New Jersey Infrastructure Bank

INVESTMENT POLICY

Amended & Restated
April 2020

POLICY AND PROCEDURE

NO. 1.22

SUBJECT: Investment Policy

REVISION HISTORY:	Adopted:	12/03/2005	Effective:	12/23/2005
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	Revised	04/09/2020	Effective:	04/27/2020

PURPOSE: To define and clarify (i) the investment standards required and allowable of all fiduciaries with regards to the funds under the control of the NJIB, and, (ii) the procedures to be followed to ensure compliance with clause (i).

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1. Responsibilities – I-Bank CA$H-on-Hand

INTERNAL

I-Bank Board of Directors

- Appoints Investment Committee Members
- Approves Investment Policy
- Approves exceptions to Policy
- Authorizes the awarding of the contract for Investment Advisory Services
- Authorizes the awarding of the contract for Custodial Services

Investment Committee

- Annual Review of Investment Policy
- Oversight of Investment Activities
- Reviews quarterly and annual summary investment reports
- Monitors credit downgrade situations
- Recommends final selection of Investment Advisory Firm

Investment Officer (Exec. Dir.)

- Advises the Investment Committee
- Evaluates RFPs and recommends Investment Advisory Firm to Committee
- Reviews credit downgrade situations
- Reviews monthly, quarterly and annual investment reports
- Determines appropriate benchmarks for each account
- Reconciles positions in Investment reports and Custodial reports

I-Bank Staff

- Assists Investment Officer
- Limited to money market investments without advice of Investment Advisor

EXTERNAL FIRMS

Investment Advisory Firm

[PFM-AM*]

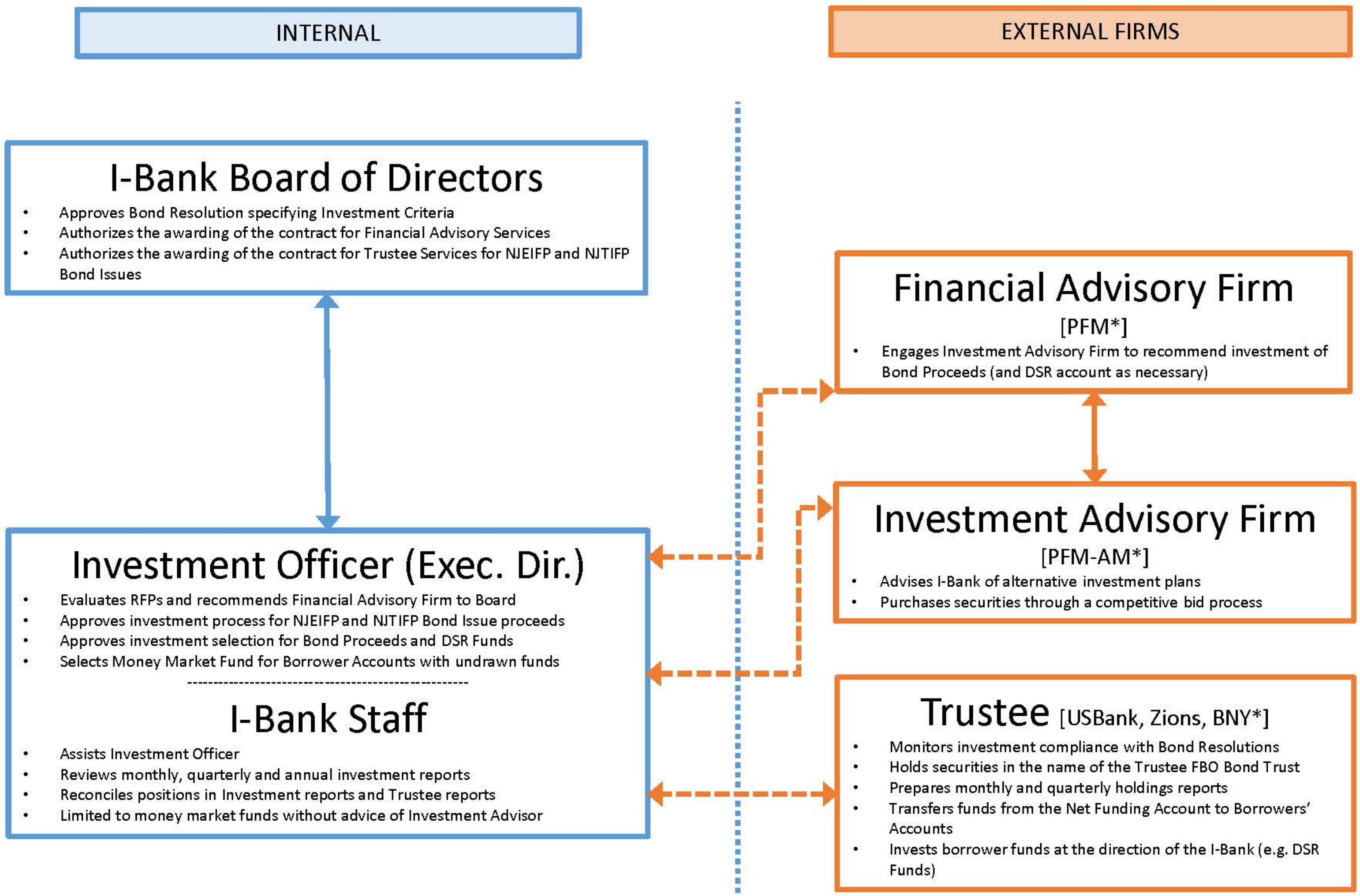
- Recommends/chooses specific securities compliant with Investment Policy
- Purchases securities through a competitive bid process (minimum of 3 bids)
- Monitors and manages compliance with investment policy
- Prepares monthly, quarterly and annual reports

Custodian [TD Bank, Wells*]

- Holds securities in the name of the I-Bank
- Issues safekeeping receipt to the I-Bank
- Issues Monthly holdings report

* [External firms] which are currently under contract. Continued service subject to competitive bid procurement.

