NEW ISSUE- BOOK-ENTRY ONLY **RATINGS: Moody's / S&P (See "RATINGS" herein)**

In the opinion of Pearlman & Miranda, LLC, Bloomfield, New Jersey, Bond Counsel ("Bond Counsel") to the City (as defined herein), under existing statutes and court decisions, interest on the Series 2018A Bonds (as defined herein) is included as gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, under existing laws of the State of New Jersey, interest on the Series 2018A Bonds and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

CITY OF ATLANTIC CITY
COUNTY OF ATLANTIC, NEW JERSEY

$49,165,000
DEFERRED CONTRIBUTION REFUNDING BONDS, SERIES 2018A
(FEDERALLY TAXABLE)
(Qualified Pursuant to the Provisions of the Municipal Qualified Bond Act, P.L. 1976, c. 38, as amended)
(Book-Entry Only)

Dated: Date of Delivery **Due: September 1, as shown on the inside front cover**

The $49,165,000 aggregate principal amount of Deferred Contribution Refunding Bonds, Series 2018A (Federally Taxable) (Qualified Pursuant to the Provisions of the Municipal Qualified Bond Act, P.L. 1976, c. 38, as amended) (the "Series 2018A Bonds") of the City of Atlantic City, in the County of Atlantic, State of New Jersey (the "City") will be issued as fully registered Series 2018A Bonds and, when issued, will be registered in the name of, and held by, Cede & Co., as nominee for The Depository Trust Company ("DTC"). Purchases of the Series 2018A Bonds will be made in book-entry-only form (without certificates) in denominations of $5,000 or any integral multiple thereof. So long as DTC, or its nominee Cede & Co., is the registered owner of the Series 2018A Bonds, payments of the principal (including mandatory sinking fund installments) of and interest on the Series 2018A Bonds are to be made directly by The Bank of New York Mellon, as paying agent (the "Paying Agent"), to Cede & Co., which is to remit such payments to the DTC participants, which in turn are to remit such payments to the beneficial owners of the Series 2018A Bonds. See "APPENDIX F – DTC AND BOOK-ENTRY ONLY SYSTEM" herein.

The Series 2018A Bonds shall be dated and shall bear interest from their date of delivery. Interest on the Series 2018A Bonds will be payable semiannually on March 1 and September 1 (each an "Interest Payment Date") in each year until maturity or prior redemption, commencing March 1, 2019. Principal of and interest on the Bonds will be paid to DTC by the Paying Agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each February 15 and August 15 preceding an Interest Payment Date. The Series 2018A Bonds are not subject to optional redemption prior to their stated maturity dates. The Series 2018A Bonds are subject to make-whole redemption prior to their stated maturity dates as described herein. See "THE SERIES 2018A BONDS – Redemption Provisions" herein.

The Series 2018A Bonds are issued pursuant to: (i) the Local Bond Law, *N.J.S.A.* 40A:2-1 *et seq.*, as amended and supplemented (the "Local Bond Law"), specifically *N.J.S.A.* 40A:2-51; (ii) the Municipal Qualified Bond Act, *N.J.S.A.* 40A:3-1 *et seq.*, as amended and supplemented (the "Municipal Qualified Bond Act"); (iii) the Municipal Stabilization and Recovery Act, P.L.2016, c. 4, as amended (*N.J.S.A.* 52:27BBBB-1 *et seq*.) (the "MSRA"); (iv) a refunding bond ordinance duly and finally adopted by the City Council of the City on February 21, 2018 (the "Refunding Bond Ordinance"); (v) a resolution duly adopted by the City Council of the City on February 21, 2018 (the "Resolution"); and (vi) certifications of the Director of the Division of Local Government Services of the New Jersey Department of Community Affairs pursuant to and in accordance with the MSRA (collectively, the "Director Certificates"). In addition, the final adoption of the Refunding Bond Ordinance, the issuance and sale of the Series 2018A Bonds as "qualified" bonds pursuant to the Municipal Qualified Bond Act, the amortization schedule for the Series 2018A Bonds as "non-conforming" pursuant to the Local Bond Law, and the City's ability to exceed the otherwise applicable debt limitation imposed by the Local Bond Law, have been approved by resolutions adopted on January 10, 2018 by the Local Finance Board of the New Jersey Department of Community Affairs (collectively, the "LFB Resolutions" and, together with the Refunding Bond Ordinance, the Resolution and the Director Certificates, the "Authorizing Proceedings").

Pursuant to and in accordance with the Authorizing Proceedings, the proceeds of the Series 2018A Bonds will be used to: (i) pay the City's fiscal year 2015 deferred allocable contribution into (a) the State pension systems for, including others, certain municipal employees of the City participating in the New Jersey Public Employees' Retirement System and the New Jersey Police and Firemen's Retirement System pursuant to and in accordance with P.L. 2009, c.19 *(N.J.S.A*. 40A:4-45.1 *et seq*.), and (b) the State healthcare systems for, including others, certain municipal employees of the City pursuant to *N.J.S.A.* 52:14-17.25 *et seq*. and other applicable law; (ii) fund capitalized interest on the Series 2018A Bonds through and including September 1, 2019; and (iii) pay for the costs of issuance of the Series 2018A Bonds. See "PLAN OF FINANCE" herein.

The full faith and credit of the City are irrevocably pledged to the payment of the principal of and interest on the Series 2018A Bonds. The Series 2018A Bonds are valid and legally binding unconditional general obligations of the City payable as to principal and interest from *ad valorem* taxes to be levied upon all taxable property in the City without limitation as to rate or amount. The Series 2018A Bonds are also entitled to the benefits of the Municipal Qualified Bond Act, which provides that the Treasurer of the State of New Jersey (the "State") is to withhold a portion of State aid payable to the City (the "Withheld State Amount") and, subject to the terms and provisions of the hereinafter defined and described Trust Agreement, forward all or a portion of such Withheld State Amount, as the case may be (the "Required Qualified Bonds Withholding Amount"), directly to the Paying Agent for the Series 2018A Bonds on or prior to each principal and/or interest payment date for the Series 2018A Bonds, which Required Qualified Bonds Withholding Amount, together with the hereinafter defined and described Available City IAT Revenues, if any, shall be solely used to make principal and interest payments on the Series 2018A Bonds. The funds withheld pursuant to the Municipal Qualified Bond Act are subject to appropriation by the State. Notwithstanding the foregoing, "municipal qualified revenues" (as such term is defined herein) in an amount sufficient to pay the aggregate principal of and interest due on the Series 2018A Bonds in any individual year that the Series 2018A Bonds are outstanding may not in the future be available for payment of the Series 2018A Bonds. As a result, Series 2018A Bondholders must also consider both the general credit and debt paying ability of the City and the availability, if any, of Available City IAT Revenues in making an informed investment decision. See "SECURITY AND SOURCE OF PAYMENT – The Municipal Qualified Bond Act" and "RISK FACTORS" herein.

In addition to, and notwithstanding, the foregoing, pursuant to the Casino Property Tax Stabilization Act, P.L.2016, c.5 (the "CPTSA"), beginning on May 27, 2016, through and including December 31, 2026, certain moneys, if any, received by the State Treasurer derived from the payment of the "investment alternative tax" by licensed casinos in the City pursuant to P.L.1984, c.218 (*N.J.S.A*. 5:12-144.1) and P.L.2013, c.27 (*N.J.S.A*. 5:12-95.19) of the Casino Control Act, P.L.1984, c.218 (*N.J.S.A.* 52:12-1 *et seq.*), except for any amounts thereof: (i) previously pledged for the payment of bonds issued by the Casino Reinvestment Development Authority (the "CRDA") or otherwise contractually obligated by the CRDA prior to the effective date of the CPTSA, or any bonds issued to refund such CRDA bonds; and (ii) required to be credited against amounts due and owing by applicable casino licensees for prior investment alternative taxes paid in excess of certain limitations imposed by the CPTSA (such remaining monies being hereafter referred to as "Net IAT Revenues"), shall be allocated to the City for the purposes of paying debt service on general obligation bonds issued by City prior to and after May 27, 2016, including the Series 2018A Bonds (collectively, the "City Bonds"). In response thereto, and in order to provide for the payment of some or all of the principal and redemption price of and interest on each series of the City Bonds, including the Series 2018A Bonds, pursuant to a Supplemental Security and Trust Agreement for the Bonds of the City of Atlantic City, dated as of April 1, 2018 ("Trust Agreement"), between the City and The Bank of New York Mellon, as trustee ("Trustee"), the City has directed that such Net IAT Revenues, if received and payable to or on behalf of the City by the State Treasurer pursuant to the CPTSA, shall instead be deposited with the Trustee in the Reserve Fund (as defined in the Trust Agreement) established by the Trust Agreement. Thereafter, upon satisfaction of certain conditions set forth in the Trust Agreement (including, but not limited to, Net IAT Revenues being (a) held by the Trustee for certain time periods in certain accounts within the Reserve Fund, and (b) transferred and deposited from the Reserve Fund to the Retirement Funds established pursuant to the respective resolutions authorizing the issuance of each series of the City Bonds, including the Resolution), such available Net IAT Revenues (referred to herein as "Available City IAT Revenues") shall be transferred by the Trustee to the respective paying agents for each series of the City Bonds, including the Paying Agent for the Series 2018A Bonds, to pay all or a portion of the principal or redemption price of and interest on each series of the City Bonds, including the Series 2018A Bonds. The difference, if any, between the amounts held in the respective Retirement Funds held by the respective paying agents for the City Bonds, including the Paying Agent for the Series 2018A Bonds, and the amount of debt service then due on such City Bonds, including the Series 2018A Bonds, shall be made from the Required Qualified Bonds Withholding Amount from the State Treasurer no later than the applicable debt service payment date for each series of the City Bonds, including the Series 2018A Bonds. See "SECURITY AND SOURCE OF PAYMENT – Investment Alternative Taxes and the Application thereof pursuant to the CPTSA and the Trust Agreement" and "RISK FACTORS" herein.

NOTWITHSTANDING THE FOREGOING, NO ASSURANCES CAN BE MADE, AND NONE ARE MADE, THAT ANY NET IAT REVENUES WILL BE PAYABLE TO THE CITY AND THAT, IF PAYABLE AND DEPOSITED WITH THE TRUSTEE, THAT AVAILABLE CITY IAT REVENUES, IF ANY, WILL BE SUFFICIENT TO PAY SOME OR ALL OF THE PRINCIPAL (INCLUDING MANDATORY SINKING FUND INSTALLMENTS) OR REDEMPTION PRICE OF AND INTEREST ON EACH SERIES OF THE CITY BONDS, INCLUDING THE SERIES 2018A BONDS. NONE OF THE NET IAT REVENUES DEPOSITED AND HELD WITH THE TRUSTEE UNDER THE TRUST AGREEMENT, IF ANY, ARE SPECIFICALLY PLEDGED AS SECURITY FOR THE PAYMENT OF ANY OF THE CITY BONDS, INCLUDING THE SERIES 2018A BONDS UNLESS AND UNTIL SUCH NET IAT REVENUES BECOME AVAILABLE CITY IAT REVENUES ON DEPOSIT IN THE RESPECTIVE RETIREMENT FUNDS HELD BY THE PAYING AGENTS FOR EACH SERIES OF THE CITY BONDS, INCLUDING THE SERIES 2018A BONDS.

The Series 2018A Bonds are not a debt or obligation, legal, moral, or otherwise, of the State, or any county, municipality or political subdivision thereof, other than the City.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision

The Series 2018A Bonds are offered when, as and if issued, and delivered to the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice and to the approval of legality thereof by the law firm of Pearlman & Miranda, LLC, Bloomfield, New Jersey, and certain other conditions described herein. Certain legal matters will be passed upon for the City by its Attorney, Anthony Swan, Esquire, and for the Underwriter by its counsel, Parker McCay P.A., Mount Laurel, New Jersey. Acacia Financial Group, Inc., Mount Laurel, New Jersey, has served as financial advisor in connection with the issuance of the Bonds. Delivery of the Series 2018A Bonds is anticipated to be at the offices of the City's Bond Counsel or at such other place as agreed to with the Underwriter on or about April 12, 2018.

Morgan Stanley

Dated: April 4, 2018

CITY OF ATLANTIC CITY
COUNTY OF ATLANTIC, NEW JERSEY

$49,165,000
DEFERRED CONTRIBUTION REFUNDING BONDS, SERIES 2018A (FEDERALLY TAXABLE)
(Qualified Pursuant to the Provisions of the
Municipal Qualified Bond Act, P.L. 1976, c. 38, as amended)
(Book-Entry Only)

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES AND CUSIPS

Maturity Date	Principal Amount	Interest Rate	Price	CUSIP*
September 1, 2021	$3,000,000	3.666%	100.000%	048339VZ5
September 1, 2022	8,055,000	3.804	100.000	048339WA9
September 1, 2023	8,365,000	3.954	100.000	048339WB7
September 1, 2024	8,695,000	4.081	100.000	048339WC5
September 1, 2025	9,050,000	4.231	100.000	048339WD3
September 1, 2026	12,000,000	4.290	100.000	048339WE1

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* A registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, Standard & Poor's Financial Services LLC Business. The CUSIP numbers listed above are being provided solely for the convenience of the Series 2018A Bondholders only at the time of issuance of the Series 2018A Bonds and the City does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2018A Bonds as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2018A Bonds.

CITY OF ATLANTIC CITY
COUNTY OF ATLANTIC, STATE OF NEW JERSEY

MAYOR

Frank M. Gilliam

COUNCIL MEMBERS

Marty Small, Sr. – Council President
Aaron Randolph – Council Vice President
Chuen Cheng – Councilperson
Moisse Delgado – Councilperson At Large
Jeffree Fauntleroy II– Councilperson At Large
Jesse O. Kurtz – Councilperson
William Marsh – Councilperson
Kaleem Shabazz – Councilperson
George Tibbitt – Councilperson At Large

BUSINESS ADMINISTRATOR

Jason Holt, Esquire

DIRECTOR OF REVENUE AND FINANCE/
CHIEF FINANCIAL OFFICER

Michael P. Stinson, CPA

CITY CLERK

Paula Geletei

CITY SOLICITOR

Anthony Swan, Esquire
Atlantic City, New Jersey

CITY AUDITOR

Leon Costello, CPA, RMA
Ford-Scott & Associates, LLC
Ocean City, New Jersey

FINANCIAL ADVISOR

Acacia Financial Group, Inc.
Mount Laurel, New Jersey

BOND COUNSEL

Pearlman & Miranda, LLC
Bloomfield, New Jersey

IN CONNECTION WITH THE OFFERING OF THE SERIES 2018A BONDS (AS DEFINED HEREIN), THE UNDERWRITER (AS DEFINED HEREIN) MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2018A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE SERIES 2018A BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

No broker, dealer, salesperson or other person has been authorized by the City of Atlantic City, County of Atlantic, New Jersey (the "City") to give any information or to make any representations, with respect to the Series 2018A Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. The information contained herein has been obtained from the City, the Depository Trust Company and other sources which are believed to be reliable; however, such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation or warranty of the City. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

References in this Official Statement to laws, rules, regulations, ordinances, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the offices of the City during normal business hours.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2018A Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

Morgan Stanley & Co. LLC (the "Underwriter") has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guaranty the accuracy or completeness of such information.

The Series 2018A Bonds have not been registered under the Securities Act of 1933, as amended, and the Refunding Bond Ordinance, the Resolution and the Trust Agreement (as each such term is defined herein) have not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions contained in such federal laws. In making an investment decision, investors must rely upon their own examination of the Series 2018A Bonds and the security therefor, including an analysis of the risks involved. The Series 2018A Bonds have not been recommended by any federal or state securities commission or regulatory authority. The registration, qualification or exemption of the Series 2018A Bonds in accordance with applicable provisions of securities laws of the various jurisdictions in which the Series 2018A Bonds have been registered, qualified or exempted cannot be regarded as a recommendation thereof. Neither such jurisdictions nor any of their agencies have passed upon the merits of the Series 2018A Bonds or the adequacy, accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking

statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties include, among others, changes in law and regulations, general economic and business conditions relating to the City, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the City. These forward-looking statements speak only as of the date of this Official Statement. The City disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the City's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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OFFICIAL STATEMENT
OF THE
CITY OF ATLANTIC CITY
COUNTY OF ATLANTIC, STATE OF NEW JERSEY

$49,165,000
DEFERRED CONTRIBUTION REFUNDING BONDS, SERIES 2018A
(FEDERALLY TAXABLE)
(Qualified Pursuant to the Provisions of the Municipal Qualified Bond Act, P.L. 1976, c. 38, as amended)
(Book-Entry Only)

INTRODUCTION

This Official Statement, which includes the cover and inside cover page hereof and appendices attached hereto, has been prepared by the City of Atlantic City, in the County of Atlantic, State of New Jersey (the "City") in connection with the sale and issuance of $49,165,000 aggregate principal amount of Deferred Contribution Refunding Bonds, Series 2018A (Federally Taxable) (Qualified Pursuant to the Provisions of the Municipal Qualified Bond Act, P.L. 1976, c. 38, as amended) (the "Series 2018A Bonds"). This Official Statement has been authorized by: (i) the Director of the Division of Local Government Services of the New Jersey Department of Community Affairs (the "Director") pursuant to and in accordance with the Municipal Stabilization and Recovery Act, P.L. 2016, c. 4, as amended (*N.J.S.A.* 52:27BBBB-1 *et seq.*) (the "MSRA"); and (ii) the City Council of the City, and executed by and on behalf of the City by the Director of Revenue and Finance/Chief Financial Officer of the City and may be distributed in connection with the sale of the Series 2018A Bonds.

This Official Statement contains specific information relating to the Series 2018A Bonds including a general description of the Series 2018A Bonds, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to the Series 2018A Bonds, including, without limitation, certain bondholder risks associated with the repayment of debt service on the Series 2018A Bonds. See "RISK FACTORS" herein. This Official Statement should be read in its entirety. All financial and other information presented herein has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historical information and, but only to the extent specifically provided herein, certain projections of the immediate future, and is not necessarily indicative of future or continuing trends in the financial position or other affairs of the City.

If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties include, among others, changes in law and regulations, general economic and business conditions relating to the City, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the City. These forward-looking statements speak only as of the date of this Official Statement. The City disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the City's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Authorization and Purpose for the Series 2018A Bonds

The Series 2018A Bonds are issued pursuant to: (i) the Local Bond Law, *N.J.S.A.* 40A:2-1 *et seq.*, as amended and supplemented (the "Local Bond Law"), specifically *N.J.S.A.* 40A:2-51; (ii) the Municipal Qualified Bond Act, *N.J.S.A.* 40A:3-1 *et seq.*, as amended and supplemented (the "Municipal Qualified Bond Act" or "MQBA"); (iii) the MSRA; (iv) a refunding bond ordinance duly and finally adopted by the City Council of the City on February 21, 2018 (the "Refunding Bond Ordinance"); (v) a resolution duly adopted

by the City Council of the City on February 21, 2018 (the "Resolution"); and (vi) certifications of the Director pursuant to and in accordance with the MSRA (collectively, the "Director Certificates").

In addition, on January 10, 2018, the Local Finance Board of the Division of Local Government Services of the New Jersey Department of Community Affairs (the "Local Finance Board") adopted separate resolutions (collectively, the "LFB Resolutions" and, together with the Refunding Bond Ordinance, the Resolution and the Director Certificates, the "Authorizing Proceedings") authorizing: (i) the final adoption of the Refunding Bond Ordinance; (ii) the issuance and sale of the Series 2018A Bonds as "qualified" bonds pursuant to the Municipal Qualified Bond Act; (iii) the amortization schedule for the Series 2018A Bonds as "non-conforming" pursuant to the Local Bond Law; and (iv) the City to exceed its statutory debt limitation otherwise imposed by the Local Bond Law in connection with the issuance of the Series 2018A Bonds.

Pursuant to and in accordance with the Authorizing Proceedings, the proceeds of the Series 2018A Bonds will be used to: (i) pay the City's fiscal year 2015 deferred allocable contribution into (a) the State pension systems for, including others, certain municipal employees of the City participating in the New Jersey Public Employees' Retirement System and the New Jersey Police and Firemen's Retirement System pursuant to and in accordance with P.L. 2009, c. 19 (*N.J.S.A.* 40A:4-45.1 *et seq.*), and (b) the State healthcare systems for, including others, certain municipal employees of the City pursuant to *N.J.S.A.* 52:14-17.25 *et seq.* and other applicable law; (ii) fund capitalized interest on the Series 2018A Bonds through and including September 1, 2019; and (iii) pay for the costs of issuance of the Series 2018A Bonds. See "PLAN OF FINANCE" herein.

Historical Financial Strains Upon the City and Recent Developments

Over the past five (5) years, the City has suffered from declining revenues, mainly due to the reduction in assessed valuations of casinos located in the City, increased competition from casinos located in nearby markets and the closure of five (5) casinos located in the City. The declining revenues created a strain on the City's finances and a structural budget deficit. See "INFORMATION REGARDING THE CITY OF ATLANTIC CITY" and "RISK FACTORS" herein. As a result, the City has been subjected to State supervision of its finances, multiple credit rating downgrades, the appointment of an Emergency Manager by Governor Chris Christie (the "Governor") of the State pursuant to Executive Order No. 171, dated January 22, 2015 (the "Executive Order") and, by virtue of Local Finance Board approval on November 9, 2016, direct intervention and control by the State pursuant to the MSRA as more particularly described herein. Notwithstanding the foregoing, more recently, economic conditions have begun to improve resulting from, among other things, certain legislative initiatives designed to help stabilize and reverse economic strains upon the City, which have had the effect of, among other things, stabilizing and improving the underlying credit rating of the City. See "INFORMATION REGARDING THE CITY OF ATLANTIC CITY" and "RATINGS" herein and Appendix A hereto for a more complete discussion of such legislative initiatives, credit ratings and economic conditions of the City generally.

Legislative Action Related to the Fiscal Management and Operation of the City

The MSRA was enacted by the State in an effort to provide financial, management and operational oversight to the City for such time as the State deems the City in "need of stabilization and recovery" in accordance with the MSRA. See "INFORMATION REGARDING THE CITY OF ATLANTIC CITY – State Intervention and Takeover – Municipal Stabilization and Recovery Act" and "RISK FACTORS" herein.

Further, the Casino Property Tax Stabilization Act, P.L. 2016, c. 5 (the "CPTSA") was enacted for the purpose of addressing the financial difficulties faced by the City resulting from the loss of property value in the City and the inconsistencies in property taxes collected and paid by casino properties in the City. In doing so, a measure of financial certainty has been implemented in the form of a specific payments in lieu of taxes to be paid to the City, the County of Atlantic, New Jersey (the "County") and the Atlantic City School District (the "School District") for a term of ten (10) years beginning with the 2017 tax year. See

"INFORMATION REGARDING THE CITY OF ATLANTIC CITY – State Intervention and Takeover – Casino Property Tax Stabilization Act" and "RISK FACTORS" herein.

Notwithstanding the foregoing legislative initiatives, no assurances are made as to the long-term effect, outcome or fiscal impact upon the City.

THE SERIES 2018A BONDS

General Description of the Series 2018A Bonds

The Series 2018A Bonds are dated their date of issuance and shall mature in the principal amounts on the dates and in each of the years set forth on the inside front cover page hereof. The Series 2018A Bonds shall bear interest at the rates shown on the inside front cover page hereof from the date of delivery, which interest shall be payable semiannually on the first (1st) day of March and September (each an "Interest Payment Date"), in each year until maturity or earlier redemption, as applicable, commencing March 1, 2019. Interest on the Series 2018A Bonds is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year and will be paid by check, draft or wire transfer mailed, delivered or transmitted to the registered owners of the Series 2018A Bonds as of the fifteenth (15th) day of the month prior to the respective Interest Payment Dates for the Series 2018A Bonds (the "Record Dates"), at the address shown on the registration books for the Series 2018A Bonds kept for that purpose by The Bank of New York Mellon, as Paying Agent (the "Paying Agent") for the Series 2018A Bonds. So long as the Series 2018A Bonds are registered to The Depository Trust Company, Jersey City, New Jersey ("DTC"), or its nominee, Cede & Co., payments of the principal and redemption price of and interest on the Series 2018A Bonds will be made directly to DTC. Interest on the Series 2018A Bonds will be credited to the participants of DTC as listed on the records of DTC. See "Book-Entry Only System" herein.

Redemption Provisions

Optional Redemption

The Series 2018A Bonds are not subject to optional redemption prior to their stated maturity dates.

Make-Whole Redemption

The Series 2018A Bonds are subject to redemption prior to maturity by written direction of the City in whole or in part, on any Business Day, at the "Make-Whole Redemption Price" (as defined herein). The "Make-Whole Redemption Price" is the greater of (i) one hundred percent (100%) of the principal amount of the Series 2018A Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2018A Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2018A Bonds are to be redeemed, discounted to the date on which the Series 2018A Bonds are to be redeemed on a semi-annual basis, assuming a three hundred sixty (360)- day year consisting of twelve (12) thirty (30)- day months, at the adjusted "Treasury Rate" (as defined herein) plus twenty (20) basis points, plus, in each case, accrued and unpaid interest on the Series 2018A Bonds to be redeemed on the redemption date. The "Treasury Rate" is, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two (2) Business Days (as such term is defined in the hereinafter defined Trust Agreement) prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2018A Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one (1) year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one (1) year will be used**.**

Notice of Redemption

Notice of redemption ("Notice of Redemption") shall be given by first class mail in a sealed envelope with postage prepaid to the registered owners of the Series 2018A Bonds not less than thirty (30) days, nor more than sixty (60) days prior to the date fixed for redemption. Such mailing shall be to the registered owners of such Series 2018A Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Paying Agent. So long as DTC (or any successor thereto) acts as securities depository for the Series 2018A Bonds (the "Securities Depository"), such Notice of Redemption shall be sent directly to such Securities Depository and not to the Beneficial Owners of the Series 2018A Bonds. Any failure of the Securities Depository to advise any of its participants or any failure of any participant to notify any Beneficial Owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. The Series 2018A Bonds to be redeemed having the same maturity shall be selected by the Securities Depository in accordance with its regulations.

If Notice of Redemption has been given as described herein, the Series 2018A Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at one hundred percent (100%) of the par amount to be redeemed, together with accrued interest to the date fixed for redemption. Interest shall cease to accrue on such principal amount called for redemption on and after such redemption date.

Book-Entry Only System

For a description of the procedures and recordkeeping with respect to beneficial ownership interest in the Series 2018A Bonds, payment of principal and redemption price of and interest on and other payments on the Series 2018A Bonds to Direct and Indirect Participants (as defined in Appendix F hereto) or Beneficial Owners (as defined in Appendix F hereto), confirmation and transfer of beneficial ownership interests in the Series 2018A Bonds and other related transactions by and between DTC, Direct Participants and Beneficial Owners, see Appendix F hereto.

