

ADDENDUM #1

TO THE INVESTMENT POLICY OF THE NEW JERSEY INFRASTRUCTURE BANK

Local Unit BAN Investment Policy

- I. **Policy:** In addition to those investment securities and vehicles that are specifically identified in Section VI of the Investment Policy, the I-Bank may, upon the occurrence of a state-wide emergency as formally declared by the Governor of the State of New Jersey, invest in tax-exempt and taxable bond anticipation notes issued pursuant to the Local Bond Law (each, a “BAN” or “BANs” and, collectively, the “BANs”), that are issued by New Jersey counties and municipalities (each, a “Local Issuer” or a “Local Unit”), as such BANs are more thoroughly defined in Section I(1), below, subject to satisfaction of each of the following conditions set forth in Section I, below, as well as the closing requirements set forth in Section II, below:
 1. **Qualifying BANs:** The BANs that may be the subject of an investment by the I-Bank, pursuant to the terms hereof, shall be limited to those BANs that are both (i) issued as a “roll-over” or a “renewal” by a Local Unit of its previously-issued BAN that has reached its maturity date, and (ii) the subject of a “Failed Sale” as defined in Section I(9) hereof;
 2. **Investment Council Regulations:** Such investments by the I-Bank in BANs issued by Local Issuers shall be (i) permitted pursuant to the rules and regulations of the New Jersey State Investment Council or (ii) approved by the Director of the Division of Investment in the Department of the Treasury upon a finding that such investments are consistent with the corporate purposes of the I-Bank;
 3. **Available Liquidity:** The Investment Officer, in consultation with (i) the Advisory Firm that serves as the financial advisor to the I-Bank with respect to the particular I-Bank Financing Program from which the funds to be invested are derived (the “Financial Advisor”), and (ii) a representative of the New Jersey Department of the Treasury shall make a determination as to the availability of liquidity in the I-Bank’s funds for purposes of investing in BANs, as provided herein;
 4. **Sector Limit:** No more than 40% of the Investment Portfolio may be invested in BANs, as provided herein; and for purposes of calculating this percentage, all funds related to each Financing Program of the I-Bank shall be treated as a separate portfolio investment fund, pursuant to the Investment Policy of the State of New Jersey;
 5. **Issuer Limit:** No single Local Issuer shall exceed the greater of \$5,000,000 or 5.00% of the Investment Portfolio; and for purposes of calculating this percentage, all

funds related to each Financing Program of the I-Bank shall be treated as a separate portfolio investment fund, pursuant to the Investment Policy of the State of New Jersey

6. **Maturity Limit:** No greater than ninety (90) days from the date of issuance of the BAN, provided that the date of issuance succeeds the sale date by ten (10) business days or less; and if the date of issuance succeeds the sale date by more than ten (10) business days, the maturity limit shall be no greater than ninety (90) days from the sale date of the BAN;
7. **Credit Quality:** The Local Issuer (i) has at least one long-term debt rating from any one of the three major recognized NRSROs, and (ii) no such rating by any one NRSRO is lower than A- (or its equivalent); the BANs that are the subject of investment by the I-Bank do not require a rating by an NRSRO;
8. **Interest Rate:** The interest rate shall be determined pursuant to negotiation between the Investment Officer, in consultation with the Financial Advisor, on behalf of the I-Bank, and the Local Issuer;
9. **Prior Marketing Efforts:** The Local Unit must demonstrate, to the satisfaction of the Investment Officer, with respect to its BAN that is being evaluated for investment by the I-Bank, the occurrence of one or more of the following circumstances: (i) the Local Unit previously undertook a competitive sale of such BANs and either (A) no qualifying bids were submitted or (B) each qualifying bid proposed an interest rate that exceeded 250 basis points greater in spread than the most recent similar maturity BAN sale(s) in the State, as determined by the I-Bank in its sole discretion; or (ii) the Local Unit previously undertook a private sale of its BANs and serially engaged in discussions with no less than three different potential purchasers of its BANs (in each case, either (A) a prior purchaser of one or more BANs previously issued by such Local Unit or (B) an institution that is a regular purchaser within the municipal BAN private purchase market within the State), and (1) each of such institutions declined to purchase by private sale the Local Unit's BANs, or (2) those institutions that offered to purchase by private sale the Local Unit's BANs proposed an interest rate that exceeded 250 basis points greater in spread than the most recent similar maturity BAN sale(s) in the State, as determined by the I-Bank in its sole discretion; the occurrence of any one of the foregoing circumstances shall be referred to herein as a "Failed Sale";
10. **Application of the Investment Policy and Exceptions Thereto:** The provisions of the Investment Policy shall otherwise apply to the purchase by the I-Bank of Local Unit BANs, as described in this Addendum #1, with the exception of those sections of the Investment Policy that shall not apply to such purchases as and to the extent that the requirements set forth in such sections are inconsistent with accepted market practices for the purchase and sale of BANs via a private sale between a Local Unit