2. Responsibilities - Bond Proceeds



* [External firms] which are currently under contract. Continued service subject to competitive bid procurement.

I. Purpose

The purpose of this Investment Policy Statement (“Policy”) is to set forth the investment and operational policies for the management of the Investment Activities (“Activities”) on behalf of the New Jersey Infrastructure Bank ("I-Bank").

The underlying policies are designed to ensure that the Activities are consistent with the I-Bank’s overall financial needs and result in compliance with the Policy, the prudent management of invested funds, the timely availability of operating, administrative, and capital funds, all while generating a sound Investment Return.

Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in “Investment Policy Defined Terms” attached hereto as Exhibit A.

II. Scope

This Policy governs the overall administration and investment management of all funds available for investment (“Investment Portfolio”) by or on behalf of the I-Bank, including, without limitation, the Proceeds of bonds or notes issued by the I-Bank, funds utilized for Debt Service Reserve purposes, funds of the State of New Jersey, funds appropriated to the New Jersey Department of Environmental Protection (“DEP”) and funds appropriated to the New Jersey Department of Transportation (“DOT”). This Policy may only be superseded by and shall be subject to the terms and provisions of (i) bond resolutions duly adopted by the I-Bank and specific to bonds or notes issued by the I-Bank and the Proceeds of such bonds or notes, and (ii) the New Jersey State Investment Code for funds of the I-Bank, the State, the DEP or the DOT. This Policy shall apply to Investment Portfolio funds from the time of receipt until such time that the funds are no longer held by or on behalf of, or are the responsibility of, the I-Bank. The guidance set forth herein is to be strictly followed by all those responsible for any aspect of the Activities and management or administration of the Investment Portfolio, including I-Bank staff, I-Bank Board members, I-Bank’s executive personnel, and, when applicable, the I-Bank’s outside Investment Advisory Firm.

III. Investment Objectives

The primary objective of the I-Banks’s Activities, in order of priority, shall be (i) safety of Principal, (ii) Liquidity, and (iii) yield/Investment Return.

1. Safety of Principal

Safety of Principal is the foremost objective of the Activities. The objective is to mitigate both credit risk and interest rate risk.

a. <u>Credit Risk</u>

The I-Bank will seek to minimize credit risk, defined as the risk of an adverse change in market value or loss of Principal due to either (i) the actual or perceived failure of the Issuer of any security held in the I-Bank’s portfolio, or (ii) the actual or perceived failure of an Investment Intermediary performing investments services to the I-Bank by:

- Limiting investments to the types of securities listed in Section VI of this Policy;
- Pre-qualifying the Financial Institutions, Brokers/Dealers, intermediaries, and advisors with which the I-Bank will do business (See Section VII.3 of this Policy for specific criteria);
- Diversifying the Investment Portfolio so that the impact of potential losses from any single asset class or Issuer will be minimized;
- Limiting Counterparty Risk by following the provisions in Section VII.3 of this Policy, maintaining an approved list of pre-approved counterparties, and having programs in place to monitor those pre-approved counterparties. The I-Bank may rely on outside Investment Advisory Firm(s) for maintaining the list of pre- qualified counterparties and having adequate Due Diligence programs in place; and
- Limiting the Trading Exposure or the amount of trades outstanding with any one counterparty at any given time. Except for Activities associated with bond sale Proceeds, neither the I-Bank nor any of its representatives shall execute and have outstanding investment trades with one counterparty at any given time, whereby the Principal amount represented by such trades exceeds 20% of all Investable Funds thereby minimizing the risk of loss or litigation to the Investment Portfolio should the counterparty be unable to fulfill its obligation for any reason.

b. Interest Rate Risk

The I-Bank will seek to minimize interest rate risk, the risk that the market value of securities in the portfolio will fall due to rising interest rates, by:

- Structuring the Investment Portfolio so that security maturity dates meet cash requirements for ongoing operations, and that Durations are managed in-line with the liability nature of each individual fund, thereby avoiding the need to sell securities prior to Maturity.
- Limiting the Duration of each individual account to between 85% and 110% of the Duration of the identified Benchmark for each account. Such Durations shall be identified each quarter and investment compliance of this requirement shall be stated in the I-Bank's quarterly performance reports.

2. Maintenance of Liquidity

The Investment Portfolio shall be structured to meet all operating requirements that may be reasonably anticipated. This shall be accomplished by structuring the Investment Portfolio so that securities mature concurrent with cash needs to meet anticipated demands (Static Liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist of securities with active secondary or resale markets (Dynamic Liquidity).

Monthly cash flow analyses will be conducted by the Investment Officer, with the assistance of the Investment Advisory Firm to ensure that the Investment Portfolio is positioned to provide sufficient Liquidity.

3. Return on Investment

The Investment Portfolio shall be designed with the objective of attaining an optimized market Rate of Return throughout budgetary and economic cycles, taking into account the investment risk constraints and Liquidity needs of the I-Bank. Return on Investment is of secondary importance compared to the safety and Liquidity objectives described above.

