New Jersey Sports and Exposition Authority

Financial Statements
as of and for the Years Ended
December 31, 2005 and 2004, and
Independent Auditors' Report

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY

TABLE OF CONTENTS

Deloitte & Touche LLP
Two Hilton Court
Parsippany, NJ 07054-0319
USA

Tel: +1 973 683 7000
Fax: +1 973 683 7459
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Chair and Members of
New Jersey Sports and Exposition Authority
East Rutherford, New Jersey

We have audited the accompanying consolidated statements of financial position of New Jersey Sports and Exposition Authority (the "Authority"), a component unit of the State of New Jersey, as of December 31, 2005 and 2004, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. We also audited the financial information included in Schedules A, B, and C. These consolidated financial statements and schedules are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 and schedules, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2005 and 2004, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying Schedules A, B, and C have been prepared pursuant to the requirements of State law and Authority bond resolutions and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America. However, in our opinion, Schedules A, B, and C present fairly, in all material respects, the assets and liabilities of the Authority at December 31, 2005 and 2004, and the revenues and reserves for the years then ended in conformity with the accounting principles described in Note B-2.

The "Management's Discussion and Analysis" is not a required part of the consolidated financial statements but is supplemental information required by the Governmental Accounting Standards Board. The supplemental information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management of the Authority regarding the methods of measurement and presentation of this supplemental information. However, we did not audit such information and we do not express an opinion on it.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements and Schedules A, B, and C taken as a whole.

Deloitte & Touche LLP

April 19, 2006

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction to the Annual Report

This annual report consists of four parts; Management's Discussion and Analysis ("MD&A"), Consolidated Financial Statements, Notes to the Consolidated Financial Statements and Supplemental Information.

Management's Discussion and Analysis:

- This section of the Authority's financial statements, the MD&A, presents an overview of the Authority's financial performance during the years ended December 31, 2005 and 2004. It provides an assessment of how the Authority's position has improved or deteriorated and identifies the factors that, in management's view, significantly affected the Authority's overall financial position. It may contain opinions, assumptions or conclusions by the Authority's management that should not be considered a replacement for, and must be read in conjunction with, the other financial statements described below.

The Financial Statements include:

- The Consolidated Statements of Financial Position, or "Consolidated Statements of Assets, Liabilities and Fund Balances" which provide information about the nature and amounts of investments in resources (assets) and the obligations to New Jersey Sports and Exposition Authority creditors (liabilities).

- The Consolidated Statements of Operations and Changes in Net Assets, or "Consolidated Statements of Revenues and Expenses," "Statements of Changes in Fund Balance" and the "Statements of Changes in Net Assets" which account for all of the current year's revenues and expenses, measure the success of the Authority's operations over the past year and can be used to determine how the Authority has funded its costs.

- The Consolidated Statements of Cash Flows which provides information about the Authority's cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities.

The Notes to the Financial Statements provide:

- Information that is essential to understanding the basic financial statements, such as the Authority's accounting methods and policies.

- Details of contractual obligations, future commitments and contingencies of the Authority.

- Any other events or developing situations that could materially affect the Authority's financial position.

Schedules and Supplemental Information:

- Provides special presentations of the Authority's financial information in accordance with various Bond Resolution requirements.

The Authority's Business

The Authority is engaged in the business of owning, operating and managing sports, entertainment, wagering, and convention facilities throughout the State of New Jersey. It was created as a quasi-governmental instrument of the State not only for the purpose of generating revenues from these activities but also to generate sales tax revenues and provide economic stimulus to the regions surrounding the facilities. Of course, only the result of the Authority's direct activities are discussed in this annual report.

Below is a description of the Authority's separate projects:

The Meadowlands Sports Complex—East Rutherford, New Jersey

Meadowlands Racetrack—consists of a five-level glass enclosed grandstand with seating for approximately 8,000, an outdoor ramp and trackside park for approximately 32,000 additional spectators and 2 restaurants, a one-mile track for both harness and thoroughbred racing, 16 barns and other support buildings for 1,635 horses. Its revenues are generated from commissions on live and simulcast pari-mutuel wagering, parking, admissions, program and concessions sales.

Account Wagering—began operations in October of 2004 as a joint venture with New Jersey Account Wagering, LLC for the purpose of implementing an account wagering system in the state. The Authority operates and manages the system, which allows account holders to make wagers through an Internet connection or an automated telephone system.

Giants Stadium—provides approximately 80,200 seats on four levels and includes 20,000 parking spaces adjacent to the stadium. Its revenues are generated from leases and license agreements with the Giants and Jets football franchises and the Metrostars soccer team, rental of 72 mezzanine level suites, as well as, various college football games, concerts and other events.

Stadium Suites Project—46 additional luxury suites and club seats (consisting of 6 super suites, 14 terrace suites and 26 tower suites) were constructed onto Giants Stadium in 1998. Under an agreement with the Giants and Jets net rental revenues from these suites, after expenses and debt service payments, are distributed equally between the Authority and the two franchises.

Continental Airlines Arena—is a 20,000 seat indoor arena with 28 private suites, containing approximately 466 seats, and 4,000 of its own parking spaces. Its revenues are generated from leases and license agreements with the Nets professional basketball team, the Devils professional hockey team and other sporting events, family shows and concerts.

Xanadu Project—A multi-use attraction currently under construction on the Continental Airlines Arena site to consist of approximately 5 million square feet of gross space containing entertainment, conference facility, office, restaurant and ancillary retail components.

Other—additionally, the Sports Complex generates revenues from selling advertising signage and naming rights at and around the three facilities, and from events such as fairs and outdoor markets held in the Complex's parking lots.

Monmouth Park Racetrack—Oceanport, New Jersey

Monmouth Park Racetrack—consists of a one-mile oval track for thoroughbred racing, grandstand and clubhouse seating for 18,000 spectators, 68 luxury open-air boxes and parking for 14,000 vehicles. Support facilities include 40 barns for 1,550 horses and dormitories for approximately 900. Its revenues are generated from commissions on live and simulcast pari-mutuel wagering, parking admissions, program and concessions sales.

Other—additionally, income is generated from advertising signage located at various locations around the facility.

The Atlantic City Convention Centers—Atlantic City, New Jersey

The Atlantic City Convention Center—consists of a 486,000 square foot contiguous exhibition space, 114,000 square feet of meeting space, and a 648,000 square foot parking garage, which generate rental, parking, concession and other services revenues, such as providing trade show and convention-related labor, electrical and telecommunication services.

The Historic Boardwalk Hall—is a recently renovated 10,000 to 14,000 seat special events center, which hosts concerts, minor league hockey, family shows and a various other public events. It is adjoined by the West Hall, which serves as a staging area for Boardwalk Hall events and provides additional parking when necessary.

Marketing Operations—the Atlantic City Visitors' Bureau actively markets the convention center and boardwalk hall to prospective customers and promotes tourism in the greater Atlantic City area. Operations of the facilities are funded by marketing fees imposed on the hotels in Atlantic City.

Other—luxury tax imposed by the State on hotel room rentals, cover charges, drinks and admissions paid within Atlantic City are paid to the Authority to first make debt payments on bonds issued to construct and renovate the facilities, and then to cover any operating shortfalls.

The Greater Wildwoods Convention Center—Wildwood, New Jersey

The Wildwoods Convention Center—consists of a recently constructed facility situated on the boardwalk in Wildwood, New Jersey, consisting of a 72,000 square foot exhibition floor and parking for 700 vehicles. Rental of the space for trade shows, concerts, conventions and meetings comprise the center's revenues.

Other—similar to Atlantic City the towns of Wildwood, North Wildwood, and Wildwood Crest impose a tourism tax on retail sales. Ninety percent of these revenues are provided to the Authority to pay debt related to the convention centers, as well as to operate, maintain and promote the facilities.

NJSEA Insurance Company, Inc. —Vermont

NJSEA Insurance Company— was created by the NJSEA to engage in the business of acting as a pure captive insurance company under Title 8, Chapter 141 insurance statutes of the State of Vermont. NJSEA Insurance's mission is to continue, develop, and improve the insurance and risk management needs as required by the Authority. The Authority and the NJSEA Insurance Company are component units of the State of New Jersey and Vermont, respectively.

Financial Analysis

The following sections will discuss the significant changes in the Authority's financial position for 2005. Additionally, an examination of major economic factors and industry trends that have contributed to the Authority's operations are provided. It should be noted that for purposes of this MD&A, summaries of the financial statements and the various exhibits presented include information from the Authority's financial statements, which are prepared in accordance with generally accepted accounting principles.

Highlights

Total Operating Revenues increased from 2004 by approximately $11,978,000, due to land lease revenues recognized of $31,244,000 related to the Xanadu entertainment facility project. These revenues were offset by lower operating revenues at the Racetracks, Stadium and Arena of $10,443,000, $7,006,000 and $1,345,000, respectively, reflecting a declining horse racing industry and the effects of renegotiated lease terms with a Stadium tenant and an NHL lockout at the Arena. Convention Center revenues were only slightly lower compared to the previous year.

Total Operating expenses (before depreciation) were higher than the previous year by $23,600,000 due also primarily to expenses related to the Xanadu entertainment facility project of $32,158,000. Operating expenses at the Racetracks were lower by $4,156,000 due to continued cost cutting efficiencies. Stadium, Arena and Convention Centers' operating expenses were also lower by $3,834,000, $287,000 and $698,000 respectively due primarily to a renegotiated tenant lease at the Stadium, and generally fewer events compared to the previous year. General and Administrative costs increased $437,000 over the prior year and was due primarily to a normal salary increase.

Financial Summaries

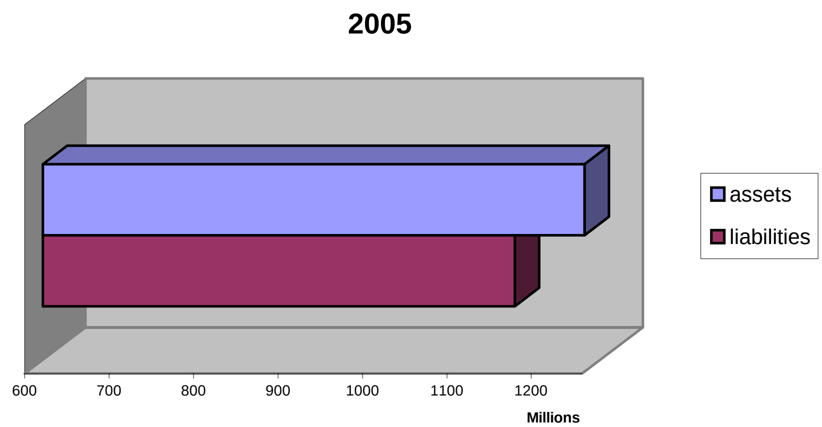
The following exhibits and tables provide a condensed summary and basic explanation of the changes in the financial statements described above, which are also presented in full detail in this annual report.

EXHIBIT 1

Condensed Statements of Financial Position (Balance Sheet)

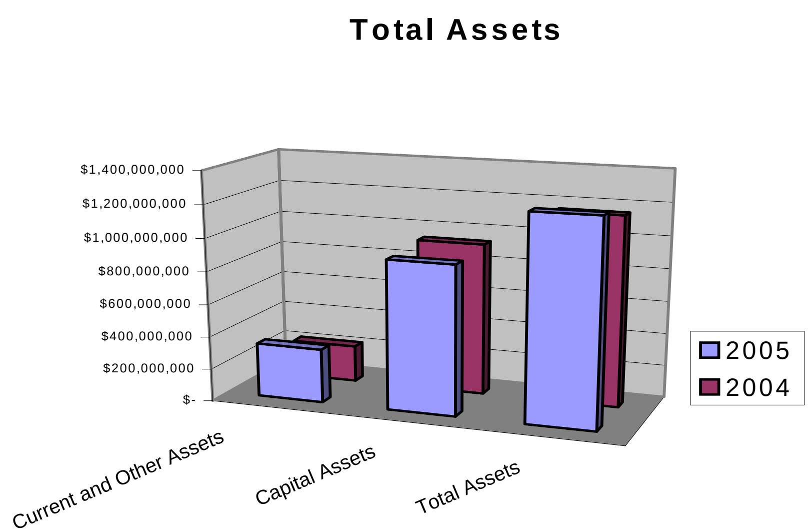
	December 31, 2005	2004	2003
Current and other assets	$ 331,166,000	$ 224,505,000	$ 262,189,000
Capital assets	910,278,000	934,656,000	962,190,000
Total assets	1,241,444,000	1,159,161,000	1,224,379,000
Current and other liabilities	(333,013,000)	(210,949,000)	(206,374,000)
Long-term liabilities	(826,100,000)	(851,876,000)	(900,564,000)
Total liabilities	(1,159,113,000)	(1,062,825,000)	(1,106,938,000)
Net assets	$ 82,331,000	$ 96,336,000	$ 117,441,000

As illustrated below the Authority's assets exceeded its liabilities by $82,331,000 in 2005:



Significant changes in Assets include:

- An increase in Cash and Cash Equivalents of approximately $67,000,000 due primarily to Xanadu land lease payments received.
- Net Investment in Facilities decreased approximately $24,400,000 due to depreciation partially offset by normal capital replacement and improvement projects.
- An increase of approximately $40,186,000 in Accounts Receivable due primarily to the Xanadu Project redevelopment agreement, and the Account Wagering venture.