issuer of BANs and the I-Bank as a private purchaser thereof, which sections of the Investment Policy shall include, without limitation:

- (i) Section VII(1) (“Credit Downgrade”);
- (ii) Section VII(3) (“Authorized Financial Institutions”);
- (iii) Section VII(5) (“Competitive Selection of Investment Instruments”);
- (iv) Section VIII (“Safekeeping and Custody”); and
- (v) any provision of the Investment Policy (including, without limitation, the provisions of Section VI of the Investment Policy) that would otherwise establish a role for the Investment Advisor with respect to the investment by the I-Bank in BANs pursuant to the terms of this Addendum #1.

If there is a conflict between the terms of the Investment Policy and the terms of this Addendum #1, the terms of this Addendum #1 shall prevail.

II. **Execution; Closing:** Prior to an investment by the I-Bank, pursuant to its Local Unit BAN Investment Policy as set forth in this Addendum #1, of any funds held by the I-Bank, the following conditions precedent shall be satisfied:

1. Submission by the Local Unit applicant of an application in a form developed by Investment Officer on behalf of the I-Bank (the “Investment Application”).
2. Submission by the Local Unit applicant of a certification demonstrating compliance with the provisions of Section (I)(9) hereof relating to the prior marketing efforts of the Local Unit and the occurrence of a Failed Sale. Such certification of the Local Unit applicant shall be in a form deemed acceptable by the Investment Officer, shall be signed by an authorized officer of the Local Unit, and, in the case of clause (ii) of Section I(9), above, shall identify by name (including contact information) each of the three potential purchasers with which it has engaged in discussion. Such certification shall form a part of the Investment Application.
3. Submission by the Local Unit applicant of a certification (i) stating that the proceeds of its BANs will not fund any project that constitutes a private business use for purposes of the Internal Revenue Code of 1986, as amended, and the regulations promulgated pursuant thereto (the “Code”), and (ii) addressing any other factual questions that may be identified by Bond Counsel to the I-Bank for purposes of compliance with the Code. Such certification of the Local Unit shall be in a form deemed acceptable by the Investment Officer, shall be signed by an authorized officer of the Local Unit, and shall form a part of the Investment Application.
4. Satisfaction by the Local Unit applicant of (i) the BAN maturity limitation set forth in Section I(6), above, and (ii) the creditworthiness standards of the I-Bank applicable to the Local Unit applicant as set forth in Section I(7), above.

5. Receipt by the I-Bank of the approving opinion of bond counsel to the Local Unit (or a reliance letter with respect thereto) with respect to the BANs issued by such Local Unit and sold to the I-Bank, in a form deemed acceptable by the Investment Officer following consultation with Bond Counsel to the I-Bank and the Office of the Attorney General of the State.
6. Receipt by the I-Bank of such other certifications and closing deliverables as may be deemed necessary or appropriate by the Investment Officer following consultation with Bond Counsel to the I-Bank and the Office of the Attorney General of the State.

