010, the State Treasurer authorized the allocation of $35 million in QSCBs to the EDA to support charter school projects. The funding was fully exhausted and helped to create over 269,000-square-feet of new space, providing new or expanded educational opportunities to 3,760 students in Newark, Camden and Plainfield. In February 2013, it was announced that the EDA would receive another allocation of $125 million, which it will jointly administer with the New Jersey Department of Education to support additional charter school projects.

Since Governor Christie took office in 2010, 46 charter schools have earned state approval and 25 new schools have opened, including nine in the City of Newark.

> "We must be able to fulfill our obligation to provide parents and their children with educational alternatives that include expanding high quality charter schools... by giving parents the power of choice, we are ensuring that students will have the opportunities they deserve for a bright and successful future."
>
> *- Governor Chris Christie*

Encouraging Community Investment and Growth

Fort Monmouth Economic Revitalization Authority

On August 17, 2010, Governor Christie signed into law the "Fort Monmouth Economic Revitalization Authority Act," which created the Fort Monmouth Economic Revitalization Authority (FMERA) to provide investment, continuity and economic growth to the communities impacted by the federal government's decision to close Fort Monmouth. Staffed by EDA, FMERA replaced the Fort Monmouth Economic Revitalization Planning Authority (FMERPA) and is charged with advancing that entity's plan for reuse and redevelopment of the 1,126 acres of real estate that span parts of Eatontown, Oceanport and Tinton Falls.

2012 was an exciting year for FMERA as its staff and Board worked to accelerate redevelopment.

Seven years after the post was selected for closure by the Base Realignment and Closure Commission, the State took an historic step forward in May with the signing of a Memorandum of Agreement (MOA) transferring the Fort Monmouth property from the U.S. Army to FMERA. The Lt. Governor, FMERA Board Chairman James V. Gorman and Paul Cramer, Acting Deputy Assistant Secretary of the U.S. Army, participated in a signing ceremony held in Gibbs Hall.
FMERA also took steps in 2012 to renovate the former Fort Library in Oceanport into its new offices. Expected to be completed in the spring of 2013, all business and public meetings will be held at the new location.

In June, the FMERA Board approved Cushman & Wakefield/Continental Realty as the primary broker of the former Fort Monmouth property in June. Cushman & Wakefield provide master broker services to market, sell and lease the property to increase awareness of the Fort's opportunities, maximize value, and stimulate investment and job creation.

After substantial work in 2012, the State reached another significant milestone in early 2013 when the first sale of property was finalized between FMERA and **CommVault**, one of the world's fastest growing data storage companies. The global technology leader plans to undertake a three-phase project on the 55-acre "Parcel E" site in Tinton Falls. CommVault will make a substantial investment to complete Phase I, which involves the construction of an approximately 275,000-square-foot facility to serve as its worldwide corporate headquarters. Once the three phases of the project are completed, CommVault could create a total of up to 1,500 new jobs in the State.

"CommVault is a world-class company with an outstanding management team whose dedication and perseverance proved invaluable as we advanced the first sale of property at the Fort. Today is a truly momentous day for the region and for all of us involved in the redevelopment process as we have achieved three key goals: job retention and creation, reinvestment and establishing an anchor that will undoubtedly enhance our ability to attract additional businesses and investors."

-FMERA Board Chairman James V. Gorman.

Fort Monmouth Economic Revitalization Authority

Led by Chairman Gorman, FMERA Board members include EDA Chairman Alfred Koeppe, Governor's Authorities Unit Director Regina Egea, Monmouth County Freeholder Lillian Burry, Eatontown Mayor Gerald Tarantolo, Oceanport Mayor Michael Mahon, Tinton Falls Mayor Michael Skudera, New Jersey Department of Community Affairs Commissioner Richard E. Constable III, Department of Environmental Protection Commissioner Bob Martin, New Jersey Department of Labor & Workforce Development Commissioner Harold Wirths, New Jersey Department of Transportation Commissioner James Simpson, and Public Members Dr. Robert Lucky and Robert Ades.

As FMERA moves forward in advancing the redevelopment plan, it remains committed to four central goals:

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

FMERA expects to move to its new offices at the former Fort Library in Summer 2013

Growing New Jersey's Ecosystem of Innovation

"LivinSport plans to relocate to the NJIT Enterprise Development Center. We want to be part of this growing techcommunity in New Jersey and contribute toward that."

- LivinSport Founder and TechLaunch graduate Jason Webley

From real estate to financing programs, the EDA offers a continuum of assistance to support the growth of New Jersey's technology, life sciences and cleantech sectors.

As part of this effort, and in support of the Christie Administration's policy objectives, the EDA began to focus on two key areas in 2012: encouraging industry clusters in designated areas; and, strengthening collaboration between higher education and industry.

To drive the commercialization of innovative technology within the State and further strengthen collaboration with higher education, the EDA partnered with industry pioneer Mario Casabona to create New Jersey's first Technology Accelerator at Montclair State University. **TechLaunch**, which graduated its inaugural class in November, provided a select group of ten emerging Portfolio Companies early seed-stage funding, mentorship, key services and exposure to qualified investors through a 12-week program, which ended in a "Demo Day."

Nearly all of the ten graduates have indicated that they will be remaining in New Jersey as they seek to grow their businesses. **LivinSport**, which created a social media platform for athletes that connect college recruits, coaches and fans, plans to relocate to the New Jersey Institute of Technology's Enterprise Development Center in Newark; **CodeSquare,** which offers offline-to-online mobile solutions for businesses, calls Jersey City home; and event-based photo sharing service company **Photoflow** is planning to build its future on the Jersey Shore.

In November, the Christie Administration announced that 65 companies were approved to share the $60 million allocation available through the State's Technology Business Tax Certificate Transfer Program in Fiscal Year 2013. Administered by the EDA, this competitive program enables technology and biotechnology companies to sell New Jersey tax losses and/or research and development tax credits to raise cash to finance their growth and operations. Since the program was established in 1999, 480 businesses have been approved for awards totaling $710 million.

Each of the 65 applicants approved this year will receive, on average, an estimated $920,000, which is 15-percent more than last year and over double the Fiscal Year 2011 average.

Companies that benefited include Jersey City-based **Antenna Software, Inc**., a wireless software company specializing in solutions for mobile enterprise; **Akers Biosciences, Inc.** of Thorofare, a company that develops, manufactures, and supplies rapid, point of care screening and testing products; Morristown-based **Pacira Pharmaceuticals**, a pharmaceutical company focusing on clinical and commercial development of new products for the management of post-surgical pain; and **Ocean Power Technologies**, a wave energy technology company headquartered in Pennington.

Growing New Jersey's Ecosystem of Innovation

"We are greatly appreciative of the NJEDA's decision to approve our application in this year's program. We were fortunate to work with Public Service Enterprise Group (PSEG) for the sale of our NOLs and research and development tax credits under the program. We are grateful to both the state of New Jersey and PSEG for their continued support of technology companies like OPT. This Program makes an important contribution to our on-going technology development activities in New Jersey."

