



New Jersey Economic Development Authority Annual Report 2010



NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

2010 Annual Report

2010 was an exciting year at the New Jersey Economic Development Authority (EDA) as we supported the ambitious economic development agenda of Governor Chris Christie and Lieutenant Governor Kim Guadagno. Despite the economic challenges that continue to face our State and nation, the Christie Administration's focus on making New Jersey a home for growth prompted the introduction of new programs and policies that have boosted the EDA's ability to spur lending activity, generate and maintain jobs, encourage investment in New Jersey's communities, and grow the State's innovation economy.

The EDA's role in stimulating economic growth was enhanced by the Christie Administration's creation of the Partnership for Action, a one-stop shop for all economic development activity in New Jersey. The Partnership operates with three interconnected organizational elements to attract new businesses and help existing businesses thrive. The first part of the Partnership is Choose New Jersey, a privately funded, not-for-profit corporation that will help promote New Jersey as a world-class leader in the competitive global marketplace. The second component is the Business Action Center, reporting directly to Lieutenant Governor Guadagno. The Center officially opened its doors at the end of October, bringing a more focused customer service approach to coordination across State and local government agencies for businesses looking to remain, expand or locate in New Jersey, including both domestic and abroad. The final piece of the Partnership is the EDA as the "bank for business," providing financial assistance through loans, guarantees and tax incentives to sustain New Jersey businesses.

In this role, the EDA finalized over \$567.3 million in financing assistance, business incentives and tax credits in 2010 to support New Jersey-based businesses, not-for-profit organizations and municipalities. This support served as a catalyst for more than \$1.4 billion in new public/private investment in New Jersey's economy and is expected to lead to the creation of an estimated 5,200 new, permanent jobs and the retention of 12,200 existing jobs. These 2010 results brought the EDA's cumulative financing assistance totals to more than \$20.8 billion since it was established in 1974.

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The Christie Administration's proactive approach to economic development and commitment to making New Jersey more business friendly has helped to redefine our State in the marketplace. In fact, 20 businesses that received EDA assistance in 2010 chose to relocate operations to New Jersey from Pennsylvania, New York, California, North Carolina, Georgia, Tennessee and Maryland. In his FY2011 budget, Governor Christie made clear that supporting New Jersey's small business community is also a top priority. Despite the tight fiscal environment, the Governor reinstated funding for EDA's Main Street Business Assistance program, helping to support small and mid-sized businesses throughout the State through bank partnerships. The EDA's support of entrepreneurs and small business owners was further bolstered through its strategic partnership with UCEDC, a statewide not-for-profit economic development corporation. In 2010, UCEDC marked a lending milestone, providing over \$1 million in loans to minority-owned enterprises, women-owned businesses and start-up companies. Through its other lending programs, the EDA remained steadfast in its support of the State's manufacturing industry. In 2010, 34 manufacturing companies received more than \$22 million to maintain and grow their operations in New Jersey.

2010 Annual Report

To support the Christie Administration's commitment to growing New Jersey's innovation economy, the EDA provided nearly \$49 million to 39 projects in the technology, life science and clean energy sectors. The EDA worked with the New Jersey Department of Environmental Protection (DEP) and the New Jersey Board of Public Utilities (BPU) to provide assistance to manufacturers of Class I renewable and energy efficiency technologies, as well as to those companies looking to reduce the cost of doing business by installing solar electric systems or combined heat and power production facilities at their business locations. The EDA continued to support the growth of technology and life science sectors, and completed the construction of 20,000 square feet of new wet lab space at the Waterfront Technology Center at Camden. The labs have already attracted A.J. Drexel Plasma Institute, which moved into over 10,550 square feet of the new space in September.

With a focus on revitalizing New Jersey's urban communities and restoring underutilized community assets, the Christie Administration has been instrumental in advancing redevelopment projects that create jobs, spur private investment and improve the quality of life for residents. To support this commitment, the EDA provided more than \$80 million in assistance to 140 projects in the State's urban areas that are expected to create over 2,530 new, full-time jobs.

Governor Christie also signed legislation creating the Fort Monmouth Economic Revitalization Authority. This Authority has been charged with implementing a comprehensive conversion and redevelopment plan that will address the Federal government's decision that will result in the closure of the post in September 2011.

In addition, large-scale urban redevelopment projects have been approved under the Urban Transit Hub Tax Credit and Economic Redevelopment and Growth (ERG) programs. When completed, the 18 projects approved to date are expected to lead to the creation of over 5,000 new jobs in East Brunswick, Egg Harbor, Elizabeth, Newark, New Brunswick, Jersey City and Somerville.

As we move ahead in 2011, the EDA looks forward to working with the Christie Administration as a key component of the Partnership for Action to build on the success of the past year. Our record of achievement in 2010 was a result of a talented and dedicated staff, a business philosophy that facilitates quick adaptability to marketplace changes, and productive partnerships with public, private and community organizations across the State. As we continue to cultivate an environment conducive to economic growth and prosperity, the EDA is committed to growing New Jersey's economy through financial assistance, facilitation and partnerships; optimizing internal workforce effectiveness to improve and strengthen the customer experience; and, advancing a financially sustainable business platform to ensure the Authority is able to meet the State's economic development needs.

We hope you take the time to review the pages that follow, which highlight the various ways the EDA supported and encouraged economic development in 2010. We invite you to visit www.njeda.com or the State's business portal at www.NewJerseyBusiness.gov to learn more about opportunities for business growth throughout New Jersey.



Al Koeppe
Chairman of the Board



Caren S. Franzini
Chief Executive Officer

2010 Results

EDA Results 2010	
Projects Assisted	377
Total Assistance	\$567.3 million
Public/Private Investment	\$1.4 billion
Estimated New Permanent Jobs	5,200
Estimated Construction Jobs	4,531

EDA Results 1974-2010	
Projects Assisted	10,780
Total Assistance	\$20.8 billion
Public/Private Investment	\$44.4 billion
Estimated New Permanent Jobs	309,857
Estimated Construction Jobs	318,817

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

Promoting Business Growth and Expansion in New Jersey

With the leadership of the Lt. Governor and in partnership with the Business Action Center, the EDA helped to encourage the relocation of a variety of businesses from throughout the nation. In July, **Catapult Learning** relocated its corporate headquarters from Philadelphia to the Camden Waterfront, creating an estimated 80 new jobs in the State. Catapult, a national provider of educational services, executed a Business Employment Incentive Program (BEIP) grant worth approximately \$1.16 million over 10 years to support its move. A BEIP grant valued at \$156,975 also helped encourage **alice + olivia by Stacey Bendet** to open its new location in Secaucus. The clothing design company, which expects to create 70 new jobs in the State, recently moved to its new, 75,000-square-foot facility that will house warehouse and administrative operations.

Other companies like Atlantic Coast Media Group in Jersey City and Pinnacle Foods Group in Cherry Hill commenced expansion projects. **Atlantic Coast Media** executed a \$3.96 million BEIP grant tied to the consumer marketing company's plans to create over 300 new jobs in Jersey City and invest nearly \$1.2 million in New Jersey's economy. In September, the Lieutenant Governor was on hand to celebrate **Pinnacle Foods'** decision to open a 57,000-square-foot state-of-the-art facility at the Woodcrest Corporate Center in Cherry Hill. This project represents the private investment of more than \$6 million and will result in the creation of an estimated 90 new jobs and the retention of over 130 existing jobs. Pinnacle, a leading producer, marketer and distributor of high-quality branded food products, was awarded a \$920,000 BEIP grant and a \$182,600 Business Retention and Relocation Assistance Grant (BRRAG) to support its expansion and retention project.

EDA awards grants to qualified applicants for up to 10 years under the BEIP program. These grants can equal 10-percent to 80-percent of the total amount of State income taxes generated by the grantees' newly created jobs during the calendar year. The BRRAG program involves the utilization of corporation business tax credits (or insurance premiums tax credits as applicable) to businesses to encourage economic development and job creation while preserving existing jobs in New Jersey. Statutory revisions signed into law by Governor Christie in January 2011 enhance the effectiveness of this key incentive for businesses committed to retaining jobs in New Jersey.



Pinnacle Foods Ribbon Cutting

Pictured (l-r): Debra DiLorenzo, Executive Director, Southern NJ Chamber of Commerce; Caren Franzini, CEO, NJ Economic Development Authority; Rob Andrews, U.S. Representative, 1st Congressional District; Bernie Platt, Mayor of Cherry Hill Township; Bob Gamgort, CEO, Pinnacle Foods Group LLC; Kim Guadagno, Lieutenant Governor, State of New Jersey; John Adler, U.S. Representative, 3rd Congressional District; Jim Beach, State Senator, NJ 6th Legislative District; Lou Greenwald, State Assemblyman, NJ 6th Legislative District; and, Kathy Davis, Deputy Executive Director, Southern NJ Chamber of Commerce.

Advancing Partnerships to Support Small Business

The EDA's work to fuel economic growth and job creation is bolstered by the Authority's strong relationship with New Jersey's banking community. In partnership with commercial banks, approximately 100 small and mid-sized companies and not-for-profit organizations across New Jersey received assistance under the State's small business lending and bond financing programs.



Manhattan Maintenance Company

Pictured (l-r): Nestor Callejas, Adeline Barnes, Taryn J. Peppo, TJ Barnes, Mari Mendez, and Tyrone Barnes.

Fairfield-based **Manhattan Maintenance Company**, a woman- and minority-owned cleaning and janitorial services company, was able to refinance its mortgage, lower its debt service, increase its profit margins, expand into a new niche business line and create 15 new jobs with the help of a \$600,000 Provident Bank term loan that included a 25-percent Main Street Business Assistance Program participation. **Global Essence, Inc.** of Freehold closed on a refinancing package from TD Bank consisting of a \$2 million asset based line of credit and an \$800,000 term loan with a 25-percent participation and 33.33-percent guarantee under the Main Street program. Global Essence was incorporated in 1996 and acts as an importer and exporter of premium flavoring and fragrance ingredients. The woman-owned company operates from a 28,000-square-foot warehouse facility in Freehold.

The Main Street Business Assistance Program was advanced in order to help businesses in New Jersey access capital. The program provides capital to EDA to offer loan guarantees, loan participations and, for the first time in EDA's history, provide line of credit guarantees to eligible businesses.

The Small Business Fund is another way in which the EDA supports small and mid-size businesses in the State. An expedited approval process helps the Small Business Fund program provide below-market rate financing to eligible businesses through direct loans or guarantees, with the choice of a variable or fixed interest rate. Formed in 1910, **Galvanic Printing & Plate Co.** received a \$250,000 loan through the Fund to purchase a new press and expand its business capabilities. The Moonachie-based commercial printing company expects to maintain its staff of nearly 60 and create four new jobs. **Riding High Farm** of Allentown closed a \$290,000 Small Business Fund loan to support the not-for-profit organization's new Riding High Day Program, which serves the disabled community with training in equine care and farm management. Riding High expects to add three new positions to its staff of 11.