IV. Internal Procedure and Governance

1. Investment Committee

Duly appointed members of the NJIB Board of Directors ("Board") shall be appointed by Board resolution to serve as the I-Bank's Investment Committee ("Investment Committee"). The Investment Committee shall meet at a minimum of once a year to review the progress of the Activities. By adoption of this Policy, the Board hereby grants oversight of the Activities to the Investment Committee. The Investment Committee may, at its discretion, refer any matter to the Board for discussion and action.

This Policy shall be reviewed at least annually by the Investment Committee and the Investment Officer (as hereinafter defined) to ensure its (i) consistency with the overall objectives of the I-Bank and the Activities (ii) compliance with applicable law, as well as (iii) relevance to financial and economic trends. Any modifications to this Policy will be recommended by the Investment Officer to the Committee and approved by the Board.

2. Delegation of Authority

Management responsibility for the Activities is delegated by the Board to the I-Banks's Executive Director (herein referred to as the "Investment Officer"), with support from the Assistant Director of the I-Bank and the Chief Financial Officer of the I-Bank, and under the general direction of the Investment Committee. The Investment Officer shall act in accordance with established written procedures and internal controls for the operation of the Activities in a manner consistent with this Policy. If so affirmed by the Investment Committee and in accordance to the Investment Advisory Firm selection process as detailed in Section IV.3 of this Policy, the Investment Officer may delegate certain investment management responsibilities to an outside Investment Advisory Firm. The Investment Advisory Firm must abide by all terms of this Policy as stipulated in the terms of the contract for Investment Services agreed to by the Investment Advisory Firm and the I-Bank.

3. Competitive Selection of Investment Advisory Firm

It may be the policy of the I-Bank to delegate certain investment management responsibilities to a qualified institution through a formal and competitive Investment Advisory Firm selection process.

The I-Bank shall solicit bids through a Request for Proposal ("RFP") and evaluate all received responses. An Evaluation Committee, made up of no fewer than three (3) staff members of the I-Bank, including the Investment Officer, (the "Evaluation Committee") shall review the proposals submitted in response to the RFP. Through the Evaluation

Committee, the Investment Officer shall make recommendations to the Investment Committee, which will then evaluate these recommendations and make a final recommendation to the Board. Proposals will be evaluated based on the major evaluation criteria set forth in the Procurement Policy and considering the following factors:

- The proposed cost for services and the methodology stated for setting Investment Advisory Firm compensation;
- The Investment Advisory Firm's experience and capability to efficiently manage funds, maintain accounts and records, and provide all required services;
- The experience and qualifications of the Investment Advisory Firm's team proposed for the Activity;
- The sufficiency of the Investment Advisory Firm's assets to assume and execute required responsibilities;
- The Investment Advisory Firm's reputation as a respected, nationally known, experienced investment management firm;
- Investment Services available and offered by the Investment Advisory Firm; and
- The Investment Advisory Firm's online capabilities and functionality available to the I-Bank.

V. Standards of Care

1. Standards of Prudence

There are currently two commonly accepted standards of care in the United States with respect to the general management of investment funds; (i) Prudent Person Rule and (ii) Prudent Expert Rule:

(i) Prudent Person Rule directs fiduciaries as follows - "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." *(Harvard College v. Armory (1830) MA)*.

(ii) Prudent Expert Rule directs fiduciaries as follows – A portfolio shall be managed "with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent man acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims by diversifying the investments of the funds, so as to minimize the risk, considering the probable income as well as the probable safety of their capital." *(Employee Retirement Income Security Act (ERISA), Section 404(a)(1)(B)).*

(n.b. The main difference between these standards is the "familiar with such matters" clause, which suggests a higher level of standard required by the "Expert" and the acceptance of a portfolio approach to investments under the Expert Rule which allows for greater flexibility involving individual investment decisions).

Management of the I-Bank's investment Activities, responsibilities and action, as outlined in this Policy, by the I-Bank Board, Investment Committee, Investment Officer, and staff regarding funds available for investment on the I-Bank's behalf shall be subject to the "Prudent Person" standard. Further, the Investment Officer and staff, acting in accordance with this Policy and exercising Due Diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that any deviations from the Policy are reported to the Committee in a timely fashion.

While the Prudent Person Rule is the standard of prudence to be used by investment officials who are officers or employees of the I-Bank, any person or firm, including, without limitation, the Investment Advisory Firm, hired or retained to invest, monitor, or advise the I-Bank concerning the Investment Portfolio and the Activities shall be held to the higher standard of "Prudent Expert".

2. Ethics and Conflict of Interest

Any person involved in the investment process and the Activities, either employed by the I-Bank, or hired as an advisor to the I-Bank, including, without limitation, the Investment Advisory Firm (including any individual employed thereby who is assigned by such employer to provide services to the I-Bank, on behalf of such employer, in connection with this Policy), shall refrain from personal business activity that could conflict with the proper execution and management of the Activities, or that could impair their ability to make impartial decisions. These persons shall not:

1) Accept any money, loan, gift, favor, service, or business or professional opportunity that could influence them in the performance of their official duties with respect to the Activities;
2) Accept any business or professional opportunity when they know there is a reasonable likelihood that the opportunity is being afforded to influence them in the performance of their official duties;
3) Enter into any personal investment transactions with the same individual with whom business is conducted on behalf of the I-Bank; or
4) Disclose or use confidential information that is not generally available to the public for their own or another person's financial benefit.

