

State of the States 2018

THE AGA SURVEY OF THE COMMERCIAL CASINO INDUSTRY



AMERICAN
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ASSOCIATION



Gambling Compliance



The American Gaming Association (AGA) is pleased to present ***State of the States 2018: The AGA Survey of the Commercial Casino Industry***, the definitive economic analysis of U.S. commercial gaming in the 2017 calendar year.

2017 was a landmark year for the commercial casino industry and for the AGA. For the first time, revenue from commercial gaming eclipsed the \$40 billion mark, and direct taxes from commercial gaming eclipsed the \$9 billion mark.

Three separate commercial properties opened in New York state, installing thousands of new slot machines on their floors. In addition, a new commercial property opened in Kansas, and several casinos began or completed major renovations or expansions of their properties in 2017, reflecting today's increasingly competitive gaming landscape.

There were significant public policy developments in 2017 as well. Pennsylvania enacted one of the broadest gaming expansions in recent memory, authorizing internet gaming (iGaming), new satellite casino properties and sports betting, pursuant to an applicable change in federal law. Fortunately for Pennsylvania, as well as other states and sovereign tribal governments, the U.S. Supreme Court agreed to take up the state of New Jersey's challenge to the federal law that banned the expansion of sports betting, and would ultimately rule the ban unconstitutional.

2017 was also marked by tragedy. On October 1, the Las Vegas Strip was the site of the largest mass shooting in U.S. history. However, the city emerged from the tragedy stronger than ever before. As Las Vegas bound together in the shooting's wake, they helped spawn the "Vegas Strong" movement, the viral hashtag which ultimately defined the city's recovery and resilience.

The AGA's advocacy efforts took a great leap forward in 2017. AGA's active engagement on tax reform helped ensure the gaming industry's priorities were included in federal legislation. On Capitol Hill, the Congressional Gaming Caucus' membership continued to grow, and AGA's political action committee doubled in size from 2016. AGA also led the effort to educate Congress and the American public on the failure of the federal sports betting ban and the ability of each state and sovereign tribal government to successfully regulate sports betting.

With detailed market evaluations of each of the 24 commercial gaming states, *State of the States 2018* provides the authoritative economic guide to the commercial casino industry. Much of the data included here is also housed on the Get to Know Gaming (G2KG) website, www.gettoknowgaming.org.

We hope you find this guide useful. And as always, we value your continued feedback.

American Gaming Association

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About This Report

This report combines two of AGA's signature publications—*State of the States* and *U.S. Gaming Industry Review*—into one comprehensive overview of the 24 states with commercial casino gaming.

For each of the 24 jurisdictions, the report analyzes gaming revenue and gaming taxes generated by commercial casino locations for the calendar year 2017. In addition, the report provides an overview of the primary competition faced by casinos in each state and summarizes the year's major gaming policy discussions relevant to gaming operators and suppliers.

A table at the beginning of this report provides a comparative summary of the main licensing, taxation and responsible gaming requirements applied to casino operators and suppliers of gaming machines and table game equipment.

In 2017, there were 460 commercial casino locations across 24 states. This represents a change from the prior year's reported 515 locations due to a rigorous effort to accurately and consistently identify individual gaming properties across the states. The state with the largest differential was Nevada, which decreased from 273 reported locations to 215.

This report defines commercial casino locations as licensed, individual land-based casinos, riverboat casinos, racetrack casinos (racinos) and jai alai frontons. It also includes casino locations in states such as Delaware, Maryland, New York and Ohio, that offer gaming devices classified as video lottery terminals or video gaming terminals.

The total of commercial casino locations does not include other forms of commercial gaming locations, such as bars, taverns or truck stops with video lottery terminals, video gaming terminals or electronic gaming devices, animal racetracks without gaming machines such as horse and dog tracks, slot-route operation locations, instant racing terminal locations or off-track betting operations, lottery/retail locations, tribal casinos or tribal gaming locations operated by sovereign

tribal governments, card rooms, standalone sportsbooks, or other locations in which gaming is incidental to the location's primary business.

Also excluded from state gaming revenue and tax totals are monies derived from locations with electronic gaming devices, such as video lottery terminals or video gaming terminals, in Illinois, Louisiana, Montana, Nevada, Oregon, South Dakota, and West Virginia. The competitive impact of each of the above operations, however, is noted where warranted.

All references to "gaming revenue" are used as a substitute for more specific financial terms—including "casino win," "adjusted gross receipts" and others—as reported by state regulatory agencies. Gaming regulatory agencies in each state report monthly and annual revenue differently, and readers should consult those agencies' websites for further information.

In general, gaming revenue refers to the amount earned by commercial casinos after winnings have been paid out to patrons. Importantly, gaming revenue does not equate to profits earned by commercial casinos from their operations. Such revenue is earned before properties pay for various operating expenses, marketing and employee salaries, as well as various taxes and fees, among other things. Due to reporting restrictions, commercial casino gaming revenue does not include revenue derived from pari-mutuel animal race betting at commercial casino race and sports books, except for such revenue derived at Nevada commercial casinos.

Similarly, gaming tax revenue figures listed in the report reflect only specific gaming taxes paid by casinos out of monies won from patrons. They do not include various other taxes that apply to casinos as they do to most other businesses. For the purposes of calculating state gaming tax revenue totals, reported tax figures have been adjusted to account for certain tax revenue streams from which casinos themselves benefit (for example, capital and marketing allowances and purse supplements for horse races staged at racinos).

In certain states, gaming is operated under the authority of the state government, and a portion of casino revenue is then redistributed to private operators. Where this is the case, this report considers the effective tax rate applied to gaming operators to be a portion of gaming revenue retained by the state or its designated beneficiaries.

Information on supplier licensing in the table in this report is limited to those supplier entities that either manufacture casino gaming machines or table games or distribute or otherwise sell them to casinos. In many states, additional licensing requirements are applicable to the suppliers of various other goods and services to casinos. Readers are advised to consult the websites of state gaming regulatory agencies for more specific information.

About the American Gaming Association

The **American Gaming Association** is the premier national trade group representing the \$261 billion U.S. casino industry, which supports 1.8 million jobs nationwide. AGA members include commercial and tribal casino operators, as well as suppliers and other entities affiliated with the gaming industry. It is the mission of the AGA to achieve sound policies and regulations consistent with casino gaming's modern appeal and vast economic contributions.

www.americangaming.org

About GamblingCompliance

GamblingCompliance is the leading provider of independent legal, regulatory and business intelligence to the global gaming industry, based in London, Washington, D.C., San Francisco and Taipei. Through our subscription services and customized research solutions, we offer existing market participants, regulators, governments and investors easily accessible and up-to-date information on market realities and a reliable and independent listening post to monitor legislative and regulatory developments.

www.gamblingcompliance.com

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EXECUTIVE SUMMARY

State of the Industry



America's commercial casino industry enjoyed a record-setting year in 2017, with consumer spending on casino gaming surpassing \$40 billion for the first time.

The \$40.28 billion in gaming revenue represented an increase of 3.4 percent over 2016's figure, meaning that the commercial casino industry has now grown every year but one since the U.S. economy came out of recession in 2009.

All but four of the 24 commercial casino states saw year-over-year revenue increases in 2017, reflecting strong macroeconomic trends and sustained job growth in most parts of the country. Record annual revenue was reported in 11 gaming states: Colorado, Florida, Kansas, Maine, Maryland, Massachusetts, New York, Ohio, Oklahoma, Pennsylvania and Rhode Island.

ECONOMIC IMPACT

Commercial casino operators were not the only beneficiaries of industry growth. America's 460 commercial casino locations generated some \$9.23 billion in direct gaming tax revenue in 2017.

The \$9.23 billion tax revenue figure represents an increase of 3.1 percent over 2016. It does not represent tax revenue generated by activities other than direct gaming, including income, payroll, sales or various other corporate taxes.

Nor does the total include payroll taxes paid by gaming operators. According to Oxford Economics, the U.S. commercial casino industry directly employed more than 361,000 employees in 2017, and those employees earned more than \$17 billion in wages, benefits and tips that year.

COMPETITIVE CHALLENGES

Despite the record gaming revenue and gaming tax revenue from the industry, the impact of intensifying competition remained a common theme for casino operators in 2017.

The opening of a sixth casino in Maryland in late 2016 drove statewide revenue in 2017 to unprecedented heights. However, some individual Maryland casinos reported declines in revenue for the year, while the new casino at National Harbor near Washington, D.C., attracted notable consumer spend from out-of-state patrons.

Similarly, the opening of New York's first Las Vegas-style resort casinos saw the Empire State comfortably achieve its best-ever gaming revenue total in 2017. Yet, a majority of New York's individual commercial properties experienced a decline in revenue, largely as a result of increased in-state competition.

Competitive pressures are set to grow in key commercial states in the coming years. Two commercial properties are set to open in Massachusetts in 2018 and 2019, and will reshape the competitive landscape of the New England region.

New York will witness the opening of a new resort casino in early 2018, while New Jersey will see two commercial casinos reopen in a move that is sure to stress test the strength of Atlantic City's recent recovery. In 2017, New Jersey's casino sector reported a second consecutive year of modest revenue growth after a decade of unbroken declines that followed the launch of casino gaming in Pennsylvania in 2006.

Pennsylvania's gaming industry is set to undergo a major expansion as well after passage of a sweeping gambling reform bill in 2017. The expansion will lead to 10 new commercial "satellite" casinos with a limited number of gaming machines and tables, internet casino operations

and video gaming terminals at non-commercial casino locations such as truck stops. All of this will significantly transform a commercial casino market that was already America's second largest by revenue and the largest by total tax collections in 2017.

POLICY THEMES

The new gaming legislation in Pennsylvania was far from the only significant policy development in 2017 for the commercial casino industry.

States such as Maryland, Nevada, New Jersey, Louisiana and Oklahoma, took steps toward enacting regulatory reforms to either encourage the adoption of new technologies, bolster the competitiveness of their casino operations or remove arcane restrictions that impede growth.

Gaming industry groups and academic researchers also formed an unprecedented network—the Responsible Gaming Collaborative—to challenge existing regulatory paradigms in the field of responsible gaming and encourage fresh approaches to better protect consumers without impairing industry innovation.

Meanwhile, 2017 was also a historic year for sports betting. In June, the U.S. Supreme Court surprised even seasoned legal observers when it agreed to take up a dispute between New Jersey and the nation's major sports leagues over the scope of the 1992 federal law that banned states and sovereign tribal governments from introducing new forms of sports betting. After oral arguments in late 2017, the court ruled that PASPA was unconstitutional, clearing the way for states and sovereign tribal governments to regulate sports betting within their borders.

Several states took action in 2017 to prepare themselves for the prospect that the Supreme Court would strike PASPA down. More than a dozen states introduced sports betting related bills, while Mississippi and Pennsylvania passed legislation to accommodate betting at commercial casinos if and when the federal ban was struck down.

TRIBAL GAMING

In addition to commercial casino gaming in 24 states, tribal casinos with either Class II and/or Class III gaming were fully operational across 28 states—a number that's expected to increase in 2018. Tribal casinos are an indelible and vital part of the U.S. gaming landscape.

The commercial industry's \$40.28 billion gaming revenue figure in 2017 represents revenue only from commercial casino operations, and does not include revenue from the more than 500 tribal gaming facilities across America.

According to the National Indian Gaming Commission (NIGC), tribal gaming revenues hit a record \$32.4 billion in 2017, up 3.9 percent from the previous year. Tribal gaming was driven by the same underlying consumer trends that benefited commercial gaming.

2017 also marked the 30-year anniversary of the U.S. Supreme Court's landmark *Cabazon* decision (*California v. Cabazon Band of Mission Indians*) that prompted Congress one year later to pass the *Indian Gaming Regulatory Act* (IGRA). IGRA, which governs tribal gaming operations, will celebrate its 30th anniversary in 2018.

STATE BY STATE REGULATIONS, TAXES & FEES

	COLORADO	DELAWARE	FLORIDA	ILLINOIS	INDIANA	IOWA
Statutory Funding for Responsible Gaming	2% casino gaming revenue	\$1M or 1% of casino gaming revenue, whichever greater. \$250,000 or 1% of interactive gaming revenue, whichever greater.	\$250,000 per casino	Subject to annual appropriation	Riverboat casinos: 25% of casino admissions tax Racino: \$500K per licensee	Up to \$6M annually
Statewide Self-Exclusion	No	Yes	Yes	Yes	Yes	Yes
Gambling Age	21	21	21	21	21	21
Smoke-Free (Y/N/Partial)	Yes	Yes	Yes	Yes	No	No
Complimentary Alcohol	Yes	No	No	No	No	Yes
Credit	No	Yes	No	Yes	Yes	No
Restrictions on Operating Hours	No	No	No	No	No	No
Number of Licenses Allowed	Unlimited	3	8*	10	13*	Unlimited
Number of Casinos	33	3	8	10	13	19
Tax Rate	Graduated rate ranging from 0.25% on gaming revenue up to \$2 million to 20% on gaming revenue of more than \$13 million.	58% effective rate on gaming machine revenue; 33.9% effective tax rate on gross table game revenue.	35% gaming machine revenue	Graduated rate ranging from 15% on gaming revenue up to \$25 million to 50% on gaming revenue of more than \$200 million.	Riverboat casino: Graduated rate ranging from 15% on gaming revenue of up to \$25 million to 40% on gaming revenue of more than \$600 million. Racinos: 25% of revenue up to \$100 million; 30% on revenue from \$100 million to \$200 million; and 35% on revenue exceeding \$200 million.	Riverboat and land-based casinos: Gaming revenue of up to \$1 million is taxed at 5%; revenue of between \$1 million and \$3 million is taxed at a rate of 10% All revenue in excess of \$3 million is taxed at 22%. Racino: Gaming revenue is taxed at 22% or 24%, depending on various conditions.
Casino License Renewal Term and Fee	Every two years \$3,700-\$7,400	\$13.25M annually (Combined)	\$2.25M annually	License renewal every 4 years with \$5,000 annual fee.	Riverboats: \$5,000 annually; Racinos: \$100 per gaming machine annually	Casino: \$5 per person per facility capacity (min. \$1,250); Racinos: \$1,000 annually
Supplier License Renewal Term and Fee	Manufacturer/Distributor: Every two years \$3,700-\$7,400	Gaming vendor: Every three years \$4,000	Slot machine business entity license: \$1,000 for a one-year license, \$2,000 for a three-year license.	Supplier license: Every 4 years with \$5,000 annual fee.	Supplier license \$7,500 annually	Distributor: \$1,000 annually; Manufacturer: \$250 annually
Minimum Investment	No	No	No	No	No	No
Admissions Tax	No	No	No	Yes	Yes	No
Taxation of Promotional Credits (Y/N/Partial)	Yes	Partial	No	Yes	Partial	Partial
Withholdings on Winnings	Yes	No	No	Yes	Yes	Yes

Number of licenses allowed * = Assuming no additional race tracks open in the state.

KANSAS	LOUISIANA	MAINE	MARYLAND	MASSACHUSETTS	MICHIGAN	MISSISSIPPI
2% casino gaming revenue	1% casino gaming revenue; max. \$500K per facility.	Racino: \$100,000 from gaming machine revenue and 9% table game revenue. Casino: 3% gaming machine revenue	\$425 per gaming machine and \$500 per table game	At least \$5M annually	\$2M annually	Subject to annual appropriation
Yes	Yes	Yes	Yes	Yes	Yes	Yes
21	21	21	21	21	21	21
No	Partial	Partial	Yes	Yes	Partial	No
No	Yes	No	No	Yes	Yes	Yes
No	Yes	No	Yes	Yes	Yes	Yes
No	No	No	No	No	No	No
7	20*	2	6	4	3	Unlimited
4	20	2	6	1	3	28
27% casino gaming revenue (minimum)	Riverboat casinos: 21.5% of gaming revenue, with additional taxes and fees applied by local governments. Racinos: effective rate of around 36% of gaming revenue. Land-based casino: either a 21.5% tax on gaming revenue or an annual fee of \$60 million, whichever is greater, plus rent and various other payments to local authorities.	39-46% gaming machine revenue; 16% table game revenue	50-62% gaming machine revenue; 20% table game revenue	25% casino gaming revenue; 49% slot parlor gaming revenue	19% casino gaming revenue	11.2% effective rate casino gaming revenue
Maximum initial term of 15 years	Riverboats: \$100,000 annually Landbased: Fees est. by contract with 20-year initial term and 10-year renewal option.	\$80,000 annually	\$3M for every 500 gaming machines; 15-year initial license term	\$600 per gaming machine annually	\$25,000 annually	Licenses valid 3 years but subject to annual fee of \$5,000 and an annual fee per number of games
Gaming Supplier Certification is valid for two years. No licensing fees.	Manufacturer: \$15,000 annually; Supplier: \$3,000 annually	Slot machine distributor: \$75,000 annually; Table games distributor: \$1,000 annually; Gambling service vendor: \$2,000 annually	Manufacturer: \$5,000 annually; Distributor: \$1,000 annually	Gaming Vendor: \$15,000 every three years	Supplier: \$5,000 annually	Manufacturer: \$1,000 annually; Distributor: \$500 annually
Yes	No	No	Yes	Yes	No	Yes
No	Yes	No	No	No	No	No
No	Yes	Yes	Partial	No	Yes	Partial
Yes	Yes	Yes	Yes	Yes	Yes	Yes

STATE BY STATE REGULATIONS, TAXES & FEES *(continued)*

	MISSOURI	NEVADA	NEW JERSEY	NEW MEXICO	NEW YORK
Statutory Funding for Responsible Gaming	\$0.01 of casino admission fee	\$2 per gaming machine	\$600,000 annually plus \$250,000 per Internet gaming licensee	0.25% casino gaming revenue	N/A
Statewide Self-Exclusion	Yes	No	Yes	Yes	Yes
Gambling Age	21	21	21	21	Racinos: 18 Casinos: 21
Smoke-Free (Y/N/Partial)	Partial	No	No	No	Yes
Complimentary Alcohol	No	Yes	yes	No	Yes
Credit	Yes	Yes	Yes	No	No
Restrictions on Operating Hours	No	No	No	Yes	Casinos: No Racinos: Yes (May operate no more than 20 hours a day)
Number of Licenses Allowed	Unlimited	Unlimited	Unlimited	5*	13
Number of Casinos	13	215	7	5	12
Tax Rate	21% casino gaming revenue	6.75% casino gaming revenue	9.25%-10.5% effective rate	46.25% gaming machine revenue	Racinos: 65% gaming machine revenue. Casinos: 37%-45% gaming machine revenue; 10% table game revenue
Casino License Renewal Term and Fee	\$25,000 annually	\$250 per gaming machine as excise tax, plus additional \$80 per machine annually. Table games fees are dependent on the amount of games in operation.	License renewal every 5 years; fee of \$500 per gaming machine annually.	\$4,000 and \$25 per gaming machine annually.	Casinos: \$500 per gaming machine and table game (annually). Racinos: N/A
Supplier License Renewal Term and Fee	Supplier: \$5,000 annually	Manufacturer: \$1,000 annually; Distributor: \$500 annually; Interactive gaming systems: \$25,000 annually.	Gaming Related Casino Service Industry Enterprise: \$5,000 every 5 years	Manufacturer: \$2,000 annually; Distributor: \$400 annually	Investigation fees
Minimum Investment	No	No	Yes	No	Yes
Admissions Tax	Yes	No	No	No	No
Taxation of Promotional Credits (Y/N/Partial)	Yes	No	Partial	Yes	Yes
Withholdings on Winnings	Yes	No	Yes	Yes	Yes

Number of licenses allowed * = Assuming no additional race tracks open in the state.

OHIO	OKLAHOMA	PENNSYLVANIA	RHODE ISLAND	SOUTH DAKOTA	WEST VIRGINIA
2% casino revenue; 0.5% racino revenue	N/A	\$2M or 0.2% casino gaming revenue, whichever greater, plus additional \$3M	\$100,000 per casino	Up to \$30,000 transferred annually from state Gaming Fund	Subject to annual appropriation
Yes	No	Yes	Yes	No	Yes
21	18	21	18	21	21
Yes	No	Partial	Partial	Yes	No
No	No	Yes	Yes	Yes	Yes
Yes	No	Yes	Partial	No	Yes
No	No	No	No	No	No
11*	2*	13	2	Unlimited	5*
11	2	12	2	26	5
Casinos: 33% casino gaming revenue Racinos: 33.5% gaming machine revenue	Rates range in a graduated scale from 35 percent on revenue up to \$10 million, to 50 percent on revenue of more than \$70 million.	54% gaming machine revenue; 35% electronic table game revenue; 16% table game revenue	Gaming operators retain between 26–28.85% of gaming machine revenue; effective rate of 17%-19% on table game revenue	9% casino gaming revenue	53.5% gaming machine revenue; 35% table game revenue
Casinos: \$1.5M license fee every three years; Racinos: \$10,000 every three years.	\$50,000 annually	Casinos/Racinos: \$1.5M every five years; Resort casinos: \$150,000 every five years.	N/A	\$200 annually	\$500,000-\$2.5M annually
Gaming-related vendor: \$15,000 every three years	Manufacturer: \$10,000 annually; Distributor: \$5,000 annually	Initial fees for Manufacturers: \$170,000; Suppliers: \$85,000. Renewal fees every 5 years Manufacturers: \$150,000; Suppliers: \$75,000	Gaming Vendor: \$750 annually	Manufacturer or Distributor: \$1,000 first year, \$250 annual renewal	Manufacturer: \$10,000 annually; Supplier: \$100 annually
Yes	No	No	No	No	No
No	No	No	No	No	No
No	Yes	No	Partial	Yes	Partial
Yes	Yes	Yes	Yes	No	Yes

LEGAL STATUS OF GAMBLING TYPES IN THE U.S.

STATE	Commercial Casinos / Racinos	Tribal Casinos	Card Rooms	Electronic Gaming Devices *	iGaming	Single Game Sports Betting	Lottery	iLottery **	NOTES
Alabama	■ ⁺	■							Class II games only
Alaska		■							Class II games only
Arizona		■				■			
Arkansas				■		■			Instant racing terminals, electronic games of skill, and live table games at racetracks
California		■	■			■			
Colorado	■	■				■			Only limited-stakes gaming at commercial casinos
Connecticut		■				■			
Delaware	■			■		■			Only video lottery terminals (VLTs) & table games at racetracks; online casino is legal. Only parlay betting on NFL games
D.C.						■			
Florida	■	■	■			■			
Georgia						■	■		
Hawaii									
Idaho		■				■			
Illinois	■			■		■	■		
Indiana	■	■				■			Class II games only
Iowa	■	■				■			
Kansas	■	■				■			
Kentucky				■		■	■		Instant racing terminals at racetracks
Louisiana	■	■		■		■			
Maine	■					■	■		
Maryland	■					■			Only VLTs and table games at casinos & racetracks
Massachusetts	■					■			
Michigan	■	■				■	■		
Minnesota		■	■			■			
Mississippi	■	■							
Missouri	■					■			
Montana		■	■	■		■			Sports pools and sports tab games legal, but not commercially operational

STATE	Commercial Casinos / Racinos	Tribal Casinos	Card Rooms	Electronic Gaming Devices *	iGaming	Single Game Sports Betting	Lottery	iLottery **	NOTES
Nebraska		■						■	Class II games only
Nevada	■	■		■	■	■			Online poker is legal
New Hampshire								■	
New Jersey	■				■		■		Online casino is legal
New Mexico	■	■		■				■	Electronic gaming devices legal, but currently limited to charitable gaming venues
New York	■	■					■	■	Only VLTs at racetracks
North Carolina		■					■	■	
North Dakota		■					■	■	
Ohio	■						■		Only VLTs permitted at racetrack casinos
Oklahoma	■	■						■	
Oregon		■		■				■	EGDs and instant racing terminals at racetracks; limited NFL parlay bets legal, but not operational
Pennsylvania	■			■	■		■	■	Retail gaming and iGaming legalized in 2017, but not yet operational; online casino is legal
Rhode Island	■						■		
South Carolina							■		
South Dakota	■	■		■			■		Only limited-stakes gaming at commercial casinos
Tennessee							■		
Texas		■					■		Class II games only
Utah									
Vermont								■	
Virginia							■	■	
Washington		■	■				■		
West Virginia	■			■			■		
Wisconsin		■					■		
Wyoming		■		■			■		Instant racing terminals at racetracks

* Refers to VGTs or instant racing machines in non-casino locations

** iLottery states identified by NASPL and defined as online computer sales and/or mobile device sales. Five of the listed iLottery states (NC, ND, NY, ME, VA) offer online subscription services.

† As of Nov. 2016, certain racetracks are permitted under county law to operate electronic bingo devices. For years, the legal status of these machines has been the subject of protracted dispute among state and local officials.

U.S. GAMING LOCATIONS BY STATE (as of Dec. 31, 2017)

State	COMMERCIAL CASINOS			Tribal Casinos ²	Card Rooms ³	Electronic Gaming Device Locations ⁴
	Land-Based Casinos	Riverboat Casinos ¹	Racinos			
Alabama				3		
Alaska				2		
Arizona				25		
California				74	73	
Colorado	33			2		
Connecticut				2		
Delaware			3			
Florida	3 ⁵		5	7	24	
Idaho				10		
Illinois		10				6,359
Indiana	2	9	2			
Iowa	16	1	2	3		
Kansas	4			5		
Louisiana	1	15	4	5		1,754
Maine	1		1			
Maryland	5		1			
Massachusetts			1			
Michigan	3			24		
Minnesota				41	2	
Mississippi	13	15		3		
Missouri		13				
Montana				13	145	1,436
Nebraska				5		
Nevada	215			4		1,970 ⁶
New Jersey	7					
New Mexico			5	28		
New York	4 ⁷		8	15		
North Carolina				3		
North Dakota				9		
Ohio	4		7			
Oklahoma			2	137		
Oregon				9		2,260
Pennsylvania	6		6			
Rhode Island	2					
South Dakota	26			12		1,335
Texas				2		
Washington				34	56 ⁸	
West Virginia	1		4			1,325
Wisconsin				27		
Wyoming				4		
TOTAL	347	63	50	508	300	17,876

¹ Casinos that are on or connected to a waterway, including in a moat

² Tribal casinos with either Class II and/or Class III games, as listed by the National Indian Gaming Commission as of Dec. 31, 2017

³ Card rooms in states that do not have commercial casinos with poker facilities

⁴ Non-casino or card room locations with legally authorized electronic gaming devices, including but not limited to video lottery terminals and video gaming terminals

⁵ Includes two jai alai frontons

⁶ Properties have 15 or fewer machines

⁷ Includes one land-based casino that offers only VLT machines, as opposed to full casino gaming

⁸ Properties operate blackjack and other house and player-banked games in addition to poker

Gaming revenue or tax revenue from tribal casinos, card rooms or electronic gaming device locations are not counted in this report's commercial casino gaming revenue and tax revenue totals.

Commercial casino locations in Colorado and South Dakota include "limited-stakes" gaming, with limits on how much patrons can wager.

Some commercial casino locations in Maryland, New York, Ohio and Delaware offer video lottery terminal gaming.

SOURCES: American Gaming Association, National Indian Gaming Commission, State Gaming Regulatory Agencies

**COMMERCIAL CASINO GAMING
CONSUMER SPEND (GGR) BY STATE**

2016 vs. 2017

In 2017, 20 of the 24 states with commercial casinos reported increases in annual gross gaming revenue (GGR). The largest increase came in Maryland, reflecting the first full year of operations for a major new resort casino that opened at National Harbor just outside Washington, D.C., in December 2016. The steepest decline came in West Virginia, where the casino industry suffered from the increased competition in the D.C. market.

Eleven states—Colorado, Florida, Kansas, Maine, Maryland, Massachusetts, New York, Ohio, Oklahoma, Pennsylvania and Rhode Island—also recorded record gaming revenue.

State	2016	2017	% Change
Colorado	\$810,793,527	\$828,054,920	2.13%
Delaware	\$403,489,387	\$415,839,612	3.06%
Florida	\$545,954,811	\$546,586,992	0.12%
Illinois	\$1,413,478,305	\$1,407,993,353	-0.39%
Indiana	\$2,216,004,473	\$2,239,892,939	1.08%
Iowa	\$1,446,163,715	\$1,462,923,851	1.16%
Kansas	\$364,326,670	\$389,660,760	6.95%
Louisiana	\$2,537,612,213	\$2,561,260,151	0.93%
Maine	\$133,121,606	\$136,708,968	2.69%
Maryland	\$1,203,287,149	\$1,614,336,584	34.16%
Massachusetts	\$155,041,918	\$164,786,230	6.28%
Michigan	\$1,385,601,766	\$1,400,536,681	1.08%
Mississippi	\$2,122,245,946	\$2,080,088,536	-1.99%
Missouri	\$1,714,969,294	\$1,737,681,489	1.32%
Nevada	\$11,257,147,000	\$11,571,113,000	2.79%
New Jersey	\$2,602,721,427	\$2,659,013,594	2.16%
New Mexico	\$232,366,548	\$227,502,828	-2.09%
New York	\$2,017,692,131	\$2,348,849,886	16.41%
Ohio	\$1,691,442,358	\$1,776,359,721	5.02%
Oklahoma	\$113,314,697	\$124,873,978	10.20%
Pennsylvania	\$3,213,422,269	\$3,226,917,156	0.42%
Rhode Island	\$619,108,871	\$624,851,061	0.93%
South Dakota	\$104,657,456	\$105,448,612	0.76%
West Virginia	\$654,830,480	\$624,639,622	-4.61%
TOTAL	\$38,958,794,017	\$40,275,920,524	3.38%

SOURCE: State Gaming Regulatory Agencies

**COMMERCIAL CASINO DIRECT
GAMING TAX REVENUE BY STATE**

2016 vs. 2017

During 2017, commercial casinos contributed a total of \$9.23 billion in direct gaming taxes to state and local governments across the country. In general, state tax totals reflected underlying trends in state gaming revenue. However, in some cases, growth in state tax revenue lagged behind that of state gaming revenue due to the stronger performance of table games relative to gaming machines, which are often taxed at a higher rate than table games. The \$9.23 billion total reflects only taxes applied to direct gaming revenue, and does not include the billions more paid by the gaming industry as a result of income, sales, property and other corporate taxes.

State	2016	2017	% Change
Colorado	\$117,484,440	\$121,032,779	3.02%
Delaware	\$156,782,222	\$163,839,000	4.50%
Florida	\$191,084,183	\$191,305,445	0.12%
Illinois	\$477,992,638	\$475,454,057	-0.53%
Indiana	\$597,366,282	\$603,350,632	1.00%
Iowa	\$332,343,863	\$336,045,285	1.11%
Kansas	\$91,081,668	\$105,208,406	15.51%
Louisiana	\$604,827,209	\$602,458,550	-0.39%
Maine	\$53,385,913	\$54,570,835	2.22%
Maryland	\$477,429,147	\$582,763,282	22.06%
Massachusetts	\$75,970,554	\$80,745,253	6.28%
Michigan	\$338,338,571	\$340,535,838	0.65%
Mississippi	\$253,908,159	\$252,093,737	-0.71%
Missouri	\$443,560,932	\$445,721,865	0.49%
Nevada	\$900,571,760	\$867,187,745	-3.71%
New Jersey	\$240,223,434	\$247,961,857	3.22%
New Mexico	\$60,996,220	\$59,719,493	-2.09%
New York	\$919,727,981	\$1,022,542,311	11.18%
Ohio	\$564,662,198	\$593,980,120	5.19%
Oklahoma	\$20,833,030	\$24,133,000	15.84%
Pennsylvania	\$1,387,831,363	\$1,432,858,471	3.24%
Rhode Island	\$320,934,382	\$314,090,141	-2.13%
South Dakota	\$15,750,096	\$15,483,002	-1.70%
West Virginia	\$304,659,838	\$293,005,855	-3.83%
TOTAL	\$8,947,746,083	\$9,226,086,959	3.11%

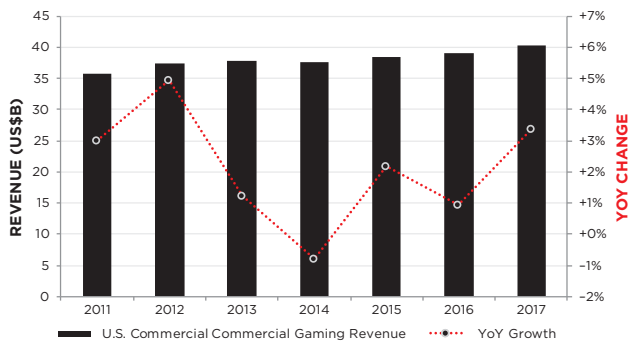
SOURCE: State Gaming Regulatory Agencies

Note: 2016 tax revenue figures for Kansas and Nevada have been revised from the figures initially reported in the previous version of this publication due to the states themselves revising their reported figures.

