

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY INVESTMENT POLICY

POLICY

This Investment Policy addresses the methods, procedures, and practices which must be exercised to ensure effective and judicious fiscal and investment management of New Jersey Economic Development Authority's ("NJEDA's") funds.

This Investment Policy, as amended from time to time, shall be effective August 9, 2018.

SCOPE

This Investment Policy shall apply to all funds accounted for in NJEDA's audited financial statements, as well as any funds for which NJEDA is mandated or authorized to administer a fiduciary stewardship responsibility, unless covered by a separate policy.

INVESTMENT OBJECTIVES

NJEDA's funds shall be invested in accordance with all applicable NJEDA policies, State statutes, and Federal regulations, and in a manner designed to accomplish the following objectives, which are listed in priority order:

- Preservation of capital and protection of investment principal.
- Maintenance of sufficient liquidity to meet anticipated cash flows.
- Attainment of a market rate of return.
- Diversification to avoid incurring unreasonable market risks.

DELEGATION OF AUTHORITY

The Controller is vested with responsibility for managing NJEDA's investment program and for implementing this Investment Policy. The Controller may delegate the authority to conduct investment transactions and to manage the operation of the investment portfolio to other specifically authorized staff members. No person may engage in an investment transaction except as expressly provided under the terms of this Policy.

The Controller or his/her designee shall establish procedures and internal controls for the operation of NJEDA's investment program, designed to prevent loss of public funds due to fraud, error, misrepresentation, and imprudent actions.

NJEDA may engage the support services of outside investment advisors with respect to its investment program, so long as it can be demonstrated that these services produce a net financial advantage or necessary financial protection of NJEDA's financial resources.

PRUDENCE

The standard of prudence to be used for managing NJEDA's investment program is the "prudent investor" standard applicable to a fiduciary, which states that a prudent investor "shall exercise the judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of the property of another, not in regard to speculation but in regard to the permanent disposition of funds, considering the probable income as well as the probable safety of capital."

NJEDA's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. NJEDA recognizes that no investment is totally without risk and that its investment activities are a matter of public record. Accordingly, NJEDA recognizes that occasional measured losses may occur in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented. A security should only be sold at a loss after it has been reviewed with the Controller and determined that the sale of a security is in the best interest of NJEDA.

All authorized persons acting in accordance with established procedures and exercising due diligence shall be relieved of personal responsibility for any singular security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion to the Board of Directors and appropriate action is taken to control adverse developments.

ETHICS AND CONFLICTS OF INTEREST

NJEDA employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of NJEDA's investment program or that could impair or create the appearance of an impairment of their ability to make impartial investment decisions. Employees involved in the investment process shall disclose to the Controller and the NJEDA Ethics Officer any material financial interest they have in financial institutions that conduct business with NJEDA, and they shall subordinate their personal investment transactions to those of NJEDA.

AUTHORIZED SECURITIES AND TRANSACTIONS

This Investment Policy restricts the investment of NJEDA funds to the following types of securities and transactions:

1. U.S. Treasury Obligations: Treasury bills, Treasury notes, Treasury bonds, and Treasury STRIPS with maturities not exceeding six years from the date of trade settlement.
2. Federal Instrumentality Securities: Debentures, discount notes, callable securities, step-up securities and stripped principal or coupons with maturities not exceeding six years from the date of trade settlement. The debt must be rated at least AA- or the equivalent at the time of purchase by at least two Nationally Recognized Statistical Rating Organizations (NRSROs). The aggregate investment in Federal Instrumentality

securities shall not exceed 30% of the NJEDA investment portfolio and no more than 10% of the investment portfolio may be invested in the obligations of any one issuer.

3. Corporate Debt and Negotiable Bank Deposit Obligations: instruments including corporate notes and negotiable bank deposits with a maturity not exceeding six years from the date of trade settlement, issued by any corporation or bank organized and operating within the United States. Long-term debt must be rated at least A- or the equivalent (A-1 or equivalent for short-term debt) at the time of purchase by at least two NRSROs. No more than 5% of NJEDA's investment portfolio may be invested in the obligations of any one issuer.
4. Commercial Paper issued by domestic corporations with an original maturity of 270 days or less that is rated at least A-1 or the equivalent at the time of purchase by at least two NRSROs. No more than 5% of NJEDA's investment portfolio may be invested in the obligations of any one issuer.

The aggregate investment in corporate debt, commercial paper and negotiable CDs shall not exceed 50% of NJEDA's investment portfolio. The investment in commercial paper shall not exceed 10% of NJEDA's investment portfolio.

5. Taxable and Tax-exempt Municipal Bonds with a final maturity not exceeding six years from the date of trade settlement issued by any state of the United States or any political subdivision, institution, department, agency, instrumentality, or authority of any state that is rated at least AA or the equivalent at the time of purchase by at least two NRSROs that rate the debt. General obligation bonds, revenue bonds, or other debt securities issued by or guaranteed wholly, partially or morally by the State of New Jersey, or its departments, with final maturities not exceeding six years from the date of trade settlement and rated at least A or the equivalent at the time of purchase by at least two NRSROs that rate the debt. The aggregate investment in taxable and tax-exempt municipal bonds shall not exceed 10% of NJEDA's investment portfolio, and no more than 5% of NJEDA's investment portfolio may be invested in the obligations of any one issuer.
6. Repurchase Agreements with a termination date of 180 days or less collateralized by U.S. Treasury obligations or Federal Instrumentality securities listed in 1. and 2. above with a final maturity not exceeding ten years. The purchased securities shall have a minimum market value including accrued interest of 102% of the dollar value of the transaction. Collateral shall be held by NJEDA's third-party custodian bank, and the market value of the collateral securities shall be marked-to-the market daily.