- Brian M. Posner, Chief Financial Officer, Ocean Power Technologies

Ocean Power Technologies has successfully operated an autonomous PowerBuoy® off New Jersey, which it designed and manufactured under the US Navy's Littoral Expeditionary Autonomous PowerBuoy (LEAP) program for coastal security and maritime surveillance

The EDA helps increase available capital for emerging technology companies by investing as a limited partner in venture capital firms that invest in New Jersey-based companies. In 2012, EDA invested a total of $7 million in three venture funds. Funds in which the EDA invest in demonstrate an ability to leverage the Authority'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 March, EDA approved an investment of $3 million in **Osage Venture Partners II** and a $2 million investment in **NextStage Capital II**. The EDA's limited partnership investments were funded with $5 million from New Jersey's State Small Business Credit Initiative federal allocation.

Osage Venture Partners III, part of the Osage Ventures family of funds, will target enterprise technology companies, including providers of general business software, cloud computing, healthcare information and infrastructure management software. Osage established an office in Branchburg to manage the fund. NextStage Capital II, part of the NextStage Capital family of funds, will focus on early stage, business-to-business, information technology companies, including providers of internet media, communication software, security software and IT infrastructure technology. NextStage expects to lease space in the Rutgers-Camden Business Incubator at the EDA's Waterfront Technology Center at Camden.

These investments followed the January investment of $2 million in New Jersey-based **Edison Venture Fund VII**, which targets financial, healthcare information, interactive marketing and enterprise 2.0 technology

"We're deeply honored to receive support from a funding source named for Thomas Edison that encourages growth by innovative companies in New Jersey. We fully intend to flourish here and we are deeply committed to showing the NJEDA's decision-makers that they made the right choice in investing in Phone.com."

- Phone.com President and CEO Ari Rabban

companies. Bedminster-based **Premier Healthcare Exchange (PHX), Inc.,** a leading provider of healthcare cost management services, was the first New Jersey company to receive an investment from this fund.

To date, EDA's investment of $39 million in venture capital funds has spurred $850 million of private investment in New Jersey's innovation ecosystem.

Created in 2011 to enhance support of early stage companies that have attracted funds through venture capital investors, the Edison Innovation Venture Capital Growth Fund provides a subordinated convertible note of up to $1.5 million to help company's directly fund uses such as hiring key staff, product marketing and sales.

In October 2012, **CareKinesis, Inc.** became the first company to receive assistance under the Edison Innovation VC Growth Fund, closing on a $500,000 loan for growth capital. The company is a provider of personalized medication management and customized medication distribution for elderly and other at-risk individuals. In 2012, the New Jersey Technology Council named the Moorestown business its Growth Company of the Year, citing its revenue, job growth and market share. The company, which plans to create 40 new jobs and maintain its staff of 50, also was named one of New Jersey's 50 Fastest Growing Companies by *NJBIZ*.

Phone.com, a tenant at NJIT's Enterprise Development Center, was approved for a $600,000 loan through the Edison VC Growth Fund. The Newark-based business is a next-generation, cloud-based phone company focused on the needs of small business and entrepreneurs. Phone.com, which expects to add 18 new employees to its staff of six, was recently recognized by *INC500* as one of the fastest growing telecom companies in the United States.

With successful graduates like Amicus Therapeutics, GENEWIZ, and Chromocell Corporation, which today boast over 100 employees each, the Commercialization Center for Innovation Technologies (CCIT) continues to be New Jersey's leading life sciences incubator. In 2012, CCIT welcomed six new tenants, including a new subsidiary of **Shionogi Inc.,** the U.S.-based group company of Shionogi & Co., Ltd., a leading Japanese pharmaceutical company. Shionogi's products in development seek to help patients with a variety of diseases and conditions, including male sexual health, pediatric conditions, women's health, HIV, pain and diabetes.

"This was a good way to get our foot in the water with reasonable costs, not only from an equipment point of view but also from an outfitting point of view. It's an economic way to get things started, and have room for expansion."

- Dan Sherer, the Shionogi scientist charged with opening the new lab for drug development at CCIT

Growing New Jersey's Ecosystem of Innovation

In January, CCIT was awarded its third consecutive Soft Landings International Incubator designation by the National Business Incubation Association, which recognizes incubators that are especially capable of helping nondomestic companies enter the domestic market with translation services, cutting through red tape, accessing capital, domestic market research, and other programs. CCIT is part of the EDA's larger Technology Centre of New Jersey complex, which sits on more than 50 acres in the research and development corridor between Rutgers and Princeton Universities.

The Technology Centre of New Jersey located in North Brunswick, which includes CCIT

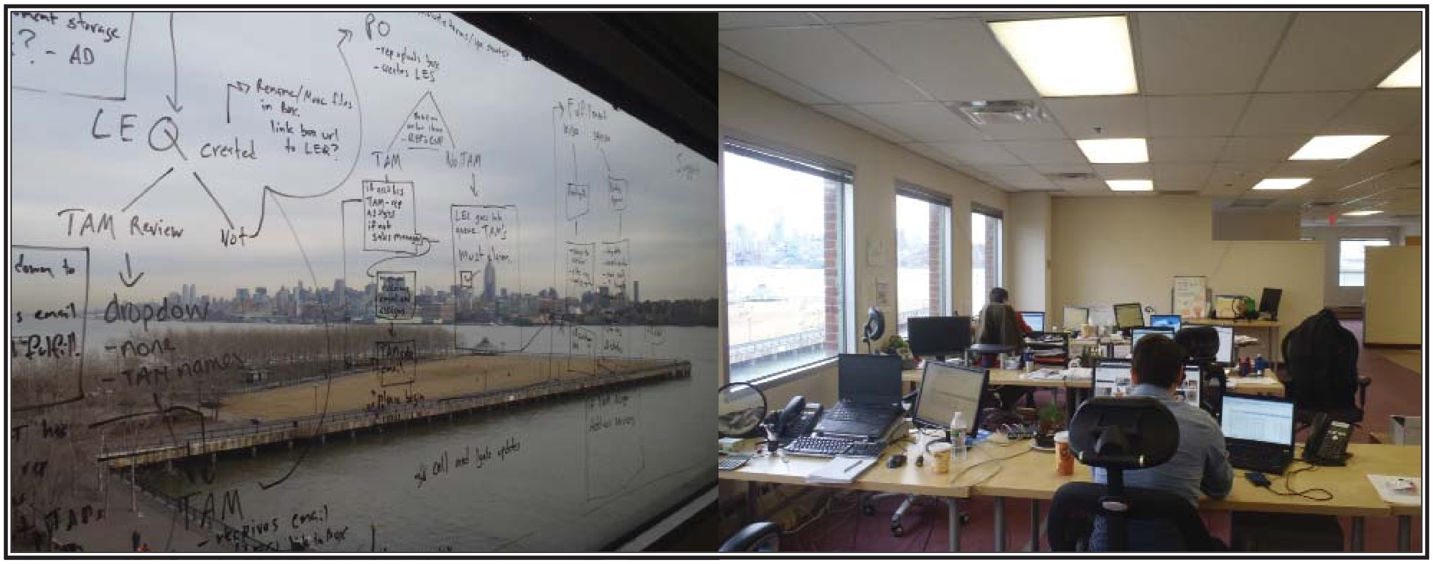
With the support of a BEIP executed in February, **Watson Pharmaceuticals** is establishing a new, 32,000-square-foot Global R&D Technology Center on the Tech Centre campus, which will employ approximately 50 scientists, chemists, engineers and support staff. The company is investing an initial $4.5 million to retrofit 19,000 square feet for product development and analytical laboratories. Watson joins prestigious companies such as Merial Limited and the Rutgers Technology Center III.

