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Atlantic City Gaming Win & Non-Gaming Revenue

Source: N.J. Division of Gaming Enforcement

| Month of February (\$ In Thousands) | February 2017 | Change from Prior Year | February 2016 |
|---|---------------|------------------------|---------------|
| Total Gaming Win (includes Internet) | \$ 205,364 | % 0.3 | \$ 204,717 |
| Internet Gaming Win | \$ 18,722 | % 26.9 | \$ 14,749 |

| Third Quarter Ended September 2016 & 2015 (\$ In Thousands) | Q3 - 2016 | Change from Prior Year | Q3 - 2015 |
|---|--------------|------------------------|--------------|
| Total Revenue (Gaming & Non-Gaming) | \$ 2,706,601 | % 0.7 | \$ 2,687,451 |

| For the nine months Ended September 2016 & 2015 (\$ In Thousands) | September 30, 2016 | Change from Prior Year | September 30, 2015 |
|---|---------------------|------------------------|---------------------|
| Casino Licensees: | | | |
| Casino | \$ 1,933,244 | % 1.1 | \$ 1,912,665 |
| Rooms | \$ 320,251 | % 1.1 | \$ 316,812 |
| Food & Beverage | \$ 334,964 | % -1.9 | \$ 341,345 |
| Entertainment & Other | \$ 119,142 | % 1.3 | \$ 116,629 |
| Casino Licensees Total Revenue | \$ 2,706,628 | % 0.7 | \$ 2,687,451 |
| Third Party Business Sales | \$ 166,628 | % 2.0 | \$ 163,437 |
| Combined Sales | \$ 2,873,229 | % 0.8 | \$ 2,850,888 |

Atlantic City Statistical Transportation Data

Source: South Jersey Transportation Authority

| Travel Mode | Jan-Feb 2017 | Change from Prior Year | Jan-Feb 2016 |
|--------------------------------------|----------------|------------------------|----------------|
| AC Expressway | | | |
| Total Toll Paying Traffic | | | |
| Pleasantville Toll Plaza | 2,599,269 | -5.0% | 2,735,265 |
| | | | |
| AC Airport | | | |
| Scheduled Service Passengers | 167,351 | -12.5% | 191,355 |
| Charter Passengers | 14,018 | 48.2% | 9,458 |
| Total Air Passengers | 181,369 | -9.7% | 200,813 |
| | | | |
| Casino Buses | | | |
| Casino Buses to AC | 8,405 | -5.7% | 8,915 |
| Casino Bus Passengers | 119,293 | -8.2% | 129,982 |
| | | | |
| NJ Transit Rail Service to AC | | | |
| Rail Passengers | 158,569 | -8.0% | 172,379 |

Legislative Update

NJ Assembly Bill #A4441 (Vainieri Huttie, Caputo) - Authorizes prohibition, or licensure and regulation, of rental of certain space for accommodation of transient guests. According to **NJ.com**, this bill (a companion to #A4587) would allow municipalities to license short-term rentals and to pass ordinances that would prohibit property owners from offering their space for more than 30 days if it's their primary residence. The legislation would not apply to seasonal rentals such as time shares or summer homes. The bill came to a vote in the New Jersey Assembly's Tourism, Gaming and the Arts Committee on February 27, where it passed 7-0. It has now been referred to Assembly Appropriations Committee where it awaits further review.

NJ Assembly Bill #A4587 (Quijano, Vainieri Huttie) - Imposes state sales and use tax and hotel and motel occupancy fee on transient accommodations; authorizes various municipal taxes and fees on transient accommodations. As reported by **NJ.com**, this bill would impose the same taxes and fees on short-term housing rental marketplaces (such as AirBnB) that hotels and motels must pay in the state. It came to a vote in the New Jersey Assembly's Tourism, Gaming and the Arts Committee on February 27, where it passed 5-2. It has now been referred to Assembly Appropriations Committee where it awaits further review.

NJ Senate Joint Resolution #SJR102 (Whelan) - Urges United States President Trump, members of his administration, and Congress to oppose measures and actions to prohibit states from authorizing and conducting Internet gaming. As reported by **PlayNJ.com**, New Jersey State Sen. Jim Whelan filed a resolution (February 27) which has been referred to the Senate State Government, Wagering, Tourism & Historic Preservation Committee. The resolution is the Legislature's second this year. (Assemblyman Vincent Mazzeo introduced a similar resolution, #AJR137, in January) to oppose a potential federal online gambling ban referred to as the Restoration of America's Wire Act or RAWA.