Riding High Farm

Located on Route 526 in Allentown.

Advancing Partnerships to Support Small Business

Through the New Jersey Business Growth Fund, the EDA partners exclusively with PNC Bank to support credit-worthy companies that are retaining or creating jobs in New Jersey. Small and mid-sized businesses may be eligible for up to a \$3 million PNC Bank loan with a 25-percent or 50-percent EDA guarantee. In 2010, the program supported 40 businesses across the State that expect to maintain more than 500 existing jobs and create nearly 160 new jobs. Companies that benefited include: **Romanelli's Garden Café**, a Galloway-based restaurant; and, Flemington-based **Mechanical Precision, Inc.**, a machine shop specializing in CNC machining, prototypes, precision welding, machine building, engineering and design. In early 2011, PNC announced it would double its financing commitment from \$25 million in 2010 to \$50 million in 2011.

An additional small business resource is the Preferred Lender Program, an EDA banking partnership which enables certain banks to utilize a streamlined loan approval process with the EDA, the result of which speeds the flow of capital to growing businesses in New Jersey. This program features a five-day turnaround time for loan approval and applies to transactions in which the EDA buys a participation in bank financing and/or guarantees a portion of a bank loan. The EDA's current Preferred Lenders include: The Bank, Bank of America, Capital One Bank, Citizens Bank, Columbia Bank, Cornerstone Bank, Peapack-Gladstone Bank, PNC Bank, Provident Bank, Roma Bank, Sovereign Bank, Sun National Bank, Susquehanna Bank, TD Bank, and Valley National Bank. Harrison-based **Envision Consultants, Inc.**, a woman-owned construction management consulting firm, received a \$590,000 Susquehanna Bank loan with a \$177,000 EDA participation to purchase and renovate an adjacent property in Gloucester County to support its expansion. Envision plans to add 11 new jobs to its existing staff of 15.



Envision Consultants' Headquarters
Harrison, Gloucester County

Through the Preferred Lender Program, a number of manufacturing companies were supported in 2010. **Sisco Manufacturing Company** received a \$1.35 million Citizens Bank loan with a 30-percent EDA participation to acquire a building that will serve as its new corporate headquarters. This Pennsauken-based manufacturer and distributor of HVAC component parts expects to maintain its staff of 11 and create six new jobs. Incorporated in 1967, **Diamond Chemical Company** of East Rutherford is a family-owned manufacturer of laundry, floor care, housekeeping and industrial products. Through the Preferred Lender Program, the company received a \$1.5 million Valley National Bank loan with a 50-percent EDA participation to purchase and install equipment that will allow the company to make its own plastic bottles for internal production. Diamond Chemical plans to add 13 new positions to its staff of 190.

Advancing Partnerships to Support Small Business

Sisco and Diamond Chemical represent two of the 34 manufacturing companies the EDA supported in 2010 through its various programs. **Weiss-Aug Co., Inc.**, a custom manufacturer of precision metal stamping, plastic insert moldings and customer assemblies, benefited from tax-exempt bond financing. The EDA is authorized by the Internal Revenue Service to serve as a conduit to issue tax-exempt private activity bonds to provide long-term, tax advantaged financing, with either a fixed or variable interest rate. Bond Financing gives eligible manufacturing companies and not-for-profit organizations access to low-cost, long term capital. East Hanover-based Weiss-Aug, which performs all of its precision metals and plastic molding manufacturing in New Jersey, received a \$3 million in tax-exempt bond proceeds to acquire new manufacturing equipment. The bond was directly purchased by TD Bank. The company expects to maintain its staff of 150 and create 30 new jobs.

In June, Lt. Governor Guadagno visited another manufacturing company that took advantage of tax-exempt bond financing – Carlstadt-based **Tribeca Oven**. The bread bakery and manufacturer received \$4 million in tax-exempt bonds to acquire a state-of-the-art thermal-oil oven that will reduce the company's energy bill by 25 percent and enable it to triple production. The bonds were directly purchased by Sun National Bank.

The EDA also teams with not-for-profit economic development corporations to leverage the resources available to aspiring entrepreneurs and business owners in New Jersey. In 2008, the EDA formed a strategic partnership with UCEDC to expand the array of training, technical and financial assistance services available to entrepreneurs and small businesses. Through this partnership, over \$1 million in loans were closed in 2010, marking one of UCEDC's highest levels of annual lending. In 2010, the partnership supported ten minority-owned enterprises, 19 women-owned firms and 14 start-up companies that are expected to create nearly 200 new jobs and retain over 230 existing jobs. Businesses that received assistance include **Prep Boyz, LLC**, an Elizabeth-based company that provides bed bug eradication preparation

services for homeowners and businesses. Owner Edward Roberts received personalized technical assistance to start his business, followed by a \$10,000 microloan in February to improve cash flow, purchase equipment and supplies, and better promote his company. He came back to UCEDC in December for a \$15,000 microloan, which enabled him to get a performance bond and a contract with the City of East Orange. Roberts has already added two new employees to his staff of eight.



Prep Boyz
Owner Edward Roberts

The EDA also works in partnership with the New Jersey Small Business Development Centers (SBDCs) network, which is comprised of 11 centers across the State. Small business owners and entrepreneurs can use these centers to develop a business plan, create marketing strategies, learn principles of accounting and financial analysis and identify capital financing. In 2010, more than 4,900 clients were counseled by New Jersey's SBDCs and over 14,000 small business owners and entrepreneurs received training.

Growing New Jersey's Innovation Economy

New Jersey's rich history of scientific research and discovery has had a profound impact on our State, our nation and throughout the world. In 2010, the EDA supported our thriving innovation economy by welcoming four new companies to the State and assisting over 100 expansion and retention projects in the technology, life science and clean energy sectors.

When **Otsuka America Pharmaceutical** was evaluating whether to expand its U.S. corporate headquarters in Maryland or establish a new facility in New Jersey, a State BEIP grant offered by the EDA worth an estimated \$1.4 million over ten years was a material factor in the pharmaceutical and medical device company's decision to locate in New Jersey. The company, a subsidiary of Japan-based Otsuka Pharmaceutical Co., Ltd., expects to create 50 new jobs and invest an estimated \$2.5 million in its new West Windsor-based facility.

After **Watson Pharmaceuticals, Inc.** determined that it would need a larger facility to accommodate its expected growth, it faced the choice of expanding at its corporate headquarters in California, or maintaining and growing its business in New Jersey. Lieutenant Governor Guadagno was instrumental in ensuring Watson remained in the State through her proactive outreach to the company. New Jersey's BEIP also proved again to be a powerful inducement. The EDA executed a 10-year grant worth an estimated \$3 million for Watson to remain and build its business in New Jersey. The company will expand into new administrative headquarters in Parsippany that will ultimately house approximately 500 employees. The company also executed a \$289,900 BRRAG to support the retention of 207 existing jobs in the State.



Watson Pharmaceuticals

New administrative headquarters in Parsippany

In addition to larger businesses, New Jersey's extensive incubator network has ensured the cultivation of promising young companies. In fact, the National Business Incubation Association (NBIA) announced in 2010 that they were formalizing their first affiliate relationship in the country with the New Jersey Business Incubation Network (NJBIN). This partnership will serve as a national model for the integration of global best practices in entrepreneurship, business incubation, access to capital, and job creation.

One new addition to NJBIN is **CGC Genetics**, a Portugal-based medical genetics testing laboratory that opened its U.S. headquarters at NJIT's Enterprise Development Center in Newark in April. A BEIP grant will support the creation of 15 new, high-paying technology jobs in the State. Formed in April 2007, **3D Biotek** is a biomedical device company that develops innovative technologies and devices for drug discovery and orthopedic applications. The company, which is located at the Commercialization Center for Innovative Technologies (CCIT) on the EDA's Technology Centre of New Jersey campus in North Brunswick, received a \$39,000 EDA loan to help support the development of a platform technology for producing bioactive 3D scaffolds for tissue/organ repair and regeneration.

Growing New Jersey's Innovation Economy

CCIT and the Enterprise Development Center are two of 15 business incubation programs from around the world that have earned the Soft Landings International Incubator designation from the National Business Incubation Association. The honor recognizes incubators that have demonstrated success in helping non-domestic firms enter the U.S. market.



CGC Genetics

In May, Deputy Mayor of Economic and Housing Development Stefan Pryor, Councilman Augusto Amador, Consul General of Portugal in Newark Maria Amélia Paiva, CGC Genetics CEO Purificação Tavares, Portuguese Ambassador to the United States Joao de Vallera, and bcpbank Chairman and CEO Pedro Belo celebrated the addition of CGC Genetics to NJIT's Enterprise Development Center in Newark.

Another important component of the EDA's support for technology and life science companies is the Technology Business Tax Certificate Transfer Program. Since 1999, New Jersey has allowed qualified biotechnology and technology businesses to sell unused net operating losses and R&D tax credits to unrelated profitable corporations. Proceeds can be used to finance growth and operations either as working capital or to fund research. In 2010, a \$30 million allocation was utilized by 77 emerging technology and life science companies.

Among those that benefited are Cranbury-based **Cornerstone Pharmaceuticals, Inc.**, a pharmaceutical company engaged in the discovery and development of innovative cancer treatment products and cancer therapies; **BlueNog Corp.** of Piscataway, an enterprise software and solutions company; Boonton-based **Unigene Laboratories, Inc.**, a biopharmaceutical company focusing on the oral and nasal delivery of large-market peptide drugs; and, **Songbird Hearing, Inc.**, a Sarnoff spin-off that develops and manufactures digital hearing aids out of its North Brunswick-based facility.

To support the Christie Administration's commitment to growing New Jersey's clean energy industry, the EDA's goals are to work in partnership with DEP and BPU to create and deploy incentives that encourage businesses to become more energy efficient and lower their operating costs; encourage manufacturing of these energy efficient technologies in New Jersey; and, grow the supply chain in the State. New Jersey's commitment to driving both the demand and supply in the energy industry has already been demonstrated in several ways.

Through the Clean Energy Manufacturing Fund (CEMF), the EDA, in partnership with BPU, offers up to \$3.3 million in the form of grants and loans for manufacturers of Class 1 renewable and energy efficiency technologies. Up to \$300,000 is available as a grant to assist with the manufacturing site identification and procurement, design and permits. Up to \$3 million is available as a loan to support site improvements, equipment purchases and facility construction and completion. One-third of the loan may convert to a performance grant if certain business and technology-based milestones are met.