Total Liabilities increased by approximately $96,288,000 and was due primarily to**:**

An increase in Deferred Revenues due to up-front land lease payments of $132,000,000 received related to the Xanadu project offset by total debt repaid or defeased during the year of approximately $45,183,000.

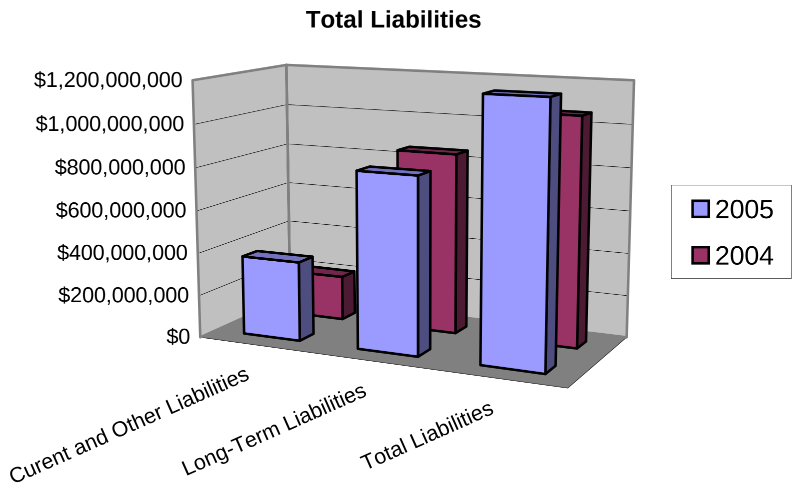


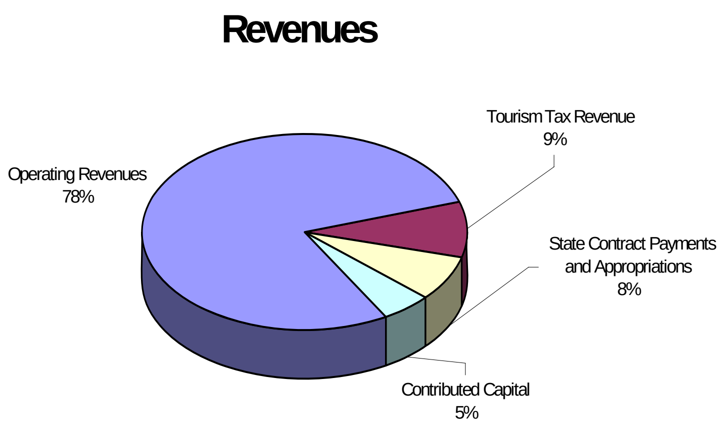
EXHIBIT 2

Condensed Statements of Revenues, Expenses, and Changes in Net Assets

	Years Ended December 31, 2005	2004	2003
Operating Revenues	$ 309,769,000	$ 297,791,000	$ 314,511,000
Operating Expenses Excluding Depreciation	(309,391,000)	(285,771,000)	(293,119,000)
Operating Revenues Net of Operating Expenses	378,000	12,020,000	21,392,000
Depreciation Expense	(48,802,000)	(46,168,000)	(46,313,000)
Operating Loss	(48,424,000)	(34,148,000)	(24,921,000)
Nonoperating Income and Expenses:			
Luxury Tax, Marketing Fee and Tourism Tax Revenue	37,451,000	34,130,000	30,760,000
State Contract Payments and Appropriations	30,174,000	29,269,000	29,527,000
Interest Income and Other	(53,651,000)	(69,106,000)	(54,840,000)
(Loss) before Contributed Capital	(34,450,000)	(39,855,000)	(19,474,000)
Contributed Capital	20,445,000	18,750,000	17,565,000
Decrease in Net Assets	$ (14,005,000)	$ (21,105,000)	$ (1,909,000)

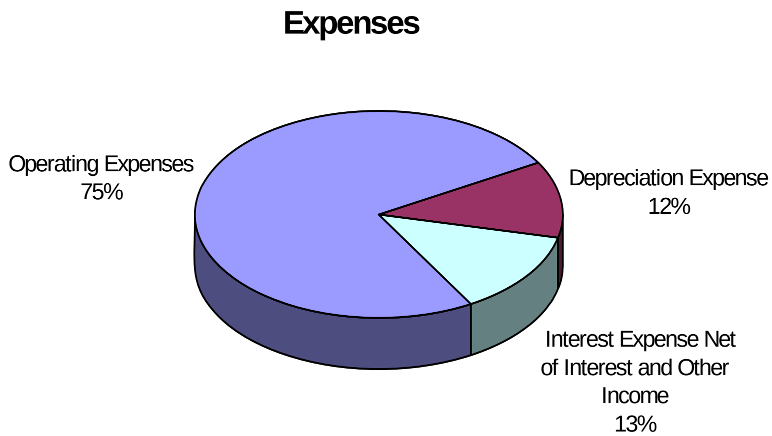
While the Balance Sheets show the financial position or net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provide answers as to the nature and source of these changes. Increases in Net Assets consist of:

- Operating revenues, which are the total revenues generated at all the facilities.
- State Contract Payments, Contributed Capital and State Appropriations that are principal debt payments serviced by the State on bonds issued by the Authority for major acquisition, capital, and renovation projects.
- Luxury tax, marketing fee and tourism tax revenues are funds collected by the State for construction, development, operation and promotion of the Atlantic City and Wildwoods Convention Centers as well as to repay the debt incurred on these projects.



Decreases in Net Assets consist of:

- Operating expenses, which represent the costs associated with running the facilities except for costs of a capital nature that are depreciated.
- Depreciation expense which recognizes the cost of capital assets, such as buildings, equipment and improvements, over the life of the asset, usually between 2 and 60 years.
- Interest expense, which is the interest paid and accrued on the Authority's debt net of interest income generated on cash reserves held in cash and short-term investments.



Operating Highlights

- Operating revenues net of operating expenses of $19,617,000 at The Meadowlands and Monmouth Park Racetracks was approximately $5,365,000 lower than in 2004 due to lower live and simulcast attendance and handle and nine weather-related cancelled race days, partially offset by lower operating costs.

- Operating revenues net of operating expenses at Giants Stadium was $21,201,000 in 2005, approximately $3,172,000 lower than in 2004, which was due to a renegotiated lease with a major tenant, lower Energy rebates, offset by additional concerts and NFL games.

- Operating revenues net of operating expenses at the Continental Airlines Arena was approximately $1,058,000 lower than in 2004 due mainly to lower suites revenues along with greater losses from unplayed Devils games due to the 2004-2005 NHL season lock-out.

- Operating revenues net of operating expenses at the Atlantic City and Wildwoods Convention Centers increased in 2005 by approximately $226,000 due primarily to higher event revenues and continued cost cutting efforts.

- General and Administrative expenses increased by approximately $114,000 in 2005, primarily due to normal salary related increase.

- Xanadu operating revenues represent the recognition of the land lease revenue from the Xanadu Project for one half year amounting to approximately $4,000,000 and the purchase of the wetlands mitigation rights on the Empire Tract for $26,800,000. Expenses include consulting costs associated with construction activity on site and acquisition costs of the wetlands mitigation bank.

- Finally, revenues of approximately $2,665,000 were generated for the first complete year of operations from the newly launched account-wagering venture.

REVENUES, EXPENSE AND OPERATING INCOME

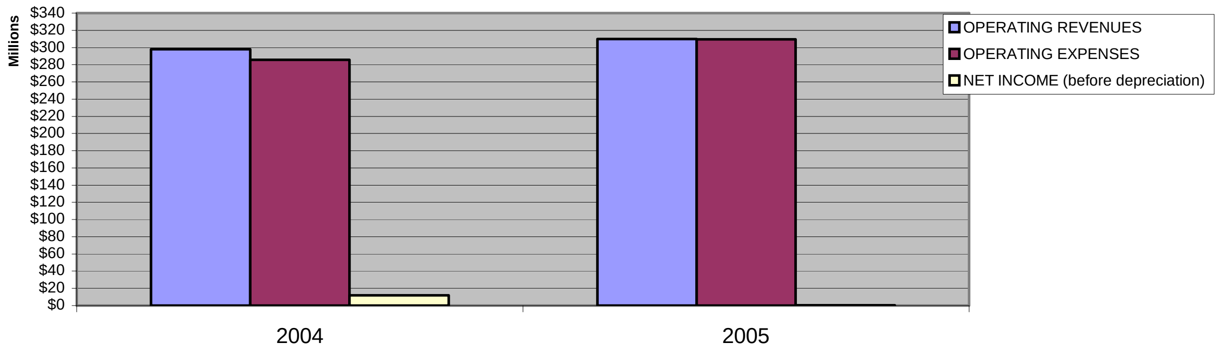
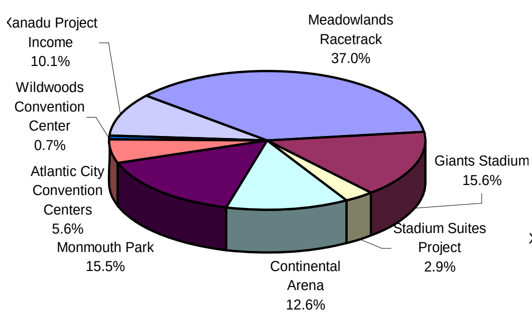


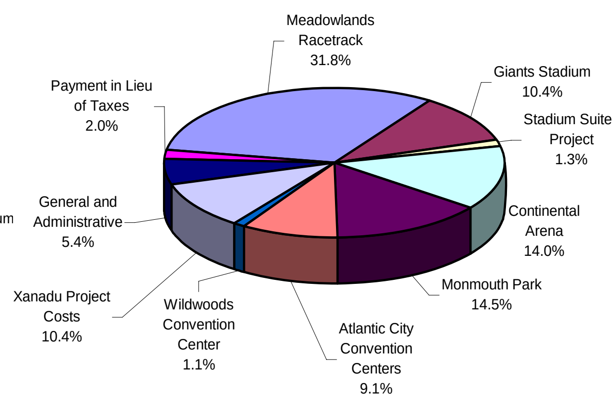
EXHIBIT 3

Operating Revenues and Expenses by Facility

Operating Revenues



Operating Expenses Excluding Depreciation



Meadowlands Racetrack	$ 114,657,000
Giants Stadium	48,304,000
Stadium Suites Project	9,073,000
Continental Arena	38,959,000
Monmouth Park	48,139,000
Atlantic City Convention Centers	17,254,000
Wildwoods Convention Center	2,139,000
Xanadu Project Income	31,244,000
Total Operating Revenue	$ 309,769,000

Meadowlands Racetrack	$ 98,362,000
Giants Stadium	32,120,000
Stadium Suites Project	4,054,000
Continental Arena	43,270,000
Monmouth Park	44,817,000
Atlantic City Convention Centers	28,292,000
Wildwoods Convention Center	3,535,000
Xanadu Project Costs	32,158,000
General and Administrative	16,552,000
Payment in Lieu of Taxes	6,232,000
Total Operating Expenses Net of Depreciation	$ 309,392,000

Economic Conditions

The Authority's business spans several industries that are affected by many different economic forces in different ways. In order to achieve maximum efficiency and success in its operations the Authority must identify economic trends and continually implement strategies to adapt to changing economic conditions.

