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Atlantic City Gaming Win & Non-Gaming Revenue

Source: NJ Division of Gaming Enforcement

Month of January (\$ In Thousands)	January 2017	Change from Prior Year	January 2016
Total Gaming Win (includes Internet)	\$ 204,683	% 7.7	\$ 190,111
Internet Gaming Win	\$ 18,820	% 28.6	\$ 14,630

Third Quarter Ended September 2016 & 2015 (\$ In Thousands)	Q3 - 2016	Change from Prior Year	Q3 - 2015
Total Revenue (Gaming & Non-Gaming)	\$ 1,023,555	% -0.7	\$ 1,030,449

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 – Dec 2016	Change from Prior Year	Jan – Dec 2015
AC Expressway			
Total Toll Paying Traffic			
Pleasantville Toll Plaza	18,809,694	1.4%	18,552,596
AC Airport			
Scheduled Service Passengers	1,124,147	3.2%	1,089,277
Charter Passengers	83,126	-25.1%	111,016
Total Air Passengers	1,207,273	0.6%	1,200,293
Casino Buses to AC	63,006	-7.0%	67,784
Casino Bus Passengers	1,123,553	-11.4%	1,267,598
NJ Transit Rail Service to AC			
Rail Passengers	1,100,269	-7.2%	1,185,164

Legislative Update

Federal Professional and Amateur Sports Protection Act (PASPA)- As reported by www.legalsportsreport.com, The United States Supreme Court (SCOTUS) held a conference on January 13 to determine whether New Jersey's sports betting case will be heard. SCOTUS delayed its decision about hearing the case by requesting a brief from the Solicitor General. The SG's brief is expected to reflect the position of the US government in regards to the legalization of sports betting outside of the four states established by PASPA. As of February 27, 2017, President Trump had yet to nominate a candidate for the position of SG.

NJ Assembly Bill #A3532 (Mazzeo, Caputo, Burzichelli)-Provides for regulation of fantasy sports activities in New Jersey- The bill, which has been dormant since April 2016 when it was referred to the Assembly Tourism, Gaming and the Arts Committee, was passed out of committee by a 7-0 vote on Monday, January 31, 2017. As reported by njgamblingsites.com, the bill classifies Daily Fantasy Sports (DFS) as legal under state law as a game of skill. The Department of Law and Public Safety would oversee regulation of DFS, not the Department of Gaming Enforcement. Operators would be required to register to accept users in the state, pay a fee equal to 9.25 percent of a site's gross revenue generated in the state, and maintain at least one server located in Atlantic City. Casinos would be eligible to register as DFS operators.

NJ Senate Bill #S2575 (Sweeney)/Assembly Bill #4187 (Burzichelli)- Disqualifies casino license applicant for five-year period if owner substantially closed casino property in state; revokes license; reinstates license eligibility under certain circumstances. As reported by **The Press of Atlantic City**, the bill, which passed the full Assembly (60-17) on December 19, 2016, was vetoed by Governor Chris Christie on Monday, February 6, 2017. On Monday, February 13, 2017, the state Senate did not override the governor's veto. The law would have imposed a five-year license suspension for anyone shutting down a casino after January 2016. This was intended to block the "warehousing" of casino licenses and deter operators from "substantially closing" casinos as a means of dissolving contracts and service agreements. At present, the only owner/operator who would have been affected by the law is Carl Icahn regarding the closure of the Trump Taj Mahal Casino Resort in Atlantic City.

NJ Senate Bill #S2946 (Beck)- Allows horse racetracks to be available for placing wagers at casinos in Atlantic City using the Internet. As reported by OnlinePokerReport.com, State Sen. Jennifer Beck introduced a bill (January 30, 2017) that would bypass the voter referendum and allow New Jersey race tracks to offer slot-style gaming. The bill, essentially identical to NJ Assembly Bill #4255 (Caputo, Dancer, Vainieri) which was reintroduced to the Assembly's Tourism, Gaming and the Arts Committee on December 5, 2016, creates an exception for race tracks from the prohibition in existing law on so-called "Internet cafes." By so doing, the bill would allow race tracks (specifically Monmouth Park and the Meadowlands) to partner with Atlantic City casinos to create "internet cafes" offering online gambling.