Growing New Jersey's Innovation Economy

Under CEMF, **Princeton Power Systems, Inc.**, a West Windsor-based company that is developing advanced power conversion technologies, received \$3.3 million to help it advance its second-generation grid-tied inverter. This project will leverage an estimated \$6.6 million in total public/private investment and the company expects to create 91 new jobs. Princeton Power's technologies, including AC-link™, provide a more reliable and cost-effective means for converting electric power cleanly and efficiently. Its newly opened facility on Washington Road is dedicated to manufacturing inverters and energy storage systems for alternative energy including solar, wind power, and smart grid applications.



Princeton Power Systems

Co-founder and Executive Vice President Darren Hammell (l) and Erik Limpaecher (r), Co-founder and Chief Technology Officer

With the goal of reducing the amount of greenhouse gases produced in New Jersey, the Clean Energy Solutions Capital Investment Grant/Loan (CESCI) Program provided loans and grants to support commercial, institutional, and industrial entity end-use energy efficiency projects, CHP production facilities, and new state-of-the-art efficient electric generation facilities, including renewable energy applications. In 2010, EDA closed six projects for just over \$12.3 million in assistance that is expected to create 50 new jobs and leverage over \$30 million in private investment.

Nautilus Solar received a total of \$5 million to build the largest solar energy facility at a university in the United States. The 3.5 MW solar energy project will comprise of rooftop and parking lot solar installations on the campus of William Paterson University in Wayne. The system is estimated to save the University \$4.3 million in energy costs over the next 15 years and will provide 15 to 20 percent of the University's energy needs. This project is leveraging over \$15.5 million in total public/private investment and is expected to lead to the creation of an estimated 10 new jobs. The EDA also finalized assistance to **Hausmann Industries, Inc.**, a Northvale-based manufacturer of equipment primarily used in the healthcare industry. The \$670,000 loan helped the company purchase a 210kW solar electric system that is estimated to reduce greenhouse gas emissions by 3,212 metric tons over its 25-year life. Hausmann was the first in its industry to introduce a green line of "eco-friendly" treatment tables, carts and medial cabinetry for safer air quality and healthier patients. The company expects to add five new positions to its staff of 81 as it continues to expand in New Jersey.



Hausmann Industries New Solar Electric System

The company offers live renewable energy monitoring at www.hausmann.com/green/liveupdates.html.

Growing New Jersey's Innovation Economy

In 2010, the EDA and BPU also launched the Clean Energy Solutions ARRA Combined Heat and Power (CHP) Program, a competitive solicitation that made project based grants available to commercial, institutional or industrial entities (including public and not-for-profit entities) in New Jersey with a CHP project. The federally allocated funding was available in an amount of \$450 per kW of installed electric generation. The EDA has approved six projects for nearly \$16 million in assistance. The projects are expected to leverage over \$92 million in capital investment. The projects approved for funding include:

- **ACB Energy Partners LLC**, which was approved for a \$3.2 million grant to establish a 7.965MW cogeneration plant to expand the District Energy Center in Atlantic City currently serving the Borgata Hotel and Casino;
- **ACR Energy Partners LLC**, which was approved for a \$3.2 million grant to construct a 7.965MW cogeneration facility to serve a new casino and development district in Atlantic City;
- **Anheuser-Bush**, which was approved for a \$3.2 million grant to establish a 7.965MW cogeneration plant at its Newark brewery;
- **DSM Nutritional Products** of Belvidere, which was approved for a \$4 million grant to purchase and install a 9.5MW cogeneration unit;
- **NRG Thermal Energy** of Plainsboro, which was approved for a \$1.9 million grant to establish a 4.6MW cogeneration facility that is part of an Energy Center it is developing to serve the new University Medical Center of Princeton at Plainsboro; and,
- **Ocean County College**, which was approved for a \$475,200 grant to support the construction of a 1.1MW gas engine generator at the college.

2010 also provided an opportunity for New Jersey to establish itself as a leader in offshore wind development. In June, Governor Christie signed a Memorandum of Understanding with the federal government and fellow East Coast governors to promote the development of offshore wind power. Additionally, three of the first five leases approved by the federal government to explore offshore wind projects are for tracts located off the coast of New Jersey. These projects are expected to yield 1,100MW of offshore wind and represent a long term commitment to implementing New Jersey's Energy Master Plan that will provide developers with a pipeline of projects.

In August, Governor Christie signed the Offshore Wind Economic Development Act to provide tax credits to support the development of offshore wind projects, as well as energy certificates that will provide the reliability needed to get qualified projects financed. Through the Act, the EDA's role will be to administer the tax credits to qualified businesses that construct manufacturing, assembly and water access facilities in support of offshore wind projects. Specifically, a business may be allowed a credit of 100 percent of its capital investment in a qualified wind energy facility, up to \$100 million. Eligible wind energy zones are defined in the statute as property located within the South Jersey Port District. To be eligible, businesses must make at least \$50 million in new capital investments and employ at least 300 new, full-time employees at the facility.

Encouraging Investments in Urban Communities

The revitalization of New Jersey's cities is a major focus of the Christie Administration and a top priority of the EDA because it is critical to strengthening the State's economy and creating new job opportunities for residents. While urban areas have historically faced challenges in attracting private investment, EDA resources helped to stimulate more than \$245.6 million in leveraged investment in 2010. The 140 projects the EDA supported received just over \$81 million in assistance and are responsible for the retention of more than 4,640 existing jobs in the State. This assistance will also lead to the creation of an estimated 2,535 new, full-time jobs in New Jersey.

The EDA executed 14 BEIP agreements with companies that expect to create 1,630 new jobs and invest more than \$20 million in the communities of Camden, Jersey City, Newark, Montclair, Carteret, and Elizabeth.

Oxford Instruments was considering expanding at its existing Carteret facility or relocating to sites in Maryland and California. A BEIP grant valued at \$642,900 over ten years is helping to ensure this company remains and grows in New Jersey. Oxford, which develops and manufactures superconductors for the medical diagnostic market, expects to create 75 new jobs and invest more than \$6 million in its expansion project.

In May, Lieutenant Governor Guadagno celebrated **Pitney Bowes** new International Mail Distribution Center in Newark. The relocation and expansion project will lead to the retention of 180 existing jobs and the creation of an estimated 25 new jobs in the city. Pitney Bowes Mail Services is the nation's largest provider of presort services. The company executed a BEIP grant and a BRRAG agreement to support its \$5 million project. Prior to deciding to relocate to Newark, the company had been considering moving to a location in New York.



Pitney Bowes

Lt. Governor Guadagno joined Pitney Bowes staff on a tour of the company's new International Mail Distribution Center in Newark following the ribbon cutting ceremony in May.

Encouraging Investments in Urban Communities

The Main Street program also proved to be an important tool for businesses in New Jersey's urban communities.

Kids Palace Inc., a children's clothing, supplies and accessories retailer, received a \$500,000 working capital line of credit from Sun National Bank, which included a 50-percent Main Street guarantee. The company expects to maintain its staff of 15 at its location on Main Street in Paterson. Another business, **NexAge Technologies USA** of Woodbridge, is using its \$500,000 Bank of America line of credit, backed by a 50-percent Main Street guarantee, to meet working capital needs as it takes advantage of new business opportunities. This IT/software services firm, which is ranked among the Fast 50 Asian American Businesses, expects to create more than 25 new jobs in the next few years. Steel processing and distribution company **Camden Yards Steel** received a \$500,000 loan from the EDA in conjunction with \$1.3 million in financing from Sun National Bank. Camden Yards Steel, which is located at the Broadway Terminal industrial park complex on the Camden Waterfront, will use the loan for working capital. The company expects to maintain its staff of 28.



NexAge Technologies

A certified Minority Business Enterprise, NexAge Technologies offers technology and regulatory compliance consulting for the life sciences and health care industry; strategic IT consulting staffing; and, web-based work flow automation applications for small businesses.

Twenty-three businesses in the State's urban areas benefited from the New Jersey Business Growth Fund in 2010, including **Jersey Gasoline Corporation**, a Woodbridge-based transporter of petroleum to gas stations throughout Central New Jersey; Asbury Park-based **Knock-Out Graphics, Inc.**, a woman-owned company that provides graphics and printing enhancement services to commercial businesses; and, **Happy Today and Bright Tomorrow**, a learning day care school in Union City. In total, the Fund, which is an EDA partnership with PNC Bank, is expected to create nearly 100 new jobs in New Jersey's cities and help lead to the retention of nearly 340 existing jobs.

In partnership with DEP, EDA manages the Hazardous Discharge Site Remediation Fund (HDSRF) to help restore contaminated properties in New Jersey, many of which are located in the State's urban communities.

In 2010, nearly 60 urban projects shared more than \$9.6 million in funding through HDSRF. EDA and DEP will reimburse \$375,000 of the anticipated \$500,000 in remediation costs associated with the \$15.2 million redevelopment of **Lion's Head Plaza** in Camden County. This project is part of a larger development planned for the communities of Somerdale and Magnolia, which involves the creation of a larger retail area across the two towns. The redevelopment is expected to create 80 construction jobs and 100 permanent jobs upon completion.

With a focus on revitalizing and restoring underutilized community assets, the EDA also has approved larger-scale urban redevelopment projects under the Urban Transit Hub Tax Credit and Economic Redevelopment and Growth (ERG) programs.

Encouraging Investments in Urban Communities

The Urban Transit Hub Tax Credit Program, originally created in 2007, benefits a developer, owner, or tenant making a qualified capital investment within a designated Urban Transit Hub. Under the program, qualified businesses receive tax credits equal up to 100% of the qualified capital investments made within an eight year period. Total credits approved under this program are capped at \$1.5 billion, with \$150 million allocated towards residential projects which may receive a 20% credit. Businesses may apply for the tax credits within five years of the program's January 13, 2008 effective date and satisfy the capital investment and employment conditions within eight years of that date. Urban Transit Hubs are located within ½ mile of New Jersey Transit, PATH, PATCO, or Light Rail stations in Camden, (expanded to 1 mile), East Orange, Elizabeth, Hoboken, Jersey City, Newark, New Brunswick, Paterson and Trenton.