Launched in 2011 as a program of the EDA and the New Jersey Board of Public Utilities, the Edison Innovation Green Growth Fund (EIGGF) offers loans of up to $2 million to Class I renewable energy or energy efficient clean technology companies that are seeking funding to grow and support their technology business. In August, **FieldView Solutions** became the first company to receive financing through the new program. FieldView, an industry-leading provider of data center infrastructure management, received a $1 million growth capital loan to advance its energy efficient products in New Jersey. The company expects to create 14 new jobs as a result of the EIGGF award.

"Our platform is specifically designed to help companies realize significant cost savings by optimizing their energy consumption. EIGGF is a terrific program, one that not only promotes energy efficiency but also has a real impact on job creation. We are honored the State of New Jersey chose to award us this funding."

- Fred Dirla, Chief Executive Officer, FieldView Solutions

Growing New Jersey's Ecosystem of Innovation



With its new location and open floor plan, Locus Energy CEO says its new home in Hoboken will allow the company to be "more collaborative, inclusive and dynamic."

A BEIP and EIGGF award helped encourage **Locus Energy** to move its operations from New York to Hoboken in December. Locus Energy offers a technology platform providing automated monitoring support and data analytics for distributed generation systems in the residential, commercial, utility and industrial markets. The company, which relocated its staff of 15, plans to create 20 new, high paying jobs over the next two years. The EIGGF financing will help Locus expand the capabilities of its technology platform and support general growth capital needs.

> "Locus Energy is poised for continued growth and our new home in New Jersey will help propel our expansion and innovation in the renewable energy data market."
> *- Locus Energy CEO and Founder Michael Herzig*

The creation of the EIGGF complemented the existing Clean Energy Manufacturing Fund (CEMF), which is another EDA/BPU program that offers 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.

In August 2012, Jersey City-based **Fluitec Wind** closed on financing through the CEMF to help accelerate the development of its SaaS analytical platform. The company is a manufacturer of technologies that reduce the cost of operating wind turbines. Its parent company, Fluitec SA, consolidated its U.S. operations and all global corporate functions in Jersey City in 2011 with the help of a BEIP award. Fluitec Wind expects to create 20 new jobs. With its move to New Jersey in 2011, Fluitec SA created 30 additional new jobs in the state.

> "This award will help Fluitec Wind develop world-class software, monitoring, and engineering facilities here in New Jersey. Our choice to expand here is a result of the Christie Administration's pro-economic growth policies and long-term commitment to clean energy. We thank Lt. Governor Guadagno and the Partnership for Action team for their continued support."
>
> *- Frank Magnotti, Fluitec Chief Executive Officer*

In further support of the Christie Administration's Energy Master Plan goals, the EDA and BPU approved over $11 million in funding in December to support six combined heat and power (CHP) projects for some of New Jersey's largest energy users, including medical centers, manufacturers and hospitals. The funding was made available through the Large Scale CHP-Fuel Cells Program, a competitive grant program launched in April to serve commercial, institutional and industrial customers in New Jersey.

Nestle USA, Inc. received $3 million to support the purchase and installation of a 7.96 megawatt (MW) combustion turbine engine at its Freehold-based manufacturing facility. Southeastern New Jersey's largest nonprofit healthcare system – **AtlantiCare Regional Medical Center** – received $580,800 to support the purchase and installation of a 1.1 MW natural gas-fired reciprocating engine system.

Bristol Myers Squibb, a global bio-pharmaceutical company, received just over $1.9 million to support the installation of two natural gas-fired systems aggregating 4.11 MWs each. In January 2013, EDA and BPU announced the second iteration of the Large Scale CHP-Fuel Cell Program, to be administered as a rolling grant program.

2012 marked a history-making year for higher education and innovation in New Jersey, and the EDA looks forward to leveraging these advancements to fuel job growth and economic development in 2013.

EDA Board Members

Chairman

Al Koeppe
President and CEO
Newark Alliance

Vice Chairman

Joseph A. McNamara
Director
Laborers - Employers Cooperation and Education Trust & Health & Safety

Ex Officio Members

Ken Kobylowski
Commissioner
New Jersey Department of Banking & Insurance

Bob Martin
Commissioner
New Jersey Department of Environmental Protection

Matthew P. McDermott
Governor's Designee
Appointments Director, Office of Governor Christie

Andrew P. Sidamon-Eristoff
State Treasurer
New Jersey Department of the Treasury

Harold J. Wirths
Commissioner
New Jersey Department of Labor & Workforce Development

Public Members

Laurence M. Downes
Chairman and CEO
New Jersey Resources

Brian M. Nelson, Esq.
Partner
Archer & Greiner PC

Marjorie Perry
President and Chief Executive Officer
MZM Construction & Management, Inc.

Charles H. Sarlo, Esq.
Law Office/Vice President and General Counsel
DMR Architects

Richard Tolson
Director
Bricklayers and Allied Craftworkers of NJ

Jerrold I. Langer
(appointed 4/2013)
Chief Commercial Officer
Langer Transport Corporation

Alternate Public Members

Raymond M. Burke, III
President
Burke Motor Group

Elliot M. Kosoffsky
Chief Operating Officer
F. Greek Development

Harold Imperatore
Proprietor
The Bernards Inn

Nonvoting Member

Rodney Sadler
Camden Economic Recovery Board

EDA Executive Team

(Left to Right)

Seated:
Michele A. Brown, *Chief Executive Officer*
Timothy J. Lizura, *President & Chief Operating Officer*

Standing:
Gregory Ritz, *Chief Financial Officer*
Maureen Hassett, *Senior Vice President, Finance & Development*
Frederick J. Cole, *Senior Vice President, Operations*

Certifications Pursuant to E.O. 37

March 15, 2013

In accordance with Executive Order No. 37, the New Jersey Economic Development Authority's 2012 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 18, 2013, is attached and completes the EDA's requirements concerning the preparation of a comprehensive report required by Executive Order No. 37.

I, Michele A. Brown, certify that during 2012, 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.

Michele A. Brown
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, 2012 and 2011
With Report of Independent Auditors

Ernst & Young LLP

ERNST & YOUNG

New Jersey Economic Development Authority

Financial Statements

Years Ended December 31, 2012 and 2011

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Ernst & Young LLP
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Report of Independent Auditors

Management and Members of the Authority
New Jersey Economic Development Authority

Report on the Financial Statements

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 and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of December 31, 2012 and 2011, and the respective changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

U.S. generally accepted accounting principles require that 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 which 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 audits 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 18, 2013

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, 2012 and 2011. Please read it in conjunction with the Authority's financial statements and accompanying notes.

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.