PLAN OF FINANCE

General

Pursuant to and in accordance with the Authorizing Proceedings, the proceeds of the Series 2018A Bonds will be used to: (i) pay the City's fiscal year 2015 deferred allocable contribution into (a) the State pension systems for, including others, certain municipal employees of the City participating in the New Jersey Public Employees' Retirement System and the New Jersey Police and Firemen's Retirement System pursuant to and in accordance with P.L. 2009, c. 19 (*N.J.S.A.* 40A:4-45.1 *et seq.*), together with interest accruing thereon, and (b) the State healthcare systems for, including others, certain municipal employees of the City pursuant to *N.J.S.A.* 52:14-17.25 *et seq.* and other applicable law, together with interest accruing thereon; (ii) fund capitalized interest on the Series 2018A Bonds through and including September 1, 2019; and (iii) pay for the costs of issuance of the Series 2018A Bonds. See "PLAN OF FINANCE" herein.

Deferred Contribution Obligation

In 2015, the City deferred its payment contributions to: (i) the State's pension systems for certain municipal employees of the City participating in the New Jersey Public Employees' Retirement System and the New Jersey Police and Firemen's Retirement System pursuant to and in accordance with P.L. 2009, c. 19 (*N.J.S.A.* 40A:4-45.1 *et seq.*) ("PERS Contribution Obligation"); and (ii) the State's healthcare systems for certain municipal employees of the City participating in such healthcare systems pursuant to and in accordance with *N.J.S.A.* 52:14-17.25 *et seq.* and other applicable law ("Healthcare Contribution Obligation" and, together with the PERS Contribution Obligation, the "Deferred Contribution Obligation"). Pursuant to applicable law, until paid in full, such Deferred Contribution Obligation includes certain interest penalties.

As shall be set forth in those certain invoices prepared by the New Jersey Department of Treasury, Division of Pensions and Benefits, assuming closing of the Series 2018A Bonds occurs on or before April 12, 2018, the State has determined and fixed: (i) the cumulative amount of the PERS Contribution Obligation, together with interest thereon, in the amount of $24,102,608.25; and (ii) the cumulative amount of the Healthcare Contribution Obligation, together with interest thereon, in the amount of $21,571,769.04. As a result thereof, and in order to lessen the otherwise applicable accruing interest cost attributable to same, the City has determined to issue the Series 2018A Bonds for the purpose of, among other things, paying the cumulative amount of the Deferred Contribution Obligation (inclusive of the PERS Contribution Obligation and the Healthcare Contribution Obligation), including interest penalties thereon.

Sources and Uses of Funds

The proceeds from the sale of the Series 2018A Bonds are expected to be applied as follows:

Sources of Funds:	
Par Amount of Series 2018A Bonds	$49,165,000.00
Total Sources of Funds	$49,165,000.00
Uses of Funds:	
Fund PERS Contribution Obligation, together with interest thereon	$24,102,608.25
Fund Healthcare Contribution Obligation, together with interest thereon	21,571,769.04
Fund Capitalized Interest	2,771,796.34
Costs of Issuance[1]	718,826.37
Total Uses of Funds	$49,165,000.00

[1] Includes, *inter alia,* Underwriter's discount, Paying Agent fee, rating agency fees, legal, financial advisor, trustee, accounting, printing, and fiduciary fees and other expenses incurred in connection with the issuance of the Series 2018A Bonds.

SECURITY AND SOURCE OF PAYMENT

General Obligation Pledge

The Series 2018A Bonds constitute valid and binding, unconditional general obligations of the City and the full faith and credit of the City are pledged to the payment of the principal and redemption price thereof and the interest thereon. As such, unless the Series 2018A Bonds are paid from other sources (such as State-aid payments withheld by the State Treasurer under the Municipal Qualified Bond Act and described and defined below as "Required Qualified Bonds Withholding Amounts" or from the "Available City IAT Revenues" (as defined and described herein)), the City is authorized and required by law to levy *ad valorem* taxes, if necessary, on all real property taxable within the City for the timely payment of the principal and redemption price of and interest on the Series 2018A Bonds without limitation as to rate or amount. The City is required to include the total amount of interest and principal due on all of its general obligation indebtedness for the then-current year in each annual municipal budget unless provision has been made for payment from other sources.

The Municipal Qualified Bond Act

General

In addition to being secured by the City's full faith and credit, the issuance of the Series 2018A Bonds as "qualified" bonds under the Refunding Bond Ordinance and pursuant to the Act, was approved by

the Local Finance Board on January 10, 2018 and, accordingly, the Series 2018A Bonds are entitled to the benefits of the Municipal Qualified Bond Act.

Since the Act was enacted in 1976, many qualifying municipalities have issued "qualified bonds", which are entitled to the benefits of the Municipal Qualified Bond Act. Based upon information provided by the Director, for State Fiscal Year 2017-18, the State appropriated $185,710,719 in Municipal Qualified Revenues to twenty (20) municipalities in the State that supported principal and interest payments due on outstanding "qualified bonds".

Pursuant to the Municipal Qualified Bond Act, a portion of certain State aid (as described below), in amounts sufficient to pay the principal (including mandatory sinking fund installments) of and interest on "qualified bonds" of the City, including the Series 2018A Bonds, is to be withheld by the State Treasurer and, subject to the terms and provisions of the hereinafter defined and described Trust Agreement (the "Withheld State Amounts"), all or a portion of such Withheld State Amount, as the case may be, is to be forwarded directly to the paying agent for each series of "qualified bonds" issued by the City, including the Series 2018A Bonds, on or prior to each principal (including mandatory sinking fund installments) and/or interest payment date thereof. In particular, after taking into account the amount of hereinafter defined and described Available City IAT Revenues, if any, that portion of such Withheld State Amounts (referred to herein as the "Required Qualified Bonds Withholding Amounts") necessary to pay the principal (including mandatory sinking fund installments) of and interest on each series of "qualified bonds" of the City then outstanding, including the Series 2018A Bonds, is to be forwarded by the State directly to the paying agents for each series of "qualified bonds" of the City, including the Series 2018A Bonds, on or before the principal (including mandatory sinking fund) and interest payment dates for such "qualified bonds". The Required Qualified Bonds Withholding Amounts, together with Available City IAT Revenues, if any, are to be deposited in the respective retirement funds established by the respective paying agents for each series of "qualified bonds" of the City, including the Series 2018A Bonds (collectively, the "Retirement Funds"), solely for the purpose of paying the principal (including mandatory sinking fund payments) of and interest on such "qualified bonds", including the Series 2018A Bonds, if and when required.

Pursuant to the Municipal Qualified Bond Act, the City shall, within ten (10) days after the issuance of the Series 2018A Bonds, certify to the State Treasurer the name and address of the Paying Agent, and the maturity schedule, principal amounts of, interest rates on and dates of payment of the Series 2018A Bonds. After receipt of such certification from the City, the State Treasurer shall, in accordance with the Municipal Qualified Bond Act, withhold, with respect to such "qualified bonds", from: (i) the amount of business personal property tax replacement revenues, gross receipts tax revenues, municipal purpose tax assistance fund distributions, State urban aid and State revenue sharing and any other funds appropriated as State Aid including Consolidated Municipal Property Tax Relief Aid ("CMPTRA"); and (ii) amounts appropriated by the State pursuant to the Energy Tax Receipts Property Tax Relief Act, P.L. 1997, c. 167 (*N.J.S.A.* 52:27D-438 *et seq.*) (the "Tax Relief Act") (such amounts referred to herein as "Energy Tax Receipts") and not otherwise dedicated by the State to specific municipal programs payable to the City, such amounts which will be sufficient to pay the debt service on such "qualified bonds" as the same shall mature and become due. Amounts derived from CMPTRA and Energy Tax Receipts withheld for the City and all other eligible municipalities under the Municipal Qualified Bond Act are hereinafter referred to as "Municipal Qualified Revenues". The Municipal Qualified Bond Act, together with the Trust Agreement, further provides that the State Treasurer shall, on or before each principal (including mandatory sinking fund installments) and interest payment date of each series of "qualified bonds" of the City, including the Series 2018A Bonds, forward that portion of Municipal Qualified Revenues appropriated by the State as Withheld State Aid Amounts constituting the Required Qualified Bonds Withholding Amounts to the respective paying agent for each series of "qualified bonds" of the City, including the Series 2018A Bonds, for deposit to the respective Retirement Funds established with such paying agents for the sole purpose of paying, together with the Available City IAT Revenues, if any, the principal (including mandatory sinking fund installments) and redemption price of and interest on such "qualified bonds", including the Series 2018A Bonds.

The Municipal Qualified Bond Act provides that, from the time Municipal Qualified Revenues are so withheld by the State Treasurer as Withheld State Amounts, including as Required Qualified Bonds Withholding Amounts, all of such amounts paid or to be paid to and held by the paying agents for "qualified bonds" of the City, including the Series 2018A Bonds, shall be exempt from being levied upon, taken, sequestered or applied towards paying any debts of the City other than for payment of debt service on "qualified" bonds, including the Series 2018A Bonds.

The Municipal Qualified Bond Act further provides that, notwithstanding any other provision of law to the contrary, a statutory lien and trust is automatically and without further act or filing created and impressed upon the Withheld State Amounts, including Required Qualified Bonds Withholding Amounts, which statutory lien and trust shall be paramount and superior to all other liens and interests of any kind in favor of the holders of "qualified bonds", including the Series 2018A Bonds, for the sole purpose of paying the principal of and interest on "qualified bonds" issued by the City pursuant to the Municipal Qualified Bond Act. The lien created under the Municipal Qualified Bond Act for the benefit of "qualified bondholders", including the holders of the Series 2018A Bonds, is perfected without delivery, recording, or notice.

None of the Municipal Qualified Bond Act, the CPTSA or the Trust Agreement relieve the City of its obligation to include in its annual budget amounts necessary to timely pay, in each year, the principal (including mandatory sinking fund installments) and redemption price of and interest maturing and coming due on "qualified bonds" issued by the City, including the Series 2018A Bonds; provided, however, that such City-budgeted amounts may, to the extent they are not needed to pay debt service on "qualified bonds", including the Series 2018A Bonds, be applied to the payment of operating expenses of the City for the then current year, and conversely, if Municipal Qualified Revenues are not appropriated as Withheld State Amounts, including Required Qualified Bonds Withholding Amounts, and if Available City IAT Revenues are for whatever reasons insufficient, all or a portion of such budgeted amounts shall be used solely to pay the principal (including mandatory sinking fund installments) and interest becoming due in such year on such "qualified bonds" of the City, including the Series 2018A Bonds. In addition, notwithstanding any of the foregoing, the City must include in its annual budget amounts necessary to timely pay when due, in each year, the principal of and interest on all other general obligation bonds of the City.

The State has covenanted in the Municipal Qualified Bond Act with the purchasers, holders and owners, from time to time, of "qualified bonds", including the Series 2018A Bonds, that it will not repeal, revoke, rescind, modify or amend the provisions of the Municipal Qualified Bond Act providing for the withholding of State aid and other revenues and payment by the State of Municipal Qualified Revenues (including Withheld State Amounts, inclusive of the Required Qualified Bonds Withholding Amounts, for the Series 2018A Bonds) directly to the paying agents for each series of "qualified bonds", including the Series 2018A Bonds, in any way that would create any lien or charge on or pledge, assign, divert, withhold payment or other use of or deduction from such Municipal Qualified Revenues which is prior in time or superior in right to the payment provided in the Municipal Qualified Bond Act.

In addition, all Municipal Qualified Revenues (including Withheld State Amounts, inclusive of the Required Qualified Bonds Withholding Amounts, for the Series 2018A Bonds) deposited with paying agents for each series of "qualified bonds" shall be subject to a statutory lien and trust, pursuant to which the provisions of the Local Government Services Modernization and Local Mandate Relief Act of 2015, P.L. 2015, c. 95 (the "Modernization Act") shall apply to all "qualified bonds" whether issued prior to or following enactment of the Modernization Act. Moreover, pursuant to the Municipal Qualified Bond Act, all persons shall be forever estopped from denying that "qualified bonds", including the Series 2018A Bonds, whenever issued by the City, are entitled to the benefits of the provisions of the Municipal Qualified Bond Act, including but not limited to the statutory lien and trust created thereby. See "MUNICIPAL BANKRUPTCY" herein for a more complete discussion of the lien established for "qualified bonds", including the Series 2018A Bonds, pursuant to the Municipal Qualified Bond Act and the Modernization Act.

Historically, the State has appropriated Municipal Qualified Revenues such that the amount thereof has been sufficient to timely pay principal of and interest on any and all "qualified bonds" issued pursuant to the Municipal Qualified Bond Act.

Notwithstanding any prior course of conduct by the State regarding the application of Municipal Qualified Revenues to the payment of the principal of and interest on bonds qualified pursuant to the Municipal Qualified Bond Act, there can be no assurance such course of action will continue.

Conditions of Qualification

In granting approvals for qualification of bonds by the City, the Director, pursuant to and in accordance with the MSRA, and the Local Finance Board, pursuant to the Municipal Qualified Bond Act, can impose certain conditions on City fiscal operations. The resolutions adopted on January 10, 2018 by the Local Finance Board, which, among other things, approved the issuance of the Series 2018A Bonds as "qualified bonds" under the Municipal Qualified Bond Act and the MSRA, require, among other things: (i) the chief financial officer of the City to file "Realized Revenue Statements" on a monthly basis with the Executive Secretary of the Local Finance Board; (ii) that, for the duration of outstanding "qualified bonds" of the City, all future capital authorizations whether fully funded or funded through bonds and/or notes shall require approval from the Local Finance Board after introduction of the ordinances related thereto and before final passage; (iii) that, as a condition for closing the Series 2018A Bonds, the chief financial officer of the City certify at time of closing that the State Treasurer has been notified as to the details of the Series 2018A Bonds pursuant to the Municipal Qualified Bond Act and, further, that said certification filed at closing shall also be promptly forwarded to all of the State Treasurer, the Director and the Local Finance Board after closing; and (iv) that the City Council of the City adopt a resolution recognizing the provisos of the LFB Resolutions as binding obligations upon all officials of the City. The City Council is expected to adopt a resolution recognizing the provisos of the LFB Resolutions as binding obligations upon all officials of the City on March 28, 2018.

Municipal Qualified Revenues

The City has received Municipal Qualified Revenues in each of calendar years 1999 (the year of enactment of the Tax Relief Act) through 2017 consisting of: (i) State aid appropriated by the State to the City pursuant to the Tax Relief Act in calendar years 1999 through 2017; and (ii) CMPTRA in calendar years 2004 through 2007, inclusive, and in calendar years 2015, 2016 and 2017.

Energy Tax Receipts

Under the Tax Relief Act, municipalities are annually allocated at a minimum, a certain statutorily required amount of State aid. State aid allocated pursuant to the Tax Relief Act constitutes Municipal Qualified Revenues.[1]. If the State fails to distribute aid attributable to the Tax Relief Act in any particular tax year to the municipalities in accordance with the requirements of such Act, the State is required to forfeit the collection of corporation business tax liabilities from all corporate taxpayers that are not public utilities for that tax year.[2] The State has never failed to distribute aid attributable to the Tax Relief Act. Under the Tax Relief Act, the City has received its statutorily required State aid in a minimum amount of at least $6,260,714 since enactment of the Tax Relief Act.

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[1] The Tax Relief Act requires that each municipality be provided with an amount not less than the largest annual amount it received from the distribution of $685,000,000 from the proceeds of the public utilities franchise and gross receipts taxes and unit-based energy taxes under P.L. 1940, c. 4 (*N.J.S.A.* 54:30A-16 *et seq.*) and P.L. 1940, c. 5 (*N.J.S.A.* 54:30A-49 *et seq.*) in calendar year 1994, 1995 or 1996, or initially proposed for distribution in 1997.

[2] The enforceability of this provision of the Tax Relief Act has never been considered or addressed by the courts of the State and no assurance can be given that the courts would enforce this provision.[3] A portion of the State's CMPTRA appropriation supports municipal aid provided from the Energy Tax Receipts Property Tax Relief Fund.

Specifically, in each of the last ten (10) years, the City has received State aid pursuant to the Tax Relief Act in the following amounts:

Year Ending December 31	City Tax Relief Act Allocation
2017*	$6,442,970
2016**	6,260,714
2015**	6,260,714
2014**	6,260,714
2013**	6,260,714
2012**	6,260,714
2011**	6,260,714
2010**	6,260,714
2009**	7,625,547
2008**	7,582,967

* Source: Unaudited reports of the City.
** Source: Audit reports of the City.

Notwithstanding any prior course of conduct by the State regarding the provision of the State aid to the City, there can be no assurance such course of action will continue in the future.

CMPTRA

The State has been providing CMPTRA to municipalities for over twenty (20) years and, since 1995, has been appropriating such aid in the State's Annual Appropriations Act (the "Annual State Budget"). CMPTRA is a Municipal Qualified Revenue. The following table sets forth the amount of CMPTRA distributed by the State to municipalities for each of the last ten (10) State fiscal years[1]:

State Fiscal Year Ending June 30	Total State-Wide CMPTRA Appropriation*
2018	$639,238,000
2017	623,082,000
2016	594,082,000
2015	575,852,000
2014	553,587,000
2013	554,387,000
2012	505,387,000
2011	505,387,000
2010	776,778,000
2009	808,868,000

*Source: New Jersey Department of Treasury; Office of Management and Budget.

[1] A portion of the State's CMPTRA appropriation supports municipal aid provided from the Energy Tax Receipts Property Tax Relief Fund.

Historically, the amount of CMPTRA to be allocated and, ultimately, distributed to the State's municipalities is determined by the Division of Local Government Services within the New Jersey Department of Community Affairs (the "Division of Local Government Services"), in conjunction with the Office of Management and Budget within the New Jersey Department of Treasury, using both objective and subjective criteria to determine the individual municipality allocations. Not every municipality receives CMPTRA. Historically, the aggregate CMPTRA amount, but not the individual municipality allocations, has been included in the Annual State Budget.

Although the City has not historically required significant, if any, CMPTRA, due to the fact that the City uniquely benefitted from its casino population, recent events (including the state of the casino industry in the City) (See "INFORMATION REGARDING THE CITY OF ATLANTIC CITY – Casinos and Gaming" herein) have led to the determination by the State that the City should receive CMPTRA to assist it with financial imbalances. To that end, beginning in the State's Fiscal Year 2015-16 through and including State Fiscal Year 2016-2018, the City has received an aggregate of $64,817,744 in CMPTRA ($10,000,000 in State Fiscal Year 2015-16; $20,000,000 in State Fiscal Year 2016-17; and $34,817,744 in State Fiscal Year 2017-18), which payments constitute Municipal Qualified Revenues.

For the City's 2018 fiscal year, the total Municipal Qualified Revenues currently proposed in the Governor's Fiscal Year 2018-19 Budget Proposal to be appropriated and allocated to the City is $41,260,714 (consisting of $8,115,858 of Energy Tax Receipts and $33,144,856 of CMPTRA). The State's Fiscal Year 2018-19 Annual Budget has not yet been adopted and, accordingly, no assurance can be given that the City will receive CMPTRA in its 2018 fiscal year or in any future fiscal years.

The CMPTRA amount included in the Annual State Budget and the CMPTRA amount allocated to each municipality receiving CMPTRA constitute, in combination with amounts appropriated by the State pursuant to the Tax Relief Act, Municipal Qualified Revenues. These amounts have historically been sufficient in each State fiscal year to cover all debt service on all "qualified" bonds issued by municipalities in the State under the Act; provided, however, that Municipal Qualified Revenues derived from the CPTSA are not included as Municipal Qualified Revenues for any municipalities other than the City.

Notwithstanding any of the foregoing regarding the Municipal Qualified Bond Act, there can be no assurance that the State Legislature will continue to appropriate Municipal Qualified Revenues in amounts sufficient to cover all debt service on all "qualified" bonds issued by municipalities in the State, including the Series 2018A Bonds. In addition, if the Annual State Budget is adopted on a delayed basis, no assurance can be given that the State Legislature will timely appropriate sufficient Municipal Qualified Revenues in the future to enable the Paying Agent to make timely payment of the principal of or interest on the Series 2018A Bonds from such Municipal Qualified Revenues.

Investment Alternative Tax Revenues and Application thereof pursuant to the CPTSA and the Trust Agreement

Background

In addition to, and notwithstanding, the general obligation pledge of the City as described under the heading "SECURITY AND SOURCE OF PAYMENT – General Obligation Pledge" above, pursuant to the Casino Property Tax Stabilization Act, P.L.2016, c.5 (the "CPTSA"), beginning on May 27, 2016, through and including December 31, 2026, certain moneys, if any, received by the State Treasurer derived from the payment of the "investment alternative tax" by licensed casinos in the City pursuant to P.L. 1984, c .218 (*N.J.S.A.* 5:12-144.1) and P.L. 2013, c. 27 (*N.J.S.A.* 5:12-95.19) of the Casino Control Act, P.L. 1984, c. 218 (*N.J.S.A.* 52:12-1 *et seq.*), except for any amounts thereof: (i) previously pledged for the payment of bonds issued by the Casino Reinvestment Development Authority (the "CRDA") or otherwise contractually obligated by the CRDA prior to the effective date of the CPTSA, or any bonds issued to refund such CRDA bonds; and (ii) required to be credited against amounts due and owing by applicable casino licensees for certain prior PILOT Payments made in excess of certain limitations imposed by the CPTSA (such remaining

monies being hereafter referred to as "Net IAT Revenues"), shall be allocated to the City for the purposes of paying debt service on general obligation bonds issued by the City prior to and after May 27, 2016, including the Series 2018A Bonds (collectively, the "City Bonds").

In response thereto, and in order to provide for the payment of some or all of the principal (including mandatory sinking fund installments) and redemption price of and interest on each series of the City Bonds, including the Series 2018A Bonds, pursuant to a "Supplemental Security and Trust Agreement for Bonds of the City of Atlantic City, New Jersey," dated as of April 1, 2018 (the "Trust Agreement"), between the City and The Bank of New York Mellon, as trustee ("Trustee"), the City has directed that such Net IAT Revenues, if received and payable to or on behalf of the City by the State Treasurer pursuant to the CPTSA, shall instead be deposited with the Trustee in the "Reserve Fund" (as defined in the Trust Agreement and as further described below under the subheading "*Application of Net IAT Revenues under the Trust Agreement*") established by the Trust Agreement. Thereafter, upon satisfaction of certain conditions set forth in the Trust Agreement (including, but not limited to, Net IAT Funds being (a) held by the Trustee for certain time periods in certain accounts within the Reserve Fund, and (b) transferred and deposited from the Reserve Fund to the Retirement Funds (as defined in the Trust Agreement) established pursuant to the respective resolutions authorizing the issuance of each series of the City Bonds, including the Resolution authorizing the issuance of the Series 2018A Bonds), such available Net IAT Revenues (referred to herein as "Available City IAT Revenues") shall be transferred by the Trustee to the respective paying agents for each series of the City Bonds, including the Paying Agent for the Series 2018A Bonds, to pay all or a portion of the principal or redemption price of and interest on each series of the City Bonds, including the Series 2018A Bonds. The difference, if any, between the amounts held in the respective Retirement Funds held by the respective paying agents for the City Bonds, including the Paying Agent for the Series 2018A Bonds, and the amount of debt service then due on such City Bonds, including the Series 2018A Bonds, shall be made from the Required Qualified Bonds Withholding Amount from the State Treasurer no later than the applicable debt service payment date for each series of the City Bonds, including the Series 2018A Bonds. See below under the subheadings " – Source of Investment Alternative Tax" and " – Application of Net IAT Revenues under the Trust Agreement" under this subheading. See also "INFORMATION REGARDING THE CITY OF ATLANTIC CITY – Casino Property Tax Stabilization Act" herein for a more information regarding the CPTSA. Neither Net IAT Revenues nor Available City IAT Revenues: (i) constitute "Municipal Qualified Revenues"; (ii) will be included as "Withheld State Amounts" or as "Required Qualified Bonds Withholding Amounts" pursuant to the Municipal Qualified Bond Act; and (iii) are entitled to the benefits of the provisions of the Municipal Qualified Bond Act, including, but not limited to, the statutory lien and trust created thereby.

NOTWITHSTANDING THE FOREGOING, NO ASSURANCES CAN BE MADE, AND NONE ARE MADE, THAT ANY NET IAT REVENUES WILL BE PAYABLE TO THE CITY AND THAT, IF PAYABLE AND DEPOSITED WITH THE TRUSTEE, THAT AVAILABLE CITY IAT REVENUES, IF ANY, WILL BE SUFFICIENT TO PAY SOME OR ALL OF THE PRINCIPAL (INCLUDING MANDATORY SINKING FUND INSTALLMENTS) OR REDEMPTION PRICE OF AND INTEREST ON EACH SERIES OF THE CITY BONDS, INCLUDING THE SERIES 2018A BONDS. NONE OF THE NET IAT REVENUES DEPOSITED AND HELD WITH THE TRUSTEE UNDER THE TRUST AGREEMENT, IF ANY, ARE SPECIFICALLY PLEDGED AS SECURITY FOR THE PAYMENT OF ANY OF THE CITY BONDS, INCLUDING THE SERIES 2018A BONDS UNLESS AND UNTIL SUCH NET IAT REVENUES BECOME AVAILABLE CITY IAT REVENUES ON DEPOSIT IN THE RESPECTIVE RETIREMENT FUNDS HELD BY THE PAYING AGENTS FOR EACH SERIES OF THE CITY BONDS, INCLUDING THE SERIES 2018A BONDS.

Source of Investment Alternative Tax

Pursuant to the Casino Control Act, commencing with the first annual tax return of any person licensed to operate a casino under the Casino Control Act ("Licensee") for any calendar year beginning after December 31, 1983, and for a term of fifty (50) years thereafter, Licensee's are required to either: (i) pay an

"investment alternative tax" (the "IAT") on the "gross revenues" (as defined in section 24 of P.L. 1977, c. 110 (*N.J.S.A.* 5:12-24)) of the Licensee in the amount of two and fifty one hundredths percent (2.5%) of those gross revenues; or (ii) invest one and twenty-five one hundredths percent (1.25%) of their gross revenues in bonds issued by the CRDA to fund capital projects. In addition, pursuant to section 95.19 of the Casino Control Act, Licensee's are required to either: (i) pay an IAT on "internet gaming gross revenues" of the Licensee in the amount of five percent (5.0%) of such internet gross revenues; or (ii) invest two and one-half percent (2.5%) of such internet gaming gross revenues in bonds issued by the CRDA to fund capital projects.

Pursuant to the Casino Control Act, "internet gaming gross revenues" means the total of all sums actually received by a Licensee from internet gaming operations, less only the total of all sums actually paid out as winnings to patrons. "Internet gaming" means the placing of wagers with a Licensee at a casino located in the City using a computer network of both federal and non-federal interoperable packet switched data networks through which the Licensee may offer authorized games to individuals who have established a wagering account with the Licensee and who are physically present in the State, as authorized by rules established by the New Jersey Division of Gaming Enforcement.