Since inception, 10 projects have been approved for a total of up to \$394 million under the Urban Transit Hub Tax Credit program. These projects, which span Elizabeth, Jersey City, Newark and New Brunswick, are expected to leverage more than \$962 million in private investment and lead to the creation of more than 1,400 new, permanent jobs and over 3,815 construction jobs. **RBH-TRB Newark Holdings** was approved for up to \$17.38 million under the program to support \$ Halsey Street Teacher Village project, which involves an estimated \$ 124.2 million in capital investment. The 368,993-square-foot development planned for downtown Newark will include workforce housing, three charter schools and a mix of retail amenities. Teacher Village is the first development phase in the SoMa Newark redevelopment plan, which consists of 12 square blocks and 15 million square feet of development in the city's downtown. When completed, Teacher Village is expected to create 450 construction jobs and 466 full- and part-time jobs. The project was also approved for up to \$20.5 million in tax reimbursements for up to 20 years under the ERG program.



Rendering of Halsey Street Teacher Village

The Teacher Village is located on both sides of Halsey Street, connecting the existing University Heights area with the Prudential Center and the rest of downtown Newark's existing core.

The ERG Program provides incentives in the form of new State and local incremental revenues derived from a project to fund a part of the total project costs for which the developers cannot otherwise find financing. The program includes safeguards to ensure that there is a positive economic benefit to the State before project assistance is finalized. In order to be eligible, a financing gap must exist within the project and the overall public assistance provided to the project must result in net benefits to the municipality or State pursuant to a fiscal impact analysis conducted by EDA and approved by the State Treasurer. A financial review is required prior to approval of State and local assistance and a developer seeking an incentive grant is required to contribute its own capital for at least 20% of the project total cost.

Encouraging Investments in Urban Communities

Since inception, 11 projects have been approved for a total of up to \$354 million under the ERG program. These projects encompass East Brunswick, Egg Harbor, Elizabeth, Jersey City, Newark Somerville, and Atlantic City and involve more than \$1.8 billion in private investment. They are expected to lead to the creation of 9,180 new, permanent jobs and over 7,200 construction jobs. **Saker ShopRites, Inc.** was approved for up to \$5 million for up to 20 years under ERG to support the development of a 70,000-square-foot supermarket in Somerville. The \$28.1 million project is expected to lead to the creation of 116 construction jobs and 155 permanent jobs. The project is located within a declared redevelopment area and will result in the municipality's first supermarket since 2007.

2010 also marked the creation of the **Fort Monmouth Economic Revitalization Authority (FMERA)**, a new Authority that was created to guide investment, continuity and economic growth to the three Monmouth County communities impacted by the federal government's decision to close Fort Monmouth. FMERA replaced the Fort Monmouth Economic Revitalization Planning Authority (FMERPA) and will advance that entity's Reuse and Redevelopment Plan for economic development, growth and planning, with a focus on technology-based industries. Per the statute, the EDA staffs FMERA and will serve as the redeveloper of the 1,127-acre property.

Fort Monmouth has been a significant presence in Monmouth County and New Jersey since it was established over 94 years ago, and a 2008 report completed by the New Jersey Department of Labor and Workforce Development shows that the base supported 22,000 jobs statewide. As such, the Fort Monmouth Reuse and Redevelopment Plan strives to balance development with the protection and enrichment of natural resources in order to establish a framework that emphasizes the creation of jobs, vibrant neighborhoods, and new housing opportunities. The mix of proposed uses for the site was determined through an extensive interactive process that focused largely on the master plans of Eatontown, Oceanport and Tinton Falls.

As staff to FMERA, EDA created an organizational structure to take on the redevelopment effort. The First FMERA Board meeting took place in September, and in November, Bruce Steadman was selected to serve as the Authority's Executive Director. Steadman is the former President and CEO of the Plattsburgh Airbase Redevelopment Corporation in Plattsburgh, NY, where he led and managed the redevelopment of the former Plattsburgh Air Force Base, totaling 3,500 acres. As FMERA takes the next steps in the closure and redevelopment process, it is critical to remember the enormity of the project and the 20-year timeframe that the Fort Monmouth Economic Revitalization Planning Authority envisioned to implement the comprehensive revitalization plan for the base.



Fort Monmouth

The flags at Fort Monmouth are coming down in September 2011. The redevelopment of the 1,127-acre property will subsequently commence.

EDA Board Members

Chairman

Al Koeppe

President and Chief Executive Officer
Newark Alliance

Vice Chairman

Joseph A. McNamara

Director
Laborers - Employers Cooperation and Education Trust

Ex Officio Members

Thomas B. Considine

Commissioner
New Jersey Department of Banking & Insurance

Bob Martin

Commissioner
New Jersey Department of Environmental Protection

Matt McDermott

Governor's Designee
Chief of Staff, Lieutenant Governor's Office

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

Timothy Carden

Partner
Public Private Strategy Group

Laurence M. Downes

Chairman and Chief Executive Officer
New Jersey Resources

Marjorie Perry

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

Steven D. Plofker, Esq.

Attorney

Charles H. Sarlo, Esq.

Law Office/Vice President and General Counsel
DMR Architects

Richard Tolson

Director
Bricklayers and Allied Craftworkers of New Jersey

Alternate Public Members

Raymond M. Burke, III

President
Burke Motor Group

Elliot M. Kosoffsky

Chief Operating Officer
F. Greek Development

Kevin Brown

NJ Area Director
Service Employee International Union, CLC

Nonvoting Member

Rodney Sadler

Camden Economic Recovery Board

EDA Executive Team

Caren S. Franzini

Chief Executive Officer

Maureen M. Hassett

Senior Vice President
Governance and Communications

Anne Kurzenberger

Chief Talent & Learning Officer

Timothy J. Lizura

Senior Vice President
Finance & Development

Thomas A. Murphy, III

Chief Information Officer

Greg Ritz, CPA

Chief Financial Officer

Certifications Pursuant to E.O. 37

April 12, 2011

In accordance with Executive Order No. 37, the New Jersey Economic Development Authority's 2010 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 23, 2011, is attached and completes the EDA's requirements concerning the preparation of a comprehensive report required by Executive Order No. 37.

I, Caren Franzini, certify that during 2010, the Authority has, to the best of my knowledge, followed all of the Authority's standards, procedures and internal controls.

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



Caren S. Franzini
Chief Executive Officer

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



Greg Ritz, CPA
Chief Financial Officer



Ernst & Young LLP
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Report of Independent Auditors

Members of the Authority
New Jersey Economic Development Authority

We have audited the accompanying balance sheet of the New Jersey Economic Development Authority (the "Authority"), a component unit of the State of New Jersey, as of December 31, 2010 and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Authority for the year ended December 31, 2009, were audited by other auditors whose report dated March 22, 2010, expressed an unqualified opinion on those statements.

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

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

As discussed in Note 2, the Authority adopted Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* as of January 1, 2010.

Management's discussion and analysis and the schedule of funding progress as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Ernst & Young LLP

March 23, 2011

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY
(a component unit of the State of New Jersey)
Management's Discussion and Analysis
Years Ended December 31, 2010 and 2009

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, 2010 and 2009. Please read it in conjunction with the Authority's financial statements and accompanying notes.

2010 FINANCIAL HIGHLIGHTS

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

2009 FINANCIAL HIGHLIGHTS

- The Authority's total net assets decreased \$26.6 million (or 3.6%).
- Current liabilities decreased \$3.1 million (or 11.9%).
- Bonds payable-gross decreased \$10.4 million (or 12.8%) due to scheduled debt service payments.
- Capital assets-net decreased \$3.6 million (or 3.0%) primarily due to the sale of MSNBC production equipment and offset by the completed tenant fit-out for the Authority's Tech III and Tech IV leasehold improvements at the Technology Centre of New Jersey.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Assets. The following table summarizes the changes in Net Assets for the years ended December 31, 2010, 2009 and 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>	Current Year % increase/ (decrease)	Prior Year % increase/ (decrease)
Assets:					
Other Assets	\$665,927,110	\$716,519,427	\$753,693,388	(7.1)%	(4.9)%
Capital Assets, net	<u>110,221,663</u>	<u>113,833,398</u>	<u>117,409,324</u>	(3.2)%	(3.0)%
Total Assets	<u>776,148,773</u>	<u>830,352,825</u>	<u>871,102,712</u>	(6.5)%	(4.7)%
Liabilities:					
Long Term Debt	71,277,865	82,689,576	92,006,687	(13.8)%	(10.1)%
Other Liabilities	<u>45,406,406</u>	<u>43,335,850</u>	<u>48,192,168</u>	4.8%	(10.1)%
Total Liabilities	<u>116,684,271</u>	<u>126,025,426</u>	<u>140,198,855</u>	(7.4)%	(10.1)%
Net Assets:					
Invested in Capital Assets, Net of Related Debt	53,969,928	52,623,398	58,654,324	2.6%	(10.3)%
Restricted for School Loan Program	19,512,748	25,686,302	31,239,841	(24.0)%	(17.8)%
Unrestricted	<u>585,981,826</u>	<u>626,017,699</u>	<u>641,009,692</u>	(6.4)%	(2.3)%
Total Net Assets	<u>\$659,464,502</u>	<u>\$704,327,399</u>	<u>\$730,903,857</u>	(6.4)%	(3.6)%

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

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

During 2009, the Authority's combined net assets decreased \$26.6 million (or 3.6%) due to:

\$33.3	Million	PUST grant award payments and loan disbursements
\$21.5	Million	HDSRF program disbursements
\$11.3	Million	Municipal Economic Recovery Initiative grant award payments
\$4.9	Million	School Loan Program repayments returned to the State
(\$4.6)	Million	Business Assistance, Marketing and International Trade transferred from the State
(\$25.0)	Million	Main Street Business Assistance program transferred from the State
(\$28.4)	Million	Clean Energy Solutions Capital Investment transferred from the State
\$13.6	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 2010 and 2009:

