Sports & Exhibition Authority of Pittsburgh and Allegheny County

Financial Statements and
Required Supplementary Information

For the Years Ended December 31, 2010 and 2009
with Independent Auditor's Report

MaherDuessel
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

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SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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Independent Auditor's Report

Board of Directors
Sports & Exhibition Authority of Pittsburgh
and Allegheny County

We have audited the accompanying statements of net assets of the Sports & Exhibition Authority of Pittsburgh and Allegheny County (Authority), as of December 31, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets and 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through xv be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Maher Duessel

Pittsburgh, Pennsylvania
April 7, 2011

Sports & Exhibition Authority of Pittsburgh and Allegheny County

Management's Discussion and Analysis

December 31, 2010

As management of the Sports & Exhibition Authority of Pittsburgh and Allegheny County (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority as of and for the fiscal years ended December 31, 2010 and 2009. This Management's Discussion and Analysis is designed to assist the reader in focusing on the significant financial issues and activities. We encourage the reader to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

- The assets of the Authority exceeded its liabilities on December 31, 2010 by $480 million (net assets). This represents an $8.3 million decrease (2%) over prior year-end net assets. Net assets as of December 31, 2010 are less than December 31, 2009 due to the continued depreciation on the Regional Destination Financing Plan (RDFP) capital assets and the start of depreciation on Consol Energy Center. Although some construction costs are remaining in both RDFP and Consol Energy Center, all of these major capital assets (Heinz Field, PNC Park, Consol Energy Center, and the Convention Center) are in service. The Authority is also continuing development on smaller projects such as the Convention Center Riverfront Plaza.

- The Authority's total cash and cash equivalents and investments balance at the close of the 2010 fiscal year was $85 million, representing a $78 million decrease over the prior year-end. Decreased cash is a result of expenditures for construction costs related to the New Arena Project and improvements to the Convention Center. Cash was also affected in 2010 by the refinancing of the Hotel Tax Revenue Bonds, Series of 2010 and Regional Asset District Sales Tax Revenue Bonds, Series of 2010, the issuance of Commonwealth Lease Revenue Bonds, Taxable Series of 2010, and the redemption of the Parking Revenue Bonds and the 2004 PNC/Dollar Bank loans.

- The Authority recognized $18 million in operating revenues for the calendar year 2010, a 17% increase over 2009's operating revenues. Surcharges/Rent increased $5.4 million in large part due to rent related to Consol Energy Center which is restricted to pay debt service on two Commonwealth Lease Revenue Bonds. A new surcharge in the amount of $400,000 related to Consol Energy Center is restricted to the Capital Reserve Fund. Net parking revenue at the parking garages and lots increased a total of $109,000 or 3% due to rate increases. Convention Center operations revenue from rentals, events services, and ancillary services decreased $2.2 million while operating expenses decreased $1.4 million for event related expenses and $400,000 for nonevent related expenses. The weak economy affected almost every aspect of the Convention Center business. Fewer trade shows, conventions, and public shows were contracted in and for 2010. Of the events that did occur, there were less attendees, fewer hotel night stays, and less ancillary revenue generated by the groups and attendees. In spite of this, Convention Center management was able to control expenses, resulting in a net loss that was $218,000 less than 2009. The deficit is covered by payment from the Commonwealth of Pennsylvania's Economic Development and Tourism Fund, Hotel Tax revenue, and a grant from the Allegheny Regional Asset District (RAD). As shown on the statements of revenues, expenses, and changes in net assets, total Authority operating revenues ($18 million), net of operating expenses of $67 million, resulted in a $49 million operating loss. This result includes depreciation and amortization expenses of $55 million.

Overview of the Financial Statements

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's basic financial report, which is comprised of a single enterprise fund.

To understand the operations and financial statements depicted, it is important to understand the primary role of the Authority. As a joint authority for the City of Pittsburgh and Allegheny County, the Authority's mission is to provide venues for sporting, entertainment, educational, cultural, civic, and social events for the benefit of the general public. The Authority was responsible for the complete implementation of the Regional Destination Financing Plan (the Plan). In addition to constructing the stadiums, the Plan consisted of the expansion of the Convention Center, parking facilities, riverfront park development, as well as the infrastructure improvements associated with these projects. The combined cost of the Plan exceeded $1 billion with monies coming from revenue bonds, state appropriations, federal funds, corporate and philanthropic funds, and sports team contributions. The Authority owns PNC Park, Heinz Field, the Convention Center (and connecting garage), Civic Arena, Consol Energy Center, North Shore Garage, North Shore Riverfront Park, the Benedum Center, and the Heinz History Center. The Authority leases PNC Park and Heinz Field to Pittsburgh Associates (holder of the Pittsburgh Pirates Major League Baseball Franchise) and PSSI Stadium Corp. (a related entity to the holder of the Pittsburgh Steelers National Football League Franchise), respectively, both of which operate the facilities through 2030. The Civic Arena was leased to Lemieux Group LP, (the holder of the Pittsburgh Penguins National Hockey League Franchise), which is responsible for its operations and management. On August 1, 2010, the new Consol Energy Center was completed and became the new home for the hockey franchise. At that time, the Authority closed the Civic Arena. The Authority oversees management of the Convention Center including the Convention Center garage, North Shore Garage, and North Shore Riverfront Park. The Authority's ownership of the Benedum Center and the Heinz History Center is for financing purposes only; the Authority has no significant operating or management responsibility with respect to those facilities. As of December 2010, only close-out issues on the New Arena Project, Riverfront Plaza development, and the Convention Center have remaining work that will continue into 2011.

Financial Statements

The financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of revenues, expenses, and changes in net assets* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. accrued receivables).

The *statement of cash flows* reports cash and cash equivalent activities for the fiscal year resulting from operating activities, non-capital financing activities, capital and related financing activities, and investing activities. The net result of these activities added to the beginning of the year cash and cash equivalents balance reconciles to the cash and cash equivalents balance at the end of the calendar year.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to analyze the changing financial position of the Authority as a whole. In the case of the Authority, assets exceed liabilities by $480 million as of December 31, 2010. This represents an $8.3 million decrease from the prior year. The overall decrease is a result of multiple factors: the Authority is at the point in construction of the New Arena that the majority of the funding (capital contributions and bond proceeds) has been received causing a decrease in cash; and decreased capital assets due to depreciation exceeding the addition of new capital assets. The final funding allocation for the New Arena, $25.5 million, was received in 2010; $15.5 million from the Commonwealth of Pennsylvania Lease Revenue Bonds, Taxable Series of 2010 which are secured by rent payments from the Pittsburgh Penguins and a $10 million grant from the Commonwealth of Pennsylvania.

Unrestricted net assets report the amount of discretionary assets that an organization has to meet its obligations. The net asset summary below shows that the unrestricted portion of net assets is negative by $560,000. This is due to the fact that the Convention Center operation expenses exceeded revenues for 2010. Restricted funds were received to cover the operating deficit of the Convention Center. Additional information can be found in the "Economic Factors and 2010 Budget" section of the Management's Discussion and Analysis.

Condensed Summary of Net Assets at December 31 (in thousands)

	2010	2009
Current and other assets	$ 140,061	$ 211,674
Capital assets	1,176,713	1,099,820
Total assets	$ 1,316,774	$ 1,311,494
Current liabilities	$ 34,626	$ 63,993
Bonds outstanding (net of current portion)	701,933	701,674
Other long-term liabilities	99,451	56,776
Total liabilities	$ 836,010	$ 822,443
Net Assets:		
Invested in capital assets, net of related debt	$ 428,895	$ 451,144
Restricted	52,429	38,147
Unrestricted	(560)	(240)
Total net assets	$ 480,764	$ 489,051

Condensed Summary of Revenues, Expenses, and Changes in Net Assets at December 31 (in thousands)

	2010	2009
Operating revenues	$ 18,143	$ 14,965
Operating expenses:		
Operations and maintenance	10,698	13,313
General and administrative	1,140	1,053
Depreciation and amortization	55,291	38,184
Other expenses	2	50
Total operating expenses	67,131	52,600
Operating Loss	(48,988)	(37,635)
Nonoperating revenues (expenses):		
Allegheny Regional Asset District and City, County, State	37,604	30,708
Hotel rooms tax	14,496	13,831
Stadium Authority parking subsidy	1,625	1,290
Pittsburgh Casino operator	7,596	2,354
Pittsburgh Penguins	1,117	-
Federal grants	5,115	347
Foundation and other grants	25	25
Project administrative and development income (net of expense)	(42)	1,037
Interest expense (net of interest income)	(27,045)	(21,449)
Unrealized gain/loss on investments	(116)	(1,186)
Miscellaneous	325	(560)
Total nonoperating revenues (expenses)	40,700	26,397
Change in Net Assets	$ (8,288)	$ (11,238)

By far, the largest portion of the Authority's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), net of related debt ($429 million). This category comprises 89% of the total net assets. Total net assets also include restricted net assets of $52 million. During 2010, decreases in the

Authority's investment of capital assets, net of related debt, were mainly a result of depreciation and amortization of fixed assets exceeding the construction activities on the New Arena Project. The Authority uses its capital assets primarily to provide public venues for baseball (PNC Park), football (Heinz Field), hockey and other arena events (Consol Energy Center), and for Convention Center events (David L. Lawrence Convention Center). Other major capital assets are two parking garages and the North Shore Riverfront Park. Consequently, these assets are not available for future spending. 99% of the roughly $1.2 billion in capital assets are capitalized and in service. Amounts not yet capitalized are allocable to construction-in-progress related to the construction for the Convention Center Riverfront Plaza.

Current assets include cash, investments, and receivables for event rentals, parking fees, surcharges, and contributions. Current assets decreased by $82 million from 2009. With the start of the New Arena Project and payment of cash for the construction, most bond proceeds have been spent and thus reclassified from current to construction-in-progress. Noncurrent assets include restricted cash and cash equivalents, deferred lease costs, and capital assets. The Authority entered into the Option Agreement with the Lemieux Group LP. The Lemieux Group LP, as the developer of the New Arena, is given the rights to develop the land on which the Civic Arena currently is sited and certain other land adjacent to the New Arena. The developer is entitled to an aggregate of $15 million of credits from the Urban Redevelopment Authority of Pittsburgh or Authority to be applied to the purchase prices. At the termination of the Option Agreement, if the developer has not received the full $15 million of credits, the Authority is obligated to pay the difference in cash. In 2009, land was sold for $475,000 to the Pittsburgh Arena Hotel to develop the Arena Hotel and therefore the original $15 million of credits is now reduced to $14,525,000. There was no change in 2010.

The largest component of the Authority's liabilities is bonds payable, which are secured by pledged revenues as described below in debt administration. The current portion of bonds payable increased in accordance with bond payment schedules by $3.25 million due to debt service requirements on the Hotel Room Excise Tax Revenue Bonds of 2010, the Regional Asset Sales Tax Revenue Bonds of 2010, and the Commonwealth Lease Revenue Bonds Series 2010.

During 2010, the Authority implemented Government Accounting Standards Board Statement No. 53, *"Accounting and Financial Reporting for Derivative Instruments."* The Statement requires the reporting of derivative instruments at fair value in the financial statements. The Authority's derivative instruments are accounted for as hedges. Accordingly, the cumulative market value is recorded on the statements of net assets as a swap liability and changes in market value are recorded on the statements of net assets as deferred outlflows. The market value of the Authority's derivative instrument decreased from ($26.0) million in 2009 to ($34.7) million in 2010. Additional information on the Authority's derivative instruments is included in Note 9 to the financial statements.

The Authority's operating revenues are derived from surcharge/team rent, parking revenues, and Convention Center income from building rental, event services, catering and concession charges net of cost, and ancillary charges such as booth cleaning, security, audio visual, and electrical usage. The Authority's unrestricted operating revenues support the administrative costs of the Authority and the operation of the Convention Center. The restricted operating revenues related to charges/fees imposed by the Authority are pledged for debt repayment or capital maintenance reserves. Non-operating revenues are primarily composed of federal, state, local, and foundation related grants for the operations of the Convention Center, payment of debt and capital grants for the funding of capital projects. The majority of the restricted grants in 2010 were comprised of (1) $13.5 million from the Commonwealth of Pennsylvania's Economic Development and Tourism Fund revenue for ongoing Convention Center operations, reimbursement and repayment of loan debt, and debt service on the Commonwealth of Pennsylvania Lease Revenue Bonds Series A of 2007, (2) $14.5 million from Allegheny

County Hotel Tax for operations of the Convention Center and debt service on the Hotel Room Excise Tax Revenue Bonds, (3) $12.6 million from Allegheny Regional Asset District (RAD) for operations and capital costs of the Convention Center and debt service on the RAD Sales Tax Revenue Refinancing Bond Series of 1999, RAD Sales Tax Revenue Bond Refunding Series of 2010, and RAD Refinancing Bonds Series 2005, (4) $10 million Redevelopment Assistance Capital Program (RACP) Grant for construction of the New Arena, and (5) $7.6 million from the Rivers Casino for debt service on the Commonwealth Lease Revenue Bonds Series A of 2007.

Including the depreciation and amortization expense of $55 million, the Authority's operating loss was $49 million. Because the New Arena was scheduled to be completed in August 2010, depreciation on the existing Civic Arena was accelerated to be totally depreciated by the end of 2010. Operations, without depreciation and amortization expense, would have yielded a surplus of $6.3 million. This surplus is composed of restricted surcharge/rent revenue for the various team capital reserve funds and bond debt service obligations and North Shore Garage revenue restricted to payment of garage debt.