In accordance with the Casino Control Act, each Licensee is required to pay to the State Treasurer on or before the fifteenth (15th) day of the first (1st), fourth (4th), seventh (7th), and tenth (10th) months of each year as partial payment of the IAT an amount equal to one and twenty-five one hundredths percent (1.25%) of the estimated gross revenues for the three (3)- month period immediately preceding the first (1st) day of those months. In addition, each Licensee is entitled to an investment tax credit against the tax imposed (1) for the first ten (10) years of a Licensee's tax obligation, in an amount equal to twice the purchase price of bonds issued by CRDA purchased by the Licensee, or twice the amount of the investments authorized in lieu thereof, and (2) for the remainder of a Licensee's tax obligation, in an amount equal to twice the purchase price of bonds issued by CRDA purchased by the Licensee, or twice the amount of the investments authorized in lieu thereof, and twice the amount of investments made by a licensee in other approved eligible investments made pursuant to Casino Control Act.

Application of Net IAT Revenues under the Trust Agreement

Pursuant to and in accordance with the Trust Agreement, in order to provide for additional security for the payment of some or all of the principal (including mandatory sinking fund installments) and redemption price of and interest on each series of the City Bonds, including the Series 2018A Bonds, the City has directed that, beginning on and after January 1, 2019, Net IAT Revenues, if received and payable to or on behalf of the City by the State Treasurer pursuant to the CPTSA, shall instead be deposited with the Trustee in the Revenue Fund and, thereafter, upon satisfaction of the conditions set forth in the Trust Agreement (as described herein and as set forth in the Trust Agreement), shall transferred and deposited in the respective Retirement Funds held by the respective paying agents for each series of the City Bonds, including the Series 2018A Bonds, whereupon such Net IAT Revenues become Available City IAT Revenues utilized by the respective paying agents for each series of the City Bonds, including the Paying Agent for the Series 2018A Bonds, to pay all or a portion of the principal or redemption price of and interest on each series of the City Bonds, including the Series 2018A Bonds, in each case in accordance with the terms and conditions of the Trust Agreement and the underlying bond resolutions (including any amendments thereto) that authorized each series of such City Bonds, including the Resolution for the Series 2018A Bonds, all as more particularly described below and in the Trust Agreement attached hereto as Appendix C.

Reserve Fund

Pursuant to the Trust Agreement, the Trustee shall establish a "Reserve Fund" (as defined in the Trust Agreement) pursuant to which the City shall contribute, or cause the contribution of funds, including Net IAT Revenues, to such Reserve Fund, from time to time, for deposit and (pending disbursement) investment with the Trustee, the principal of which, together with interest earned thereon, shall be paid to the

paying agents for the respective series of City Bonds, including the Series 2018A Bonds, for deposit in the Retirement Funds established pursuant to the Bond Resolution with respect to the Series 2018A Bonds and the respective bond resolutions (as amended) authorizing each other series of the City Bonds.

Within the Reserve Fund, the Trustee shall establish the following accounts:

(i) the "Revenue Account";
(ii) the "Aging Account";
(iii) the "Aged Account";
(iv) the "Defeasance Account"; and
(v) the "General Account".

To the extent the City receives Net IAT Revenues, for any reason, unless and until the City delivers to the Trustee a "Certificate of an Authorized Officer of the City" (as defined in the Trust Agreement), acceptable to the Director, pursuant to Section 5(e) of the Trust Agreement, which by its terms directs a different outcome, the City covenants that it will promptly pay (or, as applicable, cause the payment) over to the Trustee all Net IAT Revenues received by or on behalf of the City for deposit by the Trustee in the Revenue Account of the Reserve Fund. The City is authorized, but shall not be obligated, to contribute additional funds from any available source to the Trustee for deposit in the Revenue Account of the Reserve Fund for application in the same manner as Net IAT Revenues.

Flow of Funds in the Reserve Fund

In accordance with Section 6 of the Trust Agreement, monies received by the Trustee in the Reserve Fund and deposited in the Revenue Account shall be, thereafter, applied within the Reserve Fund as follows:

1. On the first (1st) Business Day (as such term is defined in the Trust Agreement) following deposit of funds in the Revenue Account of the Reserve Fund, the Trustee shall transfer all funds on deposit in the Revenue Account of the Reserve Fund to the Aging Account of the Reserve Fund;

2. On the first (1st) Business Day following the ninetieth (90th) day on which monies have been on deposit in the Aging Account of the Reserve Fund, the Trustee shall transfer all monies on deposit in the Aging Account of the Reserve Fund to the Aged Account of the Reserve Fund, such that an amount up to and including, but not exceeding, the sum of the Biennial Debt Service Obligation for Qualified Bonds[1] and the Biennial Debt Service Obligation for Non-Qualified Bonds[2], each as calculated by the Trustee, shall be on deposit in the Aged Account of the Reserve Fund.

3. On the first Business Day following the ninetieth (90th) day on which monies have been on deposit in the Aging Account of the Reserve Fund, after first accounting for the maximum amount to be transferred to the Aged Account in accordance with paragraph number (2) above,

[1] "Biennial Debt Service Obligation for Qualified Bonds" shall mean as of any "Date of Calculation" (as such term is defined in the Trust Agreement), the amount required to pay the principal of, and interest on, the aggregate of all series of outstanding City Bonds qualified pursuant to the provisions of the Municipal Qualified Bond Act, including any bonds issued by the City in the future that may be qualified pursuant to the provisions of the Municipal Qualified Bond Act, if any, including the Series 2018A Bonds (collectively, "Qualified Bonds"), due on all debt service payment dates for such Qualified Bonds occurring over the remainder of the then-current calendar year and the following calendar year, commencing on such Date of Calculation.

[2] "Biennial Debt Service Obligation for Non-Qualified Bonds" shall mean as of any Date of Calculation, the amount required to pay the principal of, and interest on, the aggregate of all series of outstanding City Bonds not subject to qualification pursuant to the Municipal Qualified Bond Act, including any City Bonds issued in the future not subject to qualification pursuant to the Municipal Qualified Bond Act, if any (collectively, "Non-Qualified Bonds"), due on all debt service payment dates for such Non-Qualified Bonds occurring over the remainder of the then-current calendar year and the following calendar year, commencing on such Date of Calculation.

the Trustee shall transfer all remaining monies on deposit in the Aging Account of the Reserve Fund, if any, to the Defeasance Account of the Reserve Fund. To the extent monies on deposit in the Aged Account of the Reserve Fund never attain the value which is the sum of the Biennial Debt Service Obligation for Qualified Bonds and the Biennial Debt Service Obligation for Non-Qualified Bonds, no monies shall be transferred from the Aging Account of the Reserve Fund to the Defeasance Account of the Reserve Fund, and in such instance, all transfers from the Aging Account of the Reserve Fund shall be in accordance with paragraph numbered (2) above.

Pursuant to Section 5(e) of the Trust Agreement, to the extent the Trustee receives a Certificate of an Authorized Officer of the City (in a form acceptable to the Director), stating that the Casino Control Act has been amended or supplemented, the CPTSA has been amended or supplemented, or some other provision of applicable law has changed from that in effect as of the effective date of the Trust Agreement such that either (i) Net IAT Revenues are no longer required to be used to pay debt service on City Bonds (including the Series 2018A Bonds), or (ii) the City desires to pay debt service on bonds of the City other than the City Bonds, then notwithstanding the provisions of numbered paragraphs (2) and (3) above, the Trustee shall transfer such monies as identified in such certificate to such Fund or Account (as each such term is defined in the Trust Agreement), or other fund, account or subaccount as shall be set forth in such certificate.

As a result of the immediately preceding paragraph, the consent of holders of the City Bonds (including the Series 2018A Bonds) shall not be required to implement the revised transfer and payment instructions set forth in any such Certificate, which shall be automatically in effect for the duration set forth in such Certificate, without any further action, including amendment or supplement to the Trust Agreement.

Disbursements from the Reserve Fund

In accordance with Section 7 of the Trust Agreement, within two (2) Business Days of funds being deposited in the Aged Account from the Aging Account, the Trustee shall pay over from the Aged Account to the paying agents for the respective following series of City Bonds the following moneys in the following order for deposit in such respective paying agents' "Retirement Funds", which "Retirement Funds" have been established pursuant to the various bond resolutions authorizing each series of the City Bonds, including the Series 2018A Bonds, for the purpose of providing additional security for the payment of the City Bonds, including the Series 2018A Bonds:

1. First, for each respective series of outstanding Qualified Bonds, on a pro-rata basis, for deposit in such paying agent's respective Retirement Funds, in immediately available funds, an amount up to but not exceeding the remaining current calendar year portion, if any, of the Biennial Debt Service Obligation for Qualified Bonds that have debt service payment dates remaining in such current calendar year;

2. Second, for the one (1) or more (in which case the pro-rata amount shall be applied for each applicable series) series of outstanding Non-Qualified Bonds with the next occurring (on a chronological basis) debt service payment date in such current calendar year, if any, for deposit in such paying agent's respective Retirement Funds, in immediately available funds, on a chronological basis, an amount up to but not exceeding the debt service payment due on such one (1) or more series of outstanding Non-Qualified Bonds on such debt service payment date. If amounts in the Aged Account are still available after such application, such excess amounts shall be similarly paid over by the Trustee to the respective paying agents for deposit in their respective Retirement Funds allocable to the Non-Qualified Bonds with the next succeeding debt service payment dates remaining in such current calendar year in amounts sufficient to pay all of debt service payments for such Non-Qualified Bonds due on each such next succeeding debt service payment dates until the earlier of (A) the depletion of any such excess amounts or (B) full application for the payment by the Trustee to the paying agents of such excess amounts for deposit in their respective Retirement Funds for all outstanding Non-Qualified Bonds with debt service payment dates remaining through the end of such current calendar year in amounts

sufficient to make all of the debt service payments due and owing for such Non-Qualified Bonds through the end of such current calendar year;

3. Third, for each respective series of outstanding Qualified Bonds, on a pro-rata basis, for deposit in such paying agent's respective Retirement Funds, in immediately available funds, an amount up to but not exceeding the remaining Biennial Debt Service Obligation for Qualified Bonds, if any; and

4. Fourth, for the one (1) or more (in which case the pro-rata amount shall be applied for each applicable series) series of outstanding Non-Qualified Bonds with the next occurring (on a chronological basis) debt service payment date in the year following the current calendar year, if any, for deposit in such paying agent's respective Retirement Funds, in immediately available funds, on a chronological basis, an amount up to but not exceeding the debt service payment due on such one (1) or more series of outstanding Non-Qualified Bonds on such debt service payment date. If amounts in the Aged Account are still available after such application, such excess amounts shall be similarly paid over by the Trustee to the respective paying agents for deposit in their respective Retirement Funds allocable to the Non-Qualified Bonds with the next succeeding debt service payment dates remaining in such following calendar year in amounts sufficient to pay all of debt service payments for such Non-Qualified Bonds due on each such next succeeding debt service payment dates until the earlier of (A) the depletion of any such excess amounts or (B) full application for the payment by the Trustee to the paying agents of such excess amounts for deposit in their respective Retirement Funds for all outstanding Non-Qualified Bonds with debt service payment dates remaining through the end of such following calendar year in amounts sufficient to make all of the debt service payments due and owing for such Non-Qualified Bonds through the end of such following calendar year, thereby satisfying the Biennial Debt Service Obligation for Non-Qualified Bonds.

After the application of all monies on deposit in the Aged Account of the Reserve Fund in accordance with the above, all remaining monies, if any, shall be transferred by the Trustee to the Defeasance Account of the Reserve Fund. Monies on deposit in the Defeasance Account of the Reserve Fund shall be held in such Account by the Trustee until receipt by the Trustee of a Certificate of an Authorized Officer of the City, acceptable to the Director, directing the Trustee to transfer some or all of the monies then on deposit in the Defeasance Account. Such certificate may direct the Trustee to transfer funds in any amount from the Defeasance Account to the Retirement Fund for any one or more series of City Bonds, to any Fund or Account established by the Trust Agreement, or, to the extent of a change in law, and if accompanied by a certificate required by the Trust Agreement, for any other purpose so stated in such certificate of direction.

For purposes of illustration of the operation of the Trust Agreement described above, provided below is a flow chart indicative of the sources, uses, timing and sequencing of Net IAT Revenues and/or Available City IAT Revenues: (i) paid by Licensees to the State; (ii) deposited by the State with the Trustee; and (iii) transferred, deposited and utilized by the Trustee and the various paying agents for the City Bonds, including the Series 2018A Bonds.

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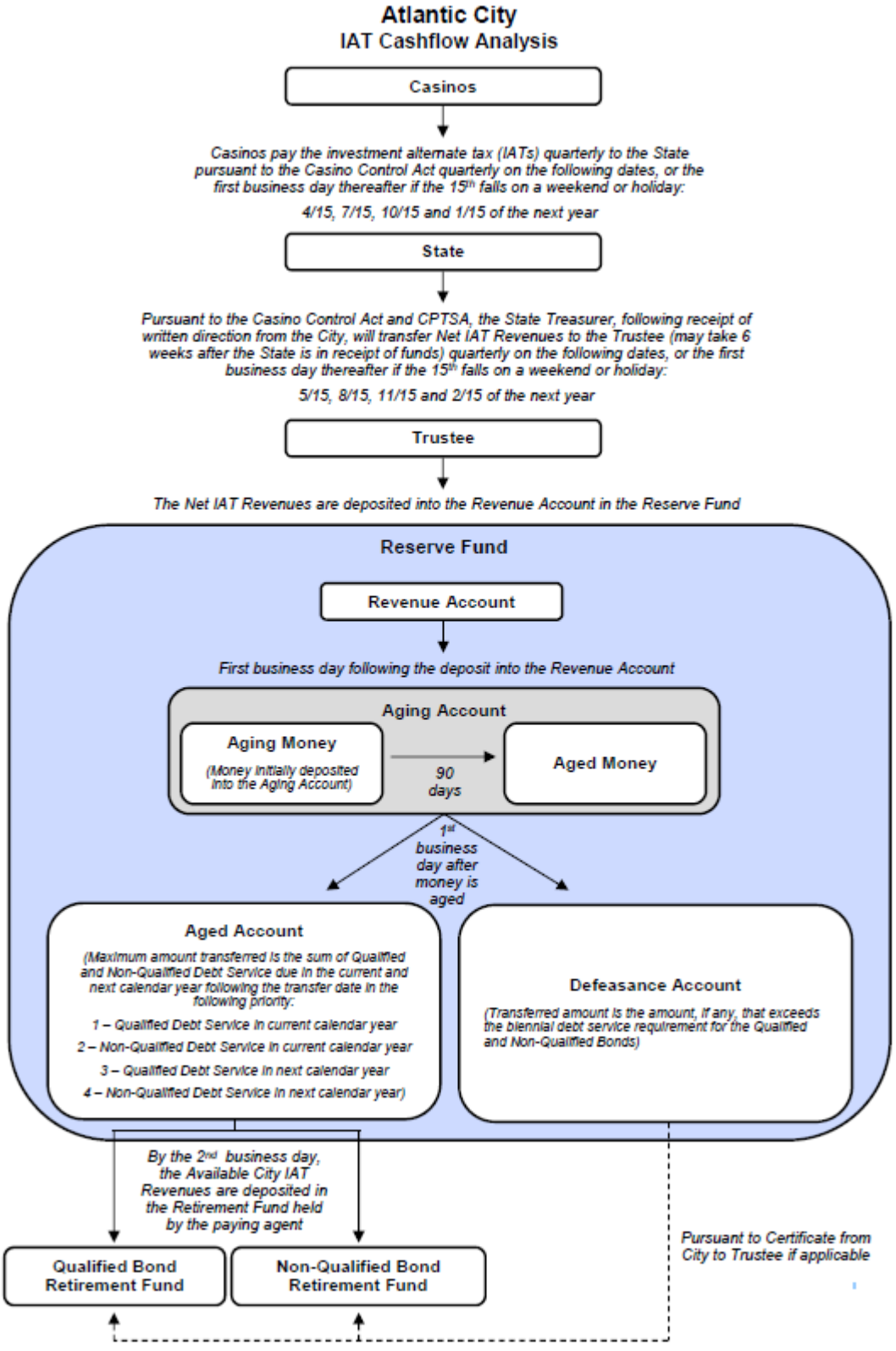

NO ASSURANCES CAN BE MADE, AND NONE ARE MADE, THAT ANY NET IAT REVENUES WILL BE PAYABLE TO THE CITY AND THAT, IF PAYABLE AND DEPOSITED WITH THE TRUSTEE AND TRANSFERRED TO THE RESPECTIVE PAYING AGENTS AS AVAILABLE CITY IAT REVENUES, THAT SUCH AVAILABLE CITY IAT REVENUES, IF ANY,

WILL BE SUFFICIENT TO PAY SOME OR ALL OF THE PRINCIPAL (INCLUDING MANDATORY SINKING FUND INSTALLMENTS) OR REDEMPTION PRICE OF AND INTEREST ON EACH SERIES OF THE CITY BONDS, INCLUDING THE SERIES 2018A BONDS. EXCEPT FOR THOSE NET IAT REVENUES THAT SHALL HAVE BECOME AVAILABLE CITY IAT REVENUES PURSUANT TO THE TRUST AGREEMENT, IF ANY, NONE OF THE NET IAT REVENUES DEPOSITED AND HELD WITH THE TRUSTEE UNDER THE TRUST AGREEMENT, IF ANY, ARE SPECIFICALLY PLEDGED AS SECURITY FOR THE PAYMENT OF ANY OF THE CITY BONDS, INCLUDING THE SERIES 2018A BONDS.

For a more complete description of the terms and provisions of the Trust Agreement and the specific details thereof, see "APPENDIX C – Form of Trust Agreement" hereto.

Summary of Order of Security for the Series 2018A Bonds

Pursuant to the terms of the Authorizing Proceedings and the Trust Agreement, the principal of, premium, if any, and interest on the Series 2018A Bonds, shall be payable no later than the applicable principal, redemption or interest payment date for the Series 2018A Bonds by the Paying Agent from amounts on deposit in the Retirement Fund established by the Resolution and pledged to the holders of the Series 2018A Bonds from the following sources in the following order:

FIRST, from that portion of the Available City IAT Revenues, if any, paid by the Trustee from the Aged Account of the Revenue Fund to the Paying Agent;

SECOND, from that portion of the Required Qualified Bonds Withholding Amount, if any, payable by the State Treasurer to the Paying Agent; and

THIRD, from budgeted amounts on deposit with the City payable to the Paying Agent, if not otherwise available from the levy of *ad valorem* taxes upon all taxable property in the City, without limitation as to rate or amount.

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CITY OF ATLANTIC CITY
MUNICIPAL QUALIFIED BONDS DEBT SERVICE SCHEDULE

	Existing Qualified Bonds Debt Service[1]			Series 2018A Bonds Debt Service			
Year	**Principal**	**Interest**	**Debt Service**	**Principal**	**Interest**	**Debt Service**	**Total MQBA Debt Service**
2018	$3,500,000	$6,458,856	$9,958,856	-	-	-	$9,958,856
2019	2,225,000	10,256,475	12,481,475	-	$2,771,796	$2,771,796	15,253,271
2020	4,595,000	10,084,600	14,679,600	-	1,999,693	1,999,693	16,679,293
2021	4,755,000	9,832,425	14,587,425	$3,000,000	1,999,693	4,999,693	19,587,118
2022	4,930,000	9,569,150	14,499,150	8,055,000	1,889,713	9,944,713	24,443,863
2023	5,135,000	9,294,725	14,429,725	8,365,000	1,583,301	9,948,301	24,378,026
2024	5,425,000	9,006,125	14,431,125	8,695,000	1,252,548	9,947,548	24,378,673
2025	5,730,000	8,700,700	14,430,700	9,050,000	897,706	9,947,706	24,378,406
2026	6,050,000	8,377,600	14,427,600	12,000,000	514,800	12,514,800	26,942,400
2027	6,395,000	8,035,675	14,430,675	-	-	-	14,430,675
2028	6,760,000	7,673,600	14,433,600	-	-	-	14,433,600
2029	7,140,000	7,293,303	14,433,303	-	-	-	14,433,303
2030	7,535,000	6,892,741	14,427,741	-	-	-	14,427,741
2031	7,975,000	6,457,438	14,432,438	-	-	-	14,432,438
2032	8,440,000	5,985,875	14,425,875	-	-	-	14,425,875
2033	8,945,000	5,485,313	14,430,313	-	-	-	14,430,313
2034	9,480,000	4,953,625	14,433,625	-	-	-	14,433,625
2035	10,040,000	4,389,000	14,429,000	-	-	-	14,429,000
2036	10,640,000	3,789,375	14,429,375	-	-	-	14,429,375
2037	11,210,000	3,154,063	14,364,063	-	-	-	14,364,063
2038	11,695,000	2,503,500	14,198,500	-	-	-	14,198,500
2039	12,220,000	1,838,250	14,058,250	-	-	-	14,058,250
2040	12,775,000	1,137,938	13,912,938	-	-	-	13,912,938
2041	8,385,000	587,125	8,972,125	-	-	-	8,972,125
2042	8,630,000	197,750	8,827,750	-	-		8,827,750
Total	**$190,610,000**	**$151,955,225**	**$342,565,225**	**$49,165,000**	**$12,909,249**	**$62,074,249**	**$408,708,212**

[1] As of April 12, 2018

For the calendar year ended December 31, 2017, the City received Municipal Qualified Revenues constituting Withheld State Amounts in the aggregate amount of $41,260,714, of which $6,772,114 was a Withheld State Amount for payment of the City's existing Qualified Bonds debt service equal to 6.09x debt service coverage. In connection with the State's proposed fiscal year 2018/2019 budget, for the calendar year ending December 31, 2018, the City anticipates receiving Municipal Qualified Revenues to constitute Withheld State Amounts in the aggregate amount of $41,260,714. Based on this proposed allocation, and assuming such Withheld State Amount remains constant throughout the life of the Series 2018A Bonds, estimated debt service coverage on the aggregate of existing Qualified Bonds debt service and debt service on the Series 2018A Bonds ranges from a maximum of 4.67x to a minimum of 1.53x; provided, however, the City cannot guarantee that such amounts will remain constant over the life of the Series 2018A Bonds. See "SECURITY AND SOURCE OF PAYMENT – Municipal Qualified Bond Act" and "RISK FACTORS" herein.

The foregoing estimated debt service coverage ratios are subject to change based upon the final determination of the Municipal Qualified Revenues constituting Withheld State Amounts to be received by the City.

INFORMATION REGARDING THE CITY OF ATLANTIC CITY

General

The City covers an area of approximately twelve (12) square miles in the County of Atlantic, New Jersey (the "County") and borders the Atlantic Ocean in southern New Jersey. It is located about sixty-five (65) miles southeast of Philadelphia and one hundred twenty-five (125) miles south of New York City. The location and climate of the City have traditionally enabled it to maintain itself as a recreational and resort center. In addition, casino gaming (which is discussed in further detail in Appendix A under the heading "LEGALIZED CASINO GAMING") has, since 1978, provided the principal attraction to the City, together with the historical draw and appeal of the City's beaches and boardwalk along the Atlantic Ocean. However, since the economic downturn of 2008, and the increase in casino gambling competition from neighboring states, the City casino industry's gambling revenues have suffered significantly, resulting in, among other things, significant tax appeals filed by casino owners and operators and, more recently, the closure of five (5) casinos in the City.

More detailed information concerning the City, including economic, financial, demographic and other relevant data, is set forth in Appendix A to this Official Statement, and under the subheadings "Casinos and Gaming," "State Intervention and Takeover," "Current Fiscal Affairs of the City" and "Tax Appeals" below.

Casinos and Gaming

Generally

Historically, the City was the second largest casino and gaming locale in the country (second only to Las Vegas, Nevada). At its peak in 2006, casino revenue in the City approached $5.2 billion. In 2017, however, casino revenue was $2.4 billion. Further, the City has lost a portion of its share of the regional gaming industry to newer casino venues located in other states and closer to major urban hubs.

The significant decline in City casino revenue over the last several years has had a material negative impact on the City tax base, with total assessed property values falling approximately sixty-eight percent (68%) since 2008, and with the municipal tax rate increasing approximately one hundred percent (100%) during the same period (the 2017 municipal tax rate was $1.831 per $100 of net assessed valuation). See Appendix A herein for a more complete discussion of City assessed valuations and tax rates.

Notwithstanding the foregoing, according to revenue statistics released on January 12, 2018 by the New Jersey Division of Gaming Enforcement ("NJDGE"), year-to-date casino revenue (excluding internet gaming) for the period ended December 31, 2017, totaled $2.413 billion compared to $2.406 billion for the prior period, reflecting an increase of three tenths of a percent (0.3%). In addition, according to the NJDGE revenue statistics released on January 12, 2018, for the same period, year-to-date internet gaming revenue increased twenty-four and ninety one hundredths percent (24.9%) to $245.6 million, which, together with casino revenue, reflects a total casino gaming revenue increase of two and twenty one hundredths percent (2.2%) compared to the same period.

Notwithstanding the foregoing, no assurances can be given as to future casino and gaming revenue, assessed property values or municipal tax levies for the City.

Casino Closures

Since 2014, five (5) of the City's twelve (12) operating casinos closed, including Revel Atlantic City, LLC ("Revel") (then the City's largest taxpayer), Showboat (then the City's eighth (8^{th}) largest taxpayer), Trump Plaza (then the City's eleventh (11^{th}) largest taxpayer), Trump Taj Mahal (then the City's fourth (4^{th})

largest taxpayer) and The Atlantic Club (then the City's twelfth (12th) largest taxpayer). Together, the five (5) closed casino properties had a total of 6,453 rooms, represented twenty-eight and thirty one hundredths percent (28.3%) of the City's hotel capacity.

Redevelopment of Casino Properties and Additional Casino Development Projects

Notwithstanding the above-described casino closures, as more particularly described below, certain casino properties have been redeveloped for new purposes, new casino development projects have been announced, and additional casino and non-casino redevelopment is expected to occur in the near future.

In particular, in the fall of 2014, Bart Blatstein, of Blatstein's Tower Investments, purchased the Pier at Caesars for $2.7 million. After completing an approximately $50 million renovation and makeover, in June of 2015, Tower Investments re-opened the pier as "The Playground at Caesars", a 500,000 square foot retail, dining and nightlife destination. In addition, after acquiring the Showboat from Stockton University, in July of 2016, Tower Investments re-opened the Showboat as an 852-room hotel.

In March of 2017, an investment group led by Hard Rock International (a subsidiary of Seminole Gaming) purchased The Taj Mahal (which was deed restricted as a non-casino property at the time of the purchase) and has announced its intention to re-open the property as the "Hard Rock Hotel and Casino Atlantic City" in the summer of 2018, with the aforementioned deed restriction removed prior to the opening thereof. If and when successfully re-opened, the new Hard Rock Hotel and Casino Atlantic City will be the largest hotel and casino property in the City.

In June of 2017, MGM Resorts International (owner of the Borgata) and Caesars Entertainment Corp. (owner of Caesars Atlantic City) announced plans for a new joint development project to be undertaken by both entities in the City although, as of the date hereof, no specific details have been announced as to the nature of the joint development project.

