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Atlantic City Gaming Win & Non-Gaming Revenue

Source: NJ Division of Gaming Enforcement

Month of November (\$ In Thousands)	November 2016	Change from Prior Year	November 2015
Total Gaming Win (includes Internet)	\$ 197,285	% 3.0	\$ 191,508
Internet Gaming Win	\$ 17,169	% 29.9	\$ 13,222

Month of December (\$ In Thousands)	December 2016	Change from Prior Year	December 2015
Total Gaming Win (includes Internet)	\$ 208,080	% 8.6	\$ 191,659
Internet Gaming Win	\$ 18,382	% 30.9	\$ 14,044

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 – Nov 2016	Change from Prior Year	Jan – Nov 2015
AC Expressway			
Total Toll Paying Traffic			
Pleasantville Toll Plaza	48,025,034	1.7%	47,207,122
AC Airport			
Scheduled Service Passengers	1,038,965	4.7%	992,049
Charter Passengers	78,052	-26.8%	106,616
Total Air Passengers	1,117,017	1.7%	1,098,665
Casino Buses to AC	58,432	-7.2%	62,988
Casino Bus Passengers	1,060,888	-11.2%	1,194,894
NJ Transit Rail Service to AC			
Rail Passengers	1,021,660	-7.1%	1,099,532

Legislative Update

Federal Professional and Amateur Sports Protection Act (PASPA)- New York may be the next state to seek repeal of the sports betting ban. According to www.legalsportsreport.com, Assembly member J. Gary Pretlow is expected to propose a New York Sports Betting Bill within the next month. The NY bill will likely use the New Jersey Bill as a model; calling for a repeal of the gambling laws to allow for sports betting outside of Nevada, Oregon, Delaware, and Montana.

Also reported by www.legalsportsreport.com, The United States Supreme Court (SCOTUS) held a conference on January 13th to determine if New Jersey's sports betting case will be heard. SCOTUS delayed its ultimate decision to hear or not hear the case by requesting a brief from the Solicitor General. Supporters of legalized sports betting view this as a positive step. If SCOTUS had dismissed the case that would have been the end of the bill. Now New Jersey will have to wait for the filing from the SG before SCOTUS will again consider whether to take the case. 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.

U.S. House Bill #HR 6453 sponsored by Representative Michael Fitzpatrick (R-Pennsylvania), co-sponsored by Representative Bobby Rush (D-Illinois) and Representative Charles Dent (R-Pennsylvania)- Disputes the 2011 DOJ declaration which allowed the development of online casinos. Pennsylvania Representative Michael Fitzpatrick has introduced legislation to the US House that would ban online gambling at a federal level. The bill, introduced on December 7th, disputes the DOJ's 2011 declaration, that the 1961 Wire Act prohibits only remote sports betting and not poker and casino gaming. According to Casino.org, supporters of the bill feel that the DOJ's declaration or opinion of the 1961 Wire Act does not carry the full force of the law and, thus, the new internet gambling sectors and online lotteries should be viewed as a violation of federal law. According to Onlinepokerreport.com, Bill #HR 6453 and another piece of legislation called the Restoration of America's Wire Act (RAWA), could play a significant role in 2017 if congress continues to debate placing a federal ban on online gambling.

NJ Assembly Bill #4255 (Caputo/Dancer/Vainieri)- Allows horse racetracks to be available for placing wagers at casinos in Atlantic City using the Internet. The Bill, originally introduced to the Assembly on October 20, 2016, was reintroduced to the Assembly's Tourism, Gaming and the Arts Committee on December 5th, 2016. The Bill 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. The new proposal, passed by the Assembly gaming committee after a 4-3 vote, may allow the creation of casino/racetrack hybrids ("Racinos") without amending the state constitution or putting the decision to a public vote. According to www.calvinayre.com There is no definite answer as to whether the bill will ultimately advance to the point where it will be the subject of a full-Assembly vote.

NJ Senate Bill #2575-(Sweeney)/Assembly Bill #4187- (Burzichelli)- Disqualifies casino license applicant for five-year period if person substantially closed casino property in State; revokes license; reinstates license eligibility under certain circumstances. The bill was passed by the Senate (29-6), received by the Assembly and Referred to the Assembly's Tourism, Gaming and the Arts committee on October 20th, 2016. The Bill was passed by the Assembly Committee (7-0) on December 5th, 2016. The full assembly voted (60-17) and passed the bill into law on Monday, December 19th, 2016. The law will now impose a five-year license suspension for anyone shutting down a casino after January 2016. This is expected 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 effected by the law is Carl Icahn and the closure of the Trump Taj Mahal Casino Resort in Atlantic City. On the same day the bill was passed in to law, Mr. Icahn notified the Department of Gaming Enforcement that Trump Taj Mahal Associates LLC intends to surrender its casino license. As reported by the **Press of Atlantic City** Trump Taj Mahal Associates LLC has also placed a deed restriction on the property not allowing gaming if it is sold.