2012 FINANCIAL HIGHLIGHTS

- The Authority's total net position decreased $66.3 million (or 10.5%).
- Current liabilities increased $12.0 million (or 55.1%).
- Bonds payable-gross decreased $12.5 million (or 24.2%) due to scheduled debt service payments.
- Capital assets-net decreased $10.3 million (or 10.2%) primarily due to the sale of MSNBC production equipment.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position. The following table summarizes the changes in Net Position for the years ended December 31, 2012, 2011 and 2010:

	2012	2011	2010	Current Year % increase/ (decrease)	Prior Year % increase/ (decrease)
Assets:					
Other assets	**$ 565,461,190**	$ 622,346,017	$ 664,493,212	(9.1)%	(6.3)%
Capital assets, net	**91,228,190**	101,549,806	110,221,663	(10.2)%	(7.9)%
Total assets	**656,689,380**	723,895,823	774,714,875	(9.3)%	(6.6)%
Deferred outflows of resources:					
Accumulated decrease in fair value of hedging derivatives	**1,880,110**	2,171,742	1,433,898	(13.4)%	51.5%
Liabilities:					
Long-term debt	**43,720,955**	54,881,569	71,277,865	(20.3)%	(23.0)%
Other liabilities	**51,050,559**	41,076,055	45,406,406	24.3%	(9.5)%
Total liabilities	**94,771,514**	95,957,624	116,684,271	(1.2)%	(17.8)%
Net position:					
Invested in capital assets, net of related debt	**51,382,500**	55,803,672	53,969,928	(7.9)%	3.4%
Restricted	**18,731,547**	24,609,225	19,512,748	(23.9)%	26.1%
Unrestricted	**493,683,929**	549,697,044	585,981,826	(10.2)%	(6.2)%
Total net position	**$ 563,797,976**	$ 630,109,941	$ 659,464,502	(10.5)%	(4.5)%

During 2012, the Authority's combined net position decreased $66.3 million (or 10.5%) due to:

$11.4	Million	Petroleum Underground Storage Tank ("PUST") grant award payments and loan disbursements
$25.3	Million	Hazardous Discharge Site Remediation Fund ("HDSRF") disbursements
$9.3	Million	Municipal Economic Recovery Initiative grant award payments
$5.6	Million	School Loan Program repayments returned to the State
$14.7	Million	Other Program Payments and Payments to/from the State

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

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 2012 and 2011:

	2012	**2011**	**2010**	**Current Year % increase/ (decrease)**	**Prior Year % increase/ (decrease)**
Operating revenues:					
Financing fees	**$ 7,035,546**	$ 7,077,314	$ 5,923,767	(0.6)%	19.5%
Interest income – intergovernmental	**22,067**	191,477	310,008	(88.5)%	(38.2)%
Interest income – notes	**6,444,249**	6,845,874	7,430,780	(5.9)%	(7.9)%
Lease revenue	**11,465,256**	11,736,286	12,239,351	(2.3)%	(4.1)%
Other	**6,900,560**	16,509,596	5,883,214	(58.2)%	180.6%
Total operating revenues	**31,867,678**	42,360,547	31,787,120	(24.8)%	33.3%
Operating expenses:					
Administrative expenses	**21,765,333**	20,989,516	22,726,721	3.7%	(7.6)%
Interest expense	**1,804,370**	2,219,726	2,233,997	(18.7)%	(0.6)%
Depreciation	**7,657,530**	8,113,426	8,509,698	(5.6)%	(4.7)%
Loss (recoveries) provisions – net	**2,779,503**	(208,045)	11,122,800	(1,436.0)%	(101.9)%
Other	**7,318,040**	6,804,374	7,002,423	7.5%	(2.8)%
Total operating expenses	**41,324,776**	37,918,997	51,595,639	9.0%	(26.5)%
Operating (loss) income	**(9,457,098)**	4,441,550	(19,808,519)	(312.9)%	(122.4)%
Nonoperating revenues and (expenses):					
Interest income – investments	**3,287,599**	4,644,020	6,566,194	(29.2)%	(29.3)%
State appropriations-net	**186,440**	30,811,634	51,754,616	(99.4)%	(40.5)%
Program payments	**(66,532,002)**	(76,161,126)	(83,402,118)	(12.6)%	(8.7)%
Federal appropriations	**6,922,918**	7,293,688	–	(5.1)%	100.0%
Other (expense) revenue	**(719,822)**	(384,327)	26,930	87.3%	(1,527.1)%
Total nonoperating, net	**(56,854,867)**	(33,796,111)	(25,054,378)	68.2%	34.9%
Change in net position	**(66,311,965)**	(29,354,561)	(44,862,897)	125.9%	(34.6)%
Beginning net position	**630,109,941**	659,464,502	704,327,399		
Ending net position	**$ 563,797,976**	$ 630,109,941	$ 659,464,502		

Operating Revenues

During 2012, operating revenues were significantly down due to the fact that in 2011, the Authority received the first of three installments of grant income related to the State Small Business Credit Initiative ("SSBCI"). The second installment was not received during 2012 as the requirements per the allocation agreement have not yet been met.

In 2012, the Authority's operating revenues were positively impacted by the following:

- Real Estate development and management fees increased by $0.5 million from the State Police Barracks and Camden Aquarium projects.

- Venture Fund Distributions increased by $0.5 million due to a distribution from Edison IV Venture Fund.

During 2011, the Authority's operating revenues were positively 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").

Operating Expenses

In 2012, total operating expenses increased by $3.4 million and in 2011 decreased by $13.7 million. In both years this fluctuation was mainly attributable to the loss provision that increased by $3.0 million in 2012 and decreased by $11.3 million in 2011. Additionally, through continued program efficiencies there was a minimal decrease in salaries and benefits expense and marketing expenses in 2011.

Nonoperating Expenses – net

In 2012 and 2011, nonoperating expenses – net, increased by $23.1 million and $8.7 million, respectively. This was due to a reduction in State appropriations of $30.6 million and $13.6 million; and offset by a reduction in program payments of $9.6 million and $7.2 million, respectively resulting from the administration of fewer appropriations.

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, 2010 through December 31, 2012:

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
2012 Provision for credit losses-net	1,140,840	
2012 Write-offs	(3,329,105)	(2,188,265)
December 31, 2012		
Allowance for loan losses	23,808,255	
Accrued guarantee losses	2,262,961	
Total allowance		$ 26,071,216

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, 2012, was $192,075,430, of which $175,137,652 or 91% is for loans and $16,937,778 for issued loan guarantees.

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, 2012 the Authority maintained a Credit Loss Allowance of $26,071,216 or 13.57% of total exposure to cover potential losses in the loan and guaranty portfolio. Total credit losses for the year ended December 31, 2012, were $3,329,105 or 1.73% of the loan and guaranty exposure.

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.