In July of 2017, it was announced that Tropicana Entertainment purchased the Chelsea Hotel with the intent to add the Chelsea Hotel to the Tropicana Atlantic City's operations as "The Chelsea Tower at Tropicana Atlantic City". In addition, Tropicana Entertainment announced its plans to construct a skyway bridge to connect the Chelsea Hotel property to the Tropicana.

In April of 2015, Revel was sold to developer Glenn Straub for $82 million, but was never re-opened during Straub's ownership. On December 11, 2017, it was announced that Revel would be sold to an investment group led by Bruce Deifik's Mile High Dice, LLC for $200 million. The developer has announced plans to re-open Revel (now re-named "Ocean Resort Casino") as a casino hotel in May or June of 2018.

While the City is actively seeking the redevelopment and re-use of the remaining closed casino properties, it is impossible to predict whether such properties will, in fact, re-open in the foreseeable future or, if such properties do re-open, such properties will re-open as casino hotels or for any other purpose.

While it is impossible to predict the final fiscal impact that casino closings and the redevelopment (including those listed above) will ultimately have on the finances of the City in future years, the City believes that the closure of any additional casinos could have a material negative impact on the finances and fiscal strength of the City and cannot immediately predict the impact that expected casino re-openings will have upon the City.

State Intervention and Takeover

Emergency Manager and Initial Stabilization Plan

Due to the deteriorating economic conditions in the City, on September 8, 2014, State leaders conducted a summit to discuss proposals aimed at stabilizing the fiscal health of the City. A second summit

was convened on November 12, 2014 wherein a bi-partisan advisory commission appointed by the Governor provided a report outlining certain potential initiatives that could be implemented to achieve fiscal stabilization, boost revenue and attract more development to the City.

On January 22, 2015, the Governor convened the third summit in the City with casino executives, business leaders, union leaders, and state and local officials. During the summit, the Governor announced that he had signed the Executive Order authorizing the installation of an emergency management team to help stabilize the daily operations and finances of the City. The emergency management team consisted of an emergency manager ("Emergency Manager") and special counsel to the Emergency Manager. Kevin Lavin, a corporate finance consultant who specializes in helping troubled companies, was appointed the Emergency Manager for the City and served as an employee of the Division of Local Government Services. Kevyn Orr, a former corporate bankruptcy lawyer, who led Detroit through the largest municipal bankruptcy filing in U.S. history in 2014, was appointed as a consultant to the Division of Local Government Services.

The Executive Order also directed all State agencies and all officers, employees, agents, divisions, departments, bureaus, and authorities of the City to cooperate in the implementation of the Executive Order, and make available to the Emergency Manager, at his request, all financial and other information, documents, and records of, or pertaining to, the City.

The Emergency Manager released the sixty (60)- day report on March 23, 2015 (the "Report"). The Report provided a synopsis of the City's structural deficit and listed several potential options for balancing the City's budget in 2015 and addressing the City's near term liquidity issues. The Report can be viewed at http://www.nj.gov/dca/news/news/2015/20150323.pdf. The Report is not, however, incorporated by reference into this Official Statement.

The Report established a timeline for the creation and implementation of the Emergency Manager's Plan, which was divided into three (3) phases. Phase I ended with the delivery of the Report. Phase II occurred from April of 2015 through June 30, 2015. Phase III was scheduled to occur from July 1, 2015 and thereafter.

During Phase II, the Emergency Manager designed a detailed plan in order to propose: (i) appropriate restructuring options for the City; (ii) executing initial cash conservation strategies and cost saving opportunities; (iii) conducting full departmental reviews to identify potential revenue enhancements, costs savings, and required reinvestment or outsourcing/consolidation opportunities; (iv) working to understand future debt capacity, potential borrowing options, and long-term debt of the City as well as forecasting tax revenues and potential additional sources of revenues; (v) evaluating additional costs savings initiatives related to labor, vendors and other City operations; and (vi) negotiating with creditors, labor unions and other key stakeholders.

In furtherance of goals established for Phase II, in May of 2015, the Emergency Manager appointed Skadden, Arps, Slate, Meagher & Flom LLP, as Special Counsel, with expertise in negotiating and restructuring debts, as well as handling litigation relating thereto. In addition, Donald Steckroth, a former bankruptcy judge and a member of the law firm of Cole Schotz P.C., was engaged to serve as a consultant to the Emergency Manager. During Phase III, the Emergency Manager continued to implement the detailed restructuring plan identified in Phase II and continued negotiations with key stakeholders in an effort to achieve fiscal sustainability through actions taken and negotiated settlements achieved, including working closely with City, County and State officials to efficiently execute components of the restructuring.

Municipal Stabilization and Recovery Act

Notwithstanding the efforts made by the Emergency Manager pursuant to the Executive Order to stabilize the economic condition of the City as described above, severe fiscal and operation imbalances in the City persisted. As a result thereof, on May 27, 2016, the Governor signed into law the MSRA.

The MSRA requires a municipality deemed in need of stabilization and recovery to adopt a comprehensive recovery plan, and authorizes the State to stabilize such a municipality experiencing severe fiscal distress if it fails to adopt an acceptable recovery plan within one hundred fifty (150) days. The MSRA defines a "municipality in need of stabilization and recovery" as a municipality that has experienced a decrease of more than fifty percent (50%) in its total assessed property values during the five-year period terminating at the end of the tax year immediately preceding enactment of the MSRA, and has experienced an increase in outstanding debt exceeding fifty percent (50%) during the immediately preceding five (5)-year period, as determined by the Director. Pursuant to the MSRA, the Director may ascertain whether a municipality should be deemed a "municipality in need of stabilization and recovery," and if so, recommend that the Commissioner of New Jersey Department of Community Affairs (the "Commissioner") make such a determination.

In accordance with the foregoing, on June 6, 2016, the Director determined that the City qualified as a "municipality in need of stabilization and recovery" in accordance with the MSRA. Following that determination, and in accordance with the MSRA, within one hundred fifty (150) days thereof, the City was required to adopt a five (5) year recovery plan (the "Recovery Plan"), which was to include a proposed balanced budget for the next fiscal year (i.e., 2017). On October 25, 2016, the Recovery Plan was submitted to the Commissioner for review. Following review, the Commissioner determined that the Recovery Plan was not likely to achieve financial stability for the City and rejected the City's Recovery Plan.

As a result thereof, on November 9, 2016, following a hearing of determination by the Local Finance Board, the Local Finance Board assumed, reallocated to, and vested in the Director, any of the functions, powers, privileges, and immunities of the governing body of the City set forth in any statute, regulation, ordinance, resolution, charter, or contract to which the City is a party that are, or may be, substantially related to the fiscal condition or financial rehabilitation and recovery of the City. As such, any actions or steps taken by the Director are deemed to be by, and on behalf of, the City. Notwithstanding this transfer, the City shall remain the party to any and all contracts of the City and neither the Local Finance Board nor the Director shall assume any contractual obligations or liability arising out of that contract or be subject to any claim for breach of that contract or any other claim related to that contract.

The duration of the transfer of the functions, powers, privileges, and immunities of the City will not, however, exceed the duration of the time the City is deemed a "municipality in need of stabilization and recovery" under the MSRA.

Authority Provided to the Director under the MSRA

The authorities granted to the Director by the Local Finance Board pursuant to MSRA extend to any and all actions that, in the exclusive discretion of the Director, may help stabilize the finances, restructure the debts, or assist in the financial rehabilitation and recovery of the City, including, but not limited to:

1. Implementing governmental, administrative, and operational efficiency and oversight measures;

2. Dissolving, terminating, transferring, abolishing, or otherwise disposing of any City authority, board, commission, or department, or any function thereof; provided, however, that no such action shall be taken until adequate provision has been made for the payment of the creditors or obligees of the entity to be impacted unless otherwise permitted by law;

3. Vetoing the minutes of the governing body of the City, any board, commission, or department of the City, and any independent board or authority in the City, including, but not limited to, the housing authority, parking authority, redevelopment authority, planning board, and zoning board of adjustment;

4. Controlling litigation and the City's legal affairs, including, but not limited to, suing in the City's corporate name; prosecuting, defending, and resolving litigation, arbitration, disputes, and

controversies; and retaining and directing corporation counsel and other special counsel as the Director may deem appropriate;

5. Selling, conveying, leasing, monetizing, or otherwise disposing of any interest in any City-owned assets, including but not limited to, any water, sewer, wastewater, and storm water infrastructure, equipment or facilities, services, and in any real property, including any improvements thereon; provided that the Director shall not sell, convey, lease, monetize, or otherwise dispose of any City-owned water asset pursuant to an agreement with a private entity until one (1) year after the effective date of the MSRA (May 27, 2016) to allow the City to maximize the value of that asset;

6. Amending or terminating any existing contracts or agreements, which shall not include bonds, notes, indentures, or other similar financing instruments and documents to which the City is a party, in accordance with the terms thereof; or unilaterally amending or terminating any contracts or agreements which shall not include bonds, notes, indentures, or other similar financing instruments and documents to which the City is a party, provided that the Director determines that the unilateral termination or amendment is reasonable and directly related to stabilizing the finances or assisting with the fiscal rehabilitation and recovery of the City;

7. Unilaterally modifying, amending, or terminating any collective negotiations agreements, except those related to school districts, to which the City is a party, or unilaterally modifying, amending, or terminating the terms and conditions of employment during the term of any applicable collective negotiations agreement, or both, provided that the Director determines that the modifications, amendments, or terminations are reasonable and directly related to stabilizing the finances or assisting with the fiscal rehabilitation and recovery of the City;

8. Acting as the sole agent in collective negotiations on behalf of the City;

9. With respect to any expired collective negotiations agreement to which the City is a party, unilaterally modifying wages, hours, or any other terms and conditions of employment;

10. Unilaterally abolishing any non-elected positions in the City at any time;

11. Unilaterally appointing, transferring, or removing employees of the City, including, but not limited to, department heads and division heads, as the case may be, but excluding appointed officials who have obtained tenure in office;

12. Acting as the appropriate authority, including, without limitation, the appointing authority, for purposes of Title 40A of the New Jersey Statutes;

13. Entering into any agreement with the County, any of the other municipalities located in the County, or any instrumentality of the State to share or consolidate municipal services pursuant to any law applicable to consolidation or sharing of services, including, without limitation, the New Jersey Uniform Shared Services and Consolidation Act, P.L. 2007, c. 63 (*N.J.S.A.* 40A:65-1 *et al.*) and P.L. 2015, c. 279 (*N.J.S.A.* 40A:14-90.1 *et al.*);

14. Procuring any goods, services, commodities, information technology, software, hardware, or other items on behalf of the municipality in need of stabilization and recovery, in accordance with either the New Jersey Local Public Contracts Law, P.L. 1971, c. 198 (*N.J.S.A.* .40A:11-1 *et seq.*), or procurement laws applicable to the State;

15. Retaining any professionals on behalf of the City, and directing the work of professionals or any professionals previously retained by the City, in accordance with either the Local Public Contracts Law, P.L. 1971, c. 198 (*N.J.S.A.* 40A:11-1 *et seq.*) or procurement laws applicable to the State;

16. Retaining bond counsel, adopting bond ordinances to the extent necessary, making appropriate bond applications, and taking any other steps necessary to restructure and adjust debt, on behalf of the City;

17. Exercising on behalf of the City any authority granted to a municipality pursuant to the New Jersey Local Redevelopment and Housing Law, P.L. 1992, c. 79 (*N.J.S.A.* 40A:12A-1 *et al.*), the New Jersey Redevelopment Area Bond Financing Law, P.L. 2001, c. 310 (*N.J.S.A.* 40A:12A-64 *et seq.*) and the New Jersey Long Term Tax Exemption Law, P.L. 1991, c. 431 (*N.J.S.A.* 40A:20-1 *et seq.*) when the Director deems it necessary or appropriate to help stabilize the finances, restructure the debts, or assist with the financial rehabilitation and recovery of the City;

18. Authorizing and filing, on behalf of the City, subject only to the written approval of the majority of the members of the legislative Joint Budget Oversight Committee of the State (the "JBOC"), a petition and other pleadings and papers with any United States court or federal bankruptcy court for the purpose of effecting a plan of readjustment or composition of debts as set forth in *N.J.S.A.* 52:27-40 *et seq.*, and taking any other and further actions necessary or appropriate in connection with any case or proceeding; provided, however, that, pursuant to a resolution adopted on November 9, 2016, the Local Finance Board determined to withhold this specific power from the Director; and

19. Negotiating and executing any contracts, agreements, or other documents on behalf of the City as may be necessary or appropriate to effectuate any of the actions or steps specifically identified the MSRA or that may otherwise, as the Director deems necessary or appropriate, help stabilize the finances, restructure the debts, or assist with the financial rehabilitation and recovery of the City.

Any function, power, privilege, or immunity of the City's governing that is not assumed by the Local Finance Board and reallocated to and vested exclusively in the Director pursuant to the MSRA remains allocated to and vested in the governing body of the City unless and until such time as the function, power, privilege, immunity, or duty may be allocated to and vested exclusively in the Local Finance Board or the Director in accordance with the MSRA. Moreover, pursuant to the MSRA, the Local Finance Board or the Director is authorized exercise any power implied or incidental to a power that has been specifically allocated.

In addition to the above, pursuant to the MSRA, the Local Finance Board may (and has in the case of the City) authorize the Director to take any action authorized to be taken under the Local Bond Law and the Municipal Qualified Bond Act by the governing body of the City. In furtherance thereof, the Director has provided his authorization and approval in connection with the authorization and issuance of the Series 2018A Bonds.

Contracts for Public Safety

The MSRA directs and establishes specific practices and procedures for the negotiation of contracts between the City and its police and fire departments, but permits the Director, at his or her discretion, to cease or disallow specific procedures otherwise to be followed where impasses arise in contract negotiations. In addition, the MSRA permits the Director to review and specifically approve any arbitration award derived from such proceedings.

Annual Budgets

The MSRA permits the Director to prepare the City's annual budget or to instruct the City's governing body to prepare and submit a proposed annual budget. To the extent that the governing body of the City submits a proposed annual budget, the Director shall fix a date for the City's governing body to submit that budget to the Local Finance Board, and the Local Finance Board may approve the budget, modify it or instruct the director to prepare an alternative budget thereafter. If the Director prepares the budget, it shall be submitted to the Local Finance Board for its approval. Once a budget is approved by the Local Finance Board, the budget shall be deemed adopted.

Early Retirement Incentives

The MSRA also authorizes the City to use early retirement incentives as a mechanism to help stabilize the finances, restructure the debts, or assist the financial rehabilitation and recovery of the City. In addition, pursuant to an August 2017 amendment to the MSRA, the City is required to offer an early retirement incentive to public safety employees prior to the implementation of a reduction in force by the City.

Required Amount of Aid

Pursuant to the MSRA, notwithstanding any law, rule, or regulation to the contrary, the amount of CMPTRA and Energy Tax Receipts property tax relief aid paid to City shall not be less than the amount certified for the City in the Certification of State Aid for Calendar Year 2016 and Fiscal Year 2017 Budgets issued by the Division of Local Government Services in the Department of Community Affairs.

Participation of Director in Public Meetings and Duration of Director Intervention

Pursuant to the MSRA, the Director, or the Director's designee, shall attend the regularly scheduled meetings of the governing body of the City. On or before the first day of the sixth (6^{th}) year next following the determination that City was in "need of stabilization and recovery", the Director shall provide a final report to the Governor and State Legislature regarding the City.

Additional Professional Appointments

In order to assist the State and the Director with the ongoing supervision and oversight of the City while subject to the MSRA, the following professionals have been retained by the State to serve in the respective capacities set forth below:

(i) Ernst & Young LLP, who has been retained to provide financial and other support services in anticipation of litigation regarding the City;
(ii) Squire Patton Boggs (US) LLP, who has been retained to provide general legal advice in connection with the stabilization of the City including, but not limited to, providing specialized counsel in connection with bankruptcy and restructuring contingencies (and, in connection with the development of such plan, Squire Patton Boggs (US) LLP has retained B. Riley & Co., LLC to provide financial consultancy and advisory services);
(iii) HJA Strategies, who has been retained to provide expert/consulting services in anticipation of litigation involving the City; and
(iv) Phoenix Consulting Group LLC, who has been retained to serve as an expert in anticipation of litigation for the State, including the Division of Local Government Services.

In addition to the foregoing, several law firms that currently represent the State in various matters, have been retained to assist and provide representation to the State in matters associated with the oversight of the City.

Additionally, on February 15, 2018, Governor Phil Murphy named Jim Johnson as special counsel to the Governor for the purpose of reviewing and providing recommendations to the Governor in connection with the process of returning the City to local control.

Continuation and Applicability of Local Government Supervision Act

Notwithstanding the application of the MSRA and the State's intervention of the City's operations, budgeting and finances thereunder, the City remains subject to the Local Government Supervision Act, *N.J.S.A.* 52:27BB-1 *et seq.* (the "Local Government Supervision Act"). In accordance therewith, in 2014, the City entered into a Memorandum of Understanding with the State (the "TA MOU"), pursuant to which

additional requirements are imposed upon the operation, budgeting and finances of the City. Certain substantive provisions of the TA MOU are set forth below as follows:

1. The City must first obtain approval from the Director for the creation of, or hiring for, any new employment positions;

2. Imposition of salary restraints on all elected officials and non-contractual employees;

3. The City must first obtain approval from the Director in connection with the hiring of legal services for the City;

4. Contracts and services pertaining to tax appeals, revaluation or assessments must be approved by the Director;

5. The City is not permitted to create any new services or expand existing services without prior approval of the Director;

6. The City is not permitted to expend funds on any out-of-State travel or overnight stays in the State without prior approval of the Director;

7. The City's "Pay-to-Play" Ordinance may not be modified without the approval of the Director;

8. The City is required to meet quarterly, or more often as requested by the Division of Local Government Services, with the Director and staff to discuss budget and fiscal progress;

9. All public contracting requires submission to and approval by the Director prior to the City authorizing services of any consultant or professional regardless of contract value;

10. Any restriction on tax exemptions and abatements and the correction of related payments in lieu of taxes require the Director's approval;

11. The City must submit to the Director a copy of all judgments or settlements in excess of $100,000; and

12. Certain additional restrictions have been imposed related to longevity pay, assignment of individuals in acting capacity, salary increases, promotions and transfers.

The execution and delivery of the TA MOU was the result of ongoing State intervention beginning in 2010 after the Director initiated an action in New Jersey Superior Court, Law Division, Atlantic County, with the consent and support of the City, seeking a judicial determination pursuant to *N.J.S.A.* 52:27BB-55(6) for State supervision under the Local Government Supervision Act. Subsequent to the approval by the Superior Court that the City should be supervised by the Local Finance Board and the Director in accordance with the Local Government Supervision Act, and in accordance with a resolution adopted by the Local Finance Board on October 13, 2010, the City entered into a Memorandum of Understanding (the "Original MOU") pursuant to which, among other things, the Director would have direct supervision for the operations and finances of the City. Certain provisions of the Original MOU were modified and extended by revised Memoranda of Understandings through calendar year 2013. The TA MOU was executed and delivered in connection with calendar year 2014 and supersedes the Original MOU (and all extensions and modifications) in its entirety.

Casino Property Tax Stabilization Act

In addition to the MSRA, on May 27, 2016, the Governor signed into law the CPTSA for the purpose of addressing the financial difficulties faced by the City resulting from the loss of property value in the City by the provision of financial certainty to the casinos located in the City and to the City, the County and the

School District in the form of, among other things, a specific payment calculation and amount for certain qualifying casinos for a term of years, as described in more detail below.

Property Tax Exemption and PILOT for Casino Gaming Properties

In particular, beginning with calendar year 2017, and for the next succeeding nine (9) calendar years, "casino gaming properties" located in the City are exempt from local property taxation on real property and existing improvements, including accessory hotels, conference centers, parking garages, and other appurtenant facilities, except that any new improvement developed on a casino gaming property that is made outside of the perimeter footprint of any improvement existing as of the effective date of the CPTSA and any real property, not formerly qualified as casino gaming property, acquired after such date by an owner of casino gaming property shall not be exempt from local property taxation in any calendar year and shall be subject to local property taxation annually at the City's general property tax rate.

"Casino gaming properties" include one (1) or more parcels of real property located in the City, and any adjacent property utilized in connection with such property, upon which there is located a facility licensed to be used for casino gaming in 2014 or thereafter, whether or not in actual operation, which has more than 500 guest hotel rooms, and is not subject to recorded covenants prohibiting casino gaming. The provisions of the CPTSA do not apply to any casino property that operates under a small scale casino facility license or a staged casino facility license pursuant to Section 1 of P.L. 2010, c. 115 (*N.J.S.A.* 5:12-80.1).

In exchange for the property tax exemption, each owner of each casino gaming property is required to sign a financial agreement with the City for each casino gaming property promising to make quarterly payments to the City of its allocated portion of an annual payment in lieu of taxes (collectively, the "PILOT"), as more specifically described below.

The CPTSA provides that the total PILOT amount to be paid by all casino gaming properties for calendar year 2017 was $120,000,000 (i.e., the aggregate PILOT to be paid all casino gaming property owners is $120,000,000, which amount is divided among each casino gaming property according to a formula set forth in the CPTSA, and as described below). For calendar year 2018, and for each tax year thereafter, the base amount of the PILOT is be determined based on the "gross gaming revenue" totals of all casino gaming properties. For each of these calendar years, the total amount of the PILOT will increase by two percent (2%) per year provided that there is no upward adjustment in the base amount of the PILOT. An upward adjustment occurs if the aggregate casino gross gaming revenue amount eclipses certain thresholds which would result in upward adjustments in $10,000,000 increments depending on the threshold point exceeded. For the 2018 calendar year, the aggregate PILOT to be paid by all casino gaming property owners is $130,000,000.

The individual amount of the PILOT owed by each casino gaming property shall be calculated annually each calendar year using a formula implemented by the Local Finance Board, in consultation with the Division of Gaming and Enforcement, using the following criteria:

(a) the geographic footprint of the real property, expressed in acres, owned by each casino gaming property;
(b) the number of hotel guest rooms in each casino gaming property; and
(c) the gross gaming revenue of the casino in each casino gaming property from the prior calendar year.

Each of the above criteria bear equal weight in the formula implemented by the Local Finance Board, in consultation with the Division of Gaming and Enforcement, provided that during calendar years 2017, 2018, 2019, 2020, and 2021, if the formula results in any individual casino gaming property being allocated an amount that is in excess of the total real property taxes due and payable by the casino gaming property in calendar year 2015, then that casino gaming property shall receive a credit against its IAT obligation under the applicable provisions of the Casino Control Act in the amount of such excess. If, after

that credit against the obligation of the operator of that property, that casino gaming property would still be liable for a PILOT in excess of the total real property taxes due and payable by the casino gaming property in calendar year 2015, the casino gaming property shall not be required to make any additional PILOT payment. Instead, any additional amount that would have been owed by that casino gaming property shall be added, by proportional share, to the PILOT to be paid by every other casino gaming property, subject to the same above-described limitation and credit procedure, in order to provide the City the total amount of the PILOT due and owing for that calendar year.

When a new casino gaming property is added or when an existing casino gaming property no longer qualifies as a casino gaming property under the CPTSA, the City's financial agreement with each owner of each casino gaming property shall be amended to reflect the change and the allocation of the PILOT between the casino gaming properties.

The transition and timing of the implementation of the CPTSA required certain unexpected calculations to be performed during the first quarter of 2017 and thereby compelled the execution of "Interim Financial Agreements" with each casino gaming property for the 2017 tax year (the "2017 Interim Financial Agreements").

Pursuant to such 2017 Interim Financial Agreements, the total 2017 PILOT amount was paid by the casino gaming properties in accordance with the CPTSA.

The calculations and discussions with casino gaming properties relating to the PILOT allocation for the 2018 tax year and beyond are ongoing and dependent upon certain factors still to be determined resulting from, among other things, the anticipated opening in 2018 of the Hard Rock Hotel and Casino Atlantic City and the Ocean Resort Casino. First (1st) quarter 2018 Interim Financial Agreements were executed with each casino gaming property and, as a result thereof, first (1st) quarter 2018 PILOT payments were made. However, for purposes of the second (2nd) quarter of 2018, second (2nd) quarter 2018 Interim Financial Agreements will be executed and delivered. Such second (2nd) quarter allocations for 2018 allocations will be finalized in advance of the third (3rd) quarter of the 2018 tax year.

In addition to the amounts required to be remitted as a PILOT as described above, the owner of each casino gaming property is required to make a separate payment to the State in calendar years 2015 through and including 2023. The aggregate amount of these payments paid by the casino gaming properties must equal:

(i) $30,000,000 for calendar year 2015;
(ii) $30,000,000 for calendar year 2016;
(iii) $15,000,000 for calendar year 2017;
(iv) $10,000,000 for calendar year 2018;
(v) $5,000,000 for calendar year 2019;
(vi) $5,000,000 for calendar year 2020;
(vii) $5,000,000 for calendar year 2021;
(viii) $5,000,000 for calendar year 2022; and
(ix) $5,000,000 for calendar year 2023.

The owner of each casino gaming property where a casino is operated during the year in which the payments required by the CPTSA are due is required to remit its payment to the State. The funds comprised of the payments collected under the CPTSA are, thereafter, to be remitted from the State to the City, which, for purposes of preparing annual budgets pursuant to the "Local Budget Law," *N.J.S.A.* 40A:4-1 *et seq.*, must be applied to the City budget for the calendar year for which funds are provided and to no other City calendar year budget.

In addition, pursuant to the CPTSA, a portion of the annual PILOT moneys collected is required to be remitted to the County and to the School District in lieu of the City's tax levy for their own purposes. For the 2017 budget year: (i) ten and forty one hundredths percent (10.4%) of the PILOT moneys collected by

the City was remitted to the County; and (ii) thirty-six and twenty-five one hundredths percent (36.25%) of the PILOT moneys collected by the City was remitted to the School District. Notwithstanding the payments made to the County and the School District in 2017, the CPTSA does not include any specific percentages of PILOT moneys to be remitted to the County, the School District or the Atlantic County Library System. Instead, the CPTSA provides that the annual amount of the aggregate PILOT payment to be distributed to the County and the Atlantic County Library System, if any, is in the discretion of the Director. The amount to be appropriated to the School District is determined in the same manner as current law provides for *ad valorem* taxation. See "FINANCIAL MANAGEMENT" herein.

Net IAT Revenues

Pursuant to the CPTSA, beginning on May 27, 2016, through and including December 31, 2026, Net IAT Revenues shall be allocated to the City for the purposes of paying debt service on City Bonds, including the Series 2018A Bonds, all as more particularly described under the heading "SECURITY AND SOURCE OF PAYMENT – Investment Alternative Tax Revenues and Application thereof pursuant to the CPTSA and the Trust Agreement".