Atlantic City Information

Casino Reinvestment Development Authority (CRDA)- As reported by the **Press of Atlantic City**, the CRDA is reassessing its mission in the wake of the loss of funding from the casino investment alternative tax. That money, derived from a 1.25 percent tax on gross gaming revenue and a 2.5 percent tax on internet gaming revenues, will now go to the city to help pay off its more than \$500 million in debt as part of a state rescue plan. The loss of what could be \$18 million or \$20 million per year, will change the way the CRDA approaches future reinvestment projects. Since its inception in 1984, the authority has funded more than \$2.1 billion in projects throughout the state, according to authority records. As of January 1st Christopher Howard became Executive Director of the Casino Reinvestment Development Authority.

PILOT Fund Debate-As reported by the **Press of Atlantic City** the Atlantic County freeholders have voted 8-1 to withhold \$12.8 million from Atlantic City until the city agrees to pay the county 13.5 percent of the casinos' Payments In Lieu of Taxation (PILOT) funds. The state law letting casinos make fixed payments (\$120 million each year for a decade) in lieu of property taxes takes effect in 2017. County and city officials have yet to agree on the county's share. The requested 13.5 percent is an increase from the 10.3 percent offered by the city. According to the city the 10.3 percent is equivalent to what the county has been receiving in recent taxes. The 3.2 percent difference is equal to \$4 Million annually or \$40 Million over the life of the law.

Steel Pier Observation Wheel- The 200-foot-tall observation wheel promised since 2013 may finally be coming to the Steel Pier in time for Summer 2017. As reported in the **Press of Atlantic City**, Anthony Catanoso, the pier's president, says the partners got approval in late 2016 to place the wheel and 40 enclosed, climate-controlled gondolas on their existing deck, instead of having to start a new concrete pad next to the current pier. This decision, based on thorough examination of the pier and its original construction plans, should speed up the repeatedly delayed \$14 million project by six months.

TEN will require a Casino License- According to the **Press of Atlantic City**, The New Jersey Casino Control Commission ruled on Tuesday, January 31st, 2017, that Glenn Straub, owner of the shuttered former Revel casino, must have a gaming license despite leasing casino operations out to a third party. Straub plans to appeal the ruling and continues to move forward with plans to open the non-gaming elements of the property in time for the Presidents' Day holiday.

New Jersey Gaming News

November 2016 Casino Gaming Win shows influence of Trump Taj Mahal closure: As reported in the **Press of Atlantic City**, Atlantic City's seven remaining brick-and-mortar casinos saw a small bump in gaming revenue in November following the closing of Trump Taj Mahal Casino Resort. This increase was not as much as some financial experts had forecast. A report prepared by **Moody's Investors Services** predicted that the closing of the Taj Mahal would leave more than \$180 million a year in gaming revenue, about \$12 million a month, up for grabs among the remaining casinos, particularly those that have properties on the Boardwalk. However, this is not how the numbers played out. While calculations, which have adjusted for the closure of the Taj Mahal Casino, show the remaining casinos with a revenue gain of 3% year over year, direct comparison of November 2015 to

November 2016 numbers show an overall decrease in revenue of 3.5%. According to Moody's, what gains have been made are likely to be short lived. "While the number of casinos is shrinking in Atlantic City, we expect that overall gaming market revenues will eventually shrink as neighboring states continue to pick away at the city's gaming revenue."

December 2016 ends on a high, Internet Gaming leads Industry to first year over year revenue increase in a decade- On January 12th, the New Jersey Division of Gaming Enforcement (DGE) released the latest casino revenue reports. For the first time in a decade, year-end receipts show an increase (1.5%) over the prior year. The overall increase from \$2.563 billion in 2015 to \$2.603 billion in 2016 was primarily driven by Internet Gaming which continues to make record gains. The Industry's Casino Win totaled \$2.406 billion compared to \$2.414 billion in 2015, a decrease of 3%. Internet Gaming Win totaled \$196.7 million compared to \$148.8 million in 2015, an increase of 32.1%. More information will be available when the DGE releases the combined gaming and non-gaming fourth quarter data for 2016 in April.