The 2012 Loss Provisions – Net, of $2.8 million, are related to the following detailed information:

$1,100,000	Loan and Guarantee Program activity
$1,700,000	Authority's share in Venture Capital Funds and Capital Investments

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

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 2012 and 2011:

	2012	2011	2010	Current Year % increase/ (decrease)	Prior Year % increase/ (decrease)
Land	**$ 23,382,313**	$ 23,397,313	$ 23,435,478	(0.1)%	(0.2)%
Total nondepreciable capital assets	**23,382,313**	23,397,313	23,435,478		
Building	**97,364,839**	97,364,839	97,364,839	0.0%	0.0%
Leasehold improvements	**36,859,763**	36,859,763	36,859,763	0.0%	0.0%
Equipment	**2,230,807**	15,298,322	17,503,229	(85.4)%	(12.6)%
Total depreciable capital assets	**136,455,409**	149,522,924	151,727,831		
Less accumulated depreciation	**(68,609,532)**	(71,370,431)	(64,941,646)	(3.9)%	9.9%
Capital assets–net	**$ 91,228,190**	$ 101,549,806	$ 110,221,663	(10.2)%	(7.9)%

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 $50,540,690 of gross bond and note principal outstanding; a net decrease of 20.3%, 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 2012 and 2011:

	2012	2011	2010	Current Year % increase/ (decrease)	Prior Year % increase/ (decrease)
Bonds payable – gross	**$ 39,290,000**	$ 51,800,000	$ 61,190,000	(24.2)%	(15.3)%
Notes payable	**11,250,690**	11,586,135	18,691,736	(2.9)%	(38.0)%
Total bonds and notes payable	**$ 50,540,690**	$ 63,386,135	$ 79,881,736	(20.3)%	(20.7)%

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 2012	December 31 2011
Assets		
Current assets:		
Cash and cash equivalents – restricted	**$ 75,315,327**	$ 79,907,592
Cash and cash equivalents – unrestricted	**18,899,419**	11,540,288
Investments	**75,632,554**	89,073,954
Receivables:		
Notes	**53,369,879**	24,482,358
Accrued interest on notes	**445,544**	548,033
Accrued interest on investments	**773,872**	1,067,281
Intergovernmental	**693,058**	620,833
Leases	**100,000**	100,000
Other receivables	**36,188,335**	20,627,200
Total receivables	**91,570,688**	47,445,705
Prepaids and deferred costs	**384,214**	1,107,788
Total current assets	**261,802,202**	229,075,327
Noncurrent assets		
Investments – restricted	**6,253,401**	6,163,017
Investments – unrestricted	**162,165,828**	203,412,148
Capital investments – unrestricted	**26,222,769**	27,880,943
Receivables:		
Notes	**121,767,773**	158,711,704
Notes-restricted	–	11,248,002
Accrued interest on notes	**4,074,809**	3,831,486
Unamortized discount	**(25,355)**	(25,784)
Total notes receivables	**125,817,227**	173,765,408
Allowance for doubtful notes and guarantees	**(23,808,255)**	(25,679,433)
Net notes receivable	**102,008,972**	148,085,975
Intergovernmental restricted	**241,668**	934,726
Unamortized discount	–	(22,067)
Net intergovernmental receivables	**241,668**	912,659
Leases – restricted	**7,648,102**	7,748,102
Unamortized discount	**(952,110)**	(1,071,124)
Net leases receivable	**6,695,992**	6,676,978
Total receivables	**108,946,632**	155,675,612
Prepaids and deferred costs	**70,358**	138,970
Nondepreciable capital assets	**23,382,313**	23,397,313
Depreciable capital assets, net	**67,845,877**	78,152,493
Total capital assets, net	**91,228,190**	101,549,806
Total noncurrent assets	**394,887,178**	494,820,496
Total assets	**656,689,380**	723,895,823
Deferred outflows of resources		
Accumulated decrease in the fair value of hedging derivatives	**1,880,110**	2,171,742

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

Statements of Net Position (continued)

	December 31	
	2012	**2011**
Liabilities		
Current liabilities:		
Accrued liabilities	**$ 23,024,026**	$ 7,110,816
Unearned lease revenues	**1,488,088**	1,228,423
Deposits	**2,098,695**	4,267,100
Bonds payable	**6,525,000**	8,510,000
Notes payable	**331,830**	128,685
Accrued interest payable	**266,751**	505,384
Total current liabilities	**33,734,390**	21,750,408
Noncurrent liabilities		
Bonds payable – net	**32,802,095**	43,424,119
Notes payable	**10,918,860**	11,457,450
Unearned lease revenues	**13,173,098**	14,226,947
Accrued guarantee losses	**2,262,961**	2,580,047
Derivative instrument – interest rate swap	**1,880,110**	2,171,742
Other	**–**	346,911
Total noncurrent liabilities	**61,037,124**	74,207,216
Total liabilities	**94,771,514**	95,957,624
Net position		
Invested in capital assets, net of related debt	**51,382,500**	55,803,672
Restricted by State laws and agreements	**18,731,547**	24,609,225
Unrestricted	**493,683,929**	549,697,044
Total net position	**$ 563,797,976**	$ 630,109,941

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	
	2012	**2011**
Operating revenues		
Financing fees	**$ 7,035,546**	$ 7,077,314
Interest income – intergovernmental obligations	**22,067**	191,477
Interest income – notes	**6,444,249**	6,845,874
Total interest income	**6,466,316**	7,037,351
Financing lease revenue	**119,014**	109,505
Operating lease revenue	**11,346,242**	11,626,781
Agency fees	**3,090,367**	3,158,484
Program services	**885,676**	815,679
Real estate development	**883,788**	361,814
Grant revenue	**–**	11,366,430
Other	**2,040,729**	807,189
Total other revenues	**18,365,816**	28,245,882
Total operating revenue	**31,867,678**	42,360,547
Operating expenses		
Salaries and benefits	**18,590,944**	17,823,559
General and administrative	**3,174,389**	3,165,957
Interest	**1,804,370**	2,219,726
Program costs	**7,318,040**	6,804,374
Depreciation	**7,657,530**	8,113,426
Loss provisions (recoveries)-net	**2,779,503**	(208,045)
Total operating expenses	**41,324,776**	37,918,997
Operating (loss) income	**(9,457,098)**	4,441,550
Nonoperating revenues and expenses		
Interest income – investments	**3,287,599**	4,644,020
Unrealized loss in investment securities	**(719,822)**	(256,254)
Loss on sale of assets – net	**–**	(128,073)
State appropriations – net	**186,440**	30,811,634
Federal appropriations	**6,922,918**	7,293,688
Program payments	**(66,532,002)**	(76,161,126)
Nonoperating expenses – net	**(56,854,867)**	(33,796,111)
Change in net position	**(66,311,965)**	(29,354,561)
Net position – beginning of year	**630,109,941**	659,464,502
Net position – end of year	**$ 563,797,976**	$ 630,109,941

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	
	2012	**2011**
Cash flows from operating activities		
Cash receipts from financing fees	**$ 7,779,092**	$ 6,343,563
Interest from notes	**7,704,789**	8,196,140
Lease rents	**10,597,042**	10,702,023
Agency fees	**2,970,481**	2,970,984
Program services	**1,965,007**	1,343,440
Grants	–	12,554,947
Distributions	**188,240**	–
Real estate development	**646,676**	251,015
General and administrative expenses paid	**(21,328,581)**	(20,978,785)
Program costs paid	**(6,466,310)**	(6,285,800)
Collection of notes receivable	**35,188,127**	31,324,927
Loans disbursed	**(18,345,595)**	(10,816,588)
Deposits received	**20,971,602**	3,249,197
Deposits released	**(23,203,566)**	(2,538,487)
Net cash provided by operating activities	**18,667,004**	36,316,576
Cash flows from noncapital financing activities		
Program funding received	**620,833**	902,113
Redemption and refunding of bonds	**(11,545,000)**	(8,490,000)
Interest paid on revenue bonds	**(1,638,618)**	(2,256,609)
Obligations paid	**(346,911)**	(346,911)
Issuance and servicing costs paid	**(542,424)**	(556,055)
Appropriations received	**228,643,613**	189,367,715
Payments to State of New Jersey	**(5,643,666)**	(6,065,844)
Program payments	**(282,271,563)**	(235,769,696)
Net cash used in noncapital financing activities	**(72,723,736)**	(63,215,287)
Cash flows from capital and related financing activities		
Payment of bonds and notes	**(2,265,444)**	(8,905,601)
Interest paid on bonds and notes	**(1,815,206)**	(2,127,164)
Purchase of capital assets	–	(709,699)
Sale of capital assets	**2,663,610**	530,765
Net cash used in capital and related financing activities	**(1,417,040)**	(11,211,699)
Cash flows from investing activities		
Interest from investments	**3,580,214**	5,003,651
Return on capital investments	**782,116**	(358,185)
Purchase of investments	**(47,915,390)**	(93,064,615)
Proceeds from sales and maturities of investments	**101,793,698**	60,350,226
Net cash provided by (used in) investing activities	**58,240,638**	(28,068,923)
Net increase (decrease) in cash and cash equivalents	**2,766,866**	(66,179,333)
Cash and cash equivalents – beginning of year	**91,447,880**	157,627,213
Cash and cash equivalents – end of year	**$ 94,214,746**	$ 91,447,880

