Atlantic City Convention & Visitors Authority

(A Component Unit of the State of New Jersey)

Financial Statements as of and for the
Years Ended December 31, 2010 and 2009, and
Independent Auditors' Report

ATLANTIC CITY CONVENTION & VISITORS AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)

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INDEPENDENT AUDITORS' REPORT

To the Chair and Members of the Board of
Atlantic City Convention & Visitors Authority
Atlantic City, New Jersey

We have audited the accompanying statements of net assets of Atlantic City Convention & Visitors Authority (the "Authority"), a component unit of the State of New Jersey, as of December 31, 2010 and a component unit of the New Jersey Sports and Exposition Authority ("NJSEA"), as of December 31, 2009, and the related statements of revenues, expenses, and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our 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, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2010 and 2009, and the changes in its net assets and the cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, as of January 1, 2010, the Authority is no longer reflected in the Consolidated Financial Statements of the NJSEA. As a result, certain assets and liabilities related to the Atlantic City Convention Center Project were transferred from the books and records of NJSEA to the Authority.

The Management's Discussion and Analysis on pages 2 through 21 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Deloitte & Touche LLP

April 12, 2011

Introduction to the Annual Report

The Atlantic City Convention & Visitors Authority's (the "Authority") annual report consists of three parts: Management's Discussion and Analysis, Financial Statements and Notes to the Financial Statements.

Management's Discussion and Analysis

The Management's Discussion and Analysis ("MD&A") presents an overview of the Authority's operations and financial performance during the years ended December 31, 2010 and 2009. It provides an assessment of how the Authority's financial 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.

Financial Statements of the Authority

All of the Authority's financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board ("GASB"), Statement No. 34. Accrual of revenues and expenses are taken into account regardless of when cash is received or paid. Capital assets are recorded at cost and depreciated over their useful lives.

The financial statements offer short and long-term financial information about the Authority's activities and consist of the Statements of Net Assets, Statements of Revenues, Expenses and Changes in Net Assets, and Statements of Cash Flows.

The Statements of Net Assets and the Statements of Revenues, Expenses and Changes in Net Assets report information on all Authority assets, liabilities, revenues, and expenses in a manner similar to that used by most private-sector companies. These two statements also report the Authority's net assets and changes in net assets. One can think of the Authority's net assets – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. Net assets increase both when revenues exceed expenses and when the Authority's assets increase without a corresponding increase to the Authority's liabilities.

The Statements of Cash Flows present information about the Authority's relevant sources and uses of cash for the year. It is prepared in a manner that summarizes (1) cash flows from operations, (2) non-capital financing activities, (3) capital and related financing activities, and (4) investing activities. Additionally, non-cash transactions that have an effect on the entity's financial position are also presented in the Statements of Cash Flows. Specifically, the Statements of Cash Flows, along with related disclosures and information on other financial statements, can be useful in assessing the following:

- Ability of an entity to generate future cash flows
- Need to seek outside financing
- Reasons for differences between cash flows from operations and operating income
- Effect on an entity's financial position of cash and non-cash transactions from investing, capital, and financing activities

The Notes to the Financial Statements

This section of the Authority's financial statements provides information that is essential to understanding the basic financial statements, such as the Authority's accounting methods and policies. The notes also contain details of contractual obligations, future commitments and contingencies of the Authority along with any other events or developing situations that could materially affect the Authority's financial position.

The Authority's Business

The Authority was established to promote the tourist, resort, convention, and casino industries in addition to operating and maintaining the Atlantic City Convention Center ("Convention Center"), the Historic Boardwalk Hall ("Boardwalk Hall"), and the West Hall.

- The Destination Marketing Organization ("Marketing Operations") serves as the destination's principal marketing arm, stimulating economic growth through convention, business and leisure tourism development. Marketing Operations is funded primarily through marketing fees, which are imposed on hotels in Atlantic City. Marketing Operations also began receiving luxury taxes in 2006 to offset the loss of marketing fee revenue as a result of the Urban Revitalization Program. In this program, the Casino Reinvestment Development Authority ("CRDA") and casinos with approved entertainment-retail projects are rebated marketing fees paid in an amount equal to the incremental luxury taxes collected in districts with approved projects, over a baseline luxury tax revenue amount.

- The Authority has engaged SMG, an outside service provider, in a management agreement to provide management services for the Convention Center, Boardwalk Hall, and West Hall.

- The Convention Center consists of 486,000 square feet of contiguous exhibition space, 45 meeting rooms with 114,000 square feet of meeting space, and a 1,500 space parking garage. The facility serves an integral role in the fabric of the hospitality community by offering an anchor facility for conventions, trade shows, corporate meetings and consumer shows. The facility produces economic impact to the community by attracting exhibitors and attendees to the region, where their spending produces revenue streams for area businesses and residents.

- The Boardwalk Hall is a modern special event center able to compete with the nation's finest arenas for major entertainment and sporting events. The Boardwalk Hall offers the opportunity to provide the local community with a venue for activities, broadening the diversity and attractiveness for residents and visitors alike.

- The West Hall was constructed in 1978 to augment the Boardwalk Hall as an expanded convention facility. The facility is currently used to stage events held in Boardwalk Hall and provides additional parking for the same.

- The Convention Center, Boardwalk Hall, and the West Hall operate at a deficit, seeking to attract visitors and business to this marketplace through a competitive rate structure. These facilities are also a significant generator of indirect revenue in the form of increased tax generation. Luxury taxes imposed and collected by the State on hotel room rentals, cover charges, drinks and admissions paid within Atlantic City are paid to the Trustee to reserve an amount sufficient to meet the debt service requirements and make debt payments on bonds issued to construct and renovate the facilities. The balance of the luxury tax collections is then transferred to the Authority to cover the operational deficits, capital expenditures, and working capital and maintenance reserve requirements of the facilities.

Financial Analysis

The following sections will discuss the significant changes in the Authority's financial position for 2010 and 2009. 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 accounting principles generally accepted in the United States of America.

Authority Highlights (2010)

On January 1, 2010, the assets and liabilities of the Atlantic City Convention Center Project, which specifically include the assets and liabilities of the Atlantic City Convention Center, Boardwalk Hall, and the West Hall were transferred from the financial statements of the NJSEA to the financial statements of the Authority. The Authority accounted for the transfer of these assets and liabilities and all of the corresponding financial activity associated with these assets and liabilities for the year ended December 31, 2010 in the Luxury Tax Reserve Fund, a new operating segment created in 2010. Although detailed descriptions of the new assets and liabilities appear throughout this annual report, the following is a listing of the significant year end balances of the major categories of the new Luxury Tax Reserve Fund:

Statement of Net Assets

• Total Current Assets	$ 26,856,098
• Total Long Term Assets	407,711,302
• Total Current Liabilities	(16,866,191)
• Total Long Term Liabilities	(110,448,836)
Total Net Assets	$ 307,252,373

Statement of Revenues, Expenses, and Changes in Net Assets

• Total Operating Expenses	$ (11,496,362)
• Total Nonoperating Income and (Expenses)	11,646,853
Increase in Net Assets for the Year	$ 150,491

Authority Highlights (2009)

On July 18, 2008, The Governor of the State of New Jersey signed legislation that authorized the transfer of the Atlantic City Convention Center Project, which specifically includes the Convention Center, Boardwalk Hall, and Marketing Operations, to the Atlantic City Convention & Visitors Authority, which was also renamed from the Atlantic City Convention Center Authority in the same legislation.

On December 17, 2009, the Authority's Board of Directors adopted a Board Resolution authorizing various actions to effectuate the transfer of the Atlantic City Convention Center Project from the NJSEA to the Authority. The NJSEA also passed a similar Board Resolution in December 2009. The intent of the legislature was to transfer, to the extent practicable, the control and ownership of the Convention Center Project from the NJSEA to the Authority. The Authority and NJSEA, assisted by representatives from the Department of Treasury, created documents to provide for the statutory transfers and to govern their relationship in the future including Amended and Restated Operating Agreements for each of the Atlantic City Convention Center, the East Hall and the West Hall and a Pledged Property Agreement. Under the Pledged Property Agreement, the Authority agreed that the property pledged to the bond holders, i.e. the luxury tax revenues, shall remain subject to the liens of and as security for the NJSEA bond holders and agreed to all of the terms and conditions of the NJSEA Bond Resolutions. These documents were approved by the Board of Directors as part of the adopted resolution. Also, as part of the adopted resolution, the Authority's Board of Directors consented to the adoption of the Third Supplemental Resolution by the NJSEA and to the terms and provisions of the Third Supplemental Resolution and acknowledged, assumed and agreed to be bound by all of the terms and provisions of the Bond Resolution.

Effective January 1, 2010, the Atlantic City Project will no longer be reflected in the Consolidated Financial Statements of the NJSEA.

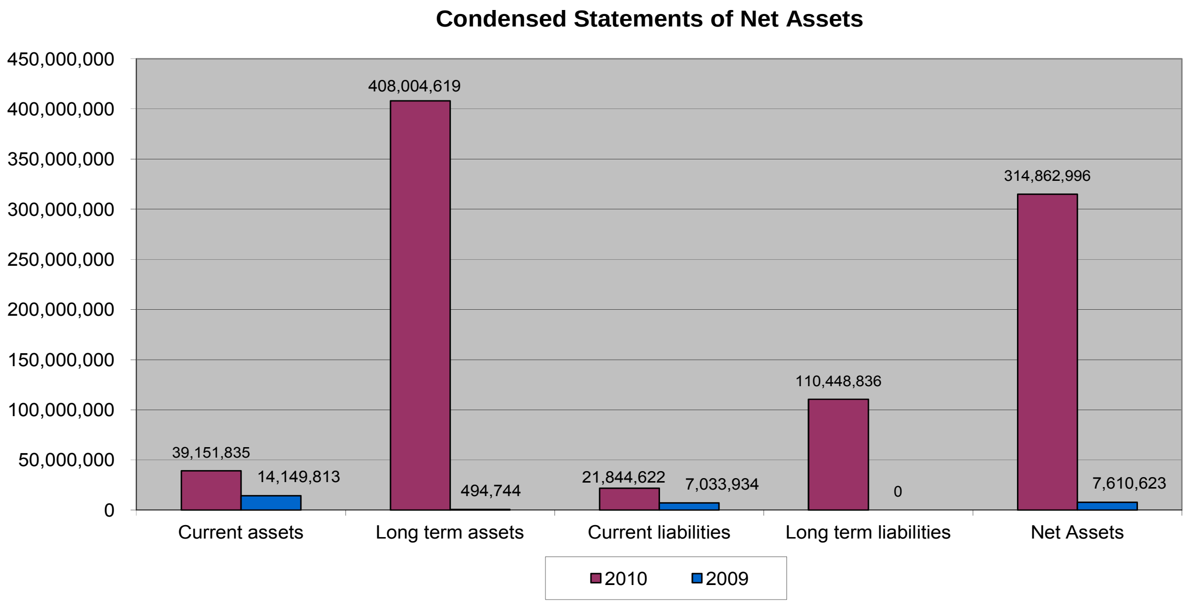
Financial Summaries

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 Net Assets

	December 31, 2010	December 31, 2009	December 31, 2008
Current assets	$ 39,151,835	$ 14,149,813	$ 12,967,787
Other assets	5,951,743	-	-
Capital assets, net of accumulated depreciation	402,052,876	494,744	640,285
Total assets	447,156,454	14,644,557	13,608,072
Current and other liabilities	21,844,622	7,033,934	3,488,838
Long-term liabilities	110,448,836	-	2,508,611
Total liabilities	132,293,458	7,033,934	5,997,449
Invested in capital assets	284,724,040	494,744	640,285
Restricted for statutory requirements	5,679,829	-	-
Unrestricted net assets	24,459,127	7,115,879	6,970,338
Total liabilities and net assets	$ 447,156,454	$ 14,644,557	$ 13,608,072



For the Year Ended December 31, 2010

Current Assets

Current assets increased by $25,002,022 in 2010 to $39,151,835. The primary reason for the increase was the transfer of the Luxury Tax Reserve Fund from the NJSEA to the Authority in 2010. The Authority's cash and investments increased by $23,423,698, its Due from the State increased by $2,522,910, while its receivables decreased by $720,621, and its prepaid and other assets decreased by $223,965.