Racing

Live racing revenues depend upon the level of attendance and size of wager the Authority can attract. Both of these factors can be attributed to the quality of racehorses, which in turn is a result of the size of the purses paid to horsemen. The Authority's racetracks compete with other spectator activities and other forms of gaming such as lotteries and casinos. As can be seen in Exhibit 4, total attendance has been declining and causing a decrease in live and simulcast wagers made at the facilities (On-Track handle). Additionally, the weakening of the simulcast transmission handle, which is generated from broadcasts of races transmitted to other tracks and gaming facilities, reflects a maximization of simulcast locations capable of receiving broadcasts throughout the United States. Account Wagering, which has over 5,000 accounts, an increase of 2,000 from 2004, has an average daily average handle of $125,400.

EXHIBIT 4

Racing Statistics

	Meadowlands and Monmouth Park Racetracks				
	2005	**2004**	**2003**	**2002**	**2001**
Live Race Days	272	286	285	296	285
Attendance	2,574,154	2,679,700	2,698,500	2,871,900	2,947,300
Live Handle	$ 165,556,316	$ 187,750,660	$ 189,324,061	$ 214,022,000	$ 230,980,000
Reception Handle	518,664,903	532,632,765	549,922,595	575,929,000	579,622,000
On-Track Handle	684,221,219	720,383,425	739,246,656	789,951,000	810,602,000
Transmission Handle	662,449,749	736,692,189	742,476,740	747,586,000	764,487,000
Account Wagering Handle	45,131,000	4,710,200			
Total Handle	$ 1,391,801,968	$ 1,461,785,814	$ 1,481,723,396	$ 1,537,537,000	$ 1,575,089,000

Stadium and Arena

Stadium and Arena events also partly depend on the level of attendance that can be generated in terms of the amount of parking, concessions and admission revenues that can be collected, but, as can be seen below, years with higher attendance and number of events were not necessarily more profitable. This is largely due to the variable nature of rental fees, participation agreements, and guaranteed payments that event-promoters and tenants negotiate for a given utilization of the facilities. These factors are often dictated by market factors such as comparable competing facilities, interest in the event, and regional economic conditions.

EXHIBIT 5

Stadium and Arena Events

	Giants Stadium and Continental Airlines Arena				
	2005	**2004**	**2003**	**2002**	**2001**
Number of Events	243	243	289	292	260
Total Attendance	3,704,100	3,676,900	4,626,300	4,534,400	4,293,100
Net Revenue From Events	$17,806,100	$20,142,300	$28,099,600	$18,501,500	$ 17,178,100

South Side Stadium Suite revenues after operating expenses and debt service and contributions to capital improvements are shared equally under an operating agreement with the NFL franchises that play their games at the stadium. These revenues are relatively stable and have not fluctuated greatly.

Atlantic City and Wildwood—The Atlantic City and Wildwoods Convention Centers also depend heavily on the number and size of events they can attract but also rely on the performance of the tourism and gaming industries with which they co-exist. Details of event statistics are presented below.

EXHIBIT 6

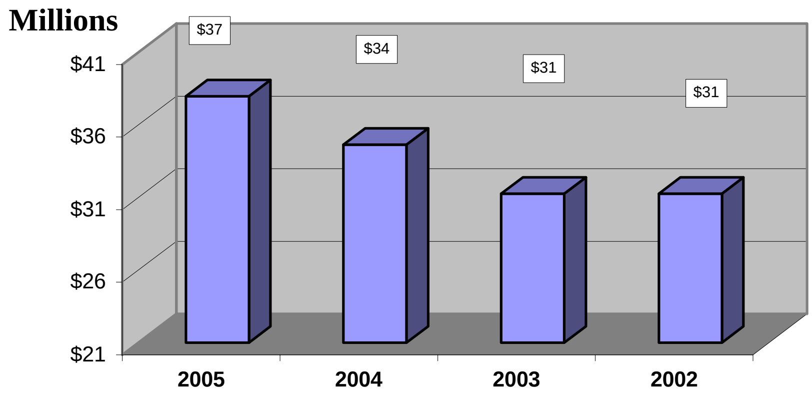
Convention Center Events

	2005	**2004**	**2003**	**2002**	**2001**
Number of Event Days	742	768	909	698	577
Total Attendance	943,728	1,043,788	1,063,108	1,154,735	740,302
Net Revenue from Events	$ 7,383,017	$ 6,611,000	$ 6,250,537	$ 6,234,900	$ 5,209,600

There was a substantial decrease in the number of Event Days due to less scheduled events in the Convention Center and the loss of events at the Historic Boardwalk Hall. Although, there was a decrease in event days, profitability before fixed costs increased due to fewer smaller events held and more major events, as well as expenses lowered due to continuous efforts to control costs.

Similarly, luxury tax, marketing fee and tourism tax revenues rely heavily upon the tourism, hospitality and gaming industries in the region. For that reason, marketing and promotion of the centers is important to continued growth.

Luxury Tax, Marketing Fee, Tourism Tax



	2005	2004	2003	2002
Luxury Tax	$26,247,000	$ 21,322,000	$ 18,420,000	$18,883,000
Marketing Fee	7,756,000	9,900,000	9,363,000	8,577,000
Tourism Tax	3,448,000	2,908,000	2,967,000	3,288,000
Totals	$37,451,000	$34,130,000	$30,760,000	$30,748,000

Capital Assets

At the end of 2005, the Authority had a net investment in capital assets of $910,278,000 at a total capital cost of $1,480,133 net of accumulated depreciation of $569,855,000 as shown in Exhibit 7.

EXHIBIT 7

Capital Assets

	December 31, 2004	Additions	Transfers and Deletions	December 31, 2005
Meadowlands Sports Complex	$ 714,607,000	$ 12,291,000	$ -	726,898,000
Monmouth Park Racetrack	68,489,000	6,449,000		74,938,000
Historic Boardwalk Hall	192,216,000	3,208,000		195,424,000
Atlantic City Convention Center	333,569,000	548,000		334,117,000
Wildwoods Convention Center	75,929,000	1,369,000		77,298,000
Giant Stadium South Side Suites	46,376,000	82,000		46,458,000
	1,431,186,000	23,947,000		1,455,133,000
Leasehold Rights	25,000,000			25,000,000
Total Capital Assets	1,456,186,000	23,947,000		1,480,133,000
Less Accumulated Depreciation	(521,530,000)	(48,325,000)		(569,855,000)
Capital Assets net of Accumulated Depreciation	$ 934,656,000	$ (24,378,000)	$ -	$ 910,278,000

Additions to capital during 2005 consisted of Arena roof repairs, a new complex-wide radio communication system, an electrical transformer and a new turf course at Monmouth Park. There were no dispositions in 2005.

The Leasehold Rights refer to the Authority's right to rent the Club Box level suites during events at Giants Stadium.

Capital Assets (continued)

	December 31, 2003	Additions	Transfers and Deletions	December 31, 2004
Meadowlands Sports Complex	$ 702,180,000	$ 12,427,000	$ -	714,607,000
Monmouth Park Racetrack	56,257,000	12,232,000		68,489,000
Historic Boardwalk Hall	189,835,000	2,381,000		192,216,000
Atlantic City Convention Center	333,052,000	517,000		333,569,000
Wildwoods Convention Center	74,765,000	1,164,000		75,929,000
Giant Stadium South Side Suites	46,316,000	60,000		46,376,000
	1,402,405,000	28,781,000		1,431,186,000
Leasehold Rights	25,000,000			25,000,000
Construction-in-Progress	10,294,000		(10,294,000)	
Total Capital Assets	1,437,699,000	28,781,000	(10,294,000)	1,456,186,000
Less Accumulated Depreciation	(475,509,000)	(46,021,000)		(521,530,000)
Capital Assets net of Accumulated Depreciation	$ 962,190,000	$ (17,240,000)	$ (10,294,000)	$ 934,656,000

Additions and transfers to capital during 2004 consisted of the completion of the Energy Project at Monmouth Park Racetrack. There were no dispositions in 2004.

The Leasehold Rights refer to the Authority's right to rent the Club Box level suites during events at Giants Stadium.

Budgetary Controls

The Authority adopts Operating and Capital Plans that are approved by its Board of Directors prior to the start of each new year. Budgets are a measure of the Authority's financial performance and accountability and are reviewed and revised, although not formally, on a monthly basis throughout the year.

Conclusion

This section of the Annual Report has been provided to assist readers in getting a general overview of the Authority's business, financial position and fiscal accountability for the funds it generates and receives. If you should still have questions about any information in this report you are requested to contact the Finance Department of the New Jersey Sports and Exposition Authority.

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2005 and 2004
(In thousands)

ASSETS	2005	2004
CURRENT ASSETS:		
Cash and cash equivalents (Notes B-10 and D)	$ 181,818	$ 93,827
Restricted cash and cash equivalents (Notes B-10 and D)	12,521	33,582
Restricted investments (Note D)	4,183	817
Accrued interest receivable	521	741
Due from State of New Jersey (Notes A and B-8)	13,347	12,397
Receivables (net of allowance for doubtful accounts of $955 in 2005 and $1,466 in 2004)	50,111	9,925
Total current assets	262,501	151,289
LONG-TERM ASSETS:		
Restricted long-term investments (Note D)	20,999	25,011
Investment in facilities (Notes B-6 and E)	910,278	934,656
Other assets (Note B-11)	47,666	48,205
TOTAL	$ 1,241,444	$ 1,159,161

LIABILITIES AND NET ASSETS	2005	2004
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued expenses	$ 53,591	$ 49,010
Interest payable on bonds and notes	20,239	21,127
Deferred revenue	151,907	20,402
Advanced ticket sales	7,554	8,396
Other current liabilities	65,088	57,973
Current portion of Notes payable (Note G)	8,077	4,425
Current portion of Bonds payable (Note F)	26,557	49,616
Total current liabilities	333,013	210,949
Long-term liabilities:		
Long-term portion of Notes payable (Note G)	8,600	16,545
Long-term portion of Bonds payable (Note F)	817,500	835,331
Total liabilities	1,159,113	1,062,825
NET ASSETS:		
Invested in capital assets, net of related debt	66,750	66,439
Restricted for debt service	5,011	26,119
Unrestricted	10,570	3,778
Total net assets	82,331	96,336
TOTAL	$ 1,241,444	$ 1,159,161

See notes to consolidated financial statements.

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2005 AND 2004
(In thousands)

	2005	2004
OPERATING REVENUES:		
Racetracks	$ 162,796	$ 173,239
Stadium	57,377	64,383
Arena	38,959	40,304
Convention Centers	19,393	19,865
Entertainment Facilities	31,244	
Total revenues	309,769	297,791
OPERATING EXPENSES:		
Racetracks	143,179	147,335
Stadium	36,176	40,010
Arena	43,270	43,557
Convention Centers	31,824	32,522
Entertainment Facilities	32,158	
General and administrative	16,552	16,438
Depreciation and amortization (Notes B-6 and E)	48,802	46,168
Payment in lieu of taxes (Note B-7)	6,232	5,909
Total operating expenses	358,193	331,939
OPERATING LOSS	(48,424)	(34,148)
NONOPERATING INCOME AND (EXPENSES):		
Interest income and other	6,615	12,050
Luxury tax, marketing fund and tourism tax revenues (Notes A and C)	37,451	34,130
State contract payments and appropriations (Note A)	30,174	29,269
Interest expense (Note F-8) and other	(60,266)	(81,156)
Total nonoperating income and expenses	13,974	(5,707)
LOSS BEFORE CONTRIBUTIONS	(34,450)	(39,855)
CAPITAL CONTRIBUTIONS (Note B-8)	20,445	18,750
CHANGE IN NET ASSETS	(14,005)	(21,105)
NET ASSETS—Beginning of year	96,336	117,441
NET ASSETS—End of year	$ 82,331	$ 96,336

See notes to consolidated financial statements.