Atlantic City Information

ACIA approves contract for first building at Stockton Aviation Research and Technology Park - According to a March 24 press release from the **Atlantic County Department of Administration**, the Atlantic County Improvement Authority (ACIA) has awarded a \$17.2M contract to Hessert Construction, of Marlton, N.J., for construction of a three-story, 66,000-square foot building. The building, the first of seven planned to occupy the 58-acre lot, will feature classrooms and conference spaces in addition to an FAA laboratory and offices. Construction is expected to be completed in the 2nd quarter of 2018. Supporters of the project hope the expanded infrastructure will promote growth in Atlantic County's aviation industry.

Atlantic City Council partners with promoters to bring more entertainment to the city - As reported by **The Press of Atlantic City**, Atlantic City Council is considering contracts with Songbird Entertainment and Extraordinary Entertainment to bring new musical acts to the beach and Bader Field this summer. These events would be offered in addition to the beach concerts, organized by Live Nation through a three-year, \$6 million agreement with the Casino Reinvestment Development Authority.

Atlantic Club Purchased by R&R Development Group - As announced by **The Press of Atlantic City** on March 13, the Ventnor-based R&R Development group has entered into an agreement to purchase the Atlantic Club. In a company press release, shared through **The Press of Atlantic City**, R&R announced its plans to convert the defunct casino, shuttered since 2014, into a family entertainment center including a 100,000-square-foot indoor water park and arcade. In addition to these attractions, R&R plans to restore the hotel to its "former glory" and open other amenities at the property.

Caesars president appointed to CRDA - As reported by **The Press of Atlantic City**, Kevin C. Ortzman, president of Bally's Atlantic City and Caesars Atlantic City, was appointed to the Casino Reinvestment Development Authority's board of directors by Gov. Chris Christie on February 27.

Hard Rock to Purchase Taj Mahal - As reported by **The Press of Atlantic City** on March 2, Hard Rock International will purchase the shuttered Taj Mahal with the intent to reopen as a casino by summer of 2018. The Hard Rock Hotel & Casino Atlantic City is expected to create 3,000 temporary and permanent jobs.

Spectra by Comcast Spectacor has appointed Jim Wynkoop, CFE as general manager of AC's Boardwalk Hall - In a March 16 press release from the **CRDA**, Spectra announced that the 20-year industry veteran would take over from Fran Rodowicz, whom Spectra promoted to general manager of the Sun National Bank Center in Trenton, N.J. Wynkoop began his tenure at Boardwalk Hall on March 20.

Gaming News

American Gaming Association Estimates \$10.4 B in March Madness Wagers - As announced in a March 13 press release by the **American Gaming Association** (AGA), the association estimates that \$10.4B will be wagered on the 2017 March Madness Basket Ball Tournaments. This represents an increase of 13% over the \$9.2B wagered in 2016. Of this \$10.4B, the AGA anticipates only 3% (\$295M) will be wagered legally through Nevada Sports Betting Books. The remaining 97% (\$10.1B) will be wagered illegally through offshore websites and bookies. Forty million people are expected to participate in March Madness wagering, filling out a total of 70M brackets.

National Council on Problem Gambling (NCPG) and Gov. Chris Christie Declare March as Problem Gambling Awareness Month - As reported by **New Jersey 101.5 FM**, the New Jersey Lottery Commission and the New Jersey Council on Compulsive Gambling continue to work together to promote awareness of problem gambling year round. Neva Pryor, executive director of the Council on Compulsive Gambling of New Jersey, speaking to **New Jersey 101.5 FM**, reminds the public that having a conversation about problem gambling (#HAVETHECONVO) is an important step in getting help for those who need it. The Council on Compulsive Gambling's website, 800gambler.org (as shared by 101.5), states that about 300,000 adults in New Jersey will struggle with gambling at some point in their lives. The site also says 87,000 N.J. seniors are affected by a gambling problem and as many as 30,000 teenagers may have a gambling addiction despite being too young to gamble legally.