Luxury Tax Reserve Fund

As a result of the Authority's separation from the NJSEA, the Authority began reporting all of the financial activity of the Luxury Tax Reserve Fund on its financial statements as of January 1, 2010. The year end cash balances in the Debt Service, Operating, and Working Capital & Maintenance Reserve Funds represented $19,943,728 of the $23,423,698 increase in the Authority's cash and investments. This cash consists of amounts necessary to meet the Authority's debt service requirements and fund its operating deficits and capital requirements. Restricted cash and cash equivalents equaling $881,294 brings the Luxury Tax Reserve Fund's year end cash and cash equivalents balances to $20,825,022, which accounts for the bulk of the Authority's increase in cash and cash equivalents during 2010. The increase in the Authority's receivable from the State is also due, in large part, to the Luxury Tax Reserve Fund's balance of $5,401,067 in its Due from the State – luxury taxes. This amount represents the final three months of luxury taxes certified by the State in 2010 that were not transferred to the Authority until 2011.

Marketing Operations

Marketing Operations' cash increased by $1,896,113 in 2010 primarily due to a large increase in collections from the State in 2010 pertaining to prior years. In fact, approximately $1,883,369 of the collections in 2010 pertained to 2008. Marketing Operations' receivable from the State decreased by $2,878,157 partly due to the aforementioned collection of $1,883,369 as well as an estimated $629,152 increase in 2010 marketing fee rebates over 2009. Marketing fee rebates are netted out from the receivable from the State, therefore an increase in the rebates results in a decrease in the receivable.

Convention Center and Boardwalk Hall

The Convention Center's and Boardwalk Hall's cash increased by $702,563 in 2010 largely due to the higher volume of advance ticket sales at the end of 2010 compared to 2009. Boardwalk Hall had already collected $1,056,102 in ticket sales as of December 31, 2010 for the February 2011 Lady Gaga concert. This increase is also reflected in Boardwalk Hall's increase in deferred income. The Convention Center's and Boardwalk Hall's receivables decreased in 2010 a collective $719,545 from 2009 primarily due to the transfer of the Luxury Tax Reserve Fund from the NJSEA to the Authority. In 2009, the receivable from the Luxury Tax Reserve Fund, held by the NJSEA, was reflected on the Statement of Net Assets. In 2010, the Luxury Tax Reserve Fund became an operating segment of the Authority, so the Convention Center's and Boardwalk Hall's collective receivable balances from the Luxury Tax Reserve Fund are accounted for in intercompany accounts which are eliminated and are not reflected on Statement of Net Assets. The Convention Center's and Boardwalk Hall's prepaid and other expenses decreased by $213,143 primarily due to decreases in prepaid maintenance and insurance expenses. Prepaid maintenance decreased by $71,650 due to the fact that the 2010 payment of the annual policy, which is usually paid in December, was not paid until January 2011. Prepaid property insurance decreased by $67,865 in 2010 as a result of a less expensive annual premium due to a policy change. Finally, prepaid pollution insurance is lower in 2010 by $102,134 as a result of having one less year of the five-year prepaid insurance policy on the books at yearend. The five-year policy will expire in 2011.

Other Long-Term Assets

Luxury Tax Reserve Fund

Other long-term assets, totaling $5,951,743, are reported on the financial statements of the Authority for the first time as of December 31, 2010. The assets represent $4,798,535 in restricted investments held for the Boardwalk Hall and deferred issuance costs on the two Convention Center Luxury Tax Bond Series now being recorded on Authority's financial statements as a result of the separation from the NJSEA. The issuance costs are being amortized over the life of the bond issuances on a straight-line basis. The unamortized bond issuance costs for the 1999 and 2004 Series of Convention Center Luxury Tax Bonds are $613,159 and $540,049, respectively.

Current Liabilities

Current liabilities increased by $14,810,688 due to increases in accounts payable and accrued expenses, interest expense, deferred revenue, and the current portion of long-term debt of $189,998, $8,818,546, $680,940 and $6,880,000, respectively. The due to luxury tax reserve fund decreased by $1,758,796 in 2010.

Luxury Tax Reserve Fund

The current portion of bonds payable associated with the 1999 Series of Convention Center Luxury Tax Bonds, now being reported on the Authority's financial statements, are reflected in current liabilities. The interest payable on the outstanding bond series along with the interest payable on the note payable are reported on the Authority's financial statements for the first time in 2010 and are also reflected in current liabilities. As of December 31, 2010, interest payable on the 1999 bond series, the 2004 bond series, and the Note Payable is $1,401,364, 423,225, and $6,993,956, respectively. The current portion of the 1999 series bond payable is $6,880,000 and it will be paid on September 1, 2011.

The decrease of $1,758,796 in the due to luxury tax reserve fund is primarily due to the transfer of the Luxury Tax Reserve Fund from the NJSEA to the Authority. In 2009, the liability to the Luxury Tax Reserve Fund, held by the NJSEA, was reflected on the Statement of Net Assets. In 2010, the Luxury Tax Reserve Fund became an operating segment of the Authority, so Marketing Operations' current year liability to the Luxury Tax Reserve Fund is accounted for in an intercompany account which is eliminated and is not reflected on Statement of Net Assets.

Marketing Operations

Marketing Operations' deferred revenue decreased by $137,260 primarily due to decreases in advance marketing partner dues collections and grant proceeds on hand at the end of 2010 compared to 2009. Marketing partner dues, which are payments made to the Authority by area businesses in order to be included in the Authority's promotional activities and literature, were down $21,769 in 2010. The decrease is attributable to the lagging economy and the Authority's potential organizational changes. Marketing partner dues are collected in the fourth quarter for the upcoming year. The amount of grant proceeds on hand at the end of 2010 was also down by $146,689 as compared to 2009. Marketing Operations receives grant proceeds from the State of New Jersey to promote Restaurant Week. At the end of 2009, grant proceeds for both 2010 and 2011 had already been received, while at the end of 2010, Marketing Operations only had the 2011 grant proceeds on hand. Marketing Operations did, however, have $31,197 more in other sponsorships for Restaurant Week on hand at the end of 2010 compared to 2009. The increase in other sponsorships partially offset the decrease in the grant proceeds.

Convention Center and Boardwalk Hall

The Convention Center's and Boardwalk Hall's deferred revenues increased a collective $818,200 in 2010 as a result of Boardwalk Hall's strong end of the year collections for the 2011 Lady Gaga concert. As of December 31, 2010, $1,056,102 in ticket sales had already been collected for the February 2011 concert.

Long-Term Liabilities

Long-term liabilities increased by $110,448,836 in 2010 due to increases in notes payable and the long-term portion of bonds payable of $8,600,000, and $101,848,836, respectively.

Luxury Tax Reserve Fund

The note payable pertains to a 1997 loan from the CRDA to pay for costs of the Convention Center Project. The balance of the note payable at December 31, 2010 is $8,600,000. The outstanding long-term portion of the 1999 series bonds payable and associated bond premium and discount as of December 31, 2010 are $77,265,000, $600,820, and $321,272, respectively. The outstanding long-term portion of the 2004 series bonds payable and associated bond premium as of December 31, 2010 are $23,085,000 and $1,219,288, respectively.

For the Year Ended December 31, 2009

Current Assets

Current assets increased by $1,182,026 in 2009 to $14,149,813. The composition of the current assets, however, shifted significantly from cash to receivables. The Authority's cash decreased by $3,080,565 in 2009 while the Authority's receivables, in total, increased by $4,309,649.

Marketing Operations

Marketing Operations' cash decreased by $2,269,733 in 2009 primarily due to the decrease in marketing fee receipts in 2009 compared to 2008. Marketing Operations only received $5,210,837 in marketing fees from the State in 2009 compared to $8,308,449 in marketing fee cash receipts in 2008, a difference of $3,097,612.

Marketing Operations' receivable from the State increased by $3,888,926 to $6,468,099 at December 31, 2009. A portion of the increase pertained to the $236,827 increase in marketing fees collected by the State in 2009 versus 2008. Marketing fee collections by the State increased from $10,460,490 in 2008 to $10,697,317 in 2009. The receivable also increased by $533,294 as a result of a 2009 recertification of 2008 marketing fee rebates. Marketing fee rebates, which are netted out from the marketing fee receivable, were reduced by $533,294 in 2009 thus increasing the receivable balance. The balance of the increase, however, was directly related to the decrease in cash received by Marketing Operations from the State of New Jersey in 2009 compared to 2008.

Convention Center and Boardwalk Hall

Cash at the Convention Center and Boardwalk Hall decreased by $810,832 primarily due to a smaller amount of advance deposits and other deferred revenues on hand at the facilities at the end of 2009 compared to 2008. Advance deposits were higher by $371,312 in 2008 as a result of a larger number of events on the books at the end of 2008 for 2009 compared to 2009 for 2010. Deferred revenues associated with the luxury tax fundings of the buildings' operating deficits were also higher by $247,835 in 2008 compared to 2009. In 2008, the Convention Center and Boardwalk Hall, collectively, had an excess of $247,835 in cash over the buildings' operating deficits.

Receivables, net of allowance for doubtful accounts, increased by $420,723 primarily due to the increases in luxury tax receivables to cover the buildings' operating deficits, offset by decreases in the accounts receivable balances for the buildings as a result of the decrease in events held at the end of 2009 compared to 2008. The allowance for doubtful accounts also increased by $246,687, collectively, for the Convention Center and Boardwalk Hall due to the non-payment of commissions from a former subcontractor.

Current Liabilities

Current and other liabilities increased by $1,036,485 due to increases in accounts payable and accrued expenses and the due to luxury tax reserve fund of $100,002 and $1,411,849, respectively, offset by a $475,366 decrease in deferred revenues.

Marketing Operations

Marketing Operations' accounts payable and accrued expenses decreased by $82,370 primarily due to a $64,700 decrease in accrued advertising expense at the end of 2009 compared to 2008. In 2008, an online advertising campaign ended on December 30 and was not paid until 2009. In 2009, the same online advertising campaign began earlier in the year, concluded in mid-November, and was paid prior to the end of the year.

Marketing Operations' deferred revenues increased by $144,957 due to the fact that two years' worth of grant proceeds were on hand at the end of 2009, while grant proceeds for only one year had been received at the end of 2008. Marketing Operations receives grant proceeds from the State of New Jersey to promote Restaurant Week and at the end of 2008, only grant proceeds for 2009 had been received, but at the end of 2009, grant proceeds for both 2010 and 2011 had been received.

The $1,411,849 increase in the due to luxury tax reserve fund represents Marketing Operations' excess revenues over its expenses for the year ended December 31, 2009. Marketing Operations, the Convention Center, and the Boardwalk Hall only receive luxury taxes to the extent of their deficit operations. A surplus of revenues over expenses represents an over funding of luxury taxes and is therefore reflected as a liability to the luxury tax reserve fund.

Convention Center and Boardwalk Hall

Accounts payable and accrued expenses increased by $182,372 in 2009 as a result of the Convention Center's and Boardwalk Hall's large end-of-the-year payments on open accounts payables in 2008. In 2009, all of the accounting and financial responsibilities for the Convention Center and Boardwalk Hall were transferred from the financial system hosted by the NJSEA to the financial system hosted by Marketing Operations. Prior to

2009, the accounts payable disbursements were processed by the NJSEA. In order to ease the transition on to Marketing Operations' financial system, the procurement for both of the buildings was decreased in the final six weeks of 2008 and large check runs were processed to pay a big portion of the open accounts payables prior to the end of that year.