Outstanding Litigation Related to the CPTSA

Liberty and Prosperity Litigation

On April 18, 2016, Liberty & Prosperity 1776, Inc., a New Jersey registered non-profit corporation, along with several City and County residents (collectively, the "Liberty and Prosperity Plaintiffs") filed a complaint in the New Jersey Superior Court naming the Division of Local Government Services, the Director, the City and the State as defendants, pursuant to which the Liberty and Prosperity Plaintiffs sought an order: (i) compelling the City to prepare a "reduction-in- force" plan; (ii) containing a judicial declaration that eight (8) casinos located in the City were not "blight areas" or located within "blighted areas" in accordance with the New Jersey Local Redevelopment and Housing Law, P.L. 1992, c. 79 (*N.J.S.A.* 40A:12A-1 *et al.*); and (iii) enjoining and restraining the City from making payments to unsecured bondholders until the City "can make payroll and make its mandatory pension and benefit payments on a regular and consistent basis" (the "Liberty and Prosperity Suit").

On June 9, 2016, the Liberty and Prosperity Plaintiffs filed an Amended Complaint and Order to Show Cause seeking an order: (i) compelling the City to prepare a cash basis budget; (ii) enjoining the City from entering into financial obligations absent temporary appropriations; and (iii) enjoining and restraining the City from making payments to unsecured bondholders until the City can meet its payroll obligations and make its mandatory pension and benefit payments on a "regular and consistent basis." In Count Two of the Amended Verified Complaint, the Liberty and Prosperity Plaintiffs sought a judicial declaration that the CPTSA was unconstitutional as "special legislation" and was violative of the New Jersey Constitution's "Uniformity Clause" (referred to hereinafter as the "Constitutional Claim").

Following extensive briefing and argument related to the Liberty and Prosperity Plaintiffs' request to: (i) compel the City to prepare a cash basis budget; (ii) enjoin the City from entering into financial obligations absent temporary appropriations; and (iii) enjoin and restrain the City from making payments to unsecured bondholders until the City could meet its payroll obligations and make its mandatory pension and benefit payments on a "regular and consistent basis", the Superior Court entered a Final Order and Opinion dismissing the Liberty and Prosperity Plaintiffs' case on October 25, 2016 (the "October Final Order"). In addition, the case was entered as closed and disposed of on the New Jersey Automated Case Management System on October 26, 2016. As a result, the October Final Order was presumed to have disposed of the matter.

On May 1, 2017, the Liberty and Prosperity Plaintiffs submitted a letter to the Superior Court seeking clarification as to whether the October Final Order specifically disposed of the Constitutional Claim. On May 8, 2017, the Superior Court determined that additional review of the Liberty and Prosperity

Plaintiffs' Constitutional Claim was warranted, entered a briefing schedule and scheduled oral argument relative to the Liberty and Prosperity Plaintiffs' Constitutional Claim.

County and Certain Constituent Municipalities

On June 19, 2017: (i) the County, filing by and through its County Executive, Dennis Levinson; (ii) the City of Somers Point; (iii) the Township of Hamilton; (iv) the Township of Egg Harbor; (v) the City of Absecon; (vi) the City of Ventnor; and (vii) the Township of Weymouth, all of which are duly constituted bodies politic within the State of New Jersey (collectively, the "County Suit Plaintiffs" and, together with the Liberty and Prosperity Plaintiff, the "Plaintiffs") filed a complaint for Declaratory Judgment and Injunctive Relief seeking invalidation of the CPTSA (the "County Suit"). The County Suit alleges that the CPTSA is unconstitutional special legislation and is also violative of the Uniformity Clause of the New Jersey Constitution, Art. VIII, Sec. 1, para. 1(a). The County Suit further alleges that the CPTSA violates the Origination Clause, Art. IV, Sec. 6, para 1 of the New Jersey Constitution, by originating in the Senate.

Defendants in County Suit are comprised of the State of New Jersey, Governor Christopher J. Christie, in his official capacity, Attorney General Christopher S. Porrino, in his official capacity, the Director, in his official capacity, the Division and the Local Finance Board, the Director's Designee Jeffrey S. Chiesa, in his official capacity, the City and the City's Mayor, Donald Guardian, in his official capacity.

Consolidation of Liberty and Prosperity and County Matters

On June 29, 2017, the County Suit Plaintiffs filed a motion to consolidate the County Suit with the Liberty and Prosperity Suit. On July 19, 2017, the Superior Court granted the County Suit Plaintiffs' motion and consolidated the County Suit with the Liberty and Prosperity Suit (collectively referred to herein as the "Consolidated Matter").

On that same date, the Superior Court stayed all action pending at that time in the Liberty and Prosperity Matter and ordered the consolidated parties to appear before the Superior Court on August 15, 2017 for a Case Management Conference at which time the Court entered a Case Management Order establishing a schedule for the Consolidated Matter at which time the Court stayed any further case management activities to allow the parties to continue settlement discussions. The parties are expected to appear for another case management conference on September 29, 2017. Thereafter, the parties engaged in unsuccessful settlement discussions. The Court thereupon heard oral argument on November 30th, 2017 and reserved decision. On January 11, 2018, the Court required supplemental briefing on certain questions concerning the operation of the CPSTA and, at the same time, queried the parties on the possibility for renewed settlement discussions. While the potential for renewed settlement discussions still exists, and the Court encouraged such discussions, the Court indicated that, in the absence of a settlement, it would proceed to rule on the matter, but did not establish a time frame for that ruling.

The City and the State, on behalf of itself and on behalf of all of the defendants of the Consolidated Matter, are of the belief, and continue to maintain the firm position, that the Constitutional Claims of the Plaintiffs in the Consolidated Matter are not supported in law. In furtherance of such position, the City and the State are of the belief that they have meritorious defenses to the Plaintiffs' claims and will be filing dispositive motions seeking dismissal of the Constitutional Claim and will vigorously defend against the Plaintiffs' claims. Notwithstanding the foregoing, courts have wide latitude in interpreting law and, as a result, no assurances can be given as to the final determination of the Superior Court as to the Constitutional Claim or any appeals thereof.

In the event that the Constitutional Claim is ultimately proven successful, all or a portion of the CPTSA could be deemed invalid or unconstitutional. In such event, among other things, the PILOT program to be utilized by the City and the casino gaming properties under the CPTSA (as described above) could be invalidated and the various casino gaming properties subject to the CPTSA could, thereafter, be subject to the otherwise applicable tax levy of the City, the County, the School District and the Atlantic County Library

System. In addition, the availability of Net IAT Revenues for the payment of debt service on the City Bonds, including the Series 2018A Bonds, could be eliminated entirely.

No assurances are given, however, as to the effect, if any, upon the finances, budget or operation of the City should the Constitutional Claim ultimately prove successful in repealing or otherwise invalidating all or a portion of the CPTSA.

Notwithstanding the above, neither the constitutionality of the CPTSA nor the outcome of the Constitutional Claim will have any effect on the operation of the Municipal Qualified Bond Act and its provision of security for the payment of the principal of and interest on the Series 2018A Bonds as described under the heading "SECURITY AND SOURCE OF PAYMENT – The Municipal Qualified Bond Act" herein.

While the City expects that the implementation of the CPTSA will have a positive impact for purposes of stabilization of finances and operation planning of the City, no assurances can be made that the amounts anticipated to be received from the PILOT and Net IAT Revenues, or the future operation of some or all of the casino gaming properties, will be sufficient to provide adequate budgetary support for the City or to pay debt service on any City Bonds, including the Series 2018A Bonds. In addition, no assurance can be given that Net IAT Revenues, if any, will be available for the payment of debt service on the City Bonds, including the Series 2018A Bonds. See "RISK FACTORS – Implementation and Effect of MSRA and CPTSA Upon the City" herein.

Current Fiscal Affairs of the City

Budgets

Local Budget Law

Under the Local Budget Law, the City is required to submit a balanced budget to the State. The general budget document is comprised of: (i) revenue; and (ii) appropriations. Revenues are comprised of three categories: (i) anticipated fund balance; (ii) anticipated miscellaneous revenues (including the collection of delinquent taxes); and (iii) the municipal tax levy. Appropriations include the costs to operate the City for the calendar year. The municipal tax levy is a result of: appropriations, less anticipated fund balance, less anticipated miscellaneous revenues. The City's annual budget is based on a calendar year (January 1 through December 31).

Pending the adoption of an operating budget for a fiscal year, the City operates under a temporary budget which may not exceed twenty-six and twenty-five one hundredths (26.25%) of the previous fiscal year's adopted budget. In addition to the temporary budget, the City may approve emergency temporary appropriations for any purpose, which is not included in the temporary budget, for which appropriations may lawfully be made.

As prescribed by the Local Budget Law, adoption of the City's annual budget should occur by March 20 of each year, however, extensions may be granted by the Division of Local Government Services.

Application of the MSRA

Notwithstanding the above, the City is currently operating under State supervision pursuant to the MSRA and, as a result thereof, the Director is authorized to prepare the annual budget or instruct the governing body of the City to prepare and submit a proposed annual budget. If the governing body of the City is submitting a proposed annual budget, the Director is required to fix a date for the governing body of the City to submit such budget to the Local Finance Board, and the Local Finance Board may thereafter approve the budget, modify it or instruct the Director to prepare an alternative budget. If the Director prepares the budget, it shall be submitted to the Local Finance Board for its approval. Once a budget is approved by the Local Finance Board, the budget shall be deemed adopted.

The City, with approval from the Director, has heretofore submitted a proposed 2018 budget to the Local Finance Board for adoption. It is expected that the Local Finance Board will adopt the City's budget in the third (3rd) quarter of 2018.

Historical and 2018 Budget

2015

The total amount of the City's 2015 adopted budget was $262,445,114, which consisted of a tax levy of $132,166,338 (based on a tax rate of $1.798 per $100 of net valuation taxable) and anticipated miscellaneous revenues of $130,278,776.

The budgeted appropriations of the City for 2015 were as follows:

Salaries and Wages	$111,278,384
OE & Statutory	110,332,157
Deferred Charges	900,000
Capital	200,000
Debt Service	34,697,364
Reserve for Uncollected	5,037,209
Total Budget Appropriations	$262,445,114

Anticipated miscellaneous revenues included in the City's 2015 budget were comprised of the following:

State aid without an offsetting appropriation	$29,260,714
Grants with offsetting appropriations*	38,452,503
Revenues that may not recur	49,424,236
Local revenues (fees, permits etc.)	10,641,323
Delinquent taxes	2,500,000
Anticipated fund balance	-
Total Anticipated Miscellaneous Revenues	$130,278,776

* Public and private revenues that can only be used to fund a specific purpose designated by the State.

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2016

The total amount of the City's 2016 adopted budget was $241,708,327, which consisted of a tax levy of $126,437,859 (based on a tax rate of $1.942 per $100 of net valuation taxable) and anticipated miscellaneous revenues of $115,270,468.

The budgeted appropriations of the City for 2016 were as follows:

Salaries and Wages	$80,135,236
OE & Statutory	118,207,534
Deferred Charges	350,000
Capital	200,000
Debt Service	36,782,942
Reserve for Uncollected	6,032,615
Total Budget Appropriations	$241,708,327

Anticipated miscellaneous revenues included in the City's 2016 budget were comprised of the following:

State aid without an offsetting appropriation	$95,460,714
Grants with offsetting appropriations*	3,562,553
Revenues that may not recur	1,200,000
Local revenues (fees, permits etc.)	15,047,201
Delinquent taxes	-
Anticipated fund balance	-
Total Anticipated Miscellaneous Revenues	$115,270,468

* Public and private revenues that can only be used to fund a specific purpose designated by the State.

2017

The total amount of the City's 2017 adopted budget was $222,142,711, which consists of a tax levy of $56,906,370 (based on a tax rate of $1.831 per $100 of net valuation taxable) and anticipated miscellaneous revenues of $165,236,341.

The budgeted appropriations of the City for 2017 were as follows:

Salaries and Wages	$67,833,899
OE & Statutory	118,205,769
Grants with offsetting appropriations*	3,174,656
Deferred Charges	1,395,654
Capital	200,000
Debt Service	29,126,426
Reserve for Uncollected	2,206,307
Total Budget Appropriations	$222,142,711

* Public and private revenues that can only be used to fund a specific purpose designated by the State.

Anticipated miscellaneous revenues included in the City's 2017 budget were comprised of the following:

State aid without an offsetting appropriation:	
Transitional Aid	$13,000,000
Consolidated Municipal Property Tax Relief Act	34,817,744
Energy Receipts Tax	6,442,970
ACA Funds	15,000,000
Net IAT Revenues	14,000,000
Grants with offsetting appropriations*	3,074,656
Revenues that may not recur	45,038
Local revenues (fees, permits etc.)	14,924,191
Casino Gaming Properties PILOT	62,931,742
Delinquent taxes	1,000,000
Anticipated fund balance	-
Total Anticipated Miscellaneous Revenues	$165,236,341

* Public and private revenues that can only be used to fund a specific purpose designated by the State.

For the fiscal years ending December 31, 2015, 2016, and 2017 the City received $13,000,000, $26,200,000 and $13,000,000, respectively, of State aid in the form of Transitional Aid, $10,000,000, $20,000,000 and $34,817,744, respectively, from CMPTRA and $6,260,714, $6,260,714 and $6,442,970, respectively, in the form of Energy Tax Receipts revenue from the State. The State aid has played a critical role, and will continue to do so for the immediate future, in the City's budget process.

Although not included in the City's 2017 budget as deferred charges for (i) deficit in operations, (ii) deficits due to tax appeals, and (iii) prior outstanding payables, the State, as fiscal monitor of the City pursuant to the MSRA and the TA MOU, the City made a final determination as to the amounts required to be included as appropriations in the 2018 budget for such deferred charges. In that regard, the City has a continuing line-item deferred charge on the balance sheet from its December 31, 2016 financial statements in the amount of $8,615,182.24 for a deficit in operations from fiscal year 2012. Such deferred charged is being raised over a period of ten (10) years, with five (5) years remaining after 2018. The City also has a line-item deferred charge on the balance sheet from its December 31, 2016 financial statements in the amount of $108,028,257.32 for deficit due to tax appeals, which amount was eliminated upon payment of a tax appeal settlement with Marina District Development Company, LLC (doing business as "The Borgata Casino and Hotel") on June 8, 2017. Finally, the City has a line-item deferred charge on the balance sheet from its December 31, 2016 financial statements in the amount of $37,588,785.85 for prior outstanding payables representing the Deferred Contribution Obligation. The City is issuing the Series 2018A Bonds for the purposes of satisfying the Deferred Contribution Obligation, including interest penalties thereon.

2018 Budget

As a result of, among other things, the closures and bankruptcy filings of various casinos located in the City as described above, and assessed valuation reductions, tax revenues for the City have been reduced and are expected to remain lower for the immediate future. As a result, in order to provide a balanced budget in 2018 and in future years, the City will be required to reduce expenditures.

For such purposes, the Director and the City's administration are in the process of conducting budget hearings with all City departments to review each department's requests for 2018 and will adopt a budget that includes expenditure reductions and other cost savings measures that include outsourcing, contract changes and other cost saving measures.

Pursuant to the TA MOU and the MSRA, the City shall submit a proposed 2018 budget to the Director for review. Thereafter, the proposed budget will be submitted to the Local Finance Board for review and adoption by the City thereafter.

In addition to the foregoing, pursuant to the Local Government Supervision Act, the City is entitled to apply for "Transitional Aid to Localities". For such purpose, the governing body of the City, with the approval by the Director, shall submit the City's 2018 budget to the Local Finance Board for approval, which budget will include an amount to be raised by local taxation for municipal purposes, which will form the basis for eligible Transitional Aid to be provided the City. The Local Finance Board is expected to review and consider the City's proposed 2018 budget at a hearing to be conducted in the second (2nd) quarter of 2018, which proposed 2018 budget does not include the receipt of any Transitional Aid.

Tax Appeals

The City's strategy in all tax appeal negotiations is to arrive at settlements that reflect a compromised refund payment. To that end, to the extent settlements are reached, financing of such settlements may include a calibrated combination of the following sources of funding: (i) the "Reserve for Tax Appeals" line item in the City's budget; (ii) reductions in the property's assessment in future years; (iii) extended repayment terms being accepted by the property owner; (iv) credits against future taxes in lieu of an immediate refund; and (v) if deemed necessary, required or financially prudent, the issuance of additional tax appeal refunding bonds to fund remaining balances after employing the four (4) other sources.

There are currently fifty-four (54) non-casino tax appeals pending in the Tax Court. Among these appeals, only eight (8) are related to properties with assessments in excess of $5,000,000. While the precise exposure to the City from these appeals cannot be presently determined, the City estimates that the range of exposure is between $5,000,000 and $10,000,000; provided, however, that no assurances are given regarding the final dollar amount of any such appeals and the materiality of impact upon the City once determined.

The other forum for tax appeals in the State are the twenty-one (21) County Boards of Taxation. Tax appeals filed at such County Boards of Taxation relate to residential properties as well as commercial properties with assessments below $1,000,000. The County Board of Taxation's jurisdiction each year is limited to that particular tax year. As such, tax appeals filed at the Atlantic County Board of Taxation are resolved at that level or, for the very small number of appeals not resolved, filed further into the Tax Court. For the City in the 2017 tax year, there are 5,143 pending appeals at the Atlantic County Board of Taxation.

The City has recently made significant progress in addressing what had been a large number of open tax appeals with a concomitantly high level of financial exposure. The goal of the City's current tax appeal negotiations, together with its related settlement financing plan, is to maintain a more stable financial position. In addition, by virtue of the implementation of the CPTSA as described herein, the casino-related tax appeals have been eliminated (See "Casino Property Tax Stabilization Act" under this heading for a more complete description of the CPTSA). As a result, the City anticipates that the resolution and funding of its non-casino tax appeal cases will be made on cash basis through its annual "Reserve for Tax Appeals" within each fiscal year budget.

Notwithstanding the foregoing paragraph, no assurances can be given, and none are given, as to the ultimate resolution of any remaining outstanding tax appeals, and, if resolved favorably or unfavorably, the financial impact upon the City. In addition, though the City expects to fund future tax appeal settlements within its "Reserve for Tax Appeals" as an annual line item budget expense, no assurances are given that, if resolved favorably, the funding of remaining tax appeals will, in fact, be made through its annual "Reserve for Tax Appeals" within each fiscal year budget.

As referred to above, though the City is not expecting to do so, the City is permitted, subject to the prior approval of the Director pursuant to the MSRA, but not obligated, to fund the costs of any such finally adjudicated or settled tax appeals through, among other methods, the issuance of additional tax appeal

refunding bonds in accordance with, among other things, the provisions of the Local Bond Law, the MSRA and, if applicable, the Municipal Qualified Bond Act. The City makes no representation as to whether it can or will issue tax credits or tax appeal refunding bonds in 2018 or later to fund such costs.

NO DEFAULT

The City has never defaulted in the payment of principal of, redemption premium, if any, and interest on any bonds, notes or other obligations of the City, nor are any payments of principal of or interest on the City's indebtedness past due.

CERTAIN STATUTORY PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

Application of the MSRA

Notwithstanding anything set forth under subheadings set forth under this heading ("CERTAIN STATUTORY PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT"), for so long as the City is considered a "municipality in need of stabilization and recovery" pursuant to the MSRA, among other things: (i) all of the procedures related to the authorization of indebtedness; (ii) debt limitations and exceptions/extensions of credit; (iii) non-budgetary and financial activities; (iv) preparation and filing of financial statements; (v) investment of City funds and preparation of cash management plans; and (vi) utilization of borrowing capacity of the City for local school district debt, are within the direct control and subject to the oversight, authorization and approval of the Director and the Local Finance Board, as applicable. See "INFORMATION REGARDING THE CITY OF ATLANTIC CITY – Municipal Stabilization and Recovery Act" herein.

Procedure for Authorization

The City has no constitutional limit on its power to incur indebtedness other than that it may issue obligations only for public purposes pursuant to State statutes. The authorization and issuance of City debt, including the purpose, amount and nature thereof, the method and manner of the incurrence of such debt, the maturity and terms of repayment thereof, and other related matters are statutory. The City is not required to submit the proposed incurrence of indebtedness to a public referendum.

The City, by bond ordinance, may authorize and issue obligations for the financing of any capital improvement or property which it may lawfully acquire, or any purpose for which it is authorized or required by law to make an appropriation, except current expenses and payment of obligations (other than those for temporary financings). Bond ordinances must be finally adopted by the recorded affirmative vote of at least two-thirds (2/3rd) of the full membership of the City Council. The Local Bond Law requires publication and posting of the bond ordinance or a summary thereof. If the bond ordinance requires approval or endorsement of the State, it cannot be finally adopted until such approval has been received. The Local Bond Law provides that a bond ordinance shall take effect twenty (20) days after the first publication thereof after final adoption. At the conclusion of the twenty (20)- day period all challenges to the validity of the obligations authorized by such bond ordinance shall be precluded except for constitutional matters. Moreover, after issuance, all obligations are conclusively presumed to be fully authorized and issued by all laws of the State and any person shall be estopped from questioning their sale, execution or delivery by the City.

Local Bond Law (*N.J.S.A.* 40A:2-1 *et seq.*)

In addition to the applicability of the provisions of the Municipal Qualified Bond Act as described above, the Series 2018A Bonds are being issued pursuant to the provisions of the Local Bond Law. The Local Bond Law governs the issuance of bonds and notes to finance certain municipal capital expenditures.

Among its provisions are requirements that bonds or notes must mature within the statutory period of usefulness of the projects being financed, that bonds be retired in either serial or sinking fund installments and that, unlike school debt, and with some exceptions, including self-liquidating obligations and those improvements involving certain State grants, a five percent (5%) cash down payment of the amount of bonds and notes authorized must be generally provided (except for refunding bonds). Such down payment must have been raised by budgetary appropriations, from cash on hand previously contributed for the purpose or by emergency resolution adopted pursuant to the Local Budget Law. All bonds and notes issued by the City are general "full faith and credit" obligations.

Short-Term Financing

Local governmental units, including counties, may issue bond anticipation notes to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or subsequent resolution so provides. Such bond anticipation notes for capital improvements, which are general obligations of the City, may be issued in an aggregate amount not exceeding the amount of bonds authorized in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued and renewed for periods not exceeding one (1) year, with the final maturity occurring and being paid no later than the first (1st) day of the fifth (5th) month following the close of the tenth (10th) fiscal year after the original issuance of the notes, provided that no notes may be renewed beyond the third (3rd) anniversary date of the original notes and each anniversary date thereafter unless an amount of such notes, at least equal to the first (1st) legally payable installment of the anticipated bonds (the first (1st) year's principal payment), is paid and retired from funds other than the proceeds of obligations on or before the third (3rd) anniversary date and each anniversary date thereafter.

Tax anticipation notes are limited in amount by law and, in the case of the City, may be renewed from time to time, but all such notes and renewals thereof must mature not later than April 30 of the succeeding fiscal year.

Refunding Bonds (*N.J.S.A.* 40A:2-51 *et seq.*)

Refunding bonds may be issued by a local unit pursuant to the Local Bond Law for the purpose of paying, funding or refunding its outstanding bonds, including emergency appropriations, emergency temporary appropriations, the actuarial liabilities of a non-State administered public employee pension system and amounts owing to others for taxes levied in the local unit, or any renewals or extensions thereof, and for paying the cost of issuance of refunding bonds. The Local Finance Board must approve the authorization of the issuance of refunding bonds. The Series 2018A Bonds are being issued to fund an appropriation made by the City for the purpose of paying the Deferred Contribution Obligation, including interest penalties thereon.

Statutory Debt Limitation (*N.J.S.A.* 40A:2-6)

There are statutory requirements which limit the amount of debt which the City is permitted to authorize. The authorized bonded indebtedness of a municipality is limited by the Local Bond Law and other laws to an amount equal to three and one-half percent (3.50%) of its stated average equalized valuation basis, subject to certain exceptions noted below. *N.J.S.A.* 40A:2-6. The stated equalized valuation basis is set by statute as the average of the aggregate equalized valuations of all taxable real property, together with improvements to such property, and the assessed valuation of Class II railroad property within the boundaries of the City for each of the last three (3) preceding years as annually certified in the valuation of all taxable real property, in the Table of Equalized Valuations by the Director of the Division of Taxation, in the New Jersey Department of the Treasury (the "Division of Taxation"). *N.J.S.A.* 40A:2-2. Certain categories of debt are permitted by statute to be deducted for the purposes of computing the statutory debt limit. *N.J.S.A.* 40A:2-43, -44. The Local Bond Law permits the issuance of certain obligations, including obligations issued for certain emergency or self-liquidating purposes, notwithstanding the statutory debt limitation described above; but, with certain exceptions, it is then necessary to obtain the approval of the Local Finance Board. See "Exceptions to Debt Limitation - Extensions of Credit" below.

In connection with the issuance of the Series 2018A Bonds, the City will exceed the statutory debt limitation imposed by the Local Bond Law as described above. Notwithstanding the foregoing, pursuant to *N.J.S.A.* 40A:2-7 (as more fully described below) the City is permitted to issue the Series 2018A Bonds in excess of such debt limitation.

Exceptions to Debt Limitation - Extensions of Credit (*N.J.S.A.* 40A:2-7)

The debt limit of the City may be exceeded with the approval of the Local Finance Board. If all or any part of a proposed debt authorization is to exceed its debt limit, the City must apply to the Local Finance Board for an extension of credit. The Local Finance Board considers the request, concentrating its review on the effect of the proposed authorization on outstanding obligations and operating expenses and the anticipated ability to meet the proposed obligations. If the Local Finance Board determines that a proposed debt authorization is not unreasonable or exorbitant, that the purposes or improvements for which the obligations are issued are in the public interest and for the health, welfare and convenience or betterment of the inhabitants of the City and that the proposed debt authorization would not materially impair the credit of the City or substantially reduce the ability of the City to meet its obligations or to provide essential services that are in the public interest and makes other statutory determinations, approval is granted. In addition to the aforesaid, debt in excess of the debt limit may be issued to fund certain obligations, for self-liquidating purposes and, in each fiscal year, in an amount not exceeding two-thirds (2/3rd) of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of obligations issued for utility or assessment purposes) plus two-thirds (2/3rd) of the amount raised in the tax levy of the current fiscal year by the local unit for the payment of bonds or notes of any school district.

As of December 31, 2017, the City's bonded indebtedness was equal to 5.874% of its stated three (3)- year average equalized valuation of $5,874,672,204 (the "2017 Revised Average Valuation") as shown in the City's calendar year 2017 amended annual debt statement (the "2017 Amended Debt Statement"). The three (3)- year average equalized valuation as set forth above was revised as a result of recent tax court implemented amendments.

In accordance with the Local Bond Law, in connection with the authorization for the issuance and sale of the Series 2018A Bonds, the City sought and received approval from the Local Finance Board to exceed its statutory debt limitation of three and fifty one hundredths percent (3.5%). As of March 1, 2018, the City's bonded indebtedness was equal to six and one hundred thirty-eight one hundredths percent (6.138%) of the 2017 Average Valuation, reflecting the issuance of the Series 2018A Bonds in an amount not to exceed $55,000,000.