ANNUAL U.S. COMMERCIAL GAMING REVENUE (US\$B)

2011 to 2017

The U.S. commercial casino industry reported record annual gaming revenue of \$40.28 billion in 2017, the first time the total surpassed \$40 billion.



SOURCE: GCRS estimates, State Gaming Commissions

COMMERCIAL CASINO DIRECT, INDIRECT AND INDUCED JOBS AND WAGES BY STATE

2017

As noted earlier, recent research from Oxford Economics found that the U.S. commercial casino industry directly employed more than 361,000 employees in 2017 and that those employees earned roughly \$17.42 billion in wages, benefits and tips during that time period.

Nevada continues to account for the lion’s share of jobs and wages supported by the commercial gaming industry, though as gaming has expanded to most of the country over the past two decades the number of people working in the industry, or at a vendor that provides goods and services to casinos, has continued to rise.

While direct commercial casino employment and wage information on a state-by-state basis were unavailable at the time of publication, data regarding total supported commercial casino employment and total supported commercial casino wages were available.

Oxford Economics found that commercial casinos supported more than 737,000 direct, indirect or induced jobs in 2017 in the 24 commercial casino states. Those employees, the study found, earned approximately \$34.34 billion in wages, benefits and tips.

Those figures do not include the hundreds of thousands of additional jobs created as a result of tribal gaming operations, nor does it include the jobs supported by the economic activity of the gaming industry in the 26 non-commercial casino states.

State	Jobs	Wages, Benefits and Tips
Colorado	9,638	\$508,458,209
Delaware	5,299	\$217,559,889
Florida	8,180	\$379,528,247
Illinois	15,396	\$863,915,973
Indiana	22,133	\$1,013,224,278
Iowa	15,662	\$617,961,418
Kansas	3,685	\$138,843,253
Louisiana	32,717	\$1,364,766,542
Maine	1,468	\$61,776,481
Maryland	15,364	\$712,690,169
Massachusetts	1,646	\$77,225,189
Michigan	16,371	\$899,761,970
Mississippi	32,884	\$1,395,598,200
Missouri	19,987	\$883,686,104
Nevada	409,444	\$18,655,292,402
New Jersey	39,007	\$2,136,729,631
New Mexico	2,299	\$88,410,558
New York	17,247	\$1,016,458,991
Ohio	19,953	\$804,173,751
Oklahoma	1,162	\$51,275,598
Pennsylvania	33,171	\$1,792,045,489
Rhode Island	5,215	\$257,536,155
South Dakota	1,175	\$46,898,771
West Virginia	8,347	\$360,625,270
TOTAL	737,450	\$34,344,442,538

SOURCE: Oxford Economics

Figures reflect the total direct, indirect and induced employment and labor income. Wages includes salaries, tips, benefits and other labor income.

TOP 20 U.S. COMMERCIAL CASINO MARKETS

2017

In 2017, the Las Vegas Strip held on to its status as America's largest commercial casino market. Meanwhile, the Baltimore/Washington, D.C., market grew to become the fourth-largest commercial casino market following the approval of expanded gaming in Maryland in 2008 and the late-2016 opening of a major new resort casino just outside the nation's capital. Baltimore/Washington, D.C., leapfrogged the New York City market, which still grew year-over-year following the opening of a new gaming location on Long Island.

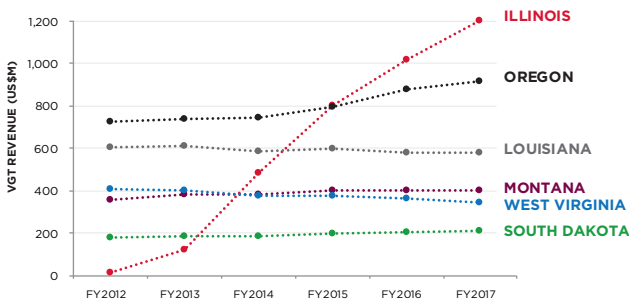
	Market	State(s)	2017 Revenue	Last Ranking
1	Las Vegas Strip	NV	\$6.46B	1 —
2	Atlantic City	NJ	\$2.41B	2 —
3	Chicagoland	IL/IN	\$1.97B	3 —
4	Baltimore/Washington, D.C.	MD/WV	\$1.77B	5 ▲
5	New York City	NY	\$1.57B	4 ▼
6	Detroit	MI	\$1.40B	6 —
7	Philadelphia	PA	\$1.25B	7 —
8	Gulf Coast	MS	\$1.18B	8 —
9	St. Louis	MO/IL	\$1.03B	9 —
10	The Poconos	PA	\$990.5M	10 —
11	Lake Charles	LA	\$899.1M	11 —
12	Boulder Strip	NV	\$813.0M	12 —
13	Kansas City	MO/KS	\$792.6M	13 —
14	Reno/Sparks	NV	\$739.5M	14 —
15	Blackhawk/Central City	CO	\$693.3M	16 ▲
16	Shreveport/Bossier City	LA	\$678.9M	15 ▼
17	Downtown Las Vegas	NV	\$631.2M	22 ▲
18	Cincinnati Area	OH/IN	\$615.9M	18 —
19	New Orleans	LA	\$600.3M	20 ▲
20	Pittsburgh/Meadowlands	PA	\$586.4M	19 ▼

SOURCE: Gambling Compliance, State Gaming Regulatory Agencies

**SELECTED STATES:
ANNUAL DISTRIBUTED
GAMING REVENUE (US\$M)**

FY2012 to FY2017

In 2017, Illinois continued its rapid emergence as the largest distributed gaming jurisdiction in the U.S. by revenue. Distributed gaming refers to electronic gaming devices located in non-commercial casino venues such as bars and taverns. These route-operated gaming machines are legal in eight states, including Nevada, with distributed gaming operations approved for Pennsylvania truck stops in late 2017 as part of the state’s omnibus gaming expansion.



SOURCE: IGB, OR Lottery, LGCB, MT DoJ, WV Lottery, SD Lottery, NMGCB

Note: Data related to Nevada’s distributed gaming market are not included in the chart above because revenue from these locations is not publicly reported.



COMPENDIUM

State of the States

America's commercial casino industry reported gross gaming revenue of \$40.28 billion in 2017, an increase of 3.4 percent over 2016, according to data published by state regulatory agencies.

Overall, 20 of the 24 states with commercial casinos reported gains in revenue versus the year prior, reflecting strong macroeconomic trends and stable operating conditions in most markets.

Consistent with previous years, the rate of growth varied significantly across the country and remained heavily influenced by the impact of new competition.

The state with the largest year-over-year increase in gaming revenue in 2017 was **Maryland** (+34.2%), reflecting the December 2016 opening of a major resort casino at National Harbor. Similarly, the opening of three commercial properties in **New York** (+16.4%) in 2017 pushed gaming revenue in that state sharply higher compared to the year prior.

Elsewhere, the two commercial properties in **Oklahoma** (+10.2%) benefited directly from legislation passed in 2017 allowing them to open on a 24-hour basis. **Kansas** (+7.0%) also reported strong growth after a fourth commercial casino opened in the Southeastern region of the state, while the relatively young casino markets of **Massachusetts** (+6.3%) and **Ohio** (+5.0%) continued to mature during 2017, hitting record annual revenue totals.

Commercial casino revenue also increased in America's largest commercial gaming state, **Nevada** (+2.8%), as strong growth in gaming machine revenue offset a slight decline in tourist visitation to Las Vegas and decreasing revenue from baccarat games favored by international high-rollers.

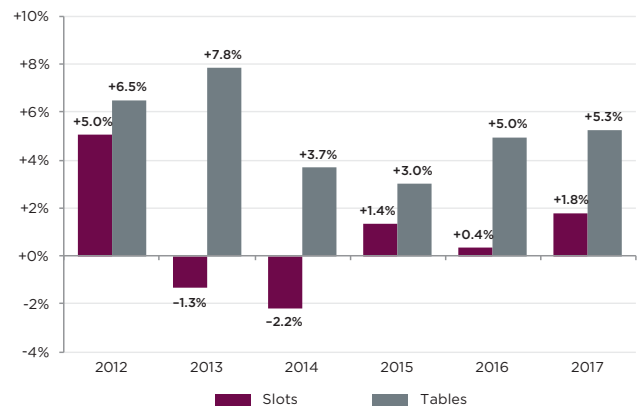
Of the four states reporting lower revenue totals in 2017, **West Virginia** (-4.6%) saw the steepest drop-off, as Mountain State casinos experienced increasing competition from neighboring states.

Commercial casino revenue also declined for the third straight year in **New Mexico** (-2.1%), where a slowdown in the energy industry hit local communities particularly hard.

Selected States: Relative Growth in Slot versus Table Revenue

2012 to 2017

Growth in commercial casino table game revenue outpaced that of gaming machines in 2017, continuing a recent trend of younger patrons expressing a preference for games like blackjack and poker over traditional slot machines.



SOURCE: Gambling Compliance

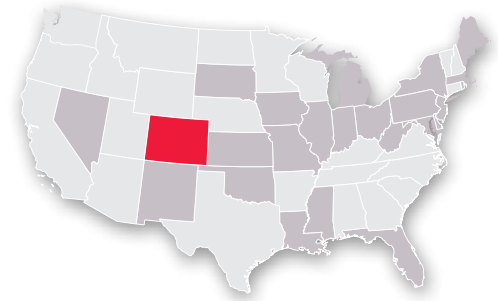
Record annual commercial casino revenue also translated into record tax revenue for state and local governments. In 2017, commercial casinos paid \$9.23 billion in direct gaming taxes, an increase of 3.1 percent from the prior year.

Continuing an industry-wide trend that has seen table games account for a growing share of U.S. casino gaming revenue, **Rhode Island** (+0.9%), **Pennsylvania** (+0.4%) and **Missouri** (+1.3%) all reported stronger revenue due to increased table game performance.

Among the 15 states that report separate revenue statistics for table games and gaming machines, table game revenue grew 5.8 percent year over year, while gaming machines saw a more modest growth rate of 1.8 percent.

Colorado

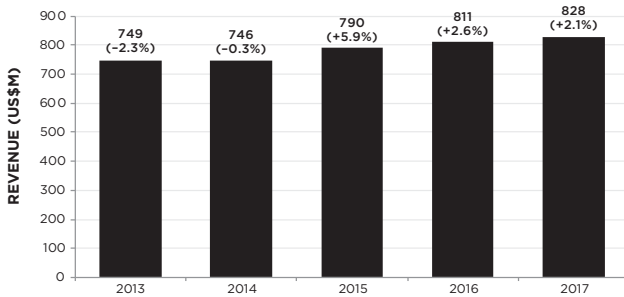
Number of Commercial Casinos	33
Casino Format	Land-Based Casinos
Regulatory Authority	Colorado Division of Gaming; Colorado Limited Gaming Control Commission
Gross Casino Gaming Revenue 2017	\$828.1M
Gaming Tax Revenue 2017	\$121.0M



In 2017, total statewide commercial casino gaming revenue was \$828.1 million, representing a 2.1 percent increase from 2016 and a new record for the Centennial State’s commercial casino industry.

Colorado: Annual Commercial Casino Gaming Revenue (US\$M)

2013 to 2017



SOURCE: Colorado Department of Revenue

MARKET OVERVIEW

Colorado offers commercial casino gaming at 33 facilities in three historic towns—Black Hawk, Central City and Cripple Creek—which were approved for gaming by voters in a 1990 statewide ballot initiative. The first location opened in 1991. The casinos, which operate gaming machines and table games, are regulated by the Colorado Division of Gaming and Colorado Limited Gaming Control Commission.

Colorado is one of two states, along with South Dakota, that subjects its commercial casinos to limits on maximum wagers. Gaming at Colorado casinos was last expanded in 2008 when voters approved Initiative 50, a ballot measure authorizing additional table games for craps and roulette, a higher single-bet limit of \$100 and extended operating hours.

There is no statutory limit on the number of commercial casinos that may operate across the three towns eligible to host casino gaming in Colorado.

Market Performance

In 2017, total statewide commercial casino gaming revenue was \$828.1 million, up 2.1 percent against 2016.

Total statewide gaming machine revenue was \$722.5 million, up 1.8 percent relative to 2016, while total statewide table game revenue was \$105.6 million, up 4.7 percent.

Revenue growth was spread relatively evenly across the Black Hawk, Central City and Cripple Creek markets. Gaming revenue in Black Hawk was \$621.4 million, up 1.9 percent relative to 2016. Gaming revenue in Cripple Creek was \$134.7 million, up 2.5 percent, while in Central City, gaming revenue was \$71.9 million, up 3.2 percent.

The 2017 gaming revenue total was the highest ever recorded by Colorado’s commercial casino industry, surpassing the previous record set in 2007 and reflecting strong growth in the Colorado economy. The growth came despite the closure of two Black Hawk casino venues in May 2017.

Unlike many other jurisdictions, Colorado’s gaming regulator is responsible for establishing the applicable tax rate on an annual basis. However, the Colorado Constitution provides that if the Limited Gaming Control Commission decides to raise tax rates higher than the maximum 20 percent rate in place on July 1, 2008, voters statewide would need to approve the increase.

In 2017, Colorado commercial casinos paid \$121.0M, or 14.6%, of their gaming revenue in taxes.

After accounting for gaming oversight and other costs, the state government distributed more than \$100 million in commercial casino tax revenue to specific causes, including the Colorado Travel and Tourism Promotion Fund and the State Historical Fund. The historical fund, which was created by the 1990 constitutional amendment that first authorized casino gaming in Colorado, allocates monies annually for the restoration and preservation of historic sites throughout the state.

Further beneficiaries of gaming tax revenue in 2017 included Colorado colleges as well as the city and county local governments that host casinos.

Gaming Tax Distribution

Colorado Gaming Tax

CASINO GAMING REVENUE	TAX RATE APPLIED
\$0-\$2M	0.25%
\$2M-\$5M	2%
\$5M-\$8M	9%
\$8M-\$10M	11%
\$10M-\$13M	16%
\$13M+	20%

Colorado applies a graduated tax to casino gaming revenue, ranging from 0.25 percent on gaming revenue up to \$2 million, to 20 percent on gaming revenue of more than \$13 million.

Competitive Landscape

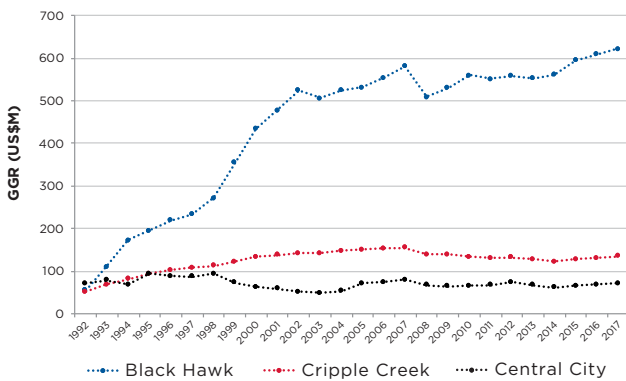
Colorado’s commercial casinos face competition from two in-state tribal casinos, which are not regulated by the state.

The competitive environment for Colorado’s commercial casinos is likely to remain stable in the near term. A 2014 ballot initiative to expand gaming at Colorado racetracks, including Arapahoe Park near Denver, was heavily defeated by voters, and supporters of the proposal have yet to announce any plans to try again.

Colorado: Annual Commercial Casino Gaming Revenue By Market (US\$M)

1992 to 2017

In 2017, commercial casinos in the Black Hawk market continued to generate the lion’s share of Colorado’s gaming business, bringing in more than three-quarters of the state’s commercial casino gaming revenue.



SOURCE: Colorado Division of Gaming

Fantasy Sports

A licensing and regulatory regime for fantasy sports contests took effect in July 2017, as the Colorado Department of Regulatory Agencies implemented a 2016 law that exempted fantasy sports from the state’s gaming prohibitions.

The regulations require larger fantasy sports operators to be formally licensed in order to offer contests to Coloradans. Smaller providers, however, need only to register with the department.

POLICY AND REGULATORY REVIEW

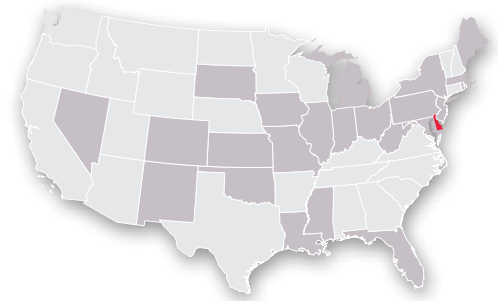
Taxation

The Limited Gaming Control Commission voted in June to reject a regulatory amendment proposed by the Colorado Gaming Association that would have allowed casino operators to claim a tax rebate for electronic promotional credits provided to patrons.

Although commissioners welcomed the idea, they questioned whether the commission had constitutional authority to implement the rule change. The proposed regulation also faced some opposition from certain casino operators that do not currently use an electronic system to provide free-play to customers.

Delaware

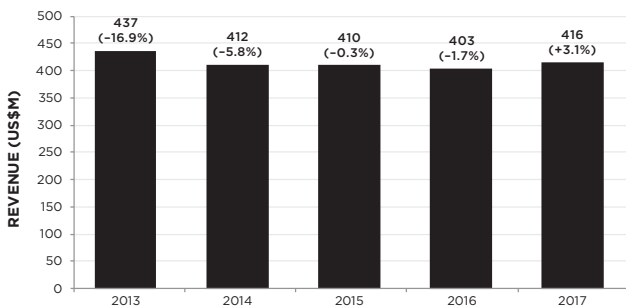
Number of Commercial Casinos	3
Casino Format	Racinos
Notable Forms of Gaming	Online Casino; Sports Betting
Regulatory Authority	Delaware Lottery; Delaware Division of Gaming Enforcement
Gross Casino Gaming Revenue 2017	\$415.8M
Gaming Tax Revenue 2017	\$163.8M



In 2017, total statewide commercial casino gaming revenue was \$415.8 million, up 3.1 percent. The year-over-year increase was driven by growth in the state’s gaming machine, table game and sports lottery verticals.

Delaware: Annual Commercial Casino Gaming Revenue (US\$M)

2013 to 2017



SOURCE: Delaware Lottery

MARKET OVERVIEW

Delaware offers commercial casino gaming at three racinos; each operates VLTs, table games, limited sports betting and iGaming. The racinos are operated under the authority of the Delaware Lottery, with the Division of Gaming Enforcement responsible for performing licensing investigations and law enforcement matters related to casino gaming.

In 1994, the Delaware legislature approved the Horseracing Redevelopment Act, which authorized racetracks to offer gaming machines. Table games and sports betting, approved by the legislature in 2009 and 2010 respectively, were added later, as was iGaming, which the legislature approved in 2012. Delaware’s first racinos, at Delaware Park and Dover Downs, opened in 1995. Harrington Raceway followed suit in 1996.

The three racinos are permitted to offer a full range of internet casino and poker games in partnership with the Delaware Lottery. Federal restrictions, meanwhile, limited the state’s sports betting operations to parlay wagers on professional football games.

Under Delaware law, racinos must pay a combined total of \$13.25 million in fees, annually, for the right to conduct table game operations. The fee per venue is assessed according to the amount of table game revenue accrued in the preceding fiscal year. Racinos can offset some of the fees against the cost of capital improvements made at their properties. No fees are required to operate other gaming products.

Each racino is initially limited to a maximum of 2,500 gaming machines but can apply for Delaware Lottery approval to operate up to 1,500 additional machines.

Market Performance

In 2017, total statewide commercial casino gaming revenue was \$415.8 million, up 3.1 percent against 2016.

The increase reflected growth in the state's gaming machine and table game verticals. Total statewide gaming machine revenue was \$354.0 million, up 2.3 percent year-over-year, while total statewide table game revenue came in at \$54.7 million, up 3.9 percent.

Total sports betting revenue from Delaware racinos was \$4.8 million, up from \$1.9 million in 2016, while total statewide iGaming revenue was \$2.4 million, down from \$2.9 million.

Gaming Tax Distribution

Delaware's racinos must pay an effective tax rate of 58 percent on their gross gaming machine revenue. They also must pay a 33.9 percent effective tax rate on their gross table game revenue.

The effective taxation structure applied to iGaming offerings is roughly the same as the structure applied to the equivalent games in racinos. However, racinos are entitled to a share of iGaming revenue only after the total amount generated in any year surpasses \$3.75 million.

In 2017, Delaware's racinos generated total gaming tax revenue of approximately \$163.8 million, up from \$156.8 million in 2016. That sum was returned to Delaware's General Fund. Monies in the fund are appropriated annually for various purposes, including public and higher education, health and social services and public safety.

Competitive Landscape

Like Atlantic City's casinos in nearby New Jersey, Delaware racinos have battled a significant expansion of gaming competition in neighboring Maryland and Pennsylvania.

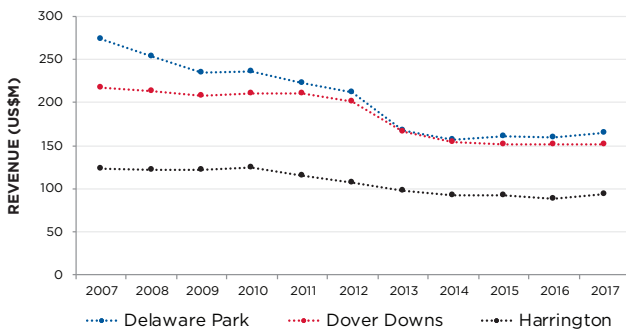
In 2017, there was little sign of the competitive pressures abating. In Pennsylvania, a massive expansion of gaming was enacted that will allow, among other things, up to 10 new satellite casinos, casino-run iGaming and video gaming terminals at truck stops. Pennsylvania's expansion also allows for sports betting, pursuant to an applicable change in federal law. Delaware again held a monopoly on legal sports betting on the east coast in 2017, as its parlay betting on NFL games was the only commercial sports betting scheme outside of Nevada.

Pennsylvania regulators were expected to begin issuing regulations to usher in the expansion in 2018.

Delaware: Annual Commercial Casino Gaming Revenue By Property

2007 to 2017

Delaware’s gaming revenue has fallen sharply since the opening of Maryland’s casinos in 2010. Delaware Park, near Wilmington, had already suffered sharp revenue declines at the time of Pennsylvania’s approval of commercial casinos in 2004.



SOURCE: Delaware Lottery

Fantasy Sports

During 2017, Delaware joined the fast-growing ranks of states that have passed laws to regulate fantasy sports contests.

The law tasks the Delaware Division of Gaming Enforcement with licensing and regulating fantasy sports operators. Delaware is among a handful of states, including Maine and Missouri, that have empowered state gaming authorities to oversee fantasy sports operations.

POLICY AND REGULATORY REVIEW

Regulatory Reform

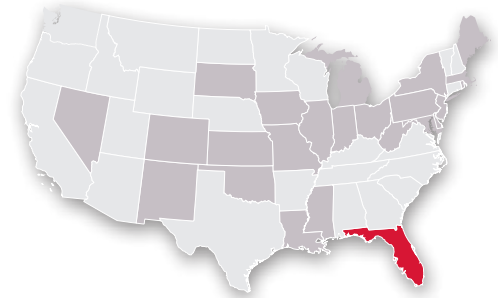
Delaware’s racinos were again left disappointed in 2017 as lawmakers declined to reintroduce legislation from previous sessions that would bolster the competitiveness of the state’s gaming industry.

Legislation considered in previous years would have removed an annual table games license fee and gradually reduced the effective gaming tax rate applied to racinos’ table game and gaming machine revenue. However, no such bill was introduced in 2017.

Despite the lack of legislative progress on regulatory reforms, the Delaware Video Lottery Advisory Council, an advisory group composed of racino executives and lottery officials that meets quarterly pursuant to a 2003 state law, again urged the state to consider tax relief measures.

Florida

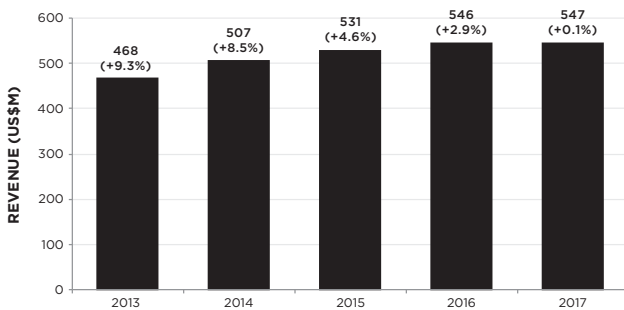
Number of Commercial Casinos	8
Casino Format	Land-Based Casinos; Racinos
Notable Forms of Gaming	Jai Alai Betting
Regulatory Authority	Florida Department of Business and Professional Regulation, Division of Pari-Mutuel Wagering
Gross Casino Gaming Revenue 2017	\$546.6M
Gaming Tax Revenue 2017	\$191.3M



In 2017, total statewide commercial casino gaming revenue was \$546.6 million, up 0.1 percent. It was the market’s eighth consecutive year of growth, with the increases coming despite the impact of Hurricane Irma on casino facilities.

Florida: Annual Commercial Casino Gaming Revenue (US\$M)

2013 to 2017



SOURCE: Florida Division of Pari-Mutuel Wagering

MARKET OVERVIEW

Florida offers commercial casino gaming at eight properties, each of which operates gaming machines. The commercial properties are regulated by the Florida Department of Business and Professional Regulation.

In 2004, voters amended the Florida Constitution to allow gaming machines at eligible pari-mutuel facilities in Broward County and Miami-Dade County, subject to voter approval in those counties. Broward voters approved casino operations in 2005, and Miami-Dade voters followed suit in 2008. The first Broward casino, Gulfstream Park, opened in 2006, and the first in Miami-Dade, Magic City Casino, opened in 2009.

To qualify for a casino license, a property must have been in existence in 2004, when the state constitutional amendment was enacted, and also have conducted live racing or jai alai games during calendar years 2002 and 2003.

Properties are limited to a maximum 2,000 gaming machines each and are required to pay an annual licensing fee of \$2 million plus a \$250,000 regulatory fee to help fund Florida’s compulsive gambling program.

Market Performance

In 2017, total statewide commercial casino gaming revenue was \$546.6 million, up 0.1 percent against 2016. Notably, total statewide gaming revenue has risen in every year, with the exception of the height of the Great Recession in 2009, since commercial casino gaming operations commenced in 2006.

Growth in total statewide gaming revenue would have been higher in 2017 had it not been for the impact of Hurricane Irma, which hit South Florida in early September. Each of Florida’s pari-mutuel facilities was shuttered for several days to protect the safety of patrons during the storm.

Mardi Gras Casino in Hallandale Beach, in particular, sustained significant damage to its gaming area. At the close of 2017, the casino portion of the pari-mutuel facility had yet to reopen.

Gaming Tax Distribution

Florida properties are taxed at a rate of 35 percent of gaming machine revenue.

In 2017, gaming machines offered by Florida properties generated total gaming tax revenue of approximately \$191.3 million, up from \$191.1 million in 2016.

Under Florida law, all tax revenue from commercial gaming machines is distributed to Florida’s Educational Enhancement Trust Fund. The fund was established in 1986 to receive revenue from the then-newly created Florida Lottery and distribute monies annually to Florida school districts, public colleges and universities. Additional sums are also used to provide financial aid to Florida students.

Notably, gaming machine revenue was originally taxed at a 50 percent rate, but the rate was lowered to 35 percent in 2010 when Florida agreed to a tribal gaming compact with the Seminole Tribe. In recent years, lawmakers have also discussed lowering the rate to 30 or 25 percent as part of legislation to expand gaming outside of Miami-Dade and Broward counties.

Competitive Landscape

Florida properties face significant competition from the state’s seven tribal casinos. In accordance with federal court rulings and a 2010 gaming compact, only the Seminole Tribe’s casinos may offer banked card games, such as blackjack and baccarat, while gaming machines are limited to pari-mutuel facilities in Miami-Dade and Broward counties.

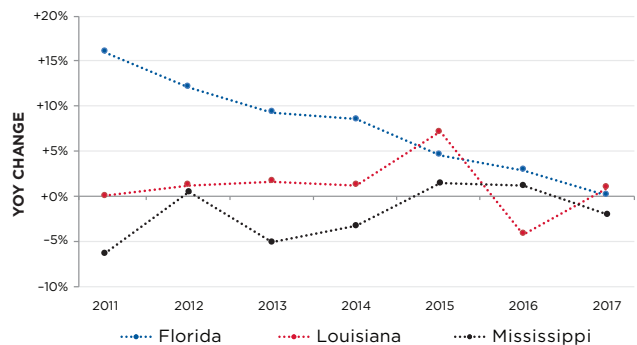
Racetracks and jai alai frontons in other Florida counties also offer gaming but are limited to the operation of non-banked card games, such as poker.

Florida’s gaming landscape has remained largely stable for the past decade, despite ongoing debate about potential expansion among members of the state legislature. Lawmakers have intensely discussed a series of gambling proposals in recent years to expand the range of games at Seminole casinos, permit gaming machines at additional Florida racetracks and possibly authorize a handful of integrated resort casinos, without ever being able to reach an agreement on a package of gambling reforms.

Southeast U.S.: Annual Commercial Casino Gaming Revenue Growth By State (US\$M)

2011 to 2017

Florida saw its seventh-consecutive year of declining growth in commercial casino gaming revenue, posting 0.1 percent year-over-year gains, down from 2.9% growth the year prior.



SOURCE: FL Division of Pari-Mutuel Wagering, LA Gaming Control Board, MS Gaming Commission

POLICY AND REGULATORY REVIEW

Expansion

Florida lawmakers came close to agreeing on a meaningful expansion of gaming in 2017, when the state House and Senate both passed separate bills in March to authorize a new compact with the Seminole Tribe and introduce various reforms to the state's gaming laws. Ultimately, however, representatives of the two chambers could not reach an agreement on a final proposal to reconcile differences between their proposals.

Among other things, lawmakers agreed to allow craps and roulette games at Seminole casinos in return for a higher share of revenue from tribal gaming. However, divisions over whether to permit pari-mutuel facilities outside of Miami-Dade and Broward counties to offer gaming machines proved to be unresolvable.

The legislative debate came just a few weeks before a closely watched state Supreme Court decision that denied the petition of eight Florida counties beyond Miami-Dade and Broward to install gaming machines at local racetracks without the express approval of the state legislature.

Constitutional Change

In another significant court decision, the Florida Supreme Court agreed in April 2017 to allow anti-gaming campaigners to proceed with a ballot initiative to amend the state's constitution and potentially set a higher bar for any future gaming expansion.

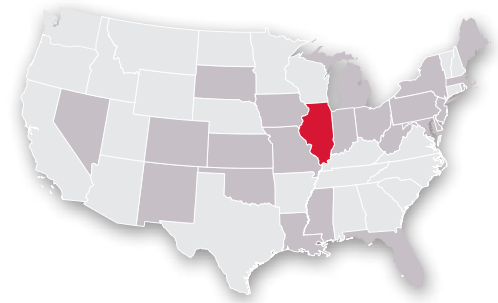
If the constitutional amendment is backed by a majority of Florida voters in a November 2018 statewide referendum, any expansion of commercial gaming would have to be approved by voters through a public ballot initiative. That would effectively take future decisions over expanded gambling out of the hands of the state legislature.

Regulatory Reform

Florida's Division of Pari-Mutuel Wagering adopted several changes to the state's gaming machine regulations in 2017. Among other things, new rules that took effect in May recognize the use of server-based gaming systems and wide-area progressive jackpots in commercial gaming machine operations. The updated rules also permit fingerprints of license applicants to be submitted electronically and introduce changes to shipping requirements for gaming machine components.