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2005 AND 2004
(In thousands)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 942,753	$ 841,155
Payments to horsemen, bettors and franchises	(622,275)	(638,429)
Payments to suppliers	(153,093)	(124,914)
Payments to employees	(63,823)	(63,684)
Net cash provided by operating activities	103,562	14,128
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Luxury tax, marketing fee and tourism tax revenues	24,612	22,042
Net payments of funds for construction of the Camden Aquarium	(9,088)	(30,484)
Net cash provided by (used in) noncapital financing acitivities	15,524	(8,442)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal payments of bonds and notes	(89,333)	(72,814)
Issuance of bonds and notes	40,875	25,151
Additions to investment in facilities	(23,947)	(18,487)
Interest paid on bonds and notes	(73,127)	(51,996)
State Contract receipts for payment of principal and interest on bonds	45,717	54,844
Xanadu funds used for payment of principal on bonds	30,685	
Luxury tax revenues	12,242	12,145
Net cash used in capital and related financing acitivities	(56,888)	(51,157)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(170)	(172)
Maturities of investments	816	2,343
Interest on investments	4,086	1,849
Net cash provided by investing activities	4,732	4,020
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	66,930	(41,451)
CASH AND CASH EQUIVALENTS—Beginning of year	127,409	168,860
CASH AND CASH EQUIVALENTS—End of year	$ 194,339	$ 127,409
RECONCILATION OF OPERATING LOSS TO NET CASH (USED BY) PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	$ (48,424)	$ (34,148)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	48,802	46,168
Change in allowance for doubtful accounts	511	(271)
Increase in assets:		
Receivables	(39,686)	(4,215)
Increase in liabilities:		
Accounts payable and accrued expenses	4,581	1,275
Advanced ticket sales and other liabilities	6,273	3,866
Deferred revenues	131,505	1,453
Net cash provided by operating activities	$ 103,562	$ 14,128

See notes to consolidated financial statements.

A. AUTHORIZING LEGISLATION

The New Jersey Sports and Exposition Authority (the "Authority") was created by the laws of the State of New Jersey of 1971, Chapter 137, enacted May 10, 1971, as supplemented and amended (the "Act"). It is constituted as an instrumentality of the State, exercising public and essential governmental functions. The Act empowers the Authority to own and operate various projects, located in the State of New Jersey, including stadiums and other buildings and facilities for athletic contests, horse racing, and other spectator sporting events, trade shows, and other expositions.

The Authority has no stockholders or equity holders, and all bond proceeds, revenues, or other cash received must be applied for specific purposes in accordance with the provisions of the Act, and related bond resolutions, for the security of the bondholders. The Authority's Board consists of the President of the Authority, the State Treasurer, and a member of the New Jersey Meadowlands Commission, appointed by the Governor, who are members ex officio, and eleven members appointed by the Governor with the advice and consent of the State Senate.

On January 13, 1992, the New Jersey legislature adopted Chapter 375 of P.L. 1991, which approved the issuance of bonds, State Contract Bonds, by the Authority, pursuant to a contract between the Authority and the State Treasurer. The contract requires the Treasurer to provide funds from the General Fund of the State necessary to pay the debt service on the bonds, subject to and dependent upon annual appropriations by the State Legislature (see Note F-6). On November 24, 1998, the contract was restated and amended to expand the scope of projects eligible for the issuance of bonds to include the Wildwoods Convention Center project.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. ***General***—In its accounting and financial reporting, the Authority follows the pronouncements of the Governmental Accounting Standards Board ("GASB"). In addition, the Authority follows the pronouncements of all applicable Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board ("APB") Opinions and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The financial statements include the accounts of the Authority including Monmouth Park Racetrack, the Atlantic City Convention Center Authority (the "Convention Center Authority") Wildwoods Convention Center and the NJSEA Insurance Company.

2. ***Reconciliation of the Consolidated Financial Statements Prepared in Accordance with Accounting Principles Generally Accepted in the United States of America to Schedules Prepared Pursuant to Sports Complex, State Contract and Luxury Tax Bond Resolutions***—The Authority also prepares financial statements, included in Schedules A, B, and C, which follow the notes to the Consolidated Financial Statements, in accordance with the provisions of the Sports Complex, State Contract, and Luxury Tax Bond Resolutions which differ from the financial statements prepared in accordance with generally accepted accounting principles, as follows: (1) depreciation and amortization is not provided; (2) capital expenditures funded from the

Operating Fund or Maintenance Reserve Fund are not capitalized; (3) certain expenses are accounted for as a distribution of revenue; (4) certain receipts deposited in or transferred to the Revenue Fund are recognized as revenue in the year received rather than when earned; (5) contributions from the State for principal payments on State Contract Bonds are recognized as revenue when received; and (6) interest expense on bonds is recognized when transferred to the debt service funds in accordance with the Bond Resolutions.

Reconciliation of Bond Resolution Excess of Revenues Over Expenses to the Change in Net Assets on the Consolidated Statements of Operations, and Changes in Net Assets:

	Years Ended December 31 2005 (In thousands)	2004
Excess of revenues over expenses	$ 193,688	$ 88,271
Interest expense	(60,266)	(61,759)
Depreciation and amortization	(48,802)	(46,168)
Payment in liex of tax	(6,232)	(5,909)
State Contract payments	5,883	4,232
Stadium Suites license revenue	(4,909)	(4,460)
Interest income and other	3,179	4,688
Xanadu payments	(96,546)	
Change in net assets	$ (14,005)	$ (21,105)

Amounts recorded in accordance with the Bond Resolution financial statements vary from financial statements prepared in accordance with accounting principles generally accepted in the United States of America as disclosed in the reconciliation above.

3. ***Change in Accounting***—The Authority has not yet adopted or evaluated the impact that will result from adopting Statement of Governmental Accounting Standards No. 45, Accounting and Financial Reporting by Employers for Post Retirement Benefits Other Than Pensions, which takes effect in 2006.

4. ***Revenues***—The revenues of the Authority are deposited into the Revenue Funds and transferred to the Operating Funds, Debt Service Funds and other funds on a monthly basis as required by the Bond Resolutions. All interfund accounts have been eliminated.

   The Authority promotes certain events held at the Arena and Stadium. The gross revenues and expenses of these events are reflected in the financial statements.

   Revenues from restricted-purpose State and/or other State agency grants are recognized when awarded and recorded in a purpose-specific fund.

5. ***Reporting Entity***—The GASB establishes the criteria used in determining which organizations should be included in the Authority's financial statements. Accounting principles generally accepted in the United States of America require the inclusion of the transactions of government organizations for which the Authority is financially accountable.

The extent of financial accountability is based upon several criteria including: appointment of a voting majority, imposition of will, financial benefit to or burden on a primary government and financial accountability as a result of fiscal dependency. As a result of the Authority's operating agreement with the Convention Center Authority and the above criteria, the Convention Center Authority's financial statements are included in the Authority's annual report.

On February 23, 1998, the Authority assumed the assets and liabilities and undertook the existing operations of the Wildwoods Convention Center. As a result, the Authority includes the financial statements of the Wildwoods Convention Center in its annual report. The assets and liabilities were recorded at fair value and the difference was recorded to net assets, invested in capital facilities.

The Authority is a component unit included in the State of New Jersey's comprehensive annual financial report.

6. ***Investment in Facilities***—Investment in facilities is stated at cost, which includes all costs during the construction period for acquisition of land, rights of way, acquisition cost of acquiring facilities, surveys, engineering costs, roads, construction costs and additions to facilities, administrative and financial expenses and interest during construction net of interest income earned on the unexpended funds, including debt service reserve funds. Depreciation is computed by the straight-line method based on estimated useful lives of the related assets.

7. ***Payment in Lieu of Taxes***—In accordance with a provision of the enabling Act, properties and income of the Authority are exempt from taxation. However, payments in lieu of taxes are made to municipalities to compensate for loss of tax revenues by reason of acquisition of real property by the Authority.

8. ***Capital Contributions***—Capital contributions represent funds received from the State to pay principal on the State Contract Bonds and funds received from other authorities. Amounts received to pay interest on State Contract Bonds and direct appropriations are treated as nonoperating revenue.

9. ***Distributions***—Each month, after appropriate transfers to the designated funds as specified by the Bond Resolutions, any excess balance remains in the Revenue Fund. At year-end the excess, if any, will be transferred to the Maintenance Reserve Fund to be used for other projects of the Authority.

   In accordance with the Act, to the extent not required for any such projects, and not required to repay any obligations incurred by the Authority to the State, any balance remaining is to be deposited in the General Fund of the State of New Jersey.

10. ***Cash and Cash Equivalents***—Cash and cash equivalents include short-term investments that are carried at cost, which approximates market. The Authority considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

11. ***Other Assets***—Other assets include deferred issuance costs incurred to issue debt, including but not limited to, legal and accounting costs. These costs have been deferred and are being amortized over the life of the issuance on a straight-line basis. Costs incurred for the Rutgers Project are also included in other assets and will be amortized as principal payments are made on the related State Contract Bonds.

12. ***Accumulated Vacation Time***—Salaried employees of the Authority, the Convention Center Authority and the Wildwoods Convention Center may accumulate vacation time up to a maximum of their total vacation time for one year. This accumulated vacation time must be used within one year of the year earned. Upon termination of employment, salaried employees are entitled to receive a maximum lump-sum payment of their accumulated vacation time.

13. ***Interest Rate Swap Agreements***—The Authority entered into interest rate swap agreements to modify interest rates on certain outstanding debt. Premiums received from options to exercise an interest rate swap in the future and net interest expenditures resulting from these agreements are recorded in the financial statements. The interest differential to be received or paid under these interest rate swap agreements is accrued annually over the life of the agreement as an adjustment to the interest expense of the related bonds.

14. ***Valuation of Investments***—Guaranteed investment contracts, state and local government securities, repurchase agreements, and certificates of deposit are investments in non-participating investment contracts which management concludes are not significantly affected by the impairment of the credit standing of the Authority or other factors. These investments are recorded at amortized cost in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*.

15. ***Use of Estimates***—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. LUXURY TAX, MARKETING FEES, AND TOURISM TAX

1. ***Luxury Tax***—Pursuant to NJSA. 40:48-8.15 et seq. (the "Luxury Tax Act"), the City of Atlantic City has, by Ordinance No. 18 of 1982, imposed a 3% tax on the sale of alcoholic beverages by the drink in the restaurants, bars, hotels, and other similar establishments and a 9% tax on cover charges or other similar charges made to any patron of such an establishment, the hiring of hotel rooms and the sale of tickets for admission to theaters, exhibitions and other places of amusement.

   On January 13, 1992, amendments to the Act were adopted which authorized the Authority to undertake the Convention Center Project (see Note A) and authorized the State to transfer the proceeds of the Luxury Tax to the Authority. Luxury Tax proceeds are deposited into the Revenue Fund and transferred to other funds to pay debt service on the Luxury Tax Bonds and fund the operating deficit and capital expenditures for the Convention Center Project.

2. ***Marketing Fees***—The New Jersey legislature adopted a bill that authorized the Convention Center Authority to impose marketing fees of $3.00 per occupied room on hotels in Atlantic City. The proceeds from the fees collected pursuant to this legislation are paid into a special fund established and held by the Convention Center Authority.

3. ***Tourism Tax***—Upon transfer of the Wildwoods Convention Center from the Greater Wildwood Tourism Improvement and Development Authority ("GWTIDA") on February 23, 1998 (see Note A), the Authority assumed the right to receive 90% of the proceeds of a 2% tourism related retail receipts tax pursuant to NJSA 40:54D-1 et. Seq. (the "Tourism Improvement and Development District Law") for the construction and promotion of a new convention center facility

and the operation, maintenance and promotion of the existing center. The remaining 10% of the funds generated by the tax is allocated to GWTIDA for its continuing promotion of tourism in the area. The tax is imposed and collected by ordinance and with the cooperation of the municipalities in the Greater Wildwoods (i.e., North Wildwood, Wildwood and Wildwood Crest).

D. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The components of cash, cash equivalents and investments are:

	December 31,			
	2005 (In thousands)		2004 (In thousands)	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Cash and cash equivalents:				
Cash on hand	$ 4,332	$ -	$ 4,119	$ -
Demand deposits	1,793	4,731	527	7,726
N.J. Cash Management Fund	175,604	175,604	92,300	92,500
Repurchase Agreement	12,610	12,610	10,413	10,413
Certificates of deposits			20,050	20,050
Total cash and cash equivalents	$ 194,339	$ 192,945	$ 127,409	$ 130,689

	December 31,	
	2005	2004
	(In thousands) Cost	
Investments: (Note B-13)		
Guaranteed investment contracts	$ 25,182	$ 25,011
State and Local Unit Government Securities (SLUGS)	-	816
Total investments	$ 25,182	$ 25,827

1. At December 31, 2005 and 2004, approximately $37,363,000 and $58,241,000, respectively, were held by Trustees in Debt Service and Debt Service Reserve Funds and are restricted only for payment of principal and interest on bonds.