NJ Senate Bill #S3001 (Lesniak)- Allows owner of hotel in Atlantic City to lease portion to casino operator under certain circumstances. As reported by **The Press of Atlantic City**, Sen. Ray Lesniak proposed a bill to the NJ Senate on Monday, February 6, 2017. In an apparent response to the NJ Casino Commission's ruling that Glen Straub (owner of the former Revel/now TEN), is required to have a license to operate a casino on the property, the bill would not require hotel owners who lease gaming operations to a third party to get a casino license.

Atlantic City Information

Atlantic City Boardwalk - After many years of planning, work is underway to repair and replace sections of the Atlantic City Boardwalk. **The Press of Atlantic City** reported that work had begun on the boards uptown of the "casino zone." The building project will run along the ocean and wrap around to encompass Absecon Inlet

where a protective seawall is also planned. The task of rebuilding and protecting the Boardwalk includes replacing sections of the boards that were widely reported to have been damaged in Hurricane Sandy, although some of those sections had been shut down for years due to earlier storms. When finished, the project will complete a pedestrian and bicycle route starting at the Margate border and going all the way to tourist-friendly Gardner's Basin.

Atlantic City Land Auction- According to **The Press of Atlantic City**, several properties in AC and adjacent communities (Galloway and Egg Harbor townships and Pleasantville) will be up for auction on March 9. The auction, run by AC Auctions, will include commercial properties such as the Columbus Hotel, at Pacific Avenue and St. James Place and a former union hall at 470 N. Albany Ave (closed since 2012) which has since been converted for use as a restaurant. The auction will also include some beach-block land, several New York Avenue properties and adjoining ones on St. James Place.

Bart Blatstein purchases more land in AC- As reported by **NJ.com**, Showboat owner Bart Blatstein has purchased three nearby Boardwalk parcels from the state for approximately \$6 million. The deal, which closed on February 17, 2017, included the Garden Pier across from the shuttered Revel/TEN casino, a disused volleyball court between Revel/TEN and the Showboat and land in the Inlet district near the recent Boardwalk repair project.

Casino Properties Invest in Meeting & Conventions Business- As reported by **The Press of Atlantic City**, casino hotel properties have made significant investments in the emerging meeting and conventions industry. Harrah's has spent \$125 million on its Waterfront Conference Center, Resorts spent \$5 million on its 15,000- square-foot conference space and Borgata is expecting to open its new \$11 million Central Conference Center in May of this year. The new facility will increase Borgata's total meeting, event and convention space to 106,000 square feet and feature five meeting rooms, a board room, office and 6,500 feet of multipurpose ballroom space.

CRDA releases new zoning plan for Atlantic City- As reported by the **Press of Atlantic City**, the CRDA has released their fourth volume of the Atlantic City Tourism District master plan. The plan focuses on land-use regulation and zoning for the Tourism District which includes the entire Boardwalk, the Marina District, Gardner's Basin and 10 roads that lead into the district. Through a series of 25 objectives the CRDA hopes to spur reinvestment and development in Atlantic City while maintaining the Gaming Industry as a unique element of the city. The new regulations allow for mixed use properties in the Southeast Inlet, art studios in the Ducktown section and retail development around the Atlantic City Expressway and its waterfront. Public hearings will be scheduled for discussion and critique of the new plan. The CRDA has overseen the tourism district since 2011.

New GM's Vision for the AC Convention Center- Dean Dennis, 20-year veteran of the meetings and conventions business, was named as the new GM of the AC Convention Center at the end of November 2016. Dennis spoke to **The Press of Atlantic City** on February 22, 2017 about his vision for the property. Amid increased competition from casino properties which have recently invested millions in upgrading and expanding their meeting and conventions spaces, Dennis hopes to increase the number of events at the Convention Center from 70 in 2016 to 100 a year in the near future. The plan, according to Dennis, is to "grow the pie" for AC as a whole rather than compete for existing local business.

New Jersey and Borgata casino reach settlement- As reported by the **Sun Herald**, the state has reached a deal with MGM Resorts and the Borgata to settle a long-running tax dispute. The city owed the casino \$165 million from a series of successful tax appeals (2009-15) which adjusted the casino's property tax assessment to reflect the gaming industry's diminished earnings. Jeff Chiesa, head of the state takeover of Atlantic City, announced on February 15, 2017, that the parties had agreed to a settlement of \$72 million. A spokesperson for MGM

Resorts International said the company had agreed to accept less in order to settle the case and help Atlantic City as a whole.