Illinois

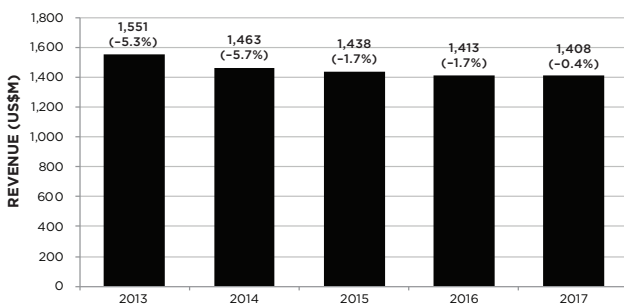
Number of Commercial Casinos	10
Casino Format	Riverboat Casinos
Regulatory Authority	Illinois Gaming Board
Gross Casino Gaming Revenue 2017	\$1.41B
Casino Tax Revenue 2017	\$475.5M



In 2017, total statewide commercial casino gaming revenue was \$1.41 billion, down 0.4 percent. It was the market’s fifth straight year of contracting revenue since video gaming terminals were deployed in non-commercial casino locations, such as bars and taverns, in 2012.

Illinois: Annual Commercial Casino Gaming Revenue (US\$M)

2013 to 2017



SOURCE: Illinois Gaming Board

MARKET OVERVIEW

Illinois offers commercial casino gaming at 10 riverboat casinos, each of which operates gaming machines and table games. The casinos are regulated by the Illinois Gaming Board.

In 1990, the Illinois legislature approved the Riverboat Gambling Act, which authorized the Gaming Board to grant up to 10 casino licenses. Each casino may operate up to 1,200 gaming positions—meaning both gaming machines and table games—at a maximum of two riverboat vessels at a single, specified dock site.

Illinois’ first casino, Argosy Casino Alton, opened in 1991. The state’s most recent casino, Rivers Casino in Des Plaines, opened in 2011.

In 2009, the Illinois legislature approved the Video Gaming Act, which authorized bars and taverns in participating municipalities to each operate up to five VGTs. The first VGTs became operational three years later.

Market Performance

In 2017, total statewide commercial casino gaming revenue was \$1.41 billion, down 0.4 percent against 2016. Continuing the trend of recent years, the decrease in total statewide gaming revenue was primarily attributable to the impact of VGTs on casinos' gaming machine revenue.

Total statewide gaming machine revenue at riverboat casinos was \$1.10 billion, down 1.3 percent relative to 2016. In contrast, total statewide table game revenue was \$303.4 million, up 2.9 percent.

Notably, statewide table game revenue grew every year since VGTs were first deployed to Illinois bars and other convenience venues. Over the same five-year period, casino gaming machine revenue dropped by 19.8 percent, while total annual casino admissions have fallen 27.6 percent.

By comparison, total statewide VGT revenue in bars and other locations in 2017 was \$1.30 billion, up 17.6 percent from 2016 and surpassing revenue from casino gaming machines for the first time.

Gaming Tax Distribution

Illinois Gaming Tax

CASINO GAMING REVENUE	TAX RATE APPLIED
\$0-\$25M	15%
\$25M-\$50M	22.5%
\$50M-\$75M	27.5%
\$75M-\$100M	32.5%
\$100M-\$150M	37.5%
\$150M-\$200M	45%
\$200M+	50%

Illinois applies a graduated tax to casino gaming revenue, ranging from 15 percent on gaming revenue up to \$25 million, to 50 percent on gaming revenue of more than \$200 million. Illinois also imposes an admissions tax of \$2 per patron at Jumer's Casino and \$3 at all other casinos.

In 2017, Illinois commercial casinos paid approximately \$475.5 million, or 34 percent of their gross gaming revenue, in taxes.

Illinois riverboat casinos generated total gaming tax revenue of approximately \$475.5 million in 2017, down slightly from \$478.00 million in 2016.

Of that amount, roughly \$393.4 million was paid to the state government with the majority of state tax revenue then redistributed to Illinois' Education Assistance Fund.

Other recipients of state gaming tax revenue in 2017 included the Illinois School Infrastructure Fund, the Cook County Criminal Justice System and Chicago State University. Meanwhile, approximately \$82.1 million in taxes was generated for local governments that host casinos.

Competitive Landscape

Illinois casinos compete with rival properties in several neighboring states.

Specifically, casinos in the Chicago area face competition from a trio of properties in Northwestern Indiana, while two casinos in Southwestern Illinois compete with properties in Missouri for customers in the St. Louis market. No new casino venues are currently under consideration in either Indiana or Missouri. Still, Illinois casinos serving the Chicago market do face the prospect of rival riverboat properties in Northwestern Indiana moving to larger venues located on dry land, in line with a 2015 gaming reform law.

With all available licenses awarded, no additional casino openings are expected in Illinois in the near term. However, state lawmakers continued in 2017 to discuss the possibility of authorizing six new casinos, including a major, city-owned resort in downtown Chicago.

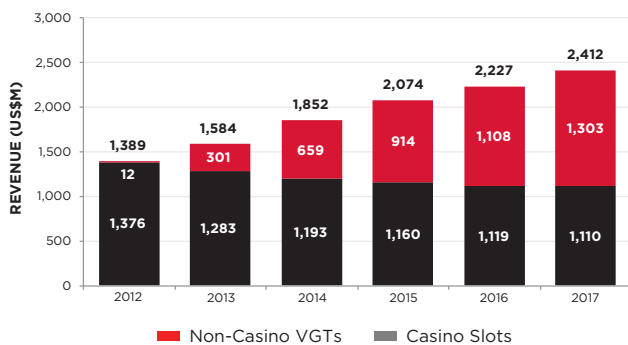
A more immediate competitive challenge for casinos comes from ongoing expansion of the state's VGT market. At the end of 2017, there were 28,271 VGTs in 6,359 venues in Illinois, up from 24,840 VGTs in 5,726 venues 12 months prior.

A municipal ordinance has restricted VGTs from being placed at bars and other eligible locations within the City of Chicago. Any future reversal of that Chicago prohibition could unleash more than 10,000 additional VGTs in the Illinois market.

Illinois: Annual Gaming Machine Revenue By Gaming Type (US\$M)

2012 to 2017

In 2017, VGT revenue surpassed commercial casino slot machine revenue for the first time. Between 2013 and 2017, total statewide VGT revenue grew on a year-over-year basis, while casino slot machine revenue declined.



SOURCE: Illinois Gaming Board

POLICY AND REGULATORY REVIEW

Expansion

The Illinois General Assembly came close to enacting two gaming expansion packages in May 2017, when the Senate passed two bills. The state House, however, ultimately failed to move either piece of legislation.

The first bill passed by the Senate would have authorized six new casinos, including a large resort in downtown Chicago, plus gaming machines at racetracks and additional gaming positions at established riverboat casinos. Meanwhile, a second measure passed by the Senate would have allowed for riverboat casinos and racetracks to

apply for licenses to operate internet casino and poker games, and affirmatively legalized fantasy sports contests.

The bills' passage marked yet another occasion where the Illinois Senate has passed gambling expansion legislation, only for the bills to stall in the House of Representatives.

Video Gaming Terminals

The Illinois Senate approved a bill in May 2017 to increase the maximum wager at VGTs from \$2 to \$4, with maximum payouts rising from \$500 to \$1,100.

VGT advocates insisted the bill would not mark an expansion of gaming, as it would not lead to additional locations becoming eligible to host gaming machines nor increase the number of VGTs permitted in each venue. At the conclusion of 2017, the bill remained pending in the Illinois House Gaming Committee.

Also in 2017, several Illinois municipalities considered reversing local restrictions prohibiting VGTs within their jurisdictions. As of the end of the year, approximately 37 percent of the state's population was residing in a municipality banning VGTs, according to Illinois' Commission on Government Forecasting and Accountability.

Regulatory Reform

A regulatory amendment adopted by the Illinois Gaming Board in September removed a previous requirement that licensed employees wear identification badges that include their social security numbers. Regulators concluded that the requirement was no longer necessary for identification purposes, while "its display can potentially cause identity violations."

IN FOCUS

Tribal Gaming



© Randy Duchaine / Alamy Stock Photo

It seems both astonishing and appropriate to see U.S. tribal gaming mushroom into a \$32 billion industry almost exactly 30 years after President Ronald Reagan signed the Indian Gaming Regulatory Act (IGRA) into law.

In February 2017, tribes across America commemorated the 30th anniversary of the U.S. Supreme Court's ruling in *California v. Cabazon*, which set the wheels in motion for the enactment of IGRA on October 17, 1988.

On March 7, 2000, California voters amended the California Constitution through the passage of Proposition 5. The proposition authorized the creation of Nevada-style casinos on tribal land within California borders. This decision prevailed despite early opposition from some Nevada gaming companies concerned about the competitive threat of tribal gaming.

Since then, California's tribal gaming market has grown to be worth more than that of the Las Vegas Strip, surpassing \$8 billion in annual revenue for the first time in 2016. The vote in California also ushered in a new era in which commercial casinos began reaching out to their tribal counterparts to form symbiotic partnerships.

It would be a mistake, however, to suggest that tribes are uniformly positive about IGRA, Proposition 5 or other state legal frameworks that accommodate tribal gaming.

From the perspective of tribes, IGRA violated the sovereignty of sovereign tribal nations by forcing them to negotiate gambling compacts with states in order to conduct Class III, or casino-style, gaming on their reservation lands. Yet IGRA also set into motion an unparalleled economic opportunity for sovereign tribal nations, giving tribal gaming investors legal assurance and opening up a major new market for gaming equipment manufacturers.

After 30 years, the bottom line is that tribal gaming has evolved not only into an established segment of the gaming industry, but also a very vibrant one.

The most recent figures from the National Indian Gaming Commission indicate total nationwide tribal gaming revenue reached \$32.40 billion in 2017, up from \$31.20 billion the prior year and accounting for 45 percent of the overall U.S. casino market.

Ernie Stevens, Jr., chairman of the National Indian Gaming Association, has seen tribal gaming revenue almost triple from \$11 billion since he took over in 2000.

"After years of challenges with IGRA, our number one priority all along has been to retain our rights to conduct gaming, to improve the standard of living and provide for a better quality of life for tribal members," Stevens said.

Steadily growing revenue is just one marker of tribal gaming's economic footprint. In line with Congress' intent in passing IGRA, casino operations have strengthened sovereign tribal governments and helped many tribes achieve economic self-sufficiency, both within and outside the gaming industry.

Tribal casinos have contributed significantly to the U.S. economy, as well.

According to 2017 research commissioned by the AGA, tribal gaming operations supported some 635,000 direct, indirect and induced jobs, and generated \$96.64 billion in total annual economic output.

The study, which was executed by Nathan Associates, found gaming tribes also paid \$16 billion to federal, state and local governments.

Under IGRA, tribes regulate Class III gaming with dual oversight by states subject to the terms of compacts agreed to between the two governments. Although tribal gaming revenue may not be taxed, states may receive a share of Class III gaming revenue provided that tribes

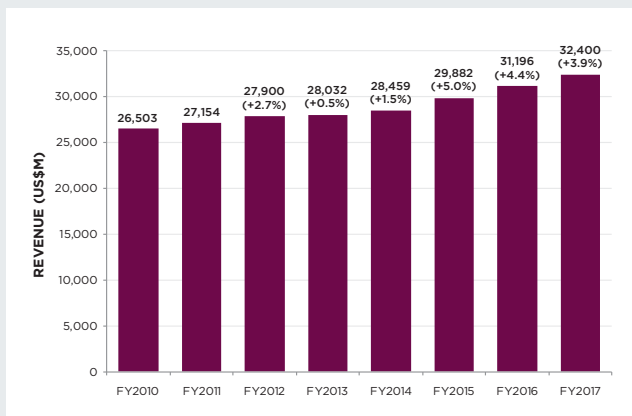
receive some kind of benefit in return, such as the exclusive right to operate casino games.

It was not until the *Colorado River Indian Tribe v. National Indian Gaming Commission* decision in August 2005 that it was determined that the NIGC did not have the authority to regulate Class III gaming. At the time, a number of tribal-state compacts were already in place and refer to NIGC Minimum Internal Control Standards.

Tribes, meanwhile, regulate their own Class II games, such as bingo, in accordance with federal minimum standards set by the NIGC. Such games do not require a compact and cannot be subject to revenue sharing with states.

United States: Annual Tribal Casino Gaming Revenue (US\$M)

FY2010 to FY2016



SOURCE: National Indian Gaming Commission

The effectiveness of tribal gaming regulators has certainly come a long way since the early days of the post-IGRA era when tribal gaming advocates had to overcome deep skepticism from both state and federal policymakers.

Such skepticism even played a role in shaping what is perhaps the most prominent issue today in the gaming industry—sports betting.

Former U.S. Senator Dennis DeConcini of Arizona authored the Professional and Amateur Sports Protection Act (PASPA), which banned sports betting in most states, in part because he was worried about the potential infiltration of organized crime on poor Arizona reservations with gaming operations.

Twenty-five years later, DeConcini said he has changed his mind and is not concerned about sovereign tribal nations’ ability to regulate gaming.

“I know in Arizona, the economic benefit from gaming has been substantial on some very, very poor reservations,” DeConcini said.

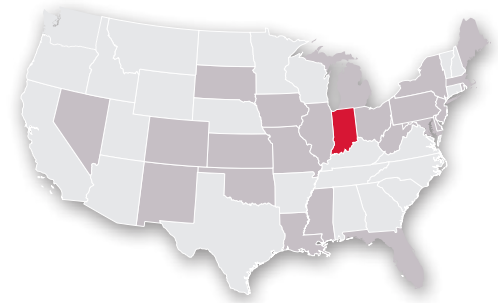
Tribal gaming still has some implacable foes on Capitol Hill. But the attitude of Congress, which was originally palpably hostile toward tribal gaming, has mellowed considerably in recent years.

As tribal gaming has grown, industry representatives have effectively educated members of Congress regarding tribal sovereignty and the benefits of tribal gaming as a job creator and economic engine within their districts. In turn, tribes have been able to assert greater political influence on Capitol Hill.

Thirty years after IGRA, Kathryn Rand, dean of the University of North Dakota School of Law, and Steven Light, the university’s associate vice president of academic affairs, stand by a statement they submitted to the Senate Committee on Indian Affairs in 2013 for a hearing to mark the statute’s silver anniversary.

“While IGRA is not without its compromises, challenges and costs—some of which were unforeseen in 1988—tribal gaming writ large is working for American Indian tribes and people as an extension of their sovereignty.”

Indiana

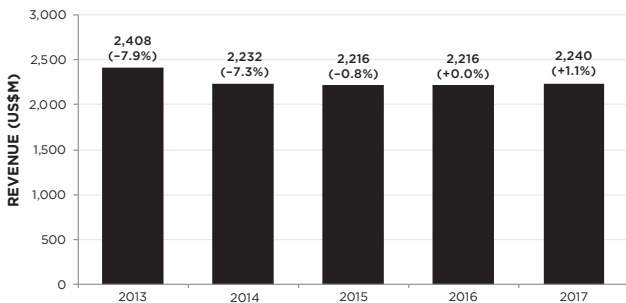


Number of Commercial Casinos	13
Casino Format	Land-Based Casinos; Riverboat Casinos; Racinos
Regulatory Authority	Indiana Gaming Commission
Gross Casino Gaming Revenue 2017	\$2.24B
Gaming Tax Revenue 2017	\$603.4M

In 2017, total statewide commercial casino gaming revenue was \$2.24 billion, up 1.1 percent. The year-over-year increase was driven by growth in the state’s gaming machine vertical.

Indiana: Annual Commercial Casino Gaming Revenue (US\$M)

2013 to 2017



SOURCE: Indiana Gaming Commission

MARKET OVERVIEW

Indiana offers commercial casino gaming at nine riverboat casinos and two land-based casinos, each of which operates gaming machines and table games. In addition, two racinos operate gaming machines and electronic versions of table games. Commercial casinos are regulated by the Indiana Gaming Commission.

In 1993, the Indiana legislature approved the Riverboat Gambling Act, which authorized the Gaming Commission to grant up to 10 casino licenses. Indiana’s first commercial casino, Tropicana Evansville, opened in 1995, and its first racino, Hoosier Park, opened in 2008. Legislation authorizing an 11th casino within a “historic hotel district” was approved in 2004, and another bill authorizing the installation of gaming machines at racetracks was approved in 2006. In 2015, the state legislature authorized racinos to offer live-dealer table games, but the change will not take effect until 2021.

Racinos may offer up to 2,000 gaming machines each unless the Gaming Commission approves the installation of additional machines. However, there is no limit on the number of gaming machines a riverboat may offer.

Market Performance

In 2017, total statewide commercial casino gaming revenue was \$2.24 billion, up 1.1 percent against 2016. That included \$1.91 billion in revenue from gaming machines (up 1.2 percent from 2016) and \$331.3 million from table games (up less than 1 percent).

The 2017 total marked the first time Indiana reported growth in statewide gaming revenue since 2012, when the first of an eventual 11 casinos and racinos opened in neighboring Ohio. After sharp initial declines, the Indiana market began to stabilize in 2014, when the last of Ohio's new gaming facilities commenced operations.

In 2017, combined total revenue at the three riverboat casinos in Southeastern Indiana was \$335.4 million, down less than 1 percent relative to 2016, but down 47 percent overall since 2012. The three casinos have historically competed for customers from the Cincinnati market.

Gaming Tax Distribution

Indiana Riverboat Gaming Tax

CASINO GAMING REVENUE	TAX RATE APPLIED
\$0-\$25M	15%
\$25M-\$50M	20%
\$50M-\$75M	25%
\$75M-\$150M	30%
\$150M-\$600M	35%
\$600M+	40%

Indiana applies a graduated tax to riverboat casino gaming revenue, ranging from 15 percent on gaming revenue of up to \$25 million, to 40 percent on gaming revenue of more than \$600 million. Riverboat casinos, depending on where they are located, must also pay an admissions fee to the state in an amount equal to \$3 per patron admitted. Racinos, meanwhile, are taxed at a rate of 25 percent of revenue up to \$100 million; 30 percent on revenue from \$100 million to \$200 million; and 35 percent

on revenue exceeding \$200 million. In 2017, commercial casinos paid a total of \$603.4 million, or 26.9 percent of their revenue, in taxes. That figure increased from \$597.4 million in 2016.

Pursuant to state law, the majority of gaming tax revenue is held in Indiana's General Fund and used for general state budgetary purposes. Additional funds are used to cover gaming regulatory costs, support Indiana's horse racing industry, and are distributed among Indiana's local city and county governments, among other things.

The Indiana cities and counties that host casinos each receive one-third of the state's \$3 tax on casino admissions. Host cities also receive an additional portion of total gaming tax revenue, while those city and county governments without casinos in their jurisdictions share an annual amount of \$33 million among them.

Competitive Landscape

In 2017, the Pokagon Tribe finalized construction on Indiana's first tribal casino in the city of South Bend, near the Michigan border. The Class II facility, which is slated to open in early 2018, will compete against commercial casinos in Northwestern Indiana.

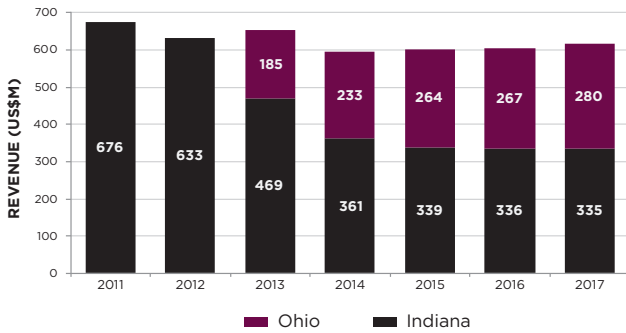
Indiana's casinos and racinos also compete with various facilities in neighboring states. In addition to Ohio casinos and racinos near Cincinnati, certain casinos in Northwestern Indiana also compete for patrons from the Greater Chicago market with gaming venues located in Illinois. In 2017, legislation that would further expand the Illinois casino market—including the authorization of a resort casino in downtown Chicago—was approved by the Illinois Senate, setting the stage for possible further action on the closely watched bill in 2018.

Meanwhile, Indiana casinos have also had to confront the ongoing expansion of Illinois' convenience gaming market ever since VGTs were first launched in bars and other locations in 2012. In 2017, the total number of VGTs in Illinois was 28,271, up 13.8 percent versus 2016.

Cincinnati Market: Annual Commercial Casino Gaming Revenue By State (US\$M)

2011 to 2017

Annual revenue at Indiana’s three Cincinnati-area commercial casinos has fallen since the opening of two competing commercial casino venues on the Ohio side of the border beginning in 2013.



*Indiana casinos: Hollywood Lawrenceburg, Rising Star, Belterra.
Ohio casinos: JACK Cincinnati, Belterra Park

SOURCE: Indiana Gaming Commission

POLICY AND REGULATORY REVIEW

Regulatory Reform

Closely watched legislation that made major changes to the way Indiana casinos pay taxes was enacted during 2017.

The bill, which was signed into law in May 2017 by Gov. Eric Holcomb (R), will gradually phase out an add-back tax over an eight-year period. In addition, beginning in July 2018, it will also shift riverboat casinos from an admissions tax to a supplemental wagering tax, which is based on a percentage of their adjusted gross receipts.

The supplemental wagering tax will be capped at 4 percent of a riverboat’s adjusted gross receipts from July 2018 and at 3.5 percent of its adjusted gross receipts from July 2019.

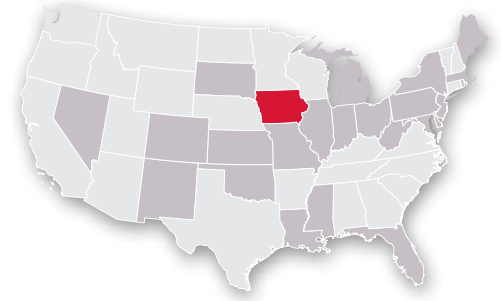
The tax reforms were several years in the making and passed with support from the Indiana casino industry, which argued the changes were necessary to better align the state’s tax policies with those of nearby gaming jurisdictions. The reforms also allow casinos to more effectively compete with rival gaming operations in neighboring states such as Illinois and Ohio, where supply has markedly increased in recent years.

Expansion

In 2017, Indiana lawmakers considered legislation that would have authorized Illinois-style video gaming terminals under a regulatory regime overseen by the Indiana Gaming Commission. The VGT bill did not advance in 2017, but similar legislation was expected to be reintroduced for consideration during Indiana’s 2018 legislative session.

Iowa

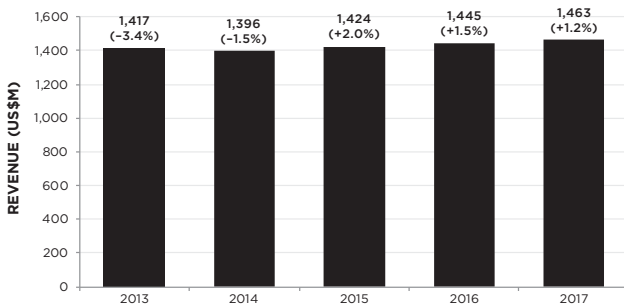
Number of Commercial Casinos	19
Casino Format	Land-Based Casinos; Riverboat Casinos; Racinos
Regulatory Authority	Iowa Racing and Gaming Commission
Gross Casino Gaming Revenue 2017	\$1.46B
Gaming Tax Revenue 2017	\$336.0M



In 2017, total statewide commercial casino gaming revenue was \$1.46 billion, up 1.2 percent. The year-over-year increase was driven by growth in the state's gaming machine and table game verticals.

Iowa: Annual Commercial Casino Gaming Revenue (US\$M)

2013 to 2017



SOURCE: Iowa Racing and Gaming Commission

MARKET OVERVIEW

Iowa offers commercial casino gaming at 16 land-based casinos, one riverboat casino and two racinos. Each facility operates gaming machines and table games. The casinos and racinos are regulated by the Iowa Racing and Gaming Commission.

In 1989, the Iowa legislature approved the Excursion Gambling Boat Act, which authorized casino gaming at voter-approved sites. Meanwhile, legislation authorizing the installation of gaming machines at racetracks was approved in 1994, and legislation authorizing the installation of table games at racetracks was approved in 2005. Iowa's first casino, the Mississippi Belle II, opened in 1991, and its first racino, Bluffs Run Casino, opened in 1995.

For casinos to operate in Iowa, a qualifying sponsoring organization (i.e., a charitable organization) must partner with a gaming operator under an agreement that sees an average of 3 percent of adjusted casino gaming revenue go to the charitable organization. Racinos, meanwhile, must be licensed to conduct pari-mutuel wagering in order to qualify for a license to offer casino-style games.

There are no statutory limits on the number of casinos that may operate in Iowa. However, residents in counties seeking any new casino or racino license must vote to approve that license through a referendum. A second public vote to re-approve the license is required eight years after initial approval.

Market Performance

In 2017, total statewide commercial casino gaming revenue was \$1.46 billion, up 1.2 percent against 2016. It was the market's third consecutive year of modest growth. Total admissions to Iowa casinos fell 1.7 percent to 21.3 million, but revenue per admitted patron increased 3 percent to \$68.38.

As in previous years, gaming machines accounted for the bulk of total statewide gaming revenue in 2017 amounting to \$1.31 billion, up 0.9 percent from 2016. Meanwhile, total statewide table game revenue was \$152.1 million, up 3.6 percent.

Gaming Tax Distribution

Iowa Commercial Casino Gaming Tax

COMMERCIAL CASINO GAMING REVENUE	TAX RATE APPLIED
\$0-\$1M	5%
\$1M-\$3M	10%
\$3M+	22-24%

In Iowa, riverboat casino and land-based casino gaming revenue is subject to a graduated tax regime. Gaming revenue of up to \$1 million is taxed at 5 percent, while gaming revenue of between \$1 million and \$3 million is taxed at a rate of 10 percent. All revenue in excess of \$3 million is taxed at 22 percent. Racino gaming revenue, meanwhile, is taxed at 22 percent or 24 percent, depending on various conditions, including prior-year casino gaming revenue and whether the racino has a riverboat in its host county.

In 2017, Iowa's casinos generated total gaming tax revenue of approximately \$336.0 million, including admissions fees, up from \$332.3 million in 2016.

Of that amount, approximately \$290.7 million was paid to the state government and allocated to various beneficiaries, including the Rebuild Iowa Infrastructure Fund. Monies in the fund go toward state universities, health facilities and transportation infrastructure, among other things.

Further beneficiaries of gaming tax revenue include the Iowa Skilled Worker and Job Creation Fund, which supports workforce training schemes, and the state's Environment Fund, which supports state parks and various environmental protection programs.

Meanwhile, an additional \$26.2 million in 2017 gaming tax revenue was redistributed among Iowa's county governments, as well as the local towns and cities that host casinos.

Competitive Landscape

Iowa's casino market last expanded in 2015, when its 19th gaming venue, Wild Rose Casino & Resort, opened in the City of Jefferson in Central Iowa. Notably, in 2017, the Racing and Gaming Commission rejected plans for a 20th casino in Cedar Rapids, in Eastern Iowa, due to concerns about market saturation.

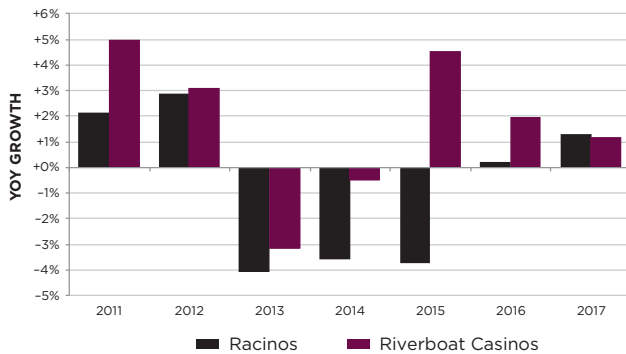
Elsewhere, Iowa's casinos compete with three tribal casinos, which are not regulated by the state, while the Grand Falls Casino & Golf Resort in Sioux City competes with tribal casinos in Southeastern South Dakota.

In addition, casinos in Eastern Iowa continue to face growing competition from VGTs in Illinois bars and truck stops. First authorized in 2009, the Illinois VGT market has expanded apace in recent years with 28,271 VGTs operational in the state at the end of 2017.

Iowa: Annual Commercial Casino Gaming Revenue Growth Rate By Property Type

2011 to 2017

In 2017, commercial casino gaming revenue growth in Iowa's racino segment outpaced that of riverboat casinos for the first time in many years.



SOURCE: Iowa Racing and Gaming Commission

POLICY AND REGULATORY REVIEW

Expansion

In 2017, the Iowa Racing and Gaming Commission rejected bids for a casino in Cedar Rapids, in Linn County in the state's Eastern region, citing concerns about market saturation.

The five-member commission voted 3-2 to deny three applications for a gaming facility in downtown Cedar Rapids, where developers have been lobbying aggressively in recent years for permission to build a new casino. In 2014, the commission, in a 4-1 vote, denied a separate effort to develop a casino after Linn County voters approved casino gaming at the ballot box in 2013.

It was not clear at the end of 2017 whether development groups would make a third attempt at convincing the Racing and Gaming Commission to green-light a Cedar Rapids project. Notably, however, Linn County's casino gaming authorization will face re-approval by local voters in 2021. The original 2013 referendum was approved by a 61-39 margin.

Regulatory Reform

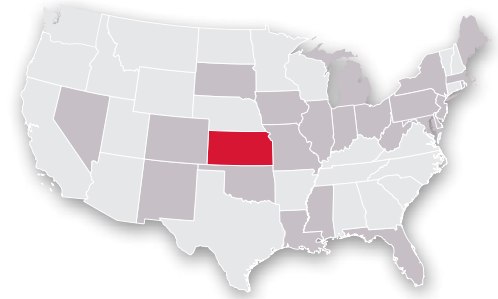
During 2017, legislation was enacted to make certain records submitted by Iowa's casinos to the Racing and Gaming Commission confidential after a competing tribal gaming operator in Michigan asked for privileged audit information to be made public.

Under the new law, the Racing and Gaming Commission will be required to ensure that casinos' internal controls and compliance records, employee records and marketing expenses will all be kept confidential and not subject to freedom of information laws. Each casino's promotional play receipts, patron and customer records, surveillance records, security reports and network audits will also remain confidential.

The legislation, introduced after the commercial arm of the Grand Traverse Band of Ottawa and Chippewa Indians of Michigan in 2016 formally requested that Iowa regulators release sensitive materials, passed with support from Iowa's casino industry. It was signed into law by then-Gov. Terry Branstad (R) in March 2017.

Kansas

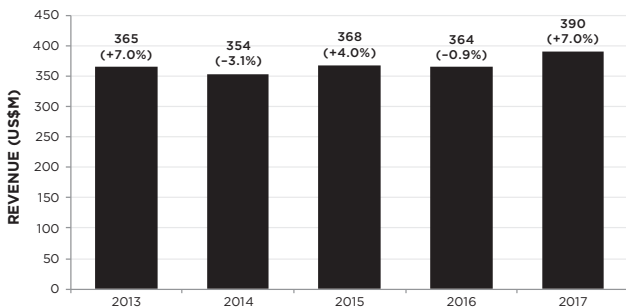
Number of Commercial Casinos	4
Casino Format	Land-Based Casinos
Regulatory Authority	Kansas Racing and Gaming Commission
Gross Casino Gaming Revenue 2017	\$389.7M
Gaming Tax Revenue 2017	\$105.2M



In 2017, total statewide commercial casino gaming revenue was \$389.7 million, up 7 percent. The year-over-year increase was driven chiefly by the opening of the state’s fourth casino in April 2017.

Kansas: Annual Commercial Casino Gaming Revenue (US\$M)

2013 to 2017



SOURCE: Kansas Racing and Gaming Commission

MARKET OVERVIEW

Kansas offers commercial casino gaming at four state-owned casinos, which are managed and developed by contracted private companies. Each of the casinos operates gaming machines and table games and is subject to regulation by the Kansas Racing and Gaming Commission.