Capital Assets

As of December 31, 2010, the Authority's investment in capital assets was $1.2 billion (net of accumulated depreciation). This is an increase from the prior year, as the construction-in-progress for the New Arena project was capitalized in 2010. Investment in capital assets includes land, buildings, improvements, equipment, and infrastructure. All construction-in-progress for facilities and assets that are open and operating were capitalized, except for land acquisition and construction costs related to the Convention Center Riverfront Plaza.

In addition to the New Arena, expenses totaling $8.5 million were also capitalized during 2010. Bond issuance and underwriting costs for the three new bonds issued in 2010 totaled $8 million. Construction costs occurred on the Convention Center and its infrastructure in 2010. Equipment and facility improvements occurred at PNC

Park. Construction costs for the Convention Center Riverfront Plaza will continue through 2010 and is expected to be completed in the second quarter of 2011.

Additional information on the Authority's capital assets can be found in Note 4 of this report.

Debt Administration

Long-term debt of the Authority is comprised of nine bond issues and several loans payable.

Four bonds were issued to finance the Regional Destination Financing Plan. Hotel Room Excise Tax Revenue Bonds Series 1999, Regional Asset District Sales Tax Revenue Bonds Series 1999, Taxable Ticket Surcharge Revenue Bonds, Series 2000 and Parking Revenue Bonds Series A of 2001. In 2010, three of these bonds were refinanced in part or in full (1) Hotel Room Excise Tax Revenue Bonds Series 2010, (2) Regional Asset District Sales Tax Revenue Bonds Series 1999, and (3) Parking Revenue Bonds Series A of 2001. The remaining bonds are:

Bond Issue	Issue Date	Initial Principal Amount	Pledged Revenue Stream	Bond Ratings** Standard & Poor's	Bond Ratings** Moody's
Hotel Revenue Bonds	May-1999	$ 42,700,000 *	Hotel Room Excise Tax	AAA	Aaa
Hotel Revenue Bonds	Oct-2010	$ 146,465,000	Hotel Room Excise Tax	AAA (negative outlook)	Aa3 (negative outlook)
RAD Revenue Bonds	Sept-2010	$ 173,765,000	Regional Asset District 1% Sales Tax	AAA (negative outlook)	Aa3 (negative outlook)
Ticket Surcharge Revenue Bonds	Aug-2000	$ 17,175,000	Steeler Football Ticket Surcharge	AAA	Aaa

*Balance on Original Bond after refinancing

** Rating at time of original issuance/may be based on bond insurance

No principal payments were made in 2010 on the refinanced bonds. Ticket Surcharge Bonds have had nine principal payments through 2010 totaling $1,830,000 with outstanding debt of $15,345,000.

Two 2005 bond issues relate to the refinancing of the 1999 Auditorium Bonds and had an initial combined principal amount of $36,550,000. The 2005 refinancings provided savings that were used to fund certain costs of the Convention Center.

Bond Issue	Issue Date	Initial Principal Amount	Pledged Revenue Stream	Bond Ratings * Standard & Poor's	Bond Ratings * Moody's
RAD Sales Tax Bonds, Refunding Series 2005	Jan-05	$ 13,250,000	RAD Sales Tax proceeds	AAA	Aaa
Auditorium Bonds, Refunding Series A of 2005	Sep-05	$ 8,345,000	City of Pittsburgh & Allegheny County	n/a	Aaa

* Ratings based on the purchase of bond insurance at time of issuance.

The first refinancing occurred in January of 2005 for $13,250,000 and the second occurred in September of 2005 for $8,345,000. The principal retired from both refinancings equaled $19,885,000. Additional information is shown in Note 6 of this report. The outstanding principal amount as of December 31, 2010 for these bonds is $6,385,000 and $3,180,000, respectively.

The Authority issued three bonds to finance the construction of the New Arena Project.

Bond Issue	Issue Date	Initial Principal Amount	Pledged Revenue Stream	Bond Ratings * Standard & Poor's	Bond Ratings * Moody's
Commonwealth Lease Revenue Bonds Series A of 2007	Oct-07	$ 252,000,000	Gaming Economic Development and Tourism Fund and Casino Operator	A-1	VMIG 1
Commonwealth Lease Revenue Bonds Taxable Series B of 2007	Oct-07	$ 61,265,000	Pittsburgh Penguins	A-1	VMIG 1
Commonwealth Lease Revenue Bonds Taxable Series 2010	Apr-10	$ 17,360,000	Pittsburgh Penguins	A	Aa3

* Ratings based on the purchase of bond insurance at time of issuance.

The third principal payment on the Series A bonds was paid in October 2010 in the amount of $4,640,000. These Series A bonds are secured by revenues from the Commonwealth of Pennsylvania's Economic Development and Tourism Fund and by a payment agreement with the Pittsburgh Casino operator. In August 2008, the Gaming Board approved the restructuring of the Pittsburgh Slots License and Rivers Casino was given the license as a result of that reorganization. A payment agreement dated November 10, 2009 provides that Rivers Casino makes two annual payments, one in October and one in April. Payments totaling $7.6 million were received in 2010 in accordance with the payment agreement. The first principal payment of $4.1 million on the Series B bonds, secured by rent from the Pittsburgh Penguins, was due October 2010. The Series 2010 bonds are also secured by rents from the Pittsburgh Penguins. $5,460,000 was received for both bonds in 2010.

There are three active loans/notes outstanding at December 31, 2010. The first is a $3 million loan ($1.5 million from the Howard Heinz Endowment and $1.5 million from the Vira I. Heinz Endowment) to promote economic development and environmental initiatives by constructing improvements at the Convention Center in accordance with the Green Building Standards. Repayments on the Heinz loans were to begin in 2008; however, the Heinz Endowments agreed twice to amendments of the agreement in 2008 and 2009, delaying the due date of the principal and interest payments until 2010. In 2010, the Heinz Endowments forgave the first principal payment of $100,000 on each of the two loans. The year two principal payments of $100,000 each were made in 2010.

The second loan is a PNC Bank/Dollar Bank loan in the amount of $41,175,574. In 2010, the Authority refinanced a 2004 PNC Bank/Dollar Bank loan which financed costs for operations and capital costs for the Convention Center and the 2001 Parking Revenue Bonds which was originally issued to finance the Regional Destination Financing Plan. The 2010 loan is comprised of a $26,194,462 fixed rate note and a $4 million variable rate note issued to PNC Bank and a $10,981,676 fixed rate note issued to Dollar Bank. In 2010, the Authority redeemed the $4 million variable rate note with proceeds from the 2010 Hotel Tax Refunding Bonds.

The third is a loan from the Stadium Authority for $1.2 million used for cash flow for construction payables on the Convention Center. This was repaid in March 2011. See Note 7 to the financial statements for further information.

Economic Factors and the 2010 Budget

Certain factors were considered in preparing the Authority's budget for the 2010 fiscal year. Foremost was that the Convention Center would continue to operate at a loss as do most public facilities of this type. Although the Authority endeavors to keep the operating loss at a minimum, the overriding goal is the economic benefit that visitors bring to the City of Pittsburgh. Operating the Convention Center as a world-class facility supported by market sensitive rental pricing causes the operating loss. Operating revenues such as building income from rentals, food and beverage, and other ancillary services, as well as, the unrestricted portion of the hotel tax allocation, unpledged parking revenues, an appropriation from the Commonwealth of Pennsylvania's Economic Development and Tourism Fund, and a grant from the Allegheny Regional Asset District fund the operating activity and administration of the Convention Center. The Authority's 2010 operating budget is balanced; and no operating cash flow issues are present.

In accordance with Act 71 of 2004 (the Pennsylvania Race Horse Development and Gaming Act), in 2010 the Authority anticipated and received monies from the Commonwealth of Pennsylvania's Economic Development and Tourism Fund (Fund) for (a) operating costs of the Convention Center ($1.7 million), (b) repayment of certain Convention Center debt ($1.7 million), and (c) $2.6 million to reimburse the Authority for hotel costs already paid. Receipt of the Act 71 funding is directly dependent on the gaming revenues received by the state. While the Authority has received the 2010 payments from the Fund, if in the future these monies are not received and other revenue streams do not materialize, the Authority will have cash flow difficulties. It may then call upon the Cooperation Agreement with the City of Pittsburgh and Allegheny County. This agreement, dated January 23, 1978, approves a shared payment by the City of Pittsburgh and Allegheny County to cover the Authority's operating deficit with respect to the Convention Center.

Future Events that will Financially Impact the Authority

In 2010, the Authority started construction of the Convention Center Riverfront Plaza and anticipates completion in the second quarter of 2011. The Authority is also in the beginning phases of planning for the redevelopment of the existing Civic Arena site.

Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Sports & Exhibition Authority, 425 Sixth Avenue, Suite 2750, Pittsburgh, PA 15219.

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

STATEMENTS OF NET ASSETS

DECEMBER 31, 2010 AND 2009

	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	$ 513,158	$ 1,265,394
Restricted cash and cash equivalents	78,300,331	56,486,426
Restricted investments	-	100,801,798
Receivables:		
Trade (no allowance for doubtful accounts necessary)	1,955,012	1,716,819
Interest	142,478	446,340
Restricted contributions and grants	1,567,804	3,416,524
Prepaid expenses	170,476	162,092
Total current assets	82,649,259	164,295,393
Noncurrent assets:		
Restricted cash and cash equivalents	5,298,599	5,160,771
Restricted investments	1,359,758	-
Deferred lease costs	16,025,746	16,251,461
Deferred outflow of resources	34,727,629	25,966,209
Capital assets, net	1,169,283,327	851,962,511
Construction-in-progress	7,429,793	247,857,606
Total noncurrent assets	1,234,124,852	1,147,198,558
Total Assets	$ 1,316,774,111	$ 1,311,493,951
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	$ 10,230,118	$ 24,815,260
Deferred revenue	566,016	640,799
Interest payable	5,898,621	8,554,478
Current portion of bonds payable	14,985,000	11,731,067
Current portion of loans/notes payable	2,599,551	17,943,681
Current portion of capital lease obligation	347,127	307,808
Total current liabilities	34,626,433	63,993,093
Noncurrent liabilities:		
Accrued liabilities	2,142,168	1,540,981
Deferred revenue	1,269,650	1,406,847
Developer credits	14,525,000	14,525,000
Derivative instrument - interest rate swap	34,727,629	25,966,209
Bonds payable	701,932,944	701,673,539
Loans/notes payable	40,960,851	6,451,745
Capital lease obligation	5,825,421	6,885,499
Total noncurrent liabilities	801,383,663	758,449,820
Total Liabilities	836,010,096	822,442,913
Net Assets:		
Invested in capital assets, net of related debt	428,894,844	451,144,701
Restricted for capital activity and debt service	52,429,463	38,146,620
Unrestricted	(560,292)	(240,283)
Total Net Assets	480,764,015	489,051,038
Total Liabilities and Net Assets	$ 1,316,774,111	$ 1,311,493,951

See accompanying notes to financial statements.

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Operating Revenues:		
Restricted:		
Surcharges/Rents	$ 8,331,733	$ 2,927,555
North Shore parking garage, net	1,149,725	1,164,967
Convention Center parking garage, net	1,631,013	1,597,764
Unrestricted:		
Ticket surcharges	326,551	456,627
Parking lot revenue, net	396,638	305,653
License fees	2,624,678	3,091,357
Event service revenue	631,392	1,422,311
Ancillary revenue	2,667,197	3,591,996
Other revenue	384,194	407,376
Total operating revenues	18,143,121	14,965,606
Operating Expenses:		
Operations and maintenance	10,698,278	13,313,388
General and administrative	1,140,079	1,052,826
Depreciation and amortization	55,290,711	38,183,929
Other expenses	1,980	49,682
Total operating expenses	67,131,048	52,599,825
Operating Loss	(48,987,927)	(37,634,219)
Non-operating Revenues (Expenses):		
Restricted:		
Allegheny Regional Asset District	12,585,000	12,776,167
PA Gaming Economic Development & Tourism Fund	13,500,000	17,421,729
Other Commonwealth of PA Grants	11,013,885	-
Pittsburgh casino operator	7,596,019	2,353,828
Hotel rooms tax	14,495,680	13,831,290
Stadium Authority	1,624,950	1,289,760
Penguins/developer payments	1,117,114	1,047,132
City of Pittsburgh and Allegheny County	505,442	510,040
Federal grants	5,115,406	346,939
Foundation and other grants	25,000	25,500
Miscellaneous revenue	236,159	66,920
Interest expense	(26,836,365)	(21,364,568)
Interest revenue	172,954	329,345
Unrealized gain (loss) on investments	(115,558)	(1,185,759)
Unrestricted:		
Project administration revenue	22,000	50,500
Miscellaneous revenue	447,700	128,136
Interest expense	(382,063)	(408,655)
Interest revenue	-	(4,638)
Project development expense	(63,936)	(60,991)
Bank/trustee fees	(358,483)	(755,552)
Total non-operating revenues, net	40,700,904	26,397,123
Change in Net Assets	(8,287,023)	(11,237,096)
Net Assets:		
Beginning of year	489,051,038	500,288,134
End of year	$ 480,764,015	$ 489,051,038

See accompanying notes to financial statements.