As previously mentioned, deferred revenues and advance deposits were down in both the Convention Center and Boardwalk Hall a collective $619,147 due to the excess funding of the buildings' deficits in 2008 and the smaller number of events taking place in the buildings at the beginning of 2010 as compared to the beginning of 2009.

EXHIBIT 2

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
Operating revenues	$ 14,521,988	$ 13,352,526	$ 16,382,134
Operating expenses	(43,427,440)	(32,570,925)	(35,449,228)
Operating loss	(28,905,452)	(19,218,399)	(19,067,094)
Nonoperating income and (expenses):			
Luxury tax revenue	27,989,825	10,095,723	11,460,284
Marketing fee revenue	7,179,606	9,099,763	7,451,869
Interest income	53,665	22,913	154,941
Interest expense	(6,058,186)	-	-
Other nonoperating income (expense)	(108,967)	-	-
Total nonoperating revenue	29,055,943	19,218,399	19,067,094
Transfers from NJSEA	307,101,882	-	-
Increase in net assets	$ 307,252,373	$ -	$ -

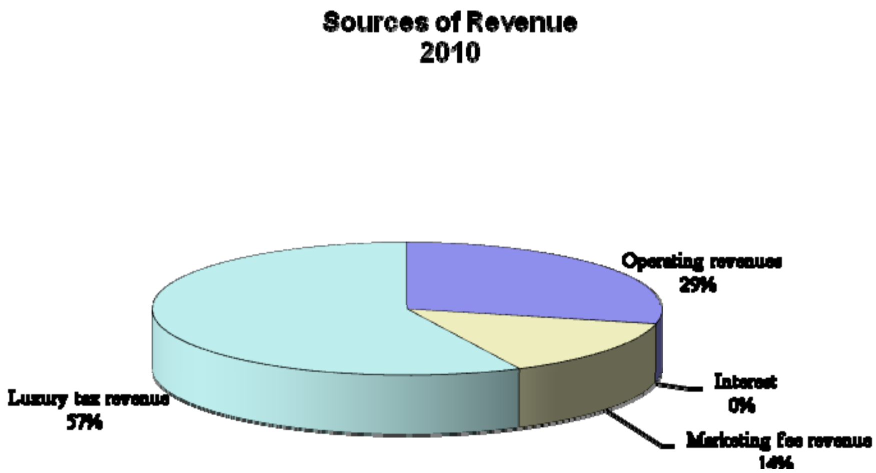
While the Statements of Net Assets show the financial position or net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provide answers as to the nature and source of these changes.

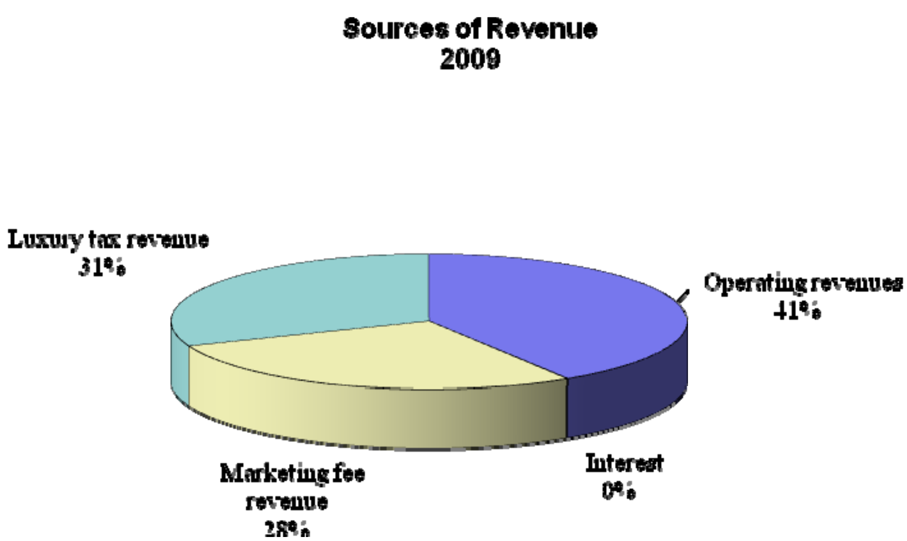
Sources of revenue consisted of:

- Operating revenues - the revenues generated at the Convention Center, Boardwalk Hall, West Hall, and Marketing Operations.

- Luxury tax revenue - received from the Trustee, after the debt service requirements are met, for capital expenditures for the Convention Center, Boardwalk Hall, and West Hall and the operating deficits of the Convention Center, Boardwalk Hall, West Hall, and Marketing Operations. Prior to 2010, luxury tax revenue was forwarded from the State to the NJSEA. The NJSEA would forward the necessary funds to the Trustee for the debt service payments. The NJSEA would then fund the Authority directly for the capital expenditures and operating deficits.

- Marketing fee revenue - collected from Atlantic City hotels, via the State, to promote the destination of Atlantic City.



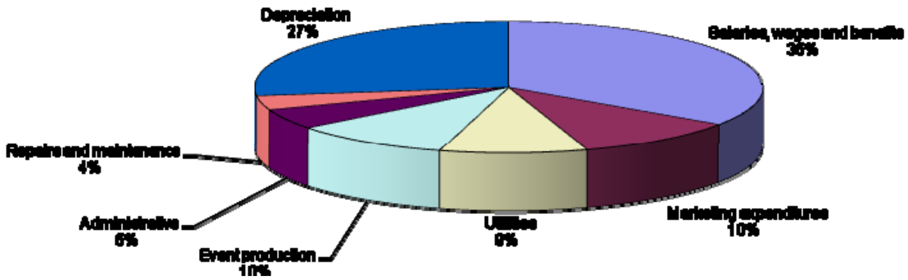


Sources of expenses consisted of:

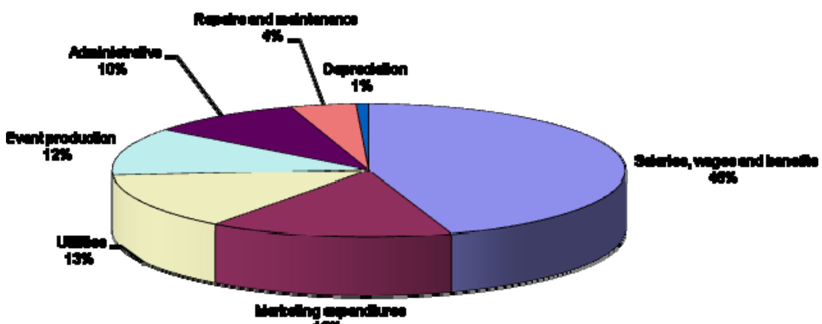
- Operating expenses - all of the costs associated with promoting the destination of Atlantic City and operating the facilities, except for costs of a capital nature that are depreciated.

- Depreciation expenses - recognizes the cost of capital assets, such as buildings, furniture, fixtures, and equipment, and building and leasehold improvements over their estimated useful lives, which is usually between three and sixty years.

Operating Expenses
2010



Operating Expenses
2009



Operating Highlights

Number of Attendees

	2010	2009	2008
Boardwalk Hall	317,736	208,801	316,387
Convention Center	307,545	360,700	361,878
	625,281	569,501	678,265

Number of Events

	2010	2009	2008
Boardwalk Hall	40	32	45
Convention Center	106	131	145
	146	163	190

Operating Revenues & Expenses by Facility (000's)

	2010	2009	2008
Operating Revenues:			
Boardwalk Hall	$ 6,369	$ 3,896	$ 6,292
Convention Center	7,576	8,614	9,324
Luxury Tax Reserve	-	-	-
Marketing Operations	577	842	766
	$ 14,522	$ 13,352	$ 16,382
Operating Expenses:			
Boardwalk Hall	$ 9,802	$ 9,481	$ 10,805
Convention Center	11,901	12,385	13,986
Luxury Tax Reserve	11,496	-	-
Marketing Operations	10,228	10,704	10,658
	$ 43,427	$ 32,570	$ 35,449

For the Year Ended December 31, 2010

Operating Revenues

Operating revenues for the Authority increased by $1,169,462 to $14,521,988 for the year ended December 31, 2010. Boardwalk Hall's operating revenues increased by $2,472,478, while the Convention Center's and Marketing Operations' operating revenues decreased by $1,038,395 and $264,621, respectively.

Boardwalk Hall

Boardwalk Hall's special services, facilities rental, parking, and food & beverage revenues were higher by a collective $2,440,492 in 2010 due to fact that there were 8 more events and 108,935 more attendees in the Boardwalk Hall in 2010. The biggest revenue increase was the $1,240,613 increase in facilities rental revenue. The Boardwalk Hall is composed of an arena and a ballroom and both are rented out during the course of the year. The big increase in facilities rental revenue was due to the increased revenues from arena rentals in 2010. Revenues from arena rentals increased by $1,297,980 to $2,240,615 in 2010, while ballroom rentals decreased by $61,351 to $76,651. Examples of the arena events that generated the significant increase in operating revenues for Boardwalk Hall included concerts featuring Phish, Nickelback, Lady Gaga, Justin Bieber, and the Blackeyed Peas. Special services, parking, and food & beverage revenues also increased $616,457, $65,245, and $518,177, respectively in 2010. These increases were also due to the increase in the number and size of events held in the Hall's arena in 2010. Special services revenue includes ticket incentive and handling fees, event labor and rentals, and other related income such as utility and insurance billbacks.

Convention Center

The Convention Center's facilities rental, parking, and food & beverage revenues were down a collective $1,115,768 in 2010 due to the fact that there were 25 fewer events in the Convention Center during the year. Facilities rental revenue decreased $495,754 in 2010 largely due to the absence or downsizing in 2010 of some of the larger events that took place in 2009. A brief listing of the aforementioned events that yielded declines in facilities rental revenue includes Antique, Antique Road Show, Arett, Dub, Motorsports, NJ School Boards, and PowerBoat. The decrease in the number and size of the events in 2010 also translated into decreases in parking and food & beverage revenues of $138,530 and $481,484, respectively.

Marketing Operations

Marketing Operations' operating revenues decreased by $264,621 to $577,369 in 2010 primarily due to the discontinuance of two cooperative marketing programs at the end of 2009. A cooperative marketing program with area golf courses ended in 2009, which resulted in a decrease of $188,480 in 2010 operating revenues. A cooperative online advertising campaign with a few of the city's casino properties took place in 2009, but did not occur in 2010, which resulted in a $45,460 decrease in operating revenues.

Operating Expenses

Operating expenses for the Authority increased by $10,856,515 to $43,427,440 for the year ended December 31, 2010. Boardwalk Hall's operating expenses increased by $320,914, while the Convention Center and Marketing Operations' operating expenses decreased by $484,167 and $476,594, respectively. Operating expenses for the new Luxury Tax Reserve Fund were $11,496,362, consisting primarily of depreciation expense.

Boardwalk Hall

The increase in the number and size of the events held at the Boardwalk Hall in 2010 resulted in increases in salaries, wages and benefits, contract services, and production expenses totaling $1,501,600. The increases in these 2010 operating expenses were offset, somewhat by decreases in utilities and professional services of $225,559 and $887,671, respectively. The increase in salaries, wages and benefits was due primarily to a $642,897 increase in event related labor. The increase in the larger arena events required an increase in contract services such as outside security and electrical services. Boardwalk Hall's expenses pertaining to outside security and electrical services also increased by $305,236 and $201,272, respectively in 2010. Production and event related expenses such as rigging, police, emergency medical technicians, and catering increased by $374,524 in 2010 as a result of the increase in arena events. The decrease in Boardwalk Hall's utilities was due to ongoing energy conservation efforts and the decrease in professional services was due to the reduction in legal and bond counsel separation-related expenses in 2010.