	<u>2010</u>	<u>2009</u>	<u>2008</u>	Current Year % increase/ (decrease)	Prior Year % increase/ (decrease)
Operating Revenues					
Financing Fees	\$5,923,767	\$4,242,026	\$3,504,883	39.6%	21.0%
Interest Income- Intergovernmental	310,008	420,572	522,998	(26.3)%	(19.6)%
Interest Income-Notes	7,430,780	7,095,531	7,222,905	4.7%	(1.8)%
Lease Revenue	12,239,351	12,208,242	18,599,425	0.3%	(34.4)%
Other	<u>5,883,214</u>	<u>6,931,051</u>	<u>5,552,071</u>	(15.1)%	24.8%
Total Operating Revenues	<u>31,787,120</u>	<u>30,897,422</u>	<u>35,402,282</u>	2.9%	(12.7)%
Operating Expenses					
Administrative Expenses	22,726,721	25,677,921	21,708,790	(11.5)%	18.3%
Interest Expense	2,233,997	3,468,690	4,467,024	(35.6)%	(22.3)%
Depreciation	8,509,698	8,684,083	10,062,085	(2.0)%	(13.7)%
Loss Provisions-Net	11,122,800	5,942,290	11,500,774	87.2%	48.3%
Other	<u>7,002,423</u>	<u>7,967,816</u>	<u>8,123,759</u>	(12.1)%	(1.9)%
Total Operating Expenses	<u>51,595,639</u>	<u>51,740,800</u>	<u>55,862,432</u>	(0.3)%	(7.4)%
Operating Loss	<u>(19,808,519)</u>	<u>(20,843,378)</u>	<u>(20,460,150)</u>	(5.0)%	1.9%
Nonoperating Revenues and (Expenses)					
Interest Income-investments	6,566,194	9,104,441	16,221,076	(27.9)%	(43.9)%
State Appropriations and Program Payments-Net	(31,647,502)	(12,489,446)	(21,967,067)	153.4%	(43.1)%
Other (Expense)/Revenue	<u>26,930</u>	<u>(2,348,075)</u>	<u>11,362,839</u>	(101.1)%	(120.7)%
Total Nonoperating, Net	<u>(25,054,378)</u>	<u>(5,733,080)</u>	<u>5,616,848</u>	337.0%	(202.1)%
Change in Net Assets	(44,862,897)	(26,576,458)	(14,843,302)	68.8%	79.0%
Beginning Net Assets	<u>704,327,399</u>	<u>730,903,857</u>	<u>745,747,159</u>		
Ending Net Assets	<u>\$659,464,502</u>	<u>\$704,327,399</u>	<u>\$730,903,857</u>		

Operating Revenues

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

- Financing fees increased by \$1.7 million, due to expanded program offerings.
- Program services revenue decreased by \$2.6 million, due to the elimination of HDSRF surcharges.
- Loss Recoveries decreased by \$0.4 million.
- Grant Revenue increased by \$1.2 million.

During 2009, the Authority's operating revenues were materially impacted by the following:

- Financing fees increased by \$0.7 million.
- Lease revenue decreased by \$6.4 million, due to increased vacancy at the Tech IV building.
- Program services revenue increased by \$1.6 million.
- Loss Recoveries decreased by \$0.1 million.

Operating Expenses

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

In 2009, total operating expenses decreased by \$4.1 million, due largely to a decline in loss provisions related to changes in value in the venture capital funds noted above.

Nonoperating Revenues - net

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

In 2009, nonoperating expenses, net, increased by \$11.3 million, due to a decrease in program payments, net of State appropriations, of \$9.5 million; offset by decreases in investment income of \$7.1 million, related to declining interest rates; an increase in the unrealized loss on investment securities of \$7.2 million; and no gain on the sale of assets, which had netted the Authority \$6.5 million in the previous year.

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 are reported as a Loss Provision.

The following table summarizes the Loan Allowance activity for the end of the period from December 31, 2008 through December 31, 2010:

December 31, 2008

Allowance for loan losses	\$22,876,101	
Accrued guarantee losses	<u>3,398,154</u>	
Total allowance		26,274,255
2009 Provision for credit losses-net	6,611,007	
2009 Write-offs	(3,244,946)	<u>3,366,061</u>

December 31, 2009

Allowance for loan losses	26,593,381	
Accrued guarantee losses	<u>3,046,935</u>	
Total allowance		29,640,316
2010 Provision for credit losses-net	5,634,863	
2010 Write-offs	(3,196,713)	<u>2,438,150</u>

December 31, 2010

Allowance for loan losses	28,617,717	
Accrued guarantee losses	<u>3,460,749</u>	
Total allowance		<u>32,078,466</u>

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 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, 2010, was \$241,332,069, of which \$217,080,929 or 90% is for loans and \$24,251,140 for issued loan guarantees. The Authority maintains total Loss Allowance of \$32,078,466 or 13.29% of total exposure to cover potential losses in the loan and guaranty portfolio.

Total credit losses for the year ended December 31, 2010, were \$3,196,712 or 1.32% of the loan and guaranty exposure. Total credit losses for the year ended December 31, 2009, were \$3,244,946 or 1.3% of the loan and guaranty exposure

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

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

The 2009 Loss Provisions – Net, of \$5.9 million, are related to the following detailed information:

\$6,472,000	Loan and Guarantee Program activity
(\$2,000)	Authority's share in the New Jersey Tech Council Venture Capital Fund
(\$113,000)	Authority's share in the Edison Venture Capital Funds
(\$800,000)	Authority's share in the Garden State Life Sciences Venture Fund
\$500,000	Authority's share in Nistica
(\$149,000)	Authority's share in Archive

CAPITAL ASSET AND DEBT ADMINISTRATION

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

The following table summarizes the change in other Capital Assets-Net between fiscal year 2010 and 2009:

	<u>2010</u>	<u>2009</u>	<u>2008</u>	Current Year % increase/ (decrease)	Prior Year % increase/ (decrease)
Land	\$23,435,478	\$21,253,466	\$21,248,262	10.3%	0.0%
Construction in Progress	<u>0</u>	<u>285,986</u>	<u>5,412,464</u>	(100.0)%	(94.7)%
Total Nondepreciable Capital Assets	<u>23,435,478</u>	<u>21,539,452</u>	<u>26,660,726</u>		
Building	97,364,839	97,364,839	97,364,839	0.0%	0.0%
Leasehold Improvements	36,859,763	32,732,932	21,918,368	12.6%	49.3%
Equipment	<u>17,503,229</u>	<u>22,462,990</u>	<u>25,042,893</u>	(22.1)%	(10.3)%
Total Depreciable Capital Assets	151,727,831	152,560,761	144,326,100		
Less Accumulated Depreciation	<u>(64,941,646)</u>	<u>(60,266,815)</u>	<u>(53,577,502)</u>	7.8%	12.5%
Capital Assets-Net	<u>\$110,221,663</u>	<u>\$113,833,398</u>	<u>\$117,409,324</u>	(3.2)%	(3.0)%

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

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

Capital Debt. At year end, the Authority had \$79,881,736 of gross bond and note principal outstanding; a net decrease of 11.8%, 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 2010 and 2009:

	<u>2010</u>	<u>2009</u>	<u>2008</u>	Current Year % increase/ (decrease)	Prior Year % increase/ (decrease)
Bonds Payable - Gross	\$61,190,000	\$71,145,000	\$81,560,000	(14.0)%	(12.8)%
Notes Payable	<u>18,691,736</u>	<u>19,410,000</u>	<u>19,830,000</u>	(3.7)%	(2.1)%
Total Bonds and Notes Payable	<u>\$79,881,736</u>	<u>\$90,555,000</u>	<u>\$101,390,000</u>	(11.8)%	(10.7)%

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 the Marketing and Policy, NJEDA, P.O. Box 990, Trenton, NJ 08625-0990, or visit our web site at: www.njeda.com.

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY
BALANCE SHEETS

	December 31,	
	2010	2009
Assets		
Current assets		
Cash and cash equivalents - restricted	\$137,698,444	\$162,002,519
Cash and cash equivalents - unrestricted	19,928,769	20,995,424
Investments	41,184,534	65,957,748
Receivables		
Notes	18,344,669	17,232,726
Accrued interest on notes	672,916	478,095
Accrued interest on investments	1,426,913	2,216,858
Intergovernmental	831,945	2,137,492
Leases	100,000	100,000
Other receivables	9,015,046	8,232,029
Total receivables	30,391,489	30,397,200
Prepays and deferred costs	986,234	549,050
Total current assets	230,189,470	279,901,941
Noncurrent assets		
Investments - restricted	6,064,904	6,000,000
Investments - unrestricted	246,110,563	237,135,528
Receivables		
Notes	169,945,736	168,205,671
Notes-restricted	28,790,524	39,641,019
Accrued interest on notes	3,627,230	3,319,438
Accrued interest on notes-restricted	97,379	129,839
Unamortized discount	(27,913)	0
Total notes receivables	202,432,956	211,295,967
Allowance for doubtful notes and guarantees	(28,617,717)	(26,593,381)
Net notes receivable	173,815,239	184,702,586
Intergovernmental restricted	1,627,781	2,531,949
Unamortized discount	(213,545)	(523,552)
Net intergovernmental receivables	1,414,236	2,008,397
Leases-restricted	7,706,869	7,806,869
Unamortized discount	(1,039,397)	(1,142,033)
Net leases receivable	6,667,472	6,664,836
Total receivables	181,896,947	193,375,819
Prepays and deferred costs	231,328	106,139
Deferred outflow of resources	1,433,898	0
Nondepreciable capital assets	23,435,478	21,539,452
Depreciable capital assets, net	86,786,185	92,293,946
Total capital assets, net	110,221,663	113,833,398
Total noncurrent assets	545,959,303	550,450,884
Total assets	\$776,148,773	\$830,352,825

See accompanying notes.

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY
BALANCE SHEETS

	December 31,	
	2010	2009
Liabilities and net assets		
Current liabilities		
Accrued liabilities	\$9,794,353	\$7,456,298
Deferred lease revenues	1,369,896	1,741,740
Deposits	3,464,408	4,518,957
Bonds payable	7,890,000	7,955,000
Notes payable	1,012,735	450,000
Accrued interest payable	1,005,750	791,544
Total current liabilities	<u>24,537,142</u>	<u>22,913,539</u>
Noncurrent liabilities		
Bonds payable-net	53,598,864	63,729,576
Notes payable	17,679,001	18,960,000
Deferred lease revenues	15,280,794	16,334,642
Accrued guarantee losses	3,460,749	3,046,935
Derivative instrument - interest rate swap	1,433,898	0
Other	693,823	1,040,734
Total noncurrent liabilities	<u>92,147,129</u>	<u>103,111,887</u>
Total liabilities	<u>116,684,271</u>	<u>126,025,426</u>
Net assets		
Invested in capital assets, net of related debt	53,969,928	52,623,398
Restricted for school loan program	19,512,748	25,686,302
Unrestricted	585,981,826	626,017,699
Total net assets	<u>659,464,502</u>	<u>704,327,399</u>
Total liabilities and net assets	<u>\$776,148,773</u>	<u>\$830,352,825</u>