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Cash Flows From Operating Activities:		
Cash received from operations	$ 17,445,951	$ 15,288,560
Cash paid for operating expenses	(6,137,778)	(9,647,192)
Cash paid to employees	(5,082,933)	(5,690,136)
Cash received from other income	384,194	407,376
Net cash provided by (used in) operating activities	6,609,434	358,608
Cash Flows From Non-Capital Financing Activities:		
Cash received from hotel tax distributions	2,628,870	2,348,856
Cash received from Allegheny Regional Asset District	500,000	1,000,000
Cash received from PA Gaming Economic Development & Tourism Fund	1,700,000	1,700,000
Other receipts (payments)	304,726	324,958
Net cash provided by (used in) non-capital financing activities	5,133,596	5,373,814
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(142,435,938)	(166,980,546)
Proceeds from issuance of bonds and notes	397,912,865	-
Refunded bonds and notes	(356,027,223)	-
Bond and note issuance costs	(8,021,219)	-
Interest payments on bonds, notes/loans payable, and capital lease obligations	(38,868,313)	(38,414,552)
Cash received from Allegheny Regional Asset District for bond payments	12,085,000	11,776,167
Cash received from hotel rooms tax for bond payments	11,866,810	11,482,434
Cash received from PA Gaming Economic Development & Tourism Fund for capital items and bond and loan payments	11,800,000	12,900,000
Cash received from Pittsburgh casino operator for bond payments	7,596,019	2,353,828
Cash received from City of Pittsburgh and Allegheny County for bond payments	505,442	510,040
Cash received from Stadium Authority for capital items and bond payments	909,452	1,289,760
Cash received from Penguins/developer for capital items	1,117,114	1,047,132
Cash received from other capital related grants	18,003,011	869,495
Settlement proceeds	4,780,000	-
Principal payments on bonds payable	(6,871,067)	(10,301,067)
Principal payments on capital lease obligations	(307,806)	(271,219)
Principal payments on loans/notes payable	(4,873,439)	(1,644,757)
Net cash provided by (used in) capital and related financing activities	(90,829,292)	(175,383,285)
Cash Flows From Investing Activities:		
Interest income received	1,317,760	4,043,613
Proceeds from sales and maturities of investments	100,686,240	145,958,930
Purchase of investments	(1,359,758)	(209,886,368)
Bank/trustee fees paid	(358,483)	(755,552)
Net cash provided by (used in) investing activities	100,285,759	(60,639,377)
Net Increase (Decrease) in Cash and Cash Equivalents	21,199,497	(230,290,240)
Cash and Cash Equivalents:		
Beginning of year	62,912,591	293,202,831
End of year	$ 84,112,088	$ 62,912,591
Consists of:		
Restricted cash and cash equivalents	$ 83,598,930	$ 61,647,197
Unrestricted cash and cash equivalents	513,158	1,265,394
	$ 84,112,088	$ 62,912,591
Reconciliation of Operating Loss to Net Cash Flows Provided By (Used In) Operating Activities:		
Operating loss	$ (48,987,927)	$ (37,634,219)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	55,290,711	38,183,929
Change in operating assets and liabilities:		
Operating receivables	(238,193)	125,805
Prepaid operating expenses	(8,384)	79,169
Operating liabilities	553,227	(396,076)
Total adjustments	55,597,361	37,992,827
Net cash provided by (used in) operating activities	$ 6,609,434	$ 358,608

See accompanying notes to financial statements.

1. Nature of Operations and Reporting Entity

The Public Auditorium Authority of Pittsburgh and Allegheny County was incorporated on February 3, 1954, pursuant to the Public Auditorium Authorities Law, as a joint authority organized by the City of Pittsburgh (City) and Allegheny County (County) to provide educational, cultural, physical, civic, and social events for the benefit of the general public. Effective November 1999, the Public Auditorium Authority of Pittsburgh and Allegheny County's name was legally changed to the Sports & Exhibition Authority of Pittsburgh and Allegheny County (Authority). The Public Auditorium Authorities Law was re-codified in 2000 and the Authority is now authorized and exists under the Sports and Exhibition Authority Act through March 23, 2049.

As a joint authority for the City and County, the Authority provides venues for sporting, entertainment, educational, cultural, civic, and social events for the public. The Authority owns but leases PNC Park, Heinz Field, Consol Energy Center, the Benedum Center, and the Heinz History Center property to other entities who are responsible for their operation. The Authority owns and is responsible for the operation of the David L. Lawrence Convention Center (Convention Center) and the Civic Arena. The Authority also owns two parking facilities, and is responsible for riverfront park development and various associated infrastructure improvements. Involvement with the Benedum Center and the Heinz History Center is limited to the initial financing structures for those facilities. The Authority has no other significant responsibility with respect to those facilities.

The Board of Directors (Board) of the Authority is a seven member group appointed by the Mayor of the City and Chief Executive of the County. Each executive appoints three members and the Mayor and County Executive jointly appoint the seventh member. The Board is responsible for the overall activities and operations of the Authority. The Board has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. For financial reporting purposes, the Authority is a stand-alone entity and is not a component unit of the City or the County. A component unit is defined as an entity that is operationally and financially accountable to a primary government.

The Stadium Authority of the City of Pittsburgh (Stadium Authority) owned Three Rivers Stadium located in the City. The Stadium was razed in February 2001 to make way for Heinz Field and PNC Park. The Stadium Authority is now responsible for the development of the land between the newly constructed stadium and ballpark. A portion of that land was conveyed to the Authority for construction of infrastructure. The remaining land was retained by the Stadium Authority to be developed according to a master development plan. Pending development, the land is used for surface parking with a portion of the revenue from these lots pledged to the debt service on the Authority's PNC Bank/Dollar Bank loan (see Note 7). The Stadium Authority has a separate board appointed by the Mayor of the City. Currently, one board member serves on both boards. An Administrative Services Agreement was entered into in November 2002 between the Stadium Authority and the Authority whereby the Authority staff performs all administrative services required for the Stadium Authority to fulfill its duties and obligations. The Stadium Authority reimburses the Authority certain expenses on a year-by-year basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America applicable to governmental units and promulgated by the Governmental Accounting Standards Board (GASB). The Authority follows all GASB pronouncements and Financial Accounting Standards Board (FASB) authoritative guidance issued on or before November 30, 1989, except those that conflict with GASB pronouncements. In accordance with GASB Statement No. 20, the Authority does not apply FASB pronouncements issued after November 30, 1989. The Authority is considered a special purpose government engaged in business-type activities, and as such, presents the financial statements required for enterprise funds. A summary of the Authority's more significant accounting policies applied by management in the preparation of the accompanying financial statements follows:

Basis of Accounting and Measurement Focus

The Authority's financial statements are prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Revenues are recognized when earned and expenses are recognized when a liability is incurred. All assets and all liabilities associated with the operations of the Authority are included on the statements of net assets. The statements of revenues, expenses, and changes in net assets present increases (i.e., revenues) and decreases (i.e., expenses) in the Authority's net total assets.

Use of Estimates

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

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Authority considers cash in bank accounts and short-term investments with original maturities of three months or less from the date of purchase as cash equivalents.

Investments

The Authority records investments at fair value in the statements of net assets. Interest revenue and realized and unrealized gains and losses on investments are reflected in the statements of revenues, expenses, and changes in net assets. Fair value has been determined based on quoted market prices.

Capital Assets

Capital assets are stated at cost which includes all costs during the construction period for acquisition of land, rights of way, surveys, engineering costs, roads, bridges, and other construction costs for constructed assets. Capital assets include the infrastructure network built in connection with the Authority's other capital projects. Infrastructure includes roads, sidewalks, water lines, and sewer lines. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the related assets. No depreciation expense is recorded for land or construction-in-progress. Repairs and maintenance that do not extend the lives of the applicable assets are charged to expense as incurred.

Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed and amortized over the useful life of the assets. During the years ended December 31, 2010 and 2009, there was $8,081,758 and $12,409,192, respectively, in net capitalized interest.

Capital assets includes infrastructure associated with certain development projects of the Authority including North Shore, Convention Center, and New Arena. Some of this infrastructure is dedicated to the City after the completion of the projects, mainly road and sewer system infrastructure, to be maintained by the City. The Authority considers these costs an integral part of the total development cost of the projects and, accordingly, capitalizes and amortizes them over the life of the projects.

Noncurrent Accrued Liabilities

Noncurrent accrued liabilities, which represent monies held on behalf of the Stadium Authority to be used to pay for the development of commercial, retail, and residential facilities in the North Shore Option Area, totaled $2,142,168 and $1,540,981 at December 31, 2010 and 2009, respectively.

Revenues

The Authority's operating revenues consist of excess ticket surcharges, rents, and parking revenues and Convention Center revenue from building rentals, event services, and catering and concessions. Non-operating revenues consist primarily of investment income along with grants and subsidies received that are restricted for capital related costs, the payment of debt service, or operation of the Convention Center. Grants and subsidies are recorded as revenue when all applicable eligibility requirements are met.

When both restricted and unrestricted resources are available for use, the Authority's policy is to use restricted resources first, and then unrestricted resources as needed.

Surcharges/Rent

Surcharges are certain revenues derived from a ticket surcharge on each ticket sold for Pittsburgh Steelers football games, University of Pittsburgh Panthers football games, Pittsburgh Pirates baseball games, a parking surcharge on Pittsburgh Penguins hockey games, and surcharges on other events held at Heinz Field, PNC Park, Civic Arena, and the Consol Energy Center. Each football season, the first $1,400,000 of total ticket surcharge monies collected from Pittsburgh Steelers football games is restricted to pay principal and interest on the Ticket Surcharge Revenue Bonds. Each baseball season, the first $1,500,000 of total ticket surcharge monies collected from Pittsburgh Pirates baseball games stays with the team. The Authority receives the Pittsburgh Panther surcharge in full, and certain excess over the restrictions mentioned above from Pittsburgh Steelers and the Pittsburgh Pirates.

With respect to each year of operation at the Civic Arena, ticket surcharge up to a base amount which was adjusted annually by the Consumer Price Index (approximately $2,207,000 for the 2009-2010 hockey season) stays with the team and anything over that was received by the Authority for deposit to the promotional fund. 2009-2010 was the final hockey season for which the ticket surcharge was received. With respect to the Consol Energy Center, rent is due each October to pay the Commonwealth Lease Revenue Bonds Taxable Series B of 2007 ($4.1 million), Taxable Series of 2010 ($1.36 million), and parking surcharge of $400,000 to be deposited to the capital reserve fund for the new arena. All other surcharge revenue with respect to tickets at the new arena and its parking stays with the team.

Parking Revenues

Parking revenues are generated from parking services at the North Shore parking garage, the Convention Center parking garage, and Authority lots in both downtown and on the North Shore, net of the related expenses. Alco Parking, Inc. operates these facilities through management contracts. Currently, the net revenues of the North Shore parking garage, the Convention Center parking garage and revenues of certain Stadium Authority lots (Lots 1 and 7A through 7J) are fully restricted for purposes of repaying the $41 million (original principal amount) bank notes described in Note 7. An entity of the Pittsburgh Penguins operates the Consol Energy Center garage and parking at the Civic Arena site and all parking revenue is retained by the team.

Hotel Room Excise Tax

The County imposes a 7% hotel room tax on the temporary use or occupancy of hotel rooms within the County. The County is required to collect the tax and to distribute the funds to the appropriate entities, including the Authority, in accordance with state law (16 P.S. Section 4970.2 et seq) as follows: (1) provide the Municipality of Monroeville with 1/3 of the revenues generated in that jurisdiction, (2) fund the monthly debt service on the Authority's Hotel Room Excise Tax Revenue Bonds, (3) reimburse the County for a collection fee of 5%, and (4) remaining funds, if any, to fund Convention Center operations and regional tourist promotional activities.

Casino Operator Revenue

As described in Note 6, the Authority receives semi-annual payments from the operator of the casino located in Pittsburgh based on a Payment Agreement which details the payment due dates. The Authority recognizes this revenue when the payments become due.

Classification of Net Assets

GASB Statement No. 34, *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,"* requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

- Restricted – This component of net assets consists of constraints placed on net assets used through external restrictions.
- Unrestricted – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Adoption of Pronouncements

In 2010, the Authority adopted, GASB Statement No. 53, *"Accounting and Financial Reporting for Derivative Instruments."* This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the accrual basis of accounting. The disclosure requirements and accounting treatment resulting from the implementation of this standard are described in Note 9. The standard requires that accounting changes to conform to the provisions of this statement should be applied retroactively. Accordingly, amounts presented on the statements of net assets for 2009 include adjustments to comply with the provision of this statement.

Reclassifications

Certain comparative amounts for the prior year have been reclassified to conform to the current year presentation. Such reclassifications did not affect net assets or changes therein.

3. Cash, Cash Equivalents, and Investments

The Authority maintains all cash deposits in qualified public depositories and is authorized to invest in securities of the United States government, other instruments that are collateralized by United States government securities, repurchase agreements subject to certain restrictions, and other debt instruments set forth by the office of the State Treasurer of the Commonwealth of Pennsylvania (Commonwealth). These types of investments are held by the purchasing bank in the Authority's name. The Authority's investment activities are governed by the Commonwealth, bond covenants, trust agreements, and the Authority's investment policy.