Maryland - A joint bill, currently in front of the Maryland General Assembly, would offer a tax incentive for casinos to purchase and maintain slot machines which are currently owned by the state. As reported by **Casino Connection AC** and the **Baltimore Sun**, Maryland's 2008 gambling law required all slot machines to be purchased and maintained by the state. In recent years the state has been encouraging casinos to purchase and maintain the machines themselves in exchange for a reduction of the 67% slots revenue tax (one of the largest in the nation.) The incentive would take effect in 2018 with the goal of phasing out state-owned slot machines by 2020.

Michigan - According to **OnlinePokerReport.com**, Michigan will become the sixth state in 2017 to seek legalization of online/internet gambling. A new bill (#S203), called the Lawful Internet Gaming Act, was announced on March 1. The bill, similar to one of the same name released in 2016, would give state regulators one year to craft rules and controls to regulate online gambling. The bill provides that only land-based Michigan casinos would be eligible to offer online gambling, however interstate compacts would be permitted. The bill also stipulates that the types of games offered "will not be limited to, but must include Poker."

New Jersey - As reported by **NorthJersey.com**, the New Jersey Racing Commission held a public hearing in Egg Harbor on March 21, seeking approval to open an Off-Track Wagering site (OTW) in the local Chickie's & Pete's

restaurant. The Egg Harbor Township OTW would be the seventh of a possible 15 off-track locations for horse betting approved by law in 2003. The other six include Vineland (2007), Woodbridge (2007), Toms River (2008), Bayonne (2012), Gloucester (2014), and Hillsborough (2015).

As reported by **OnlinePokerReport.com**, New Jersey's Division of Gaming Enforcement (DGE) has been exploring methods of expanding the online poker market. At present its efforts have focused on the formation of interstate agreements which would allow New Jersey's online poker operators to increase their pool of players by drawing from audiences in other states. To date, only Delaware and Nevada have legalized online poker although several states including New York and Pennsylvania are poised to enter the online gaming market. The Delaware and Nevada online poker markets have benefited from shared liquidity since March 2015 after the states signed the Multi State Internet Gaming Agreement (MSIGA) in February 2014. While many anticipated that New Jersey would eventually join the MSIGA, N. J. Division of Gaming Enforcement Director David Rebeck told **Gaming Compliance** that he has reservations. He anticipates that, among other issues, the MSIGA would currently only benefit one of New Jersey's internet poker operators and the "bureaucratic" agreement could pose constitutional issues in New Jersey that would require revisiting the state's gaming laws. Rebeck would prefer an agreement with Pennsylvania as the two states have more common operators and greater opportunity for partnership.

Pennsylvania - According to **NJ.com**, as of March 3, MGM Resorts International was rumored to be in discussions to buy Sands Casino Resort Bethlehem. MGM Resorts, owner of the Borgata in Atlantic City and the MGM National Harbor in Maryland, also owns casino resorts in Las Vegas, Mississippi, Detroit and Asia. The company is also building a new casino resort in Springfield, Mass. Insiders anticipate that a change of ownership for the Sands will be a complex and drawn-out process taking several months to fulfill the requirements of the Pennsylvania Gaming Control Board. The Sands is currently Pennsylvania's best-performing casino with a highly successful table games business. Locals hope a new owner will complete development of the surrounding property as an arts and entertainment destination. As reported by **The Morning Call**, MGM Resorts International and the current operators of the Sands are on opposing sides of the debate over legalizing internet gaming in Pennsylvania. While MGM is in favor of internet gaming and operates internet gaming businesses in both Nevada and New Jersey, the CEO of the parent company that owns Sands, Sheldon Adelson, has been a vocal opponent of internet gaming. Speculation suggests that a change in ownership for the Sands casino could tip the scales overwhelmingly in favor of legalizing internet gaming.

As reported by **The Morning Call**, Pennsylvania casinos are looking to legalize skill-based video gaming machines in an effort to attract millennials. Slot machine revenues, which peaked in 2006-7, have seen a steady decline and stagnation in recent years as millennials show less interest in that style of gaming. Proponents of skill-based gaming hope that the new machines will supplement the stagnant slots market and stimulate new interest and revenue growth. Opponents of skill-based gaming fear that the machines are deceptively addictive and bear too close a resemblance to mainstream video games. Skill-based games would have a similar return to the house per bet as slot machines and legislators are looking to tax skill-based gaming revenues the same (54%) as slots revenues.