III. **Sale of Investment:** Those BANs that are the subject of investment by the I-Bank pursuant to the provisions of Section I and II, hereof, may be sold by the Finance Officer on behalf of the I-Bank, at the following times and in the following manner:

1. **Sale, Generally:** Such BANs may be sold, at the discretion of the Investment Officer, at any time prior to the maturity thereof, regardless of whether the state-wide emergency, as formally declared by the Governor of the State of New Jersey (as provided in Section I hereof), continues or has concluded. In engaging in any such sale of BANs, the Investment Officer shall act in furtherance of the introduction of liquidity into the BAN market within the State pursuant to the objectives of this Addendum #1, provided that such efforts do not conflict with the best investment interests of the I-Bank and the preservation of I-Bank funds invested in such BANs.
2. **Sale of BANs Individually or via Collective Portfolio:** The Finance Officer, pursuant to his or her discretion, may sell all or selected BANs held by the I-Bank (i) individually to one or more purchasers thereof or (ii) as a collective portfolio of all or a portion of its BANs to a single purchaser of such portfolio. The particular BANs selected for sale by the Finance Officer may be identified and chosen by the Finance Officer pursuant to his or her discretion.
3. **Sale by Negotiation:** The purchaser of any individual BAN or a collective portfolio of BANs, as applicable, shall be selected by the Finance Officer by negotiation pursuant to his or her discretion, but subject to the demonstration by such purchaser of one or more of the following selection parameters: (i) the purchaser possesses experience with municipal and county BAN markets; (ii) if applicable, the purchaser presents to the I-Bank novel concepts for the purchase of a collective portfolio of all or a portion of the BANs held by the I-Bank; (iii) the purchaser possesses sufficient capital for purposes of the proposed transaction with the I-Bank; and (iv) the purchaser presents pricing terms that serve the New Jersey BAN market liquidity objectives of the I-Bank pursuant to this Addendum #1.
4. **Necessity of Sale by Negotiation:** It is hereby deemed necessary that a purchaser of BANs pursuant to the terms hereof be selected by the Finance Officer by negotiation pursuant to his or her discretion, but subject to the above selection parameters, due to the following New Jersey BAN market considerations: (i) the need for the I-Bank to

- act in an expeditious and timely fashion in response to New Jersey BAN market developments, including, in particular, illiquidity developments in such market; (ii) the state-wide emergency, as formally declared by the Governor of the State of New Jersey (as provided in Section I hereof) that has resulted in illiquidity in the New Jersey BAN market, and the need for expeditious and timely action by the I-Bank, pursuant to the terms of this Addendum #1, as a response to such emergency; and (iii) the limited and fluid market for New Jersey BANs.
5. **Portfolio Rating:** In the case of the sale by the I-Bank of a collective portfolio of BANs, the Finance Officer, pursuant to his or her discretion, may obtain a rating of such portfolio from any one of the three major recognized NRSROs, to the extent such rating(s) will enhance the marketability of such portfolio.
 6. **Closing:** The sale of BANs pursuant to the provisions hereof shall satisfy such closing conditions precedent as shall be established by the Finance Officer, pursuant to his or her discretion, following consultation with Bond Counsel to the I-Bank and the Office of the Attorney General of the State.
 7. **Application of the Investment Policy and Exceptions Thereto:** The provisions of the Investment Policy shall otherwise apply to the sale by the I-Bank of BANs, as described in this Section III, with the exception of those sections of the Investment Policy that shall not apply to such sales as and to the extent that the requirements set forth in such sections are inconsistent with accepted market practices for the sale of BANs via a negotiated sale by the I-Bank to the purchasers described herein, which sections of the Investment Policy shall include, without limitation:
 - (i) Section VII(1) (“Credit Downgrade”);
 - (ii) Section VII(3) (“Authorized Financial Institutions”);
 - (iii) Section VII(5) (“Competitive Selection of Investment Instruments”);
 - (iv) Section VIII (“Safekeeping and Custody”); and
 - (v) any provision of the Investment Policy (including, without limitation, the provisions of Section VI of the Investment Policy) that would otherwise establish a role for the Investment Advisor with respect to the sale by the I-Bank of BANs pursuant to the terms of this Section III.

If there is a conflict between the terms of the Investment Policy and the terms of this Section III, the terms of this Section III shall prevail.