The following is a summary of the Authority's cash and cash equivalents, and investments for the year ended December 31, 2010:

	Bond Related	Non-bond Related	Total
Cash equivalents:			
Cash	$ -	$ 22,847,812	$ 22,847,812
Money market funds	40,552,506	11,024,252	51,576,758
INVEST	-	9,687,518	9,687,518
	$ 40,552,506	$ 43,559,582	$ 84,112,088
Investments:			
FNMA	$ 1,359,758	$ -	$ 1,359,758

The following is a description of the Authority's deposit and investment risks:

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority does not have a formal deposit policy for custodial credit risk. As of December 31, 2010, $22,841,197 of the Authority's bank balance of $23,591,197 was exposed to custodial credit risk because it was uninsured and collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits have carrying amounts of $22,847,812 at December 31, 2010.

The Authority's investments (INVEST and money markets) are not exposed to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The fair value of these investments is the same as their carrying amount. The fair value of the Authority's investment in INVEST is the same as the value of the pool shares. All investments in an external investment pool that are not SEC registered are subject to oversight by the Commonwealth.

Credit Risk. The Authority has no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2010, $21.6 million of money markets were rated A-1+, $1.5 million of money markets were rated A-1, and the remaining money markets and investments in INVEST and FNMA were rated AAA by Standard & Poor's.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of the Authority's investments. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Authority's investments have maturities of less than one year.

4. Capital Assets

Capital assets and accumulated depreciation consist of the following:

	January 1, 2010	Additions	Deletions	December 31, 2010	Useful Lives
Operating assets:					
Office equipment and furniture	$ 291,884	$ 38,632	$ -	$ 330,516	5-10
Improvements	-	115,166	-	115,166	10
	291,884	153,798	-	445,682	
Less accumulated depreciation	250,411	31,957	-	282,368	
Total operating assets	41,473	121,841	-	163,314	
Mellon Arena:					
Land	4,017,916	-	-	4,017,916	
Land improvements	2,630,313	-	-	2,630,313	5-40
Building and improvements	59,767,318	-	-	59,767,318	10-40
Equipment	6,181,977	-	-	6,181,977	10
Other assets	960,400	-	545,973	414,427	20
	73,557,924	-	545,973	73,011,951	
Less accumulated depreciation	63,560,774	5,736,438	545,973	68,751,239	
Total Mellon Arena	9,997,150	(5,736,438)	-	4,260,712	
Benedum Center:					
Land	11,022,494	-	-	11,022,494	
Building and improvements	570,189	-	-	570,189	40
	11,592,683	-	-	11,592,683	
Less accumulated depreciation	377,750	14,255	-	392,005	
Total Benedum Center	11,214,933	(14,255)	-	11,200,678	
John Heinz History Center:					
Land	480,000	-	-	480,000	
Building	2,620,000	-	-	2,620,000	50
	3,100,000	-	-	3,100,000	
Less accumulated depreciation	951,900	52,400	-	1,004,300	
Total John Heinz History Center	2,148,100	(52,400)	-	2,095,700	

(Continued)

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	January 1, 2010	Additions	Deletions	December 31, 2010	Useful Lives
PNC Park:					
Land	19,321,705	-	-	19,321,705	
Building	236,207,135	374,247	-	236,581,382	30-40
Equipment	12,818,751	-	-	12,818,751	5-10
	268,347,591	374,247	-	268,721,838	
Less accumulated depreciation	80,210,327	7,886,046	-	88,096,373	
Total PNC Park	188,137,264	(7,511,799)	-	180,625,465	
North Shore Garage:					
Land	776,629	-	-	776,629	
Building	23,383,710	424,930	-	23,808,640	30
Equipment	7,096	-	-	7,096	5-10
	24,167,435	424,930	-	24,592,365	
Less accumulated depreciation	6,687,691	793,621	-	7,481,312	
Total North Shore Garage	17,479,744	(368,691)	-	17,111,053	
Heinz Field:					
Land	8,183,167	-	-	8,183,167	
Building	245,117,729	-	-	245,117,729	30-40
Equipment	12,132,757	-	-	12,132,757	5-10
	265,433,653		-	265,433,653	
Less accumulated depreciation	80,272,416	8,170,591	-	88,443,007	
Total Heinz Field	185,161,237	(8,170,591)	-	176,990,646	
Convention Center:					
Land	20,668,134	80	-	20,668,214	
Building	357,214,892	863,248	4,780,080	353,298,060	30-40
Smallwares	500,000	-	-	500,000	5
Equipment	11,836,000	14,976	-	11,850,976	5-10
	390,219,026	878,304	4,780,080	386,317,250	
Less accumulated depreciation	93,852,738	12,885,466	-	106,738,204	
Total Convention Center	296,366,288	(12,007,162)	4,780,080	279,579,046	

(Continued)

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	January 1, 2010	Additions	Deletions	December 31, 2010	Useful Lives
Infrastructure:					
Convention Center	41,448,462	-	-	41,448,462	40
North Shore	63,296,903	-	-	63,296,903	40
	104,745,365	-	-	104,745,365	
Less accumulated depreciation	17,671,547	2,618,652	-	20,290,199	
Total Infrastructure	87,073,818	(2,618,652)	-	84,455,166	
North Shore Riverfront Park:					
Land	24,194,065	-	-	24,194,065	
Infrastructure	2,024,627		-	2,024,627	50
Less accumulated depreciation	118,083	40,493	-	158,576	
Total Riverfront Park	26,100,609	(40,493)	-	26,060,116	
Convention Center Park:					
Land and improvements	257,087	-	-	257,087	
Consol Energy Center:					
Land	15,712,539	8,526,226	-	24,238,765	
Infrastructure	-	37,355,047	-	37,355,047	40
Building	-	297,703,936	-	297,703,936	30
Equipment	-	30,917,132	-	30,917,132	5
Less accumulated depreciation	-	17,040,767	-	17,040,767	
Total Consol Energy Center	15,712,539	357,461,574	-	373,174,113	
Other capitalized assets	16,377,079	8,021,219	10,061,641	14,336,657	30
Less accumulated depreciation	4,104,810	507,259	3,585,643	1,026,426	
Total other capitalized assets	12,272,269	7,513,960	6,475,998	13,310,231	
Total Capital Assets, net	$ 851,962,511	$ 328,576,894	$ 11,256,078	$ 1,169,283,327	

Capital assets included above that are not being depreciated totaled $113 million and $104.6 million for the years ended December 31, 2010 and 2009, respectively. Depreciation and amortization totaled $55.0 million and $38.2 million for the years ended December 31, 2010 and 2009, respectively.

The costs of the Benedum Center and the Heinz History Center are original acquisition costs by the Authority. Any costs to build and improve these properties subsequent to acquisition have been incurred and capitalized by the Pittsburgh Trust for Cultural Resources and the Historical Society of Western Pennsylvania.

5. Construction-in-Progress

The construction-in-progress detail is as follows:

	January 1, 2010	Additions	Deletions	December 31, 2010
Consol Energy Center	$ 247,465,173	$ 110,429,185	$ 357,894,358	$ -
Convention Center Riverfront Plaza	392,433	7,037,360	-	7,429,793
	$ 247,857,606	$ 117,466,545	$ 357,894,358	$ 7,429,793

Construction-in-progress as of December 31, 2010 relates to construction costs associated with the Convention Center Riverfront Plaza which is scheduled to open the second quarter of 2011.

6. Bonds Payable

All bonds issued by the Authority are limited obligation bonds, collateralized by supporting agreements entered into as of the date of each bond issue between the Authority, the City, the County, or other designated entity(ies), and/or some specifically identified revenue stream(s).

	January 1, 2010	Net Additions/ (Reductions)	December 31, 2010
Allegheny Regional Asset District Sales Tax Revenue Bonds, Refunding Series 2005 of $13,250,000, due in annual installments ranging from $665,000 to $2,695,000 through February 2019, interest payable semi-annually on February 15 and August 15 at rates ranging from 3% to 4.125%, issued in January 2005 to partially refinance the 1999 Series Auditorium Bonds and to fund certain costs of the Convention Center.	$ 7,120,000	$ (735,000)	$ 6,385,000
Auditorium Bonds, Refunding Series A 2005 of $8,345,000, due in annual installments ranging from $245,000 to $1,155,000 through December 2018, interest payable semi-annually on June 15 and December 15 at rates ranging from 3.05% to 4.00%, issued in September 2005 to partially refinance the 1999 Series Auditorium Bonds and to fund certain costs of the Convention Center.	3,555,000	(375,000)	3,180,000
Commonwealth Lease Revenue Bonds Series A of 2007 of $252,000,000, due in annual installments ranging from $4,260,000 to $13,950,000 through November 2038, interest payable semi-annually on May 1 and November 1 at synthetic fixed rate of 4.020% pursuant to a related interest rate swap, issued in October 2007 to fund the construction of a new multi-purpose arena and related facilities.	243,290,000	(4,640,000)	238,650,000
Commonwealth Lease Revenue Bonds Taxable Series B of 2007 of $61,265,000, due in annual installments ranging from $620,000 to $4,095,000 through November 2039, interest payable semi-annually on May 1 and November 1 at synthetic fixed rate of 5.335% pursuant to a related interest rate swap, issued in October 2007 to fund the construction of a new multi-purpose arena and related facilities.	61,265,000	(620,000)	60,645,000
Commonwealth Lease Revenue Bonds Taxable Series of 2010 of $17,360,000 due in annual installments ranging from $225,000 to $1,300,000 through November 2039, interest payable semi-annually on May 1 and November 1 at rates ranging from 3.98% to 7.04%, issued April 28, 2010 to fund the construction of a new multi-purpose arena and related facilities. (Net Addition = Proceeds of $17,360,000 less principal payments of $225,000)	-	17,135,000	17,135,000
Hotel Room Excise Tax Revenue Bonds Series 1999 of $193,375,000, partially refunded by the Hotel Room Excise Tax Revenue Bonds Series of 2010. Remaining balance due in installments from 2025 to 2029 in amounts ranging from $7,940,000 to $9,455,000, interest payable semi-annually on February 1 and August 1 at 4.5%, issued in May 1999 to finance the Convention Center project including capital improvements and land acquisition for related facilities.	188,325,000	(145,625,000)	42,700,000

(Continued)

	January 1, 2010	Net Additions/ (Reductions)	December 31, 2010
Hotel Room Excise Tax Revenue Bond Series 2010 of $146,465,000 due in annual installments ranging from $2,680,000 to $12,125,000 through February 2035, interest payable semi-annually on February 1 and August 1 at rates ranging from 5.00% to 5.25%, issued to refinance a portion of the Hotel Room Excise Tax Revenue Bonds, Series 1999.	-	146,465,000	146,465,000
Allegheny Regional Asset District Sales Tax Revenue Bonds, Series 1999 of $176,625,000, redeemed in the current year with proceeds from the Allegheny Regional Asset District Sales Tax Revenue Bonds, Refunding Series of 2010.	170,575,000	(170,575,000)	-
Allegheny Regional Asset District Sales Tax Revenue Bonds, Refunding Series 2010 of $173,765,000, due in annual installments ranging from $3,420,000 to $12,760,000 through February 2031, interest payable semi-annually on February 1 and August 1 at rates ranging from 2% to 5%, issued in September 9, 2010 to refinance the Regional Asset District Sales Tax Revenue Bonds Series of 1999.	-	173,765,000	173,765,000
Taxable Ticket Surcharge Revenue Bonds Series 2000 of $17,175,000, due in annual installments ranging from $145,000 to $2,835,000 through July 2030, interest payable semi-annually on January 1 and July 1 at rates ranging from 7.72% to 7.92%, issued in August 2000 to finance the construction of Heinz Field.	15,615,000	(270,000)	15,345,000
Parking Revenue Bonds Series A of 2001 of $27,500,000, redeemed in the current year with proceeds from the PNC/Dollar Bank 2010 Loan.	23,605,000	(23,605,000)	-
Total bonds payable	713,350,000	(9,080,000)	704,270,000
Deferred amounts:			
For issuance premiums	59,606	18,909,605	18,969,211
On refunding	-	(6,321,267)	(6,321,267)
	59,606	12,588,338	12,647,944
Bonds payable, net	$ 713,409,606	$ 3,508,338	$ 716,917,944

The aggregate annual amount of principal and interest payments required on bonds payable is as follows:

	RAD Refunding Series 2005	Auditorium Refunding Series A 2005	Hotel Room Excise Tax Revenue Series 1999	Hotel Room Excise Tax Revenue Series 2010	RAD Sales Tax Revenue Bonds Series 2010
2011	$ 725,000	$ 395,000	$ -	$ 4,210,000	$ 3,420,000
2012	710,000	415,000	-	3,450,000	5,455,000
2013	700,000	450,000	-	4,035,000	5,675,000
2014	680,000	465,000	-	4,600,000	5,900,000
2015	670,000	475,000	-	5,180,000	6,140,000
2016-2020	2,900,000	980,000	-	31,065,000	35,130,000
2021-2025	-	-	8,660,000	30,985,000	44,050,000
2026-2030	-	-	34,040,000	8,915,000	55,235,000
2031-2035	-	-	-	54,025,000	12,760,000
2036-2040	-	-	-	-	-
Total	$ 6,385,000	$ 3,180,000	$ 42,700,000	$ 146,465,000	173,765,000
Purpose:	Refinance 1999 Auditorium Bonds and fund certain costs of the Convention Center.	Refinance 1999 Auditorium Bonds and fund certain costs of the Convention Center.	Finance the Convention Center project including capital improvements and land acquisition for related facilities	Refinance a portion of the Hotel Room Excise Tax Revenue Series of 1999 and certain costs of the Convention Center	Refinance the RAD Sales Tax Revenue Bonds Series of 1999 and certain costs of the Convention Center
Funding Source:	Allegheny Regional Asset District Sales Tax - paid directly to Trustee	1/2 each by the City and County - paid directly to Trustee	County Hotel Room Excise Tax - paid directly to Trustee	County Hotel Room Excise Tax - paid directly to Trustee	Allegheny Regional Asset District Sales Tax - paid directly to Trustee