West Virginia - As reported by **CalvinAyre.com**, the West Virginia State Legislature announced House Bill #2751 on March 1. If passed, the bill would authorize the West Virginia State Lottery Commission to draft rules for legal "sports pool betting." West Virginia is the sixth state, following Maryland, Michigan, New York, Pennsylvania and South Carolina, to pursue legalized sports betting in 2017.

As reported by **Casino.org** on March 15, West Virginia legislators have proposed a bill to legalize online gambling. House Bill #3067 would allow current gaming facilities and racetracks to apply for an 'interactive gambling' license. The license would cost \$50,000 and daily online gaming revenues would be taxed at 14%.

Hospitality News

AHLA and USDOL partner on Hospitality Apprenticeship project -The National Restaurant Association Educational Foundation (NRAEF) and the American Hotel & Lodging Association (AHLA) have accepted a \$1.8 million contract from the U.S. Department of Labor (USDOL) to create a hospitality apprenticeship program. According to a February 21 press release from the **AHLA**, the national Hospitality Sector Registered Apprenticeship (HSRA) project hopes to place 400 individuals in apprenticeships in the restaurant, foodservice and hotel and lodging industries. Project organizers hope that their efforts will translate into increased skills, higher wages, recognized credentials and a career advancement plan for participants.

AHLA partners with the World Wildlife Foundation (WWF) and the Rockefeller Foundation to reduce food waste- In a March 21 press release, **AHLA** announced its intent to launch a series of pilot projects aimed at reducing food waste in the hospitality and food & beverage industries. Through these efforts, and by working with The Rockefeller Foundation's YieldWise Initiative, the AHLA hopes to contribute to the ultimate goal of halving the world's food waste by 2030.

Atlantic County Economic Alliance to fund county-wide tourism campaign - As reported by **The Press of Atlantic City**, the one-year, \$40,000 campaign is the first in 30 years to feature the county's non-gaming attractions and amenities in addition to Atlantic City casinos. The project will be headed by the N.J. Southern Shore DMO (Destination Marketing Organization.)

Atlantic County sees first tourism sales increase in five years - As reported by **The Press of Atlantic City**, a report released by the state of New Jersey on March 9 shows that, for the first time in five years, Atlantic County saw an increase in tourism sales. The 2.5% increase received a significant boost from casino revenue, which increased for the first time in a decade. Cape May and Atlantic counties continue to generate the highest tourism revenues in the state, accounting for 31% of the \$41.9B in direct tourism sales in 2016.

Five Tips from Five Hotel Companies - As reported by **Hotel News Now** and shared by **Lodging Media**, leaders from five hotel companies speaking at the International Hotel Investment Forum stressed the importance of five key ideas for modern hotels in an increasingly competitive marketplace. In their opinion, "experiential considerations" such as differentiation, quality, talent, expanded loyalty programs and unique food-and-beverage services are what continue to give hotel brands an edge on online travel agencies (OTAs) and other market disruptors. Remaining true to core values and brand identity was also a common theme in panel discussions.

New Jersey Considers Two New Types of Liquor License - As reported by **WPG-104.1 FM**, the New Jersey Assembly Regulatory Oversight and Reform and Federal Relations Committee may soon be voting on a measure to create two new types of liquor licenses. The licenses, which would allow restaurants to serve beer and wine only, or beer, wine and mixed drinks at dining tables, are part of an effort to support the development of "downtown restaurant corridors" which themselves promote the formation of high-density downtown communities. Restaurants previously unable to afford a liquor license due to competition/scarcity will now be able to offer beer, wine or spirits in their establishments. This has been viewed as essential in increasing the profitability and sustainability of start-up restaurants. Current license holders would be compensated for any loss of value to their licenses via reduced taxes.

Pennsylvania Tourism office receives \$6.1 M budget increase - As reported by the **Pocono Record**, Pa. Gov. Tom Wolf has proposed a \$10M budget for tourism promotion, up from \$3.9M during the current fiscal year. This increase represents the first significant increase in funding in more than a decade. A portion of the budget will be spent on increasing Pennsylvania's advertising presence abroad, targeting international travelers from the United Kingdom, Ireland, Germany, Italy and China.