The City's three (3)- year average equalized valuation has been reduced as a result of: (i) final calculation of assessed valuations of real property in the City for fiscal year 2017; and (ii) the application of the CPTSA to casino gaming properties in the City, which removed casino gaming properties from the City's assessed tax base for a term of ten (10) years, beginning in 2017. In doing so, the ratio of bonded indebtedness to average equalized valuation has increased. In addition, due to recent amendments by the tax court, the ratio of assessed to true value has been revised to one hundred ten percent (110%). This ratio will further reduce the City's equalized valuation going forward. As a result, the City's borrowing capacity will remain above the statutorily mandated three and fifty one hundredths percent (3.5%), which will limit the City's ability to issue certain additional indebtedness without approval from the Local Finance Board.

Local Fiscal Affairs Law (*N.J.S.A.* 40A:5-1 *et seq*.)

The Local Fiscal Affairs Law regulates the non-budgetary financial activities of local governments, including counties. An annual, independent audit of the local unit's accounts for the previous year must be performed by a Registered Municipal Accountant licensed in the State of New Jersey. The audit, conforming to the Division of Local Government Services, "Requirements of Audit", must be completed within six (6) months (by June 30 of each year) after the close of the City's fiscal year ending each December 31, and must include recommendations for improvement of the local unit's financial procedures. The audit report must

also be filed with the Clerk of the City and is available for review during regular business hours and shall, within five (5) days thereafter be filed with the Director. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of the City's receipt of the audit report. Accounting methods utilized in the conduct of the audit conform to practices prescribed by the Division of Local Government Services, which practices differ in some respects from generally accepted accounting principles.

Annual Financial Statement (*N.J.S.A.* 40A:5-12 *et seq*.)

An annual financial statement ("Annual Financial Statement") which sets forth the financial condition of a local unit for the fiscal year must be filed with the Division of Local Government Services not later than January 26 (in the case of a county) and not later than February 10 (in the case of a municipality) after the close of the calendar fiscal year, or not later than August 10 of the State fiscal year for those municipalities which operate on the State fiscal year. The Annual Financial Statement is prepared either by the Chief Financial Officer or the Registered Municipal Accountant for the local unit. Such Statement reflects the results of operations for the year of the current and utility funds. If the statement of operations results in a cash deficit, the deficit must be included in full in the succeeding year's budget.

Investment of Municipal Funds

Investment of funds by municipalities is governed by *N.J.S.A.* 40A:5-14 *et seq*. Such statute requires municipalities to adopt a cash management plan pursuant to the requirements outlined by said statute. Once a municipality adopts a cash management plan it must deposit or invest its funds pursuant to such plan. *N.J.S.A.* 40A:5-15.1 provides for the permitted securities a municipality may invest in pursuant to its cash management plan. Some of the permitted securities are as follows: (i) obligations of, or obligations guaranteed by, the United States of America ("Government Obligations"); (ii) government money market mutual funds which invest in securities permitted under the statute; (iii) bonds of certain federal government agencies having a maturity date not greater than 397 days from the date of purchase; (iv) bonds or other obligations of the particular municipality or school districts of which the local unit is a part or within which the school district is located; and (v) bonds or other obligations having a maturity date not greater than 397 days from the date of purchase, issued by State school districts, municipalities, counties and entities subject to the Local Authorities Fiscal Control Law, P.L. 1983, c. 313 (*N.J.S.A.*.40A:5A-1 *et seq.*), or other bonds or obligations having a maturity date not greater than 397 days from the date of purchase approved by the Division of Local Government Services. Municipalities are required to deposit their funds in banks satisfying certain security requirements set forth in *N.J.S.A.* 17:9-41 *et seq*. Municipalities are required to deposit their funds in interest-bearing bank accounts to the extent practicable and other permitted investments.

School Debt Subject to Voter Approval

State Law permits a school district, upon approval of the voters, to authorize school district debt, including debt in excess of its independent debt limit of four percent (4%) of the equalized valuation basis, by using the available borrowing capacity of the City. If such debt is in excess of the school district debt limit and the remaining borrowing capacity of the City, the State Commissioner of Education and the Local Finance Board must approve the proposed debt authorization before it is submitted to the voters.

FINANCIAL MANAGEMENT

Application of the MSRA

Notwithstanding anything set forth under subheadings set forth under this heading ("FINANCIAL MANAGEMENT"), for so long as the City is considered a "municipality in need of stabilization and recovery" pursuant to the MSRA, among other things: (i) all of the procedures related to accounting and reporting practices; (ii) budgeting pursuant to the Local Budget Law; (iii) examination of

budgets; (iv) conditions for the imposition of State intervention; (v) limitations on expenditures and property tax levies; (vi) deferral of current expenses; (vii) emergency temporary appropriations; (viii) budget transfers; (ix) real estate taxes and reserves for collection of same; (x) miscellaneous revenues; (xi) the preparation and filing of debt statements; and (xii) capital improvement programs, are within the direct control and subject to the oversight, authorization and approval of the Director and the Local Finance Board, as applicable. See "INFORMATION REGARDING THE CITY OF ATLANTIC CITY – Municipal Stabilization and Recovery Act" herein.

Accounting and Reporting Practices

The accounting policies of the City conform to the accounting principles applicable to local governmental units which have been prescribed by the Division of Local Government Services. A modified accrual basis of accounting is followed with minor exceptions. Revenues are recorded as received in cash except for certain amounts which may be due from other governmental units and which are accrued. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the City's current fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the City which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue only when received. Expenditures are generally recorded on the accrual basis, except that unexpended appropriations at December 31, unless canceled by the governing body, are reported as expenditures with offsetting appropriation reserves. Appropriation reserves are available, until lapsed at the close of the succeeding fiscal year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are credited to the results of operations. As is the prevailing practice among municipalities and counties in the State, the City does not record obligations for accumulated unused vacation and sick pay.

Local Budget Law (*N.J.S.A.* 40A:4-1 *et seq.*)

The foundation of the State local finance system is the annual cash basis budget. Every local unit, including municipalities and counties, must adopt an annual operating budget in the form required by the Division of Local Government Services. Certain items of revenue and appropriation are regulated by law and the proposed operating budget must be certified as approved by the Director prior to final adoption of the budget by the City. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service and the Director, or in the case of the local examination, the local unit may review the adequacy of such appropriations. Among other restrictions, the Director or, in the case of local examination, the local unit may examine the budget with reference to all estimates of revenue and the following appropriations: (i) payment of interest and debt redemption charges; (ii) deferred charges and statutory expenditures; (iii) cash deficit of the preceding year; (iv) reserve for uncollected taxes; and (v) other reserves and non-disbursement items. Taxes levied are a product of total appropriations, less non-tax revenues, plus a reserve predicated on the prior year's collection experience.

The Director, in reviewing the budget, has no authority over individual operating appropriations, unless a specific amount is required by law, but the budgetary review functions, focusing on anticipated revenues, and serves to protect the solvency of all local units. Pursuant to *N.J.S.A.* 40A:4-22, local budgets, by law and regulation, must be in balance on a "cash basis", i.e., the total of anticipated revenues must equal the total of appropriations. If in any year, the City's expenditures exceed its realized revenues for that year, then such excess (deficit) must be raised in the succeeding year's budget. Pursuant to the Local Budget Law and the MSRA, the City is required to have a balanced budget in which debt service is included in full for each fiscal year.

Pursuant to the Municipal Qualified Bond Act, the City is obligated to include in its annual budget amounts necessary to pay, in each year, the principal (including mandatory sinking fund installments) and interest maturing and becoming due on the Series 2018A Bonds and all other outstanding "qualified bonds" of the City. See "SECURITY AND SOURCE OF PAYMENT – The Municipal Qualified Bond Act" herein.

In accordance with the Local Budget Law and related regulations: (i) each local unit, with a population of more than 10,000 persons, must adopt and annually revise a six (6) year capital program; and (ii) each local unit, with a population of less than 10,000 persons, must adopt (with some exceptions) and annually revise a three (3) year capital program. The capital program, when adopted, does not constitute the appropriation of funds, but sets forth a plan of capital expenditures which the local unit may contemplate over the next six (6) years or the next three (3) years, as applicable. Expenditures for capital purposes may be made either by ordinances adopted by the governing body which set forth the items and the methods of financing, or from the annual operating budget. See "FINANCIAL MANAGEMENT – Capital Improvement Program" herein.

Local Examination of Budgets (*N.J.S.A.* 40A:4-78(b))

Chapter 113 of the Laws of New Jersey of 1996 (*N.J.S.A.* 40A:4-78(b)) authorizes the Local Finance Board to adopt rules that permit certain municipalities to assume the responsibility, normally granted to the Director, of conducting the annual budget examination required by the Local Budget Law. Since 1997 the Local Finance Board has developed regulations that allow "eligible" and "qualifying" municipalities to locally examine their budget every two (2) of three (3) years. Under the regulations prescribed by the Local Finance Board and the MSRA, the City is not eligible for local examination of its budget in 2018 or in subsequent years while the City is designated as "municipality in need of stabilization and recovery" pursuant to the MSRA.

State Supervision

State law authorizes State officials to supervise fiscal administration in any municipality which is in default on its obligations; which experiences severe tax collection problems for two (2) successive years; which has a deficit greater than four percent (4%) of its tax levy for two (2) successive years; which has failed to make payments due and owing to the State, county, school district or special district for two (2) consecutive years; which has an appropriation in its annual budget for the liquidation of debt which exceeds twenty-five percent (25%) of its total operating appropriations (except dedicated revenue appropriations) for the previous budget year; which has been subject to a judicial determination of gross failure to comply with the Local Bond Law, the Local Budget Law or the Local Fiscal Affairs Law which substantially jeopardizes its fiscal integrity; or is considered a "municipality in need of stabilization and recovery" in accordance with the MSRA. State officials are authorized to continue such supervision for as long as certain conditions exist, until the municipality operates for a fiscal year without incurring cash deficit or until the City is no longer deemed in need of stabilization and recovery.

The City is currently subject to State supervision in accordance with the MSRA and the TA MOU, each as described under the heading "INFORMATION REGARDING THE CITY OF ATLANTIC CITY – State Supervision and Takeover" herein.

Limitation on Expenditures ("CAP Law") and Property Tax Levy Limitation

N.J.S.A. 40A:4-45.4 places limits on municipal tax levies and expenditures, this law is commonly known as the "Cap Law" (the "Cap Law"). The Cap Law provides that the City shall limit any increase in its budget to two and fifty one hundredths percent (2.5%) or the Cost-of-Living Adjustment, whichever is less, of the previous year's City tax levy, subject to certain exceptions. The Cost-of-Living Adjustment is defined as the annual percentage increase, rounded to the nearest half percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services produced by the United States Department of Commerce for the year preceding the current year as announced by the Director. However, pursuant to See *N.J.S.A.* 40A:4-45.14, in each year in which the Cost-of-Living Adjustment is equal to or less than two and fifty one hundredths percent (2.5%), the City may, by resolution approved by a majority vote of the full membership of the governing body, provide that the tax levy of the City for such year be increased by a percentage rate that is greater than the Cost-of-Living Adjustment, but not more than three and fifty one hundredths percent (3.5%) over the previous year's City tax levy. The Cost-of-Living Adjustment for State

fiscal year 2016 was 0.5%. In addition, pursuant to Chapter 100 of the Laws of New Jersey of 1994 (*N.J.S.A.* 40A:4-45.15a, -45.15b) and Chapter 74 of the Laws of New Jersey of 2004, municipalities may "Cap Bank" under the Local Budget Law. Municipalities are permitted to appropriate available "CAP Bank" in either of the next two (2) succeeding years' final appropriations if its actual appropriations in a fiscal year are below the allowable Cost-of-Living Adjustment. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the "CAP".

Additionally, pursuant to P.L. 2010, c.44, effective July 13, 2010, a two percent (2%) cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments has been imposed. The exclusions from the limit include increases required to be raised for capital expenditures, including debt service, increases in pension contributions in excess of two percent (2%), certain increases in health care costs in excess of two percent (2%), and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve increases above two percent (2%) not otherwise permitted under the law by an affirmative vote of fifty percent (50%).

The Division of Local Government Services has advised that counties and municipalities must comply with both the budget "cap" and the tax levy limitation. Neither the tax levy limitation nor the "Cap Law", however, limits the obligation of the City to levy *ad valorem* taxes upon all taxable property within the boundaries of the City to pay debt service on bonds and notes, including the Series 2018A Bonds.

Deferral of Current Expenses

Supplemental appropriations made after the adoption of the budget and determination of the tax rate may be authorized by the governing body of a local unit, including the City, but only to meet unforeseen circumstances, to protect or promote public health, safety, morals or welfare, or to provide temporary housing or assistance prior to the next succeeding fiscal year. However, with certain exceptions described below, such appropriations must be included in full as a deferred charge in the following year's budget. Any emergency appropriation must be declared by resolution according to the definition provided in a provision of the Local Budget Law, *N.J.S.A.* 40A:4-48, -49, and approved by at least two-thirds (2/3rd) of full membership of the governing body. Pursuant to *N.J.S.A.* 40A:4-49, if such emergency appropriations exceed three percent (3%) of the adopted operating budget, consent of the Director is required.

Pursuant to *N.J.S.A.* 40A:4-53, -54, -55, -55.1, -55.2, -55.3, the exceptions are certain enumerated quasi-capital projects ("special emergencies") such as: (i) the repair and reconstruction of streets, roads or bridges damaged by snow, ice, frost, or floods, which may be amortized over three (3) years; and (ii) the repair and reconstruction of streets, roads, bridges or other public property damaged by flood or hurricane, where such expense was unforeseen at the time of budget adoption, the repair and reconstruction of private property damaged by flood or hurricane, tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations, drainage map preparation for flood control purposes, studies and planning associated with the construction and installation of sanitary sewers, authorized expenses of a consolidated commission, contractually required severance liabilities resulting from the layoff or retirement of employees and the preparation of sanitary and storm system maps, all of which projects set forth in this section (ii) may be amortized over five (5) years. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project as described above.

Emergency Temporary Appropriations

Emergency temporary appropriations may be declared for the period between the beginning of the current fiscal year and the date of the adoption of the budget for said year by resolution approved by at least two-thirds (2/3rd) of full membership of the governing body and, in the case of the City while under State supervision pursuant to the MSRA, with prior approval from the Director and the Local Finance Board. The

amount of the emergency temporary appropriation must be included in the budget for said year unless such amount is funded by the issuance of refunding bonds. Pursuant to and in accordance with *N.J.S.A.* 40A:4-20 and *N.J.S.A.* 40A:2-51, a copy of the resolution making such emergency temporary appropriations must be filed with the Director.

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism for local units, including counties. Pursuant to *N.J.S.A.* 40A:4-58, -59, transfers between major appropriation accounts are prohibited, except for: (i) during the first three (3) months of a current fiscal year, appropriation reserves may be transferred to the immediately preceding year's budget; and (ii) transfers between major appropriation accounts are permitted during the last two (2) months of a current fiscal year. Both types of transfers require a two-thirds (2/3rd) vote of the full membership of the governing body. Although sub-accounts within an appropriation account are not subject to the same year-end transfer restriction, they are subject to internal review and approval. Generally, transfers cannot be made from the down payment account, contingent expenses, capital improvement fund or from other sources as provided in the statute.

Anticipation of Real Estate Taxes

N.J.S.A. 40A:4-29 provides limits for the anticipation of delinquent tax collections: "[t]he maximum which may be anticipated is the sum produced by the multiplication of the amount of delinquent taxes unpaid and owing to the local unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year."

In regard to current taxes, *N.J.S.A.* 40A:4-41(b) provides that: "[r]eceipts from the collection of taxes levied or to be levied in the municipality, or in the case of a county for general county purposes and payable in the fiscal year shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by the last day of the preceding fiscal year."

This provision requires that an additional amount (the "reserve for uncollected taxes") be added to the tax levy required to balance the budget so that when the percentage of the prior year's tax collection is applied to the combined total, the sum will at least equal the tax levy required to balance the budget. The reserve requirement is calculated as follows:

Total of Local, County, and School Levies - Anticipated Revenues = Cash Required from Taxes to Support Local Municipal Budget and Other Taxes

$$\frac{\text{Cash Required from Taxes to Support Local Municipal Budget and Other Taxes}}{\text{Prior Year's Percentage of Current Tax Collection (or Lesser \%)}} = \text{Amount to be Raised by Taxation}$$

Anticipation of Miscellaneous Revenues

N.J.S.A. 40A:4-26 provides that, "[n]o miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit."

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years of such grants rarely coincide with a municipality's calendar fiscal year. Grant revenues are fully realized in the year in which they are budgeted by the establishment of accounts receivable and offsetting reserves.

Debt Statements

The City must report all new authorizations of debt or changes in previously authorized debt to the Division through the filing of Supplemental and Annual Debt Statements. The Supplemental Debt Statement must be submitted to the Division of Local Government Services before final passage of any debt authorization other than a refunding debt authorization. Before the end of the first (1st) month (January 31) of each fiscal year of the City, the City must file an Annual Debt Statement which is dated as of the last day of the preceding fiscal year (December 31) with the Division of Local Government Services and with the City Clerk. This report is made under oath and states the authorized, issued and unissued debt of the City as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division of Local Government Services monitors all local borrowing and is able to enforce State regulations as to the amounts and purposes of local borrowings.

Capital Improvement Program

In accordance with the Local Budget Law, the City must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing three (3) years as a general improvement program. The Capital Budget and Capital Improvement Program must be adopted as part of the annual budget pursuant to *N.J.A.C.* 5:30-4.1 *et seq*. The Capital Budget does not by itself confer any authorization to raise or expend funds, rather it is a document used for planning. Specific authorization to expend funds for such purposes must be granted, by a separate bond ordinance, by inclusion of a line item in the Capital Improvement section of the budget, by an ordinance taking money from the Capital Improvement Fund, or other lawful means.

In accordance with the Local Budget Law and related regulations: (i) each local unit, with a population of more than 10,000 persons, must adopt and annually revise a six (6) year capital program; and (ii) each local unit, with a population of less than 10,000 persons, must adopt (with some exceptions) and annually revise a three (3) year capital program. The capital program, when adopted, does not constitute the appropriation of funds, but sets forth a plan of capital expenditures which the local unit may contemplate over the next six (6) years or the next three (3) years, as applicable. Expenditures for capital purposes may be made either by ordinances adopted by the governing body which set forth the items and the methods of financing, or from the annual operating budget.

TAX ASSESSMENT AND COLLECTION

Assessment and Collection of Taxes

Property valuations (assessments) are determined on true values as arrived at by the cost approach, market data approach and capitalization of net income (where applicable). Current assessments are the result of maintaining new assessments on a "like" basis with established comparable properties for newly assessed or purchased properties resulting in a decline of the assessment ratio to true value to its present level. This method assures equitable treatment to like property owners.

Upon the filing of certified adopted budgets by the City, the local school district and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collections to fund the budgets. The statutory provisions for the assessment of property, levying of taxes and the collection thereof are set forth in *N.J.S.A.* 54:4-1 *et seq*. and, in the case of casino gaming properties, as set forth in the CPTSA Special taxing districts are permitted in the State for various special services rendered to the properties located within the special district.

Tax bills are sent in June of the current fiscal year. Taxes are payable in four (4) quarterly installments on February 1, May 1, August 1 and November 1. The August and November tax bills are determined as the full tax levied for municipal, county and school purposes for the current municipal fiscal

year, less the amount charged for the February and May installments for municipal, county and school purposes in the current fiscal year. The amounts due for the February and May installments are determined by the municipal governing body as either one-quarter or one-half of the full tax levied for municipal, county of school purposes for the preceding fiscal year.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent (8%) on the first $1,500 of the delinquency and, then eighteen percent (18%) per annum on any amount in excess of $1,500. A penalty of up to six percent (6%) of the delinquency in excess of $10,000 may be imposed on a taxpayer who fails to pay that delinquency prior to the end of the tax year in which the taxes become delinquent. Delinquent taxes open for one (1) year or more are annually included in a tax sale in accordance with State statutes. Tax title liens are periodically assigned to the City Solicitor (as defined herein) for *in rem* foreclosures in order to acquire title to these properties.

The provisions of Chapter 99 of the Laws of New Jersey of 1997 allow a municipality to sell its total property tax levy to the highest bidder either by public sale with sealed bids or by public auction. The purchaser shall pay the total property tax levy bid amount in quarterly installments or in one (1) annual installment. Property taxes will continue to be collected by the municipal tax collector and the purchaser will receive as a credit against his payment obligation the amount of taxes paid to the tax collector. The purchaser is required to secure his payment obligation to the municipality by an irrevocable letter of credit or surety bond. The purchaser is entitled to receive, all delinquent taxes and other municipal charges owing, due and payable upon collection by the tax collector. The statute sets forth bidding procedures, minimum bidding terms and requires the review and approval of the sale by the Division of Local Government Services.

As more specifically described above, tax installments due and owing and not otherwise paid shall, if not paid by certain dates fixed by statute, become subject to certain interest penalties until paid. In addition, pursuant to the authority provided to the City by *N.J.S.A.* 54:4-1 *et seq.*, and as more particularly described above under the subheading "-Tax Assessment and Collection of Taxes", the City is permitted to conduct a tax lien sale in order to sell its interest in the uncollected taxes pursuant to a public sale. The City traditionally conducts a tax lien sale each December.

Tax Appeals

New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessed valuation that the taxpayer deems excessive. The taxpayer has a right to file a petition on or before the first (1st) day of April of the current tax year for its review or the first (1st) day of May for municipalities that have conducted revaluations. The County Board of Taxation and the Tax Court of New Jersey have the authority after a hearing to increase, decrease or reject the appeal petition. Adjustments by the County Board of Taxation are usually concluded within the current tax year and reductions are shown as cancelled or remitted taxes for that year. If the taxpayer believes the decision of the County Board of Taxation to be incorrect, appeal of the decision may be made to the Tax Court of New Jersey. State tax court appeals tend to take several years to conclude by settlement or trial and any losses in tax collection from prior years, after an unsuccessful trial or by settlement, are charged directly to operations. In March of 2017 as in most previous years, the City conducted a tax lien sale for certain tax appeals. In addition, in December of 2017, the City conducted an accelerated tax sale for certain tax appeals. The City is scheduled to conduct an additional accelerated tax lien sale in December of 2018 for certain tax appeals. See "INFORMATION REGARDING THE CITY OF ATLANTIC CITY – Municipal Stabilization and Recovery Act; and Tax Appeals" herein.

During the period in which the CPTSA is in effect (presently tax years 2017 through 2027), casino gaming properties are not permitted to file tax appeals. See "INFORMATION REGARDING THE CITY OF ATLANTIC CITY – Casino Property Tax Stabilization Act" herein. In addition, the City has undertaken substantial measures to resolve and settle its largest tax appeals with the expectation to fund future tax appeals through its annual budget, though no assurances or guarantees are made by the City as

to the nature and size of future tax appeals or the ability of the City to pay for same through its annual budget.

RISK FACTORS

In making a decision as to whether to purchase the Series 2018A Bonds, potential investors should consider certain risks and investment considerations which could affect the ability of the City to pay debt service on the Series 2018A Bonds and which could affect the marketability of or the market price for the Series 2018A Bonds. These risks and investment considerations are discussed throughout this Official Statement. Certain of these risks and considerations are set forth in this section, but this section is not intended to be comprehensive or to be a compilation of all possible risks and investment considerations, nor a substitute for an independent evaluation of the information set forth in and presented in this Official Statement, which each investor should read in its entirety in order to make an informed investment decision.

Additional risks and uncertainties not currently known by the City, or that the City does not currently consider to be material, or that are generally applicable to all municipalities and their ability to repay obligations, may exist. Any one (1) or more of the factors discussed herein, and other factors not described herein, could lead to a decrease in the market value or liquidity of the Series 2018A Bonds. There can be no assurance that other risk factors not discussed below will not become material in the future. Prospective investors are advised to consider the following risk factors, among others, and to review the other information incorporated by reference into this Official Statement in evaluating an investment in the Series 2018A Bonds.

Implementation and Effect of MSRA and CPTSA Upon the City

While the City expects that the implementation of the MSRA and the CPTSA will have a positive impact for purposes of stabilization of finances and operational planning of the City, no assurances can be made that the imposition of the controls and monitoring provided by the MSRA will yield positive benefits in the long term or that the City will require maintenance as a "municipality in need of stabilization and recovery" for the foreseeable future. In addition, no assurances can be made that the amounts anticipated to be received from the PILOT and Net IAT Revenues (including Available City IAT Revenues) pursuant to the CPTSA, or the future operation of some or all of the casino gaming properties, will be sufficient to provide adequate budgetary support for the City or to pay debt service on any City Bonds, including the Series 2018A Bonds.

Litigation Resulting from the MSRA

As a result of the implementation of the MSRA, certain legal challenges have been filed in connection with existing labor contracts for certain of the City's employees subject to existing union contracts, each of which is described under the heading "LITIGATION – Labor and Employment Matters" herein. No assurances are given as to the final, fully adjudicated outcome of such legal challenges.

As of the date hereof, no other legal proceedings or other actions have been instituted challenging the directives or obligations implemented by the MSRA or seeking invalidation or amendment of the MSRA itself. However, no assurances can be given that such legal proceedings or other action seeking judicial intervention or seeking regulatory, administrative and/or legislative relief or intervention will not in the future be filed or instituted. In addition, no assurances are given as to the effect, if any, of such judicial, regulatory, administrative or legislative intervention or relief upon the finances, budget or operation of the City.

Litigation Resulting from the CPTSA

As more particularly described under the heading "INFORMATION REGARDING THE CITY OF ATLANTIC CITY – State Intervention and Takeover – Casino Property Tax Stabilization Act – Outstanding

Litigation Related to the CPTSA" above, certain legal action has been instituted challenging, among other things, the constitutionality of the CPTSA (i.e., the Constitutional Claim). Specifically, the City and the State, on behalf of itself and on behalf of all Defendants in the Consolidated Matter are of the belief, and continue to maintain the firm position, that the Constitutional Claims of the Plaintiffs in the Consolidated Matter are not supported in law. In furtherance of such position, the City and the State are of the belief that they have meritorious defenses to the Plaintiffs' claims.

Notwithstanding the City's belief that the motion to dismiss the Constitutional Claim should be granted, courts have wide latitude in interpreting law and, as a result, no assurances can be given as to the final determination of the Superior Court or any appeals thereof.

In addition, no assurances are given as to the effect, if any, upon the finances, budget or operation of the City if the Constitutional Claim ultimately proves successful in repealing or otherwise invalidating of all or a portion of the CPTSA.

In the event that the Constitutional Claim is ultimately proven successful, all or a portion of the CPTSA could be deemed invalid or unconstitutional. In such event, among other things, the availability of Net IAT Revenues for the payment of debt service on the City Bonds, including the Series 2018A Bonds, if any, could be eliminated entirely.

Appropriation of State Aid

The State aid available to municipalities in any fiscal year is subject to appropriation by the State Legislature. Moreover, the State is not required to continue to make payments of Municipal Qualified Revenues or any other funds appropriated as State aid, nor is the State limited or prohibited from repealing or amending any law heretofore or hereinafter enacted for the payment or apportionment of such amounts or the manner, time, or amount thereof.