	Taxable Ticket Surcharge Revenue Series 2000	Commonwealth Lease Revenue Series A 2007	Commonwealth Lease Revenue Series B 2007	Commonwealth Lease Revenue Series A 2010	Total Principal	Interest
2011	$ 295,000	$ 4,840,000	$ 860,000	$ 240,000	$ 14,985,000	$ 30,169,194
2012	320,000	5,050,000	915,000	250,000	16,565,000	31,840,102
2013	345,000	5,270,000	965,000	260,000	17,700,000	31,143,040
2014	375,000	5,495,000	1,020,000	270,000	18,805,000	30,397,592
2015	405,000	5,735,000	1,080,000	280,000	19,965,000	29,577,820
2016-2020	2,575,000	32,605,000	6,395,000	1,645,000	113,295,000	132,915,167
2021-2025	3,830,000	40,295,000	8,450,000	2,195,000	138,465,000	103,918,223
2026-2030	7,200,000	49,795,000	11,150,000	3,025,000	169,360,000	68,514,536
2031-2035	-	61,535,000	14,715,000	4,280,000	147,315,000	29,738,826
2036-2040	-	28,030,000	15,095,000	4,690,000	47,815,000	4,905,696
Total	$ 15,345,000	$ 238,650,000	$ 60,645,000	$ 17,135,000	$ 704,270,000	$ 493,120,196
Purpose:	Finance the construction of Heinz Field	Fund the construction of a new multi-purpose arena and related facilities	Fund the construction of a new multi-purpose arena and related facilities	Fund the construction of a new multi-purpose arena and related facilities		
Funding Source:	Steeler ticket surcharges - paid directly to trustee	$7.5M annually from EDTF & $7.5M annually by casino operator - paid directly to trustee	Paid by the Penguins - $4.1M in 2010 and $4.3M annually thereafter from Arena rent - directly to trustee	Paid by the Penguins - $1.36M annually from Arena rent - directly to trustee		

Interest payments related to the Commonwealth Lease Revenue Bonds Series A and B of 2007 have been calculated using the synthetic fixed rates as described in Note 9. At December 31, 2010, the variable rate on the Series A and B bonds approximated .32% and .37%, respectively.

Arbitrage Payable

The proceeds of certain bond issues are restricted by yield limitations. The earnings on certain investments may generate arbitrage where the rate of investment earnings exceeds the yield limitations. The excess earnings, or rebatable arbitrage, is required to be computed in accordance with, and pursuant to, Section 148 of the Internal Revenue Code of 1986 (Code), and the temporary treasury regulations issued by the Internal Revenue Service on May 12, 1989, under Section 148(i) of the Code. The Internal Revenue Service requires the arbitrage computation to be performed and the amount remitted every fifth year that the bonds are outstanding. The Authority has determined there are currently no arbitrage obligations due.

Regional Asset District Sales Tax Revenue Refunding Bonds

On January 13, 2005, the Authority issued $13,250,000 of Sports & Exhibition Authority of Pittsburgh and Allegheny County Regional Asset District Sales Tax Revenue Bonds, Refunding Series of 2005 (RAD Refunding Bonds) with an average interest rate of 3.37% to refund a portion of each maturity of the 1999 Series Auditorium Bonds with an average interest rate of 5.52%.

The RAD Refunding Bonds are payable from and secured by payments and other revenues to be received by the Authority through 2018 under an Amended and Restated Cooperation and Support Agreement among the Authority, the City, the County, and the Allegheny County Regional Asset District (RAD). The Authority received $965,000 and $1,000,000 for each of the calendar years 2010 and 2009, respectively.

Auditorium Refunding Bonds

On September 29, 2005, the Authority issued $8,345,000 of Sports & Exhibition Authority of Pittsburgh and Allegheny County Auditorium Bonds, Refunding Series A of 2005 (Auditorium Refunding Bonds) with an average interest rate of 3.82% to refund a portion of each maturity of the 1999 Series Auditorium Bonds with an average interest rate of 5.20%.

Pursuant to a Supporting Agreement among the Authority, the City, and the County dated September 15, 2005, the City and the County each have unconditionally agreed to pay to the Authority, on a pro-rata basis, one half of the principal and interest on these Refunding Series A Auditorium Bonds as it becomes due and payable.

Commonwealth Lease Revenue Bonds, Series A and Taxable Series B

On October 4, 2007, the Authority issued $252,000,000 of variable interest rate Sports & Exhibition Authority of Pittsburgh and Allegheny County Commonwealth Lease Revenue Bonds, Series A of 2007 (Series A Bonds) and $61,265,000 of variable interest rate Sports & Exhibition Authority of Pittsburgh and Allegheny County Commonwealth Lease Revenue Bonds, Taxable Series B of 2007 (Taxable Series B Bonds) (collectively the New Arena Bonds) to acquire, construct, and equip a multi-purpose public auditorium and related facilities (New Arena Project). The New Arena Bonds are to be repaid from (1) rent payments due from the sublease of the new arena to an affiliated entity of the owner of the Penguins hockey team (Pittsburgh Arena Operating, LP, as assignee of Lemieux Group, LP) (New Arena Lease), (2) annual grants from the Pennsylvania Economic Development & Tourism Fund (EDTF) created pursuant to Act 71 of 2004, and (3) annual payments from the holder of the slots license for the facility located in the City (Rivers Casino).

The New Arena Lease was executed on September 18, 2007 and obligates Pittsburgh Arena Operating, LP to pay the Authority thirty annual lease payments of $4.1 million initially, increasing to $4.3 annually thereafter, with final payment on September 25, 2039, which has been pledged to support the New Arena Bonds.

The Commonwealth has appropriated $7.5 million per year for 30 years (ending October 2036) from EDTF to support the debt service on the New Arena Bonds (Note 19).

A Payment Agreement between the Authority and Holdings Acquisition Co, LLC, (d/b/a Rivers Casino), the holder of the slots license for the City of Pittsburgh, was executed November 10, 2009 requiring semi-annual payments to begin October 2009 and ending October 2038. Payments received pursuant to the Payment Agreement are pledged to secure the New Arena Bonds.

In addition, the Authority has leased the New Arena Project to the Commonwealth and the Commonwealth has subleased it back to the Authority. The Commonwealth is obligated to pay rent under the lease only to the extent there is a deficiency or delay in receipt of any portion of the amounts due from the three (3) sources listed above.

The Authority entered into interest rate swap agreements with PNC Bank, National Association (Counterparty) in connection with the New Arena Bonds. Pursuant to the swap agreements, the Authority pays a fixed rate of interest to the Counterparty and the Counterparty then pays a variable rate of interest to the bond trustee to pay debt service on the New Arena Bonds (Note 9).

Commonwealth Lease Revenue Bonds, Taxable Series of 2010

In 2010, the Authority issued approximately $17,360,000 of variable interest rate Sports & Exhibition Authority of Pittsburgh and Allegheny County Commonwealth Lease Revenue Bonds, Taxable Series of 2010 to pay costs to complete the acquisition, construction, and equipping of a multi-purpose public auditorium and related facilities (New Arena Project). The Series 2010 Bonds are to be repaid from increased rent payments due from the sublease of the new arena to an affiliated entity of the owner of the Penguins hockey team (Pittsburgh Arena Operating, LP) per the Second Amendment to the New Arena Lease.

Hotel Room Excise Tax Revenue Bonds

On May 26, 1999, the Authority issued $193,375,000 of Public Auditorium Authority of Pittsburgh and Allegheny County Hotel Room Excise Tax Revenue Bonds, Series 1999 (1999 Hotel Bonds). In connection with the issuance of the Hotel Bonds, the Authority entered into a support agreement with the County, the County Treasurer, and the County Controller dated May 1, 1999, which requires the County, solely through the use of funds provided by the Hotel Room Excise Tax, to provide payment sufficient to service the Hotel Bonds through 2035.

On October 13, 2010, the Authority issued $146,465,000 in Hotel Room Excise Tax Revenue Bonds, Series of 2010 (2010 Hotel Bonds) to (a) redeem on October 18, 2010 the portion of the Hotel Room Excise Tax Revenue Bonds, Series 1999 being refunded; (b) prepay on November 1, 2010 the PNC/Dollar Variable Rate note (see Note 7); and (c) pay a portion of the purchase price of the cooling system in the David L. Lawrence Convention Center. The bonds have an average interest rate of 4.60% and were issued at an original issue premium of $9.1 million which is being amortized over the life of the bonds. $42,700,000 aggregate principal amount of the original 1999 Hotel Bonds remained outstanding after the issuance of the 2010 Hotel Bonds.

The 2010 refunding resulted in a deferred refunding loss of $2.6 million due to the fact that the original issue costs were not fully amortized at the time of the refinancing. This deferred refunding loss is being amortized over the life of the 2010 Hotel Bonds. The Authority completed the refunding to obtain an economic gain (difference between the present values of the old and the new debt service payments) of $6.6 million of which $6.5 million was received at the time of issuance and used for the purposes listed in (b) and (c) above. The debt service requirements of the 2010 Hotel Bonds and the remaining 1999 Hotel Bonds is substantially the same as what the debt service requirements would have been on the 1999 Bonds if there had been no refunding.

The Authority received $11,866,820 and $11,482,434 for each of the calendar years 2010 and 2009, respectively for payment of indebtedness on the 1999 and 2010 bonds.

Regional Asset District Sales Tax Revenue Bonds, Series of 2010

On September 8, 2010, the Authority issued $173,765,000 of Allegheny County Regional Asset District (RAD) Sales Tax Revenue Bonds, Series of 2010 (RAD Bonds). Pursuant to the Second Amendment to the Cooperation and Support Agreement with the Authority, the City, the County, and the RAD dated August 1, 2010, RAD agreed to provide financial support to the Authority for the RAD Bonds through 2030. The bond proceeds were used to: (a) redeem on September 9, 2010 all of the Authority's Regional Asset District Sales Tax Revenue Bonds, Series of 1999; (b) pay a portion of the purchase price of the cooling system in the David L. Lawrence Convention Center; and (c) provide funds for capital improvements to the Convention Center.

The 2010 refunding resulted in a deferred refunding loss of $2.9 million due to the fact that the original issue costs were not fully amortized at the time of the refinancing. This deferred refunding loss is being amortized over the life of the RAD Bonds. The Authority completed the refunding to obtain an economic gain (difference between the present values of the old and the new debt service payments) of $11 million of which $10.98 million was received at the time of issuance for use as described in (b) and (c) above. The debt service requirements of the 1999 and 2010 refunding debt remained substantially the same.

The Authority received $10,870,000 and $10,865,000 from RAD for each of the calendar years 2010 and 2009, respectively for payment of indebtedness on the 1999 and 2010 bonds.

Taxable Ticket Surcharge Revenue Bonds

In September 2000, the Authority issued $17,175,000 of Sports & Exhibition Authority of Pittsburgh and Allegheny County Taxable Ticket Surcharge Revenue Bonds, Series 2000 (Ticket Surcharge Bonds). In connection with the issuance of the Ticket Surcharge Bonds, the Authority entered into a Security, Pledge, and Assignment Agreement with the Pittsburgh Steelers Sports, Inc. (PSSI) to facilitate the collection and receipt of a 5% ticket surcharge (not to exceed $3 per ticket) on each ticket sold for all exhibition, regular season, and post-season National Football League (NFL) games in which PSSI's NFL franchise is designated to be the "home team" by the rules of the NFL. For each football season beginning with the 2002 NFL season, the first $1,400,000 of total ticket surcharge monies collected for these NFL events will be made available for payments of principal and interest on these bonds.

Parking Revenue Bonds

Parking Revenue Bonds were redeemed in whole on April 19, 2010 with proceeds of the PNC Bank/Dollar Bank 2010 Loan (See Note 7).