The responsibilities of I-Bank employees pursuant to the State of New Jersey Conflict of Interest's standards and Rules of Professional Conduct are neither superseded nor limited by this Policy.

VI. Authorized Investments and Asset Classes

The I-Bank is permitted to invest in those investment securities and vehicles that are specifically listed below , provided, however, that, at the time any investment is made, (i) such investment shall be (a) permitted pursuant to the rules and regulations of the New Jersey State Investment Council or (b) 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, and (ii) if and to the extent the amounts being invested constitute Proceeds of bonds or notes of the I-Bank, such investment shall be permitted pursuant to the terms and provisions of the duly adopted bond resolution of the I-Bank pursuant to which such bonds or notes were issued.

Investments made without the advice of the Investment Advisor should be limited to, permissible money market funds.

Credit criteria listed in this section refer to the credit of the issuing organization at the time the security is purchased. Only credit ratings of Nationally Recognized Statistical Rating Organizations ("NRSRO") will be observed and considered, including Standard & Poor's, Moody's Investor Service, and Fitch Ratings Service. Ratings are provided by category. For example, the second highest rating category will include bonds rated AA+, AA and AA- for Standard & Poor's and Fitch Ratings and Aa1, Aa2 and Aa3 for Moody's Investors Service.

Investment Portfolio percentage restrictions by security type and Issuer are applicable only on the date of purchase of the investment and are based on market value at the Investment Portfolio fund level as defined by the State's Investment Policy. All Funds related to each specific program of the NJIB shall be treated as separate investment portfolio funds pursuant to the State's Investment Policy and held in segregated accounts at one or more Custodial Banks.

1. Government Investments

1) Direct Obligations of the United States of America and securities fully and unconditionally guaranteed as to the Timely Payment of Principal and interest by the United States of America, provided that the Full Faith and Credit of the United States of America must be pledged to any such Direct Obligation or guarantee ("Direct Obligations").
   a. Sector Limit: the I-Bank may hold 100% of the Investment Portfolio in this asset class.
   b. Maturity Limit: no greater than twenty (20) years at time of purchase.

2) Any obligation that a Federal Agency or a Federal Instrumentality has issued in accordance with an act of Congress.
   a. Sector Limit: the I-Bank may hold up to 75% of the Investment Portfolio in this asset class.
      – Mortgage-Backed Securities shall make up no more than 10% of the Investment Portfolio.
   b. Issuer Limit: no single Issuer shall exceed 35% of the Investment Portfolio.
   c. Maturity Limit: no greater than ten (10) years at time of purchase, unless the security type is a Callable or Mortgage-Backed Security. Callable Federal Agency Securities shall be further limited to a five (5) year Maturity limit at the time of purchase. Mortgage-Backed Securities shall have a maximum Duration no greater than five (5) years at the time of purchase.

3) Municipal Obligations. Taxable and tax-exempt securities issued only by states and state agencies in the United States may be purchased if the following conditions are

met:

a. Sector Limit: up to 30% of the Investment Portfolio may be invested in Municipal Obligations as described above.
b. Issuer Limit: no single Issuer shall exceed 5% of the Investment Portfolio.
c. Maturity Limit: no greater than five (5) years at the time of purchase.
d. Credit Quality: the Issuer has a long-term debt rating in one of the two highest categories by at least two NRSROs and is rated not lower than AA (or its equivalent) by any one NRSRO, or a minimum short-term rating in the top category by at least two NRSROs, depending on whether the security is issued with short-term or long-term ratings.

4) Municipal Obligations of Local Units, Subject to Limited Circumstances. Such municipal obligations as are described in Addendum #1 hereto, as and to the extent permitted therein.

2. Money Market and Money Market-like Investments

1) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52: 18A-90.4), if the following conditions are met:
   a. Sector Limit: up to 100% of the Investment Portfolio may be invested in this asset class.

2) Money Market Mutual Funds may be purchased, if the following conditions are met:
   – Fund must be registered with the U.S. Securities and Exchange Commission ("SEC") as a Money Market Mutual Fund, comply with SEC Rule 2a-7, and maintain a stable Net Asset Value ("NAV");
   – Investment is permitted in Treasury-Only, Government and "Prime" funds;
   – Fund sponsor must be domiciled in the United States of America; and
   – Before investing in any fund, the most current prospectus must be obtained and reviewed by the Investment Officer or the Investment Advisory Firm.
   a. Sector Limit: up to 100% of the Investment Portfolio may be invested in this asset class.
   b. Fund Limit: The I-Bank may hold 100% of the Investment Portfolio in Treasury-only or Federal Government-only funds. No other single fund shall exceed 50% of the Investment Portfolio.
   c. Credit Quality: the fund is rated in the top Money Market Mutual Fund category by any one NRSRO.

3) Agreements for the repurchase of fully Collateralized securities, if:
   – The Custody of Collateral is transferred to a Third Party;
   – The Maturity of the agreement is not more than 30 days;
   – The underlying securities are purchased through a Public Depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41);
   – A Master Repurchase Agreement providing for the custody and security of collateral is executed; and
   – The Fair Market Value of the securities in relation to the amount of the

repurchase obligation, including Principal and interest, must be equal to at least 102%.

a. Sector Limit: up to 10% of the Investment Portfolio may be invested in this asset class.
b. Issuer Limit: no single Issuer shall exceed 10% of the Investment Portfolio. For purposes of clarity, other than short-term, Repurchase Agreements described in this Section (VI.2), Guaranteed Investment Contracts (GICs), Forward Delivery Agreements and other such Structured Investment Products are prohibited investments unless agreed to on a case-by-case basis by a vote of the full Board.