In 2007, the Kansas legislature approved the Expanded Lottery Act, which authorized state-run casino gaming at one casino in each of four designated gaming zones throughout the state. The state’s first casino, Boot Hill Casino, opened in 2009, and its most recent, Kansas Crossing Casino, opened in 2017.

The Expanded Lottery Act requires a minimum upfront fee of \$25 million for the development of a casino in the state’s Northeastern and South-Central gaming zones and \$5.5 million to develop a casino in its Southeastern and Southwestern zones.

The Act also allows for gaming machine operations at racetracks, although no tracks are currently in operation. The Kansas Lottery is responsible for considering and approving any proposed racino contracts, and the county where any proposed racino is located must have approved gaming via a public vote.

Market Performance

In 2017, total statewide commercial casino gaming revenue was \$389.7 million, up 7.0 percent against 2016. It was the market's biggest year, in revenue terms, since its inception in 2009.

Total statewide gaming machine revenue was \$337.5 million, up 8.0 percent against 2016, while statewide table game revenue was \$52 million, up 0.9 percent.

The increased revenue reflected the opening of the Kansas Crossing Casino in the state's Southeastern region, near the Missouri border in April 2017. The new facility posted total revenue of \$22.8 million in its first nine months of operations.

The state's other commercial casinos also held their own in 2017. Kansas Star, the state's largest casino by revenue, posted total revenue of \$179.8 million, flat against 2016. Meanwhile, the smaller Boot Hill Casino had total revenue of \$39.9 million, also flat year-over-year. However, Hollywood Casino reported total revenue of \$147.0 million, up 2 percent.

Gaming Tax Distribution

Kansas commercial casinos must pay a minimum 27 percent tax rate on casino gaming revenue, with specific amounts determined by management contracts signed by the Kansas Lottery and casino operators.

In 2017, Kansas' commercial casinos generated total gaming tax revenue of approximately \$105.2 million, up from \$91.1 million in 2016.

Of that amount, approximately \$85.7 million was distributed to the state's Expanded Lottery Act Revenues Fund. Appropriations from the fund are determined annually at the direction of the state legislature. However, in accordance with the Expanded Lottery Act, all monies must be used to either reduce the state debt, fund infrastructural improvements or reduce the property taxes paid by Kansas residents.

Additional beneficiaries of Kansas' gaming tax revenue include casinos' host city and county governments, as well as responsible gaming awareness programs.

Competitive Landscape

The opening in 2017 of Kansas' fourth and final standalone casino means that for the first time since 2009, no expansion of the state's gaming market is pending.

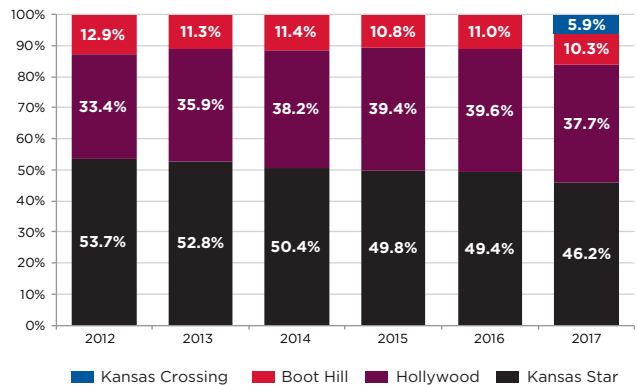
Kansas' commercial casinos also compete with five tribal casinos, which are not regulated by the state. In addition, Hollywood Casino, on the Missouri side of the Kansas-Missouri border, competes with four Kansas City-area casinos.

The newly opened Kansas Crossing Casino, meanwhile, competes with several tribal casinos in Northeastern Oklahoma, including one casino owned by the Quapaw Tribe located on the Oklahoma-Kansas state line.

Kansas: Annual Commercial Casino Market Share By Property

2012 to 2017

The opening of Kansas Crossing Casino, which accounted for 5.9 percent of Kansas commercial casino market share, was responsible for between one to three percentage points of market share erosion among the state's other three properties.



SOURCE: Kansas Racing and Gaming Commission

POLICY AND REGULATORY REVIEW

Litigation

In May 2017, the Kansas Supreme Court issued an opinion finding that the Kansas Lottery Gaming Facility Review Board did not err when it chose the Kansas Crossing Casino group's proposal over those of rival developers.

The Kansas Crossing Casino group, whose \$80 million proposal was the smallest of the three proposals considered by Kansas gaming regulators, was awarded the contract to build Kansas' fourth commercial casino facility in 2015.

Losing bidders, led by Castle Rock, challenged the decision in court that same year. If they had been selected, that group would have built a \$145 million project in Cherokee County. Castle Rock argued that Kansas regulators acted improperly in awarding the contract to the smaller Kansas Crossing Casino project.

Construction on Kansas Crossing was set to be completed in mid-2016 but the Castle Rock challenge, which wound its way through the Kansas courts, delayed the commencement of construction three times.

Expansion

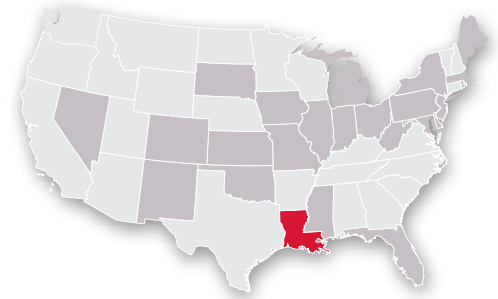
During 2017, Kansas lawmakers rejected legislation that would have allowed a public vote in Sedgwick County, home of the shuttered Wichita Greyhound Park, on whether to allow gaming machines at the once-luxurious racing facility.

Bill advocates, including Kansas billionaire and Wichita Greyhound Park owner Phil Ruffin, had hoped new gaming machines would revive the venue, but concerns over existing casinos filing a lawsuit to block the move ultimately doomed the bill.

Kansas Attorney General Derek Schmidt opined in 2016 that legislation allowing Sedgwick County residents to vote on having gaming machines at the defunct greyhound track would breach the Kansas Lottery's contract with Kansas Star Casino.

Louisiana

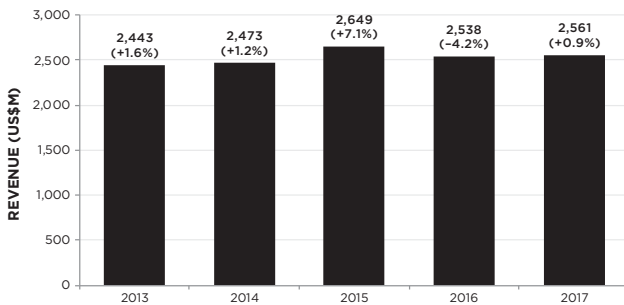
Number of Commercial Casinos	20
Casino format	Land-Based Casinos; Riverboat Casinos; Racinos
Regulatory Authority	Louisiana Gaming Control Board
Gross Casino Gaming Revenue 2017	\$2.56B
Casino Tax Revenue 2017	\$602.5M



In 2017, total statewide commercial casino gaming revenue was \$2.56 billion, up 0.9 percent, with the state’s riverboat casino, land-based casino and racino segments all reporting growth over the prior year.

Louisiana: Annual Commercial Casino Gaming Revenue (US\$M)

2013 to 2017



SOURCE: Louisiana Gaming Control Board

MARKET OVERVIEW

Louisiana offers commercial casino gaming at 15 riverboat casinos and one land-based casino, each of which operate gaming machines and table games. Four racinos that are limited to offering gaming machines also operate in the state. The properties are regulated by the Louisiana Gaming Control Board.

Commercial casino gaming was first authorized in 1991, when the Louisiana legislature passed a law allowing a maximum 15 riverboat casinos, either sailing or permanently moored on specific waterways in different areas of the state. In 1992, legislation was passed authorizing a solitary land-based casino in downtown New Orleans. The Harrah’s New Orleans casino opened seven years later and operates under the terms of a contract originally awarded by a local development board. No additional land-based casino or riverboat licenses may be issued without voter approval through a statewide referendum.

The formation of racinos, by allowing the operation of gaming machines at Louisiana racetracks, was approved in 1997.

Market Performance

In 2017, total statewide commercial casino gaming revenue was \$2.56 billion, up 0.9 percent against 2016.

Growth was not spread evenly across the state's commercial gaming industry. Total revenue reported by the six riverboat casinos and one racino in the Shreveport/Bossier market of Northwestern Louisiana was \$678.9 million, down 1.4 percent compared to 2016.

In contrast, riverboats and racinos in the Lake Charles market reported combined total revenue of \$899 million, up 1.4 percent. Those gains came despite the impact of Hurricane Harvey, which devastated nearby Houston, Texas, and caused a sharp decline in the Lake Charles market during the month of September.

Elsewhere, Harrah's New Orleans reported total revenue of \$291.5 million, up 6.9 percent, as Louisiana's lone land-based casino started to recover losses experienced since a citywide smoking ban that took effect in April 2015. Total gaming revenue reported by all New Orleans-area casinos and racinos was \$600.3 million, an increase of 1.3 percent over 2016.

Gaming Tax Distribution

Revenue from each type of casino gaming establishment in Louisiana—riverboat casinos, racinos and the New Orleans land-based casino—is subject to different tax requirements.

Riverboat casino revenue is subject to a state tax of 21.5 percent, with additional taxes and fees applied by local governments.

Racino revenue is taxed at an effective rate of around 36 percent. That rate comprises an 18 percent contribution to the Louisiana horse racing industry, with remaining revenue subject to a state tax of 18.5 percent and local taxes of 4 percent.

The New Orleans land-based casino pays either a 21.5 percent tax on revenue or an annual fee of \$60 million, whichever is greater. The land-based

casino must also remit rent and various other payments to local authorities, as established under its operating contract.

In 2017, Louisiana's commercial properties generated total gaming tax revenue of approximately \$602.5 million, down from \$604.8 million in 2016.

In accordance with Louisiana law, the majority of gaming tax revenue was remitted to the state's General Fund. Monies are appropriated from the fund each year at the direction of the legislature and used to pay for public education, public retirement systems and state capital improvements, among other things.

In addition to the state tax collections, Louisiana's commercial properties generated roughly \$100 million in taxes and fees applied by local city and parish governments.

A further \$62.5 million was directed to the state's horse racing industry in the form of taxes paid on racino gaming machine revenue.

Competitive Landscape

The opening of the Golden Nugget in Lake Charles in 2014 saw Louisiana reach its full complement of 15 riverboat casinos for the first time since 2005. As such, no additional commercial casino openings are expected in the coming years.

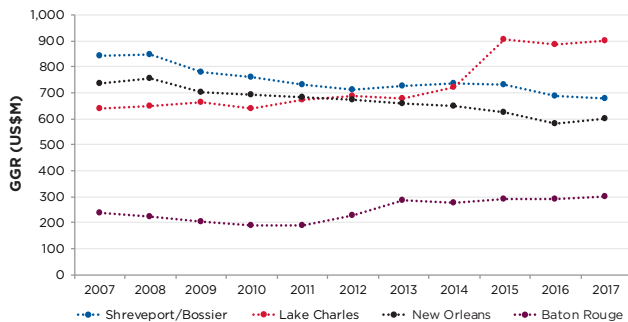
Riverboat casinos in the Lake Charles area draw many players from the Houston area, while those in the Shreveport/Bossier region compete with tribal casinos located in Southeastern Oklahoma for customers from the Dallas-Fort Worth area of Texas.

In addition, Louisiana's commercial properties compete with gaming offered at five tribal casinos, which are not regulated by the state. There are also nearly 13,000 lawful video poker machines offered in Louisiana at non-casino locations, such as bars, restaurants and truck stops. In 2017, total statewide video poker revenue was \$575.9 million, virtually unchanged from the year prior.

Louisiana: Annual Commercial Casino Gaming Revenue By Market (US\$M)

2007 to 2017

In 2017, three of the state’s four reporting regions—Lake Charles, New Orleans and Baton Rouge—posted incremental year-over-year increases in gaming revenue.



SOURCE: Louisiana Gaming Control Board

POLICY AND REGULATORY REVIEW

Regulatory Reform

In 2017, Louisiana paved the way for the most significant overhaul of its commercial casino gaming landscape in at least two decades when a state task force submitted a series of regulatory reform recommendations to the state legislature.

The Riverboat Economic Development and Gaming Task Force was established by a 2016 resolution of the state legislature with a mandate to draw up recommendations that would “make Louisiana riverboat casinos more competitive with gaming enterprises in nearby jurisdictions.”

After a number of public hearings with input from the industry, the Task Force suggested in late 2017 that it was prepared to endorse two changes to the legal framework currently applied to Louisiana riverboat casinos.

First, Task Force leaders said they planned to allow riverboat casinos to move to larger, land-based facilities so long as those facilities are located within a short distance of their original vessels and the plans are approved by the Louisiana Gaming Control Board. Any casinos remaining as riverboats would also no longer be legally required to have an operating paddlewheel.

Secondly, panel members indicated support for repealing legal provisions that restrict the size of riverboat casino floors to no more than 30,000 square feet. They argued that operators should be limited only as to the number of gaming positions they can offer. Such a change would potentially free up floor space for the installation of more gaming machines or tables—or larger and more engaging gaming equipment.

Legislation reflecting the Task Force’s two recommendations was expected to be introduced during Louisiana’s 2018 legislative session.

Taxation

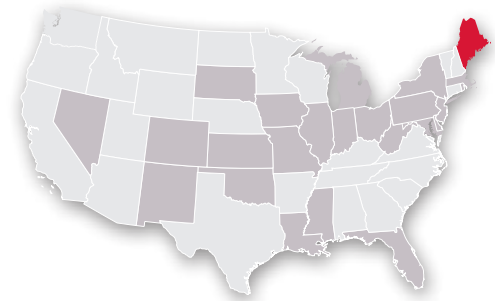
A third area considered for possible regulatory reform by the Riverboat Gaming Task Force was the method by which Louisiana taxes promotional free-play credits casinos give to patrons.

Under current law, monies “won” by casinos from promotional credits are taxed as normal revenue, a provision that many casino executives believe puts the state’s gaming industry at a disadvantage relative to operations in neighboring states, including Mississippi.

However, Task Force members declined to endorse changes to Louisiana’s tax treatment of free-play after questioning whether that any such recommendation would be able to secure legislative approval at a time when the state was facing a projected budget shortfall.

Maine

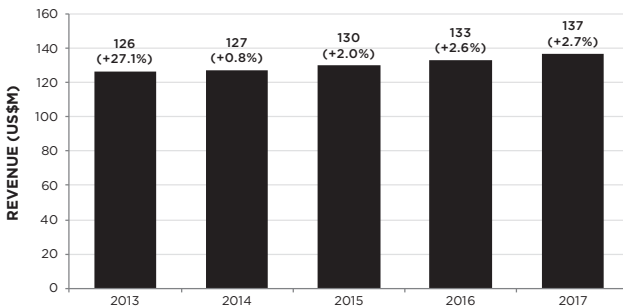
Number of Commercial Casinos	2
Casino Format	Land-Based Casinos; Racinos
Regulatory Authority	Maine Gambling Control Board
Gross Casino Gaming Revenue 2017	\$136.7M
Gaming Tax Revenue 2017	\$54.6M



In 2017, total statewide commercial casino gaming revenue was \$136.7 million, up 2.7 percent. The year-over-year increase was driven by growth at Oxford Casino, the larger of the state’s two commercial casinos.

Maine: Annual Commercial Casino Gaming Revenue (US\$M)

2013 to 2017



SOURCE: Maine Gambling Control Board

MARKET OVERVIEW

Maine offers commercial casino gaming at two properties, each of which operates gaming machines and table games. The properties are regulated by the Maine Gambling Control Board.

Commercial casino gaming was first authorized in 2003 after voters approved a statewide referendum allowing the installation of gaming machines at racetracks. The Gambling Control Board was established in 2004, and the state’s first casino opened at Bangor Raceway—what is now Hollywood Casino Bangor—the following year.

In 2011, the Bangor casino received legislative and voter approval to add table games. Maine’s second casino, located in Oxford County, was authorized via a separate voter referendum held in 2010. Operations at Oxford Casino began in 2012.

Under Maine’s regulatory framework, a maximum of two commercial casino gaming facilities may be operated after approval in a local referendum. All available gaming facility licenses have been awarded. There is a statewide cap of 3,000 gaming machines, split evenly between the two properties.

Market Performance

In 2017, total statewide commercial casino gaming revenue was \$136.7 million, up 2.7 percent compared to 2016. It was the market’s biggest year, in revenue terms, since its inception in 2009.

Total statewide gaming machine revenue in 2017 was \$110.4 million, up 1.9 percent, while total statewide table game revenue was \$26.2 million, up 5.7 percent.

The statewide increase reflected a strong performance by Oxford Casino, which is located 35 miles north of Portland. Oxford Casino posted total revenue of \$86.3 million in 2017, up 7.2 percent year-over-year.

By contrast, Hollywood Casino Bangor generated total revenue of \$50.4 million in 2017, down 4.1 percent compared with the previous year.

Gaming Tax Distribution

Maine’s commercial casinos pay different tax rates depending on the type of gaming being offered. For instance, they pay between 39 and 46 percent of their gaming machine revenue in taxes, but pay 16 percent of their table game revenue in taxes.

In 2017, Maine’s commercial casinos generated total gaming tax revenue of approximately \$54.6 million, up slightly from \$53.4 million in 2016.

Of that amount, approximately \$17.1 million was distributed to the state’s Department of Education for the purposes of funding K-12 education programs. A further \$5.5 million was allocated for funds that support scholarships to state and community colleges.

Additional beneficiaries of gaming revenue in 2017 included the state’s horse racing and breeding industries, local and sovereign tribal governments impacted by casinos and the Maine Public Health Association’s Fund for a Healthy Maine. The fund was established in 2000 to promote awareness of healthy lifestyles for Maine families.

Competitive Landscape

Maine’s commercial casinos operate at the outer edge of a New England market that has been impacted in recent years by Massachusetts’ approval of four commercial casino properties.

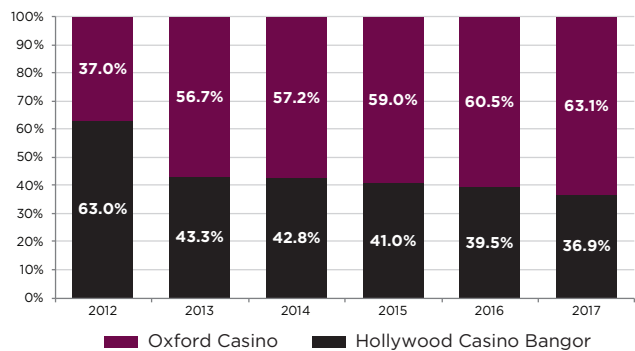
Massachusetts’ first commercial casino property opened in 2015, and two additional properties are scheduled to follow in 2018 and 2019. The forthcoming casino in Boston is expected to draw customers from New Hampshire who might otherwise visit Maine.

Meanwhile, Massachusetts’ approval of expanded gaming has also added urgency to legislative discussions on casino gaming in neighboring New Hampshire. In 2017, a bill to authorize two commercial casinos was approved by the Senate but died in the House.

Maine: Annual Commercial Casino Market Share By Property

2012 to 2017

In 2017, Oxford Casino accounted for 63.1 percent of total statewide gaming revenue, up from 60.5 percent in 2016.



SOURCE: Maine Gambling Control Board

POLICY AND REGULATORY REVIEW

Expansion

Late in 2017, Maine voters overwhelmingly rejected a ballot measure that would have authorized a casino in York County, about 60 miles away from Oxford Casino.

The ballot measure, which was backed by gaming and real-estate developer Shawn Scott, was defeated by an 83-17 margin. The measure would have permitted a company owned by Scott to apply for a license to operate the York County gaming facility.

A campaign against the ballot measure was funded by Churchill Downs, which operates Oxford Casino. The measure also drew opposition from Gov. Paul LePage (R) and scrutiny from Maine lawmakers and the state legislature's Ethics Commission.

Fantasy Sports

During 2017, Maine joined the sizable contingent of states that have passed laws to regulate fantasy sports contests.

The law tasks the Gambling Control Board with licensing and regulating fantasy sports operators. Maine is among a handful of states, including Missouri and Pennsylvania, that have empowered state gaming regulators to oversee fantasy sports operators.

Tribal Gaming

In 2017, legislation was considered that would authorize the Maine Gambling Control Board to issue licenses to federally recognized American Indian tribes to operate tribal casinos with table games and up to 1,500 gaming machines.

The bill would also bar the Gambling Control Board from issuing a license for any new commercial casino facility until all federally recognized tribes in the state have been authorized to operate a casino, themselves.

The bill did not advance in 2017, but carried over to the state's 2018 legislative session.

IN FOCUS

Regulatory Reform



Gaming regulatory reforms were advanced in a number of states in 2017, with policymakers taking a series of actions to alleviate compliance burdens faced by casino operators and gaming equipment/technology suppliers.

For the first time, the AGA shepherded the industry's participation in the Maryland Lottery and Gaming Control Agency's (MLGCA) annual regulatory reform submission process. AGA coalesced the industry's supplier community in particular around more than 40 reform proposals, and then presented these proposals to MLGCA.

The agency adopted 17 of the proposals, resulting in greater efficiency for operators, increased customer satisfaction and consistency in practices for licensees that operate in multiple states.

As one of the few U.S. commercial gaming regulatory bodies to undertake a formal, industry-driven approach to regulatory reform, the MLGCA is leading the way when it comes to collaborative, common-sense regulatory reform.

Just because other commercial casino jurisdictions don't have formal, public regulatory reform processes, however, doesn't mean they didn't embrace regulatory modernization in 2017.

New Jersey, meanwhile, appeared to turn the page on a root-and-branch reform process that began in 2011, when the state legislature passed a law to overhaul a casino regulatory structure that was established in the late 1970s.

Shortly after the 2011 law took effect, the New Jersey Division of Gaming Enforcement (DGE) established a series of working groups made up of state officials and industry executives to meet on an annual basis to examine which of the state's gaming regulations needed to be updated or rewritten.

In 2017, the DGE proposed a dozen regulatory amendments, based on the working groups' recommendations, altering casino accounting and security requirements, license renewals and game approvals.

The overhaul of the past six years appears to have been successful in transforming New Jersey into a gaming jurisdiction that welcomes new products and fosters new technologies.

"The days when the [regulatory regime] appeared to be punitive and it was not allowing for forward-thinking or innovative actions, they're over," DGE Director Dave Rebuck said.

Elsewhere in 2017, regulatory reform advocates in Pennsylvania finally secured changes to the state's gaming laws that extended the terms of operator and supplier licenses from three to five years. The changes also allowed compliance testing of casino equipment by approved independent laboratories.

In Nevada, regulators finalized rule changes to permit account-based wagering for all forms of gaming, clearing the way for cashless play at casinos' slot machines and tables as well as sportsbooks and internet poker sites. Separately, Silver State lawmakers passed new legislation allowing casino game developers to bypass Nevada's formal gaming licensing requirements, provided they are partnered with a licensed manufacturer.

Also in 2017, the Missouri Gaming Commission voted to rescind dozens of regulations in accordance with a mandate from the state legislature and governor's office for all state agencies to review and remove any rules that were obsolete, duplicative or ineffective.

Missouri Gaming Commission Executive Director Bill Seibert remarked that the changes represent the most sweeping overhaul of Missouri gaming regulations since commercial casino gaming began in the state more than 20 years ago. Still, the process is not yet complete, and the commission's actions also speak to its openness to regulatory reform in general, he said.

Seibert and New Jersey’s Rebeck agree that most state gaming officials are generally willing to work with the industry to see where their regulations can be improved.

But Rebeck also insists that the industry must be cognizant of the statutory constraints on regulators and should avoid demanding changes to requirements that are codified in state statute.

A classic example of this conundrum is Louisiana, where riverboat casinos have long been required by gaming statutes to have a maritime captain and operating paddlewheel, even though they never set sail.

In 2017, a gaming policy task force led by the chairman of the Louisiana Gaming Control Board developed a series of legislative recommendations to remove those requirements, allow casinos to move to dry land and lift the current limit on the physical size of riverboats’ gaming floors.

But the Gaming Control Board lacks the authority to bring the recommended changes into effect by itself, their fate instead resting with legislators who aren’t necessarily keen to open up existing gaming statutes.

When Ohio established its casino regulations in 2011, a need for expediency led it to copy rules that were already in place in other jurisdictions. But some of those borrowed regulations ultimately either didn’t fit for Ohio or were overly burdensome.

Six years later, the state’s gaming regulators began discussing reforming casinos’ minimum internal control standards, and granting the state gaming commission’s executive director flexibility to approve certain changes without formal review.

The changes, if approved, will not only save the time of casinos’ compliance staffs who no longer need to prepare updated documents for formal review, but also the time of commissioners who were bogged down by having to review dozens of often immaterial changes.

According to Matt Schuler, the executive director of the Ohio Casino Control Commission, another area worthy of reconsideration are the highly detailed disclosure forms executives and directors are required to fill out when applying for licenses in many gaming jurisdictions.

Taking the same kind of collaborative approach that led to the development of multi-jurisdictional licensing forms, and asking whether they need to be so detailed, would be a “worthy exercise,” according to Schuler.

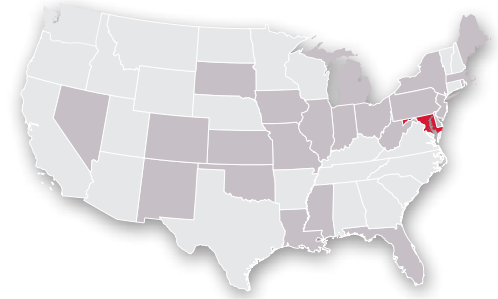
“A lot of states, like New Jersey was, they’re kind of hamstrung because their laws are very restrictive. You cannot talk about regulatory reform unless you have your core enabling act reviewed, analyzed and adapted to allow the regulator to be innovative and to be forward-thinking.”

David Rebeck | Director
New Jersey Division of Gaming Enforcement

Regulatory reform isn’t only an issue for those states that were early adopters of casino gaming during the riverboat era of the early 1990s.

Maryland

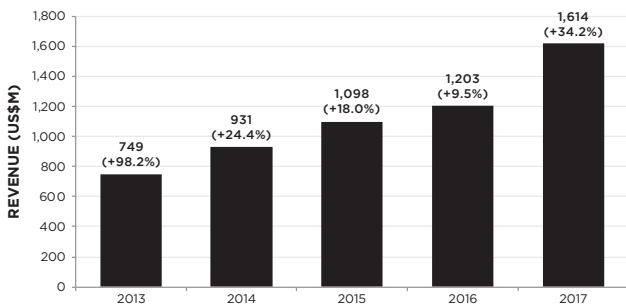
Number of Commercial Casinos	6
Casino Format	Land-Based Casinos; Racinos
Regulatory Authority	Maryland Lottery and Gaming Control Agency; Maryland Lottery and Gaming Control Commission
Gross Casino Gaming Revenue 2017	\$1.61B
Gaming Tax Revenue 2017	\$582.8M



In 2017, total statewide commercial casino gaming revenue was \$1.61 billion, up 34.2 percent. The year-over-year increase was driven by the first full year of results from MGM National Harbor, which opened in late 2016.

Maryland: Annual Commercial Casino Gaming Revenue (US\$M)

2013 to 2017



SOURCE: Maryland Lottery and Gaming Control Agency

MARKET OVERVIEW

Maryland offers commercial casino gaming at six casinos, each of which operates gaming machines and table games. The casinos are regulated by the Maryland Lottery and Gaming Control Agency.

Commercial casino gaming was first approved in 2008 when Maryland voters passed a constitutional amendment allowing five casinos to operate in the state. The market expanded in 2012 when lawmakers and voters authorized table games at the five existing locations. The 2012 law also created a license for a sixth commercial casino site in Prince George’s County, near Washington, D.C. This casino, MGM National Harbor, opened on December 8, 2016.

In accordance with the 2012 expanded gaming law, Maryland’s six commercial casinos can house no more than a combined 16,500 gaming machines. Specific limits are also in place for individual commercial casinos in different parts of the state.

Market Performance

In 2017, total statewide commercial casino gaming revenue was \$1.61 billion, up 34.2 percent compared to 2016.

Total statewide gaming machine revenue was \$999.6 million, up 30.5 percent versus 2016. Meanwhile, total statewide table game revenue was \$614.6 million, up 40.5 percent year-over-year.

The increase in total statewide gaming revenue was almost exclusively driven by MGM National Harbor. The property, in its first full year of operations, posted total gaming revenue of \$608.6 million, which accounted for roughly 38 percent of total statewide gaming revenue in 2017.

MGM National Harbor had a competitive impact on other Maryland properties that have historically competed for customers in the Washington, D.C., metro area. Maryland Live! Casino & Hotel, the state's second-largest gaming facility by revenue, posted a 16.6 decrease in total gaming revenue in 2017, while total gaming revenue at Horseshoe Baltimore fell 16.3 percent year-over-year.

Gaming Tax Distribution

Maryland's commercial casinos pay different tax rates depending on the type of gaming being offered. For instance, the properties pay between 50 and 62 percent of their gaming machine revenue in taxes, but they pay 20 percent tax of their table game revenue in taxes.

In 2017, Maryland's commercial casinos generated total gaming tax revenue of approximately \$582.8 million, up significantly from \$477.4 million in 2016.

Of that amount, approximately \$480.6 million was distributed to Maryland's Education Trust Fund. The fund was established by the state's 2008 gaming law to help finance education programs and the building of new schools throughout Maryland.

Other beneficiaries of Maryland gaming revenue in 2016 included the state's horse racing industry, local communities impacted by casinos, the Maryland Lottery, and small and minority-owned businesses.

Competitive Landscape

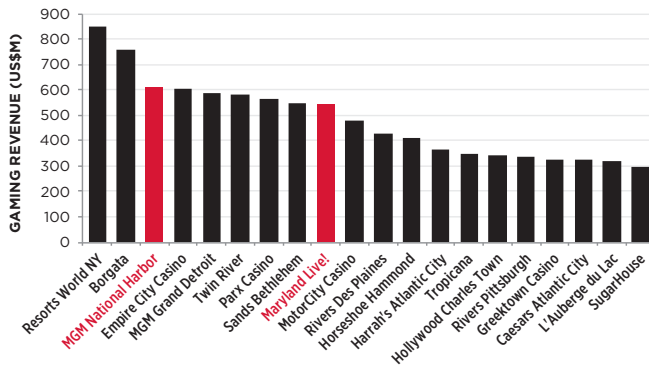
Maryland's six commercial casinos operate in an increasingly competitive mid-Atlantic region that includes properties in Delaware, Eastern Pennsylvania and New Jersey. Two of the state's largest casinos, Maryland Live! Casino and Horseshoe Baltimore, compete with the newly opened MGM National Harbor and Hollywood Casino in Charles Town, West Virginia, for customers in the Washington, D.C., metro area.

With the opening of MGM National Harbor, Maryland's competitive environment is expected to remain largely stable for the foreseeable future. However, the opening of an additional casino in Philadelphia—groundbreaking is expected to begin in 2018—could impact casinos in Northern Maryland, specifically Hollywood Casino-Perryville.

Top 20 U.S. Commercial Casino Properties Outside Nevada By Gaming Revenue (US\$M)

2017

During its first full year of operations in 2017, MGM National Harbor generated gaming revenue of \$608.6 million, putting it third nationally among non-Nevada U.S. commercial casino locations, and on par with more established casinos in New York (Empire City Casino At Yonkers Raceway), Michigan (MGM Grand Detroit) and Rhode Island (Twin River Casino). Maryland Live! Casino, meanwhile, which posted 2017 revenue of \$539.2 million, was the ninth-largest non-Nevada by revenue in 2017.



*Chart excludes casinos in Nevada and Mississippi due to lack of data

SOURCE: GCRS estimates, State Gaming Commissions

POLICY AND REGULATORY REVIEW

Regulatory Reform

In 2017, legislation was enacted granting two Maryland casinos tax incentives for acquiring their own gaming machines instead of operating state-owned equipment.

Under the new law, which was signed by Maryland Gov. Phil Hogan (R) in April 2017, Rocky Gap Casino and Ocean Downs Casino will receive a 10 percent reduction in their tax bills if they agree to buy or lease the machines by 2019.