Stockton University Receives Award for Gateway Project- As announced by a **Stockton University** press release, the University has been honored by the New Jersey Alliance for Action with a New Jersey Leading Infrastructure Projects award. The award recognizes the efforts made by the University and its Gateway Project partners to bring economic stability and growth to Atlantic City.

Tennessee Avenue Project- According to **The Press of Atlantic City**, Alpha Funding Solutions CEO Mark Callazzo and Authentic City Partners' Evan Sanchez have announced their intent to redevelop Tennessee Avenue between the Boardwalk and Pacific Avenue. The project, which was announced at the February 16 Urban Land Institute seminar, would create a pedestrian-only walkway on summer weekends from Memorial Day to Labor Day. The street, modeled on South Street in Philadelphia, would become "a walkable outdoor space jammed with things to do."

Trump Plaza may soon face the wrecking ball- As reported by the **Press of Atlantic City**, representatives from Trump Entertainment Resorts have recently examined the shuttered casino (closed since Sept. 16, 2014) with an eye toward demolition. The 2.6 acre plot which includes 614 rooms, a 60,000-square-foot casino, seven restaurants, a health club and a 750-seat showroom has been an Atlantic City landmark. The fate of both the Plaza and the adjacent 2,600 space parking lot are as yet unknown.

Gaming News

17% Growth predicted for Online Gaming in 2017- As reported by **OnlineCasinoReports.com**, gaming analysts from Eilers and Krejicik Gaming predict a slowing of growth for the online gaming sector. The predicted 17% growth takes into consideration, the struggling online poker business which Eilers and Krejick believe will decline by 6% in 2017. The struggles of the online poker sector have been attributed to the (geographically) limited pool of players. Most of the audience, 7 million people in New Jersey, already play online poker. To grow the pool of players and stimulate the industry, Eilers & Krejick recommend New Jersey partner with neighboring states (New York & Pennsylvania are in the process of legalizing online gaming). In addition to their observations regarding online poker, the analysts also shared their belief that the online gaming industry has helped rather than hindered the brick-and-mortar casinos in Atlantic City. According to the authors of the report, "Increased integration between the online and live casino appears to be driving additional play and visitation at land-based properties."

Maryland- Maryland has become the latest state to consider legalizing daily fantasy sports (DFS) betting. According to **legalsportsreport.com**, legislators in Maryland have proposed a new bill, HB0989, which asks the state to consider studying sports betting and making recommendations for future regulation. The bill is contingent on the repeal or amendment of PASPA, the federal sports betting ban, and if passed would need to be approved by a voter referendum. Once approved, the bill would give the State Lottery and Gaming Control Commission oversight over sports betting in the state, and allow the state's six casinos (including the newly opened MGM National Harbor, near Washington D.C.) and three race tracks to apply for sports betting licenses. The first public hearing for the bill is scheduled for March 1.

New York- As reported by **OnlinePokerReport.com**, the New York Senate Racing, Wagering and Gaming Committee voted (11-0) on February 14 in support of a bill (S 3898) which would legalize online poker. The bill, proposed by Sen. John Bonacic, will head to a vote in the Senate Finance Committee before possibly facing a vote in the full chamber. An identical bill from Assemblymember J. Gary Pretlow saw no action last year in the Assembly, but has been reintroduced for consideration in 2017.

Pennsylvania- As reported by **OnlinePokerReport.com**, the Pennsylvania House & Senate are in the process of scheduling a joint gaming reform hearing. The House and Senate have disagreed on several points covered in recent gaming reform and expansion bills, including the tax rate which would be imposed on online gaming operators. The House recommends a 14 percent tax rate while the Senate might be looking for a rate of 25-54 percent. House Bill HB0392, the latest gaming reform bill, is expected to be at the center of discussion at the joint hearing. The bill, introduced on February 8, 2017, is similar to a bill passed by the entire House of Representatives late in the 2016 session. The Senate chose not to vote on that bill prior to the close of the 2016 session. Among other things, HB0392 would legalize online gambling, legalize and regulate daily fantasy sports, authorize multi-state progressive slot machines, authorize skill-based and hybrid slot machines, and authorize tablet gaming at certain airports.