Convention Center

The Convention Center did a staffing reorganization early in 2010, whereby several departments were downsized. The reorganization was the primary reason why salaries, wages and benefits were down $207,415 compared to 2009. A few of the departments that were downsized were property maintenance/housekeeping, parking, carpentry, and security. The Convention Center's utilities were also lower by $135,942 in 2010 as a result of the energy conservation program. The Convention Center's legal and bond counsel separation-related expenses were also $72,162 lower in 2010, which was due, in part, to the separation documents executed between the Authority and NJSEA in January 2011. There was also an $84,900 reduction in management fees paid to the NJSEA in 2010 as a result of the execution of the separation documents.

Marketing Operations

The golf marketing program and cooperative online advertising programs which existed in 2009, but not in 2010, accounted for $233,940 of the reduction in Marketing Operations' operating expenses. Marketing expenses associated with the Atlantic 10 Basketball Tournament were $111,243 lower in 2010 compared to 2009. Marketing Operations has hosted the conference championship for the Atlantic 10 since 2007. In 2010, the tournament format went from a 4-day schedule to a 3-day schedule, and Marketing Operations' payment guarantee to the conference was reduced by $75,000. Net ticket sales, which offset the tournament's expenses, also exceeded 2009 sales by $36,243.

Luxury Tax Reserve Fund

The Authority's depreciation expense increased by $11,495,685 to $11,751,956 in 2010. The large increase was due to the fact that all of the assets pertaining to the Atlantic City Convention Center Project that were formerly reported on the NJSEA's financial statements were moved to the Authority's financial statements. The depreciation expense on the newly added assets amounted to $11,494,207.

For the Year Ended December 31, 2009

Operating Revenues

Operating revenues for the Authority decreased by $3,029,608 to $13,352,526 for the year ended December 31, 2009. The Convention Center's and Boardwalk Hall's operating revenues decreased by $709,741 and $2,395,739, respectively, while Marketing Operations' operating revenues increased by $75,872.

Convention Center

The Convention Center's special services and facilities rental revenues were down a collective $1,116,894 in 2009 due to the fact that there were 14 fewer events in the Convention Center during the year. Special services revenue decreased $832,818 in 2009 largely due to the absence or downsizing in 2009 of some of the larger events that took place in 2008. Special services revenue specifically includes client utilities, labor reimbursements, and telephone and internet billings. A brief listing of the aforementioned events that yielded declines in special services revenue includes AC Variety, Antique, Atlantic Bakery Expo, and the Mid Atlantic Hardscaping and Penn Atlantic Nursery Trade Shows. The decrease in the number and size of the events in 2009 also translated into a $284,076 decrease in facilities rental revenue for the Convention Center. Parking and food & beverage revenues in 2009, on the other hand, increased by $173,520 and $258,980, respectively over 2008. Parking rate increases were the primary reason for the increase in parking revenues, while two large catered events were added in 2009 that accounted for $160,314 of the increase in the food & beverage revenues. The balance of the 2009 increase in food & beverage revenues was due to its food service provider's increase in net income in 2009 versus 2008. The Convention Center's food & beverage revenues are based on the food service provider's net income.

Boardwalk Hall

Boardwalk Hall's special services, facilities rental, parking, and food & beverage revenues were down a collective $2,429,496 in 2009 due to fact that there were 13 fewer events and 107,586 fewer attendees in the Boardwalk Hall in 2009. The biggest revenue decrease was the $1,512,503 decrease in facilities rental revenue. The Boardwalk Hall is composed of an arena and a ballroom and both are rented out during the course of the year. The big decrease in facilities rental revenue was primarily due to the decreased revenues from arena rentals as opposed to ballroom rentals. Revenues from arena rentals decreased by $1,525,115 to $942,635 in 2009, while ballroom rentals increased by $11,748 to $138,002. In 2008, Boardwalk Hall's arena was rented out 26 times of which 22 times were for an amount in excess of $50,000, while the arena was only rented out 14 times in 2009 and only 10 times did the rent exceed $50,000. In fact, the number of times the arena was rented out for more than $100,000 was more than doubled in 2008 compared to 2009. Special services, parking, and food & beverage revenues also decreased $706,820, $44,212, and $165,961, respectively in 2009. These declines were also due to the decrease in the number and size of events held in the Hall's arena in 2009.

Marketing Operations

Marketing Operations' operating revenues increased by $75,872 to $841,990 in 2009 primarily due to an $84,096 increase in grant revenues in 2009 compared to 2008. Marketing Operations received destination marketing organization grants from the State of New Jersey in 2008 and 2009. The grant amounts received were $150,000 for each year, and the funds were used to promote Atlantic City's Restaurant Week in March 2009 and March 2010. In 2008, expenditures of grant funds totaling $59,539 were made promoting the event, and the corresponding grant revenue for the same amount was recognized. In 2009, the $90,461 balance of the $150,000 received in 2008 was used to promote Atlantic City's Restaurant Week in 2009 and $53,174 of the $150,000 received in 2009 was used to promote the event to be held in March 2010. The corresponding grant revenue of $143,635 was recognized in 2009, which represents an $84,096 increase over the grant revenue recognized in 2008.

Operating Expenses

Operating expenses for the Authority decreased by $2,878,303 to $32,570,925 for the year ended December 31, 2009. The Convention Center's and Boardwalk Hall's operating expenses decreased by $1,600,377 and $1,324,068, respectively, while Marketing Operations' operating expenses increased by $46,142.

Convention Center and Boardwalk Hall

The decrease in events and attendees at the Convention Center and Boardwalk Hall in 2009 resulted in decreases in salaries, wages and benefits, contract services, and production expenses totaling $1,328,143 and $2,008,299, respectively. Salaries, wages and benefits decreased for both buildings, in total, by $1,810,300 of which $1,159,011 pertained to decreases in direct event labor, while the remaining $651,289 in salaries, wages and benefits reductions were non-event related. Contract services and production expenses decreased in both buildings by $1,098,445 and $427,697, respectively. These reductions were due primarily to a decrease in demand for security, electrical services, and production related expenses as a result of the fewer events in the buildings. Utilities decreased, in total, for both buildings by $513,042 in 2009 partly due to fewer events, but lower rates and favorable weather also played a role in the savings. Reductions and cutbacks in office, trade, and cleaning supplies along with limits placed on uniforms and parking passes at both buildings in 2009 contributed to the overall reduction of $123,349 in supplies expense for the year compared to 2008. Management fees for both buildings decreased by $161,092, collectively, due primarily to a 50% reduction in management fees paid to the NJSEA. In 2009, the Authority assumed a great deal of the oversight over the buildings' operations from the NJSEA. Professional fees, on the other hand, increased by $900,695 due to an increased use of professional services in 2009 and the Authority's and NJSEA's separation related expenditures. Marketing expenditures for the Boardwalk Hall increased by $100,221 in 2009 primarily due to the promotion of the new Walking with Dinosaurs event. Bad debt expense also increased for both buildings a collective $213,687 primarily due to the disputed commissions owed from a former subcontractor.

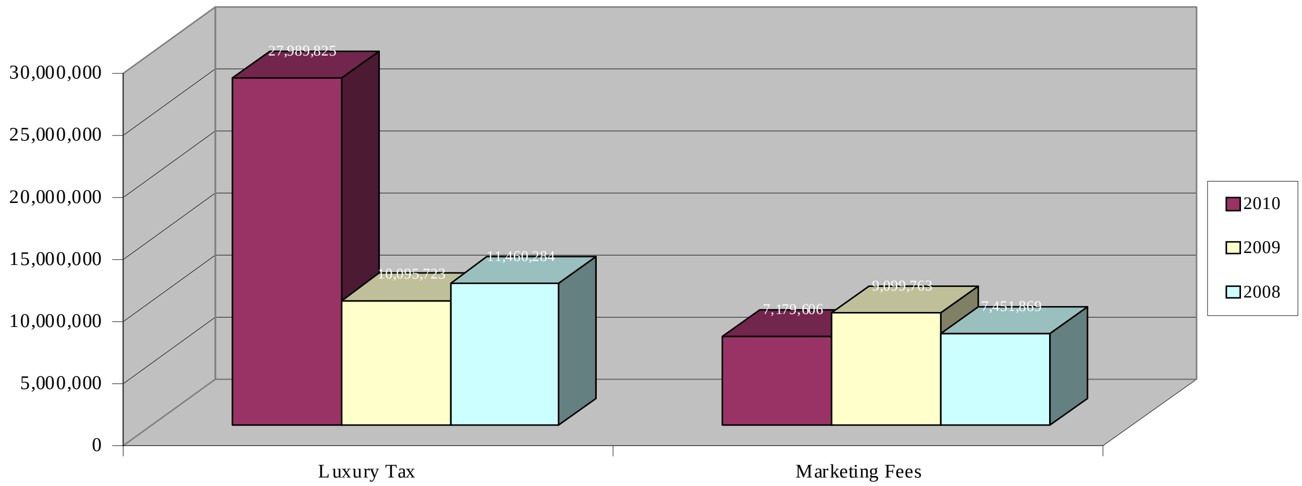
Marketing Operations

Marketing Operations' operating expenses increased by $46,142 in 2009 with the most significant changes involving an $112,625 increase in marketing expenditures, offset by a $48,408 decrease in salaries, wages and benefits. The larger increases in 2009 marketing expenditures pertained to the A10 basketball tournament, grant expenses associated with Atlantic City's Restaurant Week, and a 2009 cooperative marketing campaign, offset by 2009 decreases in familiarization tours and photo services associated with the new photo library for the destination. In 2009, net ticket sales for the annual A10 basketball tournament, which offset the tournament's production costs, were down by $229,500 compared to 2008. In 2008, net ticket sales were higher due to the fact that there were two Philadelphia basketball teams in the finals. Marketing expenditures associated with Atlantic City's Restaurant Week were also $113,000 higher in 2009 because there were expenditures for both the 2009 and 2010 programs in 2009. There were only marketing expenditures for the 2009 program in 2008. In 2009, Marketing Operations also contributed $46,000 to a cooperative marketing campaign that highlighted new air service at the Atlantic City International Airport. There was no such cooperative marketing campaign in 2008. Client entertainment associated with mini familiarization tours decreased by $104,400 in 2009 due to the decrease in events held at the Boardwalk Hall. Familiarization tours are usually scheduled around popular entertainment events in order to entice potential clients to visit the destination. There were only three familiarization tours in 2009 compared to seven in 2008. Also in 2008, $102,800 was spent on photo services associated with updating the destination's photo library. The photo library was not updated in 2009. The $65,755 decrease in salaries, wages and benefits was due primarily to the fact the Convention Development was down a salesperson for a large portion of 2009 accounting for $22,000 of the decrease. Marketing Operations also paid $41,200 less on convention development registrars in 2009 compared to 2008. Convention development registrars assist show managers and exhibitors with their events. Due to the decrease in the number and scope of the shows, fewer show managers and exhibitors used fewer registrars in 2009.