The changes are intended to cut costs at the state's Lottery and Gaming Control Commission, which currently owns the machines, and give the two casinos additional flexibility around how they structure their gaming floors and respond to consumer preferences.

The state's four other casinos already own or lease their own gaming machines.

Responsible Gaming

Provisions in a Maryland bill that would have upped fees on gaming machines and table games to provide additional funding for Maryland responsible gaming programs were removed from the legislation shortly before it became law in May 2017.

The 2017 bill, also known as the Problem Gambling Funding and Treatment Act, would have increased the annual per-device fee for each gaming machine from \$425 to \$500, while the annual fee for table games would have increased from \$500 to \$700.

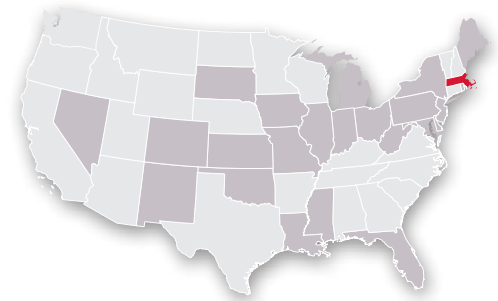
A version of the bill with the funding increases was widely approved by the Maryland Assembly, but those increases were later removed from the version that was approved by the Senate and eventually became law.

Gov. Hogan allowed the bill to become law without his signature.

In its final form, the bill added language to state law regarding the purpose of Maryland's Problem Gambling Fund. The bill also stated that if that language results in the need for additional responsible gaming funds, then Maryland lawmakers will consider legislation to increase the annual fees assessed on gaming machines and table games during the state's 2018 legislative session.

Massachusetts

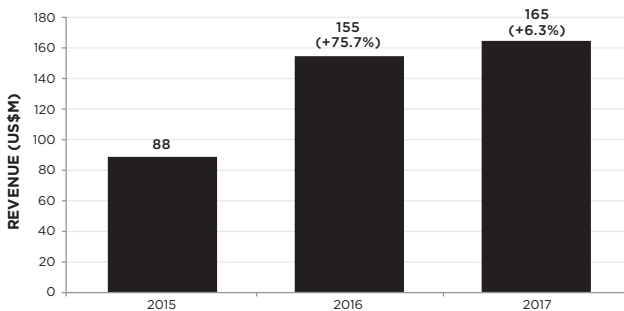
Number of Commercial Casinos	1
Casino Format	Racino
Regulatory Authority	Massachusetts Gaming Commission
Gross Casino Gaming Revenue 2017	\$164.8M
Gaming Tax Revenue 2017	\$80.7M



In 2017, total statewide commercial casino gaming revenue was \$164.8 million, up 6.3 percent. It was the second full year of operations for the state’s lone operating casino.

Massachusetts: Annual Commercial Casino Gaming Revenue (US\$M)

2015 to 2017



SOURCE: Massachusetts Gaming Commission

MARKET OVERVIEW

Massachusetts offers commercial casino gaming at one property, Plainridge Park Casino in Plainville, which operates gaming machines and electronic table games. The property is regulated by the Massachusetts Gaming Commission.

The state’s gaming market is poised to significantly expand in the coming years. A 2011 law authorized three commercial casinos with gaming machines and table games in different regions of the state. In 2014, the Gaming Commission selected MGM Resorts International and Wynn Resorts to develop casinos in Springfield, in Western Massachusetts, and Everett, north of Boston, respectively. The MGM casino is scheduled to open in 2018 and the Wynn property is scheduled to open in 2019.

The development of Massachusetts’ fourth and final casino, a tribal facility sited for the state’s Southeastern region, was stalled due to legal challenges to a federal government decision related to land acquisition for the project.

Massachusetts casino licensees are required to pay an upfront license fee of \$85 million and invest a minimum of \$500 million developing their facilities. Meanwhile, Plainridge Park is subject to a \$125 million minimum capital investment

requirement, as well as an initial license fee of \$25 million. Plainridge Park cannot operate more than 1,250 gaming machines.

Market Performance

In 2017, total statewide commercial casino gaming revenue was \$164.8 million, up 6.3 percent compared to 2016. Notably, 2017 marked the second full year of gaming operations in Massachusetts. The state's first casino opened in June 2015.

Gaming officials initially estimated Plainridge Park would generate gaming revenue of at least \$232 million in its second full year of operations. The property, however, did not meet that target. Casino management said the facility's positive year-over-year performance was attributable to increases in VIP and unrated play.

According to a 2017 study prepared by the University of Massachusetts School of Public Health and Health Sciences, Plainridge Park brought back to Massachusetts \$100 million in revenue that had previously been going to out-of-state casinos in its first year of operations.

Gaming Tax Distribution

Plainridge Park pays 49 percent of its gaming machine revenue in taxes. It also pays a \$600 annual per-device fee for each of its machines. Forthcoming commercial casinos will be taxed at a 25 percent rate, plus the \$600 per-device fee, collected annually, for each of their gaming machines.

In 2017, the state's lone commercial property generated total gaming tax revenue of approximately \$80.7 million, up from \$76.0 million in 2016.

More than 80 percent of that revenue was distributed to Massachusetts' Gaming Local Aid Fund, with the remainder used for the benefit of the state's horse racing industry. The Gaming

Local Aid Fund was created under the 2011 gaming law to help support the budgetary needs of city and town governments across the state. It will also be among the main beneficiaries of future tax revenue from Massachusetts' three forthcoming casino properties.

Recipients of future casino tax revenue will include K-12 and higher education programs, a statewide economic development fund, Massachusetts' horse racing industry and local performing arts projects.

Meanwhile, additional non-tax monies were also distributed by Plainridge Park in 2017 to the local governments directly surrounding the property. The 2011 gaming law requires casino operators to reach formal mitigation agreements with so-called host and surrounding communities before receiving a license.

Competitive Landscape

Plainridge Park and the trio of forthcoming casinos are set to compete directly with a number of established casinos in the New England region, including Connecticut's two tribal casinos and Rhode Island's two commercial casinos. Rhode Island's Twin River Casino is located just 20 miles south of Plainridge Park, and both facilities compete for customers from nearby Providence.

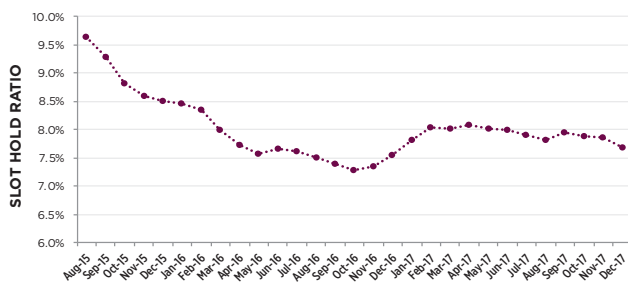
Looking ahead, an injection of further competition is likely in the cards. In 2017, a Massachusetts Indian tribe won a court challenge clearing it to develop a Class II tribal gaming facility on Martha's Vineyard.

Additionally, in Connecticut, legislation authorizing two tribes to develop a jointly owned commercial casino was enacted in 2017. That casino has been proposed for East Windsor, near the Connecticut-Massachusetts border, although as of this writing, it is the subject of ongoing legal challenges.

Plainridge Park: Moving Three-Month Slot Machine Hold Ratio By Month

Aug. 2015 to Dec. 2017

In 2017, Plainridge Park’s moving three-month slot-hold ratio, which reflects the percentage of money wagered that’s ultimately kept by the house as revenue, hovered between 7.6 percent and 8.1 percent. That was in contrast to 2016, when the slot-hold ratio swung more widely between 7.2 percent and 8.4 percent.



SOURCE: Massachusetts Gaming Commission

POLICY AND REGULATORY REVIEW

Tribal Gaming

Plans for the development of two tribal casinos in Massachusetts remained in sharp focus in 2017, as one of the projects was effectively allowed by the U.S. Supreme Court, while the other remained stuck in legal limbo.

The Wampanoag Tribe of Gay Head (Aquinnah), having overcome a legal challenge from the state of Massachusetts when the U.S. Supreme Court refused to hear the Bay State’s case, is expected to move forward with electronic bingo operations on Martha’s Vineyard. The forthcoming gaming facility was not among the four envisioned in the state’s 2011 gaming law.

Separately, the Mashpee Wampanoag Tribe’s long-running bid to open a casino-resort in Taunton, in Southeastern Massachusetts, remained mired in legal issues in 2017.

At the conclusion of 2017, the tribe’s land-into-trust application was pending with the U.S. Department of Interior. An effort by the Interior Department to take land into trust on behalf of the Mashpee Wampanoag Tribe was rejected by a federal district court in 2016 as part of a legal challenge brought by a group of Taunton property owners.

The planned Mashpee Wampanoag facility—a \$1 billion casino-resort that would be developed in partnership with Malaysia’s Genting—was one of four casinos authorized by the state’s 2011 gaming law.

Internet Gaming

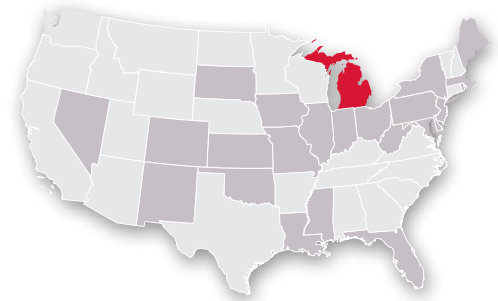
During 2017, a Massachusetts government commission recommended that fantasy sports contests should be regulated as a form of iGaming by the state’s Gaming Commission.

The recommendation came ahead of the scheduled expiration of the state’s current fantasy sports law, which exempts such contests from state gaming laws.

The special commission, which was composed of Massachusetts lawmakers and gaming regulators, also recommended that the state hold off on legalizing iGaming and online poker until after the last of the state’s three commercial casinos opens in 2019.

Michigan

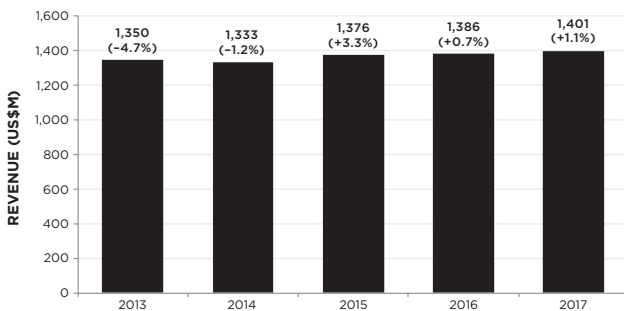
Number of Commercial Casinos	3
Casino Format	Land-Based Casinos
Regulatory Authority	Michigan Gaming Control Board
Gross Casino Gaming Revenue 2017	\$1.40B
Gaming Tax Revenue 2017	\$340.5M



In 2017, total statewide commercial casino gaming revenue was \$1.40 billion, up 1.1 percent. The year-over-year increase was driven by growth at two of the state’s three commercial casinos.

Michigan: Annual Commercial Casino Gaming Revenue (US\$M)

2013 to 2017



SOURCE: Michigan Gaming Control Board

MARKET OVERVIEW

Michigan offers commercial casino gaming at three Detroit casinos, each of which operates gaming machines and table games. The casinos are regulated by the Michigan Gaming Control Board.

Commercial casinos were first authorized in 1996, when Michigan voters approved an initiative permitting a maximum of three casinos in Detroit, the state’s most populous city. A state law passed the following year established rules to further govern the three casinos. Temporary casinos were opened at selected sites in Detroit before the start of the new millennium and each of the three Detroit facilities has since expanded to house other resort amenities, including hotel and meeting space.

Market Performance

In 2017, total statewide commercial casino gaming revenue was \$1.40 billion, up 1.1 percent compared to 2016. It was the market’s third consecutive year of growth.

Total statewide gaming machine revenue was \$1.14 billion, up 0.8 percent year-over-year, while total statewide table game revenue was \$256.0 million, a 1.5 percent increase.

Growth was not spread evenly across each of the three Detroit casinos. While the city's two smaller casinos by market share, MotorCity Casino and Greektown Casino, reported modest increases in revenue, its largest, MGM Grand Detroit, posted revenue that was essentially unchanged relative to the year prior.

Gaming Tax Distribution

Michigan commercial casino gaming revenue is taxed at 19 percent, with 10.9 percent directed to the property's host city and 8.1 percent directed to the state. In addition to revenue-based taxes, casinos are required to remit annual services fees to state and municipal governments. The annual municipal services fee must be at least \$4 million per casino.

In 2017, Michigan's casinos generated total gaming tax revenue of approximately \$340.5 million, up slightly from \$338.3 million in 2016.

Of those amounts, at least \$199 million was directed to the City of Detroit and used to help fund local development and public safety programs, infrastructure improvements and policy training initiatives. Meanwhile, a further \$113.4 million in gaming tax revenue was directed to Michigan's School Aid Fund. State gaming tax revenue supports K-12 education programs throughout Michigan.

Competitive Landscape

While Michigan's Constitution caps the number of commercial casinos at the current total of three and any additional venues would require approval in a statewide referendum, Detroit's facilities face significant competition from Michigan's 24 tribal gaming facilities.

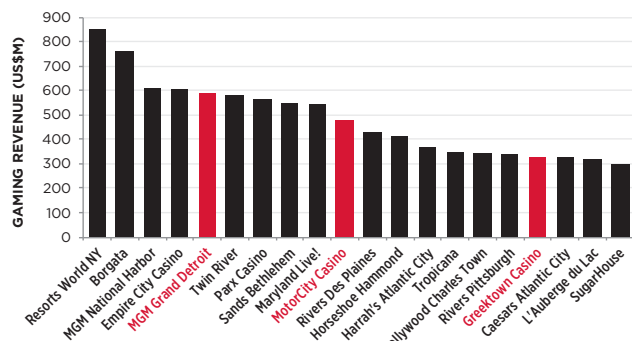
As of this writing, plans for an additional tribal casino in Lansing, the state capital, are stalled. Meanwhile, in 2017, Michigan's Pokagon Band of Potawatomi Indians continued development of a casino on land just across the state border in South Bend, Indiana.

In addition to the tribal casinos, Detroit's casinos also compete directly with the Caesars Windsor resort casino located on the opposite bank of the Detroit River in Windsor, Ontario.

Top 20 U.S. Commercial Casino Properties Outside Nevada By Gaming Revenue (US\$M)

2017

MGM Grand Detroit remained one of the five highest revenue-generating commercial casinos outside Nevada in 2017, despite dropping one place from fourth to fifth. All three Detroit casinos were in the top 20.



*Chart excludes casinos in Nevada and Mississippi due to lack of data

SOURCE: GCRS estimates, State Gaming Commissions

POLICY AND REGULATORY REVIEW

Internet Gaming

In 2017, two iGaming bills were approved by committees of the state legislature.

The bills—one in the House, the other in the Senate—would have authorized Michigan’s commercial and tribal casinos to operate internet games of chance and skill. The House bill would also have allowed commercial casinos to operate online sports betting in the event a federal ban on the activity is overturned by the U.S. Supreme Court or Congress.

The bills, however, stalled after the state’s gaming industry stakeholders were unable to agree to policies that would allow tribal gaming operators to come to market, as well as tax requirements for commercial casinos.

The two bills were expected to carry over to the state’s 2018 legislative session.

Tribal Gaming

In 2017, the U.S. Department of Interior denied a request by the Sault Ste. Marie Tribe of Chippewa Indians to take land into trust for a casino development project in Lansing.

The land parcel, which the tribe has owned since 2012, is adjacent to the Lansing Center, a 72,000-square-foot expo hall. The tribe has been hoping for several years to build a \$245 million gaming facility, the Kewadin Lansing Casino, on that parcel.

In a July 2017 letter to the tribe, the Interior Department wrote that the tribe’s land application could not be approved because it lacked “sufficient evidence to demonstrate that acquisition of the parcels would consolidate or enhance tribal lands.”

The Sault Ste. Marie Tribe owns five casinos, all of which are located on the state’s Upper Peninsula. The tribe said in October 2017 that it planned to challenge the Interior Department’s decision.

Regulatory Reform

The Michigan Gaming Control Board adopted a resolution in April 2017 to exempt various suppliers of non-gaming services from the state’s licensing requirements.

Under the resolution, providers of energy, insurance, advertising or financial services to casinos will no longer be required to be licensed by the board in most circumstances. Neither will suppliers engaging in a one-time transaction with a licensed casino, nor publicly traded companies for whom trade with Michigan casinos makes up a small proportion of their overall businesses.

In addition, the resolution now requires only casino construction subcontractors performing more than \$2 million worth of work to obtain a state gaming license. Previously, the threshold was \$400,000.

IN FOCUS

Sports Betting



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In 2017, the U.S. gaming industry was forced to consider a hitherto novel proposition: That legal, regulated sports wagering could take root in states across the country.

In a move that sent shockwaves through the industry, the U.S. Supreme Court—which agrees to take up about 1 percent of the cases referred to it—announced in June it would hear the challenge against a federal sports betting ban that was brought by the state of New Jersey.

The ban in question, the Professional And Amateur Sports Protection Act (PASPA), prohibited states from authorizing any sports betting schemes that weren't already conducted prior to its passage in 1992. It limited lawful betting to a small handful of states, and limited single-game betting on professional and collegiate sporting events to just one—Nevada.

Oral arguments in the Supreme Court case, *Murphy v. National Collegiate Athletic Association*, were held in December 2017. Five months later, on May 14, 2018, justices sided with New Jersey, ruling that PASPA unconstitutionally infringed upon states' right to regulate their own commerce.

After a quarter century, the federal prohibition on expanded sports betting was over.

The Supreme Court's June 2017 decision to take up New Jersey's challenge came as momentum for a new approach to sports betting policy continued to gather outside the courtroom. In the months that followed, a coalition of stakeholders led by the AGA voiced support for an expansion of lawful wagering across the country.

A group of governors and attorneys general from 20 states signed onto an amicus brief filed on New Jersey's behalf in the U.S. Supreme Court case.

Other groups expressing support for expanded wagering included the National Indian Gaming Association, the National Conference of State Legislatures and Major County Sheriffs of America.

As national groups spoke out in favor of ending the failed federal ban, the general public's opinion began to take shape as well.

A 2017 poll commissioned by the AGA found that nearly six in 10 Americans were in favor of ending PASPA, and allowing states and tribes to decide whether to offer sports betting.

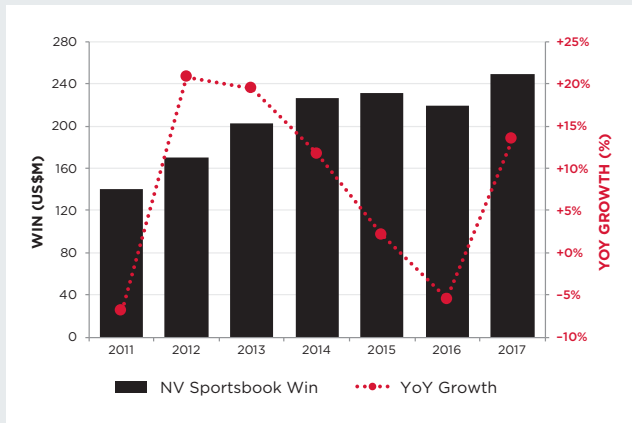
The AGA poll found results similar to those expressed in a *Washington Post* poll which found that 55 percent of Americans approve of legalizing sports betting. The results represented a reversal from a 1993 Gallup/CNN/USA Today poll from soon after PASPA took effect, which found that 56 percent of Americans disapproved of legal sports wagering.

“Today’s ruling makes it possible for states and sovereign tribal nations to give Americans what they want: an open, transparent, and responsible market for sports betting,” said AGA president and CEO Geoff Freeman, following the U.S. Supreme Court decision in *Murphy v. NCAA*.

“Through smart, efficient regulation, this new market will protect consumers, preserve the integrity of the games we love, empower law enforcement to fight illegal gambling, and generate new revenue for states, sporting bodies, broadcasters and many others.”

**Nevada: Annual Betting Revenue (US\$M)
2011 to 2017**

In 2017, Nevada posted record results from legal sports betting. Sportsbooks across the state reported betting revenue of \$248.8 million on a handle of \$4.87 billion.



SOURCE: Nevada Gambling Control Board

Prior to the Supreme Court’s announcement that it would hear New Jersey’s challenge against PASPA, only a handful of states had begun to position themselves for lawful sports betting in the event the federal ban was overturned.

Michigan and West Virginia, which are home to a combined eight commercial casinos and more than 20 tribal gaming facilities, were among the states that considered legislation in early 2017 that would authorize Las Vegas-style sportsbooks at casinos.

New York, which authorized sports wagering at its newly opened resort casinos as part of a 2013 constitutional amendment, also considered a separate constitutional amendment that would have asked its residents whether or not to allow sports betting at off-track betting facilities.

But after it became clear the Supreme Court would hear New Jersey’s challenge, more states joined an increasingly national conversation about whether they should prepare for a future in which

PASPA is no longer an impediment to the spread of legal, regulated sports wagering.

California, home to more than 60 tribal gaming facilities and approximately 12 percent of the country’s population, saw introduction of a proposed state constitutional amendment to allow the state’s legislature to authorize sports betting.

Pennsylvania and Mississippi went a step further, each enacting legislation allowing casinos to operate single-game sports betting if PASPA was overturned.

In all, more than a 12 states considered sports betting-related legislation in 2017, making the year one in which post-PASPA preparations at the state level began in earnest.

With states and sovereign tribal nations now able to legalize betting, policymakers are expressing a greater interest in sports betting economic and regulatory education.

Many industry experts, for example, expressed dismay at the effective sports betting revenue tax of 36 percent enacted by Pennsylvania’s law. They warned that the tax would make it extremely difficult for any Keystone State betting operator to turn a profit offering betting products, which are notoriously low margin, to consumers.

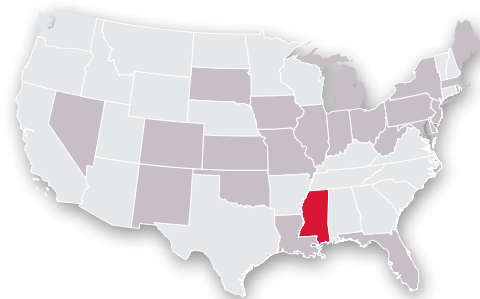
Sports betting represents a challenge not only for state policymakers, but also for gaming regulators who will be confronted with a gambling activity that is markedly different from the gaming machines and table game offerings of land-based casinos, said David Rebeck, director of New Jersey’s Division of Gaming Enforcement.

Regulators and policymakers will also need to be careful that operators can offer sportsbooks that are attractive enough to draw bettors away from offshore sites operating illegally.

“People can be recruited to come to the legal market if they’re satisfied with the product they’re dealing with. If not, then they’ll stay there,” Rebeck said. “It’s a never-ending battle and it’s going to be tough for us to fight that.”

Mississippi

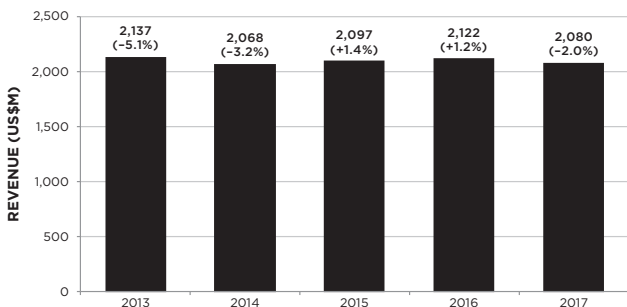
Number of Commercial Casinos	28
Casino Format	Riverboat and land-based casinos
Regulatory Authority	Mississippi Gaming Commission
Gross Casino Gaming Revenue 2017	\$2.08B
Casino Tax Revenue 2017	\$252.1M



In 2017, total statewide commercial casino gaming revenue was \$2.08 billion, down 2.0 percent, as growth on Mississippi’s Gulf Coast was offset by declines in the state’s Mississippi River markets.

Mississippi: Annual Commercial Casino Gaming Revenue (US\$M)

2013 to 2017



SOURCE: Mississippi Gaming Commission

MARKET OVERVIEW

Mississippi offers commercial casino gaming at 28 casinos located along the Mississippi River and the Gulf Coast. The casinos are regulated by the Mississippi Gaming Commission.

The Mississippi legislature first authorized casino gaming in 1990, strictly limiting it to facilities docked on waterways. After Hurricane Katrina in 2005, the legislature passed a new law authorizing casinos on the state’s Gulf Coast to rebuild on dry land so long as those casinos remained within 800 feet of the water. Mississippi’s first casino, Isle of Capri Biloxi, opened in 1992 and its most recent, Scarlet Pearl Casino, opened in 2015.

Similar to the licensing model of Nevada and New Jersey, there is no limit on the number of casinos that can be established in the state. However, casino projects must meet certain minimum criteria in order to receive a license. Under regulations enacted in 2013, any new casino approved after December 31 of that year must offer at least 300 hotel rooms, a minimum 40,000 square-foot gaming floor, a fine-dining restaurant and a further “amenity” unique to the Mississippi market that will encourage tourism.

Market Performance

In 2017, total statewide commercial casino gaming revenue was \$2.08 billion, down 2.0 percent relative to 2016.

2017 marked a return to declining annual revenue, following two straight years of modest gains in 2015 and 2016.

Consistent with recent years, Mississippi also continues to be a tale of two gaming markets.

The state's dozen commercial casinos situated on Mississippi's Gulf Coast reported combined annual gaming revenue of \$1.19 billion, a modest increase of 0.3 percent compared to 2016.

In contrast to the Gulf Coast market's performance, riverboat casinos moored on the Mississippi River in the Central and Northern regions of the state reported combined annual gaming revenue of \$888 million, down 4.9 percent relative to 2016. Gaming revenue in Mississippi River markets has fallen for each of the past four years and in every year but one since 2006.

Gaming Tax Distribution

Mississippi commercial casinos with gaming revenue exceeding \$134,000 per month are taxed at an effective rate of 11.2 percent.

Gaming revenue is taxed at 8 percent (with lower rates applying to revenue below that threshold), while each of the local Mississippi municipalities with gaming charge an additional annual license fee equal to 3.2 percent of casino gaming revenue.

In 2017, Mississippi commercial casinos generated total gaming tax revenue of approximately \$252.1 million, down slightly from \$253.9 million in 2016. Of that amount, roughly \$131.8 million was distributed to the state's General Fund. Monies in the fund are appropriated annually to support various state budgetary needs, including education programs and social welfare initiatives.

A further \$36 million in gaming tax revenue was allocated to Mississippi's Special Bond Sinking Fund and used to pay down certain state debts incurred through infrastructural spending

programs. In accordance with a 2015 state law, a total of \$6 million was used in 2017 to help fund the development of a new aquarium in Gulfport.

Meanwhile, in 2017, approximately \$84.3 million in gaming tax revenue was directed to cities and counties that host casinos.

Competitive Landscape

Mississippi's commercial casinos compete in a crowded statewide gaming market that also includes three large-scale tribal casinos owned by the Mississippi Band of Choctaw Indians. Tribal members in 2017 rejected a proposal to develop a fourth casino.

In addition to their fellow in-state casinos, commercial casino operators in the Magnolia State also face significant competition from properties in neighboring jurisdictions.

Specifically, casinos in the Tunica/Lula area of Northern Mississippi face competitive pressures from iGaming machines at two Arkansas racetracks, which have been able to attract customers from the nearby Memphis market since gaining approval to add the machines in 2005.

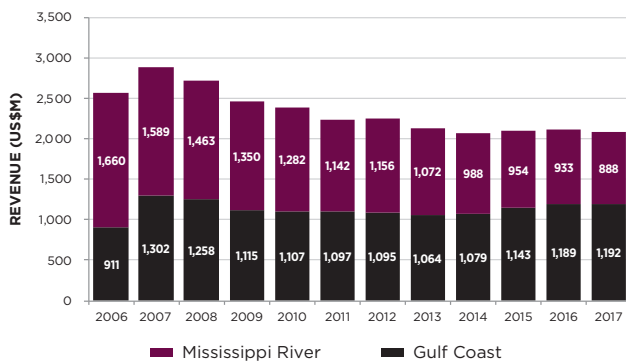
Advocates of further gaming expansion in Arkansas failed to get a proposal on the ballot in 2016. However, campaign groups began the process anew in 2017 with the aim of holding a November 2018 statewide referendum. If passed, it would permit the state's two racetrack gaming venues into full-fledged casinos and authorize several additional casinos as well.

Some of Mississippi's casinos also compete for patrons with casinos in neighboring Louisiana. Louisiana was the most significant feeder market for Mississippi casinos in 2016, accounting for more than 13.5 percent of total casino patrons, according to Gaming Commission data.

Mississippi: Annual Commercial Casino Gaming Revenue By Market (US\$M)

2006 to 2017

In 2017, the state’s Gulf Coast region again generated the lion’s share—about 57.3 percent—of total statewide gaming revenue.



SOURCE: Mississippi Gaming Commission

Expansion

In 2017, the Gaming Commission denied two separate applications for new casino developments in Biloxi and Diamondhead in the Gulf Coast market.

Commissioners concluded that neither casino would be built on land that was located within 800 feet of the open water of the Gulf of Mexico or St. Louis Bay, as required by the state’s gaming act. Appeals lodged by the two developers were also denied by commissioners.

POLICY AND REGULATORY REVIEW

Sports Betting and Fantasy Sports

In 2017, Mississippi lawmakers paved the way for the rollout of sportsbooks in the state’s commercial casinos pending the end of a federal ban on expanding sports wagering.

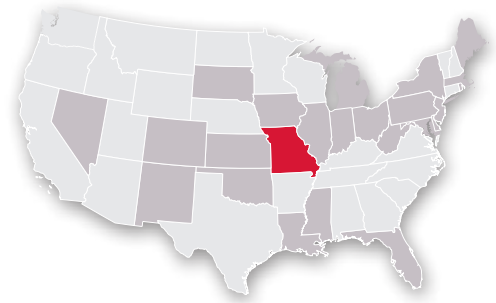
The sports-betting provision was included within a broader bill to permanently legalize fantasy sports contests under the regulatory oversight of the Commission.

A bill signed into law by Gov. Phil Bryant (R) in March deleted a provision in Mississippi’s Gaming Control Act that prohibited commercial casinos from offering wagering “on the outcome of any athletic event.”

The amendment gave the Commission authority to regulate sports pools within land-based casinos pursuant to an applicable change in federal law. That change came in 2018, when the U.S. Supreme Court found PASPA to be unconstitutional.

Missouri

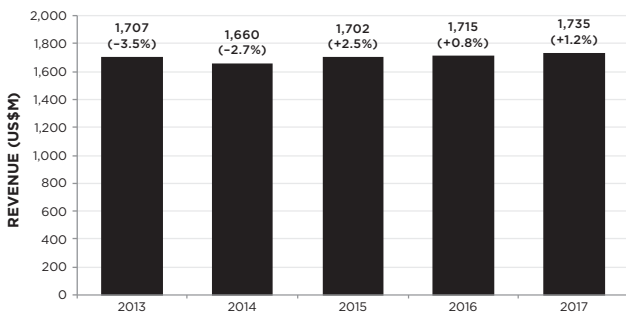
Number of Commercial Casinos	13
Casino Format	Riverboat Casinos
Regulatory Authority	Missouri Gaming Commission
Gross Casino Gaming Revenue 2017	\$1.74B
Gaming Tax Revenue 2017	\$445.7M



In 2017, total statewide commercial casino gaming revenue was \$1.74 billion, up 1.3 percent. The year-over-year increase was driven by growth in the state’s two largest markets, St. Louis and Kansas City.

Missouri: Annual Commercial Casino Gaming Revenue (US\$M)

2013 to 2017



SOURCE: Missouri Gaming Commission

MARKET OVERVIEW

Missouri offers commercial casino gaming at 13 riverboat casinos, each of which operates gaming machines and table games. The casinos are regulated by the Missouri Gaming Commission.

In 1992, voters amended the Missouri Constitution to allow commercial casinos on the Missouri and Mississippi Rivers, subject to local voter approval. In 1994, voters amended the state Constitution again to expressly allow gaming machines and table games. The state’s first commercial casino, the President Riverboat Casino, opened in 1994, and its most recent, Isle Casino Cape Girardeau, opened in 2012.