2. The various Bond Resolutions of the Authority specify the institutions and types of investments that can be made with the money available for investment. A general description of those investments is the following: (a) direct obligations of or obligations guaranteed by the United States; (b) bonds or obligations of any state of the United States or of any agency, instrumentality or local governmental unit of any such state; (c) bonds, debentures or other evidence of indebtedness issued or guaranteed by any agency or corporation created pursuant to an Act of Congress; (d) new housing authority bonds; (e) certificates of deposit; (f) commercial paper; (g) repurchase agreements; (h) State of New Jersey Cash Management Fund; and (i) guaranteed investment contracts.

All demand deposits and certificates of deposit, except deposits held by the Trustee, of any depository must be fully secured by lodging collateral security of obligations secured by the United States with the Trustee or bank designated by the Trustee. At December 31, 2005, all demand deposits were collateralized.

The guaranteed investment contract is an investment agreement with a bank that provides the Authority with a fixed rate of return credited to a specific Debt Service Reserve Account. At December 31, 2005, $25,182,000 is collateralized with U.S. government obligations that have, as a minimum, an aggregate value of 103% of the investment contract that is held in escrow by a third-party bank in the name of the Authority.

Repurchase agreements represent investments whereby the Authority transfers cash to a financial institution in exchange for securities. The financial institution agrees to repurchase the same securities at an agreed upon price at a future date. These investments are collateralized at a premium and held by the financial institution in the name of the Authority.

The State and Local Unit Government Securities ("SLUGS") are special non-marketable securities issued by the U.S. Treasury, held by the Trustee and have an interest rate of 3.75%, and matured January 1, 2005.

The N.J. Cash Management Fund is a money market fund managed by the State of New Jersey Division of Investments. P.L. 1950, c. 270 and subsequent legislation permit the Division to invest in a variety of securities, including, in the case of short-term investments, obligations of the U.S. Government and certain of its agencies, commercial paper, certificates of deposit, repurchase agreements, bankers' acceptances, and loan participation notes. All such investments must fall within the guidelines set forth by the regulations of the State of New Jersey, State Investment Council. Securities in the N. J. Cash Management Fund are insured or registered, or securities held by the Division or its agent in the N. J. Cash Management Fund's name.

E. INVESTMENT IN FACILITIES

	Balance December 31, 2004	Additions	Transfers	Balance December 31, 2005
		(In thousands)		
Land	$ 171,897	$ -	$ -	$ 171,897
Buildings	1,046,230	8,349		1,054,579
Machinery and equipment	173,525	7,972		181,497
Land improvements	39,534	7,626		47,160
Leasehold rights	25,000			25,000
	1,456,186	23,947		1,480,133
Less accumulated depreciation	(521,530)	(48,325)		(569,855)
	$ 934,656	$ (24,378)	$ -	$ 910,278

	Balance December 31, 2003	Additions	Transfers	Balance December 31, 2004
		(In thousands)		
Land	$ 171,897	$ -	$ -	$ 171,897
Buildings	1,037,516	8,714		1,046,230
Machinery and equipment	155,140	18,385		173,525
Land improvements	37,852	1,682		39,534
Leasehold rights	25,000			25,000
Construction in progress	10,294		(10,294)	
	1,437,699	28,781	(10,294)	1,456,186
Less accumulated depreciation	(475,509)	(46,021)		(521,530)
	$ 962,190	$ (17,240)	$ (10,294)	$ 934,656

Asset lives used in the calculation of depreciation are generally as follows:

Buildings	35–60 years
Machinery and equipment	2–20 years
Land improvements	10–20 years
Leasehold rights	24 years

The Authority considers any asset acquired or improvement made to any building or facility, with a value over $1,000 and an estimated useful life over one year, a depreciable capital asset.

F. BONDS PAYABLE

1. Bonds payable consists of the following:

	Date Issued	Original Amount	Balance December 31, 2005	Balance December 31, 2004
			(In thousands)	
Revenue Bonds				
Sports Complex Refunding Bonds 1985/1992 Series (guaranteed by the State of New Jersey) 7.30%-8.30%, due serially through 2005	11/01/1985	$ 175,450	$ -	$ 20,050
Sports Complex Refunding Revenue Bonds, 1993 Series A $30,350,000 Serial Bonds 5.00%—5.125% due 2005 through 2016; $14,990,000 Term Bonds , 5.20%, due 2017-2020; $18,425,000 Term Bonds, 5.2%, due 2021-2024	12/01/1993	63,765	59,365	63,765
Sports Complex Subordinated Refunding Revenue Bonds,1993 Series A (Federally Taxable) Term Bonds 6.875%, due 2005-2017	12/01/1993	32,875	31,235	32,875
Wildwood Revenue Bonds, series 1996A 2.5% due serially through 2016	09/06/1996	3,400	2,449	2,449
State Contract Bonds				
State Contract Bonds, 1992 Series A, $46,955,000 Serial Bonds, 5.50%—6.50% due through 2007; $177,045,000 Term Bonds, 6.00%—6.50%, due 2013 to 2021	03/02/1992	224,000	45,220	53,795
State Contract Bonds, 1992 Series C, $209,990,000 Variable rates due through 2024	11/19/1992	209,990	176,530	180,700
State Contract Bonds, 1998 Series A $57,810,000, Serial Bonds 4.00%—5.50% due through 2019; $28,855,000 Term Bonds 4.50% due 2024	12/15/1998	86,665	81,900	85,990
State Contract Bonds, 1998 Series B $13,665,000 Serial Bonds 4.96%—5.77% due through 2008	12/15/1998	13,665	3,920	5,540
State Contract Bonds, 1999 Series A $49,915,000 Serial Bonds 6.00%—7.00% due through 2014 (Federally Taxable)	06/15/1998	49,915	40,180	40,180
State Contract Bonds, 2000 Series A $82,520,000 Serial Bonds 4.75%—6.00% due through 2020	02/01/2000	82,520	73,600	75,575
State Contract Bonds, 2000 Series B $39,380,000 Serial Bonds 7.00%—7.375% due through 2014 (Federally Taxable)	02/01/2000	39,380	25,930	29,260
State Contract Bonds, 2000 Series C $12,325,000 Serial Bonds 4.25%—5.00% due through 2011	12/01/2000	12,325	9,015	9,895
State Contract Bonds, 2000 Series D $12,295,000 Serial Bonds 6.5% due through 2010 (Federally Taxable)	12/01/2000	12,295	6,525	7,775

(Continued)

	Date Issued	Original Amount	Balance December 31, 2005 (In thousands)	2004
State Contracts Bonds (Continued)				
State Contract Bonds, 2002 Series A $15,800,000 Serial Bonds 4.00%—4.60% due through 2012	01/01/2002	$ 15,800	$ 11,860	$ 13,260
State Contract Bonds, 2002 Series B $120,590,000 Variable Rate Bonds due 2021	04/23/2002	120,590	99,045	120,590
State Contract Bonds, 2002 Series C $16,235,000 Variable Rate Bonds due 2005 (Federally Taxable)	04/23/2002	16,235	-	4,465
State Contract Bonds, 2003 Series A $26,570,000 Term Bonds 2.0%—5.0% due 2006 through 2024	11/20/2003	26,570	26,250	26,570
State Contract Bonds, 2005 Series A $40,875,000 Term Bonds 3.60%—5.0% due 2007 through 2026	11/15/2005	40,875	40,875	-
Convention Center Luxury Tax Bonds 2004, Series A, $23,085,000 Serial Bonds 5.50%, due through 2022	04/12/2004	23,085	23,085	23,085
Convention Center Luxury Tax Refunding Bonds 1999, Series A, $128,270,000 Serial Bonds 4.25%—5.125%, due through 2020	02/15/1999	128,270	114,160	119,430
Total Bonds Payable			871,144	915,249
Less original issue discount and deferred loss on refunding			(27,087)	(30,302)
			$ 844,057	$ 884,947

(Concluded)

2. ***State Guaranteed Bonds***—The State Guaranteed Bond Resolution pledges the excess revenues of the Sports Complex as security for the 1992 Guaranteed Refunding Bonds after payment for the Senior and Junior Lien Bonds, funding of the Maintenance Reserve Fund and payments in lieu of taxes. Pursuant to authorization contained in the State Guaranty Act, the punctual payment of principal and interest on the Guaranteed Refunding Bonds is unconditionally guaranteed by the State of New Jersey.

   Simultaneously with the issuance of the State Contract Bonds, 1992 Series A (see Note F-6), the Authority issued the 1992 Guaranteed Refunding Bonds to the Trustee as escrow for the 1985 State Guaranteed Bonds. The 1992 Guaranteed Refunding Bonds were issued in the same amount, maturity and interest rate as the 1985 Guaranteed Refunding Bonds. The Authority will make debt service payments on the 1992 Guaranteed Refunding Bonds to the Trustee from the excess revenues of the Sports Complex available at the end of the year after meeting the requirements of the Sports Complex Bond Resolutions. The Trustee then will make debt service payments on the 1985 State Guaranteed Refunding Bonds from amounts received from the 1992 Guaranteed Refunding Bonds. These bonds were paid in their entirety on January 1, 2005.

3. ***Sports Complex Refunding Revenue Bonds 1993 Series A—Senior Lien***—The Authority issued $63,765,000 of Sports Complex Refunding Revenue Bonds, 1993 Series A (the "Senior Lien Bonds"). The Senior Lien bonds were issued by the Authority for the purposes of: (1) refunding $63,790,000 aggregate principal amount of the Authority's Sports Complex Bonds, 1978 Series (the "Refunded Bonds"); and (2) paying the costs of the authorization, issuance, sale, execution and delivery of the 1993 Senior Lien Bonds. On July 1, 2005, the Authority defeased $2,500,000 of Sports Complex Refunding Revenue Bonds, 1993 Series A (the "Senior Lien Bonds") in connection with a restructuring of the Authority's outstanding debt as a result of the Xanadu Project.

   These Senior Lien Bonds are direct and general obligations of the Authority. The Sports Complex Revenue Bond Resolution pledges the net revenues of the Sports Complex as security for the Senior Lien Bonds. In addition, a debt service reserve requirement in the amount of $5,228,440 at December 31, 2005 is insured with a Surety Bond issued by the MBIA Insurance Corporation as additional security for the bondholders. In accordance with the Bond Resolution, principal and interest on outstanding Senior Lien Bonds are transferred from the Revenue Fund to the Debt Service Fund. The Senior Lien Bonds are not a debt or a liability of the State of New Jersey or any political subdivision of the State other than the Authority.

4. ***Sports Complex Subordinated Refunding Revenue Bonds 1993 Series A—Junior Lien***—Concurrently with the issuance of the Senior Lien Bonds, the Authority issued $32,875,000 of Sports Complex Subordinated Refunding Revenue Bonds, 1993 Series A (the "Junior Lien Bonds"). The Junior Lien bonds were issued by the Authority for the purposes of: (1) paying a promissory note of the Authority with an outstanding principal amount of $29,345,000 at the time of payment which was originally issued to finance the acquisition of the club box suites at the football stadium, which is part of the Sports Complex; (2) financing certain improvements to the club box suites; and (3) paying the costs of the authorization, issuance, sale, execution and delivery of the 1993 Junior Lien Bonds.

   These Junior Lien Bonds are direct and general obligations of the Authority. The Sports Complex Subordinated Bond Resolution pledges the net revenues of the Sports Complex as security for the Junior Lien bonds. However, such pledge of the net revenues is subject to, and junior in all respects to, the pledge of the Sports Complex Revenue Bond Resolution of such amounts as security for the payment of the 1993 Senior Lien Bonds.

   The payment, when due (other than for reason of acceleration or optional redemption) of principal and interest on these bonds is insured with a policy issued by the Municipal Bond Investors Assurance Corporation. In addition, a debt service reserve requirement in the amount of $3,965,063 at December 31, 2005 is insured with a Surety Bond issued by the MBIA Insurance Corporation as additional security for the bondholders. In accordance with the Bond Resolutions, principal and interest on outstanding Junior Lien Bonds are transferred from the Revenue Fund to the Debt Service Fund. The Junior Lien Bonds are not a debt or a liability of the State of New Jersey or any political subdivision of the State other than the Authority.

5. ***Wildwoods Revenue Bonds 1996 Series A***—The Authority assumed these bonds on February 23, 1998 as an obligation and liability of the Wildwoods Convention Center. The bonds were authorized by the Greater Wildwoods Tourism Improvement and Development Authority and issued to the City of Wildwood in the amount of $3,400,000 for the acquisition of the Wildwoods Convention Center in 1996.