DraftKings Expands into the EU- As reported by **CalvinAyre.com**, DraftKings was recently approved for a Controlled Skill Games License from the Malta Gaming Authority, the entity that runs gaming in Malta, a small island nation south of Italy. While small, Malta's membership in the EU and progressive attitude toward online gaming opens doors for DraftKings in several other European countries. Some European nations, such as Italy and France, require operators to have local gaming licenses while others, including Germany, honor licenses issued by other EU members. DraftKings is already licensed in the UK (another EU member) and has been operating there for over a year. However, the license granted in the UK is less than optimal for DraftKings operations as UK laws have yet to differentiate between games of skill and games of chance. The license from Malta is of a specific, new category for "controlled skill games," which in this case explicitly covers skill-based games like daily fantasy sports and differentiates it from gambling.

Hospitality News

A New Floor Plan- Element Hotels test communal living rooms: As reported by **USA Today**, Element Hotels, a subsidiary brand and proving ground for Marriott International, is experimenting with new programs and products for the hospitality industry. Among the "elements" being tested are a keyless entry system, new technology in the fitness studio and an alternative floor plan. The alternative floor plan places a communal living room in the center of four guest rooms. The guests will have their own rooms to sleep in but will share a kitchen, dining room and lounge area, so they can socialize or collaborate on projects. Marriot International hopes that this design feature will appeal to younger business travelers who represent an important, growing demographic in the industry. Guests staying with Element Hotels are asked to provide feedback in real-time; successful concepts will be adopted in a more widespread way by this fall.

Automation Comes to the Hospitality Industry - As reported by **Travel Weekly**, discussion at The Americas Lodging Investment Summit (ALIS), focused on robots and how innovations in technology are poised to change the guest experience. Panelists taking part in discussions at the event expressed their belief that technology would never replace the "human touch" in the hospitality industry. However, technology can automate and streamline a few routine processes (room cleaning, delivery of amenities, etc.) to reduce operating costs and enhance guest experiences.

Military Veterans Bring Valued Skills to Hospitality - As reported in **Lodging**, the U.S. Chamber of Commerce Foundation recently published the results of a study examining the challenges in creating long-term employment opportunities for veterans. According to the study, veterans are currently considered a top target demographic for corporate recruiters, however there is less attention paid to veteran employee retention. This was due, in part, to gaps in recruiters' knowledge of military service and related skills, lack of training for civilians in how to relate to veterans and little ongoing training and career pathing for veteran employees. In answer to this need the hospitality industry has developed hiring initiatives and training programs for veterans. These programs, like Hilton Worldwide's Operation: Opportunity, recognize the great sacrifices veterans have made in the service of this country, and ensure they have solid careers when they return home. According to Matt Schuyler, chief human

resources officer at Hilton Worldwide, military veterans are a natural fit for the hospitality industry. They possess core values such as integrity, ownership, leadership and teamwork and “have developed skills that are highly transferable and valued, including communication, the ability to work under pressure, self-confidence, cultural and generational awareness, team leadership, decision-making and problem solving.”

Pennsylvania Counties raise hotel tax rate- As reported by **Philly.com**, Chester, Montgomery and Bucks counties (all suburbs of Philadelphia) voted on February 15, 2017, to raise tax rates for hotels. Local visitor bureaus and county officials requested the increases as a means of offsetting a decrease in state tourism funding. The increases are expected to bring in an additional \$1.3 million above the \$1.7 million the state has already been collecting.

Slow growth for U.S. Hospitality Industry - As reported by **Lodging**, Moody’s Investors Service says (U.S. lodging data from **STR**) hotel occupancy growth was essentially flat (0.1%) overall in 2016. The average daily room rate (ADR) grew 3.1 percent and full-year revenue per available room (RevPAR) growth came in at 3.2 percent. Moody’s predicts that 2017 will see supply outpace demand as all the major chains continue to construct new hotels. With occupancy at historical peaks and increasing competition from Airbnb, Moody’s predicts that demand growth will stall, further pressuring occupancy, RevPAR and earnings in 2017.