There is no statutory restriction on the number of casinos that can operate in Missouri. However, if any additional commercial casinos are added in the state, voters in the city or county where the proposed property would be located must approve the expansion through a local referendum.

Market Performance

In 2017, total statewide commercial casino gaming revenue was \$1.74 billion, up 1.3 percent compared to 2016. It was the market’s third consecutive growth year.

The growth was mostly attributable to increasing table game revenue, which has continued to surge since Missouri permitted commercial casinos to offer credit wagering to patrons in 2014. In 2017, total statewide table game revenue was \$248.2 million, up 4.2 percent year over year. Total statewide gaming machine revenue increased by less than 1 percent to \$1.49 billion.

Consistent with the previous year, 2017’s statewide revenue increase also came despite a decline in visitation to Missouri casinos. Combined, the state’s 13 riverboats admitted approximately 40.3 million guests in 2017, 1.3 million fewer than they did in 2016. However, average casino revenue per admission was up 4.3 percent to \$42.96 per patron.

Gaming Tax Distribution

Missouri commercial casino gaming revenue is taxed at 21 percent. Additionally, commercial casinos charge a \$2 admission fee for every two hours that each patron is on board a riverboat.

In 2017, Missouri’s commercial casinos generated total gaming tax revenue of approximately \$445.7 million, including admissions fees, up slightly from \$443.6 million in 2016.

Of that amount, approximately \$328.4 million was distributed to Missouri’s Gaming Proceeds For Education Fund. The fund was created by the Missouri legislature in 1993 and distributes monies annually to statewide education programs.

Also in 2017, approximately \$80.7 million in gaming tax and admissions fee revenue was paid to local governments that host Missouri’s casinos. Further beneficiaries of revenue from casino admissions fees included a Missouri veterans program, the state’s National Guard and a pair of college financial assistance funds for lower-income students.

Competitive Landscape

The state’s competitive landscape for gaming is expected to remain stable for the foreseeable future.

Missouri casinos in the greater Kansas City and St. Louis markets have traditionally competed directly with rival properties in Kansas City, Kansas, and in East St. Louis, Illinois, respectively.

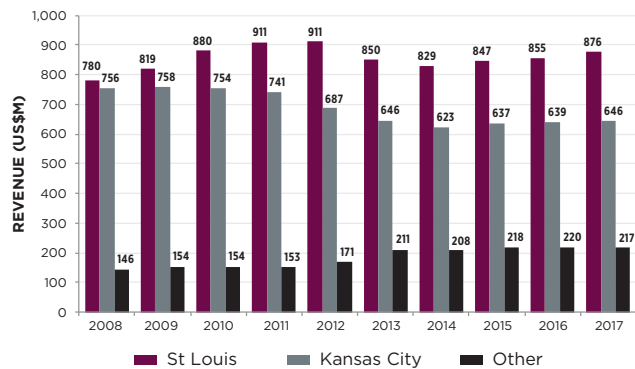
In 2017, Illinois lawmakers reconsidered a longstanding legislative proposal to further expand the state’s gaming market, including through a potential new casino in Williamson County, near the Missouri border. The bill was approved by the Illinois Senate, but was not passed by the House in 2017.

In recent years, Missouri casinos near Illinois have also faced competition from the expansion of VGTs in non-commercial casino locations such as bars and truck stops. Legislation to allow VGTs in Missouri was also introduced in 2017.

Missouri: Annual Commercial Casino Gaming Revenue By Market (US\$M)

2008 to 2017

Missouri’s two largest metro areas—St. Louis and Kansas City—continued to account for the lion’s share of statewide gaming revenue in 2017. Casinos in both markets face notable out-of-state competition from gaming venues in Illinois and Kansas, respectively.



SOURCE: Missouri Gaming Commission

POLICY AND REGULATORY REVIEW

Regulatory Reform

The Gaming Commission voted in December 2017 to rescind several dozen administrative rules following a sweeping review of the state's commercial casino regulations. The review found many state regulations to be either duplicative or unnecessary.

The Commission moved to repeal regulations that restricted the amount commercial casinos could pay junket operators in return for bringing patrons to their facilities. The Commission concluded that such a restriction put the state's casinos at a disadvantage and was "unnecessary to protect the integrity of gaming in Missouri."

The review followed a January 2017 executive order signed by Gov. Eric Greitens (R) that called on all state agencies to identify and eliminate any regulations considered to be ineffective or uncompetitive.

Expansion

In 2017, Missouri lawmakers considered legislation that would have authorized VGTs, similar to those authorized in neighboring Illinois, under a regulatory regime overseen by the Missouri Lottery.

The bill would have allowed as many as five VGTs in taverns, restaurants and truck stops and as many as 10 machines at benevolent and fraternal organizations.

The legislation was opposed by the Missouri Casino Gaming Association, which, during a Senate hearing on the measure in February 2017, warned that authorization of VGTs would negatively impact the state's casinos.

The VGT bill did not advance out of committee in 2017, but similar legislation is expected to be reintroduced for consideration during Missouri's 2018 legislative session.

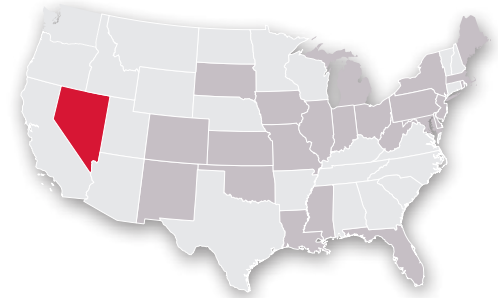
Fantasy Sports

The Commission in 2017 issued formal regulations for fantasy sports contest operators. The Commission also began accepting license applications from fantasy operators.

The regulations were issued after the state enacted legislation in 2016 calling for the regulation of fantasy sports contests.

Nevada

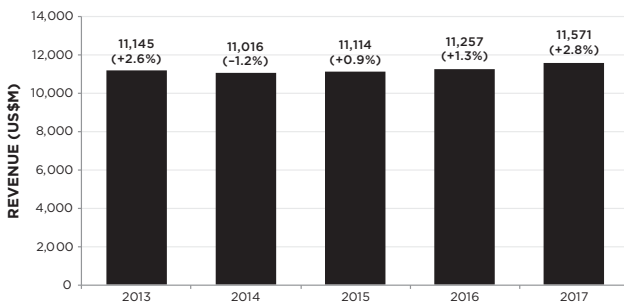
Number of Commercial Casinos	215
Casino Format	Land-Based Casinos
Notable Forms of Gaming	Online Poker; Sports Betting
Regulatory Authority	Nevada Gaming Control Board; Nevada Gaming Commission
Gross Casino Gaming Revenue 2017	\$11.57B
Casino Tax Revenue 2017	\$867.2M



In 2017, total statewide commercial casino gaming revenue was \$11.57 billion, up 2.8 percent compared to 2016. It was the industry’s highest annual revenue total in a decade.

Nevada: Annual Commercial Casino Gaming Revenue (US\$M)

2013 to 2017



SOURCE: Nevada Gaming Control Board

MARKET OVERVIEW

Nevada is home to America’s most extensive commercial gaming market, consisting of more than 170,000 gaming machines and table games offered at hundreds of casinos and other locations. The state’s commercial casinos are regulated by the Nevada Gaming Control Board and Nevada Gaming Commission.

Although commercial gaming was first legalized in Nevada in the 1930s, the state’s modern regulatory structure dates back to the formation of the state’s Gaming Control Board and Gaming Commission in the 1950s.

Nevada enjoyed an effective national monopoly on casino gaming until New Jersey authorized commercial casinos in 1976. Since then, however, Nevada gaming revenue has continued to grow as Las Vegas has consolidated its position as a major national and international tourist destination.

In addition to casinos, Nevada permits the operation of gaming machines in bars, restaurants and convenience stores. At the end of 2017, it was also the only U.S. state permitted under federal law to offer single-game betting on professional and amateur sports events.

In 2011, Nevada became the first state to adopt licensing requirements for iGaming, limited to poker games. Internet poker sites commenced operations in 2013, although only two such websites were active during 2017.

Nevada law requires all casinos to obtain a “non-restricted” gaming license. Smaller venues with gaming as an incidental part of their business generally require a “restricted” gaming license and can operate no more than 15 gaming machines. With certain exceptions, venues with restricted gaming licenses also must offer a dining area with seating for at least 25 people, be at least 2,500 square feet in size and remain open at least 12 hours a day.

There is no cap on the number of restricted or non-restricted licenses available in Nevada or on the number of machines or games that may be offered in the state.

Under state law, only holders of non-restricted gaming licenses are eligible to obtain licenses to operate sports pools or internet poker games.

Market Performance

In 2017, total statewide commercial casino gaming revenue was \$11.57 billion, up 2.8 percent compared to 2016. It was the industry’s highest annual revenue total since 2008 and came despite a drop-off in revenue during the period following the tragic events of October 1, when a mass shooting occurred at a music festival on the Strip.

Total statewide gaming machine revenue was \$7.43 billion, up 3.8 percent relative to 2016, while total statewide revenue from table games, sportsbooks and other games was \$4.14 billion, up 1.1 percent.

Table game revenue would have been higher were it not for a dip in revenue from baccarat, the historically volatile game favored by international high rollers visiting Las Vegas. In 2017, total statewide revenue from baccarat fell 5.6 percent to \$1.15 billion, the lowest annual total since 2009.

Nevada set a new record for sports betting revenue in 2017 with sportsbook revenue totaling \$248.8 million, up 13.5 percent versus 2016 and 7.3 percent compared to 2015, when sportsbooks won a previous record amount of \$231.8 million. Nevada sportsbook patrons also wagered a record amount in 2017, with total sports betting handle of \$4.87 billion representing an increase of 8 percent over the prior year.

As in previous years, the Las Vegas Strip continued to account for well over half of all casino gaming revenue in Nevada. In 2017, total gaming revenue at casinos on the Las Vegas Strip was \$6.46 billion, up 1.3 percent from 2016. Excluding the Strip, total statewide gaming revenue was \$5.11 billion, up 4.7 percent.

Gaming Tax Distribution

Nevada casinos are subject to a state tax of 6.75 percent on all gross gaming revenue exceeding \$134,000 per month, with lower rates applying to revenue below that threshold.

Casino operators are also subject to a tax on live entertainment offerings hosted within their resorts. Quarterly and annual fees are also assessed according to the number of gaming machines and table games they offer.

Meanwhile, counties and municipalities may impose additional fees and levies. Nevada sportsbook operations are further subject to a 0.25 percent federal excise tax applied to wagering handle.

In 2017, Nevada collected a total of \$867.2 million in gaming and live entertainment tax revenue from commercial casinos, a 3.7 percent decline from \$900.6 million in 2016.

Those casinos generated state gaming tax revenue totaling approximately \$765.9 million in the form of levies and fees assessed against their gaming revenue or game offerings. A further \$101.3 million was collected from casinos by state gaming regulators in the form of taxes on live entertainment.

In accordance with state law, the vast majority of tax revenue from gaming is directed to Nevada's General Fund, then redistributed on a biennial basis, at the direction of the legislature, for purposes including statewide education programs, transportation services and general budgetary needs. Additional monies are funneled to local school systems and county governments.

Competitive Landscape

As one of the world's foremost entertainment destinations, Las Vegas faces a somewhat different competitive environment than most other U.S. gaming markets.

While Las Vegas' commercial casinos compete to some extent with a handful of in-state and Southern California tribal casinos, the city as a whole also competes with various national and international locations for discretionary tourist dollars and as a host for convention business.

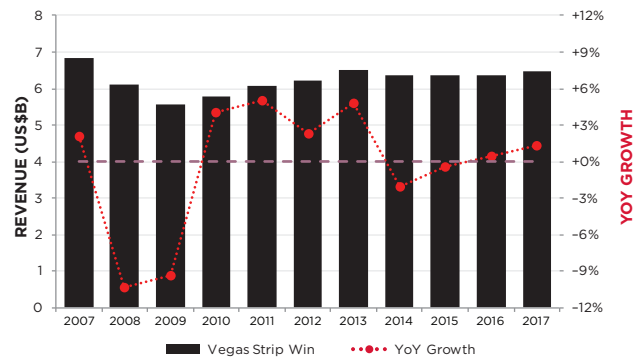
Although various non-gaming entertainment amenities are under development in Las Vegas, the competitive environment for operators is expected to remain largely stable until 2020. That is the year two major resort casinos on the north end of the Strip—the \$4 billion Asian-themed Resorts World Las Vegas and the long-stalled Fontainebleau project—could be completed.

Outside of Las Vegas, commercial casinos in Reno and other parts of Northern Nevada have historically been impacted by competition from tribal casinos in Northern California. There are currently several dozen tribal casinos in Northern California, and another major tribal gaming resort is set to be built just south of Sacramento.

Las Vegas Strip: Annual Commercial Casino Gaming Revenue (US\$B)

2007 to 2017

The Las Vegas Strip, which generated annual gaming revenue of \$6.46 billion in 2017, grew for the second consecutive year.



SOURCE: Nevada Gaming Control Board

POLICY AND REGULATORY REVIEW

Regulatory Reform

Nevada enacted a significant regulatory change in May 2017, when the state's Gaming Commission voted to adopt rule amendments extending account wagering to all forms of gaming.

The new rules allow verified patrons to use their accounts to participate in cashless wagering for "any or all authorized games and gaming devices." Prior to the change, account-based wagering had been restricted to race and sports betting, mobile gaming and interactive poker; the amended rule most notably allows for account wagering at physical slot machines.

Gaming Technology

A further regulatory change came in May 2017 when Gov. Brian Sandoval (R) signed into law a bill designed to loosen Nevada licensing requirements for certain gaming providers.

In accordance with that legislation, which was passed almost unanimously by the state legislature, the developers of specific game features within electronic gaming equipment will no longer require a Nevada license, provided a licensed gaming manufacturer agrees to assume full responsibility for the software being incorporated into its equipment.

Advocates of the change argued it would make it easier for suppliers of gaming equipment to Nevada casinos to partner with companies from outside the industry to introduce new game concepts and other technological innovations.

Regulations to implement the licensing change are expected to be developed and adopted in 2018.

At a November 2017 meeting, members of the Gaming Policy Committee advised that Nevada's gaming and marijuana industries be kept completely separate, with casinos forbidden from leasing space to marijuana dispensaries and individuals involved in marijuana business ineligible to receive a state gaming license.

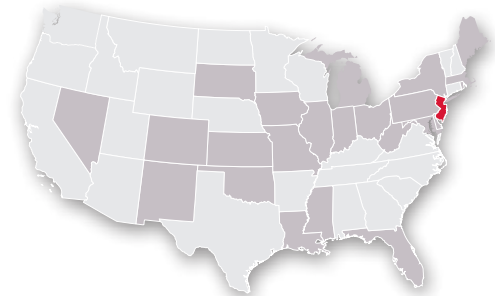
Marijuana Policy

In 2017, Gov. Sandoval convened the Gaming Policy Committee to consider potential interactions between the Nevada commercial casino industry and the state's lawful marijuana sector.

Nevada became the eighth state to legalize recreational marijuana within its borders when voters approved a referendum in November 2016. Nonetheless, the sale of marijuana is still considered to be illegal under federal law. This creates a situation wherein Nevadan residents could wager at casinos with proceeds earned through a business that is lawful under Nevada state law, but illegal under federal law. The fact that Nevadans could be wagering with funds considered by federal law to be obtained illegally could lead to confusion for casino operators, who are unsure of how or whether to accept those patrons' funds.

New Jersey

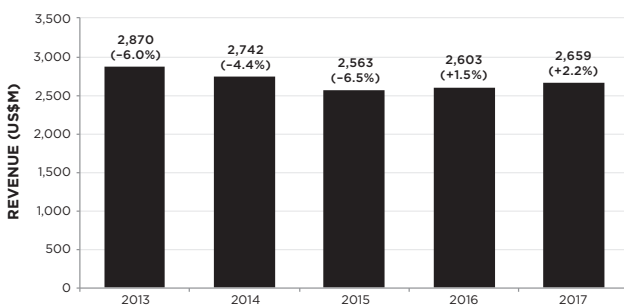
Number of Commercial Casinos	7
Casino Format	Land-Based Casinos
Notable Forms of Gaming	Online Casino
Regulatory Authority	New Jersey Division of Gaming Enforcement; New Jersey Casino Control Commission
Gross Casino Gaming Revenue 2017	\$2.66B
Gaming Tax Revenue 2017	\$248.0M



In 2017, total statewide commercial casino gaming revenue was \$2.66 billion, up 2.2 percent. It was the New Jersey market’s second consecutive annual revenue increase following a decade-long decline after the arrival of casino gaming in neighboring Pennsylvania in 2006.

New Jersey: Annual Commercial Casino Gaming Revenue (US\$M)

2013 to 2017



SOURCE: New Jersey Division of Gaming Enforcement

MARKET OVERVIEW

In New Jersey, there are currently seven commercial casinos operating in Atlantic City. The casinos are regulated by the New Jersey Casino Control Commission and the New Jersey Division of Gaming Enforcement.

New Jersey voters first approved casino gaming in 1976 via a constitutional amendment that restricted casinos to Atlantic City. The state’s first casino opened in 1978. The New Jersey Constitution does not limit the number of casinos that can operate in Atlantic City, but state gaming statutes stipulate that casinos must operate at least 500 hotel rooms. Lawmakers passed legislation in 2011 to waive the 500-room requirement to allow for the licensing of up to two smaller, so-called “boutique” casinos. However, no boutique casinos are operational or planned.

While Atlantic City was home to as many as a dozen casinos as recently as 2014, New Jersey’s gaming market has contracted in recent years as operators failed to absorb the competitive impact of new casinos in Pennsylvania and other

surrounding states. Developers have acquired two shuttered Atlantic City casino properties, formerly known as Revel and the Trump Taj Mahal, and announced plans to reopen them under new names in 2018.

In addition to land-based commercial casino gaming, New Jersey is one of four states to have legalized commercial iGaming. Legislation authorizing Atlantic City casinos to deploy interactive gaming platforms offering online casino games and poker was approved in 2013, with the first such platforms launching later that year. At the close of 2017, a total of 17 branded online casinos were operational.

Market Performance

New Jersey's commercial casino gaming market reported a second consecutive year of increasing revenue in 2017, with strong growth in iGaming accompanied by a newfound stability for traditional casino operations in Atlantic City.

For the year, total statewide gaming revenue, including contributions from iGaming, was \$2.66 billion, up 2.2 percent compared to 2016. Total statewide gaming machine revenue was \$1.72 billion, up 0.4 percent relative to 2016, while total statewide table game revenue was \$693.7 million, virtually unchanged from the year prior.

Total iGaming revenue was \$245.6 million, up 24.9 percent, as growth in revenue from online slots and table games offset a decline in online poker revenue.

Notably, 2017 marked the first overall increase in annual gaming revenue from traditional casino games in Atlantic City since the opening of Pennsylvania's first casino in 2006. The growth curve would have been even steeper if revenue earned in 2016 by the now-shuttered Trump Taj Mahal is excluded. Subtracting that revenue from the market total, New Jersey's seven casinos reported a combined revenue increase of 7.3 percent versus 2016.

Gaming Tax Distribution

New Jersey commercial casino gaming revenue is taxed at varying rates depending on whether the gaming type offered is land-based or interactive.

Land-based commercial casino gaming revenue is taxed at an effective rate of either 9.25 percent or 10.5 percent. That rate comprises an 8 percent state gaming tax and either a 1.25 percent obligation for investment in economic development projects in Atlantic City and throughout New Jersey, or an investment alternative tax of 2.5 percent.

Online commercial casino gaming revenue, meanwhile, is taxed at an effective rate of either 17.5 percent or 20 percent. That rate comprises a 15 percent state gaming tax and either a 2.5 percent community investment obligation, or an investment alternative tax of 5 percent.

In 2017, New Jersey commercial casinos generated approximately \$248.0 million in total gaming tax revenue, up from \$240.22 million in 2016.

Of that total, approximately \$211.6 million was deposited into the New Jersey Casino Revenue Fund, where monies are appropriated each fiscal year for the exclusive benefit of New Jersey's senior citizens and disabled residents. Specific beneficiaries of the revenue fund in 2017 included home assistance programs as well as home-meal and transportation services for seniors.

On top of the casino revenue fund amounts, approximately \$36.3 million was also distributed by operators into a separate fund that supports economic development and community projects in Atlantic City. Beneficiaries of funds from the Casino Redevelopment Authority in 2017 included an ongoing project to renovate the historic Boardwalk Hall entertainment venue, Stockton University and the Atlantic City Police Department.

Competitive Landscape

After experiencing a major contraction with five casinos closing down between 2014 and 2016, Atlantic City gaming operators entered 2018 preparing the market for its first expansion in several years.

In 2017, Florida-based gaming company Hard Rock International announced a deal to acquire the former Trump Taj Mahal casino on the Atlantic City Boardwalk, and invest more than \$300 million redeveloping it for a 2018 reopening as the Hard Rock Hotel & Casino Atlantic City. Meanwhile, a Colorado developer acquired the former Revel resort casino and announced plans to reopen it in mid-2018 as the Ocean Resort Casino.

The deals will increase the state’s number of commercial casino locations to nine in 2018, and could test the green shoots of recovery that sprung up in 2016 and 2017 in Atlantic City’s land-based casino market.

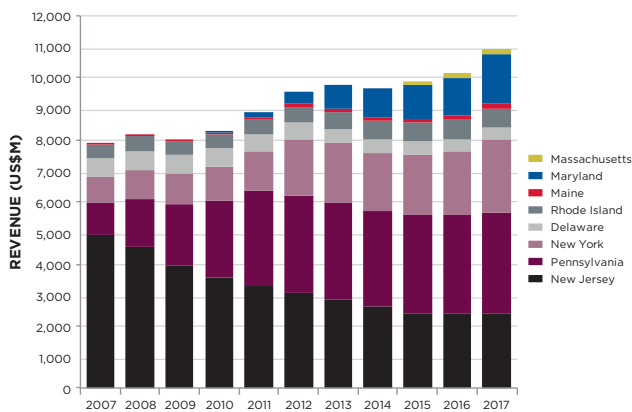
Meanwhile, further expansion is also pending in neighboring Pennsylvania, traditionally a key source of customers to Atlantic City properties. Developers there are expected to start construction on a fifth commercial casino in the Greater Philadelphia in early 2018.

Pennsylvania lawmakers also voted in 2017 to authorize up to 10 satellite-casinos, as well as gaming machines at non-commercial casino locations such as truck stops. It remains unclear exactly how much impact either of those expansions would have on New Jersey.

Northeast U.S.: Annual Commercial Casino Gaming Revenue By State (US\$M)

2007 to 2017

In 2017, New Jersey accounted for approximately 22.1 percent of Northeast Region commercial casino gaming revenue, down from 23.7 percent in 2016.



SOURCE: Gambling Compliance

POLICY AND REGULATORY REVIEW

Sports Betting

New Jersey’s multi-year campaign to authorize sports betting in defiance of a federal ban received a major boost in 2018 when the U.S. Supreme Court declared the federal ban on sports betting unconstitutional.

New Jersey was party to the case, *Murphy v. National Collegiate Athletic Association*, which pitted the Garden State against the four major sports leagues and the NCAA for nearly seven years. Justices appeared skeptical of the leagues’ arguments during oral arguments held in Washington, D.C., in December 2017.

With robust land-based and online commercial casino gaming infrastructures already in place, New Jersey is expected to be one of the first states to capitalize on its ability to legalize sports betting.

Regulatory Reform

In 2017, the New Jersey Division of Gaming Enforcement proposed a series of changes to its regulations for commercial casinos, gaming suppliers and iGaming operations.

Among other things, the division proposed adopting multi-jurisdictional application forms—with a New Jersey-specific addendum. This streamlined the licensure application process, making it easier for companies active in multiple jurisdictions to have their licenses renewed.

Elsewhere, the division proposed loosening approval requirements for certain debt transactions by gaming companies while allowing suppliers to avoid filing multiple petitions when seeking to renew their temporary approvals to transact with multiple Atlantic City casinos.

Further changes have been proposed to accounting and security regulations, with the Division also set to allow casino operators to reboot their own gaming machines in the event of a machine freezing or “locking up.”

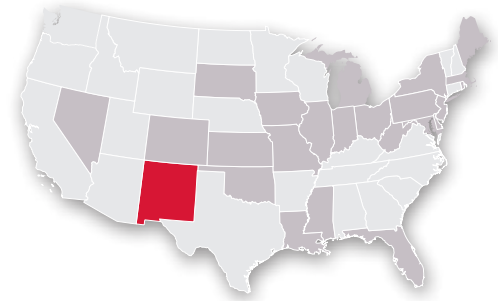
Internet Gaming

New Jersey agreed to start pooling online poker players with Delaware and Nevada in October 2017 when outgoing Gov. Chris Christie (R) signed on to the Multi-State Internet Gaming Agreement first announced by the two states in 2014.

The addition of New Jersey players to the pool, anticipated sometime in 2018, is expected to increase operational liquidity in the three states, thereby allowing participating poker networks to offer a wider range of games and tournaments.

New Mexico

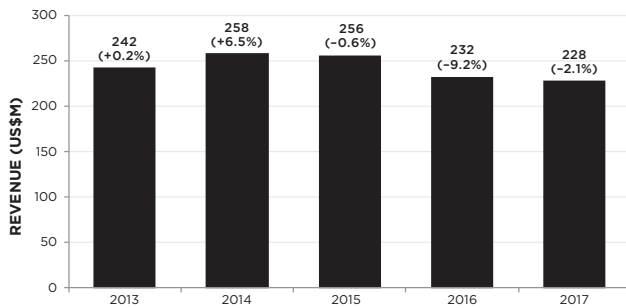
Number of Commercial Casinos	5
Casino Format	Racinos
Regulatory Authority	New Mexico Gaming Control Board
Gross Casino Gaming Revenue 2017	\$227.5M
Casino Tax Revenue 2017	\$59.7M



In 2017, total statewide commercial casino gaming revenue was \$227.5 million, down 2.1 percent. It was the industry’s lowest total in more than a decade.

New Mexico: Annual Commercial Casino Gaming Revenue (US\$M)

2013 to 2017



SOURCE: New Mexico Gaming Control Board

MARKET OVERVIEW

New Mexico offers commercial casino gaming at five racinos. Gaming operations at the properties are regulated by the New Mexico Gambling Control Board.

Commercial casino gaming at racetracks was first authorized in 1997 when the New Mexico legislature passed the Gaming Control Act. Four racetracks converted to racinos and began operating gaming machines in 1999. The state’s fifth racino, Zia Park, opened in 2005.

Although there is no statutory limit on the number of racinos that may operate in the state, New Mexico law authorizes only state-licensed racetracks that host a minimum number of live races to operate gaming machines.

Generally, racinos may operate a maximum of 600 gaming machines. However, racinos are authorized to execute “allocation agreements,” whereby one track allocates a certain portion of its authorized number of gaming machines to another racino. Any such agreement is subject to approval by the Gaming Control Board, and no track may operate more than 750 gaming machines.

Market Performance

In 2017, total statewide commercial casino gaming revenue was \$227.5 million, a decline of 2.1 percent against 2016. It was the state’s third consecutive annual decline, reflective of intense competition from tribal casinos, as well as slowing energy production in local economies surrounding New Mexico’s racinos.

Gaming Tax Distribution

In 2017, New Mexico racinos generated total state gaming tax revenue of approximately \$59.7 million, down from \$61 million in 2016. Of that amount, roughly \$59.2 million was distributed to the state’s General Fund. Monies in the fund are allocated each year for state budgetary expenditures by the New Mexico Department of Revenue, subject to approval by the state legislature.

In addition to the state gaming taxes, approximately \$45.5 million in racino gaming revenue was distributed to New Mexico’s horse racing industry for the purposes of supplementing race purses.

Competitive Landscape

New Mexico racinos face competition from the state’s 28 tribal casinos. For perspective, total statewide tribal gaming machine revenue was \$708.8 million in 2017, up 1.6 percent relative to 2016. Tribal casinos are also eligible to offer table games. Table game revenue figures are not publicly available.

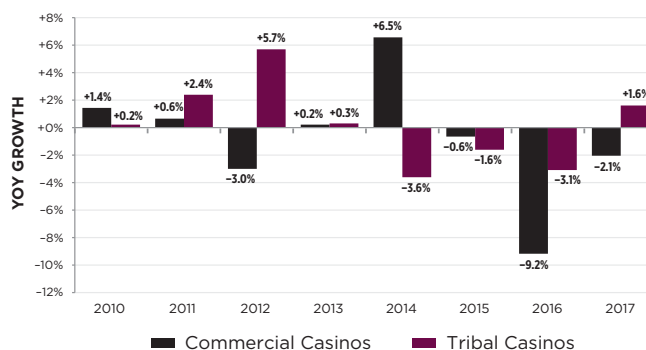
Aside from the expansion of existing tribal gaming facilities, the competitive landscape for New Mexico’s racinos is expected to remain stable for as long as lawmakers in neighboring Texas continue to shun legislation that would open up their state to commercial casino gaming.

In addition to tribal casinos, New Mexico racinos also face limited competition from licensed non-profit organizations, which are authorized to operate a maximum of 15 gaming machines with restricted payouts.

New Mexico: Annual Gaming Machine Revenue Growth Rate By Gaming Classification

2010 to 2017

While commercial racinos suffered a third straight year of gaming machine revenue declines in 2017, machine gaming revenue at New Mexico’s tribal casinos increased for the first time since 2013.



SOURCE: New Mexico Gaming Control Board

POLICY AND REGULATORY REVIEW

Regulatory Reform

New Mexico's commercial casino industry scored some legislative relief in 2017, when Gov. Susanna Martinez (R) signed a bill allowing a reduction in the number of live horse races racinos have to offer in order to qualify for a gaming license.

Under that bill, signed into law in March, racinos earning less than \$30 million in annual gaming machine revenue are required to host a minimum of three days of live racing per week during their scheduled race meetings, versus the prior minimum of four days. Racinos still may not be open for more than an 18-hour period in one day.

Tribal Gaming

A long-standing legal dispute was resolved in August 2017 when the Pueblo of Pojoaque signed a new tribal-state gaming compact more than two years after its initial agreement expired.

The tribe initially refused to sign a new compact on grounds that increasing the revenue-sharing rate from 8 percent to 10.5 percent of gaming machine revenue violated IGRA.

The Pojoaque Pueblo also lost a key legal battle in April 2017 when a federal appellate court held that the tribe could not bypass the state and negotiate a compact directly with the U.S. federal government.

In July, appellate judges also affirmed a lower court's ruling that the New Mexico Gaming Control Board was entitled to pursue action against the Pojoaque Pueblo's gaming equipment suppliers. Those suppliers provided machines that remained operational at Pojoaque Pueblo casinos in spite of the tribe's compact having expired.



IN FOCUS

Responsible Gaming

The U.S. casino industry embraced responsible gaming in 2017 more than ever before.

The industry continued to pivot away from a traditional, compliance-based approach determined by state-mandated rules and regulations, and toward a more proactive role, whereby operators are encouraged to institute best practices.

In 2017, AGA joined with advocacy groups, academic institutions and trade associations representing tribal casinos, state lotteries and the thoroughbred racing industry to establish a first-of-its-kind coalition.

The Responsible Gaming Collaborative, which will launch officially in 2018, will research the effectiveness of current responsible gaming programs and establish best practices in the field.

The Collaborative’s goal is to broaden the industry’s understanding of what responsible gaming measures are effective, and to align stakeholder policies and industry best practices with those effective policies.

To better identify effectiveness, the group is likely to conduct an extensive audit of the responsible gaming policies in place across the United States.

The group’s findings will then be used to identify best practices, and to hold states accountable for directing responsible gaming funds generated by the gaming industry to the solutions said funds are specifically earmarked for.

Russell Sanna, executive director of the National Center for Responsible Gaming, noted that the responsible gaming field remains an under-researched one in 2017.

One of the biggest research opportunities Sanna foresee is studying the relationship between responsible gaming requirements and the public policy context in which they were adopted.

U.S. policymakers have tended to focus on ensuring that the small minority of patrons who develop problems can stop gambling and obtain treatment, rather than exploring what can feasibly be done to prevent addiction and encourage all consumers to gamble responsibly.