7. LOANS/NOTES PAYABLE

Terms of the loans and notes payable are as follows:

	January 1, 2010	Net Additions (Reductions)	December 31, 2010
Loan from the Stadium Authority in the amount of $2,400,000, issued November 2002, 2.5% interest payable semi-annually through January 2013.	$ 701,745	$ (701,745)	$ -
Loan from the Stadium Authority in the amount of $1,200,000, issued May 2005, variable interest tied to funding commitment.	1,200,000	-	1,200,000
Loan from Green Building Fund of Community Loan Fund of Southwest Pennsylvania in the amount of $3,000,000, issued December 2002, 1% interest, deferred until December 31, 2010, annual payments through December 2022.	3,000,000	(400,000)	2,600,000
Loan from Levy Restaurants in the amount of $500,000, issued June 2003, 0% interest, deferred six months, annual payments through December 2010.	71,458	(71,458)	-
Loan from Allegheny County in the amount of $3,100,000, issued October 1991, 0% interest, no stated repayment terms.	3,100,000	-	3,100,000
Loan from Allegheny County in the amount of $50,000, issued pre-1982, 0% interest, no stated repayment terms.	50,000	-	50,000
Loan from the City of Pittsburgh in the amount of $50,000, issued pre-1982, 0% interest, no stated repayment terms.	50,000	-	50,000
Notes from PNC Bank and Dollar Bank in the amount of $20,000,000, refinanced in the current year.	16,222,223	(16,222,223)	-
(Fixed) Note from PNC Bank and Dollar Bank in the amount of $37,176,138 issued April 18, 2010, seven year term with 20 year amortization, 4.5% fixed interest, paid monthly. (Net addition = proceeds of $37,176,138 less repayments of $615,736)	-	36,560,402	36,560,402
Total loans/notes payable	$ 24,395,426	$ 19,164,976	$ 43,560,402

The aggregate amount of principal and interest payments required on loans and notes payable are as follows:

	Stadium Authority	Heinz Endowments	Allegheny County	City of Pittsburgh	PNC Bank/ Dollar Bank	Total Principal	Interest
2011	$ 1,200,000	$ 200,000	$ -	$ -	$ 1,199,551	$ 2,599,551	$ 1,669,177
2012	-	200,000	-	-	1,250,890	1,450,890	1,615,838
2013	-	200,000	-	-	1,313,720	1,513,720	1,551,008
2014	-	200,000	-	-	1,374,927	1,574,927	1,487,801
2015	-	200,000	-	-	1,438,987	1,638,987	1,421,741
2016-2020	-	1,000,000	-	-	29,982,327	30,982,327	1,933,290
2021-2025	-	600,000	-	-	-	600,000	12,000
No maturity	-	-	3,150,000	50,000	-	3,200,000	-
Total	$ 1,200,000	$ 2,600,000	$ 3,150,000	$ 50,000	$ 36,560,402	$ 43,560,402	$ 9,690,855

PNC Bank/Dollar Bank 2010 Loan

On April 18, 2010, the Authority closed on a $41,176,138 loan transaction with PNC Bank and Dollar Bank. A $26,194,462 fixed rate note and a $4 million variable rate note were issued to PNC Bank and a $10,981,676 fixed rate note was issued to Dollar Bank. The $4 million variable rate note was redeemed on November 1, 2010 with proceeds of the 2010 Hotel Tax Refunding Bonds (see Note 6).

The loan refinanced (1) a 2004 PNC Bank/Dollar Bank Loan which financed costs for operations and capital costs for the Convention Center and (2) the 2001 Parking Revenue Bonds. Of the total $41 million loan, $16,751,161 was to refinance the 2004 loan and $24,424,977 was to refinance the 2001 Parking Revenue Bonds. Security for this loan is (1) residual/discretionary Hotel Tax (restricted to Convention Center portion), (2) revenues from Convention Center Parking garage, (3) grants from the Pennsylvania EDTF (restricted to the Convention Center portion), (4) revenues from North Shore Parking Garage, and (5) revenues from Lots 1 and 7A through 7J (restricted to the North Shore Garage portion.)

Stadium Authority

In May 2005, the Stadium Authority loaned the Authority $1.2 million for construction payables at the Convention Center. This is payable to the Stadium Authority upon receipt of Act 71 slots revenue. Subsequent to year end, this loan was repaid to the Stadium Authority.

8. Capital Lease Obligation

The Authority leases a water chiller plant under a capital lease with a term running to 2021. The asset and liability under the capital lease is recorded at the present value of the minimum lease payments. The asset is being amortized over its estimated productive life.

Amortization of assets under capital leases charged to expense was $426,250 for the years ended December 31, 2010 and 2009. The interest rate on the capital lease is 5.6% and was imputed based on the Authority's incremental borrowing rate at the inception of the lease. The following is a summary of property under capital leases for the years ended December 31, 2010 and 2009:

	2010	2009
Water chiller plant	$ 8,525,000	$ 8,525,000
Less: accumulated amortization	(4,549,203)	(3,410,000)
	$ 3,975,797	$ 5,115,000

On January 3, 2011, proceeds from the issuance of the 2010 RAD Bonds and the 2010 Hotel Bonds were used to pay the termination amount provided for in the documents and title to the chiller plant was transferred to the Authority (see Note 7) terminating the capital lease.

9. Derivative Financial Instruments - Interest Rate Swaps

The Authority had the following interest rate swaps as of December 31, 2010 and 2009:

	Notional Amount	Effective Date	Maturity Date	Interest Rate Paid	Interest Rate Received	Counterparty Credit Rating	Underlying Bonds
Hedging Derivatives							
Cash flow hedges							
Receive variable - pay fixed							
Interest rate swaps							
	$ 60,645,000	10/4/2007	11/1/2039	5.335%	1M LIBOR	A2	2007 Series B
	238,650,000	10/4/2007	11/1/2038	4.020%	SIFMA	A2	2007 Series A

	Notional Amount	12/31/2008 Market Value *	Change in Market Value	12/31/2009 Market Value *	Change in Market Value	12/31/2010 Market Value *
Hedging Derivatives						
Cash flow hedges						
Receive variable - pay fixed						
Interest rate swaps						
	$ 60,645,000	$ (23,862,390)	$ 15,774,835	$ (8,087,555)	$ (4,322,364)	$ (12,409,919)
	238,650,000	(38,586,871)	20,708,217	(17,878,654)	(4,439,056)	(22,317,710)
Total		$ (62,449,261)	$ 36,483,052	$ (25,966,209)	$ (8,761,420)	$ (34,727,629)

* The market value is an estimated net present value of the expected cash flows calculated using relevant mid-market data inputs and based on the assumption of no unusual market conditions or forced liquidation.

Objective of the Interest Rate Swaps

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance of its variable rate New Arena Bonds, the Authority entered into pay-fixed, receive-variable interest rate swap agreements with PNC Bank, National Association (Counterparty). The intention of the swaps was to effectively change the Authority's variable interest rates on the New Arena Bonds to synthetic fixed rates of 4.020% (Series A) and 5.335% (Taxable Series B).

Terms

The swap agreements were entered into at the same time the New Arena Bonds were issued (October 2007). The swap agreements expire on November 1, 2038 (Series A) and November 1, 2039 (Taxable Series B), consistent with the final maturity of each series of bonds.

The interest payments on the interest rate swaps are calculated based on notional amounts, all of which began reducing in 2008, so that the notional amounts approximate the principal outstanding on the respective bonds. The swap's original notional amounts were $252,000,000 (Series A) and $61,265,000 (Series B). The interest rate swaps expire consistent with the final maturity of the respective bonds.

Pursuant to the swap contracts, the Authority pays the Counterparty semi-annually on each November 1 and May 1, and the Counterparty pays the Authority monthly on the first of each month. For the year ended December 31, 2010, the Authority paid $9,662,079 fixed and received $514,856 variable with respect to the swap on the Series A Bonds, and paid $3,241,375 fixed and received $216,277 variable with respect to the swap on the Taxable Series B Bonds. For the year ended December 31, 2009, the Authority paid $9,792,585 fixed and received $1,011,248 variable with respect to the swap on the Series A Bonds, and paid $3,232,127 fixed and received $138,364 variable with respect to the swap on the Taxable Series B Bonds. At December 31, 2010, the SIFMA Municipal Swap Index and 1M LIBOR rates were .34% and .26%, respectively.

Accounting and Risk Disclosures

As noted in the tables above, current period changes in market value for the interest rate swaps that are accounted for as hedges are recorded on the statements of net assets as deferred outflows. The cumulative fair market value of the outstanding interest rate swaps of December 31, 2010 and 2009 are reported on the statements of net assets as a swap liability.

The Authority has the ability to early terminate the interest rate swaps and to cash settle the transaction on any business day by providing at least two business days written notice to the counterparty. Evidence that the Authority has sufficient funds available to pay any amount payable to the counterparty must be provided at the time notice is given. At early termination, the Authority will be required to pay or receive a settlement amount which is comprised of the market value of the terminated transaction(s) based on market quotations and any amounts accrued under the contract(s).

Through the use of derivative instruments such as interest rate swaps, the Authority is exposed to a variety of risks, including credit risk, remarketing/interest rate/basis risk and termination risk.

- Credit risk is the risk that the counterparty will not fulfill its obligations. The credit ratings by Moody's Investors Service, Inc., a nationally recognized statistical rating organization for the respective counterparties are listed in the table above. If the counterparty fails to perform according to the terms of the interest rate swap agreements, there is some risk of loss to the Authority; if the Authority would need to replace the swaps, it would likely cost the Authority the then fair market values. Because the swaps now have negative fair market values, there is no current credit risk to the Authority. This risk includes the potential for the counterparty to fail to make periodic variable rate payments to the Authority and the counterparty to fail to make termination payments to the Authority, if the swaps are terminated and a termination payment is due from the counterparty.

The Authority has not entered into master netting arrangements with its Counterparty; as such each derivative instrument should be evaluated on an individual basis for credit risk.

Concentration of credit risk: The Authority currently has one counterparty for both of their interest rate swaps. Total fair market value of interest rate swaps held with this counterparty is ($34,727,629) at December 31, 2010.

The Authority had an agreement with the counterparty that required the counterparty to post collateral if certain circumstances existed in a specific period of the swap agreement. This provision expired on May 1, 2010. Currently, there are terms if the Counterparty's credit rating falls below A- by Standard & Poor's or A3 by Moody's Investors Services, Inc., then there would be an automatic termination event under the swap as required by the swap insurer. As of year-end, the Counterparties had not and were not required to post collateral for these transactions, nor had a termination event occur.

Remarketing/interest rate/basis risk is the risk that arises when variable interest rates on a derivative and associated bond are based on different indexes. The Authority is subject to remarketing/interest rate/basis risk as the interest index on the variable rate arm of the swaps is based on the SIFMA Municipal Swap Index (Series A Bonds) or 1M LIBOR (Taxable Series B Bonds), as previously discussed, and the variable interest rate on the New Arena Bonds is based on a trading spread to the index based on current market conditions as determined by the remarketing agent. Although expected to correlate over the long-term, the short-term relationships between the SIFMA Municipal Swap Index and the weekly tax exempt rate, and the 1M LIBOR and the weekly taxable rate may vary. The variance could adversely affect the Authority's calculated payments, and synthetic interest rates may not be realized. This risk has been minimized, however, because the swap indexes are directly related to the markets for the bonds and the variance over the long-term are expected to be minimal.

Termination risk is the risk that the swap will end before the final maturity of the New Arena Bonds. The stated term of the swaps is equal to the term of the bonds. There are instances, however, when the swaps could be terminated earlier. The swaps use the International Swaps and Derivatives Association Master Agreement, which includes standard termination events, such as rating downgrades, covenant violations, bankruptcy, or swap payment default by either the Authority or the Counterparty. The Authority or the Counterparty may terminate the swaps if the other party fails to perform under the terms of the contract. Additional termination events include provisions such as if the underlying bonds were converted to fixed rate, if the indenture or Commonwealth lease is amended or supplemented in a manner that adversely affects the counterparty without the counterparty's prior approval, or in the event of an natural or man made disaster, armed conflict, act of terrorism, riot, etc. beyond the control of the parties that would occur that would a party from performing under the terms of the contract. If the swaps are terminated, the variable-rate bonds would no longer carry a synthetic fixed interest rate.

- Rollover risk is the risk that a derivative associated with the Authority's debt does not extend to the maturity of that debt. When the derivative terminates, the associated debt will no longer have the benefit of the derivative. The Authority is not exposed to rollover risk as the swap agreements terminate on the same day the last payment is due on the respective bonds.

10. Employee Benefit Plans

The Authority has a defined contribution retirement plan (plan) covering substantially all of its full-time employees. None of its employees are subject to collective bargaining agreements. Participation in the plan requires an employee to have completed six months of service. Employees are required to make mandatory contributions to the plan equal to 5% of their base compensation, on a pre-tax basis. The Authority annually contributes 7% of eligible employee compensation to the plan. Participants are immediately vested in their contributions plus actual earnings thereon. Vesting in the remainder of a participant's account is based on years of continuous service. A participant is 100% vested after five years of service. The Authority contributed $58,680 and $59,128 to the plan for the years ended December 31, 2010 and 2009, respectively. In 2000, the Authority established a deferred compensation plan in accordance with Section 457 of the Internal Revenue Code of 1986. Under the deferred compensation plan, employees may voluntarily contribute additional pre-tax monies up to allowable federal limits. Eligibility for the deferred compensation plan is consistent with the defined contribution retirement plan and employees are 100% vested in any contributions and earnings thereon. The Authority does not make matching contributions to the deferred compensation plan.

Pursuant to the management agreement between the Authority and SMG (Note 11), the Authority pays expenses of SMG in operating and managing the Convention Center including SMG employee compensation and related costs. SMG employees at the Convention Center participate in a defined contribution retirement plan (SMG plan) by contributing 5% of their base compensation on a pre-tax basis. SMG contributes 3% to the SMG plan plus an additional 1% discretionary contribution. The Authority reimbursed SMG $38,171 for the year ended December 31, 2009. No contribution was made in 2010. The Authority also reimburses SMG for contributions to the contract management union-sponsored fringe benefit plan (benefit plan) on behalf of all SMG employees working at the Convention Center covered under its collective bargaining agreement. Contributions to the benefit plan are based on a fixed percentage of each employee's base wages and are to be used by the union to provide pension, medical, and life insurance fringe benefits for each employee. The Authority collectively reimbursed SMG $804,891 and $972,128 to the benefit plan for the years ended December 31, 2010 and 2009, respectively.