Nonoperating Highlights (000's)

	2010	2009	2008
Nonoperating Income and (Expenses)			
Luxury tax revenue	$ 27,990	$ 10,095	$ 11,460
Marketing fees revenue	7,179	9,100	7,452
Interest income	54	23	155
Interest expense	(6,058)	-	-
Other nonoperating income (expense)	(109)	-	-
Total nonoperating income	$ 29,056	$ 19,218	$ 19,067

Nonoperating Revenues



For the Year Ended December 31, 2010

Nonoperating Revenues

In 2010, luxury tax revenue for the Authority increased by $17,894,102 to $27,989,825. The increase was primarily due to the addition of the Luxury Tax Reserve Fund to the financial statements of the Authority. The luxury taxes in the Luxury Tax Reserve Fund accounted for $17,772,421 of the $17,894,102 increase. Luxury taxes are first sent to the Trustee by the State to satisfy the Authority's debt service requirements, and then the funds are sent by the Trustee to the Authority to fund the Authority's capital expenditures, deficit operations, and working capital and maintenance reserve requirements. Boardwalk Hall's operating deficit decreased by $2,159,987 in 2010, while the Convention Center's and Marketing Operations' 2010 deficits increased by $559,677 and $1,721,991, respectively.

Boardwalk Hall

The decrease of $2,159,987 in Boardwalk Hall's operating deficit was due primarily to the increase in the number of events and attendance during 2010. The increase in the amount of arena events in 2010 over 2009 was the primary reason why the Boardwalk realized increases in all of its operating revenues. Professional fees, which included the Authority's separation related expenditures, also decreased by $887,671 in 2010.

Convention Center

The Convention Center's $559,677 increase in 2010 operating deficit was due primarily to the decrease in the number of events and attendance at the Convention Center during 2010 compared to 2009. The Convention Center's operating revenues decreased by $1,042,504, while its operating expenses only declined by $484,167.

Marketing Operations

The Authority's marketing fee revenue decreased by $1,920,157 in 2010 to $7,179,606. Marketing fees collected by the State of New Jersey amounted to $9,939,606 in 2010 compared to the $10,697,317 collected in 2009, a decrease of $757,711. Marketing fee rebates, which are netted out from Marketing Operations' marketing fee revenue, are higher by $629,152 in 2010 compared to 2009. The higher rebates actually increased the operating deficit. Due to the increased operating deficit, Marketing Operations recognized $1,721,991 more in luxury taxes in 2010 compared to 2009.

Nonoperating Expenses

Luxury Tax Reserve Fund

Until December 31, 2009, all of the luxury tax bonds and related issuance costs were recorded on the financial statements of the NJSEA. Beginning January 1, 2010, all of the luxury tax bonds and related issuance costs were transferred to the financial statements of the Authority. Under the Pledged Property Agreement, the Authority agreed that the property pledged to the bond holders, i.e. the luxury tax revenues, shall remain subject to the liens of and as security for the NJSEA bond holders and agreed to all of the terms and conditions of the NJSEA Bond Resolutions.

A note payable related to a loan from the CRDA was also transferred to the Authority's financial statements from the NJSEA in 2010. The proceeds were used to pay for the costs of a capital project, and the note constitutes subordinated debt payable from luxury tax revenues.

Interest expense totaling $6,058,186 for the year ended December 31, 2010 represents interest paid and accrued on the Authority's debt net of the annual amortization of the related bond premiums and discounts.

For the Year Ended December 31, 2009

In 2009, luxury tax revenue for the Authority decreased by $1,364,561 to $10,095,723. The decrease was due to a $1,128,839 increase in Boardwalk Hall's operating deficit in 2009, offset by decreases in the Convention Center's and Marketing Operations' 2009 deficits of $874,669 and $1,618,731, respectively. The increase in Boardwalk Hall's operating deficit was due primarily to the $838,935 increase in 2009 professional fees, which included the Authority's and NJSEA's separation related expenditures. The Convention Center's $874,669 decrease in 2009 operating deficit was due in part by a $173,520 increase in parking revenues associated with 2009 rate increases and a $258,980 increase in food & beverage revenues associated with two new catered events in 2009. Finally, Marketing Operations' $1,618,731 decrease in 2009 operating deficit was due primarily to the $1,647,894 increase in marketing fee revenue in 2009.

As mentioned, the Authority's marketing fee revenue increased by $1,647,894 in 2009 to $9,099,763. Marketing fees collected by the State of New Jersey amounted to $10,697,317 in 2009 compared to the $10,460,490 collected in 2008, an increase of $236,827. The higher collections were primarily due to increased hotel room inventory in all of 2009 compared to only a portion of 2008. Hotel rooms were added at Harrah's Atlantic City, the Borgata, and Trump Taj Mahal in 2008. Also in 2009, the Department of Taxation issued a marketing fee rebate recertification that effectively reduced the 2008 marketing fee rebates by $533,294. Marketing fee rebates are netted out from Marketing Operations' marketing fee revenue, so the 2009 recertification effectively increased marketing fee revenue in 2009 by the same amount. Finally, Marketing fee rebates certified in 2009 were also $877,773 lower than the marketing fee rebates certified for 2008, which equates to higher revenue in 2009.

EXHIBIT 3

Capital Assets

	Balance, December 31, 2008	Additions	Balance, December 31, 2009	Additions	Transfer In From NJSEA See Note 1	Balance, December 31, 2010
Land	$ -	$ -	$ -	$ -	$ 81,311,000	$ 81,311,000
Buildings	-	-	-	174,868	408,488,433	408,663,301
Furniture, fixtures and equipment	1,884,780	110,730	1,995,510	357,162	52,646,224	54,998,896
Building and leasehold improvements	-	-	-	457,951	1,078,818	1,536,769
Total at cost	1,884,780	110,730	1,995,510	989,981	543,524,475	546,509,966
Less accumulated depreciation	(1,244,495)	(256,271)	(1,500,766)	(11,751,956)	(131,204,368)	(144,457,090)
Investment in facilities — net	$ 640,285	$ (145,541)	$ 494,744	$ (10,761,975)	$ 412,320,107	$ 402,052,876

At the end of 2010 and 2009, the Authority had invested $402,052,876 and $494,744 in net capital assets, respectively, at costs of $546,509,966 and $1,995,510 net of $144,457,090 and $1,500,766 in accumulated depreciation, respectively.

Beginning in 2010, all of the capital assets associated with the Convention Center, Historic Boardwalk Hall, and the West Hall were transferred to the financial statements of the Authority. Prior to 2010, all of the capital assets were recorded on NJSEA's financial statements.

Capital asset additions during 2010 consisted of normal purchases and improvement of infrastructure, mechanical systems, as well as various safety system upgrades, while 2009 consisted substantially of computer, network, and website upgrades. The Authority considers any asset with a value over $5,000 and an estimated useful life over three years a depreciable asset. Capital assets are depreciated using the straight-line method from three to sixty years (See Note 5).

Current Economic Conditions

Atlantic City ended 2010 with its 28th consecutive month of revenue decline. The casinos in Atlantic City recorded winnings of only $237.2 million in December, down 12.8 percent from December 2009. Atlantic City's troubles actually began shortly after the first slots parlor opened in the Philadelphia suburbs in November 2006. Within months, the resort's revenues plunged as day-tripping slots players who accounted for a major portion of Atlantic City's customers began playing closer to home. After casino revenues had increased for 28 years, Atlantic City had its first ever yearly decline in 2007. More slots parlors opened in Pennsylvania in 2008 and 2009, which contributed to the continued revenue declines for Atlantic City. In 2010, Pennsylvania and Delaware casinos started offering table games, which allowed those states to compete even more directly with Atlantic City. All in all, Atlantic City's casinos took in $3.6 billion in 2010, down from $5.2 billion in 2006, a decline of nearly 31 percent.

The biggest difference in the current economic conditions this year versus the past is the Governor's and New Jersey lawmakers' resolve to influence the turnaround plan for Atlantic City. Two separate pieces of legislation were developed in 2010 and passed early in 2011 that aim to revive the slumping casino industry and Atlantic City's tourist-dependent economy.

One piece of legislation provided for the establishment of the new Atlantic City Tourism District, which broadens the powers and duties of the CRDA and transfers the Authority and its functions to the CRDA. The new state-run tourism district will handle the responsibility of making the area around the casinos, boardwalk, and other areas of the district safer, cleaner and better-run.

Lawmakers also approved a legislative package to ease New Jersey's strict casino regulations. It is the most radical change to New Jersey's casino regulatory structure in its 33-year history. The Casino Control Commission has had the primary responsibility of regulating the gaming industry ever since casino gambling began in Atlantic City in 1978. However, the reform package transfers regulatory oversight to another agency, the New Jersey Division of Gaming Enforcement. This legislation is intended to save the gaming industry money by allowing it to operate more efficiently. The savings should, in turn, allow for more money to be used for the marketing of Atlantic City.

Gaming revenues, however, are only one indicator of the health of a destination. Nongaming revenues, amenities, and attractions, experts have argued, are equally, if not more important to the growth of a destination. Nongaming amenities and attractions have steadily increased since 2006. The Atlantic City Outlets – The Walk and its two expansions, The Quarter, The Pool at Harrahs, and a variety of new restaurants and spas are all examples of new nongaming amenities and attractions that have entered the market.

Finally, the Atlantic City International Airport drew closer to establishing an international reach in 2010 when a three-judge panel rejected a legal challenge to its $25 million terminal expansion. The expansion is expected to take about 18 months and it will give the airport the opportunity to fly direct to any international city rather than connecting through another domestic airport. The airport handled more passengers in 2010 than in any other year since commercial service began there in 1985. The increase in passengers was attributed to added routes to Atlanta and Boston. In 2011, a direct route to Chicago will be added, which will also allow passengers to connect to flights traveling to Los Angeles and Las Vegas.

Budgetary Controls

The Authority adopts Operating and Capital Plans, which 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.

Contacting the Authority's Financial Management

This financial report is designed to provide the Authority's board of directors, customers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If there are any questions about this report or additional financial information is needed, please contact the Vice President, Finance/CFO at the Atlantic City Convention and Visitors Authority, 2314 Pacific Avenue, Atlantic City, NJ 08401, or visit the Authority's website at: www.atlanticcitynj.com.

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ATLANTIC CITY CONVENTION & VISITORS AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
STATEMENTS OF NET ASSETS
DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Notes 2D and 4)	$ 27,640,332	$ 5,097,928
Restricted cash and cash equivalents (Notes 2D and 4)	881,294	-
Due from the State of New Jersey — marketing fees & luxury taxes	8,991,009	6,468,099
Receivables — net of allowance for doubtful accounts of $314,861 in 2010 and $298,313 in 2009	588,511	1,309,132
Prepaid expenses and other assets	1,050,689	1,274,654
Total current assets	39,151,835	14,149,813
LONG-TERM ASSETS:		
Restricted investments (Notes 2E and 4)	4,798,535	-
Investment in facilities (Note 2H and 5)	402,052,876	494,744
Other long-term assets (Note 2I)	1,153,208	-
TOTAL ASSETS	$ 447,156,454	$ 14,644,557
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 3,431,891	$ 3,241,893
Interest payable on bonds and notes	8,818,546	-
Deferred revenue	2,714,185	2,033,245
Due to luxury tax reserve fund	-	1,758,796
Current portion of bonds payable (Notes 6 and 8)	6,880,000	-
Total current liabilities	21,844,622	7,033,934
LONG-TERM LIABILITIES:		
Long-term portion of notes payable (Note 7)	8,600,000	-
Long-term portion of bonds payable (Notes 6 and 8)	101,848,836	-
Total liabilities	132,293,458	7,033,934
NET ASSETS:		
Invested in capital assets, net of related debt	284,724,040	494,744
Restricted for statutory requirements	5,679,829	-
Unrestricted	24,459,127	7,115,879
Total net assets	314,862,996	7,610,623
TOTAL LIABILITIES AND NET ASSETS	$ 447,156,454	$ 14,644,557

See notes to financial statements.