On November 8, 1999, the Authority entered into The Omnibus Intergovernmental Agreement with the City of Wildwood, the Borough of Wildwood Crest, the City of North Wildwood, the Greater Wildwoods Tourism Improvement and Development Authority and the Treasurer of the State of New Jersey. This agreement restated the original terms and conditions of the Authority's assigned obligation under the bonds and replaced the previous Bond Resolution. Under the terms of the new agreement, repayment of principal and interest is to be funded by the Available Revenues of the Wildwoods Convention Center after payment of operating expenses, funding of the maintenance reserve fund and payments in lieu of taxes. Should available revenues be insufficient to provide the required debt service amount any unpaid portion accrues to the following year to be funded by that year's available revenues. If it should be deemed necessary, the Authority may request an express separate appropriation from the State Treasurer to cover any shortfall. The Authority does not pledge the revenues, rents fees, rates, charges or other income derived from operations or ownership of any of its other projects, to the repayment of these bonds. The Authority has not paid the principal or interest on these bonds since 2002. Additionally, there was no accrued interest on these bonds.

6. ***State Contract Bonds***—The State Contract Bonds are special obligations of the Authority, payable solely from the State Contract (see Note A) and other pledged property. Notwithstanding the pledge effected by the Resolution, all amounts payable under the State Contract by the Treasurer of the State shall be subject to and dependent upon annual appropriations by the New Jersey State Legislature. The State Legislature has no legal obligation to make any such appropriations.

   None of the Authority's revenues, rents, fees, rates, charges, or other income and receipts derived from the operations or ownership of any of its projects is pledged or assigned to the payment of or interest on the State Contract Bonds unless specifically stipulated in the bond agreements.

   1992 Series A—The Authority issued $224,000,000 of State Contract Bonds, 1992 Series A, in connection with a restructuring of the Authority's outstanding debt. The bond proceeds were applied to: (1) advance refund in full the Authority's Sports Complex Subordinated Bonds - 1985 Series; (2) purchase zero interest rate SLUGS to fund certain principal and interest on the Authority's State Guaranteed Bonds, 1992 Series; (3) pay certain costs of the Capital Improvement Program for the Meadowlands Sports Complex and Monmouth Park; (4) pay a portion of the costs of the Rutgers Project; and (5) pay costs of specific feasibility studies.

   In December 1998, the Authority transferred funds, from proceeds of 1998 Series A and B State Contract Bonds (see Note F-6. 1998 Series A and B), to an escrow agent (see Note I) to secure the advance refunding of $25,235,000 of these bonds.

   In April 2002, the Authority transferred funds, from proceeds of 2002 Series B and C State Contract Bonds (see Note F-6. 2002 Series B and C), to an escrow agent (see Note I) to secure the advance refunding of $120,590,000 of these bonds.

   Additionally, on July 1, 2005, the Authority defeased $8,575,000 of 1992 Series A State Contract Bonds, in connection with restructuring of the Authority's outstanding debt as a result of the Xanadu Project.

   1992 Series C—The Authority issued $209,990,000 of State Contract Bonds, 1992 Series C to provide funds to pay a portion of the cost of the Authority's Convention Center Project.

The State Contract Bonds 1992, Series C were issued at a variable rate of interest. Effective November 12, 1992, the Authority entered into an interest rate swap agreement for $209,990,000 of the State Contract Bonds 1992, Series C for the term of the Bonds. Based on the swap agreement, the Authority owes a fixed overall effective rate of interest of 5.86% to the counter party to the swap inclusive of fees for liquidity facility and remarketing. In return, the counter party owes the Authority a variable rate. The objective of the swap agreement was to effectively fix the Authority's borrowing costs and maximize proceeds to fund construction costs. (See Note F-8 Interest Rates and Disclosure Requirements for Derivatives).

The payment, when due (other than by reason of acceleration or optional redemption), of principal and interest on these bonds is secured by a debt service reserve of $20,999,000 set aside from the proceeds of the bond sale. In addition, a guaranty policy issued by the Municipal Bond Investors Assurance Corporation provides additional security for the bondholders.

1998 Series A and B—On December 30, 1998, the Authority issued $86,665,000 of State Contract Bonds, 1998 Series A and $13,665,000 of State Contract Bonds, 1998 Series B to provide funds to (1) advance refund a portion of the Authority's outstanding State Contract Bonds, 1992 Series A; (2) advance refund all of the Authority's outstanding Monmouth Park Refunding Revenue Bonds, 1994 Series A; (3) pay or reimburse the Authority for certain capital expenditures incurred in connection with 1998 and 1999 Sports Complex capital projects costs; and (4) pay the costs of issuance of the Bonds.

Pursuant to the State Contract the debt service related to the refunding of the Monmouth Park Bonds will be funded by Monmouth Park Revenue (as defined). To the extent that sufficient amounts in the Monmouth Park Revenue Fund are available after payment of operating expenses but prior to funding the Maintenance Reserve and payments in lieu of taxes, the Authority must make a monthly transfer to the State Contract Debt Service Fund. Consequently the Authority will account for these Monmouth Park Related State Contract Bonds separately within the Monmouth Park Fund.

Additionally, on July 1, 2005, the Authority defeased $2,845,000 of 1998 Series A State Contract Bonds, in connection with a restructuring of the Authority's outstanding debt as a result of the Xanadu Project.

1999 Series A—On June 1, 1999, the Authority issued $49,915,000 of State Contract Bonds, 1999 Series A to provide funds to: (1) pay or reimburse the Authority for amounts expended by the Authority to pay a portion of the cost of the East Hall Project; and (2) pay the costs of issuance of the 1999 Series A Bonds.

In accordance with a funding agreement between the Authority, the Casino Reinvestment & Development Authority ("CRDA") and the Treasurer of the State of New Jersey future receipts of the CRDA will be used to pay, or reimburse the Treasurer for debt service on these bonds if and when any receipts (as defined) are received and available. Such CRDA funds, however, are not guaranteed, pledged, assigned or secured by the Authority.

2000 Series A and B—On February 1, 2000, the Authority issued $82,520,000 of Series A and $39,380,000 of Series B State Contract Bonds to pay: (1) costs of the Wildwoods Convention Center Project; (2) pay or reimburse the Authority for certain capital expenditures incurred in connection with 1999 Sports Complex Capital Projects; (3) fund the Lease Buyout Project to exercise an equipment purchase option of HVAC and Energy Equipment installed at the Sports Complex and initially leased by the Authority in 1996; and (4) pay costs of issuance of the 2000 Series A and B Bonds.

2000 Series C and D—On December 1, 2000, the Authority issued $12,325,000 of Series C and $12,295,000 of Series D State Contract Bonds to pay: (1) costs of the 2000 Sports Complex Project related to capital improvement and maintenance; (2) costs of the Monmouth Racetrack Project related to installing a new heating and cooling system; and (3) costs of issuance of the 2000 Series C and D Bonds.

Pursuant to the State Contract, debt service related to the Monmouth Racetrack Project will be funded by Monmouth Park Revenue (as defined). To the extent that sufficient amounts in the Monmouth Park Revenue Fund are available after payment of operating expenses but prior to funding the Maintenance Reserve and payments in lieu of taxes, the Authority must make a monthly transfer to the State Contract Debt Service Fund. Consequently, the Authority will account for these Monmouth Park Related State Contract Bonds separately within the Monmouth Park Fund.

2002 Series A—On January 1, 2002, the Authority issued $15,800,000 of Series A State Contract Bonds to pay: (1) for certain capital expenditures incurred in connection with 2001 Sports Complex Capital Projects; (2) for certain expenditures incurred in connection with the Rutgers Projects and (3) issuance of the 2002 Series A Bonds.

2002 Series B and C—On April 23, 2002, the Authority issued $120,590,000 of Series B and $16,235,000 of Series C (federally taxable) State Contract Bonds. The net proceeds from the refunding will be used to pay: (1) the current refunding of $120,590,000 of 1992 Series A State Contract Bonds; (2) a required Hedge Payment, (3) and issuance costs of the 2002 Series B and C Bonds.

The Bonds were issued under an Interest Rate Exchange (or swap) Agreement, in compliance with an agreement the Authority entered into on April 5, 1999 under the International Swap and Derivatives Association ("ISDA") Master Agreement where the Authority pays predetermined fixed rates in exchange for variable rates of interest with the counter party. (See Note F-8 Interest Rates and Disclosure Requirements for Derivatives).

In an effort to lower the Authority's borrowing costs and protect against rising interest rates, effective January 29th 2002, the Authority entered into two Swap Agreements with respect to the 2002 Refunding Series Bonds.

Additionally, on July 1, 2005, the Authority defeased $19,265,000 of 2002 Series B 1-2 State Contract Bonds, in connection with a restructuring of the Authority's outstanding debt as a result of the Xanadu Project.

2003 Series A—On November 20, 2003, the Authority issued $26,570,000 of Series A State Contract Bonds to (1) refund the Authority's 1993 Series A State Contract Bonds, and (2) pay certain costs of issuance of the 2003 Series A Bonds. Although the Authority recognizes an economic loss on debt refinancing of approximately $1,232,000, which will be amortized over the life of the bond issue, a present value savings of future debt service payments of approximately $2,112,000 was realized.

The 1993 Series A Bonds were redeemed on January 2, 2004.

2005 Series A—On November 16, 2005, the Authority issued $40,875,000 of Series A State Contract Bonds to (1) funding all or a portion of the costs of the capital program for the Monmouth Racetrack Project and the Sports Complex Project for the fiscal years 2005 through and including 2007; (2) paying certain cost of issuance of the 2005 Series A Bonds.

7. ***Convention Center Luxury Tax Bonds***—

1992 Series A—The Authority issued $168,025,000 of Luxury Tax Bonds. The proceeds of these bonds were used to: (1) acquire, by lease, the site of the new convention center and the old convention hall from the Atlantic County Improvements Authority; and (2) pay a portion of the cost associated with the construction of a new convention center in Atlantic City.

The 1992 Luxury Tax Bonds are special obligations of the Authority and are payable solely from the proceeds of a luxury tax levied and collected in the City of Atlantic City and paid to the Authority (see Note C) and from the other pledged property under the resolution. All luxury revenues levied and collected in Atlantic City are directed to the Authority.

None of the Authority's revenues, rents, fees, rates, charges, or other income and receipts or assets with respect to any of its projects other than the Convention Center Project is pledged or assigned to the payment of the principal of, redemption price, if any, or interest on the 1992 Luxury Tax Bonds.

On April 12, 2004, 2004 Luxury Tax Bonds refunded the remaining balance of these bonds. (See Note F-7 – 2004 Series)

1999 Series—On March 16, 1999, the Authority issued $128,270,000 of Convention Center Luxury Tax Refunding Bonds, Series 1999, to provide funds to the Authority to: (1) fund an escrow, the proceeds of which are to be used for the purpose of advance refunding a portion of 1992 Luxury Tax Bonds, Series A; and (2) to pay certain costs incurred in connection with the issuance of the 1999 Luxury Tax Bonds.

The repayment of these bonds will be payable solely from the proceeds of a luxury tax levied and collected in the city of Atlantic City, New Jersey and other pledged property pursuant to the Convention Center Luxury Tax Bond Resolution.

2004 Series—On April 12, 2004, the Authority issued $23,085,000 of Convention Center Luxury Tax Refunding Bonds, Series 2004, to (1) refund on a current basis the Authority's presently outstanding Convention Center Luxury Tax Bonds, 1992 Series A, and (2) pay certain costs incurred in connection with the issuance of the 2004 Luxury Tax Bonds.

The 2004 Luxury Tax Bonds are special obligations of the Authority and are payable solely from the proceeds of a luxury tax levied and collected in the city of Atlantic City, New Jersey, and paid to the Authority and from other pledged property under the resolution.

The payment, when due (other than by reason of acceleration or optional redemption) of principal and interest on these bonds is secured by a Surety Bond, issued by the Municipal Bond Investors Assurance ("MBIA") Corporation, on the required debt service reserve amount of $6,252,500 at December 31, 2004. Payments are additionally insured by a guaranty policy also issued by MBIA.

8. ***Interest Rates and Disclosure Requirements for Derivatives***—The Authority has entered into three Interest Rate Exchange (or Swap) Agreements in 1992 and 2002, with the issuance of the 1992 Series C, and the 2002 Series B, respectively.