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

Statements of Cash Flows (continued)

	Years Ended December 31	
	2012	**2011**
Reconciliation of operating (loss) income to net cash provided by operating activities		
Operating (loss) income	**$ (9,457,098)**	$ 4,441,550
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:		
Loss provisions (recoveries)-net	**2,779,503**	(208,045)
Depreciation	**7,657,530**	8,113,426
Amortization of discounts, premiums, deferred loss	**(238,534)**	(159,750)
Cash provided by nonoperating activities	**1,425,019**	6,598,767
Change in assets and liabilities:		
Notes receivables	**19,304,412**	20,348,697
Accrued interest receivables-notes	**152,575**	10,965
Lease payment receivables	**100,000**	(41,233)
Other receivables	**(15,561,135)**	888,270
Prepaids and deferred costs	**792,186**	(94,277)
Notes payables	**(335,445)**	(900,000)
Accrued liabilities	**15,913,210**	(402,779)
Unearned lease revenues	**(794,184)**	(1,195,320)
Accrued interest payables	**(238,633)**	(665,111)
Deposits	**(2,168,405)**	809,030
Accrued guarantee losses	**(317,086)**	(880,702)
Other liabilities	**(346,911)**	(346,912)
Net cash provided by operating activities	**$ 18,667,004**	$ 36,316,576
Noncash investing activities		
Unrealized loss in investment securities	**$ (719,821)**	$ (256,254)

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, 2012 and 2011, total NJCDE assets were $3,224,757 and $3,501,141, 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 $97,316,338 and $73,824,686 at December 31, 2012 and 2011, respectively. The following is a summary of the programs that the Authority manages on behalf of other state entities:

Department/Board	Program	2012	2011
Treasury	Local Development Financing Fund	**$ 31,809,949**	$ 26,530,467
Board of Public Utilities	BPU Clean Energy Program	**65,506,389**	47,294,219

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").

(b) Revenue Recognition

The Authority charges various program financing fees that may include an application fee, commitment fee, closing fee, annual servicing 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) Reclassifications

Certain fiscal year 2011 balances have been reclassified in order to conform to the current year presentation.

(n) Recent Accounting Standards

In June 2011, GASB issued Statement No. 64, *Derivative Instruments; Application of Hedge Accounting Termination Provisions* ("GASB 64"). The objective of this Statement is to clarify GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as it

Note 2: Summary of Significant Accounting Policies (continued)

applies to termination provisions when a counterparty of an interest rate or commodity swap is replaced. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011. The Authority does not have significant interest rate or commodity swaps; therefore the implementation of GASB 64 did not have an impact on its financial statements.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65"). The objective of this Statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The Authority has not completed the process of evaluating the impact that will result from adopting GASB 65.

In March 2012, GASB issued Statement No. 66, *Technical Corrections–2012* ("GASB 66"). The objective of this Statement is to improve accounting and financial reporting by state and local governmental entities by resolving conflicting guidance that resulted from the issuance of two pronouncements–Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No.62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre – November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The Authority does not anticipate the implementation of GASB 66 will have an impact on its financial statements.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans* ("GASB 67"). The objective of this Statement is to improve the usefulness of pension information included in the general purpose external financial reports (financial reports) of state and local governmental pension plans for making decisions and assessing accountability. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. GASB 67 will not have an impact on the Authority.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"). The objective of this Statement is to improve the information provided in government financial reports about pension related financial support provided by certain

Note 2: Summary of Significant Accounting Policies (continued)

nonemployer entities that make contributions to pension plans that are used to provide benefits to the employees of other entities. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The Authority has not completed the process of evaluating the impact of GASB 68 on its 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, 2012, the Authority's bank balance was $46,905,512. Of the bank balance, $1,000,000 was insured with Federal Deposit Insurance.

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, 2012 and 2011, 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, 2012 and 2011 were as follows:

Deposit Type	**2012**	**2011**
NOW Accounts	**$ 24,852,179**	$ 23,520,732
Money Market Accounts	**9,152,175**	10,139,803
Certificates of Deposit	**6,253,402**	6,163,017
Total deposits	**$ 40,257,756**	$ 39,823,552

Note 3: Deposits and Investments (continued)

(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, 2012 the Authority's total investments, excluding capital investments, amounted to $237,798,382. 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 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, 2012 and 2011 the Authority's balance in the NJCMF is $57,867,127 and $46,931,353, respectively.

Note 3: Deposits and Investments (continued)

(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, 2012 and 2011, the value of the Authority's investment in the Centre is $14,320,012 and $14,379,488, respectively. On behalf of the venture, the Authority prepares an annual report, a copy of which may be obtained by contacting the Authority.

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, 2012 and 2011, the aggregate value of the Authority's investment in these funds is $11,652,756 and $13,251,455, 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, 2012 and 2011, the Authority held other equity investments of $250,000. 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

Note 3: Deposits and Investments (continued)

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, 2012, no investments are subject to custodial credit risk as securities in the Portfolio are held in the name of the Authority.

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, 2012 more than 5 percent of the Authority's investments are in: Federal Home Loan Bank ("FHLB"), Federal Home Loan Mortgage Corp ("FHLMC"), and Federal National Mortgage Association ("FNMA"). These investments are 6.04% ($19,945,662), 11.45% ($37,822,216), and 19.89% ($65,680,224), respectively, of the 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 ($5,892,997), AA/AA+/AA- ($44,581,658), and A+ (3,092,820) 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, 2012 and 2011, the Authority had the following investments and maturities:

Investment Type	December 31, 2012 Fair Value	December 31, 2012 Investments Less than 1 Year	December 31, 2012 Maturities 1-5 Years	Fair Value as of December 31, 2011
Debt Securities:				
U.S. Treasuries	**$ 45,014,201**	$ 20,065,620	$ 24,948,581	$ 75,435,370
U.S. Agencies	**135,063,768**	45,992,865	89,070,903	162,749,426
Corporate Bonds	**53,567,475**	9,018,154	44,549,321	40,149,011
Commercial Paper	–	–	–	9,999,360
Municipal Bonds	**4,152,938**	555,915	3,597,023	4,152,935
Mutual Bond Funds	**2,130,451**	2,130,451	–	10,855,992
Certificates of Deposit	**6,253,402**	–	6,253,402	6,163,017
NJ Cash Management Fund	**57,867,127**	57,867,127	–	46,931,353
Subtotal, total debt securities	**304,049,362**	135,630,132	168,419,230	356,436,464
Special purpose investments:				
Investment in Technology Centre Joint Venture	**14,320,012**	–	14,320,012	14,379,488
Venture Fund Investments	**11,652,756**	–	11,652,756	13,251,455
Other Equity Investments	**250,000**	–	250,000	250,000
Subtotal	**330,272,130**	135,630,132	194,641,998	384,317,407
Less amounts reported as cash equivalents	**(59,997,578)**	(59,997,578)	–	(57,787,345)
Total investments	**$ 270,274,552**	$ 75,632,554	$ 194,641,998	$ 326,530,062

Note 4: Notes Receivable

Notes receivable consist of the following:

	December 31, 2012	December 31, 2011
Economic Development Fund ("EDF") loan program; interest ranging up to 6.75%; maximum term 15 years	**$ 38,872,075**	$ 38,664,995
Economic Recovery Fund ("ERF") loan and guarantee programs; interest ranging up to 6.75%; maximum term of 8 years	**118,857,774**	125,372,879
Hazardous Discharge Site Remediation ("HDSR") loan program; interest ranging up to 5.5%; maximum term of 6 years	**3,076,235**	4,878,044
Public School Facilities ("PSF") loan program; interest ranging from 1.5% to 5.288%; maximum term of 1 year	**11,250,149**	22,295,032
Municipal Economic Recovery Initiative ("MERI") loan program; interest ranging up to 3%; maximum term of 18 years	**3,081,419**	3,231,114
	$ 175,137,652	$ 194,442,064

Aggregate Notes Receivable activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Loan Disbursements	Loan Receipts	Write-offs, Adjustments, Restructures-Net	Ending Balance	Amounts Due Within One Year
EDF/ERF	$ 164,037,874	$ 18,236,729	$ (21,117,483)	$ (3,427,271)	$ 157,729,849	$ 41,600,020
HDSR	4,878,044	108,866	(1,911,065)	390	3,076,235	398,226
PSF	22,295,032	–	(11,044,883)	–	11,250,149	11,250,149
MERI	3,231,114	–	(149,695)	–	3,081,419	121,484
	$ 194,442,064	$ 18,345,595	$ (34,223,126)	$ (3,426,881)	$ 175,137,652	$ 53,369,879

Of the amount's due within one year, as noted above, $11,250,149 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, 2012 and 2011, Intergovernmental Receivable is comprised of the following:

	2012	**2011**
NJ Port Authority District Utilities Authorities	**$ 934,726**	$ 1,555,559
Unamortized discount	−	(22,067)
Total Net Intergovernmental Receivable	**$ 934,726**	$ 1,533,492

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

2013	$ 693,058
2014	120,833
2015	120,835
	$ 934,726

Note 5: Intergovernmental Receivables (continued)

Intergovernmental Receivable activity for the year ended December 31, 2012 was as follows**:**

	Beginning Balance	Reductions	Ending Balance	Amount Receivable Within One Year
Gross receivable	$ 1,555,559	$ (620,833)	$ 934,726	$ 693,058
Discount	(22,067)	22,067	–	
Net receivable	$ 1,533,492	$ (598,766)	$ 934,726	

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	2012	2011
NY Daily News, through 1/23/21	**$ 7,748,102**	$ 7,848,102
Unamortized discount	**(952,110)**	(1,071,124)
Aggregate lease payments receivable – net	**$ 6,795,992**	$ 6,776,978

Note 6: Leases (continued)

Aggregate gross lease receipts due through 2017 and thereafter are as follows:

2013	$ 100,000
2014	100,000
2015	100,000
2016	100,000
2017	100,000
2018-2021	7,248,102
	$ 7,748,102

Lease payments receivable activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	**Reductions**	**Ending Balance**	**Amount Receivable Within One Year**
Gross receivable	$ 7,848,102	$ (100,000)	$ 7,748,102	$ 100,000
Discount	(1,071,124)	119,014	(952,110)	
Net receivable	$ 6,776,978	$ 19,014	$ 6,795,992	

Note 6: Leases (continued)

(b) Operating Leases

(i) Authority as Lessor

At December 31, 2012, capital assets with a gross carrying value of $145,119,868 and accumulated depreciation of $62,429,784 are leased to commercial enterprises. These leases generally provide the tenant with renewal and purchase options. Aggregate minimum lease receipts are expected as follows:

2013	$ 8,362,258
2014	7,553,896
2015	7,552,150
2016	7,010,516
2017	5,903,242
2018-2022	7,516,341
2023-2026	3,688,467
	$ 47,586,870

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 $700,555; and for property used by the Authority, rental expense amounted to $194,592. Aggregate future lease obligations are as follows:

2013	$ 887,919
2014	701,388
2015	734,169
2016	744,329
2017	605,329
2018-2022	2,321,056
2023-2027	1,681,547
2028-2032	1,277,000
2033-2037	1,232,580
2038-2042	646,300
2043-2047	704,470
2048-2052	743,250
2053-2057	297,300
	$ 12,576,637

Note 7: Capital Assets

Capital asset activity for the years ended December 31, 2012 and 2011 was as follows:

	December 31, 2011	Additions	Reductions	Reduction to Reserve	December 31, 2012
Capital assets not being depreciated:					
Land	$ 23,397,313	$ –	$ (15,000)	$ –	$ 23,382,313
Capital assets being depreciated:					
Buildings	97,364,839	–	–	–	97,364,839
Leasehold improvements	36,859,763	–	–	–	36,859,763
Production equipment	15,298,322	–	(13,444,970)	377,455	2,230,807
Capital assets – gross	172,920,237	–	(13,459,970)	377,455	159,837,722
Less: accumulated depreciation	71,370,431	7,657,530	(10,418,429)	–	68,609,532
Capital assets – net	$ 101,549,806	$ (7,657,530)	$ (3,041,541)	$ 377,455	$ 91,228,190

	December 31, 2010	Additions	Reductions	Reduction 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

Note 7: Capital Assets (continued)

In 2012, the Authority continued to sell certain production equipment to a television network. The equipment has been leased to the network as part of an existing structured financing arrangement.

In 2012, the Authority negotiated and agreed to sell a parcel of land in Logan Township, New Jersey, at a price of $165,000. The property was appraised at $180,000, and was obtained several years earlier as collateral on a previous financing. Closing on the property will occur upon purchaser's completion of due diligence and satisfaction of all contingencies and compliance requirements. In the interim, the Authority wrote down said parcel to coincide with the agreed upon sale price.