3. Corporate Securities

Corporate Debt instruments, including Commercial Paper, Corporate Notes, Certificates of Deposit, Bank Deposit Notes, and Bankers' Acceptances. In aggregate, these instruments are limited by Sector and Issuer as follows:

- Sector Limit: in the aggregate, up to 50% of the Investment Portfolio may be invested in Corporate Debt instruments of the types listed below;
- Industry Limit: in aggregate, no greater than 25% of the Investment Portfolio may be invested in Corporate Debt Issuers that are categorized by industry type as "Financials"; and
- Issuer Limit: no single Corporate Debt Issuer shall exceed 5% of the Investment Portfolio.

1) **Bankers' Acceptances**. Bankers' Acceptances issued by a domestic bank or a Federally Chartered Domestic Office of a foreign bank, which are eligible for purchase by the Federal Reserve System may be purchased for the Investment Portfolio if the following conditions are met:
   - Maturity Limit: no greater than one hundred-eighty days (180) days; and
   - Credit Quality: the issuing corporation, or its guarantor, has a short-term debt rating in the highest category by at least two NRSROs.

2) **Commercial Paper**. Unsecured short-term debt of U.S. domiciled corporations may be purchased for the Investment Portfolio if the following conditions are met:
   - Maturity Limit: no greater than two hundred-seventy (270) days; and
   - Credit Quality: the issuing corporation, or its guarantor, has a short-term debt rating in the highest category by at least two NRSROs.

3) **Certificates of Deposit and Bank Deposit Notes**. Deposit obligations of domestic banks and Federally Chartered Domestic Offices of foreign banks may be purchased for the Investment Portfolio if the following conditions are met:
   - Maturity Limit: no greater than one (1) year at the time of purchase; and
   - Credit Quality: the issuing corporation, or its guarantor, has a short-term debt rating in the highest category by at least two NRSROs or a long-term debt rating in the highest two categories by at least two NRSROs and is rated not lower than A (or its equivalent) by any one NRSRO.

4) **Corporate Notes**. Senior debt obligations issued by corporations organized and operating under the laws of the United States may be purchased if the following conditions are met:
   - Maturity Limit: no greater than five (5) years at the time of purchase; and
   - Credit Quality: the issuing corporation has a long-term debt rating in one of the three highest categories by at least two NRSROs and is rated not lower than A (or its equivalent) by any one NRSRO.

VII. Policy Considerations

1. Credit Downgrade

If a security(ies) in the Investment Portfolio is downgraded to a level below the quality required by this Policy, the Investment Officer shall consult with the Investment Advisory Firm to review the credit situation of the security(ies). Upon completion of such review, the Investment Officer shall make a determination as to whether to sell or retain such security(ies) in the Investment Portfolio and provide a written report to the Committee, informing the Committee of the situation, the investment decision, and the justification for a such a decision.

If a decision is made to retain a downgraded security in the Investment Portfolio, its presence in the Investment Portfolio will be monitored and reported monthly, in writing, to the Investment Officer and the Committee.

2. Exemptions

If the Investment Portfolio falls out of compliance with this Policy, the Investment Advisory Firm shall notify the Investment Officer and present a plan of action, the objective of which will be to bring the Investment Portfolio back into compliance with the Policy. The Investment Officer shall provide regular written reports with respect to such developments to the Committee for as long as the Investment Portfolio is non- compliant with this Policy.

3. Authorized Financial Institutions

All transactions of individual investments shall be executed with qualified Broker/Dealers that meet all of the following criteria:

a. Primary Dealers and regional Dealers that qualify under Securities and Exchange Commission Rule 15c3-1 (uniform net capital rule);
b. Capital of at least $25,000,000;
c. Registered as a Dealer under the Securities Exchange Act of 1934;
d. Member of the Financial Industry Regulatory Authority (FINRA);
e. Registered to sell securities in the State of New Jersey; and
f. Engaged in the business of effecting transactions in authorized investments of this Policy for at least five (5) consecutive years.

The I-Bank may delegate the selection of qualified Broker/Dealers to its Investment Advisory Firm.

4. **Sale of Securities**

From time to time, securities held in the Investment Portfolio may be traded for other similar securities to improve yield, Maturity, and/or credit risk. For these transactions, a loss may be incurred for accounting purposes, provided any of the following occurs with respect to the replacement security:

a. Yield has been increased;
b. Maturity has been adjusted in anticipation of interest rate changes; or
c. Quality of the investment has been improved.

5. **Competitive Selection of Investment Instruments**

It will be the policy of I-Bank to transact all security purchases/sales only with qualified institutions through a formal and competitive process requiring the solicitation and evaluation of at least three bids/offers. The I-bank will accept the offer which (a) provides the highest Rate of Return within the Maturity required; and (b) optimizes the investment objective of the overall Investment Portfolio. When selling a security, the I-bank, or when designated, the Investment Advisory Firm on behalf of the I-Bank, will select the bid that generates the highest sale price. A report of all bid results shall be electronically transmitted or faxed, by the Investment Advisory Firm, the Financial Advisor or other Financial Intermediary who was responsible for managing the bid process, to the Investment Officer for additional record keeping at the I-Bank. Records of all transactions shall be stored electronically and made available by the Investment Officer to any member of the Committee upon request.