Repurchase Agreements shall be entered into only with broker/dealers recognized as Primary Dealers by the Federal Reserve Bank of New York, or with firms that have a Primary Dealer within their holding company structure. Approved Repurchase Agreement counterparties shall have a short-term credit rating of at least A-1 or the equivalent and a long term credit rating of at least A or the equivalent by each NRSRO that rates them.
7. Money Market Mutual Funds registered under the Investment Company Act of 1940 that: 1) are "no-load" (no commission or fee shall be charged on purchases or sales

of shares); 2) have a constant net asset value of \$1.00 per share; 3) limit assets of the fund to those authorized in this Investment Policy; 4) have a maximum stated maturity and weighted average maturity in accordance with Rule 2a-7 of the Investment Company Act of 1940; and 5) have a rating of AAA or the equivalent by one or more NRSROs.

8. Local Government Investment Pools that: 1) are "no-load" (no commission or fee shall be charged on purchases or sales of shares); 2) have a constant net asset value of \$1.00 per share; 3) limit assets of the pool to those securities authorized in this Investment Policy; 4) have a maximum stated maturity and weighted average maturity in accordance with Rule 2a-7 of the Investment Company Act of 1940; and 5) have a rating of AAA or the equivalent by one or more NRSROs.
9. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L.1977, c.281 (C.52:18A-90.4).
10. Certificates of Deposit and Bank Deposit Notes in a Public Depository as defined in New Jersey Statutes C.17:9-41.
11. Other Investments that have been approved by the NJEDA Board of Directors.

Securities that have been downgraded below minimum ratings described herein may be sold or held at NJEDA's discretion. Likewise investment categories that temporarily exceed portfolio limits may be sold or held at the NJEDA's discretion. The portfolio will be brought back into compliance with Investment Policy guidelines as soon as is practical. If NJEDA has retained a professional investment advisor, in the event of a downgrade below the minimum credit standards, the investment advisor shall promptly notify the Controller and recommend a course of action.

The foregoing list of authorized securities and transactions shall be strictly interpreted.

INVESTMENT DIVERSIFICATION

NJEDA shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Nevertheless, the asset allocation in the investment portfolio should be flexible depending upon the outlook for the economy, the securities markets, and NJEDA's anticipated cash flow needs.

INVESTMENT MATURITY AND LIQUIDITY

The investment portfolio shall remain sufficiently liquid to meet all cash requirements that may be reasonably anticipated. To the extent possible, investments shall be matched with anticipated cash flows and known future liabilities. Investments shall be limited to maturities not exceeding six years from the date of trade settlement. The targeted duration of the investment portfolio will be adjusted based on the cash needs of the NJEDA and overall market conditions, but in no event shall it exceed 3 years. The NJEDA will ensure

sufficient liquidity so that in any one time period at least 15% of the portfolio will have a final maturity date within 12 months.

SELECTION OF BROKER/DEALERS

The Controller shall maintain a list of broker/dealers approved for investment purposes, and it shall be the policy of NJEDA to purchase securities only from those authorized firms. To be eligible, a firm must meet at least one of the following criteria:

1. Be recognized as a Primary Dealer by the Federal Reserve Bank of New York or have a Primary Dealer within its holding company structure,
2. Report voluntarily to the Federal Reserve Bank of New York,
3. Qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

The NJEDA may engage the services of an investment advisory firm to assist in the management of the portfolio and the advisor may utilize its own list of approved broker/dealers. Such approved broker shall comply with the criteria listed above and the list shall be provided to the NJEDA on an annual basis or upon request.

In the event that an investment advisor is not used by the NJEDA, the Controller will select broker/dealers on the basis of their expertise in public cash management and their ability to provide service to NJEDA's account. Each authorized broker/dealer shall be required to submit and annually update an NJEDA approved Broker/Dealer Information Request form that includes the firm's most recent financial statements.

NJEDA may purchase commercial paper from direct issuers even though they are not on the approved broker/dealer list as long as they meet the criteria outlined in item 4 of the Authorized Securities and Transactions section of this Investment Policy.

COMPETITIVE TRANSACTIONS

All investment transactions shall be conducted competitively with authorized broker/dealers. At least three broker/dealers shall be contacted for each transaction and their bid or offering prices shall be recorded. If NJEDA is offered a security for which there is no other readily available competitive offering, quotations for comparable or alternative securities will be documented.

SAFEKEEPING AND CUSTODY

The Controller shall approve one or more banks to provide safekeeping and custodial services for NJEDA. An NJEDA approved safekeeping agreement shall be executed with each custodian bank.

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. Ownership of all securities shall be perfected

in the name of NJEDA. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.

All investment securities will be delivered by book entry and will be held in third-party safekeeping by NJEDA's approved custodian bank or the Depository Trust Company (DTC).

NJEDA's custodian will be required to furnish NJEDA a list of holdings on at least a monthly basis and safekeeping receipts or customer confirmations shall be issued for each transaction.

PERFORMANCE BENCHMARKS

The investment portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements. The performance of the investment portfolio shall be compared to a blended benchmark consisting of the Bank of America Merrill Lynch 0-5 Year U.S.Treasury Index (weighted 75%) and the Bank of America Merrill Lynch 1-5 Year AAA-A US Corporate Index (weighted 25%). When comparing the performance of the investment portfolio, investment returns should be reported both gross and net of investment advisory fees.

REPORTING

Monthly, the Controller or his/her designee will generate a report listing the investments held by NJEDA, the current market value of the investments and performance results. The report shall include a summary of investment earnings during the period.

POLICY REVISIONS

This Investment Policy shall be reviewed periodically, but at least on an annual basis by the Investment Committee and may be amended as conditions warrant. The members of the Investment Committee consist of the Controller, Senior Accountant, Senior Risk & Portfolio Officer, and other members that may be invited by the Controller.