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, 2012	December 31, 2011
$46,815,000 NJEDA Revenue Bonds (Public Schools Small Project Loan Program), 2004 Series, interest rate of 5%; due 8/15/13. Series 1993 was refunded on 3/15/04.	**$ 4,695,000**	$ 9,205,000
$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.	**34,095,000**	35,060,000
$167,500,000 NJEDA Taxable Economic Development Bonds MSNBC/CNBC Project, 1997 Series A and B, adjustable rate with maximum of 15% per annum, due through 7/1/13.	**500,000**	5,100,000
$18,355,000 NJEDA Taxable Revenue Bonds, North Jersey Port District Utilities Authorities Loan Securitization Program, Series 1996, interest rate of 7.25%; paid in full 2/15/12.	**–**	2,435,000
Subtotal	**39,290,000**	51,800,000
Unamortized premium	**37,095**	134,119
	$ 39,327,095	$ 51,934,119

At December 31, 2012, aggregate debt service requirements of bonds payable through 2017 and thereafter are as follows:

	Principal	Interest	Total
2013	$ 6,525,000	$ 1,646,048	$ 8,171,048
2014	1,490,000	1,356,983	2,846,983
2015	1,570,000	1,296,638	2,866,638
2016	1,715,000	1,233,053	2,948,053
2017	1,840,000	1,163,595	3,003,595
2018-2022	26,150,000	272,269	26,422,269
	$ 39,290,000	$ 6,968,586	$ 46,258,586

Note 8: Bonds Payable (continued)

Bonds payable activity for the years ended December 31, 2012 and 2011 was as follows:

	December 31, 2011	Additions	Reductions	December 31, 2012	Amounts Due Within One Year
Bonds payable – gross	$ 51,800,000	$ –	$ (12,510,000)	$ 39,290,000	$ 6,525,000
Unamortized premium	134,119	–	(97,024)	37,095	
Total bonds payable – net	$ 51,934,119	$ –	$ (12,607,024)	$ 39,327,095	

	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	

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.

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 co-mingled with other Authority funds.

The outstanding notes are as follows:

	December 31, 2012	December 31, 2011
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	**3,250,690**	3,586,135
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
	$ 11,250,690	$ 11,586,135

At December 31, 2012, aggregate debt service requirements of notes payable through 2017 and thereafter are as follows:

	Principal	Interest	Total
2013	$ 331,830	$ 498,722	$ 830,552
2014	2,398,824	328,505	2,727,329
2015	478,080	273,590	751,670
2016	2,041,956	142,252	2,184,208
2017	–	130,000	130,000
2018-2020	6,000,000	372,722	6,372,722
Total	$ 11,250,690	$ 1,745,791	$ 12,996,481

Note 9: Notes Payable (continued)

Notes payable activity for the years ended December 31, 2012 and 2011 was as follows:

December 31, 2011	Additions	Reductions	December 31, 2012	Amounts Due Within One Year
$ 11,586,135	$ –	$ (335,445)	$ 11,250,690	$ 331,830

December 31, 2010	Additions	Reductions	December 31, 2011	Amounts Due Within One Year
$ 18,691,736	$ –	$ (7,105,601)	$ 11,586,135	$ 128,684

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, 2012, Debt was $7,120,366 and Worth was $79,717,242, with a ratio of 0.09 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, 2012, aggregate exposure and related worth within the Business Growth Fund account are both $9,182,522.

(3) New Jersey Global Growth Fund

The Authority guarantees up to 50% of any approved term loan or line of credit to New Jersey companies, made by one of its premier 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, 2012, aggregate exposure and related worth within the NJ Global Growth Fund account are both $10,000,000.

(4) State Small Business Credit Initiative Fund

The Federal grant agreement restricts 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 1 to 1. At any time, payment of the guarantee is limited to the amount of Worth within the State Small Business Credit Initiative Fund. At December 31, 2012, Debt was $7,023,223 and Worth was $8,646,424, with a ratio of .81 to 1.

(b) Loan Program Commitments and Project Financings

At December 31, 2012 the Authority has $16,987,026 of loan commitments not yet closed or disbursed and $73,455,322 of project financing commitments.

Note 10: Commitments and Contingencies (continued)

(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).

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, 2012, the aggregate exposure to the Authority for all of the seven transactions described above is $59,285,504. 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, 2012 state appropriations and program payments were $186,440 and $66,532,002, 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, 2012 and 2011 was ($1,880,110) and ($2,171,742), 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.

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 $34,020,000 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 $14,020,000) 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.

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, 2012 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.

Note 12: Derivative Instrument (continued)

Year	Principal	Interest	Net Swap Payment	Total
2013	$ 1,330,000	$ 72,369	$ 869,449	$ 2,271,818
2014	1,490,000	69,501	836,503	2,396,004
2015	–	22,075	266,204	288,279
	$ 2,820,000	$ 163,945	$ 1,972,156	$ 4,956,101

Credit Risk

The Authority is exposed to credit risk to the extent hedging instruments are in asset positions. As of December 31, 2012 and 2011, 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

Note 14: Employee Benefits (continued)

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, 2012, 2011 and 2010, the Authority's contribution to the PERS was $1,262,300, $1,292,500 and $1,029,900, respectively and was equal to the required contributions for the year. Employees of the Authority are required to participate in the PERS and contribute 6.64% of their annual compensation. The payroll for employees covered by PERS for the years ending December 31, 2012, 2011 and 2010 was $10,472,305, $12,062,333 and $13,183,135, respectively.

The general formula for annual retirement benefits is the final average salary divided by 55, times the employee's years of service. For employees hired after May 21, 2010, the final average salary is divided by 60. Pension benefits fully vest upon reaching 10 years of credited service. Members are eligible for retirement between the ages of 60 and 65, depending on date of hire, 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 for disability retirement. Health benefits and prescription benefits provided by the plan are at no cost to eligible retirees who had accumulated 20 years of service credit as of June 30, 2010. All other future retirees will contribute to a portion of their health and prescription premiums. Upon turning 65 years of age, a retiree must utilize Medicare as their primary coverage, with State

Note 14: Employee Benefits (continued)

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, 2012 and 2011, and the related information for the Plan are as follows (dollar amounts in thousands):

Note 14: Employee Benefits (continued)

		2012		**2011**
Annual required contribution (ARC)	**$**	**3,327**	$	806
Contributions made		**3,327**		806
(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 2012, 2011 and 2010 are as follows (dollar amounts in thousands):

Fiscal Year Ended		**Annual OPEB Cost**	**Percentage of Annual OPEB Cost Contributed**		**Net OPEB Obligation**
December 31, 2012	$	3,327	100.0%	$	–
December 31, 2011		806	100.0%		–
December 31, 2010		768	100.0%		–

As of December 31, 2012, the actuarial accrued liability for benefits was $20,793,759, none of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $10,472,305, 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, 2012, the balance was $21,482,025 and interest earnings on the account were $226,193 in 2012. 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, 2012 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 0.5% per year to an ultimate rate of 5% effective 2020 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 $718,610 and $674,793 as of December 31, 2012 and 2011, 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 position 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, 2012 (based on January 1, 2012 valuation date), and the preceding actuarial valuation date of January 1, 2009, is as follows:

	2012	**2009**
Actuarial accrued liability (AAL)	$ 20,793,759	$ 16,298,519
Actuarial value of plan assets	21,533,335	17,101,900
Unfunded actuarial accrued (asset)/liability (UAAL)	$ (739,576)	$ (803,381)
Funded ratio (actuarial value of plan assets/AAL)	103.6%	104.9%
Covered payroll (active plan members)	$ 10,472,305	$ 11,507,298
UAAL as a percentage of covered payroll	0%	0%

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