“We haven’t had anyone looking at this and asking, ‘What is success in responsible gaming?’” Sanna said.

The U.S. casino industry has a strong record of compliance with regulatory and statutory responsible gaming requirements, said Keith Whyte, executive director of the National Council on Problem Gambling based in Washington, D.C.

But in recent years, Whyte noted, the industry has displayed a greater willingness to move beyond merely complying with those formal requirements and adopt “more forward-thinking” initiatives to effectively detect and prevent gambling problems.

Starting in 2018, the Responsible Gaming Collaborative will:

- Conduct a comprehensive review of current responsible gaming policies and regulations;
- Identify programs that work and those that fail to meet their objective;
- Study regulations to determine which are based on solid evidence;
- Determine whether government resources are being properly targeted toward effective programs and prevention;
- Develop a set of recommendations and industry best practices; and
- Work with regulators and other stakeholders to understand the best approaches.

“There’s been a trend of rising interest in the commercial casino industry, both in responsible gaming policy and in responsible gaming programs. I think that’s really necessary for the industry to continue to grow and be successful.”

Keith Whyte | Executive Director
National Council on Problem Gambling

The evolving approach to responsible gaming is the result of a combination of factors.

One factor is a greater emphasis corporate social responsibility initiatives, not just by gaming companies, but by corporate America in general, with strong social responsibility programs seen as a positive by both investors and consumers.

American gaming companies are also aware of acute regulatory pressures being felt by operators in overseas markets like the United Kingdom and Australia. Policy crackdowns in those countries have come about in recent years partly because local gaming industries have struggled to counter a media narrative dictated by anti-gambling advocates.

A second factor is the industry’s evolving gaming technology.

Operators enthusiastic about cashless wagering, mobile gaming or other technological innovations will typically need buy-in from state policymakers before they can deploy those products. Concerns over problem gambling can represent a significant hurdle to the type of regulatory approval those products require.

While some new gaming technologies do raise legitimate responsible gaming concerns, said Whyte, recent innovations such as account-based play, automatic transaction tracking and direct patron messaging provide “potentially enormous benefits” as well.

By providing research and incorporating responsible gaming into new offerings, Whyte believes there is a better chance that problem gambling risks can be mitigated, and arbitrary decisions by regulators to restrict or disallow new product can be avoided.

A third factor is the industry-leading responsible gaming work already underway in Massachusetts.

Under its commercial regulatory regime first established in 2011, the Bay State has pursued an aggressive responsible gaming agenda. Massachusetts has committed more gaming dollars to responsible gaming research than any state before it, and established several policies novel to the U.S. casino industry.

For instance, the state has embarked on a multi-year cohort study into the effects of casino expansion on problem gambling behavior. In another U.S. industry first, the Massachusetts Gaming Commission is requiring pre-commitment software to be installed on all gaming machines at casinos.

Still, Massachusetts officials insist that the state’s strong emphasis on responsible gaming doesn’t mean that regulators intend to be heavy-handed.

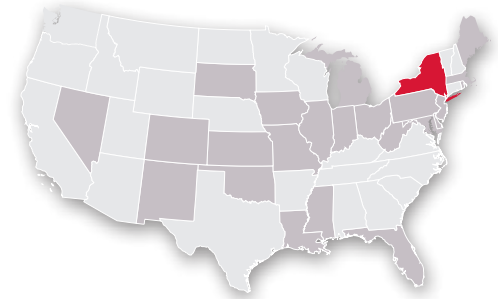
Mark Vander Linden, the Gaming Commission’s director of research and responsible gaming, points to the commission’s early 2018 decision to pursue the rollout of the PlayMyWay pre-commitment system on an informal, cooperative basis with casino operators, rather than enshrine specific requirements for the program in formal regulations.

Through its responsible gaming framework, Massachusetts is trying to move away from the compliance-based responsible gaming paradigm, under which casinos in many states are obliged to comply with prescriptive rules, but not necessarily encouraged to go beyond them, Vander Linden said.

“We may be able to do this in a way that fosters innovation, rather than just meeting a minimum regulatory requirement,” he said. “That’s an important shift in approach... Until now, it’s very much been about compliance, and not much else.”

New York

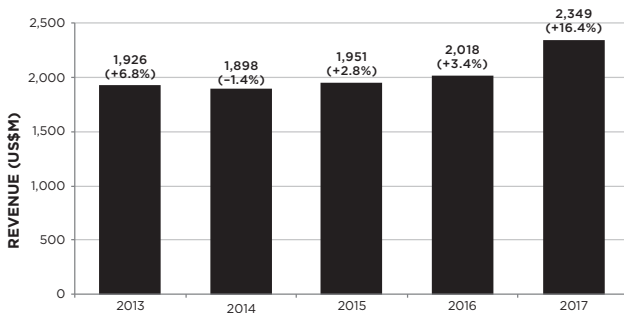
Number of Commercial Casinos	12
Casino Format	Land-Based Casinos; Racinos
Regulatory Authority	New York State Gaming Commission
Gross Casino Gaming Revenue 2017	\$2.35B
Casino Tax Revenue 2017	\$1.02B



In 2017, total statewide commercial casino gaming revenue was \$2.35 billion, up 16.4 percent. The figure represented the industry’s highest annual total and reflected the opening of resort-casinos in upstate New York in late 2016 and early 2017, as well as a new property on Long Island.

New York: Annual Commercial Casino Gaming Revenue (US\$M)

2013 to 2017



SOURCE: New York Lottery

MARKET OVERVIEW

New York offers commercial casino gaming at eight racinos, three full land-based casinos and a fourth land-based casino that offers only video lottery terminal gaming. In accordance with state law, the games offered at New York’s racinos and its VLT casino are limited to VLTs and electronic table games. The three full land-based casinos, in contrast, may offer both gaming machines and traditional casino table games. All gaming facilities are regulated by the New York State Gaming Commission.

Commercial casino gaming was first authorized by a 2001 law that allowed for the operation of gaming machines at racetracks under the authority of the New York Lottery. In 2013, the New York Lottery and the New York State Racing Commission were merged into the New York State Gaming Commission.

Lawmakers soon passed the Upstate New York Gaming Economic Development Act, authorizing a maximum of four resort casinos in different regions of Upstate New York. The first of four licensed commercial casinos, Tioga Downs Casino & Resort, commenced operations in December

2016. The next two, Del Lago Resort and Casino and Rivers Casino & Resort, opened in 2017. Resorts World Catskills, the fourth and final casino authorized by the 2013 law, was scheduled to open in February 2018.

Separately from four-casino expansion authorized by the law, the state's VLT-only casino, Jake's 58 Hotel & Casino, also opened in 2017.

The 2013 measure limited resort-casinos to three specific areas of the state: the Hudson Valley-Catskills market, the Capital District-Saratoga market and the Eastern Southern Tier market. It also prohibited any land-based casino from operating in designated tribal gaming exclusivity zones or in certain specified areas, including New York City, until at least seven years after the first land-based casino license was awarded.

Land-based casinos paid initial license fees ranging from \$20 million to \$50 million and must continue paying an annual fee equivalent to \$500 for each gaming machine and table game they offer.

Racinos, however, are not required to pay annual fees in order to operate gaming machines. Instead, licensing and renewal costs are paid out of revenue generated from their gaming machines. Under state law, racinos must maintain active racetrack licenses in order to operate gaming machines. There is no cap on the number of gaming machines or electronic table games that can be placed at a single racino.

Market Performance

In 2017, total statewide commercial casino gaming revenue was \$2.35 billion, up 16.4 percent against 2016 and comfortably surpassing the industry's previous record.

The sharp increase largely reflected the opening of the four aforementioned land-based casinos in late 2016 and early 2017. Combined, Tioga Downs Casino & Resort, Rivers Casino & Resort and Del Lago Resort and Casino reported total gaming revenue of \$333.5 million in 2017.

Gaming machines accounted for \$241.2 million, or 72.3 percent, of that total. Total table game revenue as reported by the three casinos was \$92.3 million. Jake's 58, meanwhile, reported gaming machine revenue of \$118.5 million.

Total gaming machine revenue from New York's racinos totaled \$1.90 billion in 2017. The total reflected a loss of revenue that normally would have been generated by Tioga Downs Casino & Resort. The property converted from a racino to a land-based casino when it reopened in December 2016.

Despite the overall gain in racino gaming revenue in 2017, it was clear that certain racino facilities suffered as a result of expanded competition from new commercial and tribal resort-casinos.

Overall, seven of New York's eight racinos reported lower revenue for 2017 when compared to the prior year. Three racinos—Vernon Downs, located near a new Oneida Nation tribal casino; Saratoga Casino Hotel, not far from Rivers Casino & Resort in Schenectady; and Finger Lakes Gaming & Racetrack, near Del Lago Casino and Resort—all saw double-digit revenue declines.

In spite of the expansion of casino gaming in Upstate New York, gaming venues located within the New York City market continued to account for the lion's share of total statewide gaming revenue in 2017.

Resorts World New York in Queens, Empire City Casino at Yonkers Raceway and Jake's 58 on Long Island reported combined gaming machine revenue for 2017 of \$1.57 billion, an increase of 8.4 percent relative to 2016. The three venues accounted for roughly 66.7 percent of the total statewide gaming market in 2017, versus 72 percent the year prior.

Gaming Tax Distribution

New York Gaming Tax Rates

SECTOR	GAMING TAX RATE
Gaming Machines At Racinos	-65%
Gaming Machines At Land-Based Casinos	37-45%
Table Games At Land-Based Casinos	10%

New York commercial casinos tax gaming revenue at different rates based on the location of the property offering gaming, and the type of gaming the property offers.

Racinos, after paying out prizes and deducting marketing and administrative expenses, pay approximately 65 percent of their gaming machine revenue in taxes to the state.

Gaming machine revenue from land-based casinos, meanwhile, is taxed between 37 percent and 45 percent, depending on the region in which the casino is located.

Land-based casino table game revenue is taxed at 10 percent, regardless of the property's location.

In 2017, New York's commercial casinos generated approximately \$1.02 billion in gaming tax revenue, up from \$919.7 million in 2016. Of that amount, approximately \$917.4 million was distributed to the state's Education Fund. Monies in the Education Fund are used to provide aid for local school districts across New York and are disbursed annually at the direction of the state legislature and Comptroller's Office.

Meanwhile, \$84.1 million in tax revenue funded statewide education programs and provided property tax relief to New York citizens. The remainder of the gaming tax revenue was shared by local municipal and county governments.

Competitive Landscape

New York will see its 13th commercial casino property open in 2018. The fourth land-based casino, the \$1.2 billion Resorts World Catskills, is expected to open its doors in 2018 in Sullivan County, roughly 100 miles north of New York City.

That opening will complete the expansion of the state's gaming market triggered by the legalization of commercial casinos in 2013. The state's 2013 Gaming Act authorized three additional commercial casinos to open in late 2022. In the event that that occurs, the four full land-based casinos will be entitled to a refund on their upfront licensing fees.

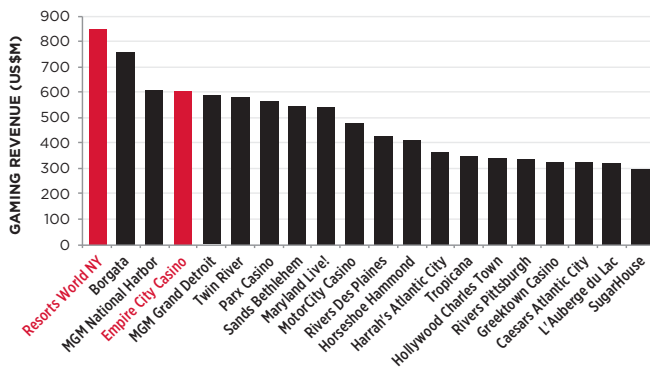
In addition to commercial casinos, New York is home to 15 tribal casinos, which are not regulated by the state. The state's tribal gaming market is set to undergo additional expansion, as well. Having opened one new tribal casino in 2015, the Oneida Indian Nation was expected to open an additional venue in Madison County, near Syracuse, in March 2018.

Elsewhere, New York's commercial casinos face further competition from out-of-state casinos in Pennsylvania, Connecticut and New Jersey, which historically have drawn customers from the New York City market in particular.

Top 20 U.S. Commercial Casino Properties Outside Nevada By Gaming Revenue (US\$M)

2017

New York boasted two of the top five grossing U.S. commercial casinos outside of Nevada in 2017. Resorts World New York posted annual revenue of \$848.2 million to claim the top spot, while Empire City Casino At Yonkers Raceway’s \$601.3 million in 2017 revenue was the year’s fourth-highest national total.



*Chart excludes casinos in Nevada and Mississippi due to lack of data

SOURCE: GCRS estimates, State Gaming Commissions

POLICY AND REGULATORY REVIEW

Internet Gaming

The New York Senate passed a bill in June 2017 authorizing casinos and racinos to obtain licenses to offer internet poker games.

Just like in 2016, however, the internet poker bill stalled in the state Assembly, leaving online gaming advocates to try their hand again in 2018. It was the second year in a row that state senators had backed such a bill.

Responsible Gaming

The New York Senate also unanimously passed a bill in June 2017 to establish a task force of experts to “identify policies and programs that mitigate the risks and consequences associated with compulsive gambling and promote responsible gaming practices for all gaming activities authorized in [the] state.”

The bill was not taken up in the Assembly before the adjournment of the legislative session but is expected to be reconsidered in 2018.

The task force would have had to recommend regulations on responsible gaming to be adopted by the New York State Gaming Commission, as well as potential sanctions to ensure such regulations were effectively enforced.

Taxation

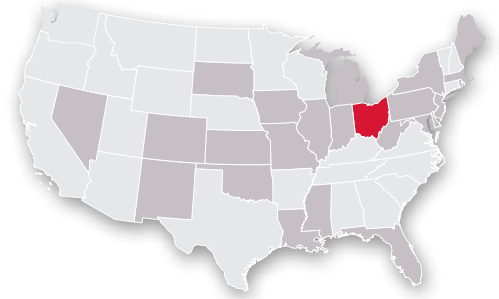
A further gaming policy matter under consideration in Albany in 2017 was tax relief for racinos most affected by expanded competition from new commercial and tribal casinos.

Lawmakers agreed in June to a reduction in regulatory expenses paid by Vernon Downs, after the Western New York racino’s owner threatened to shut down operations without receiving some kind of fiscal relief. A further bill authorized Saratoga Casino to use a portion of its gaming machine revenue to make capital improvements.

However, additional legislation allowing Batavia Downs and other racinos to keep more of their revenue failed to score final approval in the legislature.

Ohio

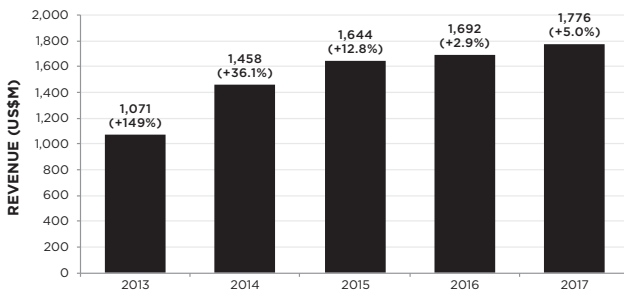
Number of Commercial Casinos	11
Casino Format	Land-Based Casinos; Racinos
Regulatory Authority	Ohio Casino Control Commission, Ohio Lottery Commission
Gross Casino Gaming Revenue 2017	\$1.78B
Gaming Tax Revenue 2017	\$594.0M



In 2017, total statewide commercial casino gaming revenue was \$1.78 billion, up 5.0 percent. The year-over-year increase was mainly attributable to growth in the state's racino gaming machine sector.

Ohio: Annual Commercial Casino Gaming Revenue (US\$M)

2013 to 2017



SOURCE: Ohio Casino Control Commission, Ohio Lottery

MARKET OVERVIEW

Ohio offers commercial casino gaming at four land-based casinos, each of which operates gaming machines and table games, and at seven racinos, which only offer gaming machines. The land-based casinos are regulated by the Ohio Casino Control Commission, and the racinos are regulated by the Ohio Lottery Commission.

In 2009, Ohio voters approved commercial casinos in each of the state's four largest cities: Cincinnati, Cleveland, Columbus and Toledo. Ohio's first casino, Hollywood Casino Toledo, opened in 2012. By March 2013, the three additional land-based casinos were also operational.

Ohio's first racino also opened in 2012, roughly nine months after Gov. John Kasich (R) signed an executive order approving gaming machines at tracks. Ohio's seventh racino opened in September 2014.

Each property can offer any form of gaming that is also authorized in either Indiana, Michigan, Pennsylvania or West Virginia, is limited to 5,000 gaming machines, is required to pay a \$50 million initial license fee and is required to make a minimum capital investment of \$250 million.

To offer gaming machines at a racetrack and convert said property to a racino, a racetrack operator must have an active racing permit issued by the Ohio State Racing Commission. Similar to land-based casino licenses, racino licenses require a \$50 million initial license fee. Certain racinos were also required to pay a \$75 million relocation fee in order to move their racetrack from an area where a land-based casino was authorized under the Ohio constitution.

Racinos may operate up to 2,500 gaming machines but are not authorized to offer table games. There is no limit on the amount of racetrack permits available in the state, although only seven tracks are currently operational.

Market Performance

In 2017, total statewide commercial casino gaming revenue was \$1.78 billion, up 5.0 percent against 2016. Total statewide gaming machine revenue was \$1.50 billion, up 5.3 percent, while total statewide table game revenue was \$271.2 million, up 2.8 percent.

The year continued the trend of statewide gaming revenue growth being driven primarily by Ohio's seven suburban racinos. Racinos reported total gaming revenue of \$957.4 million, up 7.1 percent, while total gaming revenue from Ohio's four land-based casinos increased 2.6 percent to \$818.9 million.

Gaming Tax Distribution

Ohio land-based casinos pay 33 percent of their gaming revenue as taxes, while the state's racinos pay 33.5 percent of their gaming revenue as taxes.

In 2017, the state's commercial casino properties generated total gaming tax revenue of approximately \$594.0 million, up from \$564.7 million in 2016. Of that amount, roughly \$400.6 million was allocated to Ohio's public schools and other education programs. Meanwhile, a further \$148.6 million was either distributed

to Ohio's county governments or to the municipal governments of Cincinnati, Columbus, Cleveland and Toledo.

Under Ohio law, all racino tax revenue is retained by the Ohio Lottery for the purposes of funding state education programs. Just over half of casino tax revenue is shared among Ohio's 88 county governments to support local budgetary needs, with further monies distributed to Ohio's school system, casinos' host cities and the state's horse racing industry.

Competitive Landscape

With four land-based casinos and seven racinos now operational, Ohio has become one of the most competitive commercial gaming markets in the country.

While no further gaming properties are expected to open in Ohio in future years, the state's land-based casinos and racinos may still feel some impact from developments in neighboring states. A riverboat casino in Southeastern Indiana moved in 2017 to a newer, land-based facility, a potential upgraded draw for cross-border customers. Historically, three casinos in Southeastern Indiana have drawn patrons from the Cincinnati market, which only recently has been served by a trio of Ohio properties.

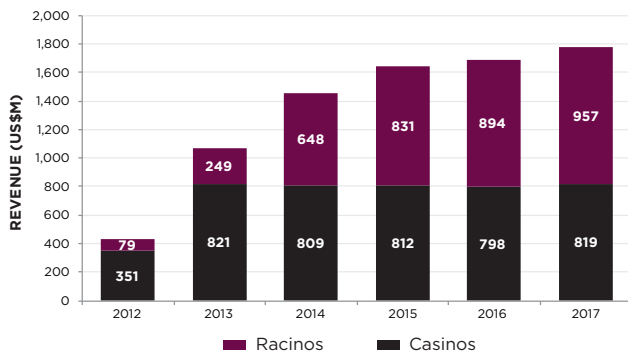
The Cincinnati market's commercial properties would also be vulnerable to any approval of gaming in nearby Kentucky. Lawmakers in the Bluegrass State have repeatedly considered bills that would allow commercial gaming there, including in 2017, although none have been enacted.

Meanwhile, in Pennsylvania, the forthcoming addition of up to 10 new satellite casinos, online casino games, and video gaming terminals at non-commercial casino locations also stand to exert competitive pressure on Ohio's gaming industry—particularly on Hollywood Gaming Youngstown, which is located in Ohio's Northeastern region near the Pennsylvania border.

Ohio: Annual Commercial Casino Gaming Revenue By Property Type (US\$M)

2012 to 2017

In 2017, Ohio's seven racinos accounted for approximately 54.4 percent of total statewide gaming revenue, down from 52.8 percent in 2016.



SOURCE: Ohio Casino Control Commission, Ohio Lottery

POLICY AND REGULATORY REVIEW

Fantasy Sports

During 2017, Ohio joined the fast-growing ranks of states that have passed laws to regulate fantasy sports contests.

The law tasks the Casino Control Commission with licensing and regulating fantasy sports operators. Ohio is among a number of states that have empowered state gaming regulators to oversee fantasy sports operations.

At the end of 2017, fantasy sports contests were legal and regulated in 18 states.

Regulatory Reform

A bill enacted in 2017 allows Ohio casino operators and employees to wager at gaming properties so long as the operator or employee is not employed by the property or an affiliated property where he or she makes the wager.

Previously, state law prohibited any person employed by a casino from participating in gaming at any casino venue.

Illegal Gaming

The Casino Control Commission moved closer in 2017 to unveiling sweeping new regulations for skill-based amusement machines in an effort to crack down on businesses offering illegal gaming machines.

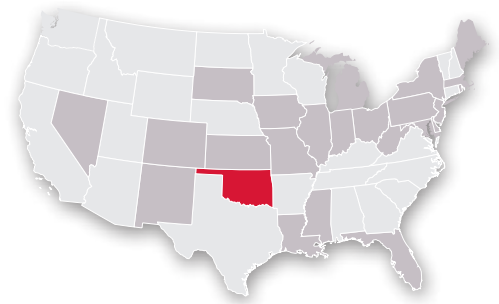
Mirroring casino regulations, operators and vendors of skill-based amusement gaming machines will need to be licensed. Key employees will also be subject to stringent background reviews and licensure.

The moves follow passage of a 2015 state law that granted the Casino Control Commission regulatory authority over skill-based amusement gaming.

Commission officials have estimated that there could be as many as 100,000 illegal gaming machines in Ohio, more than five times the number offered by the state's licensed casinos and racinos.

Oklahoma

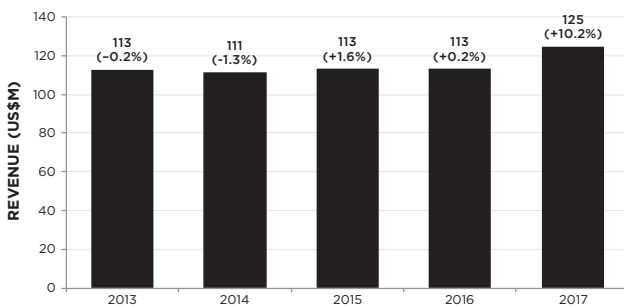
Number of Commercial casinos	2
Casino Format	Racinos
Regulatory Authority	Oklahoma Horse Racing Commission
Gross Casino Gaming Revenue 2017	\$124.9M
Gaming Tax Revenue 2017	\$24.1M



In 2017, total statewide commercial casino gaming revenue was \$124.9 million, up 10.2 percent. The total marked a record annual revenue haul for Oklahoma racinos.

Oklahoma: Annual Commercial Casino Gaming Revenue (US\$M)

2013 to 2017



SOURCE: Oklahoma State Auditor and Inspector

MARKET OVERVIEW

Oklahoma offers commercial casino gaming at two racinos: Remington Park in Oklahoma City and Cherokee Casino Will Rogers Downs in Claremore.

Each of the racinos is limited to operating only gaming machines and is regulated by the Oklahoma Horse Racing Commission.

Racinos were first authorized in 2004, when Oklahoma voters ratified the State-Tribal Gaming Act, which also established a regulatory framework for tribal gaming in the state. Three Oklahoma racetracks commenced gaming operations in 2005 but one, Blue Ribbon Downs, closed in 2009.

To offer gaming machines and convert from a racetrack to a racino, a racetrack operator must first be licensed to conduct live racing and accept pari-mutuel wagers. Then, racetracks may apply to the Racing Commission for a gaming license, which requires a \$50,000 fee.

Racinos located in Tulsa County or Oklahoma County, such as Remington Park, may operate up to 750 gaming machines each. Racinos in any other county, such as Cherokee Casino Will Rogers Downs, are limited to operating a maximum of 250 gaming machines.

Market Performance

In 2017, total statewide commercial casino gaming revenue was \$124.9 million, up 10.2 percent from 2016. The total represented a record for Oklahoma’s two commercial casinos, which reaped the benefits of new legislation increasing their operating hours, as well as regional economic growth.

Remington Park accounted for more than 85 percent of total statewide commercial gaming revenue in 2017, a somewhat larger margin than in previous years.

In 2017, Remington Park, which is owned by a commercial subsidiary of the Chickasaw Nation of Oklahoma, posted total gaming revenue of \$105.7 million, up 11.3 percent relative to 2016. Meanwhile, total gaming revenue at Cherokee Casino Will Rogers Downs was \$19.1 million, up 4.4 percent.

Gaming Tax Distribution

Oklahoma taxes commercial casino gaming machine revenue at different rates based on the amount of revenue generated. Rates range in a graduated scale from 35 percent on revenue up to \$10 million, to 50 percent on revenue of more than \$70 million.

In 2017, Oklahoma racinos generated total gaming tax revenue of approximately \$24.1 million, up from \$20.8 million in 2016. Of that amount, roughly \$21.2 million was used to fund higher education programs and reform Oklahoma’s education sector.

In addition to tax money remitted to the state, racinos distributed a further \$31.6 million to the state’s horse racing industry in the form of purse supplements and support for horse breeding programs.

Competitive Landscape

Oklahoma’s commercial casino operations are overshadowed by the state’s 130-plus tribal casinos.

For perspective, Oklahoma tribal casinos reported more than \$2.2 billion in revenue from Class III gaming machines and table games in Oklahoma’s 2016–17 fiscal year that ended June 30.

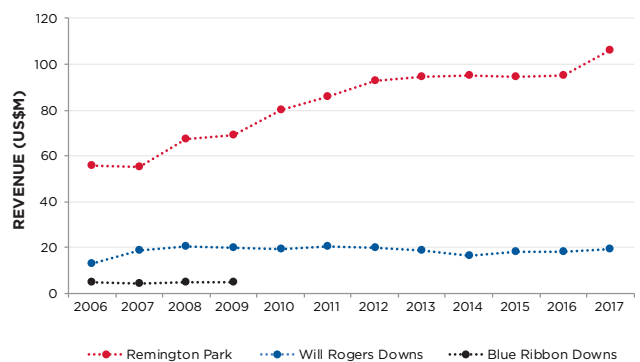
That revenue total alone, were it commercially derived, would make Oklahoma the sixth-largest commercial casino state in the country—and it excludes revenue derived from widely popular, Class II electronic bingo gaming.

The competitive landscape for Oklahoma’s commercial gaming establishments is expected to remain stable in the near future. Still, expansion of Oklahoma’s tribal gaming sector is expected to continue, including through the development of non-gaming amenities at tribal casinos serving the Greater Tulsa market.

Oklahoma: Annual Commercial Casino Gaming Revenue By Property (US\$M)

2006 to 2017

In 2017, Remington Park generated the vast majority—approximately 84.7 percent—of total statewide gaming revenue.



SOURCE: Oklahoma State Auditor and Inspector

POLICY AND REGULATORY REVIEW

Regulatory Reforms

Oklahoma racinos scored a victory in April 2017 when Gov. Mary Fallin (R) repealed a law that had limited racinos to operating 18 hours per day.

Now, racinos may conduct gaming on a 24-hour basis on any day they are either conducting live racing or accepting wagers on simulcast races, save Christmas Day.

Expansion

Oklahoma lawmakers rejected proposals to expand the state's tribal gaming sector in 2017.

Legislators twice declined to advance bills authorizing tribal casinos to add roulette and craps games to their floors.

A first bill proposing the expansion failed to get off the ground in May as Oklahoma senators sought to put together a plan to fund the state budget. A second effort fell short six months later as lawmakers held a special session to address the budget shortfall.

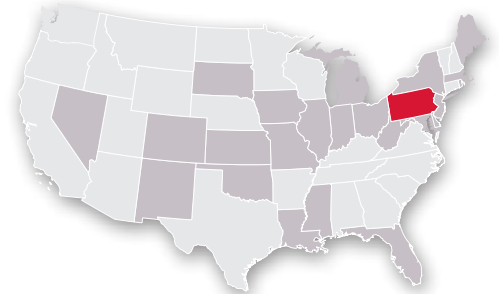
Oklahoma tribal casinos are currently limited to operating card games, as well as electronic gaming machines. The bills allowing dice and roulette wheels would have required tribes to share 10 percent of their revenue with the state, the same rate applied to other table games.

The defeat of the two proposals in 2017 was not expected to end the discussion of expanded tribal gaming.

With Oklahoma lawmakers still seeking additional revenue sources to plug another projected budget gap, the issue is expected to be back on the legislative agenda in 2018.

Pennsylvania

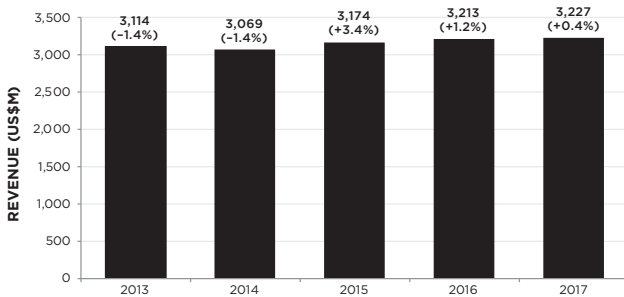
Number of Commercial Casinos	12
Casino Format	Land-Based Casinos; Racinos
Notable Forms of Gaming	Online Casino (legalized but not operational)
Regulatory Authority	Pennsylvania Gaming Control Board
Gross Casino Gaming Revenue 2017	\$3.23B
Gaming Tax Revenue 2017	\$1.43B



In 2017, total statewide commercial casino gaming revenue was \$3.23 billion, up 0.4 percent. It was the market’s third consecutive year of growth, with the increases coming despite incremental year-over-year declines in gaming machine revenue.

Pennsylvania: Annual Commercial Casino Gaming Revenue (US\$M)

2013 to 2017



SOURCE: Pennsylvania Gaming Control Board

MARKET OVERVIEW

Pennsylvania offers commercial casino gaming at six land-based casinos and six racinos, each of which operates gaming machines and table games. The properties are regulated by the Pennsylvania Gaming Control Board.

In 2004, the Pennsylvania legislature approved the Horse Development and Gaming Act, which authorized gaming machines at racetracks, standalone casinos and three smaller resort casinos. Table games, such as blackjack and roulette, were approved by the legislature in 2010.

Pennsylvania’s first commercial casino, Mohegan Sun Pocono, opened in 2006. The state’s forthcoming 13th commercial casino, located in Philadelphia’s Stadium District, was licensed by the Gaming Control Board in 2014. Groundbreaking for the project, which was delayed by legal issues, is expected to begin in 2018.

Pennsylvania law allows for a maximum of 14 commercial casinos: Seven racinos (Category 1 license) with a maximum 5,000 gaming machines; five land-based casinos (Category 2 license) with a maximum 5,000 gaming machines; and two land-based casinos (Category 3 license) with no more than 850 gaming machines at established

tourist resorts. As of December 2017, all but one Category 1 license had been awarded.

Category 1 and 2 casinos are required to pay initial licensing fees of \$50 million, with an additional fee of \$24.75 million later assessed for the right to add table games. Category 3 casinos are subject to an initial licensing fee of \$5 million and \$11.25 million for the addition of table games, with extra payments required under a 2017 law in order to expand their facilities and waive certain regulatory requirements.