Notwithstanding the foregoing, the Municipal Qualified Bond Act provides that, notwithstanding any other provision of law to the contrary, a statutory lien and trust is automatically and without further act or filing created and impressed upon Municipal Qualified Revenues when and if appropriated, which statutory lien and trust shall be paramount and superior to all other liens and interests of any kind in favor of the holders of "qualified bonds", including the Series 2018A Bonds, for the sole purpose of paying the principal of and interest on "qualified bonds" (including the Series 2018A Bonds) issued by the City pursuant to the Municipal Qualified Bond Act. See "SECURITY AND SOURCE OF PAYMENT – Municipal Qualified Bond Act" herein.

Limitations of Remedies in Bankruptcy

In the event of the filing by the City for bankruptcy protection (See "MUNICIPAL BANKRUPTCY" herein), no assurances can be given that revenues will be available to creditors of the City for the payment of any indebtedness of the City. No representation can be made by the City that, if conditions so warrant, the City will not seek bankruptcy protection in accordance with applicable law. No New Jersey municipality has successfully filed a petition for bankruptcy under the Bankruptcy Code. The lack of precedent in New Jersey makes the risks associated with such a case difficult to assess. Further, there are no court decisions construing the Municipal Qualified Bond Act, the CPTSA, the operation and effect of the Trust Agreement, including the funds and accounts held thereunder, or *N.J.S.A.* 52:27-40 *et seq*. (governing bankruptcy filings by municipalities in New Jersey) in the context of any municipal bankruptcy case. For a description of the City's ability to file for bankruptcy and the process that the City and the State are statutorily required to follow in order for the City to file for bankruptcy under State law, see "MUNICIPAL BANKRUPTCY" below.

General Economic and Political Risks

The financial performance of the City will be affected by, and will be subject to, general economic and political events and conditions that will change in the future to an extent and with effects that cannot be determined at this time. These general economic and political events and conditions include, among other things, budgetary pressures, changes in the City's tax base, further declines in revenues of the casino industry, disruptions in credit and financial markets; political gridlock concerning, among other matters, tax and spending policies; economic, financial and political developments in the City and the State; budget and debt limit controversies, at the State level and locally; and unusually large numbers of business failures and policy responses, or lack thereof, to the foregoing.

Access to and Availability of State Aid

The City is dependent, in part, on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes or received in amounts less than anticipated, as the case may be, in order to pay State aid to municipalities and school districts in the State, including the City, in any year, the City may be affected by a delay, until sufficient taxes have been received by the State to make State aid and Municipal Qualified Revenue payments to the City or to holders of the Series 2018A Bonds. In several recent years, payments of State aid to the City have been delayed which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations.

Although it is expected that the State aid will be available in sufficient amounts to timely pay debt service on the Series 2018A Bonds, there can be no assurance that such State aid will be sufficient to pay debt service on the Series 2018A Bonds. To the extent State aid is insufficient to pay debt service on the Series 2018A Bonds or eliminated entirely, the Series 2018A Bonds are general obligations of the City and, unless paid from other sources, the City is authorized and required by law to levy, to the extent necessary, *ad valorem* taxes on all real property taxable within the City, without limitation as to rate or amount.

Availability of Net IAT Revenues and Available City IAT Revenues

The City anticipates that a some or all of the principal of and interest on the Series 2018A Bonds will be paid, ultimately, from Net IAT Revenues that have subsequently become Available City IAT Revenues as described under the heading "SECURITY AND SOURCE OF PAYMENT - Investment Alternative Tax Revenues and Application thereof pursuant to the CPTSA and the Trust Agreement" herein. However, no assurances can be made that any Net IAT Revenues will be payable to the City and that, if payable and deposited with the Trustee and transferred to the Paying Agent for the Series 2018A Bonds as Available City IAT Revenues, that such Available City IAT Revenues, if any, will be sufficient to pay some or all of the principal or redemption price of or interest on the Series 2018A Bonds. Moreover, except for those Net IAT Revenues that shall have become Available City IAT Revenues pursuant to the Trust Agreement, if any, none of the Net IAT Revenues deposited and held with the Trustee under the Trust Agreement, if any, are specifically pledged as security for the payment of the Series 2018A Bonds. As a result, to the extent that Available City IAT Revenues are insufficient to pay debt service on the Series 2018A Bonds or are unavailable in their entirety, payment of the principal or redemption price of and interest on the Series 2018A Bonds shall be made from State Aid constituting Available Withholding Amounts, if available and, if unavailable, from the City for which, unless paid from other sources, the City is authorized and required by law to levy, to the extent necessary, *ad valorem* taxes on all real property taxable within the City, without limitation as to rate or amount.

Financial Status of City

Although the City is required to adopt balanced budgets each year, recent budgets have included the imposition of significant tax increases. Given the decline in its tax base as well as appeals from its largest taxpayers, the City may face additional challenges to the adoption of balanced cash basis budgets for future years. Continuing access to the State's Transitional Aid program, the availability of CMPTRA, and Energy

Tax Receipts, and anticipated Net IAT Revenues (including Available City IAT Revenues) and other revenues generated from the PILOT program under the CPTSA cannot be assured.

To that end, the City will need to explore, and is required to explore pursuant to the MSRA, additional actions, including, among other things, additional property tax increases, other revenue sources, additional reductions in labor force, and/or consolidation or regionalization of City services in order to meet required budgetary needs. Additional actions may also be required in subsequent fiscal years. Certain of the actions may require approvals of third parties (such as the Director and the Local Finance Board). However, no representation is made regarding whether such actions will be taken or such third-party approvals obtained.

Uncertainty with Regard to Redevelopment Projects

Notwithstanding the recent re-purposing and redevelopment of certain casino properties in the City as described under the heading "INFORMATION REGARDING THE CITY OF ATLANTIC CITY – Casinos and Gaming; Redevelopment of Casino Properties and Additional Casino Development Projects", no assurances can be given that: (i) such redevelopment projects will prove successful and/or have a material positive impact upon the City; or (ii) additional redevelopment will continue to be undertaken in the City, whether related to casino properties or otherwise.

Additional Casino Closures and Casino Bankruptcies

As more fully described under the heading "INFORMATION REGARDING THE CITY OF ATLANTIC CITY – Casinos and Gaming", since 2014, five (5) casinos closed and several others have entered bankruptcy proceedings. The closure of additional casinos in the City (or the filing of additional bankruptcy proceedings by any casinos) may have an adverse impact upon the City as casino properties account for a significant share of the City's assessed valuation, provide a significant number of jobs for residents of the City and the County and provide significant revenue to the City in the form of taxes and PILOTs paid and Net IAT Revenues received. No assurances can be given, and no representations are made, however, as to whether additional casino closures will occur (or whether additional casinos will institute bankruptcy proceedings) and, if so, the impact of such casinos closures (or bankruptcy proceedings by casinos) upon the City.

Increased Gaming Competition and Proposals for Additional Casinos

For the vast majority of the period in which gaming has been legal in the City, the City's only other domestic gaming competition, to the extent that material competition existed at all, was found in the gaming properties located in the State of Nevada. More recently, the gaming industry has seen significant regionalization as a result of the legalization of gambling in major urban hubs located in proximity to the City with legalized gambling now permitted in: (i) eastern portions of the Commonwealth of Pennsylvania; (ii) upstate portions of the State of New York, Westchester County and in the Borough of Queens; (iii) throughout the State of Delaware; (iv) portions of the State of Maryland; (v) eastern portions of the State of Connecticut; (vi) portions of the Commonwealth of Massachusetts; and (vii) throughout the State of Rhode Island. Such regionalization has led to increased competition for the City and has resulted in decreased revenues for the City's casinos. No representations can be given, however, as to the continued and future effects of such regionalization upon the City or the gaming industry located therein.

In addition to the regionalized gaming as described above, in November of 2016, a consequential ballot referendum occurred in the State that would have, if approved, allowed casinos to be built in the northern portion of the State (including in Jersey City and East Rutherford, each of which is located in close proximity to the City of New York), thereby ending the City's forty (40)- year monopoly for legalized gambling in the State, which, if approved, would have provided additional competition for the gaming industry in the City. The referendum was soundly defeated by a margin of nearly four (4) opposed to one (1) in favor. Notwithstanding this result, a renewed ballot referendum as to whether casinos may be built in

other portions of the State is permitted to be placed on the State ballot in 2018. No representations, however, can be given as to whether an additional ballot question will be included in 2018, what such a ballot question might authorize in terms of casino expansion beyond the City, or the likelihood of success (or failure) of such ballot question if appearing in 2018. While no assurances are given as to the ultimate expansion of casinos in northern New Jersey, the effects of such additional casinos on the gaming industry in the City would likely be material.

Further, in addition to a recently opened casino in the Borough of Queens (one of the five (5) Boroughs of the City of New York) several proposals have been provided to the New York State Gaming Commission requesting approval for the expansion of gambling into the Borough of Manhattan. To date, the New York State Gaming Commission has not reached any decision, nor granted any approvals, in response to such requests. However, if approved, such gaming properties would provide addition competition for the gaming industry in the City. No representations, however, can be given as to whether the New York State Gaming Commission will authorize the expansion of gambling in the State of New York into the Borough of Manhattan, nor can any representations be given, and none are given as to the effects of such additional casinos on the gaming industry in the City if permitted.

Future Capital Needs

The City, as a result of the recent financial constraints imposed upon it by virtue of casino closures and other fiscal limitations, has not undertaken a variety of capital improvement projects including, but not limited to, certain infrastructure improvements. Such capital improvement projects, if undertaken, may be paid for through the City's budget and/or through the issuance and sale of bonds, notes or other obligations in accordance with the MSRA.

Access of City to Capital Markets

There can be no assurance or guarantee that the City will be able to effectively access the capital markets for this or any future borrowing or that there will be a secondary market for the Series 2018A Bonds or, if a secondary market exists, that any Series 2018A Bonds can be sold for any particular price. Prices of note or bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price. No assurance can be given that the market price for the Series 2018A Bonds will not be affected by the introduction or enactment of any future legislation.

Changes in Tax Law

From time to time, the President of the United States, the United States Congress and/or State Legislature have proposed and could propose in the future, legislation that, if enacted, could cause interest on the Series 2018A Bonds to be subject to or exempted from State income taxation, or otherwise prevent owners of the Series 2018A Bonds from realizing the full current benefit of the tax status of such interest. Clarifications of the Internal Revenue Code of 1986, as amended (the "Code"), or court decisions may also cause interest on the Series 2018A Bonds to be subject, subject to or exempted from State income taxation. The introduction or enactment of any such legislative proposals or any clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2018A Bonds. Prospective purchasers of the Series 2018A Bonds should consult their own tax advisors regarding any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion. See "TAX MATTERS – Changes in Federal and State Tax Law" below.

Force Majeure

The City is located on the Atlantic Ocean shoreline and has been, and may from time to time in the future be, subject to severe rain, wind, flooding and other naturally occurring events. Such events have previously caused significant damage to the City and have resulted in material economic, financial and

operational impacts upon the City and the surrounding region. Such events may occur again in the future and may, if significant enough, have a material impact upon the City, its economy, finances and operations, as well as that of the surrounding region. The City cannot, however, predict, and does not predict, the occurrence of any such events or the impact of same.

Changes in Administrative, Operational and Financial Oversight and Management of the City

Pursuant to the MSRA (and as more particularly described under the heading "INFORMATION REGARDING THE CITY OF ATLANTIC CITY – State Intervention and Takeover – Municipal Stabilization and Recovery Act"), among other things, the State, through the auspices of the Local Finance Board and the Director, as applicable, have assumed various administrative, operational and financial oversight and management responsibilities of the City. In addition, the State has appointed various professional advisors for the purpose of providing additional advice, counsel and direction with respect to bringing fiscal and operational stability to the City. Those individuals and entities currently serving in their respective capacities as members of the Local Finance Board, Director and professional advisors are subject to reappointment and/or replacement. In addition, the current configuration of the governing body of the City, including the Mayor, are subject to re-election, appointment and continuation of office. No assurances are given as to subsequent changes in State-provided appointments and/or to the governing body of the City, including the Mayor, and the effect thereafter, if any, upon the administration, operation and financial oversight and management of the City.

Other Factors

In addition, the financial condition of the City as well as the market for the Series 2018A Bonds could be affected by a variety of factors, some of which are beyond the City's control. There can be no assurance that adverse events in the State and in other jurisdictions of the country, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Series 2018A Bonds. If a significant default or other financial crisis should occur in the affairs of the State or any of its agencies or political subdivisions or in other jurisdictions of the country thereby further impacting the acceptability of obligations issued by borrowers within the State, both the ability of the City to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Series 2018A Bonds, could be adversely affected.

TAX MATTERS

Certain United States Federal Income Tax Considerations

The following discussion is a summary of the principal United States federal income tax consequences of the acquisition, ownership and disposition of the Series 2018A Bonds by original purchasers of the Series 2018A Bonds who are U.S. Holders of Series 2018A Bonds (as defined below). This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations, revenue rulings and court decisions, all as now in effect and all subject to change at any time, possibly with retroactive effect. This summary assumes that the Series 2018A Bonds will be held as "capital assets" under the Code, and it does not discuss all of the United States federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Series 2018A Bonds as a position in a "hedge" or "straddle" for United States federal income tax purposes, holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, holders who acquire Series 2018A Bonds in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code. Each prospective purchaser of the Series 2018A Bonds should consult with its own tax advisor concerning the United States federal income tax and other tax consequences to it of the acquisition, ownership and

disposition of the Series 2018A Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

As used herein, the term "U.S. Holder of Series 2018A Bonds" means a beneficial owner of a Series 2018A Bond that is for United States federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

U.S. Holders of Series 2018A Bonds – Interest Income

Interest and original issue discount (as defined below) on the Series 2018A Bonds are generally included in gross income of a U.S. Holder of Series 2018A Bonds for U.S. federal income tax purposes.

Under existing laws of the State of New Jersey, interest on the Series 2018A Bonds and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act.

Series 2018A Bonds Original Issue Discount

For United States federal income tax purposes, a Series 2018A Bond will be treated as issued with original issue discount ("OID") if the excess of a Series 2018A Bond's "stated redemption price at maturity" over its "issue price" equals or exceeds a statutorily determined *de minimis* amount. The "issue price" of each Series 2018A Bond in a particular issue equals the first (1st) price at which a substantial amount of such issue is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The "stated redemption price at maturity" of a Series 2018A Bond is the sum of all payments provided by such Series 2018A Bond other than "qualified stated interest" payments. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate. In general, if the excess of a Series 2018A Bond's stated redemption price at maturity over its issue price is less than one-quarter percent (0.25%) of the Series 2018A Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity (the "*de minimis* amount"), then such excess, if any, constitutes a *de minimis* OID, and the Series 2018A Bond is not treated as being issued with OID and all payments of stated interest (including stated interest that would otherwise be characterized as OID) is treated as qualified stated interest, as described below.

Payments of qualified stated interest on a Series 2018A Bond are taxable to a U.S. Holder of Series 2018A Bonds as ordinary interest income at the time such payments are accrued or are received in accordance with the U.S. Holders of Series 2018A Bonds' regular method of tax accounting. A U.S. Holder of Series 2018A Bonds having a maturity of more than one (1) year from its date of issue generally must include OID in income as ordinary interest as it accrues on a constant-yield method in advance of receipt of the cash payments attributable to such income, regardless of such U.S. Holders of Series 2018A Bonds' regular method of tax accounting. The amount of OID included in income by the U.S. Holder of Series 2018A Bonds is the sum of the daily portions of OID with respect to such Series 2018A Bond for each day during the taxable year (or portion of the taxable year) on which such U.S. Holder of Series 2018A Bonds held such Series 2018A Bond. The daily portion of OID on any Series 2018A Bond is determined by allocating to each day in any "accrual period" a ratable portion of the OID allocable to the accrual period. All accrual periods with respect to a Series 2018A Bond may be of any length and the accrual periods may vary in length over the term of the Series 2018A Bond, provided that each accrual period is no longer than one (1) year and each scheduled payment of principal or interest occurs either on the first (1st) or final day of an accrual period. The amount of OID allocable to an accrual period is generally equal to the difference between (i) the product of the Series 2018A Bond's "adjusted issue price" at the beginning of such accrual period and such Series 2018A Bond's yield to maturity (determined on the basis of compounding at the close

of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of a bond at the beginning of any accrual period is the issue price of the Series 2018A Bond plus the amount of accrued OID includable in income for all prior accrual periods minus the amount of any prior payments on the Series 2018A Bond other than qualified stated interest payments. The amount of OID allocable to an initial short accrual period may be computed using any reasonable method if all other accrual periods other than a final short accrual period are of equal length. The amount of OID allocable to the final accrual period is the difference between (i) the amount payable at the maturity of the Series 2018A Bond (other than a payment of qualified stated interest) and (ii) the Series 2018A Bond's adjusted issue price as of the beginning of the final accrual period. Under the OID rules, U.S. Holders of Series 2018A Bonds generally will have to include in income increasingly greater amounts of OID in successive accrual periods.

A U.S. Holder of Series 2018A Bonds may elect to include in gross income all interest that accrues on a Series 2018A Bond using the constant-yield method described above under the heading "Original Issue Discount" above with the modifications described below. For purposes of this election, interest includes, among other things, stated interest, OID and *de minimis* OID, as adjusted by any amortizable bond premium described below under the heading "Series 2018A Bond Premium" below. In applying the constant-yield method to a Series 2018A Bond with respect to which this election has been made, the issue price of the Series 2018A Bond will equal its cost to the electing U.S. Holder of Series 2018A Bonds, the issue date of the Series 2018A Bond will be the date of its acquisition by the electing U.S. Holder of Series 2018A Bonds, and no payments on the Series 2018A Bond will be treated as payments of qualified stated interest. The election will generally apply only to the Series 2018A Bond with respect to which it is made and may not be revoked without the consent of the Internal Revenue Service. If this election is made with respect to a Series 2018A Bond with amortizable bond premium, then the electing U.S. Holder of Series 2018A Bonds will be deemed to have elected to apply amortizable bond premium against interest with respect to all debt instruments with amortizable bond premium (other than debt instruments the interest on which is excludable from gross income) held by the electing U.S. Holder of Series 2018A Bonds as of the beginning of the taxable year in which the Series 2018A Bond with respect to which the election is made is acquired or thereafter acquired. The deemed election with respect to amortizable bond premium may not be revoked without the consent of the Internal Revenue Service.

U.S. Holders of Series 2018A Bonds of any Series 2018A Bonds issued with OID should consult their own tax advisors with respect to the treatment of OID for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, and disposition of Series 2018A Bonds.

Series 2018A Bonds Premium

In general, if a U.S. Holder of Series 2018A Bonds acquires a Series 2018A Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2018A Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Series 2018A Bond (a "Taxable Premium Bond"). In general, if a U.S. Holder of Series 2018A Bonds of a Taxable Premium Bond elects to amortize the premium as "amortizable bond premium" over the remaining term of the Taxable Premium Bond, determined based on constant yield principles (in certain cases involving a Taxable Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the highest yield on such bond), the amortizable premium is treated as an offset to interest income, the U.S. Holder of Series 2018A Bonds will make a corresponding adjustment to such holder's basis in the Taxable Premium Bond. Any such election applies to all debt instruments of the U.S. Holder of Series 2018A Bonds (other than tax-exempt bonds) held at the beginning of the first (1st) taxable year to which the election applies and to all such debt instrument thereafter acquired, and is irrevocable without the Internal Revenue Service's consent. A U.S. Holder of Series 2018A Bonds of a Taxable Premium Bond that so elects to amortize bond premium does so by offsetting the qualified stated interest allocable to each interest accrual period under the

U.S. Holders of Series 2018A Bonds' regular method of federal tax accounting against the bond premium allocable to that period. If the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is treated as a bond premium described under Section 171(a)(1) of the Code, subject to certain limitations. If a Taxable Premium Bond is optionally callable before maturity at a price in excess of its stated redemption price at maturity, special rules may apply with respect to the amortization of bond premium. Under certain circumstances, the U.S Holder of Series 2018A Bonds of a Taxable Premium Bond may realize a taxable gain upon disposition of the Taxable Premium Bond even though it is sold or redeemed for an amount less than or equal to the U.S. Holders of Series 2018A Bonds' original acquisition cost.

U.S. Holders of Series 2018A Bonds of any Taxable Premium Bonds should consult their own tax advisors with respect to the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, and disposition of Taxable Premium Bonds.

U.S. Holders of Series 2018A Bonds – Disposition of Series 2018A Bonds

Except as discussed above, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Series 2018A Bond, a U.S. Holder of Series 2018A Bonds generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such U.S. Holders of Series 2018A Bonds' adjusted tax basis in the Series 2018A Bond. A U.S. Holders of Series 2018A Bonds' adjusted tax basis in a Series 2018A Bond generally will equal such U.S. Holder's initial investment in the Series 2018A Bond, increased by any OID included in the U.S. Holders of Series 2018A Bonds' income with respect to the Series 2018A Bond and decreased by the amount of any payments, other than qualified stated interest payments, received and bond premium amortized with respect to such Series 2018A Bond. Such gain or loss generally will be long-term capital gain or loss if the Series 2018A Bond was held for more than one (1) year.

U.S. Holders of Series 2018A Bonds – Defeasance

U.S. Holders of Series 2018A Bonds should be aware that, for federal income tax purposes, the deposit of moneys or securities in escrow in such amount and manner as to cause the Series 2018A Bonds to be deemed to be no longer outstanding under the Trust Agreement for the Series 2018A Bonds (a "Defeasance"), could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, for federal income tax purposes, the character and timing of receipt of payments on the Series 2018A Bonds subsequent to any such Defeasance could also be affected. U.S. Holders of Series 2018A Bonds are advised to consult with their own tax advisors regarding the consequences of a Defeasance for federal income tax purposes, and for state and local tax purposes.

U.S. Holders of Series 2018A Bonds – Backup Withholding and Information Reporting

In general, information reporting requirements will apply to non-corporate U.S. Holders of Series 2018A Bonds with respect to payments of principal, payments of interest, and the accrual of OID on a Series 2018A Bond and the proceeds of the sale of a Series 2018A Bond before maturity within the United States. Backup withholding at a rate of twenty-eight percent (28%) for the years 2003-2010 and a rate of thirty-one percent (31%) for the year 2011 and thereafter, will apply to such payments and to payments of OID unless the U.S. Holder of Series 2018A Bonds (i) is a corporation or other exempt recipient and, when required, demonstrates that fact, or (ii) provides a correct taxpayer identification number, certifies under penalties of perjury, when required, that such U.S. Holder of Series 2018A Bonds is not subject to backup withholding and has not been notified by the Internal Revenue Service that it has failed to report all interest and dividends required to be shown on its United States federal income tax returns.

Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States federal income tax provided the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, could affect the market price or marketability of the Series 2018A Bonds.

Prospective purchasers of the Series 2018A Bonds should consult their own tax advisors regarding the foregoing tax matters.

See Appendix C for the complete text of the proposed form of Bond Counsel's legal opinion with respect to the Series 2018A Bonds.

LITIGATION

Litigation Involving the City

As of the date hereof, to the knowledge of Anthony Swan, Esq., Atlantic City, New Jersey (the "City Solicitor"), there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Series 2018A Bonds, challenging the validity or enforceability of the Series 2018A Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Series 2018A Bonds or contesting the corporate existence or the boundaries of the City or the title of any of the present officers of the City, or, except as otherwise described herein under the heading "INFORMATION REGARDING THE CITY OF ATLANTIC CITY – State Intervention and Takeover; Casino Property Tax Stabilization Act; Outstanding Litigation Related to the CPTSA", the levy or the collection of any taxes to pay the principal of or the interest on the Series 2018A Bonds. A certificate to such effect will be executed by the City Solicitor and delivered to Morgan Stanley & Co. LLC (the "Underwriter") at the closing.

To the knowledge of the City Solicitor, except for the litigation related to the CPTSA described under the heading "INFORMATION REGARDING THE CITY OF ATLANTIC CITY – State Intervention and Takeover; Casino Property Tax Stabilization Act; Outstanding Litigation Related to the CPTSA", and the property tax appeal credits, settlements and judgments successfully litigated against the City, as described above under the heading "INFORMATION REGARDING THE CITY OF ATLANTIC CITY – Tax Appeals", no litigation is presently pending or threatened that, in the opinion of the City Solicitor, and based upon representations of the Chief Financial Officer, would have a material adverse impact on the financial condition of the City if adversely decided.

The City and, in some instances, its officers and/or employees, in their official capacity, are defendants in certain lawsuits which may be categorized as follows:

Negligence Actions: There are presently lawsuits alleging tortious conduct and claiming damages against the City and defended by the City Solicitor's Office or contracted outside counsel. The City is self-insured to cover losses in connection with these cases. Additionally, the City retains an excess liability insurance policy which provides coverage of $11 million in excess of the City's self-insured retention of $1.25 million.

Prerogative Writ Action: There are presently several Prerogative Writ cases challenging municipal actions against the City and defended by the City Solicitor's Office or contracted outside counsel. At this time, it does not appear that any of these actions will have a materially adverse impact on the City.

Land Use Actions: The City is not a defendant in any suit concerning requirements for installation or the financing or operation of sewer or water utilities or other improvements with respect to any land use questions whereby the outcome would have a material adverse effect upon the financial status of the City.

Labor and Employment Matters: As described above under the heading "RISK FACTORS – Litigation Resulting from the MSRA", certain labor matters have recently been filed against the City. Each of such matters is described immediately below.

IAFF Local 198 v. City of Atlantic City et al. (Docket No.: ATL-L-222-17)

Plaintiffs International Association of Fire Fighters, AFL-CIO, Local 198 and William DiLorenzo (collectively, the "AFL-CIO Plaintiffs") commenced this action against defendants, the City, Charles Richman, Timothy Cunningham and Jeffrey Chiesa (collectively, "AFL-CIO Defendants") by way of Order to Show Cause on February 2, 2017, challenging the constitutionality of the MSRA and the AFL-CIO Defendants' actions thereunder. Later that same day, the Superior Court of New Jersey entered a Temporary Restraining Order enjoining and restraining the AFL-CIO Defendants from (a) implementing any layoffs of Atlantic City Firefighters; (b) altering the current schedules of Atlantic City Firefighters; or (c) implementing, among other things, any of the changes to the AFL-CIO Plaintiffs' contract.

On March 17, 2017, the Honorable Julio L. Mendez, A.J.S.C. entered an order (the "March 17 Order") (a) granting the AFL-CIO Plaintiffs' request for injunctive relief as to the City's proposal to reduce the workforce to 125 fire fighters and (b) denied the remainder of the AFL-CIO Plaintiffs' request for temporary relief, and ordered that the temporary restraints be lifted effective at the close of business on Monday, March 20, 2017. In the court's accompanying opinion rejecting the AFL-CIO Plaintiffs' constitutional challenges to the MSRA, Judge Mendez held that (a) "the [MSRA] was duly enacted by the State of New Jersey in response to the well documented financial distress of Atlantic City;" and (b) "the [MSRA] is a proper exercise of the State's inherent police power to pass legislation when it is necessary for the public welfare, health, and safety." (March 17 Order pp. 27-28).

