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ATTORNEYS - AT - LAW

N.J. ASSEMBLY REGULATORY OVERSIGHT AND GAMING COMMITTEE

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MEADOWLANDS SPORTS COMPLEX

NICHOLAS R. AMATO

REMARKS

Good afternoon Chairman Ramos and thank you to all of the members of the Assembly Committee for your invitation to speak before you today.

I am happy to share some of the insights I have gathered from my experience as a county executive, as the executive director of the Casino Reinvestment and Redevelopment Authority, as the president of the New Jersey Casino Association , as former executive with Trump Hotels and Casino Resorts and as former general counsel and executive with Resorts International Holdings, LLC. I also come before you as a former Standardbred breeder and owner.

I am Of Counsel with the law firm of Genova Burns Giantomasi & Webster and the Director of the Casino & Resort Development Practice Group.

I currently hold a New Jersey Casino Key Employee License and have been licensed in several other jurisdictions. Those licenses are inactive.

I am here today offering my thoughts to the discussion regarding the future of Atlantic City casino industry and whether there is a future and a time frame for gaming at the Meadowlands.

What you are doing is important, and I commend you for your efforts.

Having spent a good deal of time in Atlantic City, as a gaming executive, as chief spokesperson for the casino industry and as executive director of the CRDA, I have seen first-hand how conflicting and competing goals, interests

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and objectives have undercut Atlantic City's ability to thrive and prosper—These interests, as legitimate as they may be – regularly hinder even the smallest changes in the City. Case in point, in an effort to address traffic congestion, three governors promised but could not deliver on making Pacific Avenue one way.

These stalemates result in a hesitance by investors who seem convinced that there are better places to invest their money.. Atlantic City is threatened by competition in neighboring jurisdictions like New York, Connecticut, Pennsylvania, Maryland and Delaware. But, we must be honest with ourselves; the attractiveness of those other jurisdictions is amplified tremendously by the sense that Atlantic City up till four years ago just wasn't the kind of place where a casino operator wanted to invest its money.

Indeed, we sit today less than 100 miles from the Pennsylvania casinos – places where hundreds of millions of dollars have been invested for the ability to conduct gaming and the privilege of paying a casino tax of 55 percent on gross slot revenues and 16 percent tax on table game revenues. This is on top of the payment of a hefty licensing fee.

Pennsylvania's gaming tax is significantly higher than New Jersey's eight percent, plus 1.25 percent casino reinvestment tax.

Our tax policies can't get much more favorable to casino operators than they already are, and despite that, investors are flocking to other states. It should, be noted however, that those jurisdictions that have a hefty tax rate see less capital investment and create fewer jobs.

The Atlantic City casino industry, once thought vibrant and viable, has witnessed declining revenues and an uncertain economic future for the past five years. And now, it not only faces the challenge of internal competition but it also faces competition from places like Bethlehem, Pennsylvania, on the riverfront in Philadelphia, and the Poconos, which continue to draw customers from throughout the region it once totally dominated .To add to the competition Pennsylvania will soon award its last casino license. Pennsylvania opened the first casino in 2006 and in 2011 eclipsed Atlantic City as the number two gaming jurisdiction in the U.S., second only to Nevada, with more

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than \$3 billion in revenues as compared to \$2.95 billion in revenues for Atlantic City. The Pennsylvania revenue represents a 21.6 percent increase over 2010, while New Jersey's earnings represent a seven percent decline, the fifth straight year of declining revenues-although the month of December 2011 saw Atlantic City's first year-on-year increase in 40 months.

The Cordish company recently opened Maryland "Live!" a 330,000-square foot, 4,750 slot casino in Hanover Maryland. The Delaware Legislature recently passed an internet gaming or Online Casino Bill. The signing of the bill into law by the governor is expected to be a mere formality. This legislation allows the Delaware Lottery to operate online slots and table games, including poker, via websites branded, marketed and controlled by Delaware's three racetrack casinos. This legislation increases to 20 the number of land-based outlets accepting bets on the NFL games and extends Keno beyond Delaware's three casinos to at least 100 other retail sites. The Governor of N.Y. made the expansion of gambling a centerpiece of his State address in January and within weeks the Legislature endorsed a constitutional amendment that, if approved once more by the lawmakers and then by the voters, would allow for seven full-scale, privately owned casinos .