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	Years ended December 31,	
	2010	2009
Operating revenues		
Financing fees	\$5,923,767	\$4,242,026
Interest income-intergovernmental obligations	310,008	420,572
Interest income-notes	7,430,780	7,095,531
Total interest income	7,740,788	7,516,103
Financing lease revenue	102,637	102,597
Operating lease revenue	12,136,714	12,105,645
Agency fees	1,261,242	1,373,554
Program services	2,044,477	4,619,649
Real estate development	595,522	765,037
Grant revenue	1,188,517	0
Other	793,456	172,811
Total other revenues	18,122,565	19,139,293
Total operating revenue	31,787,120	30,897,422
Operating expenses		
Salaries and benefits	18,773,432	21,769,366
General and administrative	3,953,289	3,908,555
Interest	2,233,997	3,468,690
Program costs	7,002,423	7,967,816
Depreciation	8,509,698	8,684,083
Loss provisions-net	11,122,800	5,942,290
Total operating expenses	51,595,639	51,740,800
Operating loss	(19,808,519)	(20,843,378)
Nonoperating revenues and expenses		
Interest income-investments	6,566,194	9,104,441
Unrealized gain/(loss) in investment securities	26,930	(2,348,075)
Gain on sale of assets-net	0	0
State appropriations-net	51,754,616	79,184,831
Program payments	(83,402,118)	(91,674,277)
Nonoperating expenses - net	(25,054,378)	(5,733,080)
Change in net assets	(44,862,897)	(26,576,458)
Net assets - beginning of year	704,327,399	730,903,857
Net assets - end of year	\$659,464,502	\$704,327,399

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY
STATEMENTS OF CASH FLOWS

	Years ended December 31,	
	2010	2009
Cash flows from operating activities		
Financing fees	\$5,242,578	\$4,013,332
Interest from notes	8,234,154	9,272,064
Lease rents	10,933,487	11,222,069
Agency fees	1,201,242	1,273,854
Program services	2,736,078	4,554,206
Distributions	153,054	0
Real estate development	592,729	801,560
General and administrative expenses paid	(23,116,262)	(25,541,723)
Program costs paid	(6,394,680)	(7,278,771)
Collection of notes receivable	32,445,815	27,236,253
Guarantee payments recovered	0	0
Loan disbursements	(26,803,979)	(44,698,859)
Deposits received	4,932,049	5,492,095
Deposits released	(5,800,073)	(10,399,422)
Net cash provided by/(used in) operating activities	4,356,192	(24,053,342)
Cash flows from capital and related financing activities		
Payment of bonds and notes payable	(2,398,264)	(3,130,000)
Interest paid on bonds and notes payable	(1,608,333)	(3,008,995)
Issuance and servicing costs paid	(272,353)	0
Purchase of capital assets	(5,641,709)	(5,796,980)
Sale of assets	1,124,894	585,133
Net cash used in capital and related financing activities	(8,795,765)	(11,350,842)
Cash flows from noncapital financing activities		
Program funding received	2,209,715	2,209,723
Deposits received-net	(2,059)	55
Redemption and refunding of bonds payable	(9,115,000)	(9,060,000)
Interest paid on revenue bonds	(1,926,354)	(3,730,264)
Obligations paid	(346,911)	(346,911)
Issuance and servicing costs paid	(546,418)	(597,901)
Appropriations received	207,841,694	200,602,475
Payments to State of New Jersey	(5,738,949)	(4,887,936)
Program payments	(231,113,049)	(210,555,780)
Net cash used in noncapital financing activities	(38,737,331)	(26,366,539)
Cash flows from investing activities		
Interest from investments	7,356,138	9,876,908
Capital investments	(1,143,901)	(340,711)
Investments - purchases	(58,090,426)	(91,331,312)
- redemptions	69,694,363	97,047,694
Net cash provided by investing activities	17,816,174	15,252,579
Net decrease in cash and cash equivalents	(25,360,730)	(46,518,144)
Cash and cash equivalents - beginning of year	182,997,943	229,516,087
Cash and cash equivalents - end of year	\$157,637,213	\$182,997,943

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY
STATEMENTS OF CASH FLOWS (continued)

	Years ended December 31,	
	2010	2009
Reconciliation of operating loss to net cash provided by/(used in) operating activities		
Operating loss	(\$19,808,519)	(\$20,843,378)
Adjustments to reconcile operating loss to net cash used in operating activities		
Loss provisions	11,115,694	5,942,290
Depreciation	8,509,698	8,684,083
Amortization of discounts, premiums, deferred loss	(412,644)	(523,169)
Cash provided by nonoperating activities	5,193,457	8,692,161
Change in assets and liabilities		
Notes receivable	5,641,603	(17,460,481)
Guarantee payments receivable	0	0
Accrued interest receivable-notes	(470,658)	105,762
Lease payments receivable	100,000	100,000
Other receivables	(1,620,061)	(429,473)
Prepays and deferred costs	(558,856)	157,012
Capital investments	(134,487)	(148,389)
Notes payable	(840,000)	(1,355,000)
Accrued liabilities	166,799	(51,495)
Deferred lease revenues	(1,425,692)	(839,788)
Accrued interest payable	(26,506)	(1,201,687)
Deposits	(1,073,636)	(4,881,790)
Net cash provided by/(used in) operating activities	\$4,356,192	(\$24,053,342)
Noncash investing activities		
Unrealized gain/(loss) in investment securities	\$26,930	(\$2,348,075)

New Jersey Economic Development Authority
(a component unit of the State of New Jersey)
Notes to Financial Statements
December 31, 2010 and 2009

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 and loan 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 tax credits for film industry and digital media projects, the technology business tax certificate transfer program, and job growth incentive grants. 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, 2010 and 2009, total assets were \$3,433,744 and \$3,529,244.

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 not been included in the Authority’s balance sheets. The cash balances total \$45,793,695 and \$91,027,869 at December 31, 2010 and 2009, respectively. The following is a summary of the programs that the Authority manages on behalf of other state entities:

<u>Department/Board</u>	<u>Program</u>	<u>2010</u>	<u>2009</u>
Treasury	Local Development Financing Fund	\$25,223,760	\$19,518,804
Treasury	Invest New Jersey	29,343	46,929,337
Environmental Protection	DEP Recycling Loan Fund	0	1
Board of Public Utilities	BPU Clean Energy Program	20,540,592	24,579,727

Note 2: Summary of Significant Accounting Policies

(a) Basis of Accounting and Presentation

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

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

(b) Revenue Recognition

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

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 equity method to account for its investment when it exercises significant control or influence in the venture. Under the equity method, the investment is shown as a single amount on the balance sheet and the Authority's proportionate share of income or loss is recognized currently, rather than through dividends or disposal.

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

Interest on capital appreciation bonds is accreted using the interest method over the term of the bonds; for other discounts, the bonds outstanding method is used.

(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 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.

(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) Reclassification of 2009 Balances

Certain 2009 balances have been reclassified to conform with current year presentation.

(n) Recent Accounting Standards

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* ("GASB 53"). This Statement establishes guidance on the recognition, measurement and disclosures related to derivative instruments entered into by governmental entities. GASB 53 requires that derivatives be recorded at fair value. Generally, for derivatives that are effective hedges, changes in fair values are deferred whereas for ineffective hedges, the changes in fair value are recognized in the current period. The Authority adopted GASB 53 effective January 1, 2010, with retrospective application to the earliest period presented. There was not a material effect on the financial statements of the Authority due to the implementation of GASB 53 (see Note 11).

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, 2010, the Authority’s bank balance was \$51,354,064. Of the bank balance, \$1,250,000 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 NJEDA 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 (NJEDA) name. At December 31, 2010, all of the Authority’s deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk.

Cash deposits at December 31, 2010 and 2009 were as follows:

<u>Deposit Type</u>	<u>2010</u>	<u>2009</u>
NOW Accounts	\$22,253,579	\$26,253,580
Money Market Accounts	10,114,557	10,071,000
Certificates of Deposit	<u>6,064,904</u>	<u>6,000,000</u>
Total Deposits	<u>\$38,433,040</u>	<u>\$42,324,580</u>

(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, 2010 the Authority’s total investments amounted to \$254,779,183. 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 four 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; (f) non-participating guaranteed investment contracts.

In order to maintain adequate liquidity, significant NJEDA 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, 2010 and 2009 the NJEDA balance is \$114,268,639 and \$136,801,860, respectively.

(c) Special Purpose Investments

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

The Authority is the managing member of the Technology Centre of New Jersey, L.L.C., a real estate joint venture formed in 1999 to spur the growth of high tech industries in the State. The Centre is situated on a 50 acre site and comprised of infrastructure improvements and buildings. As the managing member, the Authority earns an administrative fee based on 5% of gross rents received from the operation of the Centre. At December 31, 2010 and 2009, the value of the Authority's investment in the Centre is \$14,508,736 and \$14,655,777, 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, 2010 and 2009, the aggregate value of the Authority's investment in these funds is \$12,288,026 and \$16,280,657, 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, 2010 and 2009, the Authority held other equity investments of \$372,255 and \$398,851 respectively. The investments are held in the form of stock. Value is based on analysis of companies' prospects in conjunction with valuations of comparable companies.

Custodial Credit Risk

Pursuant to GASB 40, the Authority's investments are profiled to determine if they are exposed to Custodial Credit Risk. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government (NJEDA), and are held by either: the counterparty (institution that pledges collateral to government or that buys/sells investments for government) or the counterparty's trust department or agent but not in the name of the government. Investment pools such as the NJCMF and open ended mutual funds including Mutual Bond Funds are deemed not to have custodial credit risk. As of December 31, 2010, \$260,126,080 in NJEDA investments, comprised of \$61,733,977 in U.S. Treasuries, \$148,425,351 in U.S. Agencies, \$45,988,940 in Corporate bonds, and \$3,977,812 in Municipal bonds were not registered in the name of the NJEDA and were held by the counterparty.

Concentration of Credit Risk

The NJEDA limits investments in certain issuers. No more than 5% of NJEDA funds may be invested in individual corporate and municipal issuers; and no more than 30% in individual U.S. Government Agencies. At December 31, 2010 more than 5 percent of NJEDA investments are in Federal Farm Credit Bank, Federal Home Loan Mortgage Corp (FHLMC), and Federal National Mortgage Association (FNMA). These investments are 6.97% (\$28,745,886); 7.13% (\$29,401,838); and 17.60% (\$72,591,057), 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 AAA by Standard & Poors ("S&P"). Corporate bonds were rated AAA (\$29,874,149), and AA/AA+/AA- (\$16,114,791) 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.