Under these swap agreements, the Authority pays a fixed payment for each individual bond series. Those rates, depending on the individual bond series, range from 4.50% to 6.01%. Depending on the associated swap agreement, the Authority receives a variable payment computed as either the floating rate on bonds, the lesser of the BMA index, or 70% of one month USD-LIBOR, or 100% of one month USD-LIBOR. The swap provider calculates the rate as well as, the dollar amount that is owed by the swap counter party. The remarketing agent determines the variable rate that is applied to the bonds. The following risk is generally associated with swap agreements:

- *Credit Risk*—The counter party becomes insolvent or is otherwise not able to perform its financial obligations. In the event of deterioration in the credit ratings of the counter party or the Authority, the swap agreement may require the collateral be posted to secure the party's obligations under the swap agreement. The Authority deemed no collateral posting was required.

- *Basis Risk*—The variable interest rate paid by the counter party under the swap agreement and the interest rate paid by the Authority on the associated bonds are not the same. If the counter party's payment is lower than the bond interest rate, then the counter party's payment under the swap agreement does not fully reimburse the Authority for its interest payment on the associated bonds. Conversely, if the bond interest rate is lower than the counter party's rate on the swap, there is a net benefit to the Authority. During 2005, this risk was immaterial.

- *Termination Risk*—The swap agreement will be terminated and the Authority will be required to make a large termination payment to the counter party. It is estimated that costs of approximately $8,400,000 and $40,000,000 for 2002 Series B-1, B-2, and 1992 Series C, respectively, should the Authority seek to voluntarily terminate these agreement as of December 31, 2005.

The following table summaries these transactions for 2005.

Issuer/Series	Notional Amounts	Effective Date	Synthetic Fixed Rate	Fair Values	Counter Party	Credit Rating	Variable Rate Received	Swap Termination Date
1992 Series C	$ 176,530	11/12/92	5.86 %	$ 40,000,000	AIG	AAA	Floating Rate on bonds	3/1/2021
2002 Series B-1 B-2	99,045	1/29/02	4.50	8,400,000	Merrill Lynch	AAA	The lesser of the weighted average of the BMA Index or 70% of the 1-Month USD-LIBOR	9/1/2024

The following table summaries these transactions for 2004.

Issuer/Series	Notional Amounts	Effective Date	Synthetic Fixed Rate	Fair Values	Counter Party	Credit Rating	Variable Rate Received	Swap Termination Date
1992 Series C	$176,530	11/12/92	5.86 %	$45,000,000	AIG	AAA	Floating Rate on bonds	3/1/2021
2002 Series B-1, B-2	99,045	1/29/02	4.50	12,000,000	Merrill Lynch	AAA	The lesser of the weighted average of the BMA Index or 70% of the 1-Month USD-LIBOR	9/1/2024
2002 Series C	4,465	1/29/02	6.01	26,000	Merrill Lynch	AAA	100% of the 1-Month USD-Libor	3/1/2005

9. ***Interest Costs***—Interest costs for the years 2005 and 2004 were $60,266,000 and $61,759,000, respectively.

G. NOTES PAYABLE

1. Notes payable consist of the following:

	Date Issued	Original Amount	Balance December 31, 2005 (In thousands)	Balance December 31, 2004 (In thousands)
Loan from the State of New Jersey Department of Environmental Protection, 0% interest, semi-annual installments of $25,000 through July 1, 2005	5/12/1995	$ 500	$ -	$ 50
Loan from the State of New Jersey Board of Public Utilities, 0% interest, due December 31, 2006	12/23/1996	3,500	3,500	3,500
Loan from the Casino Reinvestment Development Authority, 4.06% interest through June 2, 1997 then 5.773% thereafter, due February 10, 2007	2/10/1997	8,600	8,600	8,600
Term loan from bank, 7.6% interest due June 30, 2006	8/31/1998	32,360	4,577	8,820
Total notes payable			$16,677	$20,970

2. On May 12, 1995, the Authority received an energy conservation loan from the New Jersey Department of Environmental Protection. The loan bears no interest and is repayable in semi-annual installments of $25,000 commencing January 1, 1996. For financial reporting purposes the Authority has assumed an imputed interest rate of 7% on this loan, the Authority's borrowing rate at the time of the loan.

3. On December 31, 1996, the Authority received an energy conservation loan from the New Jersey Board of Public Utilities. The loan bears no interest and has an extended due date of December 31, 2006. For financial reporting purposes the Authority has assumed an imputed interest rate of 7% on this loan, the Authority's borrowing rate at the time of the loan.

4. Reinvestment Development Authority ("CRDA"). These funds constitute subordinated debt payable from the Luxury Tax Revenues (see Note F-7). The proceeds were used to pay for the costs of the Convention Center Project as provided for in the project budget. The interest was calculated at 4.06% per annum through June 2, 1997. The rate was adjusted to 5.773% per annum on June 3, 1997 due to replacement bonds being issued by CRDA to pay its Bond Anticipation Notes. The term of the loan is 10 years or such longer term as shall be required for repayment of the loan and the interest thereon from Available Cash Flow as defined in the agreement.

5. The Authority in September 1996, entered into an agreement with the major football tenants of the Stadium to share the costs and revenues attributed to luxury suites and club seats (Stadium Suites Project). In October 1996, the Authority entered into a Loan and Security Agreement with a bank whereby, the bank would provide up to $35,000,000 in construction cost financing related to the construction of new luxury suites at Giant Stadium. The loan was converted to a term loan upon the completion of the Project on August 31, 1998 and is repayable from revenues generated by the suites in eight annual principal installments. Interest, at the rate of 7.6% is payable quarterly.

H. MATURITIES ON BONDS AND NOTES

Principal and interest payments to be funded to the trustees on outstanding bonds and notes (in thousands) during the next five years and thereafter are:

	Sports Complex	State Contract	Principal Luxury Tax	Wildwood	Stadium Suites	Total	Interest	Total
2006	$ 7,165	$ 23,275	$ 14,095	$ 360	$4,577	$ 49,472	$ 47,326	$ 96,798
2007	3,870	27,950	5,730	174		37,724	45,405	83,129
2008	4,100	29,245	5,990	178		39,513	49,738	89,251
2009	4,340	29,120	6,260	183		39,903	47,978	87,881
2010	4,605	46,540	6,540	188		57,873	45,649	103,522
2011–2015	27,620	172,655	38,090	986		239,351	172,001	411,352
2016–2020	24,715	180,845	46,055	430		252,045	80,722	332,767
2021–2025	17,685	128,220	23,085			168,990	20,194	189,184
2026		2,950				2,950	74	3,024
	$94,100	$640,800	$145,845	$2,499	$4,577	$887,821	$509,087	$1,396,908

I. REFUNDED BONDS

The Authority has $14,952,870 of bonds outstanding which are secured by investments held by various escrow agents. The escrow accounts meet the criteria under accounting principles generally accepted in the United States of America for an in-substance defeasance and, accordingly, the assets and obligations are not reflected on the financial statements of the Authority.

J. PENSION, RETIREMENT, AND DEFERRED COMPENSATION PLANS

Plan Description and Employer and Employee Contributions—Salaried the Public Employees' Retirement System of the State of New Jersey ("PERS"), a multiple-employer public employee retirement system, covers employees of the Authority, the Convention Center Authority and Wildwoods Convention Center. The payroll for employees covered by PERS for the years ended December 31, 2005 and 2004 was $16,563,515 and $16,106,438 respectively. The Authority's total payroll for the years ended 2005 and 2004 was $65,097,942 and $64,625,715, respectively.

All Authority salaried employees are required as a condition of employment to be members of PERS. A member may retire on a service retirement allowance as early as age 60; no minimum service requirement must be established. The formula for benefits is an annual allowance in the amount equal to years of service, divided by 55, times the final average salary. Final average salary means the average of the salaries received by the member for the last three years of creditable membership service preceding retirement or the highest three fiscal years of membership service, whichever provides the larger benefit. Benefits fully vest on reaching 10 years of service. Vested employees may retire at or after age 55 and receive reduced retirement benefits. The System also provides death and disability benefits. Benefits are established by State statute.

Covered Authority employees are required by PERS to contribute a percentage of their salary based on their age at the time of their enrollment. The Authority is required by State Statute to contribute the remaining amounts necessary to pay benefits when due. The PERS on the recommendation of an actuary who makes an annual actuarial valuation certify the amount of the Authority's contribution each year. The valuation is a determination of the financial condition of the retirement system. It includes the computation of the present dollar value of benefits payable to former and present members and the present dollar value of future employer and employee contributions, giving effect to mortality among active and retired members and also to the rates of disability, retirement, withdrawal, former service, salary and interest.

The employee contributions required for the years ended December 31, 2005 and 2004 were $848,388 (5.12%) and $537,152 (3.15%), respectively. There were no employer contributions for 2004 and $92,396 for 2005, respectively.

Other Benefits—The Authority has established a separate defined benefit pension plan for selected seasonal racing personnel. Annual pension expense was approximately $84,000 and $83,485 for 2005 and 2004, respectively. In addition, salaried employees of the Authority are eligible for participation in a section 401(k) deferred compensation plan. The Authority contributed a maximum of 4% of the employee's salary. Annual expense for this plan was $474,200 and $483,946 for 2005 and 2004, respectively.

Additionally, some Sports Authority employees are participants in certain pension plans administered by local unions and contributions are made in accordance with terms of the union agreements of those employees. There are about 39 active unions participating in their own pension plans in accordance with each specific union agreement and based on each of the applicable union job trades. The total combined contributions for all participating unions in 2005 was $3,608,232 and $3,536,067 for 2004.

Sports Authority salaried employees hired before January 1, 1993, who retire on or after age 60, with a minimum of 10 years of full-time salaried service or have a combined number of full time service and age totaling 75, with the Authority, are eligible to continue certain specified benefits subject to any required contributions. Medical benefits available to active employees will be available to eligible retirees who are not yet eligible for Medicare. The Authority will also, at its discretion, make available medical benefits to supplement Medicare coverage. The Authority accounts for these benefits on a pay as you go basis and paid approximately $448,060 (for 71 retirees) and $450,072 (for 69 retirees) in 2005 and 2004, respectively.

K COMMITMENTS AND CONTINGENCIES

1. A portion of the Authority's operating revenues is attributable to leasing of the Sports Complex facilities for various sporting events, trade shows and other expositions. Rental income is a flat fee per event or a percentage of ticket sales. Rental income, under these leases, was approximately $25,498,000 and $18,989,000 for the years ended December 31, 2005 and 2004, respectively.

2. The Authority has license agreements with the major sport franchises that play in the Arena and the Stadium which expire at various dates between 2007 and 2026. There are options in the agreements that allow for earlier termination. One of the license agreements include guaranteed new revenue to the tenant (as defined in the agreement) of not less than $5,311,000 for each season during the term of the agreement. To the extent that new revenue is not generated from new sources it will be supplemented by the Authority.

3. The Authority is exposed to risks of losses related to injuries to employees. The Authority has established a risk management program to account for and finance its uninsured risks of loss related to workmen's compensation. The Authority paid claims in the amount of $2,185,390 and $1,297,138 in 2005 and 2004, respectively.

   Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At December 31, 2005 and 2004, the reserve for these liabilities was approximately $8,116,000 and $4,081,000, respectively.

4. On June 26, 2000, the Authority formed The Historic Boardwalk Hall, L.L.C. (the "LLC"), a limited liability company in the State of New Jersey for the purpose of financing and operating the Historic East Hall of the Atlantic City Boardwalk Convention Center (the "East Hall"). The LLC, which assumes the leasehold interest and contractual obligations of the Authority, admitted an investing member on September 14, 2000 through capital contributions. Of the contributed capital already received $1,173,000 is being held in escrow and can only be used to restore or repair the organ at the Historic Boardwalk Hall. Subject to a notice issued by a governmental agency, an expense has been recorded in the 2004 financial statements.

5. On March 1, 2001, the New Jersey Sports and Exposition Authority entered into an agreement leasing the convention center for a term of 99 years for a single payment equal to the appraised value of the convention center, at that date, and concurrently leasing-back the property for a term of 35 years. The major portion of the proceeds received have been invested to sufficiently fund the Sports Authority's future lease payments and exercise its option to repurchase the initial lease in 26 years without having to provide any additional funds. Repurchase options are also available after 10 and 20 years. The Sports Authority's payment obligations are additionally secured by contingent State Contract Bonds ($100,000,000) and legally available luxury tax and convention center revenues, as defined. Upon entering this transaction the Sports Authority received a cash payment of approximately $7,945,000.