National Gaming News

American Gaming Association: 'Casinos a bright spot in key report grading U.S. Anti-Money Laundering Measures'- In a December 1st Press Release, the **American Gaming Association (AGA)** shared the results of an independent report grading the United States' efforts to prevent money laundering. Every ten years the Financial Action Task Force (FATF) releases a mutual evaluation report for the United States. The 2016 report recognized casino gaming companies' significant investment in anti-money laundering (AML) efforts, reporting that the industry "has a good understanding of risks and obligations," puts in place "mitigating measures above the requirements" of the Bank Secrecy Act (BSA) and has shown "an increased focus on raising awareness and improving compliance."

Delaware- As reported by **Casino.org**, 2016 was the best year to date for Delaware's online gaming market. The state's three internet casino operators collectively generated \$3 million in net revenue, a 62 percent increase on 2015. December was the State's best month since August with \$229,987 collected, a 29 percent year-over-year gain.

Maryland- On January 2nd, Maryland implemented regulations to oversee the daily fantasy sports (DFS) industry. A 2012 law aimed at making fantasy sports contests with entry fees legal in the state, gave the Maryland comptroller's office oversight of the industry. According to **legalsportsreport.com**, the regulations implemented by the comptroller's office are generally in line with those of a variety of states and focus on providing protections to consumers. Among these protections are limits (\$1,000 per month) on deposits made to DFS sites and the identification of "Experienced Players." Additionally, Maryland's decision not to require a registration, licensing fee or direct tax from DFS operators is expected, as reported by **CalvinAyre.com** to level the playing field between small players and DFS giants like DraftKings and FanDuel.

Massachusetts- Massachusetts' casino expansion law, passed in 2011, called for the authorization of three resort casinos in three distinct regions, plus a single slots-only parlor. Five years later only the Plainridge Park Casino, adjacent to the Plainridge Park Racecourse, is open for business. The slots only facility opened in June of 2015. As reported by **Casino.org**, the two resort casinos approved by the state, MGM Springfield and Wynn Boston Harbor, remain under construction and won't open until 2018 at the earliest. The third and final region license still to be issued consists of the southeastern part of the state. The Massachusetts Gaming Commission is holding off on accepting a bid due to the ongoing legal fight being contested by the Mashpee Wampanoag Tribe. If the tribe wins, and is allowed to build a \$1 billion casino in Taunton, the Massachusetts Gaming Commission would be expected to eliminate the third region license due to oversaturation.

Nevada- According to legalsportsreport.com, lawmakers in Nevada have approved betting on virtual sports. Virtual sports are essentially video games where computer software plays out sporting events, races or contests. Advanced algorithms determine the outcome; they account for the skill of the participant(s) as well as the luck elements inherent in real-world sporting events. Although virtual sports gaming platforms have existed in Europe for several years, the idea is only just beginning to catch on in the United States. Inspired Gaming's virtual sports product received regulatory approval from the Nevada Gambling Control Board in early December and a full roll out of their product is anticipated for some time in 2017. Inspired has also been working with two New Jersey casinos: Golden Nugget and Resorts. Both casinos are likely to introduce virtual sports products in the coming months. Inspired does not have a monopoly on virtual sports. One of their competitors, Leap Gaming, partnered with the Pala Band of Mission Indians in California earlier this year to add virtual sports to its social casino. It may not be long before virtual sports are offered alongside other gaming platforms and as a component of online casinos.

As reported by CalvinAyre.com Nevada casinos have finished 'in the black' for the first time since 2008. The Nevada Gaming Control Board released their annual Nevada Gaming Abstract, which showed that the 273 gaming venues that earned more than \$1m in revenue in the 12 months ending June 30, 2016 generated a combined income of \$979 million versus a net loss of \$662 million in fiscal year 2015. Overall revenue at state-licensed gaming venues reached \$25.2 billion, up from \$24.6 billion in fiscal year 2015, and only around \$100 million off the all-time peak of \$25.3 billion in fiscal year 2007. Gaming's share of the overall revenue pie continues to decrease with each successive year and food and beverage revenues have held firm. The greatest gains have come from room revenues which have reached record highs each of the last three years.

Pennsylvania- According to numbers from Pennsylvania Gaming Control Board reported in **The Morning Call**, Pennsylvania's total casino take, including slots and table games, set a record \$3.2 billion in revenues in 2016. The record setting revenues rely heavily on table games which saw an increase in revenue for the seventh consecutive year, a record \$853 million for 2016. Slot machine revenues held steady, having neither increased or decreased in six years.