As of December 31, 2010 and 2009, the NJEDA had the following investments and maturities:

Investment Type	Fair Value	Investments	Maturities	Fair Value
Debt Securities:	as of 12/31/10	Less than 1 Year	1-5 Years	as of 12/31/09
U.S. Treasuries	\$61,733,977	\$15,834,204	\$45,899,773	\$78,954,240
U.S. Agencies	148,425,351	13,103,986	135,321,365	163,135,963
Corporate Bonds	45,988,940	12,246,344	33,742,596	29,208,297
Municipal Bonds	3,977,812	-0-	3,977,812	-0-
Mutual Bond Funds	10,990,438	10,990,438		10,330,994
Certificates of Deposit	6,064,904		6,064,904	6,000,000
NJ Cash Management Fund	<u>114,268,639</u>	<u>114,268,639</u>	<u>-0-</u>	<u>130,801,860</u>
Subtotal, Total Debt Securities	<u>391,450,061</u>	<u>\$166,443,611</u>	<u>\$225,006,450</u>	<u>418,431,354</u>
Special purpose investments				
Investment in Technology Center Joint Venture	14,508,736			14,655,777
Venture Fund Investments	12,288,026			16,280,657
Other Equity Investments	<u>372,255</u>			<u>398,851</u>
Subtotal	<u>418,619,078</u>			<u>449,766,639</u>
Less amounts reported as Cash Equivalents	<u>(125,259,077)</u>			<u>(141,132,854)</u>
Total Investments	<u>\$293,360,001</u>			<u>\$308,633,785</u>

Note 4: Notes Receivable

Notes Receivable consist of the following:	<u>2010</u>	<u>2009</u>
Economic Development Fund ("EDF") loan and guarantee programs; interest ranging up to 8%; maximum term 10 years	\$40,681,830	\$46,464,017
Economic Recovery Fund ("ERF") loan and guarantee programs; interest ranging up to 8%; maximum term of 10 years	134,698,926	125,478,536
Hazardous Discharge Site Remediation ("HDSR") loan program; interest ranging up to 5.5%; maximum term of 8 years	5,154,094	5,754,387
Public School Facilities ("PSF") loan program; interest ranging from 1.5% to 5.288%; maximum term of 3 years	33,149,047	43,818,937
Municipal Economic Recovery Initiative ("MERI") loan program; interest ranging up to 3%; maximum term of 20 years	<u>3,397,032</u>	<u>3,563,539</u>
	<u>\$217,080,929</u>	<u>\$225,079,416</u>

Aggregate Notes Receivable activity for the year ended December 31, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Loan Disbursements</u>	<u>Loan Receipts</u>	<u>Write-offs, Adjustments, Restructures- Net</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
EDF/ERF	\$171,942,553	\$26,100,643	(\$19,465,554)	(\$3,196,886)	\$175,380,756	\$12,770,804
HDSR	5,754,387	703,337	(1,303,864)	234	5,154,094	1,052,095
PSF	43,818,937	-0-	(10,669,897)	7	33,149,047	10,852,799
MERI	<u>3,563,539</u>	<u>-0-</u>	<u>(166,507)</u>	<u>-0-</u>	<u>3,397,032</u>	<u>163,247</u>
	<u>\$225,079,416</u>	<u>\$26,803,980</u>	<u>(\$31,605,822)</u>	<u>(\$3,196,645)</u>	<u>\$217,080,929</u>	<u>\$24,838,945</u>

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

Note 5: Intergovernmental Receivables

The Authority has various Agreements with the State and State entities relating to the issuance of Bonds. Pursuant to the underlying legislation and resolution, the bond proceeds finance various Authority programs and projects. Pursuant to the terms of the Agreements, the debt service on these bonds is payable solely from scheduled amounts receivable.

The Series 1996 Port 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, 2010 and 2009, Intergovernmental Receivables are comprised of the following:

	<u>2010</u>	<u>2009</u>
NJ Port District Utilities Authorities Contract	\$2,459,726	\$4,669,441
Unamortized Discount	(213,545)	(523,552)
Total Net Intergovernmental Receivable	<u>\$2,246,181</u>	<u>\$4,145,889</u>

Aggregate gross receipts from intergovernmental receivables due through 2015 are as follows:

2011	\$831,945
2012	693,055
2013	693,057
2014	120,833
2015	<u>120,836</u>
	<u>\$2,459,726</u>

Intergovernmental Receivable activity for the year ended December 31, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Receivable Within One Year</u>
Gross Receivable	\$4,669,441	(\$2,209,715)	\$2,459,726	<u>\$831,945</u>
Discount	<u>(523,552)</u>	<u>310,007</u>	<u>(213,545)</u>	
Net Receivable	<u>\$4,145,889</u>	<u>(\$1,899,708)</u>	<u>\$2,246,181</u>	

Note 6: Leases

(a) Leases Receivable

The Authority has various financing leases relating to the issuance of Bonds and Notes Payable. Bond and Note proceeds finance specific projects. The financing leases provide 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 leases are as follows:

<u>Lease Description</u>	<u>2010</u>	<u>2009</u>
NY Daily News, through 7/30/21	\$7,806,869	\$7,906,869
Unamortized Discount	<u>(1,039,397)</u>	<u>(1,142,033)</u>
Aggregate Lease Payments Receivable-Net	<u>\$6,767,472</u>	<u>\$6,764,836</u>

Aggregate gross lease receipts due through 2015 and thereafter are as follows:

2011	\$100,000
2012	100,000
2013	100,000
2014	100,000
2015	100,000
2016-2020	500,000
2021	<u>6,806,869</u>
	<u>\$7,806,869</u>

Lease payments receivable activity for the year ended December 31, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Receivable Within One Year</u>
Gross Receivable	\$7,906,869	(\$100,000)	\$7,806,869	<u>\$100,000</u>
Discount	<u>(1,142,033)</u>	<u>102,636</u>	<u>(1,039,397)</u>	
Net Receivable	<u>\$6,764,836</u>	<u>\$2,636</u>	<u>\$6,767,472</u>	

(b) Operating Leases

(i) Authority as Lessor

At December 31, 2010, capital assets with a gross carrying value of \$147,847,889 and accumulated depreciation of \$57,139,248 are leased to commercial enterprises. These leases generally provide the tenant with renewal and purchase options. Aggregate minimum lease receipts are expected as follows:

2011	\$9,684,624
2012	7,993,291
2013	7,178,383
2014	6,554,062
2015	6,477,548
2016-2020	15,334,958
2021-2025	5,269,239
2026-2030	<u>526,923</u>
	<u>\$59,019,028</u>

(ii) Authority as Lessee

The Authority leases commercial property, buildings, office space and parking. 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 \$619,348; and for property used by the Authority, rental expense amounted to \$186,570. Aggregate future lease obligations are as follows:

2011	\$921,826
2012	950,195
2013	904,290
2014	914,435
2015	734,169
2016-2020	2,864,674
2021-2025	1,980,786
2026-2030	1,249,000
2031-2035	1,338,860
2036-2040	801,300
2041-2045	665,690
2046-2050	743,250
2051-2054	<u>594,600</u>
	<u>\$14,663,075</u>

Note 7: Capital Assets

Capital asset activity for the years ended December 31, 2010 and 2009 was as follows:

	<u>December 31, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments to Reserve</u>	<u>December 31, 2010</u>
Capital assets not being depreciated:					
Land	\$21,253,466	\$2,182,012	-0-	-0-	\$23,435,478
Construction in progress	285,986	3,840,845	(\$4,126,831)	-0-	-0-
Capital assets being depreciated:					
Buildings	97,364,839	-0-	-0-	-0-	97,364,839
Leasehold improvements	32,732,932	4,126,831	-0-	-0-	36,859,763
Production equipment	<u>22,462,990</u>	<u>-0-</u>	<u>(5,113,156)</u>	<u>\$153,395</u>	<u>17,503,229</u>
Capital assets-gross	<u>174,100,213</u>	<u>10,149,688</u>	<u>(9,239,987)</u>	<u>153,395</u>	<u>175,163,309</u>
Less: accumulated depreciation	<u>60,266,815</u>	<u>8,509,698</u>	<u>(3,834,867)</u>	<u>-0-</u>	<u>64,941,646</u>
Capital assets-net	<u>\$113,833,398</u>	<u>\$1,639,990</u>	<u>(\$5,405,120)</u>	<u>\$153,395</u>	<u>\$110,221,663</u>
	<u>December 31, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments to Reserve</u>	<u>December 31, 2009</u>
Capital assets not being depreciated:					
Land	\$21,248,262	\$5,204	-0-	-0-	\$21,253,466
Construction in progress	5,412,464	5,688,086	(\$10,814,564)	-0-	285,986
Capital assets being depreciated:					
Buildings	97,364,839	-0-	-0-	-0-	97,364,839
Leasehold improvements	21,918,368	10,814,564	-0-	-0-	32,732,932
Production equipment	<u>25,042,893</u>	<u>-0-</u>	<u>(2,659,694)</u>	<u>79,791</u>	<u>22,462,990</u>
Capital assets-gross	<u>170,986,826</u>	<u>16,507,854</u>	<u>(13,474,258)</u>	<u>79,791</u>	<u>174,100,213</u>
Less: accumulated depreciation	<u>53,577,502</u>	<u>8,684,083</u>	<u>(1,994,770)</u>	<u>-0-</u>	<u>60,266,815</u>
Capital assets-net	<u>\$117,409,324</u>	<u>\$7,823,771</u>	<u>(\$11,479,488)</u>	<u>\$79,791</u>	<u>\$113,833,398</u>

In 2010, the Authority purchased a surface parking lot, located at the intersection of Barnes and Bank Streets, in Trenton, New Jersey, for the sum of \$2,107,623. The lot, which consists of 180 parking spaces is used by Authority employees during normal business hours, and was previously leased by the Authority for the same purpose.

In 2010, the Authority also completed construction of the 5th floor of the Waterfront Technology Center at Camden (“WTCC”), in Camden, New Jersey, creating additional office space for lease to New Jersey businesses.

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 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.