6. On June 30, 2005 the Authority and Meadowlands Mills/Mack-Cali Limited Partnership entered into a ground lease and related project agreements for development of Meadowlands Xanadu, an approximately 5.0 million square mixed-use project on approximately 104 acres at the Meadowlands Sports Complex. Prepaid ground rent of $160,000,000, for the first fifteen years of

the ground lease, will be paid with the last installment due in March 2006. In 2005, the Authority used $26,800,000 of the prepaid ground rent to purchase the wetland mitigation bank rights on the Empire Tract. The Authority also used $37,190,000 to defease tax-exempt bonds attributable to the Meadowlands Xanadu Project site. Expenses associated with the project that were previously deferred were expensed in 2005. For GAAP purposes revenue will be realized by amortizing the upfront payment over 18 years.

7. In April 2005 the New York Football Giants signed a Memorandum of Understanding (MOU) with the Authority for the construction of a new stadium, practice facilities and related ancillary development at the Meadowlands Sports Complex. By Amendment dated September of 2005, the New York Jets LLC became a party to the MOU. The new stadium and ancillary development will be jointly owned and operated by the Giants and Jets. Both teams will pay for the cost of construction of the stadium and share in all operating revenues. The Authority will enter into a long-term lease with the Giants and Jets prior to commencing the construction of the stadium and related development. Upon completion of the new stadium the existing Giants stadium would be demolished. Additionally, as of March 31, 2006, the Authority has agreed to purchase a practice facility at a cost of $20,000,000 for the Jets.

8. At year-end approximately $1,771,000 in current assets and liabilities was related to funds received from the State to administer the Camden Aquarium Project. The activity in the fund created for this purpose has no effect on the Authority's revenues or expenses.

9. In May 2004, the Authority entered into a Grant and Donation Agreement (the agreement) with the Casino Reinvestment Development Authority (CRDA) and the 12 casinos operating in Atlantic City whereby the casinos will pay the Authority $34,000,000 over 4 years for purse enhancement at the Meadowlands, Monmouth Park and Freehold racetracks. In addition the casinos authorized CRDA to approve donations in the amount of $62,000,000 from the casinos' North Jersey obligations fund to further support this purse enhancement. In turn, the Authority has guaranteed certain purse payments over the next four years to the various horsemen associations. To the extent that revenue and these purse supplements do not meet the guarantee, the Authority will pay the amounts.

10. In 2004 the Authority organized the NJSEA Insurance Company as a captive insurance company in Vermont for the purpose of insuring and reinsuring various types of risk, including but not limited to those required by the Federal Terrorism Insurance Act. The Company is a wholly owned subsidiary of the Authority and insures the Authority for a maximum of $300,000,000.

11. The Authority has entered into a Management and Funding Agreement with New Jersey Transit (NJT) and the New Jersey Department of Transportation (NJDOT) for the design and construction of a railroad and roadway improvement project at the Sports Complex. The proposed project is 2.3 miles of heavy rail link from NJT's Pascack Valley line through the Sports Complex terminating at a passenger rail station centrally located between the Meadowlands Racetrack, Giants Stadium, the Meadowlands Xanadu Project, and the Continental Arena. New Jersey Transit has received a $150,000,000 grant from the Port Authority of New York and New Jersey to support the project. Contracts awarded through December 31, 2005, amount to $35,000,000.

12. On June 14, 2004, the Authority entered into a Participation agreement to license and operate an account wagering system in New Jersey pursuant to the Off-Track and Account Wagering Act (P.L. 201, c.199) and the regulations promulgated by the New Jersey Racing Commission. Under the agreement the Authority has contribute 70% of start-up costs for the project, appoint an Operating Board and conduct and account for all day-to-day operations in return for 70% of available net project revenues or losses as defined by the agreement. These operations are included in the sports complex funds.

* * * * * *

SUPPLEMENTAL INFORMATION

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY

Schedule A

STATEMENTS OF REVENUES AND EXPENSES
YEARS ENDED DECEMBER 31, 2005 AND 2004
(Pursuant to Various Bond Resolutions)
(In thousands)

	December 31, 2005									December 31, 2004
	Sports Complex Funds	Xanadu Project Funds	Stadium Suites Project	Monmouth Park Funds	Atlantic City Convention Center Funds	Luxury Tax Funds	State Contract Funds	Wildwood Convention Center Funds	Total Funds	Total Funds
REVENUES FROM OPERATIONS:										
Meadowlands Racetrack	$ 114,657	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 114,657	$ 123,188
Monmouth Park Racetrack				48,139					48,139	50,051
Stadium	48,304								48,304	55,592
Stadium Suites Project			8,713						8,713	8,916
Arena	38,959								38,959	40,304
Atlantic City Convention Centers					17,254				17,254	17,939
Wildwood Convention Center								2,139	2,139	1,926
Entertainment (Xanadu) Complex		128,166							128,166	
	201,920	128,166	8,713	48,139	17,254			2,139	406,331	297,916
EXPENSES FROM OPERATIONS:										
Meadowlands Racetrack	98,362								98,362	102,799
Monmouth Racetrack				44,817					44,817	44,536
Stadium	32,120								32,120	36,204
Stadium Suites Project			722						722	713
Arena	43,270								43,270	43,557
Atlantic City Convention Centers					28,292				28,292	29,285
Wildwood Convention Center								3,532	3,532	3,237
Entertainment (Xanadu) Complex		70,355							70,355	
	173,752	70,355	722	44,817	28,292			3,532	321,470	260,331
EXCESS (DEFICIENCY) FROM OPERATIONS	28,168	57,811	7,991	3,322	(11,038)			(1,393)	84,861	37,585
OTHER INCOME—Expenses and transfers:										
General and administrative expenses	(11,119)			(300)	(4,044)			(1,547)	(17,010)	(17,388)
Interest income and other	7,219		356	228	368	252	63	225	8,711	7,860
Other expense	(492)								(492)	(19,832)
Luxury tax, marketing fee and tourism tax revenues					7,756	26,247		3,448	37,451	34,130
State contract payments							72,397	4,690	77,087	43,787
Stadium Suites Distribution	1,215								1,215	1,242
Account Wagering Distribution	1,865								1,865	887
Transfers to Atlantic City Convention Centers					7,448	(7,448)				
EXCESS OF REVENUES OVER EXPENSES (Note B)	26,856	57,811	8,347	3,250	490	19,051	72,460	5,423	193,688	88,271
OPERATING FUND BALANCES, BEGINNING OF YEAR					5,687			1,000	6,687	5,034
TOTAL REVENUE AVAILABLE FOR DISTRIBUTION	$ 26,856	$ 57,811	$ 8,347	$ 3,250	$ 6,177	$ 19,051	$ 72,460	$ 6,423	$ 200,375	$ 93,305
DISTRIBUTION TO (FROM) AS FOLLOWS (Note B-9):										
Operating fund balances—end of year	$ -	$ -	$ -	$ -	$ 6,177	$ -	$ -	$ 1,000	$ 7,177	$ 6,687
Debt service funds	7,384		4,434			12,242	72,460	4,690	101,210	69,957
Maintenance reserve funds	10,592	57,811	268	(2,268)		6,809		703	73,915	1,560
Payment in lieu of tax funds (Note B-7)	4,629			1,573				30	6,232	5,909
Construction Funds										(2,697)
Partner distribution			3,645						3,645	3,725
State Contract Bonds Debt Service	4,251			3,945					8,196	8,164
TOTAL REVENUES DISTRIBUTED	$ 26,856	$ 57,811	$ 8,347	$ 3,250	$ 6,177	$ 19,051	$ 72,460	$ 6,423	$ 200,375	$ 93,305

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY **Schedule B**

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES
DECEMBER 31, 2005 AND 2004
(Pursuant to Various Bond Resolutions)
(In thousands)

	December 31, 2005									December 31, 2004
ASSETS	Sports Complex Funds	Xanadu Project Funds	Stadium Suites Project	Monmouth Park Funds	Atlantic City Convention Center Funds	Luxury Tax Funds	State Contract Funds	Wildwood Convention Center Funds	Total Funds	Total Funds
CASH AND CASH EQUIVALENTS (NOTES B-10 AND D)	$ 44,588	$ 59,948	$ 4,697	$ 5,092	$ 10,286	$ 7,719	$ 40,947	$ 8,541	$ 181,818	$ 93,827
RESTRICTED CASH AND CASH EQUIVALENTS (Notes B-10 and D)	6,286					6,235			12,521	33,582
RESTRICTED INVESTMENTS (Note D)						4,183	20,999		25,182	25,828
ACCRUED INTEREST RECEIVABLE							521		521	741
LUXURY TAX, MARKETING FEE AND TOURISM TAX RECEIVABLE (Notes A and C)					875	4,254		316	5,445	4,848
RECEIVABLES	14,971	31,834		3,918	985		209	56	51,973	11,167
INTERFUND RECEIVABLES	14,324		669	1,892	1,610				18,495	6,022
INVESTMENT IN FACILITIES	516,371		44,018	46,267	828	259,215	296,634	66,826	1,230,159	1,227,277
OTHER ASSETS (Note B-11)	4,068		755	568	798	2,065	3,630	143	12,027	17,481
TOTAL	$ 600,608	$ 91,782	$ 50,139	$ 57,737	$ 15,382	$ 283,671	$ 362,940	$ 75,882	$ 1,538,141	$ 1,420,773
LIABILITIES AND FUND BALANCES										
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$ 26,007	$ -	$ 3,816	$ 9,321	$ 6,223	$ 4,183	$ -	$ 707	$ 50,257	$ 45,917
INTERFUND PAYABLES						3,114	2,996		6,110	6,022
INTEREST PAYABLE ON BONDS AND NOTES	3,486			1,019		7,729	341	136	12,711	13,483
DEFERRED REVENUE	18,116	31,834			2,131			15	52,096	17,995
OTHER LIABILITIES	10,996			1,490		20,609			33,095	36,003
NOTES PAYABLE (Note G)	3,500		4,577			8,600			16,677	20,970
BONDS PAYABLE (Note F)	131,990			64,255		177,425	448,114	49,359	871,143	915,248
UNAMORITZED ORIGINAL ISSUE DISCOUNT	(2,005)			(161)		1,806	(1,685)	(121)	(2,166)	(3,656)
FUND BALANCE (Deficit)	408,518	59,948	41,746	(18,187)	7,028	60,205	(86,826)	25,786	498,218	368,791
	$ 600,608	$ 91,782	$ 50,139	$ 57,737	$ 15,382	$ 283,671	$ 362,940	$ 75,882	$ 1,538,141	$ 1,420,773

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY **Schedule C**

STATEMENTS OF CHANGES IN FUND BALANCES
YEARS ENDED DECEMBER 31, 2005 AND 2004
(Pursuant to Various Bond Resolutions)
(In thousands)

	December 31, 2005									December 31, 2004
	Sports Complex Funds	Xanadu Project Funds	Stadium Suites Project	Monmouth Park Funds	Atlantic City Convention Center Funds	Luxury Tax Funds	State Contract Funds	Wildwood Convention Center Funds	Total Funds	Total Funds
FUND BALANCE (DEFICIT)—Beginning of year	$ 405,204	$ -	$ 37,477	$ (20,519)	$ 6,789	$ 50,001	$ (134,137)	$ 23,976	$ 368,791	$ 361,566
Excess of revenues over expenses	26,856	57,811	8,347	3,250	490	19,051	72,460	5,423	193,688	88,271
Interest income (loss) on restricted debt service funds		2,137		3,764		144	1,575		7,620	1,849
Interest on bonds and notes	(6,445)		(357)	(3,065)		(7,683)	(24,450)	(2,771)	(44,771)	(48,519)
Maintenance charges	(12,291)		(76)		(251)	(1,254)		(797)	(14,669)	(17,622)
Payment in lieu of taxes (Note B-7)	(4,629)			(1,573)				(30)	(6,232)	(5,909)
Write-off and amortization of bond discount and issuance costs	(177)			(44)		(54)	(1,797)	(15)	(2,087)	(6,974)
Amortization of costs on the Rutgers and Higher Education Projects							(477)		(477)	(147)
Partners distribution			(3,645)						(3,645)	(3,724)
FUND BALANCE (DEFICIT)—End of year	$ 408,518	$ 59,948	$ 41,746	$ (18,187)	$ 7,028	$ 60,205	$ (86,826)	$ 25,786	$ 498,218	$ 368,791

See notes to financial statements.