ATLANTIC CITY CONVENTION & VISITORS AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
OPERATING REVENUES:		
Special services	$ 5,806,307	$ 5,120,241
Facilities rental	4,664,395	3,919,536
Parking	1,698,960	1,772,245
Concessions	1,250,540	1,213,847
Promotion reimbursement and fees	843,431	1,093,174
Other	258,355	233,483
Total operating revenues	14,521,988	13,352,526
OPERATING EXPENSES:		
Salaries, wages, and benefits	15,001,755	14,583,337
Marketing expenditures	4,528,728	5,014,066
Utilities	4,074,879	4,422,764
Contract services	2,856,137	2,353,181
Insurance	882,947	870,039
Repairs and maintenance	1,504,878	1,346,051
Supplies	490,767	397,690
Professional fees	391,543	1,327,079
Management fees	423,040	571,052
Bad debt expense	34,772	256,048
Parking participation	190,000	190,000
Depreciation (Notes 2H and 5)	11,751,956	256,271
Production	1,175,269	827,352
Other	120,769	155,995
Total operating expenses	43,427,440	32,570,925
OPERATING LOSS	(28,905,452)	(19,218,399)
NONOPERATING INCOME AND (EXPENSES):		
Luxury tax revenue (Note 3)	27,989,825	10,095,723
Marketing fee revenue (Note 3)	7,179,606	9,099,763
Interest revenue	53,665	22,913
Interest expense (Notes 5 and 8)	(6,058,186)	-
Other nonoperating income (expense)	(108,967)	-
Total nonoperating revenue	29,055,943	19,218,399
TRANSFERS FROM NJSEA	307,101,882	-
CHANGE IN NET ASSETS	307,252,373	-
NET ASSETS — Beginning of year	7,610,623	7,610,623
NET ASSETS — End of year	$ 314,862,996	$ 7,610,623

See notes to financial statements.

ATLANTIC CITY CONVENTION & VISITORS AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 14,819,372	$ 13,694,972
Payments to suppliers	(15,718,473)	(17,698,031)
Payments to employees	(14,948,339)	(14,463,125)
Net cash used in operating activities	(15,847,440)	(18,466,184)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers from NJSEA	14,917,190	-
Luxury tax revenue	14,014,444	10,262,599
Marketing fee revenue	10,057,763	5,210,837
Net cash provided by noncapital financing activities	38,989,397	15,473,436
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Transfers from NJSEA	1,154,003	-
Principal payments of bonds	(6,540,000)	-
Additions to investment in facilities	(924,091)	(110,730)
Interest paid on bonds and notes	(5,808,944)	-
Luxury tax revenues	12,348,944	-
Net cash provided by (used in) capital and related financing activities	229,912	(110,730)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	51,829	22,913
Net cash provided by investing activities	51,829	22,913
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	23,423,698	(3,080,565)
CASH AND CASH EQUIVALENTS — Beginning of year	5,097,928	8,178,493
CASH AND CASH EQUIVALENTS — End of year	$ 28,521,626	$ 5,097,928
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (28,905,452)	$ (19,218,399)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	11,751,956	256,271
Decrease in current assets:		
Receivables — net	176,346	576,415
Prepaids and other assets	225,320	47,058
Increase (decrease) in current liabilities:		
Accounts payable and accrued expenses	223,450	100,002
Deferred revenues	680,940	(227,531)
NET CASH USED IN OPERATING ACTIVITIES	$ (15,847,440)	$ (18,466,184)

NONCASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

In 2010, The NJSEA transferred investment in facilities of $543,524,475, net of $131,204,368 in accumulated depreciation, to the Authority (See Notes 1 and 5).

At December 31, 2010, the Authority had other long-term assets related to its investment in facilities related bonds payable of $1,153,208 (See Notes 2I, 6, and 8).

At December 31, 2010, the Authority had bonds payable and notes payable of $108,728,836 and $8,600,000, respectively (See Notes 6, 7, and 8) related to the transfer of investment in facilities.

See notes to financial statements.

1. BACKGROUND AND AUTHORIZING LEGISLATION

Chapter 459 of P.L. 198l, approved on January 12, l982, and amended effective January 13, 1992, created the Atlantic City Convention Center Authority (the "Authority"). The Authority is responsible for the promotion, operation, and maintenance of the Historic Boardwalk Hall ("Boardwalk Hall"), the West Hall, as well as the Atlantic City Convention Center ("Convention Center"), which opened in May 1997. In addition, the Authority, through its marketing operations, promotes tourism into the greater Atlantic City area. The Authority consists of seven board members, of which six public members, at least two of whom shall be representatives of the New Jersey casino industry, are appointed by the Governor of the State of New Jersey, with the advice and consent of the Senate. The Treasurer of the State of New Jersey serves as an ex-officio member.

Effective November 12, 1992, the operations of the Authority were combined with the operations of the NJSEA. On July 10, 1995, the NJSEA and the Authority jointly entered into an operating agreement with Spectacor Management Group ("SMG"), which is subject to renewal periodically, whereby SMG will operate the facilities previously operated by the Authority. The Authority continues to operate its marketing division.

On June 26, 2000, the NJSEA formed The Historic Boardwalk Hall, L.L.C. (the "LLC"), a limited liability company in the state of New Jersey for the purpose of partially financing and operating the renovated Boardwalk Hall. The NJSEA, as managing member, has designated that the Authority continue operating, maintaining, and promoting the Boardwalk Hall for the LLC.

The West Hall was constructed in 1978 to augment the Boardwalk Hall as an expanded convention facility. The facility is currently used to stage events held in the Boardwalk Hall and provides additional parking.

On March 15, 2001, the Casino Reinvestment Development Authority ("CRDA") established the Urban Revitalization Program. The purpose of the program is to facilitate the development of entertainment-retail districts for the city of Atlantic City and promote revitalization of other urban areas in the state. In the program, marketing fees will be redirected back to hotel properties in Atlantic City with capital projects approved by the CRDA. The program was implemented in 2004.

On July 18, 2008, The Governor of the State of New Jersey signed legislation that authorized the transfer of the Atlantic City Convention Center Project, which specifically includes the Convention Center, Boardwalk Hall, and Marketing Operations, to the Atlantic City Convention & Visitors Authority, which was also renamed from the Atlantic City Convention Center Authority in the same legislation.

On December 17, 2009, the Authority's Board of Directors adopted a Board Resolution authorizing various actions to effectuate the transfer of the Atlantic City Convention Center Project from the NJSEA to the Authority. The NJSEA also passed a similar Board Resolution in December 2009. The intent of the legislature was to transfer, to the extent practicable, the control and ownership of the Convention Center Project from the NJSEA to the Authority. The Authority and NJSEA, assisted by representatives from the Department of Treasury, created documents to provide for the statutory transfers and to govern their relationship in the future including Amended and Restated Operating Agreements for each of the Atlantic City Convention Center, the East Hall and the West Hall and a Pledged Property Agreement. Under the Pledged Property Agreement, the Authority agreed that the property pledged to the bond holders, i.e. the luxury tax revenues, shall remain subject to the liens of and as security for the NJSEA bond holders and agreed to all of the terms and conditions of the NJSEA Bond Resolutions. These documents were approved by the Board of Directors as part of the adopted resolution. Also, as part of the adopted resolution, the Authority's Board of Directors consented to the adoption of the Third Supplemental Resolution by the NJSEA and to the terms and provisions of the Third Supplemental Resolution and acknowledged, assumed and agreed to be bound by all of the terms and provisions of the Bond Resolution.

Effective January 1, 2010, all of the costs and capital improvements of the Atlantic City Project, which specifically includes the Boardwalk Hall, the West Hall, and the Convention Center were transferred to the Authority, and the Atlantic City Project is no longer reflected in the Consolidated Financial Statements of the NJSEA.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. **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.

b. **Reporting Entity** — The GASB establishes the criteria used in determining which organizations should be included in financial statements. Accounting principles generally accepted in the United States of America require the inclusion of the transactions of government organizations for which an organization 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.

Until December 31, 2009, the Authority was a component unit of the NJSEA, which was a component unit of the State of New Jersey. In 2010, the Authority became an independent authority and a component unit of the State of New Jersey.

c. **Operating Revenues and Expenses** — The Authority's operating revenues and expenses consist of revenues earned and expenses incurred relating to promoting convention development and leisure tourism in the destination of Atlantic City and the usage of the Boardwalk Hall, West Hall, and the Convention Center. Operating revenues, such as special services, facilities rental, parking, and concessions, are recognized when a convention or an event occurs. Operating expenses, which include portions of salaries, wages and benefits, marketing expenditures, utilities, and production are allocated, as incurred, on a show-by-show basis and recorded when the event takes place. Overhead and maintenance costs, which also include portions of the aforementioned expenses along with other expenses that are not specifically identified with an event, are expensed as incurred. Marketing expenditures that are made to promote convention development and leisure tourism in the destination of Atlantic City are expensed as incurred.

d. **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 maturities of three months or less when purchased to be cash equivalents. Restricted cash, cash equivalents, and investments are cash and short-term investments that are required for a specific purpose related to restrictions that may be contained in bond resolutions.

Restricted cash, cash equivalents, and investments include $881,294 for Organ restoration at Boardwalk Hall (Note 11) and $4,798,535 in investments held for the Historic Boardwalk Hall.

e. **Valuation of Investments** — State and local government securities, repurchase agreements, and certificates of deposit are investments in nonparticipating investment contracts which management concludes are not significantly affected by the impairment of the credit standing of the Authority or other factors. Credit ratings for these investments are not available. These investments are recorded at fair market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools.*

f. **Receivables** — Receivables for the Authority pertain to services rendered by the Authority prior to the end of the year for which payment has not been received. Receivables for the Authority are reflected net of allowance for doubtful accounts. The allowance account is adjusted at the end of every year for estimated bad debt expense.

g. **Prepaid Expenses and Other Assets** — Prepaid expenses for the Authority pertain to advance payments made by the Authority for goods to be received or services to be rendered in future years. The goods and/or services are normally received within one year and the expense is recognized. Other assets include deposits given by the Authority.

h. **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 net of accumulated depreciation. Depreciation is computed by the straight-line method based on estimated useful lives of the related assets.

Until December 31, 2009, the costs and capital improvements of the Boardwalk Hall, the West Hall, and the Convention Center were recorded on the financial statements of the NJSEA. Beginning January 1, 2010, all of the costs and capital improvements of the Boardwalk Hall, the West Hall, and the Convention Center were transferred to the financial statements of the Authority.

i. **Other Long-Term 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 in other nonoperating expense.

j. **Accounts Payable and Accrued Expenses** — Accounts payable and accrued expenses for the Authority pertain to goods received or services rendered to the Authority for which payment has not been made. The payments for the goods received or services rendered are typically made in the subsequent year.

k. **Deferred Revenues** — Deferred revenues relate to the fees collected in advance by the Authority for the usage of the Convention Center, Boardwalk Hall, and West Hall. Such revenues will be recognized once an event occurs. Deferred revenues also relate to the advance collection of marketing partnership dues for the subsequent year.

l. **Accumulated Vacation Time** — Salaried employees of the Authority 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 lump-sum payment of their accumulated vacation time.

m. **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. Management is also required to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Authority is the subject of, or a party to, various pending or threatened legal actions involving outside interests. The Authority believes that any ultimate liability arising from these actions should not have a material effect on its financial position or operations. The Authority also believes that there are no contingent assets to disclose of as of the date of the financial statements.

Recent Accounting Pronouncements — The Authority has completed the process of evaluating the impact that will result from adopting GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The Authority has concluded that the adoption of GASB Statement No. 51 has no material impact on its financial position and results from operations. The Statement is effective for financial statements for periods beginning after June 15, 2009.

The Authority has completed the process of evaluating the impact that will result from adopting GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* which addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments*.* The Authority has concluded that the adoption of GASB Statement No. 53 has no impact on its financial position and results from operations. The Statement is effective for fiscal periods beginning after June 15, 2009.