VIII. Safekeeping and Custody

All investment securities purchased for the Investment Portfolio or held as collateral on deposits or investments shall be held by the I-bank or by a third-party Custodial Agent who may not otherwise be a counterparty to the investment transaction. All securities in the Investment Portfolio shall be held in the name of the I-Bank.

Further, all investment transactions will be conducted on a Delivery vs. Payment (DVP) basis. DVP is a means of limiting risk in financial transactions, whereby payment is made through a third-party intermediary simultaneously as securities are delivered and accepted. The Custodial Agent shall issue a safekeeping receipt to the I-Bank listing the specific instrument, Rate, Maturity, and other pertinent information. On a monthly basis, the Custodial Agent will also provide reports that list all securities held for the I-Bank, including the book and market values of holdings as of month-end. The I-Bank will reconcile its account holdings monthly with its custodian's records.

IX. Performance Standards

The Investment Portfolio shall be structured and managed with the objective of obtaining a market Rate of Return throughout budgetary and economic cycles, commensurate with the investment risk constraints and cashflow needs of the I-Bank. Appropriate Benchmarks shall be selected for comparison to the various accounts that make up the Investment Portfolio and identified in all quarterly performance reports to the Committee.

X. Reporting

The Investment Officer shall prepare or have prepared an investment report on a monthly basis. The report will include the following:

a. Listing of individual securities held at the end of the reporting period.
b. Listing of investments by Maturity date.
c. Percentage of the total portfolio that each type of investment represents.
d. Average Weighted Yield to Maturity of investments.

Additionally, on at least a quarterly basis, the Investment Officer shall prepare or have prepared a written investment report that, in addition to the above requirements, includes a management summary that provides analysis of the status of the current Investment Portfolio and transactions made over the last quarter. The Investment Officer shall provide the quarterly overview report to the Committee. The report will show the investments held in, and performance for, the Investment Portfolio and individual accounts, and shall include a comparison to the relevant Benchmarks for each account, for the current quarter and year-to-date period.

XI. Exceptions to this Policy; Inconsistent Provisions

(1) In the event of purchases or sales of municipal obligations of Local Units pursuant to Section (VI)(1)(4) of this Policy and Addendum #1, those requirements of this Policy as identified in Addendum #1 hereto shall not apply to such purchases as and to the extent provided in Addendum #1 hereto.

(2) Exceptions to this Policy are prohibited without the prior written approval of the I-Bank Board.

XII. Investment Policy Adoption

This Policy is adopted by the Board of Directors of the I-Bank this 9th day of April 2020.

XIII. Exhibit A: Defined Terms

Advisory Firm: A firm that provides professional investment or financial advice to an organization or an individual for a fee. The primary purpose of an Advisory Firm in this case, is to provide subject matter expertise as well as access to industry-specific specialists and advisors.

Average Weighted: To aggregate data into an average, based on the relative value weights of each data point. For example, to calculate the average interest rate of a group of securities, it is useful to calculate the average on a weighted basis, with the yield of each security being given a weighting based on the dollar value of that security as a percentage of the dollar value of all the securities.

Bankers Acceptances: A type of investment that is used to facilitate trade transactions between two entities, especially useful in trading international goods. Bankers' Acceptances are used as a short-term investment instrument and are usually traded at a discount from face value on the basis of the credit quality of the guaranteeing bank. Typically issued with maturities less than one year; may be rated with a short-term rating by any NRSRO (see subsequent definition).

Bank Deposit Notes: A debt security issued by a bank and backed by federal deposit insurance up to the FDIC insurance coverage amount (the current standard deposit insurance amount is $250,000 per depositor, per insured bank, for each account ownership category).

Benchmark: An Investment Portfolio whose overall performance is used as a market index for measuring the comparative performance of a managed Investment Portfolio. A performance Benchmark should represent a close correlation to the investment guidelines and risk tolerance of the managed Investment Portfolio.

Bond Proceeds: The total monies paid to the Issuer by the purchasers of a new issue of bonds.

Broker/Dealers: A person or firm transacting securities business with customers. A Broker acts as an agent between buyers and sellers and receives a commission for these services. Dealers trade financial assets from their own Investment Portfolios, placing their own capital at risk in the trade. A Dealer takes risk by owning an inventory of securities, whereas a Broker merely matches up buyers and sellers.

Callable Bond/Security: Securities which contain an option that provides the Issuer the right to redeem the securities prior to the stated original Maturity, at a predetermined price and time.

Certificates of Deposit (CDs): Obligations issued by a bank or thrift institution, generally offering a fixed Rate of Return for a specified period of time. CDs may be rated with a short-term or long-term rating, depending on the original Maturity date and may be backed by FDIC insurance coverage.

Collateralized: Process by which a borrower pledged securities, property, or other deposits for securing the repayment of a loan and/or security.

Commercial Paper: Short-Term unsecured Corporate (promissory) Notes, issued at a discount with a redemption value at Maturity equal to par or face value. Maximum Maturity is typically 270 days; may be rated with a short-term rating by an NRSRO.

Corporate Notes/Debt: Unsecured debt instruments issued by a corporation with a Maturity of greater than one year; may be rated with a long-term rating by an NRSRO.

Counterparty Risk: The risk that the other party to a transaction will fail in its related obligations. For example, in the case of buying a security, the risk that the Broker/Dealer will not deliver the security to an entity's custodian on the agreed-upon date.