As reported in the Tribune-Review, triblive.com, the gaming industry continues to play an important role in the Pennsylvania state economy. According to the Pennsylvania Gaming Control Board, gaming taxes for fiscal year 2015-16 totaled almost \$1.4 billion and casino employment surpassed 18,000. 2017 could see the biggest changes for the PA gaming industry since 2010, as the state legislature plans to consider proposals to legalize and regulate Internet gambling during the session starting Jan. 3. In the interim, operators of the state's 12 casinos are planning restaurants, hotels, expanded entertainment options and new twists on gambling as part of the continuous quest to attract more customers.

As reported in www.phillymag.com, Pennsylvania Sen. Jay Costa has put forward his plans for a bill that would legalize online gambling, daily fantasy sports (DFS) and online lotteries. The bill, which Costa believes would generate an estimated \$137 million for the state in 2017, sets licensing fees of \$10M, \$5M and \$2.5M for Online Gambling, Gaming and DFS respectively. Revenues from each would be taxed at a rate of 25 percent (this is the highest tax rate for DFS in the nation). The Bill would also allow the Pennsylvania Lottery to begin operating online lottery games, allow "tablet gaming" at the Philadelphia and Pittsburgh airports, and alter other current gaming regulations.

Hospitality News

2017 the International Year of Sustainable Tourism for Development – As reported by the **New York Times**, the United Nations has made sustainable tourism a top priority by designating 2017 as the International Year of Sustainable Tourism for Development. Sustainable tourism is tourism which is aware of and adopts environmentally friendly practices, protects natural and cultural heritage and supports local communities by employing local staff, buying local products and engaging in charity work. The United Nations hopes that increased global awareness of sustainable tourism practices will inform the choices made by tourists as well as those within the tourism industry (hotels, tour operators, airlines and cruises and destinations).

Hospitality Design Trends- According to **Lodging**, Clean, refreshing design standards are trending in the upcoming year as hotels begin to find different ways to integrate innovative technology into their properties. Design choices are being made in hopes of appeasing both the evolving expectations of millennials and the already-established expectations of the baby boomer generation. One of the most important trends, is the increasing integration of technology into the guest experience. WiFi has become as much of a necessity as power, water, and heat. Some properties have adapted their design strategy by replacing in-room televisions with interactive screens that not only sync with personal devices, but also can relay information about the property and surrounding area. Millennial design tastes have also influenced aesthetic changes in hotel spaces. Whereas hotels have previously focused on creating a residential feel through the use of neutral colors and furnishings, in 2017 they will use bright, colorful accents and unique furnishings to create spaces that are a departure from the ordinary. Hotel designers seek to create “shareable” social spaces that inspire a sense of discovery for guests.

New Medical Tourism Trends- As reported by **postandcourier.com**, hotel developers are responding to an increasing need for lodging near major medical centers. Patients traveling to receive treatment at the nation’s leading hospitals have found a shortage of lodging options in their vicinity. Numbers of ‘medical tourists’ are expected to only grow as baby-boomers reach an age requiring care at specialized hospitals distant from their homes. The Edge Hotel, a 54-room property that opened in fall 2015, has found great synergy with New York-Presbyterian Hospital a block and a half away. While their rates of \$100-\$300 a night cater to a range of travel budgets, some hotels like the, InterContinental Houston Medical Center luxury hotel being constructed across the street from the Texas Medical center, are seeking a higher-end clientele. Hotels like the InterContinental are adding a variety of amenities unique to their placement in the medical tourism market. These include an on-site lab where guests can have their blood drawn in advance of checkups at the hospital, and apartment style units designed for patients who need to stay for several months to receive lengthy treatments like Chemotherapy.

USCM & AHLA announce results of survey, Washington, D.C. – In a January 18, 2017 joint press release, The U.S. Conference of Mayors (USCM) and the American Hotel & Lodging Association (AHLA) released the results of a survey of United States mayors that shows the valuable relationship between the Hospitality and Tourism Industries, and cities nationwide. The Hospitality and Tourism Industries are critical components of local economies, providing career opportunities, community development, tax revenue and overall growth. As reported in the executive summary of the results, 9 out of 10 mayors interviewed say that their community would benefit from having more hotels. 68% of mayors say hotels and lodging are the largest contributors to their city’s destination marketing fund and many viewed Hotels and Lodging as ambassadors for their cities. Mayors also praised the Hospitality Industry for their commitment to community service, and for their help revitalizing older historic areas of their cities, creating walk-able urban centers.