11. Ownership of David L. Lawrence Convention Center

By agreement dated January 1, 2002, the Authority entered into a management agreement with SMG, a Pennsylvania general partnership, to provide management services for the David L. Lawrence Convention Center. The term of the original agreement expired on December 31, 2006 but was extended to December 31, 2010. In 2010, a new five year contract was entered into, running until December 31, 2015. SMG will be paid a fixed fee as base compensation for providing the services and may be entitled to an annual incentive fee based on the gross income in excess of the average of the gross income for the prior three years. The incentive fee is capped at 20% of total fees.

The Convention Center generates revenue through rental contracts and various ancillary services charged directly to the customer. The largest component of ancillary services is food and beverage (F & B) which generated 19% of the Center's revenue in 2011. The Authority entered into a contract with Levy Premium Food Service L.P. (Levy) on June 1, 2003 to manage the F & B services at the Convention Center. The original contract expired on December 31, 2010 at which time a new contract was entered into for a three year term with a two year renewal option. Levy earns a profit incentive fee based on 3% of F & B profit and a gross receipts incentive fee based on 2% of F & B receipts up to $3 million, 4% from $3 - $5 million, and 6% over $5 million. Total fees are capped at $250,000 with a CPI increase capped at 4%.

The Convention Center was capitalized in December 2002; however, the Authority continued construction into 2003 with a grand opening held in September 2003. Final construction payments will continue into 2011.

12. CIVIC ARENA AUDITORIUM SUBLEASE

The Authority built the Civic Arena (Arena) in 1961 on land it had leased from the Urban Redevelopment Authority of Pittsburgh (URA). The Authority sublet the Arena and surrounding parking lots to the Civic Arena Corporation (CAC), pursuant to a sublease dated June 16, 1981, as amended by various documents including: (i) Civic Arena Sublease Amendment dated December 23, 1985; (ii) Second Amendment to Civic Arena Sublease dated September 1, 1990; (iii) Consent to Assignment of Sublease dated October 31, 1991, given by Authority and accepted by SMG in conjunction with an Assignment of Sublease dated October 31, 1991, pursuant to which CAC assigned all of its right, title and interest in and to the Sublease to SMG; (iv) Third Amendment to Civic Arena Sublease between the Authority and SMG dated as of June 23, 1997; (v) Fourth Amendment to Civic Arena Lease between the Authority and SMG dated as of September 1, 1999; (vi) Fifth Amendment to Civic Arena Lease between the Authority and SMG made as of December 14, 2004, effective as of July 1, 2004; (vii) Sixth Amendment to Civic Arena Lease between the Authority and SMG made as of August 15, 2006, effective as of July 1, 2004; and (viii) Seventh Amendment to Civic Arena lease, effective June 1, 2007 (collectively, the Civic Arena Lease).

By a deed dated December 22, 1998, recorded in the Office of Recorder of Deeds of Allegheny County, Pennsylvania on January 12, 1999, in Deed Book Volume 10386, page 379, the URA conveyed fee simple title to the Arena property (not including the Melody Tent Site property) to the Authority. Pursuant to a Development and Repayment Agreement dated as of June 23, 1997, as amended on September 1, 1999, by and between the Authority, SMG, and Pittsburgh Hockey Associates, d/b/a the "Pittsburgh Penguins" (PHA), the parties thereto entered into agreements relating to the continued use and occupancy of the Arena. On October 13, 1998, PHA, together with two related entities, instituted certain proceedings in the United States Bankruptcy Court for the Western District of Pennsylvania. Pursuant to a Plan of Reorganization approved by the Bankruptcy Court, PHA emerged from the proceedings, and pursuant to a certain Amended and Restated Limited Partnership Agreement dated as of September 1, 1999, became known as the Lemieux Group, LP (LG).

In connection with the emergence of PHA from the proceedings, the First Amendment to the Development and Repayment Agreement, dated as of September 1, 1999, by and between the Authority, SMG, and LG, was entered into providing further agreements relating to the occupancy of the Arena by LG for the playing of professional hockey and the continued operation and control of the Arena by SMG. In addition, the Fourth Amendment to the Civic Arena Lease was entered into and a) established a new lease termination date of June 30, 2007, with a five-year renewal option (extending the term to June 30, 2012) to be exercised by January 1, 2007, b) added a lease turnover provision (on June 30, 2005 LG was to become master tenant and SMG to become its manager), c) reduced rent to $1 per year, d) granted naming rights to LG, and e) relieved the team of certain debt obligations and eliminated ticket surcharges for debt but provided for a facility maintenance surcharge. The settlement also required a) LG under certain circumstances to pay approximately $1,000,000, of which $200,000 was paid in 2000 and no further payments have been made and b) SMG to contribute $875,000 which was paid in its entirety as of December 31, 2005. The Supporting Agreement with respect to the Authority's Refunding Bonds requires these moneys be transferred to the City and County (1/2 each). The Authority has made these transfers.

By a sublease agreement dated as of September 1, 1999, SMG subleased certain of the Arena to LG (Arena Sublease). The term of the Arena Sublease was to expire on June 30, 2004, at which time SMG's interest under the Civic Arena Lease was to be automatically conveyed to LG (Automatic Conveyance). In 2004, the Fifth Amendment to Civic Arena Lease was entered into extending the termination date of the Civic Arena Lease to June 30, 2007. By letter agreement dated December 2004 between LG and SMG, it was agreed that the date of the Automatic Conveyance be extended to June 30, 2007. In 2005, the Sixth Amendment to Civic Arena Lease was entered into providing that LG, and only LG, had the right to extend the term of the Civic Arena Lease after June 30, 2007, for which the extension term was to be for one (1) year, or for a longer period in connection with the development of the New Arena.

Pursuant to the Seventh Amendment to the Civic Arena Lease, effective July 1, 2007, the term of the Civic Arena Lease was extended until the commencement of the New Arena Lease (Note 14). The New Arena Lease commenced on August 1, 2010, at which time the Authority assumed day to day operations and maintenance of the Civic Arena. The Authority entered into a building management agreement with Oxford Development Company. The Authority entered into a contract with AssetNation, Inc. to sell Civic Arena furniture, fixtures and equipment not repurposed to Consol Energy Center in May 2010. The Authority entered into a letter agreement with LG to split asset proceeds 65% to Authority and 35% to LG.

Pursuant to Section 5.13 of the New Arena Lease Agreement, Lemieux Group or a related entity manages, operates and maintains and receives all net revenue from the parking spaces located on the Civic Arena site.

13. Civic Arena Option Area

Pursuant to the Option Agreement dated September 18, 2007 between the Authority, the URA, and the Lemieux Group LP (Developer), the Developer is given rights to develop the land on which the Civic Arena currently sets (in total approximately 28 acres) on certain terms and conditions. Upon the Developer identifying a parcel it wishes to develop, it is to purchase the parcel from the Authority or the URA at fair market value as determined by an appraisal. The Developer is entitled to an aggregate of $15 million of credits from the URA or the Authority to be applied to the purchase prices. At the termination of the Option Agreement, if the Developer has not received the full $15 million of credits, the Authority is obligated to pay the difference in cash. The URA and the Redevelopment Authority of Allegheny County have agreed to loan such amounts to the Authority if needed. One parcel of land valued at $475,000 was sold in 2009, using $475,000 of developer credits. At December 31, 2010, the balance of developer credits as reported on the statements of net assets totaled $14.53 million.

The $15 million of credits described above together with any difference between sale price to the team and the Authority's acquisition price of land is recorded as deferred lease costs. The deferred lease costs are to be amortized over the term of the New Arena Lease. At December 31, 2010, the unamortized balance of deferred lease costs was $16 million.

14. Consol Energy Center Operating Lease

Lemieux Group LP (Penguins) and the Authority have entered into two separate documents: a New Arena Development Agreement dated September 30, 2007 and a long-term sublease agreement (New Arena Lease) dated September 18, 2007 pursuant to which the Authority agreed to issue debt to finance the development and construction of the New Arena and Penguins agreed to lease and play professional hockey at the New Arena for a term beginning on August 1, 2010, and ending on June 30, 2040. Obligated payments to the Authority include rent and parking surcharge. The rent amount is (a) $4.1 million per year, and (b) $200,000 for each lease year in which certain additional parking spaces are delivered by the Authority. This rent is to be used to pay the Commonwealth Lease Revenue Bonds, Taxable Series B of 2007 (Note 6). Parking surcharge in the amount of $400,000 is due each year. The surcharge is deposited by the Authority to the capital reserve fund for the New Arena. The Penguins shall collect and retain any ticket and parking surcharges collected above these amounts.

On February 16, 2010, the Authority and the Pittsburgh Arena Operating LP entered into the Second Amendment to the New Arena Lease whereby the team agreed to pay an additional rent payment of $1,360,000 per year which is pledged to the payment of the Commonwealth Lease Revenue Bonds, Taxable Series of 2010.

Under the conditions of this New Arena Lease, the Penguins are granted the exclusive right to any naming and advertising rights pertaining to Consol Energy Center. The Penguins are obligated to pay all expenses in connection with the maintenance, use, repair, and occupancy of Consol Energy Center necessary to keep and maintain the Center in a first-class condition, reasonably consistent with other comparable facilities, subject to certain limited exclusions.

The lease also provides for the creation of a Capital Reserve Fund. On the Commencement Date of occupancy of the Consol Energy Center (August 1, 2010), the Authority deposited $3,000,000 into the Capital Reserve Fund. Thereafter the Authority shall deposit $400,000 annually into this account which is from the surcharge on parking received from the Penguins, as described above. The Capital Reserve Fund balance on December 31, 2010 was $3,197,350.

15. BENEDUM CENTER OPERATING LEASE

On June 15, 1984, the Authority acquired certain property and entered into an agreement to lease the property to the Allegheny International Realty Development Corporation (AIRDC). AIRDC subsequently assigned the lease to the Pittsburgh Trust for Cultural Resources (Trust) for purposes of constructing and operating the Benedum Center. The lease agreement provides for annual rentals of one dollar and requires the Trust to pay for improvements, maintenance, utilities, and insurance. The lease is for a period of fifty years and is due to expire in June 2034 with an option to renew the lease for an additional thirty years.

16. HISTORICAL SOCIETY OF WESTERN PENNSYLVANIA OPERATING LEASE

On October 22, 1991, the Authority acquired the former Chautaqua Ice Company property and entered into an agreement to lease the property to the Historical Society of Western Pennsylvania (Society). The Society has established The Heinz History Center and supporting facilities that operate as a museum, research center, and cultural facility for the benefit of the general public. The lease agreement provides for annual rental of one dollar and requires the Society to pay for improvements, maintenance, utilities, and insurance. The lease is for a period of 25 years and is due to expire in October 2016. The Society has the option to renew the lease for three consecutive periods of 25 years each at an annual rental mutually agreed to by the parties. The Society has obtained a mortgage loan to finance construction on the property. The Authority has consented to the use of the building as collateral on the loan.

17. PNC PARK OPERATING LEASE

The Authority has entered into a lease agreement with Pittsburgh Associates (Pirates) with a primary term of 29.5 years, commencing in March 2001. Obligated payments to the Authority include the following components: (a) Base Rent, (b) Excess Gate Revenues (i) 5% of gate revenues over $44.5 million and (ii) 10% of gate revenues over $52 million, (c) Excess Concession Revenues, the sum of (i) should the Pirates arrangement with the concessionaire(s) selected by the team entitle the team to receive more than 42% of the aggregate gross concession revenues, the Pirates shall pay the Authority 5% of the excess over the 42%, but less than 45%, and 10% of the excess above 45% and (ii) 5% of gross food and beverage revenues in excess of $9.00 per capita, and (d) Ticket Surcharges, the team shall receive and retain the first $1,500,000 of ticket surcharge each year, with the next $375,000 paid to the Authority for deposit into the Capital Reserve Fund, and the next $250,000 paid directly to the Authority. The Pirates shall retain any ticket surcharges collected above these amounts.

Under the conditions of this operating lease, the Pirates are granted the exclusive right to any naming, advertising, broadcasting, and telecommunications rights pertaining to PNC Park. The Pirates are obligated to pay all expenses in connection with the maintenance, use, repair, and occupancy of PNC Park necessary to keep and maintain PNC Park in a first-class condition, reasonably consistent with other comparable facilities, subject to certain limited exclusions. Since the opening of the facility, the Pirates have paid for $10,730,305 of leasehold improvements and furniture, fixtures, and equipment. Although these fixed asset purchases would remain with the building as property of the Authority if there was a default by the Pirates, these assets are not capitalized by the Authority.

The lease also provides for the creation of a Capital Reserve Fund, which is funded from ticket surcharges from Major League Baseball games and concerts, rent, excess concession, gate revenues, and other funding as necessary. The Capital Reserve Fund for PNC Park held $6,518,332 and $6,505,161, respectively, as of December 31, 2010 and 2009.

18. HEINZ FIELD OPERATING LEASE

The Authority has entered into a lease agreement with PSSI Stadium Corporation (PSSI) with a primary term of 29.5 years, commencing in August 2001. PSSI (a related entity to the Steelers) subleases the facility to Pittsburgh Steelers Sports, Inc. (Steelers) and the University of Pittsburgh. Obligated payments to the Authority include the following components: (a) Non-Sporting Event Revenues, 15% of net revenues from nonsporting events, (b) Ticket Surcharge Revenues, a 5% ticket surcharge shall be imposed by the

Authority on all tickets sold for events at Heinz Field, with lease year surcharge proceeds over $1,400,000 for NFL Events paid to the Authority for deposit into the Capital Reserve Fund and all surcharge monies collected for non-NFL events being paid directly to the Authority, and (c) Visitor's Club Seat Revenues, beginning in year 16 of the lease, visiting team's share of club seat revenues shall be remitted to the Authority for deposit into the Capital Reserve Fund.