Custody of Collateral: Collateral (including but not limited to cash, Government securities, securities, real estate, commodities, and assets) held by a Custodial Agent.

Credit Downgrade: A reduction in the rating assigned to an Issuer. A rating agency downgrades the debt of a company or governmental entity when its ability to meet its financial obligations deteriorates or is expected to deteriorate.

Custodial Agent: A Financial Institution that holds a customer's securities, in the customer's name, to minimize the risk of their theft or loss. Service normally includes the holding and reporting of the customer's securities and values, the collection and disbursement of income/coupon payments and maturities received.

Debt Service Reserve Fund: An account usually funded in whole or in part with Bond Proceeds. This account is set aside in reserve to pay debt service if revenue sources are insufficient to pay debt service.

Delivery vs. Payment (DVP): Settlement procedure in which securities are delivered simultaneously upon the transfer of cash payment for said securities. Most security transactions are performed via DVP as a protection for both parties to a transaction.

Direct Obligation: A security issued under obligation of the U.S. Government, backed by the Full Faith and Credit of the Federal Government.

Due Diligence: Exercising proper care when presenting or acting on a potential investment, idea, or strategy, with a goal of avoiding or preventing unanticipated harm.

Duration: A measurement of interest rate sensitivity, which shows the effective Maturity of a fixed income obligation, using the average of the time to each revenue stream (coupon or Principal payment) made on the obligation on a weighted basis. The greater the Duration of an obligation, the greater the percentage price sensitivity/volatility with respect to changes in interest rates.

Dynamic Liquidity: Obligations having active secondary or resale markets.

Fair Market Value: The price that a given asset or security is expected to sell for in the market, at a specific point in time.

Federal Agency: Government sponsored/owned entity created by the U.S. Congress, generally for the purpose of acting as a Financial Intermediary by borrowing in the marketplace (issuing bonds and notes) and directing Proceeds to specific areas of the economy. The most common federal agencies are GNMA, FNMA, FHLMC, FHLB, FFCB, and TVA.

Federal Instrumentality: An entity that serves a public purpose and is closely tied to federal and/or state government.

Federal Reserve System: The independent central bank system of the United States that establishes and conducts the nation's monetary policy. The Federal Reserve System is made up of twelve Federal Reserve District Banks, their branches, and many national and state banks throughout the nation. It is headed by the seven-member Board of Governors known as the "Federal Reserve Board" and led by its Chairman.

Federally Chartered Domestic Office: Financial Institutions authorized and regulated by the federal government rather than the state government.

Financial Institutions: An entity that focuses its business on transacting in the financial markets, such as investments, loans and deposits. Conventionally, Financial Institutions are composed of organizations such as banks, Broker/Dealers, custodians, insurance companies, and trust companies.

Financials: Issuers that focus their business on providing financial services, such as banks and trust companies.

FINRA: Financial Industry Regulatory Authority, a private corporation that acts as a self-regulatory organization (SRO), performing financial regulation of member brokerage firms and exchange markets. FINRA is the successor to the National Association of Securities Dealers, Inc. (NASD).

Forward Delivery Agreements: An agreement for the delivery of an underlying asset at a date agreed upon in a forward contract. At the Forward Delivery date, one party will supply the underlying asset and the other will purchase the asset at a price agreed upon at the onset of the contract or trade date.

Full Faith and Credit: The unconditional guarantee that accompanies the interest and Principal of obligations issued by in this case, either the United States of America or U.S. Municipalities.

Guaranteed Investment Contracts (GICs): Insurance contracts that guarantee the repayment of Principal and a fixed or floating interest rate for a predetermined period.

Government MM: A Money Market Mutual Fund that invests in high-quality, short-term Money Market instruments that consist of U.S. Government obligations and Repurchase Agreements Collateralized by U.S. Government obligations.

Intermediary: An entity that acts as a Broker between two parties in a financial transaction.

Investable Funds: The aggregate amount of funds available for investment.

Investment Committee: The Committee, made up of certain members of I-Bank Board of Directors, according to the I-bank's Investment Policy which oversees the investment and operational policies and Activities for I-Bank investment program.

Investment Portfolio: All funds available for investment on I-Bank behalf.

Investment Return: Investment performance measured over a period of time that includes income received and any realized and unrealized gains or losses. Realized gains are captured when a security is sold, whereas unrealized gains are estimated gains on paper for current holdings and are thus not yet realized.

Investment Services: Those services offered by an investment advisor related to the prudent management of the I-Bank's Investment Portfolio.

Issuer: An entity that develops, registers, and sells securities for financing its operations. Issuers are legally responsible for the obligations of the issue and for reporting financial conditions, material developments and any other operational Activities required by the regulations of their jurisdictions.

Liquidity: The relative ease of converting an asset into cash; also, a relative measure of cash and near-cash items in a portfolio of assets.

Local Unit: A New Jersey county or municipality.

Long-Term Debt Rating: An NRSRO's forward-looking opinion of the general creditworthiness of an Issuer over a period exceeding the next 365 days.

Master Repurchase Agreement: An agreement that is used to govern and document Repurchase Agreements (see subsequent definition) and protect the interest of parties in a Repurchase Agreement transaction.

Maturity: Date on which the final Principal payment of a financial obligation is to be paid and the obligation satisfied in full.

Maturity Limit: A limit to the length of time until financial obligations reach Maturity, set forth by an entities' investment policy.