The Authority has completed the process of evaluating the impact that will result from implementing GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Authority has concluded that the adoption of GASB Statement No. 54 has no impact on its financial position and results from operations. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010.

The Government Accounting Standards Board issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The hierarchy for generally accepted accounting principles establishes what literature or authority that preparers of financial statements should use. The requirements of this Statement will help guide preparers of financial statements for state and local governments to apply all relevant accounting principles found in GASB literature. The Statement is effective immediately and did not change current practice.

The Government Accounting Standards Board issued GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards.* This Statement will incorporate into the GASB literature certain guidance found in the AICPA Statements on Auditing Standards. The Statement addresses three issues not included in the authoritative literature that establishes accounting standards: related party transactions, going concern considerations and subsequent events. The Statement is effective immediately and did not change current practice.

The Authority has completed the process of evaluating the impact that will result from implementing GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multi-Employer Plans.* The Authority has concluded that the adoption of GASB Statement No. 57 has no impact on its financial position and results from operations. This Statement is intended to improve consistency in the measurement and financial reporting of other postemployment retirement benefits (“OPEB”) such as retiree health insurance. This Statement amends Statement No. 43, *Financial Reporting for Postretirement Benefit Plans other Than Pension Plans,* and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*

The Authority has completed the process of evaluating the impact that will result from implementing GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* The Authority has concluded that the adoption of GASB Statement No. 58 has no impact on its financial position and results from operations. The objective of this Statement is to improve financial reporting by providing more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The Statement is effective for reporting periods beginning after June 15, 2009.

The Authority has completed the process of evaluating the impact that will result from implementing GASB Statement No. 59, *Financial Instruments Omnibus.* The Authority has concluded that the adoption of GASB Statement No. 59 has no impact on its financial position and results from operations. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The Statement is effective for reporting periods beginning after June 15, 2010.

The Authority has completed the process of evaluating the impact that will result from implementing GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements.* The Authority has concluded that the adoption of GASB Statement No. 60 has no impact on its financial position and results from operations. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The Statement is effective for reporting periods beginning after December 15, 2011.

The Authority has completed the process of evaluating the impact that will result from implementing GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34.* The Authority has concluded that the adoption of GASB Statement No. 61 has no impact on its financial position and results from operations. The requirements of Statement No. 14, *The Financial Reporting Entity,* and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012.

The Authority is completed the process of evaluating the impact that will result from implementing GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The Authority has concluded that the adoption of GASB Statement No. 62 has no impact on its financial position and results from operations. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

i. Financial Accounting Standards Board (FASB) Statements and Interpretations

ii. Accounting Principles Board Opinions

iii. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

The requirements of this Statement are effective for financial statements beginning after December 15, 2011.

3. LUXURY TAXES AND MARKETING FEES

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 Luxury Tax Act were adopted which authorized the NJSEA to undertake the Authority (see Note 1) and authorized the State to transfer the proceeds of the Luxury Tax to the NJSEA. Luxury Tax proceeds were deposited into the Revenue Fund and transferred to other funds to pay debt service on the Luxury Tax Bonds and fund the operating deficits and capital expenditures for Boardwalk Hall, the West Hall, the Convention Center, and certain marketing operations as of 2006. Until December 31, 2009, the costs and capital improvements of the Boardwalk Hall, the West Hall, and the Convention Center were recorded on the financial statements of the NJSEA.

On July 18, 2008, The Governor of the State of New Jersey signed legislation that authorized the transfer of the Atlantic City Convention Center Project, which specifically includes the Convention Center, Boardwalk Hall, and Marketing Operations, to the Atlantic City Convention & Visitors Authority, which was also renamed from the Atlantic City Convention Center Authority in the same legislation. In December 2009, the Authority and the NJSEA adopted Board Resolutions authorizing various actions to effectuate the transfer of the Atlantic City Convention Center Project from the NJSEA to the Authority. Beginning January 1, 2010, all of the costs and capital improvements of the Boardwalk Hall, the West Hall, and the Convention Center were transferred to the financial statements of the Authority. Also beginning in January 2010, the State began transferring the luxury tax proceeds directly to the Trustee in order to reserve an amount sufficient to meet the debt service requirements and pay the debt service on the Luxury Tax Bonds. Once the debt service requirements are met, the Trustee forwards the balance of the luxury tax receipts to the Authority to fund its capital expenditures, operating deficits, and working capital and maintenance reserve requirements.

Marketing Fees — The New Jersey legislature adopted a bill that authorized the State of New Jersey 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 State on behalf of the Authority. In 2006, through legislation of an Urban Revitalization Program, part of this fee is redirected to hotel properties meeting the identified criteria.

4. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents and investments as of December 31, 2010 and 2009 are as follows:

	December 31,			
	2010		2009	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Demand deposits	$ 4,670,539	$ 5,696,428	$ 2,668,493	$ 2,606,089
State of New Jersey Cash Management Fund	22,969,793	22,969,793	2,429,435	2,429,435
Total cash and cash equivalents	$ 27,640,332	$ 28,666,221	$ 5,097,928	$ 5,035,524

	December 31,	
	2010	2009
	Fair Market Value	
Investments (Note 2E):		
Treasury bills	$ 4,798,535	$ -
Total investments	$ 4,798,535	$ -

At December 31, 2010, $881,294 of cash and cash equivalents and $4,798,535 of investments were restricted for organ restoration at Boardwalk Hall (Note 11) and for the Historic Boardwalk Hall, respectively.

The Board of Directors of the Authority adopted a policy specifying the institutions and types of investments that can be made with funds available for investment. A general description of those investments is the following: (a) direct obligations of, or obligations guaranteed by, the United States of America; (b) bonds or obligations of any state of the United States of America or of any agency, instrumentality, or local governmental unit of any such state in which the obligations are rated in the top two rating categories by Moody's Investors' Service, Inc. (Moody's) and Standard and Poor's Corporation (S&P); (c) direct obligations of the state of New Jersey; (d) certificates of deposit and bankers' acceptances which are rated in the top two categories by Moody's and S&P; (e) commercial paper, except those issued by bank holding companies, rated in the top category by the Moody's and S&P; and (f) the state of New Jersey Cash Management Fund.

All demand deposits, except deposits held by the Trustee, of any depository must be fully secured by lodging collateral security of obligations secured by the United States of America with the bank, Trustee or bank designated by the Trustee. At December 31, 2010 and 2009, the Authority's demand deposits were fully collateralized.

The Authority has no financial instruments with significant individual or group concentration of credit risk.

The State of New Jersey 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 Investment Council. Securities in the Cash Management Fund are insured, registered or held by the division or its agent in the Cash Management Fund's name.

5. INVESTMENT IN FACILITIES

Investment in facilities at December 31, 2010, 2009, and 2008 consist of the following:

	Balance, December 31, 2008	Additions	Balance, December 31, 2009	Additions	Transfer In From NJSEA See Note 1	Balance, December 31, 2010
Land	$ -	$ -	$ -	$ -	$ 81,311,000	$ 81,311,000
Buildings	-	-	-	174,868	408,488,433	408,663,301
Furniture, fixtures and equipment	1,884,780	110,730	1,995,510	357,162	52,646,224	54,998,896
Building and leasehold improvements	-	-	-	457,951	1,078,818	1,536,769
Total at cost	1,884,780	110,730	1,995,510	989,981	543,524,475	546,509,966
Less accumulated depreciation	(1,244,495)	(256,271)	(1,500,766)	(11,751,956)	(131,204,368)	(144,457,090)
Investment in facilities — net	$ 640,285	$ (145,541)	$ 494,744	$ (10,761,975)	$ 412,320,107	$ 402,052,876

Until December 31, 2009, the costs and capital improvements of the Boardwalk Hall, the West Hall, and the Convention Center were recorded on the financial statements of the NJSEA. Beginning January 1, 2010, all of the costs and capital improvements of the Boardwalk Hall, the West Hall, and the Convention Center were transferred to the financial statements of the Authority (See Note 1). In December 2009, the Authority's Board of Directors adopted a Board Resolution authorizing various actions to effectuate the transfer of the Atlantic City Convention Center Project from the NJSEA to the Authority. The NJSEA also passed a similar Board Resolution in December 2009. The Authority and NJSEA, assisted by representatives from the Department of Treasury, created documents to provide for the statutory transfers and to govern their relationship in the future including Amended and Restated Operating Agreements for each of the Atlantic City Convention Center, the East Hall and the West Hall and a Pledged Property Agreement.

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

Buildings	35 – 60 years
Furniture, fixtures and equipment	3 – 20 years
Building and leasehold improvements	10 – 20 years

The Authority considers any asset acquired or improvement made to any building or facility, with a value over $5,000 and an estimated useful life of at least three years, a depreciable capital asset.

6. BONDS PAYABLE

Bonds payable consist of the following (in thousands):

	Date Issued	Original Amount	Balance December 31, 2010	2009
Luxury tax bonds:				
Convention Center Luxury Tax Bonds 2004, Series A, $23,085,000 Serial Bonds 5.5%, due 2008 through 2022	4/12/2004	$ 23,085	$ 23,085	$ -
Convention Center Luxury Tax Refunding Bonds 1999, Series A, $128,270,000 Serial Bonds 4.25% - 5.125%, due 2008 through 2020	2/15/1999	128,270	84,145	-
Total bond principal payable			107,230	-
Plus: Unamortized bond premium			1,499	-
Total bonds payable			108,729	-
Less: Current portion of bonds payable			6,880	-
Long-term portion of bonds payable			$ 101,849	$ -

Until December 31, 2009, all of the Luxury Tax Bonds and related issuance costs were recorded on the financial statements of the NJSEA. Beginning January 1, 2010, all of the Luxury Tax Bonds and related issuance costs were transferred to the financial statements of the Authority (See Note 1). Under the Pledged Property Agreement, the Authority agreed that the property pledged to the bond holders, i.e. the luxury tax revenues, shall remain subject to the liens of and as security for the NJSEA bond holders and agreed to all of the terms and conditions of the NJSEA Bond Resolutions. These documents were approved by the Board of Directors as part of the adopted resolution. Also, as part of the adopted resolution, the Authority's Board of Directors consented to the adoption of the Third Supplemental Resolution by the NJSEA and to the terms and provisions of the Third Supplemental Resolution and acknowledged, assumed and agreed to be bound by all of the terms and provisions of the Bond Resolution. Beginning in January 2010, the State began transferring the luxury tax proceeds directly to the Trustee in order to reserve an amount sufficient to meet the debt service requirements and pay the debt service on the Luxury Tax Bonds. Once the debt service requirements are met, the Trustee forwards the balance of the luxury tax receipts to the Authority to fund its capital expenditures, its operating deficits, and its working capital and maintenance reserve requirements.

Convention Center Luxury Tax Bonds — *1999 Series* – On February 15, 1999, the NJSEA issued $128,270,000 of Convention Center Luxury Tax Refunding Bonds, Series 1999, to provide funds to the NJSEA to: (1) fund an escrow, the proceeds of which were 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 are 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 NJSEA issued $23,085,000 of Convention Center Luxury Tax Refunding Bonds, Series 2004, to (1) refund on a current basis the NJSEA's presently outstanding Convention Center Luxury Tax Bonds, 1992 Series A; and (2) to 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 NJSEA 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 Trustee 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 guaranty policy issued by MBIA.

Interest Costs — Interest costs for the years 2010 and 2009 were $6,058,186 and $0, respectively. In 2009, interest costs for the Convention Center Luxury Tax Bonds were reported in the financial statements of the NJSEA.

7. NOTES PAYABLE

Notes payable consist of the following (in thousands):

	Date Issued	Original Amount	Balance December 31, 2010	Balance December 31, 2009
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
			$ 8,600	$ 8,600

On February 10, 1997, the Authority received the proceeds of an $8,600,000 loan from the Casino Reinvestment Development Authority ("CRDA"). These funds constitute subordinated debt payable from the Luxury Tax Revenues. 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.