The state can also authorize up to 10 satellite casinos (Category 4 license) thanks to an omnibus gaming law passed by the legislature in 2017. Satellite casinos would each feature a maximum of 750 gaming machines and 40 table games. The Gaming Control Board will conduct auctions for the Category 4 licenses in the first half of 2018. The minimum bid for each license will be \$7.5 million. A permit to add table games will cost \$2.5 million.

Owners of the state's commercial casinos will have the ability to bid for the Category 4 licenses. If any licenses remain after the initial round of auctions concludes, bidding may be opened to out-of-state entities at the Gaming Control Board's discretion.

Pennsylvania is one of four states to have legalized online casino gaming. As part of the 2017 gaming expansion, Pennsylvania casinos were permitted to offer internet casino games and poker. The Gaming Control Board was expected to begin issuing iGaming regulations in early 2018.

Market Performance

In 2017, total statewide commercial casino gaming revenue was \$3.23 billion, up 0.4 percent against 2016 and marking a record annual haul.

The increase reflected a strong performance in the table game vertical relative to the state's far-larger gaming machine vertical. Total statewide table game revenue in 2017 was \$890.6 million, up 4.4 percent. By contrast, total statewide gaming machine revenue was \$2.34 billion, down 1 percent.

Gaming Tax Distribution

Pennsylvania taxes commercial casino gaming revenue differently based on the type of gaming being offered.

Operators pay a 54 percent tax rate on gaming machine revenue, a 16 percent tax rate on table game revenue and a 34 percent tax rate on electronic table game revenue.

In 2017, Pennsylvania's commercial casinos generated total gaming tax revenue of approximately \$1.43 billion, up from \$1.39 billion in 2016.

Of that amount, approximately \$920.1 million was transferred to the state's General Fund for the purpose of reducing school taxes paid by Pennsylvania property owners.

Other funds were transferred to local and county governments that host casinos, while additional amounts were used to support Pennsylvania's horse racing industry or paid into a special state fund for local economic development and tourism projects.

Competitive Landscape

Pennsylvania's casinos operate at the intersection of the fiercely competitive Northeast and Mid-Atlantic markets. Individual Pennsylvania casinos compete against rival properties in Delaware and Northern Maryland to the south; New York City and New Jersey to the east; Ohio to the west; and West Virginia to the southwest.

Even more competition is set to come from within the state's borders. First, groundbreaking for the planned Live! Hotel & Casino Philadelphia is expected to begin in early 2018. The greater Philadelphia market is already served by Harrah's Philadelphia Casino and Racetrack, SugarHouse Casino, Parx Casino and Valley Forge Casino Resort.

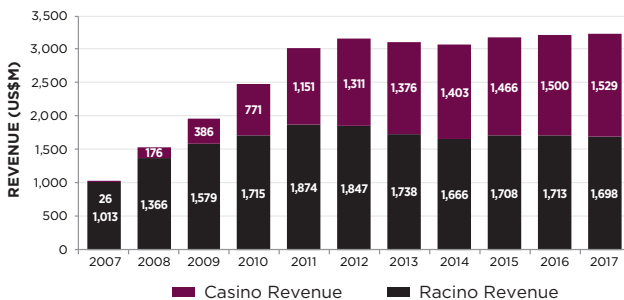
Second, auctions for the state's 10 satellite casinos, are expected to commence in 2018. As part of the state's 2017 gaming expansion, these smaller casinos may not be located within 25 miles of an

existing Pennsylvania casino (Category 1, 2, or 3 license), except if the location is within 25 miles of the auction winner’s own casino.

Third, the 2017 gaming expansion is also expected to result in non-commercial casino locations operating video gaming terminals throughout the state. Qualified truck stop locations will be permitted to host up to five VGTs. The expansion bill, however, permitted counties hosting commercial casinos to opt out of allowing VGTs. At the end of 2017, 10 counties had done so.

Pennsylvania: Annual Commercial Casino Gaming Revenue by Property Type (US\$M) 2013 to 2017

In 2017, Pennsylvania’s incremental year-over-year increase in gaming revenue was driven by the state’s land-based casinos, which posted gaming revenue of \$1.53 billion, up 1.9 percent against 2016.



SOURCE: Pennsylvania Gaming Control Board

POLICY AND REGULATORY REVIEW

Expansion

The aforementioned 2017 gaming expansion bill passed in October with bipartisan support, and was signed by Gov. Tom Wolf (D).

The Gaming Control Board is expected in 2018 to issue temporary regulations for iGaming, sports betting and VGTs at truck stops.

The agency will also conduct a series of auctions for satellite casino licenses.

Regulatory Reform

The state’s 2017 gaming expansion bill featured provisions intended to expedite approval processes for Pennsylvania-licensed gaming equipment manufacturers, including language allowing such manufacturers to use private labs to test gaming machines and table games.

The new law also included additional provisions favorable to the gaming equipment sector, allowing for the placement of skill-based gaming machines and progressive slot machines at Pennsylvania casinos.

In addition, the law extended the terms of operators’ and suppliers’ gaming licenses from three to five years, reducing the frequency that companies have to submit renewal paperwork.

Sports Betting

With the enactment of the 2017 gaming expansion, Pennsylvania is set to be among the vanguard of states offering sports betting.

Pennsylvania’s efforts to offer sports betting received a boost when the U.S. Supreme Court ruled in favor of New Jersey in that state’s court case against the four major sports leagues. In its 2018 ruling, the U.S. Supreme Court declared the federal ban on sports betting unconstitutional.

Thanks to the ruling, Pennsylvania’s commercial casinos can take advantage of provisions in the gaming expansion law that permit the operation of single-game sports betting at land-based sportsbooks, and on mobile and online devices.

Sports betting licenses, when made available by the Gaming Control Board, will come with an initial license fee of \$10 million. Gross sports betting revenue will also be taxed at a rate of 36 percent, more than five times the rate at which Nevada’s sportsbooks are taxed.

A photograph showing a line of people playing slot machines in a casino. The scene is illuminated with vibrant green and purple lights. The individuals are focused on their screens, with their hands on the controls. The background is filled with the glow of other gaming machines and the ambient noise of a busy casino floor.

IN FOCUS

Gaming Machines

Nationwide, there are nearly 900,000 electronic gaming machines in commercial and tribal casinos as well as at non-casino locations such as bars, taverns and truck stops. Nearly half (47%) of these games are located in commercial casinos, while somewhat fewer (42%) are found in tribal casinos. Nevada has an installed base of more than 160,000 machines, far and away the largest number of any state. Oklahoma and California had the second and third largest number of operating machines in 2017, with more than 74,000 and 72,000, respectively.

NUMBER OF GAMING MACHINES BY STATE

2017

State	Machines in Commercial Casinos	Machines in Tribal Casinos	Machines in Non-Casino Locations	Total
Alabama		6,527		6,527
Alaska		93		93
Arizona		16,832		16,832
California		72,850		72,850
Colorado	12,702	1,413		14,115
Connecticut		8,977		8,977
Delaware	6,252		456*	6,708
Florida	6,802	14,358		21,160
Idaho		3,739		3,739
Illinois	9,943		28,271	38,214
Indiana	18,924			18,924
Iowa	16,620	2,628		19,248
Kansas	5,091	3,225		8,316
Louisiana	23,081	5,796	12,962	41,839
Maine	1,736			1,736
Maryland	11,231		300**	11,531
Massachusetts	1,365			1,365
Michigan	9,100	22,386		31,486
Minnesota		22,002		22,002
Mississippi	27,269	3,078		30,347
Missouri	16,899			16,899
Montana		1,874	15,810	17,684
Nebraska		674		674
Nevada	141,636	1,129	18,719	161,484
New Jersey	14,052			14,052
New Mexico	2,887	17,015	643***	20,545
New York	23,159	11,973		35,132
North Carolina		4,667		4,667
North Dakota		4,330		4,330
Ohio	18,733			18,733
Oklahoma	1,000	73,787		74,787
Oregon		7,963	11,166	19,129
Pennsylvania	25,849			25,849
Rhode Island	5,284			5,284
South Dakota	3,077	2,837	9,129	15,043
Texas		4,107		4,107
Washington		31,916		31,916
West Virginia	5,820		7,445	13,265
Wisconsin		16,759		16,759
Wyoming		1,723		1,723
TOTAL	408,182	364,658	104,901	878,071****

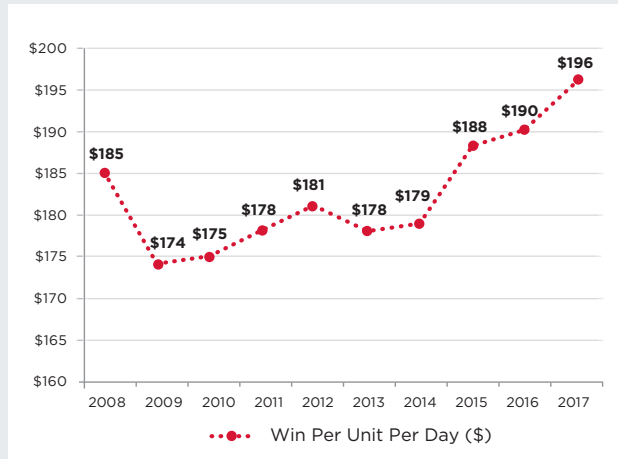
SOURCE: Eilers & Krejcik Gaming, LLC

- * Charitable VLTs
- ** Instant Ticket Lottery Machines located at veteran organizations
- *** Located at qualified veteran and fraternal organizations
- **** Excludes facilities in Arkansas and Kentucky that offer Instant Racing machines

U.S. GAMING MACHINES—WIN PER UNIT PER DAY

2008 to 2017

In 2017, the average gaming machine in the United States generated just under \$200 in revenue per day. Known as win per unit per day, the term refers to how much a gaming machine wins on an average day after players’ winnings are paid out. Over the last decade, win per unit per day has remained relatively consistent, with the exception of a substantial drop during the Great Recession beginning in 2008 and an upward trend over the last four years.



SOURCE: Eilers & Krejcik Gaming, LLC

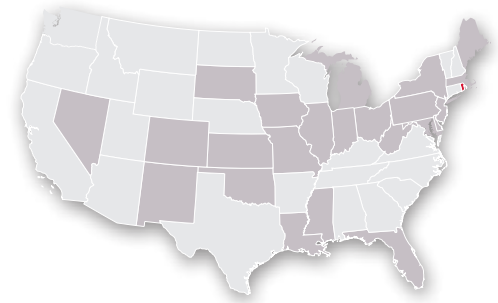
TIMELINE OF COMMERCIAL CASINO INTRODUCTION BY STATE

Commercial Casino Opening Dates

STATE	DATE OF FIRST CASINO(S)
Massachusetts	2015
Ohio	2012
Maryland	2010
Kansas	2009
Pennsylvania	2007
Florida	2006
Maine	2005
Oklahoma	2005
New York	2004
New Mexico	1999
Michigan	1999
Indiana	1995
Delaware	1995
West Virginia	1994
Missouri	1994
Louisiana	1993
Mississippi	1992
Rhode Island	1992
Illinois	1991
Colorado	1991
Iowa	1991
South Dakota	1989
New Jersey	1978
Nevada	1931

Rhode Island

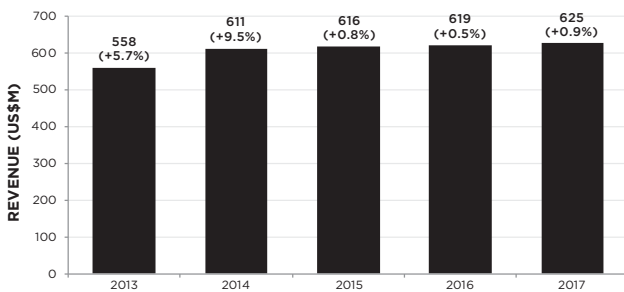
Number of Commercial Casinos	2
Casino Format	Land-Based Casinos
Regulatory Authority	Rhode Island Lottery
Gross Casino Gaming Revenue 2017	\$624.9M
Casino Tax Revenue 2017	\$314.1M



In 2017, total statewide commercial casino gaming revenue was \$624.9 million, up 0.9 percent. The modest overall growth was driven by increased revenue from table games.

Rhode Island: Annual Commercial Casino Gaming Revenue (US\$M)

2013 to 2017



SOURCE: Rhode Island Lottery

MARKET OVERVIEW

Rhode Island offers commercial casino gaming at two casinos operated by the Rhode Island Lottery.

In 1992, the Rhode Island legislature passed a bill permitting VLTs at the state’s two pari-mutuel wagering venues. In 2012, state voters approved Twin River Casino to offer up to 80 table games—the first such introduction of table games at the state’s commercial casinos.

In 2016, the legislature passed a bill to permit the relocation of Newport Grand Casino to the town of Tiverton on the Massachusetts border. The new location will also come with a new name for the property: Twin River Tiverton Casino Hotel.

The relocation was approved by state voters in November 2016, with the new facility also permitted to offer table games. The Tiverton property is scheduled to open in late 2018.

Market Performance

In 2017, total statewide commercial casino gaming revenue was \$624.9 million, up 0.9 percent relative to 2016.

Consistent with trends in recent years, the overall revenue increase was driven by table game operations at Twin River Casino, near Providence.

Total statewide table game revenue in 2017 was \$143.9 million, up 5.3 percent versus the prior year. In contrast, total statewide gaming machine revenue was \$481 million, down 0.6 percent.

Twin River's gaming machine operations have faced a notable rise in regional competition since Plainridge Park Casino opened just across the Massachusetts border in June 2015. Per Massachusetts law, Plainridge Park Casino is limited to gaming machines and cannot offer live-dealer table games.

Gaming Tax Distribution

Rhode Island taxes commercial casino gaming revenue at different rates based on the type of gaming the property offers and based on the amount of revenue being taxed.

The state's two commercial casinos retain roughly 26 percent to 28.85 percent of their gaming machine revenue, exclusive of an additional allowance for certain marketing expenses. The state's overall take of gaming machine revenue equates to approximately 60 percent once additional administrative and technology expenses are accounted for.

The state's table game revenue is taxed at a rate of either 17 percent or 19 percent based on the amount of revenue being taxed. If the property's total net revenue for any fiscal year is less than it was for the prior year, a 16 percent rate is used. If the property's revenue is equal to or greater than the prior year, an 18 rate is used. An additional tax of 1 percent of table gaming revenue is remitted to local governments where casino properties are located.

In 2017, Rhode Island commercial casinos generated an estimated \$314.1 million in the equivalent of tax revenue for the state's General Fund, a decrease from \$320.9 million in 2016 and reflective of declines in higher-taxed gaming machine operations. Gaming revenue in the Fund is appropriated annually at the direction of the legislature and is used to pay for various state services, including public safety and education programs.

Additional portions of Rhode Island gaming revenue in 2017 were remitted to the towns of Lincoln and Newport, where the state's two existing casinos are located, and were also remitted to the Narragansett Indian Tribe.

Competitive Landscape

Rhode Island's commercial casinos operate in an increasingly competitive New England market that is set to become even more crowded in the next few years as additional casinos open in Massachusetts and possibly Connecticut.

In 2017, the most direct competitors of Rhode Island's casinos included Plainridge Park Casino in Massachusetts and the Foxwoods and Mohegan Sun tribal casinos in Connecticut.

By 2019 at least two additional commercial resort casinos are set to open in Greater Boston and Springfield, Massachusetts, with further projects awaiting legal or legislative approvals. The Mashpee Wampanoag Indian tribe began construction in 2016 of a casino on tribal land in the Massachusetts city of Taunton, located roughly 20 miles from Providence. In 2017, however, development of the project stalled after federal court rulings held that the U.S. Interior Department should not have agreed to acquire land for the tribal casino operation.

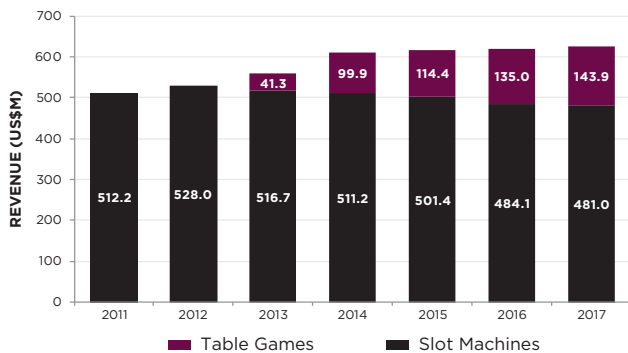
Meanwhile, in Connecticut, state lawmakers granted legislative approval in June 2017 for the owners of the Mohegan and Foxwoods casinos to co-develop a commercial casino in the town of East Windsor, north of Hartford. The project, however, was put on hold multiple times due to litigation brought by a rival casino company. In addition, further legislation was introduced in Connecticut's General Assembly to open a competitive bidding process on a separate commercial casino license.

Notably, Connecticut's plans for the East Windsor casino replicate Rhode Island's own strategy of positioning a casino on the Massachusetts border in order to mitigate the anticipated impact of new gaming competition across the state line.

Rhode Island: Annual Commercial Casino Gaming Revenue By Gaming Type (US\$M)

2011 to 2017

In 2017, an uptick in Rhode Island table game revenue at Twin River Casino offset a statewide decline in gaming machine revenue. Since mid-2015, Twin River has had to compete for gaming machine patrons with a new casino venue in neighboring Massachusetts.



SOURCE: Rhode Island Lottery

Expansion

Development of the new casino in Tiverton began in 2017 after the town gave planning approval to the project in June.

The relocation of the Newport Grand Casino to the town of Tiverton had already been backed by state and local voters in a November 2016 referendum. However, developer Twin River still needed to have its specific plans for the casino with 1,000 gaming machines and 32 gaming tables approved by local authorities before starting work on the project.

POLICY AND REGULATORY REVIEW

Taxation

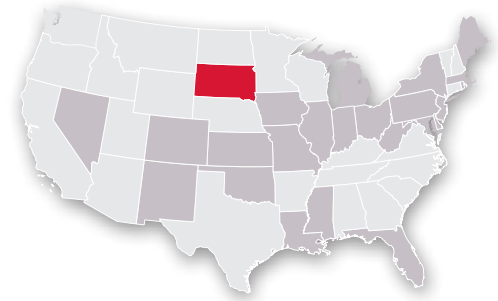
A legislative proposal allowing Rhode Island commercial casinos to double the amount of tax-free promotional credits they may issue to patrons was enacted as part of the state’s fiscal year 2018 budget, adopted in August 2017.

The operating contracts of Twin River Casino and Newport Grand had previously limited the casinos to spending no more than 10 percent of gaming machine revenue on tax-free promotional play. The budget bill raised that limit to 20 percent, subject to certain conditions.

The budget bill described the expansion of “critical revenue-driving promotional and marketing programs” as “imperative” to ensuring the success of Rhode Island’s casino industry in “an increasingly competitive gaming market.”

South Dakota

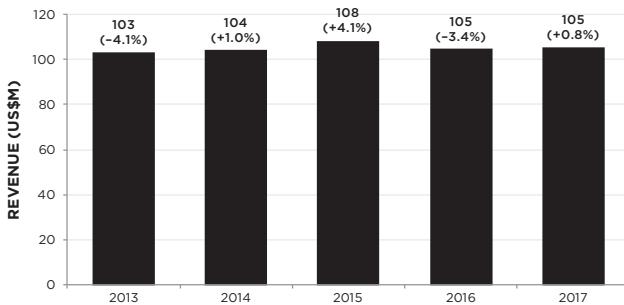
Number of Commercial Casinos	26
Casino Format	Land-based casinos (limited stakes; \$100 max. bet)
Regulatory Authority	South Dakota Commission on Gaming
Gross Casino Gaming Revenue 2017	\$105.4M
Gaming Tax Revenue 2017	\$15.5M



In 2017, total statewide commercial casino gaming revenue was \$105.4 million, up 0.8 percent, indicative of a stable market for the casinos in the resort mountain town of Deadwood.

South Dakota: Annual Commercial Casino Gaming Revenue (US\$M)

2013 to 2017



SOURCE: South Dakota Commission on Gaming

MARKET OVERVIEW

South Dakota offers commercial casino gaming at 26 locations within the city limits of Deadwood, located on the edge of the Black Hills National Forest near the Wyoming and Montana borders. In addition to restricting commercial casinos by location, South Dakota law also restricts the range of games and prize amounts the properties may offer.

Each of the state's 26 locations operate gaming machines and table games, and are regulated by the South Dakota Commission on Gaming.

Commercial casino gaming was first approved by South Dakota voters in a 1988 statewide referendum. The state legislature passed a commensurate law the following year.

Along with Colorado, South Dakota is one of only two states to subject patrons to wagering limits at commercial properties. Deadwood casinos limit customers to betting only \$100.

In 2014 South Dakota voters approved a ballot measure allowing the Deadwood properties to offer craps, keno and roulette, in addition to previously approved gaming machines, blackjack and poker.

There are no limits on the number of commercial casinos that may operate within the city limits of Deadwood. To offer commercial casino gaming there, an operator must obtain a general operating license from the Commission on Gaming, and then obtain a retail license for each facility it chooses to operate.

Commercial casino operators may operate 30 table games or gaming machines for each retail license they possess. There is no limit on the amount of retail licenses any operator may hold. Operators are required to pay a \$2,000 annual fee for each gaming machine or table game they offer.

Market Performance

In 2017, total statewide commercial casino gaming revenue was \$105.4M, up 0.8 percent against 2016.

The increase was attributable to a slight increase in gaming machine revenue, which comprises the largest segment of Deadwood’s casino industry. In 2017, total statewide gaming machine revenue was \$93.4 million, up 0.9 percent relative to 2016. Total statewide table game revenue was \$12.0 million, essentially unchanged from 2016.

The modest increase in gaming revenue came despite a slight decline in the number of gaming machine and table units offered in Deadwood casinos. At the end of 2017, the city offered a combined total of 3,077 gaming machines and 94 tables, down from 3,187 and 100, respectively, in 2016. One gaming venue, the Midnight Star Casino owned by Hollywood actor Kevin Costner, ceased operations in August.

Gaming Tax Distribution

In 2017, South Dakota commercial casinos generated total gaming tax revenue of approximately \$15.5 million, down from \$15.8 million in 2016 and reflecting the fewer gaming machines and table games offered in Deadwood.

From that amount, the city government of Deadwood was allocated \$6.8 million, while

approximately \$3.4 million was allocated to South Dakota’s Department of Tourism for the purpose of promoting the state as a tourist destination.

Further beneficiaries of commercial casino gaming tax revenue in 2017 included the local governments and school districts of Lawrence County, where Deadwood is located, as well as a historic preservation fund. Remaining monies were deposited into South Dakota’s General Fund, which is used to meet the state’s budgetary needs.

Competitive Landscape

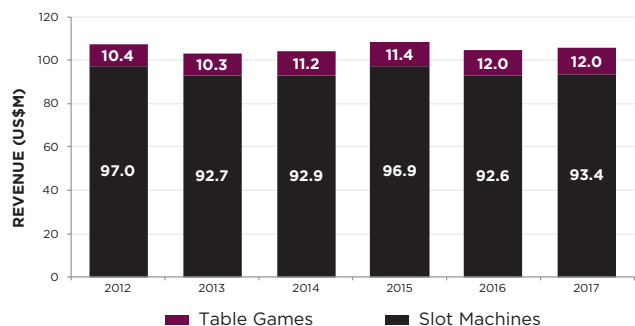
South Dakota’s commercial casinos face competition from the state’s 12 tribal casinos, which are permitted to offer whatever games commercial casinos offer.

Both of South Dakota’s commercial and tribal properties also compete with the South Dakota Lottery, which oversees a network of more than 9,000 gaming machines at 1,335 locations, such as bars and taverns, throughout the state.

South Dakota: Annual Commercial Casino Gaming Revenue By Gaming Type

2012 to 2017

Despite legalization of craps and roulette in 2015, gaming machines continue to dominate South Dakota’s casino market. In 2017, gaming machine revenue in Deadwood increased 0.9 percent in 2017, while table-game revenue was essentially flat.



SOURCE: South Dakota Commission on Gaming

POLICY AND REGULATORY REVIEW

Regulatory Reform

South Dakota gaming regulators adopted new rules in April 2017 authorizing the state's commercial casinos to offer additional forms of blackjack.

The regulations came after a law was passed in 2016 that authorized the Commission to adopt rules for new variations of craps and roulette, in addition to those games in their traditional forms.

Under prior law, the Commission could only approve variants of blackjack and poker games.

Sports Betting

South Dakota's Department of Revenue began an economic analysis in late 2017 of the effect sports betting would have on the state.

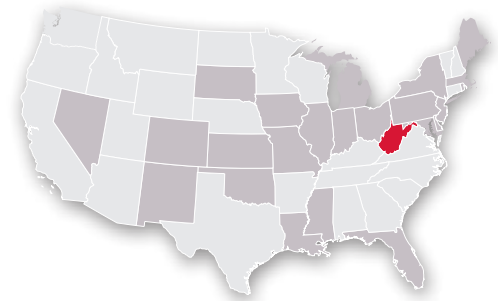
The Department cited the potential for the U.S. Supreme Court to strike down the federal ban on sports betting, which it did in 2018.

In order to capitalize on the repeal of the federal ban and offer sports betting in its casino properties, South Dakota would need to amend its constitution.

Tribal casinos wishing to offer sports betting would additionally need to amend their tribal-state compacts, the Department said.

West Virginia

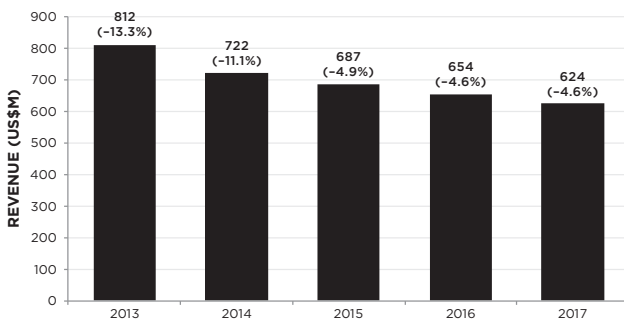
Number of Commercial Casinos	5
Casino Format	Land-Based Casinos; Racinos
Regulatory Authority	West Virginia Lottery Commission
Gross Casino Gaming Revenue 2017	\$624.6M
Gaming Tax Revenue 2017	\$293.0M



In 2017, total statewide commercial casino gaming revenue was \$624.6 million, down 4.6 percent. The year-over-year decrease was partly attributable to competitive pressures in bordering Maryland, where a recently opened resort casino serving the Washington, D.C., metro area continued to draw foot traffic away from West Virginia.

West Virginia: Annual Commercial Casino Gaming Revenue (US\$M)

2013 to 2017



SOURCE: West Virginia Lottery

MARKET OVERVIEW

West Virginia offers commercial casino gaming at four racinos and one land-based casino. Each of the five venues operates gaming machines and table games under the authority of the West Virginia Lottery Commission.

The state authorized commercial casino gaming in 1994 when the West Virginia legislature endorsed the operation of gaming machines at racetracks, subject to local approval. Legislation allowing racinos to add table games was approved in 2007.

The state later authorized one land-based casino at the Greenbrier.

Under West Virginia's regulatory framework, a racino must have a valid racetrack license in order to operate gaming machines and table games. Racinos are statutorily permitted to have up to 400 machines, but may apply to the Lottery Commission for authorization to install more.

Market Performance

In 2017, total statewide commercial casino gaming revenue was \$624.6 million, down 4.6 percent against 2016. It was the market's sixth consecutive year of declining revenue.

Total statewide gaming machine revenue was \$517.4 million, down 2.2 percent year over year, while total statewide table game revenue declined 13.9 percent to \$107.2 million.

The 2017 market performance was influenced by out-of-state competition. Notably, 2017 was the first full year during which the Hollywood Casino at Charles Town Races, which has historically relied on visitation from the Washington, D.C., metro area, faced competition from a recently opened resort casino located just one mile from the nation's capital.

Gaming Tax Distribution

West Virginia taxes commercial casino gaming revenue at different rates based on the type of gaming being offered.

Properties' gaming machine revenue is taxed at 53.5 percent, while table game revenue is taxed at 35 percent.

In 2017, casinos generated total gaming tax revenue of approximately \$293.0 million, down from \$304.7 million in 2016.

The majority of that revenue was remitted to the state government, including to funds associated with the West Virginia Lottery. Lottery funds are spent each year on the state's public schools, to promote tourism and state parks, and on services for senior citizens.

County and municipal governments also received additional state gaming tax proceeds, as did West Virginia's horse and greyhound racing industries.

Competitive Landscape

West Virginia's commercial casinos have faced a dramatic increase in out-of-state competition over the past decade. Since 2006, the neighboring states of Maryland, Ohio and Pennsylvania have opened more than 20 commercial casino properties.

Competition increased in 2017, the first full-year of operations for Maryland's sixth commercial property, and with Pennsylvania enacting an omnibus gaming expansion package. Pennsylvania will authorize up to 10 new commercial satellite casinos, commercial iGaming and video gaming terminals at non-commercial casinos such as truck stops and taverns.

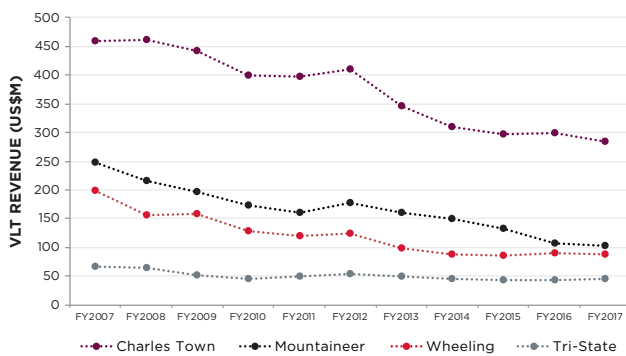
While no further casino openings are planned in coming years, West Virginia would also be vulnerable to any approval of commercial casino gaming in Kentucky. Lawmakers in the Bluegrass State have considered various bills to that effect in recent years, although none have been enacted.

In addition to out-of-state casinos, West Virginia's commercial casinos face further competition from the operation of almost 7,000 gaming machines located in licensed bars and veterans' establishments across the state.

West Virginia: Annual Commercial Casino Gaming Machine Revenue by Property (US\$M)

FY2007 to FY2017

Hollywood Casino at Charles Town Races, West Virginia’s largest by revenue, has experienced a significant downturn following the opening of new gaming venues in Maryland.



SOURCE: West Virginia Lottery

POLICY AND REGULATORY REVIEW

Regulatory Reform

Legislation that would have removed the requirement that West Virginia racinos also conduct greyhound racing was vetoed in 2017 by Gov. Jim Justice (R).

The bill would have eliminated greyhound racing at Wheeling Island Hotel-Casino-Racetrack and Mardi Gras Casino & Resort, but would have allowed the two casinos to continue offering commercial gaming. It would also have ended a state greyhound breeding fund. Money in the fund comes from the state’s four racinos.

“Eliminating support for the greyhounds is a job killer and I can’t sign it,” Gov. Justice said in a veto statement. “The last thing we need to do is drive more people out of West Virginia. We can’t turn our back on communities like Wheeling that benefit from dog racing.”

West Virginia is one of six states where greyhound racing remains legal and operational. The other states are Texas, Iowa, Arkansas, Alabama and Florida.

Internet Gaming and Sports Betting

Legislation that would have authorized West Virginia’s commercial properties to offer iGaming and sports betting was considered for the first time during 2017.

The internet gaming bill, which did not advance amid opposition from House leadership, would have permitted online slot machines and online table games.

Meanwhile, a sports betting bill would have authorized commercial casinos to conduct sports betting at sportsbooks on their premises.

After failing to advance in the legislature, both bills carried over to the state’s 2018 legislative session.

Video Gaming Terminals

A video gaming bill passed by the legislature in 2017 increased the number of VLTs that can be offered by West Virginia bars or other licensed retailers from five to seven.

The bill did not raise the statewide limit of 9,000 VLTs in all retail outlets combined. However, it allowed the West Virginia Lottery to auction off permits for the operation of nearly 600 additional machines to established VLT retailers who had already reached the five machine-per-venue limit.

Gov. Justice signed the bill into law in April. Permit auctions were held later in 2017.

The American Gaming Association would like to thank the following individuals and organizations for their assistance with this report: the industry's state associations and regulatory agencies, Jason Pawlina, James Kilsby and the Gambling Compliance team.

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