The outstanding issues are as follows:

	<u>2010</u>	<u>2009</u>
\$46,815,000 NJEDA Revenue Bonds (Public Schools Small Project Loan Program), 2004 Series, interest ranging from 3% to 5%; due 8/15/11 through 8/15/13. Series 1993 was refunded on 3/15/04.	\$13,535,000	\$17,700,000
\$43,000,000 Variable Rate Lease Revenue Bonds , 2003 Series A and B, (Camden Center Urban Renewal Limited Partnership Project); interest rate resets weekly, with maximum of 12% per annum, due annually through 3/15/18	35,960,000	36,800,000
\$167,500,000 NJEDA Taxable Economic Development Bonds MSNBC/CNBC Project , 1997 Series A and B, interest rate resets monthly, with maximum of 15% annually, due through 10/1/21	7,600,000	11,000,000
\$18,355,000 NJEDA Taxable Revenue Bonds, North Jersey Port District Utilities Authorities Loan Securitization Program (“Port”) , Series 1996, interest ranging from 7.05% to 7.25%; due 2/15/11 through 2/15/12	<u>4,095,000</u>	<u>5,645,000</u>
Subtotal	61,190,000	71,145,000
Unamortized premium	<u>298,864</u>	<u>539,576</u>
	<u>\$61,488,864</u>	<u>\$71,684,576</u>

At December 31, 2010, aggregate debt service requirements of bonds payable through 2015 and thereafter are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$7,890,000	\$2,417,700	\$10,307,700
2012	7,910,000	2,016,091	9,926,091
2013	6,025,000	2,272,524	8,297,524
2014	1,490,000	1,959,184	3,449,184
2015	1,570,000	1,871,140	3,441,140
2016-2020	29,705,000	5,069,901	34,774,901
2021	<u>6,600,000</u>	<u>17,325</u>	<u>6,617,325</u>
	<u>\$61,190,000</u>	<u>\$15,623,865</u>	<u>\$76,813,865</u>

Bonds payable activity for the years ended December 31, 2010 and 2009 was as follows:

	<u>December 31, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2010</u>	<u>Amounts Due Within One Year</u>
Bonds Payable-gross	\$71,145,000	-0-	(\$9,955,000)	\$61,190,000	<u>\$7,890,000</u>
Unamortized premium	<u>539,576</u>	<u>-0-</u>	<u>(240,712)</u>	<u>298,864</u>	
Total Bonds Payable-net	<u>\$71,684,576</u>	<u>-0-</u>	<u>(\$10,195,712)</u>	<u>\$61,488,864</u>	

	<u>December 31, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2009</u>	<u>Amounts Due Within One Year</u>
Bonds Payable-gross	\$81,560,000	-0-	(\$10,415,000)	\$71,145,000	<u>\$7,955,000</u>
Unamortized premium	<u>851,687</u>	<u>-0-</u>	<u>(312,111)</u>	<u>539,576</u>	
Total Bonds Payable-net	<u>\$82,411,687</u>	<u>-0-</u>	<u>(\$10,727,111)</u>	<u>\$71,684,576</u>	

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

Swap Payments and Associated Debt

Over the remaining life of the Authority's interest rate swap, which expires in 2015, the Authority has debt service requirements on its debt and net swap payments as shown in the table below. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of interest rate swap as of December 31, 2010 will not change. As these rates vary, interest rates on the variable rate bonds and net receipts/payments on the interest rate swap will vary. See Note 11 for information on derivative instruments.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Net Swap payment</u>	<u>Total</u>
2011	\$900,000	\$90,986	\$901,476	\$1,892,462
2012	965,000	88,680	879,692	1,933,372
2013	1,330,000	86,154	855,694	2,271,848
2014	1,490,000	82,740	823,288	2,396,028
2015	-	26,280	262,005	288,285
	<u>\$4,685,000</u>	<u>\$374,840</u>	<u>\$3,722,155</u>	<u>\$8,781,995</u>

Note 9: Notes Payable

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

The outstanding notes are as follows:

	<u>2010</u>	<u>2009</u>
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	3,731,736	4,000,000
FirstEnergy Corp./JCP&L; interest at 3%; interest only due monthly through 11/12/20; principal due at maturity on 11/12/20	1,000,000	1,000,000
Public Service New Millennium Economic Development Fund, LLC; interest at 2%; interest only due monthly through 11/7/20; principal due at maturity on 11/7/20	5,000,000	5,000,000
Waterfront Technology Center Construction Loan; variable interest; principal and interest due monthly over 60 month period, through maturity on 1/31/12	<u>6,960,000</u>	<u>7,410,000</u>
	<u>\$18,691,736</u>	<u>\$19,410,000</u>

At December 31, 2010, aggregate debt service requirements of notes payable through 2015 and thereafter are as follows:

	Principal	Interest	Total
2011	\$1,012,735	\$624,699	\$1,637,434
2012	7,679,287	400,262	8,079,549
2013	1,266,592	324,857	1,591,449
2014	1,337,708	253,742	1,591,450
2015	676,834	195,313	872,147
2016-2020	<u>6,718,580</u>	<u>656,290</u>	<u>7,374,870</u>
Total	<u>\$18,691,736</u>	<u>\$2,455,163</u>	<u>\$21,146,899</u>

Notes payable activity for the years ended December 31, 2010 and 2009 was as follows:

<u>December 31, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2010</u>	<u>Amounts Due Within One Year</u>
<u>\$19,410,000</u>	<u>\$ -0-</u>	<u>(\$718,264)</u>	<u>\$18,691,736</u>	<u>\$1,012,735</u>

<u>December 31, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2009</u>	<u>Amounts Due Within One Year</u>
<u>\$19,830,000</u>	<u>\$ -0-</u>	<u>(\$420,000)</u>	<u>\$19,410,000</u>	<u>\$450,000</u>

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 to Worth 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, 2010, Debt was \$14,312,258 and Worth was \$57,881,505, with a ratio of 0.25 to 1.

(2) Economic Growth Composite Bond Program

The Guarantee Agreement relating to Economic Growth Composite Bonds requires the Authority to establish, in trust, a Cash Collateral Account. This obligation to deliver funds to the trustee is a general obligation of the Authority.

To the extent guarantee payments of principal on the bonds cannot be recovered through collateral liquidation, loan restructure, etc., the Authority's aggregate composite exposure is permanently reduced. At December 31, 2010, aggregate exposure and the cash collateral balance are both \$63,882.

(3) 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, 2010, aggregate exposure and related worth within the Business Growth Fund account are both \$10,000,000.

(b) Loan Program Commitments and Project Financings

At December 31, 2010 the Authority has \$25,704,213 of loan commitments not yet closed or disbursed and \$143,243,434 of project financing commitments.

(c) New Markets Tax Credit Program

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

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

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

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, 2010, the aggregate exposure to the Authority for all of the seven transactions described above is \$54,988,324. The Authority has determined the likelihood of paying on the guaranty, at this time, is remote.

Note 11: 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, 2010 was (\$1,433,898). For accounting and financial reporting purposes, the swap is considered a hedging derivative instrument and report as debt and as a deferred outflow on the balance sheet.

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 \$35,860,000 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 \$15,860,000) and 2.80% on the Series B bonds (notional amount \$20,000,000), while receiving a rate based on the one month LIBOR rate. The swap provider is currently rated AA- by Standard & Poor's.

Credit Risk

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

Rollover Risk

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

Note 12: 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 13: Employee Benefits

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

The Authority's employees participate in the PERS, a cost sharing multiple-employer defined benefit plan administered by the State. The Authority's contribution is based upon an actuarial computation performed by the PERS. Pursuant to the Pension Security Legislation Act of 1997, the issuance of bonds permitted the pension benefit obligation to be fully funded from 1998 to 2004. Beginning in 2005, the Authority was assessed a portion of its normal contribution, which increased each year until 2009, when 100% of the normal contribution was assessed, and for each year thereafter. For the years ending December 31, 2010, 2009 and 2008, the Authority was assessed \$1,029,900, \$743,700, and 549,444 respectively. Employees of the Authority are required to participate in the PERS and contribute 5.5% of their annual compensation. The payroll for employees covered by PERS for the years ending December 31, 2010, 2009 and 2008 was \$13,183,135, \$13,769,583, and \$11,114,716 respectively.

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

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

(b) Postemployment Health Care and Insurance Benefits

The Authority sponsors a single employer postemployment benefits plan that provides benefits in accordance with State statute, through the State Health Benefits Bureau, to its retirees having 25 years or more of service in the PERS and are at least 47 years of age or to employees approved for disability retirement. Health benefits and prescription benefits provided by the plan are at no cost to the retiree. Upon turning 65 years of age, a retiree must utilize Medicare as their primary coverage, with State Health Benefits providing supplemental coverage. In addition, life insurance is provided at no cost to the Authority and the retiree in an amount equal to 3/16 of their average salary during the final 12 months of active employment.

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

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

Pursuant to GASB Statement No. 45 ("GASB 45"), *Accounting & Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the Authority obtained an actuarially determined calculation for this obligation, and has established and funded a trustee administered account to meet it.

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, 2010 and 2009, and the related information for the Plan are as follows (dollar amounts in thousands):

	<u>2010</u>	<u>2009</u>
Annual required contribution (ARC)	\$768	\$3,666
Contributions made	<u>768</u>	<u>3,990</u>
(Increase) in net OPEB obligation	-0-	(324)
Net OPEB Obligation - beginning of year	<u>-0-</u>	<u>324</u>
Net OPEB Obligation - end of year	<u>\$0</u>	<u>\$0</u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for fiscal years 2010, 2009 and 2008 are as follows (dollar amounts in thousands):

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of Annual</u> <u>OPEB Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
12/31/10	\$768	100.0%	\$0
12/31/09	3,666	100.0%	0
12/31/08	633	100.0%	324

As of December 31, 2010, the actuarial accrued liability for benefits was \$16,298,519, none of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$10,973,770, 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, 2010, the balance was \$17,686,967 and interest earnings on the account were \$181,092 in 2010. 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 Authority are subject to continual revision as actual results are compared with past expectations and new estimates are made regarding the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

Note 14: Compensated Absences

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the Authority recorded current liabilities in the amount of \$774,012 and \$753,567 as of December 31, 2010 and 2009, respectively. The liability as of the balance sheet date 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 $\frac{1}{2}$ 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 15: Net Assets

The Authority's Net Assets are categorized as follows:

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

Invested in Capital Assets, Net of Related Debt includes capital assets net of accumulated depreciation used in the Authority's operations as well as capital assets that result from the Authority's real estate development and operating lease activities. Restricted net assets include net assets that have been restricted in use in accordance with State law, such as the Public School Facilities loan program, noted in Note 4. Unrestricted net assets include all net assets not included above. The changes in Net Assets during 2010 and 2009 are as follows:

	Invested in Capital Assets Net of Debt	Restricted	Unrestricted	Totals
Net Assets December 31, 2008	\$58,654,324	\$31,239,841	\$641,009,692	\$730,903,857
Change in net assets	<u>(6,030,926)</u>	<u>(5,553,539)</u>	<u>(14,991,993)</u>	<u>(26,576,458)</u>
Net Assets December 31, 2009	52,623,398	25,686,302	626,017,699	704,327,399
Change in net assets	<u>1,346,530</u>	<u>(6,173,554)</u>	<u>(40,035,873)</u>	<u>(44,862,897)</u>
Net Assets December 31, 2010	<u>\$53,969,928</u>	<u>\$19,512,748</u>	<u>\$585,981,826</u>	<u>\$659,464,502</u>

**NEW JERSEY ECONOMIC DEVELOPMENT
AUTHORITY**
(a component unit of the State of New Jersey)

Required Supplementary Information

Funding Status and Funding Progress. The funding status of the postemployment health care plan as of December 31, 2010 (based on January 1, 2009 valuation date), and the preceding actuarial valuation date of January 1, 2006, are as follows:

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