Until December 31, 2009, the Note Payable was recorded on the financial statements of the NJSEA. On January 1, 2010, the Note Payable and related accrued interest were transferred to the financial statements of the Authority (See Note 1).

8. 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 as follows:

	Principal Luxury Tax	Interest	Total
2011	$ 6,880	$ 5,474	$ 12,354
2012	7,225	5,121	12,346
2013	7,600	4,751	12,351
2014	7,990	4,361	12,351
2015	8,395	3,952	12,347
2016-2020	46,055	13,027	57,082
2021-2022	23,085	1,287	24,372
	$ 107,230	$ 37,973	$ 143,203

9. RELATED PARTY

The Authority recognized an opportunity to support appropriate benevolent causes, with specific attention given to attracting a greater diversity of visitors to and investment in the destination, fostering quality partnerships in and around the region, and identifying and assisting worthy individuals and organizations in the greater Atlantic City area. To forward these initiatives, the Authority created the Atlantic City Convention & Visitors Authority Foundation, Inc. ("Foundation") in 2004. The Foundation is exempt from Federal income tax under section 501 (c) (3) of the Internal Revenue Code. Contributions to it are deductible under section 170 of the Code. It is further classified as a public charity under the Code section 509 (a) (3).

Although the Foundation has been in existence since 2004, most of the expenditures were made on its behalf by the Authority through 2007 in the form of loans to be repaid. Most of the expenditures pertained to reporting and filing fees, legal services, consulting services, and general start-up costs. As of December 31, 2009 and 2010, the Authority had been reimbursed by the Foundation for all of the expenditures made on its behalf.

10. PENSION PLANS

The Public Employees' Retirement System of the State of New Jersey ("PERS"), a multiple-employer public retirement system, covers salaried employees of Marketing Operations. The Division of Pensions and Benefits within the Treasury Department of the State of New Jersey is the administrator of the funds and charges the employee and employer annually for their respective contributions. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The payroll for employees covered by PERS for the years ended December 31, 2010 and 2009 was $3,274,800 and $3,350,782, respectively. Marketing Operations' total payroll for the years ended December 31, 2010 and 2009 was $3,531,181 and $3,737,389, respectively.

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

All of Marketing Operations' 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 Marketing Operations' employees are required by PERS to contribute 5.5% of defined salary. Marketing Operations is required by State statute to contribute the remaining amounts necessary to pay benefits when due. PERS certifies the amount of Marketing Operations' contribution each year on the recommendation of an actuary who makes an annual actuarial valuation. 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 most recent valuation was issued in March 2009 for the year ended December 31, 2008.

The contribution requirements of Plan members and the Authority are established and may be amended by the Board of Trustees of the Plan. The covered employee contributions required for the years ended December 31, 2010, 2009, and 2008 were $180,115 (5.5%), $184,294 (5.5%), and $175,092 (5.25%), respectively. The employees made the contributions for 2010, 2009, and 2008. The employer contributions for 2010, 2009, and 2008 were $377,934, $302,239, and $255,801, respectively.

All eligible employees of SMG may participate in a section 401(k) deferred compensation plan. SMG made no contributions in 2010 and 2009 and the company contributed a maximum of 66-2/3 of the first 5% of the employee's salary for 2008. The annual expense for this plan was $92,125 for 2008. SMG's total payroll for the years ended December 31, 2010, 2009, and 2008 was $6,679,393, $6,324,430, and $7,299,227, respectively.

Additionally, some of the Authority's employees are participants in certain pension plans administered by local unions and contributions are made in accordance with terms of union agreements of those employees. There are four 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 were $229,330, $234,763, and $249,197 in 2010, 2009, and 2008, respectively. The total combined payroll for all participating unions was $1,792,150, $1,827,395, and $2,141,420, in 2010, 2009, and 2008, respectively.

11. COMMITMENTS AND CONTINGENCIES

- The Authority is the subject of, or a party to, various pending or threatened legal actions involving outside interests. The Authority believes that any ultimate liability arising from these actions should not have a material effect on its financial position or operations.

- The Authority is a party to an ongoing agreement with New Jersey Transit. As long as rail service is operated to the Atlantic City Convention Center, New Jersey Transit is entitled to a share of the revenue of the garage at the convention center. An annual lump-sum amount of $190,000 would satisfy this agreement. The payments were $190,000 and $190,000 for 2010 and 2009, respectively.

- On June 26, 2000, the NJSEA 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, $881,294 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. Until December 31, 2009, the restricted cash being held in escrow was recorded on the financial statements of the NJSEA. On January 1, 2010, the restricted cash was transferred to the financial statements of the Authority (See Note 1).

- On March 1, 2001, the NJSEA 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 NJSEA'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 NJSEA'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 NJSEA received a cash payment of approximately $7,945,000.

12. INFORMATION ON AUTHORITY OPERATIONS BY OPERATING SEGMENT

The Authority has three responsibilities: operation of the Broadwalk Hall, operation of the Convention Center, and promoting tourism through its marketing operations. The following table illustrates how these three operations contribute to the operating results of the Authority. All payments made and received between segments that are recorded as revenues and expenses are eliminated in the combined financial statements. These payments typically include the office rent and telephone and marketing expenses that Marketing Operations pays to Boardwalk Hall and the Convention Center.

	Year Ended December 31, 2010					
	Boardwalk Center Operations	New Center	Marketing Operations	Luxury Tax Reserve Fund	Elimination Entries	Combined December 31, 2010
Operating revenues:						
Special services	$ 2,750,365	$ 3,070,136	$ -	$ -	$(14,194)	$ 5,806,307
Facilities rental	2,339,064	2,325,331	-	-	-	4,664,395
Parking	217,044	1,481,916	-	-	-	1,698,960
Concessions	808,931	441,609	-	-	-	1,250,540
Promotion reimbursement and fees	176,780	100,165	566,486	-	-	843,431
Other	240,029	157,443	10,883	-	(150,000)	258,355
Total operating revenues	6,532,213	7,576,600	577,369	-	(164,194)	14,521,988
Operating expenses:						
Salaries, wages and benefits	4,663,099	5,197,271	5,141,385	-	-	15,001,755
Marketing expenditures	270,300	3,703	4,268,399	-	(13,674)	4,528,728
Utilities	1,167,011	2,748,306	160,082	-	(520)	4,074,879
Contract services	1,170,443	1,645,032	40,662	-	-	2,856,137
Insurance	420,798	443,226	18,923	-	-	882,947
Repairs and maintenance	479,715	886,562	138,601	-	-	1,504,878
Supplies	191,105	228,181	71,481	-	-	490,767
Professional fees	206,085	104,769	78,534	2,155	-	391,543
Management fees	211,520	211,520	-	-	-	423,040
Bad debts expense	3,625	28,867	2,280	-	-	34,772
Parking participation	-	190,000	-	-	-	190,000
Depreciation	-	-	257,749	11,494,207	-	11,751,956
Production	998,967	176,302	-	-	-	1,175,269
Other	19,207	37,509	214,053	-	(150,000)	120,769
Total operating expenses	9,801,875	11,901,248	10,392,149	11,496,362	(164,194)	43,427,440
Operating loss	(3,269,662)	(4,324,648)	(9,814,780)	(11,496,362)	-	(28,905,452)
Nonoperating income and (expense):						
Luxury tax revenue	3,264,465	4,322,797	2,630,142	17,772,421	-	27,989,825
Marketing fee revenue	-	-	7,179,606	-	-	7,179,606
Interest income	5,197	1,851	5,032	41,585	-	53,665
Interest expense	-	-	-	(6,058,186)	-	(6,058,186)
Other nonoperating income(expense)	-	-	-	(108,967)	-	(108,967)
	3,269,662	4,324,648	9,814,780	11,646,853	-	29,055,943
Transfers from NJSEA	-	-	-	307,101,882	-	307,101,882
Change in net assets	-	-	-	307,252,373	-	307,252,373
Net assets — Beginning of year	-	-	7,610,623	-	-	7,610,623
Net assets — End of year	$ -	$ -	$ 7,610,623	$307,252,373	$ -	$314,862,996

INFORMATION ON AUTHORITY OPERATIONS BY OPERATING SEGMENT (CONTINUED)

	Year Ended December 31, 2009					
	Boardwalk Center Operations	New Center	Marketing Operations	Luxury Tax Reserve Fund	Elimination Entries	Combined December 31, 2009
Operating revenues:						
Special services	$ 2,133,908	$ 2,997,875	$ -	$ -	$(11,542)	$ 5,120,241
Facilities rental	1,098,451	2,821,085	-	-	-	3,919,536
Parking	151,799	1,620,446	-	-	-	1,772,245
Concessions	290,754	923,093	-	-	-	1,213,847
Promotion reimbursement and fees	164,000	103,520	825,654	-	-	1,093,174
Other	214,062	153,085	16,336	-	(150,000)	233,483
Total operating revenues	4,052,974	8,619,104	841,990	-	(161,542)	13,352,526
Operating expenses:						
Salaries, wages and benefits	4,055,570	5,404,686	5,123,081	-	-	14,583,337
Marketing expenditures	337,613	10,525	4,674,015	-	(8,087)	5,014,066
Utilities	1,392,570	2,884,248	149,401	-	(3,455)	4,422,764
Contract services	650,896	1,648,348	53,937	-	-	2,353,181
Insurance	399,913	431,555	38,571	-	-	870,039
Repairs and maintenance	421,388	772,852	151,811	-	-	1,346,051
Supplies	85,738	218,206	93,746	-	-	397,690
Professional fees	1,093,756	155,835	77,488	-	-	1,327,079
Management fees	274,632	296,420	-	-	-	571,052
Bad debts expense	128,724	127,324	-	-	-	256,048
Parking participation	-	190,000	-	-	-	190,000
Depreciation	-	-	256,271	-	-	256,271
Production	624,443	202,909	-	-	-	827,352
Other	15,718	42,507	247,770	-	(150,000)	155,995
Total operating expenses	9,480,961	12,385,415	10,866,091	-	(161,542)	32,570,925
Operating loss	(5,427,987)	(3,766,311)	(10,024,101)	-	-	(19,218,399)
Nonoperating income and (expense):						
Luxury tax revenue	5,424,452	3,763,120	908,151	-	-	10,095,723
Marketing fee revenue	-	-	9,099,763	-	-	9,099,763
Interest income	3,535	3,191	16,187	-	-	22,913
Interest expense	-	-	-	-	-	-
Other nonoperating income(expense)	-	-	-	-	-	-
	5,427,987	3,766,311	10,024,101	-	-	19,218,399
Change in net assets						
Net assets — Beginning of year	-	-	7,610,623	-	-	7,610,623
Net assets — End of year	$ -	$ -	$ 7,610,623	$ -	$ -	$ 7,610,623

13. SUBSEQUENT EVENTS

- On February 1, 2011, The Governor of the State of New Jersey signed legislation that provided for the establishment of the Atlantic City Tourism District and for the transfer of the Atlantic City Convention and Visitors Authority, together with its functions, powers, and duties, to the CRDA. The "transfer date" means, with respect to the assumption by the CRDA of the Authority's powers, duties, assets, and responsibilities, the date on which (a) the chairs of the CRDA and the Authority certify to the Governor that all of the bonds issued by the Authority cease to be outstanding within the meaning of the resolutions pursuant to which the bonds were issued, and (b) the CRDA assumes all debts and statutory responsibilities of the Authority. The tourism district would be an area in which the CRDA would have authority to impose land use regulations, implement a tourism district master plan promoting cleanliness, commercial development, and safety within the tourism district, undertake redevelopment projects, and institute public safety infrastructure improvements.

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