At the recent East Coast Gaming Conference in Atlantic City in May, respected gaming analysts questioned whether certain casino markets have reached or passed the saturation point as we struggle through a slow recovering economy and the ongoing stream of new casinos, and questioned whether Revel may put other Atlantic City casinos out of business. One analyst described Revel's performance as "underwhelming" and opined that Revel will steal market share from the other eleven casinos and not grow the market. A clearer picture of Revel's performance will emerge at the end of the summer.

I believe that this reality underscores the importance of the Governor's creation of the new casino zone in Atlantic City controlled by the CRDA, an agency that is independent of the City and the only agency of its kind in the country.

This zone was created and is empowered to provide the vision, the coordination and the stability that has long been missing to remedy the

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absence of a central mission and purpose. It is this lack of a central and centralized mission that has been an impediment to making the City an international gaming and entertainment destination.

I strongly believe that this new paradigm needs to be embraced if we are going to find solutions to address the conditions in Atlantic City.

I do not believe that the creation of the quasi-governmental entertainment zone should be a give-away to the casinos.

In the same way that the creation of this new zone in Atlantic City will provide new tools for casinos to chart a better and brighter future, casinos should be held more accountable for the future of the city.

The industry recently established the Atlantic City Alliance (ACA), a not-for profit entity whose primary mission is to develop and implement a full-scale, broad-based, multi-year marketing program for Atlantic City to rebuild the City's reputation and increase tourism by showcasing the unique features of the resort's attractions, in particular the non-gaming ones. The ACA will work with the CRDA to market and promote the Tourism District via a public/private partnership. In April, the ACA announced details of a \$20 million rebranding effort which it touted as the largest destination tourism marketing campaign in Atlantic City history.

Everyone has to do their fair share.

For the majority of the 30 plus years that we have had gaming in Atlantic City, casinos have made substantial profits, created thousands of jobs, generated enormous revenues and contributed substantial tax revenues to the state.

The industry, the state and the City all rested on their laurels.

The City, just a few hundred yards from the Boardwalk, continued to decline as urban blight and neglect metastasized.

The state continued to take in ever-growing tax revenues.

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The casinos were content to increase traffic by sending more and more busses of seniors to the City or by a series of piecemeal expansions. Little was done with a grand plan in mind. Today we see pockets of development in a patchwork quilt.

Under the Governor's plan the City has given up much of its control over the most valuable property within its borders, but the return has the potential to be a good deal for the City.

We would all be foolish to rely on the CRDA or the ACA to solve all of the City's problems. Take a look outside of this building at the American Dream project –formerly the Xanadu project --and you can quickly understand that for the Atlantic City Authority to reach its full potential, and, of course, for the industry and the city to reach their full potential, the state, the City and the region need a comprehensive and collaborative plan of action.

The plan needs to be focused on how to improve Atlantic City, casino gaming and the tourist experience.

The plan shouldn't be balanced on whether or not there are VLTs in the Meadowlands or other marginal issues. There are already slot machines within 60 miles of Atlantic City; we will lose a lot more than sleep if we fret miles from the Boardwalk.

Fundamentally, the plan needs to identify how Atlantic City is going to compete for the next century, fully recognizing that competition is here and is growing.

The plan needs to recognize that offshore Internet gaming already exists and that it is eating into the market. The plan should recognize that Internet gaming, in some form or other will spread, as will other forms of on-line gaming.

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The gaming industry needs to take a hard look at itself and at Atlantic City. It needs to identify the missing pieces – from the way it deals with individual customers all the way to how it interacts with the City and the region. I don't believe there is a finite time but the clock continues to tick.

I hope my insights are helpful and contributed to the discussion. I would be pleased to answer any questions that you may have.

Thank you.