Money Market Funds: A type of mutual fund generally believed to provide daily Liquidity, which invests solely in short-term market instruments, generally having maturities less than one year such as: U.S. Treasury bills, Commercial Paper, Bankers' Acceptances, and Repurchase Agreements.

Mortgage-Backed Securities: Mortgage-Backed Securities represent an ownership interest in a pool of mortgage loans made by Financial Institutions, to finance the borrower's purchase of a home or other real estate. The majority of Mortgage-Backed Securities are issued by Federal Agencies, including GNMA, FNMA and FHLMC. Mortgage- Backed Securities carry specific reinvestment risks as Principal and interest payments are uncertain and dependent on the timing of payments on underlying mortgages as determined and paid by the mortgage borrowers (homeowners). Expected payment streams are sometimes "prepaid," when homeowners refinance or sell their properties.

Municipal Obligations: A security issued by a state, municipality, or county to finance its capital expenditures.

Net Asset Value (NAV): The market value of one share of an investment company, such as a Money Market Mutual Fund.

New Jersey State Investment Code: Regulations, including those of the New Jersey State Investment Council, governing the permitted investments as well as the limitations of investments in various assets and securities for public entities operating in New Jersey.

NRSRO: Nationally Recognized Statistical Rating Organization, an organization of which the SEC has deemed to have a strong national presence in the United States of America. Examples include: Fitch, Moody's, and S&P.

Prime MM: A Money Market Mutual Fund that invests in high-quality, short-term Money Market instruments that consist of U.S. Government obligations, Repurchase Agreements, and Corporate Debt instruments.

Principal: The face value of a financial instrument on which interest accrues, or the original investment amount.

Prudent Person: A legal adage restricting a fiduciary's discretion in a client's account by directing that "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." *(Harvard College v. Armory (1830) MA)*.

Prudent Expert: A measure contained in Section 404(a)(1)(B) of the Employee Retirement Income Security Act (ERISA) that requires the fiduciary of a defined contribution retirement plan to use the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent man acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims by diversifying the investments of the funds, so as to minimize the risk, considering the probable income as well as the probable safety of their capital." The "familiar with such matters" language has been interpreted to mean "expert". This language creates an important distinction from the earlier Prudent Person guideline, in that it holds fiduciaries to a stricter standard of care and action. In addition, the Prudent Expert identification of a portfolio approach suggests that individual security decisions, taken out of context of an entire portfolio, may be imprudent.

Public Depository: A public entity that accepts deposits of cash for safekeeping of behalf of the depositor.

Rate: Amount of expected earnings/(payments) received/(owed) from/(on) an investment/(liability), expressed as a percentage of the funds that were invested/(borrowed).

Repurchase Agreement: A short-term investment vehicle in which an investor agrees to buy securities from a counterparty and simultaneously agrees to resell the securities back to the counterparty at an agreed upon time and for an agreed upon price. The difference between the purchase price and the sale price represents interest earned on the Agreement.

Return on Investment (ROI): The economic benefit of investing. ROI is calculated by first subtracting the cost of the investment from the gains of the investment, then dividing the difference by the cost of the investment. (See below.)

[(Gain from Investment) - (Cost of Investment)] / (Cost of investment)]

SEC Rule 2a-7: Rule 2a-7 of the Investment Company Act of 1940, which restricts the quality, Maturity, and diversity of investments by Money Market Funds.

Sector Limit: The maximum amount of money that an entity can invest in any one asset class. Sectors are widely defined as U.S. Treasuries, federal agencies, Corporates, Municipals, and Money Market Funds.

Short-Term Debt Rating: Short-Term Debt Rating looks at the probability of an entity defaulting or being unable to repay a financial obligation within a one-year time frame. In contrast, a Long-Term Debt Rating evaluates the same probability beyond the one-year time horizon.

State of New Jersey Cash Management Fund: An NAV money-market-like investment fund, administered and managed by the New Jersey Department of Treasury, which provides a legal depository for State, municipal or school district funds.

Static Liquidity: Structuring an Investment Portfolio such that securities will mature, and investment funds will be available in cash form concurrent with the expected cash demands/Liquidity needs of the investor.

Structured Investment Products: Investment products designed to specifically meet an investor's financial needs, typically derived from a security, portfolio of securities, index, commodity, or debt issuances.

Third Party: An individual or entity that is involved in a transaction but is not one of the principals.

Timely Payment: A payment that has been paid on or before the due date, to ensure there is no default or accrual of any interest or penalties.

Trading Exposure: The dollar amount of outstanding trades with a single counterparty, expressed as a percentage of Investable Funds of the I-Bank. The I-Bank has established a limit such that the amount of outstanding trades with any one counterparty shall not exceed 20% of Investable Funds of the I-Bank and thereby has mitigated the risk that the default of any single trading counterparty cause irreparable harm to the I-Bank's Investment Portfolio.

Treasury Securities: Collective term used to describe debt instruments backed by the U.S. Government and issued through the U.S. Department of the Treasury. Includes Treasury bills, Treasury notes, and Treasury bonds.

Treasury-only MM: A Money Market Mutual Fund that invests in nothing but short-term U.S. Treasury Securities and other securities that are 100% backed by U.S. Treasuries.

Yield to Maturity: Calculated Return on Investment (ROI), assuming all cash flows from the security are reinvested at the same original yield. There are different day count conventions for calculating YTM for various types of securities.

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.