Under the conditions of this operating lease, PSSI is granted the exclusive right to any naming, advertising, broadcasting, and telecommunications rights pertaining to Heinz Field. PSSI is obligated to pay all expenses in connection with the maintenance, use, repair, and occupancy of Heinz Field necessary to keep and maintain Heinz Field in a first-class condition, reasonably consistent with other comparable facilities, subject to certain limited exclusions. Since the opening of the facility, PSSI has paid for $19,897,021.88 of leasehold improvements and furniture, fixtures, and equipment. Although these fixed asset purchases would remain with the building and as property of the Authority if there was a default by PSSI, under accounting principles generally accepted in the United States of America, these assets cannot be capitalized by the Authority.

The lease also provides for the creation of a Capital Reserve Fund, which is to be funded from ticket surcharges from National Football League games, college football games, and concerts, excess concession, gate, and food and beverage revenues. The Capital Reserve Fund for Heinz Field held $6,329,353 and $5,665,071, respectively, as of December 31, 2010 and 2009.

19. PENNSYLVANIA GAMING ECONOMIC DEVELOPMENT & TOURISM FUND

Section 14.07 of Act 71 of 2004 (PA Race Horse Development and Gaming Act) provided for the creation of the EDTF. Act 53 of 2007, known as the EDTF Capital Budget Itemization Act of 2007, authorized recurring funding to the Authority for certain projects from the EDTF. The Authority will receive the following project allocations:

1. $20,000,000 - For the retirement of indebtedness of the Convention Center. The allocation will be disbursed in increments of at least $1.7 million over ten years with the remaining balance being disbursed within the following two years. The third increment of $1.7 million was received and recognized as non-operating revenue in 2010.

2. $20,000,000 - For the payment of the operating deficit of the Convention Center. The allocation will be disbursed in increments of at least $1.7 million over ten years with the remaining balance being disbursed within the following two years. The amount cannot exceed the operating deficit of the Convention Center. The third increment of $1.7

million was received and recognized as non-operating revenue in 2010.

3. $10,000,000 – For costs related to the Convention Center. Originally $44 million including financing a Convention Center hotel, the allocation was to be disbursed in increments of at least $3.7 million over ten years with the remaining balance being disbursed within the following two years. Act 1 of 2010, effective July 1, 2011 deleted the authorization with respect to direct funding related to a convention center hotel and application must be made through the Commonwealth Finance Authority. The third and final increment of $2.6 million was received and recognized as non-operating revenue in 2010.

4. $225,000,000 - For the construction of the New Arena Project. The allocation will be disbursed in increments of $7.5 million for thirty years or the retirement of the debt, whichever is less. The fourth increment totaling $7.5 million was received and recognized as non-operating revenue in 2010. The remaining increments of $7.5 million are to be paid in 2011 through 2036.

20. Investment in Capital Assets, Net of Related Debt

Total net assets include an amount for investment in capital assets, net of related debt. The calculations for the years ending 2010 and 2009 are as follows:

	2010	2009
Capital assets, net	$ 1,169,283,327	$ 851,962,512
Construction in progress	7,429,793	247,857,606
Lease acquisition costs, net	1,500,746	1,726,461
Less bonds payable related to capital assets	(716,917,944)	(713,404,606)
Less loans/notes payable related to captial assets	(43,560,402)	(24,395,426)
Less obligations under capital leases	(6,172,548)	(7,193,307)
Plus net unspent bond proceeds	17,331,872	94,591,461
Invested in capital assets, net of related debt	$ 428,894,844	$ 451,144,701

21. Segment Information

The operating segment captures the operation of the Convention Center, its parking garage, and the Authority's administrative office. The capital development segment includes the Authority's bond issues and pledged revenues related to several capital development projects including PNC Park, Heinz Field, Consol Energy Center, the David L. Lawrence Convention Center, the North Shore Parking Garage, Convention Center Parking Garage, Civic Arena, and all related infrastructure. Investors in the bonds rely solely on the revenues pledged for the projects for repayment.

Statement of Net Assets - 2010

	Operating	Capital Development	Total
Current assets	$ 6,002,239	$ 78,616,454	$ 84,618,693
Capital assets	2,259,016	1,174,454,104	1,176,713,120
Noncurrent assets	2,142,671	55,269,061	57,411,732
Total Assets	10,403,926	1,308,339,619	1,318,743,545
Current liabilities	3,628,244	32,967,623	36,595,867
Noncurrent liabilities	6,514,850	794,868,813	801,383,663
Total Liabilities	10,143,094	827,836,436	837,979,530
Net assets invested in capital, net	(940,984)	429,835,828	428,894,844
Net assets restricted	1,762,108	50,667,355	52,429,463
Net assets unrestricted	(560,292)	-	(560,292)
Total Net Assets	$ 260,832	$ 480,503,183	$ 480,764,015

Note: This segment information includes inter-segment receivables/payables.

Statement of Revenues, Expenses, and Changes in Net Assets - 2010

	Operating	Capital Development	Total
Restricted operating revenues	$ 1,631,013	$ 9,481,458	$ 11,112,471
Unrestricted operating revenues	6,504,194	526,456	7,030,650
Less: operating expenses	(11,482,246)	(358,091)	(11,840,337)
Less: depreciation/amortization	(84,355)	(55,206,356)	(55,290,711)
Operating Loss	(3,431,394)	(45,556,533)	(48,987,927)
Restricted nonoperating revenues	6,530,261	62,172,600	68,702,861
Unrestricted nonoperating revenues (expenses)	(10,804)	68,219	57,415
Interest expense	(132,305)	(27,927,067)	(28,059,372)
Transfers	(2,921,723)	2,921,723	-
Change in Net Assets	34,035	(8,321,058)	(8,287,023)
Beginning Net Assets	226,797	488,824,241	489,051,038
Ending Net Assets	$ 260,832	$ 480,503,183	$ 480,764,015

Statement of Cash Flows - 2010

	Operating	Capital Development	Total
Cash flows from operating activities	$ (2,721,552)	$ 9,330,986	$ 6,609,434
Cash flows from non-capital financing activities	750,909	4,382,687	5,133,596
Cash flows from capital and related financing activities	1,380,855	(92,210,147)	(90,829,292)
Cash flows from investing activities	(69,091)	100,354,850	100,285,759
Increase (decrease) in cash and cash equivalents	(658,879)	21,858,376	21,199,497
Cash and Cash Equivalents, Beginning	8,339,523	54,573,068	62,912,591
Cash and Cash Equivalents, Ending	$ 7,680,644	$ 76,431,444	$ 84,112,088
Consists of:			
Restriced cash and cash equivalents	7,167,486	76,431,444	83,598,930
Unrestricted cash and cash equivalents	513,158	-	513,158
	$ 7,680,644	$ 76,431,444	$ 84,112,088

Statement of Net Assets - 2009

	Operating	Capital Development	Total
Current assets	$ 6,974,722	$ 160,319,244	$ 167,293,966
Capital assets	2,189,574	1,097,630,543	1,099,820,117
Noncurrent assets	1,941,474	45,436,967	47,378,441
Total Assets	11,105,770	1,303,386,754	1,314,492,524
Current liabilities	4,855,174	62,136,492	66,991,666
Noncurrent liabilities	6,023,799	752,426,021	758,449,820
Total Liabilities	10,878,973	814,562,513	825,441,486
Net assets invested in capital, net	(1,081,884)	452,226,585	451,144,701
Net assets restricted	2,543,034	35,603,586	38,146,620
Net assets unrestricted	(1,234,353)	994,070	(240,283)
Total Net Assets	$ 226,797	$ 488,824,241	$ 489,051,038

Note: This segment information includes inter-segment receivables/payables.

Statement of Revenues, Expenses, and Changes in Net Assets - 2009

	Operating	Capital Development	Total
Restricted operating revenues	$ 1,597,764	$ 4,092,522	$ 5,690,286
Unrestricted operating revenues	9,447,936	429,304	9,877,240
Less: operating expenses	(14,572,564)	(445,252)	(15,017,816)
Less: depreciation/amortization	(65,113)	(38,118,816)	(38,183,929)
Operating Loss	(3,591,977)	(34,042,242)	(37,634,219)
Restricted nonoperating revenues	6,757,339	42,055,552	48,812,891
Unrestricted nonoperating revenues (expenses)	15,318	(1,066,518)	(1,051,200)
Interest expense	(456,526)	(20,908,042)	(21,364,568)
Transfers	(7,625,714)	7,625,714	-
Change in Net Assets	(4,901,560)	(6,335,536)	(11,237,096)
Beginning Net Assets	5,128,357	495,159,777	500,288,134
Ending Net Assets	$ 226,797	$ 488,824,241	$ 489,051,038

Statement of Cash Flows - 2009

	Operating	Capital Development	Total
Cash flows from operating activities	$ (4,942,599)	$ 5,301,207	$ 358,608
Cash flows from non-capital financing activities	2,184,213	3,189,601	5,373,814
Cash flows from capital and related financing activities	1,151,282	(176,534,567)	(175,383,285)
Cash flows from investing activities	(84,997)	(60,554,380)	(60,639,377)
Increase (decrease) in cash and cash equivalents	(1,692,101)	(228,598,139)	(230,290,240)
Cash and Cash Equivalents, Beginning	10,031,624	283,171,207	293,202,831
Cash and Cash Equivalents, Ending	$ 8,339,523	$ 54,573,068	$ 62,912,591
Consists of:			
Restricted cash and cash equivalents	7,074,129	54,573,068	61,647,197
Unrestricted cash and cash equivalents	1,265,394	-	1,265,394
	$ 8,339,523	$ 54,573,068	$ 62,912,591

22. COMMITMENTS AND CONTINGENCIES

Litigation

The Authority is involved in claims and legal actions arising from construction and in the normal course of operations. The Authority is in the process of closing out its final construction contracts for the Convention Center. In December 2009, the Board approved a settlement with various parties involved in the 2007 loading dock failure. In February 2010 the Authority finalized the agreement. Additionally, there are multiple claims resulting from the operation of SEA facilities; Convention Center, Heinz Field, PNC Park, and Consol Energy Center, and parking garages for which in some cases the respective teams or management companies have indemnified the Authority, the range of potential loss and the outcomes of these cases cannot be determined. In the opinion of management, the ultimate disposition of these matters, considering indemnification agreements, insurance, and Authority defenses will not have a material adverse effect on the Authority's financial position.

Cooperation and Support Agreement with the Stadium Authority

In July 1999, the Authority and the Stadium Authority entered into a Cooperation and Support Agreement in which the Authority guaranteed support to the Stadium Authority to fund any shortfall which could occur in connection with the Stadium Authority's future revenue, debt service requirements, and annual operating expenses. On February 22, 2002, the Authority and the Stadium Authority amended the July 1999 Cooperation and Support Agreement to limit the Authority's guarantee to support certain of the Stadium Authority's debt. This obligation was completed in March 2010 and no payments were required from the Authority.

New Arena Development

In November 2008, the Authority approved a final project budget for the New Arena Project of $321 million. In accordance with the First Amendment to the New Arena Development Agreement dated as of November 14, 2008 between the Authority and Pittsburgh Arena Development, LP (Developer), the budget excess will be split among the Developer, the Commonwealth, and the Authority. Of the total budget excess, the Authority is responsible for $5.5 million. The URA and the Redevelopment Authority of Allegheny County (RAAC) have each agreed to loan the Authority $2.75 million to cover the Authority's portion of the budget excess to the extent financing is needed. The Developer's portion of the budget excess has been provided through issuance of the Commonwealth Lease Revenue Bonds Series 2010 as described in Note 6. The Commonwealth's portion of the budget excess was provided in 2010.

At December 31, 2010, approximately $319 million of the project budget was committed and contracts have been entered. Of those, $5.2 million remain to be paid. As of December 31, financing from the URA and from RAAC was not required.

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Communication to Those Charged with Governance

Board of Directors
Sports & Exhibition Authority of Pittsburgh
and Allegheny County

We have audited the financial statements of the Sports & Exhibition Authority of Pittsburgh and Allegheny County (Authority), as of and for the year ended December 31, 2010. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the U.S. Office of Management and Budget (OMB) Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our conversations with the Chairman and Treasurer of the Board of Directors about planning matters on January 31, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter dated January 21, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the Authority's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the Authority's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Authority's compliance with those requirements.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Authority are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Effective January 1, 2010, the Authority adopted, GASB Statement No. 53, *"Accounting and Financial Reporting for Derivative Instruments."* This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the accrual basis of accounting. The disclosure requirements of GASB Statement No. 53 are included in Note 9 to the financial statements.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We noted no sensitive estimates affecting the financial statements.

Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the disclosures of:

1. Cash, Cash Equivalents, and Investments, Note 3;
2. Bonds Payable, Note 6;
3. Derivative Financial Instruments – Interest Rate Swaps, Note 9; and
4. Commitments and Contingencies, Note 22.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the

Authority that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the Authority's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 7, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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This information is intended solely for the information and use of the Board of Directors and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maher Duessel

Pittsburgh, Pennsylvania
April 7, 2011