On March 22, 2017, the Honorable Mark H. Sandson, P.J.CH. entered an order staying the March 17 Order for twenty (20) days so that the AFL-CIO Plaintiffs could seek leave for a stay pending appeal from the Superior Court, Appellate Division. On April 5, 2017, the Appellate Division (a) denied the AFL-CIO Plaintiffs' motion for leave to appeal from paragraph two of the March 17, 2017 Order; (b) denied the AFL-CIO Plaintiffs' motion to stay paragraph two (2) of the March 17, 2017 Order pending appeal; and (c) extended the stay of the March 17 Order until April 13, 2017.

The AFL-CIO Plaintiffs thereafter applied for emergent relief with the Supreme Court of New Jersey. On April 11, 2017, the Supreme Court denied the AFL-CIO Plaintiffs' request for permission to file an emergent motion and any related request for a temporary stay. Thereupon, the City implemented those changes to the parties "Collective Negotiations Agreement" that the Court had not enjoined. On April 28, 2017, the AFL-CIO Plaintiffs filed a First Amended Complaint and later filed a Second Amended Complaint on May 15, 2017.

On June 5, 2017, the AFL-CIO Defendants filed a motion to dismiss the Second Amended Complaint in its entirety. Oral argument was held in connection with that motion on August 17, 2017. The Court has yet to enter a decision in connection with the motion to dismiss.

On July 7, 2017, the AFL-CIO Defendants filed an application requiring Plaintiffs to show how, if at all, public safety would be impacted by a reduction in the Atlantic City Fire Department to 125 fire fighters. Oral argument was held on August 4, 2017. On August 25, 2017, the Court issued a written Opinion and Order in connection with that application. In its August 25 Opinion, the Court held that a reduction below 180 firefighters would upset public safety in the City, and further enjoined the AFL-CIO Defendants from reducing the number of fire fighters to below 180 other than through attrition and retirements. The AFL-CIO Defendants have filed a motion for reconsideration of the portion of the August 25 Opinion and Order that

prohibits the AFL-CIO Defendants from reducing the Atlantic City Fire Department to below 180 fire fighters.

In January of 2018, the matter was stayed by the Court.

AFSCME New Jersey & Thomas Flynn v. City of Atlantic City, et al. (Docket No.: ATL-L-1347-17)

Plaintiffs AFSCME New Jersey, a labor organization and the exclusive recognized collective bargaining representative of a collective bargaining unit to Lifeguards, Lead Lifeguards, Lieutenants and Sr. Lieutenants employed by the Atlantic City Beach Patrol, and Thomas Flynn, III (collectively, the "AFSCME Plaintiffs") commenced this action against defendants the City, Timothy Cunningham and Jeffrey Chiesa (collectively, the "AFSCME Defendants") by filing a Complaint in Lieu of Prerogative Writs challenging the validity of certain modifications made by the AFSCME Defendants to the pension eligibility rules for City's lifeguards. The AFSCME Defendants have filed a motion to dismiss the complaint, which motion is still pending.

In addition to the above matters, there are various labor and employment matters against the City and defended by the City Attorney's Office or contracted outside counsel. In all cases, the City is self-insured and there are appropriate reserves sufficient to cover losses based on experience. Additionally, the City retains an excess Workers' Compensation insurance policy providing coverage in excess of the City's self-insured retention. To the knowledge of the City Solicitor, the existing cases are covered under the self-insurance program with insurance excess coverage.

Other Litigation

The following three (3) sentences are based solely on information reported in the press, either in print, electronically, or on radio: According to news reports, in March 2018, the Atlantic City Democratic Committee (the "AC Democratic Committee") submitted a document to the Atlantic City Municipal Court (the "Municipal Court") alleging that Atlantic City Mayor Frank Gilliam ("Mayor Gilliam"), in his individual capacity, and his former election campaign manager, had committed theft by unlawful taking by depositing funds intended for the AC Democratic Committee into the campaign account of Mayor Gilliam. It was also reported that Mayor Gilliam has said the check was deposited into his account by mistake and that he has returned the money. In addition, news reports have claimed that State and federal investigations are open regarding alleged misappropriation by Mayor Gilliam of campaign contributions.

As described in a decision and order entered by the Superior Court of New Jersey, Law Division, dated March 27, 2018, the papers that were submitted to the Municipal Court were submitted by a private citizen in the form of two (2) sworn criminal complaints. Such complaints alleged that Mayor Gilliam, in his individual capacity, and his former election campaign manager, had committed theft in October 2017 by depositing a check intended for the AC Democratic Committee into the campaign account of Mayor Gilliam. Both complaints were subsequently referred to the Superior Court of New Jersey, Law Division, for a probable cause hearing and, on March 27, 2018, by order of the Superior Court of New Jersey, Law Division, such complaints were dismissed upon a finding of no probable cause.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Series 2018A Bonds are subject to the approval of Bond Counsel to the City, whose approving legal opinion will be delivered with the Series 2018A Bonds substantially in the form set forth as Appendix C hereto. Certain legal matters will be passed on for the City by the City Solicitor and for the Underwriter by its counsel, Parker McCay P.A., Mount Laurel, New Jersey.

The various legal opinions to be delivered concurrently with the delivery of the Series 2018A Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly

addressed therein. In rendering a legal opinion and/or certification, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of parties to the transaction, nor does the rendering of an opinion and/or certification guarantee the outcome of any legal dispute that may arise out of the transaction.

MUNICIPAL BANKRUPTCY

General

The undertakings of the City should be considered with reference to 11 *U.S.C.* § 101 *et seq.*, as amended and supplemented (the "Bankruptcy Code"), and other bankruptcy laws affecting creditors' rights and municipalities in general. The Bankruptcy Code permits any political subdivision, public agency, or instrumentality of the State that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court pursuant to Chapter IX of the Bankruptcy Code for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to certain debts owed; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds (2/3rd) in amount and more than one half (1/2) in number of the allowed claims of at least one (1) impaired class. The Bankruptcy Code specifically does not limit or impair the power of a state to control by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Code.

The Bankruptcy Code provides that special revenues acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, special revenues acquired by the debtor after commencement of the case shall continue to be available to pay debt service secured by those revenues. Furthermore, the Bankruptcy Code provides that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may not be avoided pursuant to certain preferential transfer provisions set forth in such Bankruptcy Code.

New Jersey

Generally

Pursuant to *N.J.S.A.* 52:27-40 *et seq*., any municipality in the State, including the City, has the power to file a petition or petitions with any United States court or court in bankruptcy under the provisions of the Bankruptcy Code for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts (collectively, a "Plan of Readjustment"); provided, however, (i) the filing of any such petition by a municipality must be authorized by an ordinance of the governing body of such municipality which has been adopted by the affirmative vote of not less than two-thirds (2/3rd) of all of the members elected to such governing body, and (ii) such petition or petitions may not be so filed unless the prior approval of the Local Finance Board, as successor to the Municipal Finance Commission, is first obtained. Additionally, no Plan of Readjustment filed with or in the proceedings upon any such petition shall be approved by the court, put into temporary effect or finally confirmed without the approval of the Local Finance Board nor may any municipality accept any such plan as changed or modified after its filing with the court without express authority from the Local Finance Board to do so.

Pursuant to *N.J.S.A.* 52:27-40 *et seq*., the Local Finance Board has the discretion to approve or not approve the filing of any petition by a municipality for the purpose of effecting readjustment of its debt which the municipality proposes to file and any Plan of Readjustment filed with or in the proceedings upon any such petition; provided, however, that no such Plan of Readjustment shall provide for the payment of

fees, compensation, reimbursement or other allowances for attorneys, agents, committees or other representatives of creditors of the municipality except with the express written approval of the Local Finance Board of every such payment. The approval of the Local Finance Board of any petition, Plan of Readjustment or other papers to be filed in any United States court or court in bankruptcy, or of any ordinance to be approved by the Local Finance Board, is required to be requested by the filing in the office of the Local Finance Board of a certified copy of a resolution of the governing body of such municipality, which has been adopted by the affirmative vote of not less than two-thirds (2/3rd) of all of the members elected to such governing body, requesting such approval, together with a true and correct certified transcript of any proceedings relating to such petition, Plan of Readjustment, other papers or ordinance, and the authorization thereof. The approval of the Local Finance Board of any petition, Plan of Readjustment or other papers filed or to be filed in a United States court or court in bankruptcy is evidenced only by the written endorsement of the Local Finance Board on the petition, Plan of Readjustment or other papers so filed and the approval of the Local Finance Board of any ordinance of the governing body of the municipality is evidenced only by the written endorsement of the Local Finance Board on a certified copy of such ordinance.

Applicability of Municipal Qualified Bond Act

Pursuant to the Municipal Qualified Bond Act, Required Qualified Bonds Withholding Amounts are forwarded by the State Treasurer directly to the Paying Agent for the Series 2018A Bonds on or before the principal and interest payment dates for the Series 2018A Bonds and are to be deposited in the Retirement Fund established by the Paying Agent solely for the purpose of paying the principal of and interest on the Series 2018A Bonds. At no time are such Required Qualified Bonds Withholding Amounts paid to or controlled by the City.

In addition, pursuant to the Municipal Qualified Bond Act, and notwithstanding any other provision of law to the contrary, such Withheld State Amounts (including Required Qualified Bonds Withholding Amounts) are automatically subject to an express statutory lien and trust without further act or filing, which statutory lien and trust is paramount and superior to all other liens and interests of any kind in favor of the holders of "qualified bonds" under the Municipal Qualified Bond Act, including the Series 2018A Bonds. In addition, pursuant to the Municipal Qualified Bond Act, the lien created for the benefit of "qualified bondholders", including the holders of the Series 2018A Bonds, is perfected without delivery, recording, or notice. See "SECURITY AND SOURCE OF PAYMENT – Municipal Qualified Bond Act" herein.

Notwithstanding the foregoing, if and to the extent that the City were to file a petition under Chapter IX of the Bankruptcy Code for bankruptcy protection, the precise effect of the lien established by the Municipal Qualified Bond Act for Withheld State Amounts (including Required Qualified Bonds Withholding Amounts) for the payment of the principal of and interest on the Series 2018A Bonds is uncertain as the applicable provisions of the Municipal Qualified Bond Act have not, to date, been subject to legal challenge.

Certain Net IAT Revenues Held Pursuant to Trust Agreement

Pursuant to the CPTSA, beginning on May 27, 2016, through and including December 31, 2026, Net IAT Revenues shall be allocated to the City for the purposes of paying debt service on City Bonds, including the Series 2018A Bonds. Pursuant to and in accordance with the Trust Agreement, the City shall have directed the State Treasurer, approximately four (4) times per year, once per quarter, to pay all Net IAT Revenues to the Trustee for deposit in the Reserve Fund created and held by the Trustee. The City may, but shall not be obligated, to contribute other funds to the Trustee for deposit in the Reserve Fund. Upon receipt by the Trustee, such Net IAT Revenues, and any other funds so contributed by the City, shall be deposited in the Revenue Account of the Reserve Fund.

On the first (1st) Business Day following deposit of any such funds in the Revenue Account, the Trustee shall transfer all funds on deposit in the Revenue Account of the Reserve Fund to the Aging Account of the Reserve Fund. On the first (1st) Business Day following the ninetieth (90th) day on which monies have been

on deposit in the Aging Account (the "Aging Period"), the Trustee shall transfer all monies on deposit in the Aging Account to the Aged Account of the Reserve Fund.

Within two (2) Business Days of funds being deposited in the Aged Account from the Aging Account, the Trustee shall pay over from the Aged Account to the paying agents for the respective series of City Bonds, including the Paying Agent for the Series 2018A Bonds, to pay all or a portion of the principal or redemption price thereof and interest thereon due in the current and following calendar year, all in accordance with the Trust Agreement. On the first Business Day following the Aging Period, after first accounting for such maximum amount of current and following year debt service to be transferred to the Aged Account, the Trustee shall transfer all remaining monies on deposit in the Aged Account, if any, to the Defeasance Account of the Reserve Fund.

Section 362(a) of the Bankruptcy Code operates as a stay against any action against property of the bankruptcy estate. Property of a debtor in bankruptcy is broadly defined to include all legal and equitable interests of the debtor in property as of the commencement of a bankruptcy case. Property interests are created and defined by State law unless a federal interest requires a different result. *N.J.S.A.* 52:27BBBB-25 of the CPTSA provides that Net IAT Revenues shall be allocated to the City for payment of debt service of bonds of the City, which by its terms includes City Bonds, including the Series 2018A Bonds.

Section 547(b) of the Bankruptcy Code provides, in pertinent part, that a transfer of property of an interest of the debtor may be avoided when such transfer is made: (1) to or for the benefit of a creditor; (2) for or on account of an antecedent debt owed by the debtor prior to the transfer; (3) while the debtor was insolvent; (4) on or within ninety (90) days before the date of the filing of a bankruptcy petition; and (5) that enables such creditor to receive more than such creditor would receive in a Chapter 7 liquidation and the transfer had not been made. Section 926(b) of the Bankruptcy Code provides that a transfer of property of the debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may not be avoided under Section 547 of the Bankruptcy Code.

The bankruptcy courts have not resolved the issue of whether Net IAT Revenues or the Available City IAT Revenues would be considered property of a bankruptcy estate and therefore, subject to the automatic stay and notwithstanding Section 926(b), potential recapture from holders of any series of City Bonds, including the Series 2018A Bonds. Accordingly, the Trust Agreement, and the underlying bond resolutions (including any amendments thereto) that authorized each series of such City Bonds, including the Series 2018A Bonds, were all structured specifically to reduce the risk that the funds being transferred out of the Reserve Fund for deposit in the respective Retirement Funds held by the respective paying agents, including the Paying Agent for the Series 2018A Bonds, once so deposited in such Retirement Funds, would be subject to the referenced automatic stay and recapture provisions of the Bankruptcy Code. Prior to such transfer and deposit in such Retirement Funds, the City makes no representations or warranties that Net IAT Revenues on deposit in the Reserve Fund are free from these arguments. Accordingly, the Reserve Fund is not pledged to the holders of any series of City Bonds, including the Series 2018A Bonds, while the Retirement Funds for each respective series of City Bonds, including the Series 2018A Bonds, including Available City IAT Revenues on deposit therein, are pledged to such respective holders of City Bonds, including the Series 2018A Bonds.

Holders of the Series 2018A Bonds should be aware that, pursuant to *N.J.S.A.* 52:27BBBB-26 of the CPTSA, notwithstanding any laws to the contrary, any monies allocated pursuant to *N.J.S.A.* 52:27BBBB-25 of the CPTSA shall be considered funds appropriated as State aid and not otherwise dedicated to specific municipal programs so payable to such municipality that are withheld or are required to be withheld by the State Treasurer under the Municipal Qualified Bond Act. There are no court decisions interpreting *N.J.S.A.* 52:27BBBB-26 of the CPTSA.

Notwithstanding any of the foregoing, there are no court decisions construing CPTSA in the context of any municipal bankruptcy case. Thus, if and to the extent that the City were to file a petition under Chapter 9 of the Bankruptcy Code, the lack of precedent in New Jersey makes the risks associated with such a case difficult to assess.

Implication of the MSRA

Pursuant to Section 5(a)(3)(t) of the MSRA, while the City is designated as a "municipality in need of stabilization and recovery", the Director has conditional statutory authority to authorize and file, on behalf of the City, subject only to the written approval of the majority of the members of the JBOC, a petition and other pleadings and papers with any United States court or federal bankruptcy court for the purpose of effecting a Plan of Readjustment or composition of debts as set forth in *N.J.S.A.* 52:27-40 *et seq.*, and taking any other and further actions necessary or appropriate in connection with any case or proceeding.

Notwithstanding the foregoing provisions of the MSRA related to conditional authority of the Director to seek bankruptcy protection, pursuant to a resolution adopted on November 9, 2016, the Local Finance Board determined to withhold such authority from the Director. As a result, the implementation of the MSRA has not changed the otherwise applicable statutory procedures to be followed by the City in connection with any bankruptcy proceedings of the City under State law and under Chapter IX of the Bankruptcy Code.

Atlantic City

The City has not sought permission from the Local Finance Board to file, nor has the Director recommended, a bankruptcy petition. The above references to the Bankruptcy Code or N.J.S.A. 52:27-40 et seq. should not create any implication that the City expects to utilize the benefits of such laws, or that if utilized, the filing of a bankruptcy petition would be approved by the Local Finance Board or JBOC, as the case may be, or that any proposed plan would include a dilution of the source of payment of and security for the Series 2018A Bonds, or that the Bankruptcy Code or applicable State law could not be amended after the date hereof.

Opinion of Bond Counsel

Although the City has not authorized, nor has the Director recommended or sought, the filing of any bankruptcy petition or indicated in any manner that it expects to utilize the benefits of the provisions of the Bankruptcy Code or *N.J.S.A.* 52:27-40 *et seq*. described above, simultaneously with the issuance of the Series 2018A Bonds, Bond Counsel will be delivering its legal opinion to the City in substantially the form attached to this Official Statement as Appendix G relating to the characterization and treatment of the Withheld State Amounts and Net IAT Revenues for purposes of any proceeding commenced by the City under the Bankruptcy Code. Reference is hereby made to Appendix G for the full text of the opinion to be rendered by Bond Counsel for a complete description of all provisions thereof, including all of the assumptions, limitations and qualifications contained therein.

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with the requirements of Rule 15c2-12, as amended ("Rule 15c2-12"), promulgated under the Securities Exchange Act of 1934, as amended, the City will enter into a Continuing Disclosure Undertaking in substantially the form of Appendix E to this Official Statement, which should be read in its entirety.

The City has entered into various continuing disclosure undertakings relating to its previously issued bonds, and bonds for which the City is considered an obligated party, and has made certain continuing disclosure undertakings in the Official Statements pursuant to which such bonds were issued.

The City failed to comply with certain of its previous continuing disclosure undertakings in the following respects: (i) the City did not timely file its audited financial statements for the years ended December 31, 2013; (ii) the City did not timely file its budgets, as required by certain of its undertakings, for the years ended December 31, 2012 through 2014, and for the year ended December 31, 2016; (iii) the City was late in filing material event notices with respect to certain underlying and insured rating changes; and

(iv) the City was late in filing certain financial information and operating data required by various undertakings, for the years ended December 31, 2012 through 2013. The City has made all the filings necessary to bring it into compliance. As of the date hereof, the City is in compliance in all material respects with its previous undertakings with regard to continuing disclosure for prior obligations issued.

The City has undertaken certain steps necessary to ensure future compliance with Rule 15c2-12 including, without limitation, engaging Acacia Financial Group, Inc. ("Acacia"), as dissemination agent for a one (1) year period with respect to the Series 2018A Bonds, and with respect to all of the City's other outstanding bonds. In connection therewith, Acacia has been tasked with, among other things, monitoring compliance with the City's ongoing continuing disclosure obligations and making necessary filings to the Municipal Securities Rule Making Board's Electronic Municipal Market Access data site.

LEGALITY FOR INVESTMENT

The State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof, all banks, bankers, trust companies, savings and loan associations, savings banks and institutions, building and loan associations, investment companies, and other persons carrying on banking business, all insurance companies, and all executors, administrators, guardians, trustees, and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any bonds of the City, including the Series 2018A Bonds, and such Series 2018A Bonds are authorized security for any and all public deposits.

UNDERWRITING

Pursuant a Bond Purchase Agreement, dated the date hereof, the Underwriter has agreed, subject to certain customary conditions precedent to closing, to purchase the Series 2018A Bonds at a purchase price of $48,881,104.59. The purchase price reflects the principal amount of the Series 2018A Bonds in the amount of $49,165,000.00, less an Underwriter's discount in the amount of $283,895.41. The Series 2018A Bonds are being offered to the public at the yields set forth on the inside front cover page of this Official Statement, which yields may be changed from time to time by the Underwriter without notice. The Series 2018A Bonds may be offered and sold to dealers, including the Underwriter and dealers acquiring the Series 2018A Bonds for their own account or any account managed by them, at yields higher than the public offering yields. The Underwriter's obligations are subject to certain conditions precedent, which if satisfied, will obligate the Underwriter to purchase all of the Series 2018A Bonds if any of the Series 2018A Bonds are purchased.

The following four (4) paragraphs have been furnished by the Underwriter for inclusion in this Official Statement. The City does not guarantee the accuracy or completeness of the information contained in such paragraphs and such information is not to be construed as a representation of the City.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial services. Under certain circumstances, the Underwriter and its affiliates may have certain creditor and/or other rights against the City in connection with such activities.

In the various course of their various business activities, the Underwriter and its affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investments and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

The Underwriter has entered into a retail distribution arrangement with its affiliate, Morgan Stanley Smith Barney LLC. As part of this arrangement, the Underwriter may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, the Underwriter may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2018A Bonds.

RATINGS

S&P and Moody's have assigned enhanced ratings and outlooks of "BBB+" (stable outlook) and "Baa1" (stable outlook), respectively, to the Series 2018A Bonds based on the enhancement provided by the provisions of the Municipal Qualified Bond Act for the payment of the principal of and interest on the Series 2018A Bonds.

No rating has been assigned to the Series 2018A Bonds without regard to the Municipal Qualified Bond Act. However, S&P and Moody's presently provide underlying ratings and outlooks of "CCC+" (stable outlook) and "Caa3" (positive outlook), respectively, for the City. For information on the current general obligation bond ratings of the City, see Appendix A – "INFORMATION REGARDING THE CITY - General Obligation Bond Ratings".

Explanations of the significance of the ratings may be obtained from the S&P at 55 Water Street, New York, New York 10041 and from Moody's at 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. Such ratings reflect only the views of S&P and Moody's, respectively, and an explanation of the significance of the ratings may be obtained from S&P and Moody's, as applicable. There is no assurance that the ratings will continue for any period of time or that they will not be revised or withdrawn entirely by S&P or Moody's, if in their respective judgment, circumstances so warrant. Any revision or withdrawal of the ratings may have an adverse effect on the market price of the Series 2018A Bonds.

The City has not agreed to maintain any particular rating on the Series 2018A Bonds. As set forth in the Continuing Disclosure Undertaking, the City has agreed to give notice of any actual ratings changes to the attention of the owners of the Series 2018A Bonds.

FINANCIAL STATEMENTS

The audited financial statements of the City for the year ended December 31, 2016 are presented in Appendix B to this Official Statement (the "Financial Statements"). The Financial Statements have been audited by Ford-Scott & Associates, Ocean City, New Jersey, an independent auditor (the "Auditor"), as stated in its report appearing in Appendix B to this Official Statement. See "APPENDIX B –Financial Statements for the Year Ended December 31, 2016."

The audited financial statements of the City for the year ended December 31, 2017 are required to be completed and filed with the State within one hundred eighty (180) days from the end of the fiscal year (i.e., on or before June 30, 2018). The City and its Auditor are actively completing such audited financial statements, including the filing thereof on or prior to the required date of filing.

The City's 2017 Unaudited Annual Financial Statements (the "2017 AFS") have been submitted to the State and can be found on the City's website (https://cityofatlanticcity.org). Notwithstanding the availability of the 2017 AFS from the City's website, the 2017 AFS is not made part of this Official Statement and is not incorporated by its reference.

FINANCIAL ADVISOR

Acacia Financial Group, Inc., Mount Laurel, New Jersey served as financial advisor to the City (the "Financial Advisor") with respect to the issuance of the Series 2018A Bonds. This Official Statement has been prepared with the assistance of the Financial Advisor. Certain information set forth herein has been obtained from the City and other sources, which are deemed reliable, but no warranty, guaranty or other representation as to the accuracy or completeness is made as to such information contained herein.

There is no assurance that any of the assumptions or estimates contained herein will be realized. The Financial Advisor is a financial advisory and consulting organization, and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiable instrument.

PREPARATION OF OFFICIAL STATEMENT

The City hereby states that the descriptions and statements herein, including the financial statements, are true and correct in all material respects and it will confirm same to the Underwriter by certificates signed by the Director of Revenue and Finance/Chief Financial Officer of the City.

All other information has been obtained from sources that the City considers to be reliable and it makes no warranty, guaranty or other representation with respect to the accuracy and completeness of such information.

Bond Counsel has participated in the preparation of this Official Statement on behalf of the City, but has not participated in the preparation of the budget, financial or statistical information in this Official Statement, nor has it verified the accuracy, completeness or fairness thereof and, accordingly, takes no responsibility and expresses no opinion with respect to such budget, financial or statistical information.

The Financial Advisor has participated in the preparation of this Official Statement on behalf of the City, but has not participated in the preparation of the budget, financial or statistical information in this Official Statement, nor has it verified the accuracy, completeness or fairness thereof and, accordingly, takes no responsibility and expresses no opinion with respect to such budget, financial or statistical information.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Michael P. Stinson, CPA, Director of Revenue and Finance/Chief Financial Officer of the City at (609) 347-5800 or to the Financial Advisor at (856) 234-6697.

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MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Series 2018A Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there have been no changes in the affairs in the City since the date thereof. The information contained in the Official Statement is not guaranteed as to accuracy or completeness.

CITY OF ATLANTIC CITY,
IN THE COUNTY OF ATLANTIC,
STATE OF NEW JERSEY

By /s/ Michael P. Stinson
Michael P. Stinson, CPA,
Director of Revenue and Finance/
Chief Financial Officer

April 4, 2018

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APPENDIX A

CERTAIN GENERAL INFORMATION CONCERNING THE CITY OF ATLANTIC CITY, IN THE COUNTY OF ATLANTIC, STATE OF NEW JERSEY

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INFORMATION REGARDING THE CITY[1]

The following material presents certain economic and demographic information of the City of Atlantic City (the "City"), in the County of Atlantic (the "County"), State of New Jersey (the "State").

General Information

The City covers an area of approximately twelve (12) square miles and borders the Atlantic Ocean in the County, located in the southern portion of the State. It lies about sixty-five (65) miles southeast of Philadelphia and one hundred twenty-five (125) miles south of New York City. The location and climate of the City have traditionally enabled it to maintain itself as a recreational and resort center. In addition, casino gaming (which is discussed in further detail under the heading "LEGALIZED CASINO GAMING") has, for more than thirty-five (35) years, provided another attraction to go along with the existing beaches, boardwalk and ocean.

City municipal offices are located in an office building of adequate size in center-city. The office building was constructed in 1969 by the Atlantic County Improvement Authority ("ACIA"), which leased the building to the City under a lease-purchase agreement until September 9, 1997. On such date, the lease was terminated and the office building was deeded to the City.

General Obligation Bond Ratings and Outlooks

As of the posting of this document, the outstanding general obligation bond ratings and outlooks of the City are as follows:

Standard & Poor's[2]:	CCC+ (Stable Outlook)
Moody's Investors Service[3]:	Caa3 (Positive Outlook)

Form of Government

The City is governed by a Mayor-Council form of government with an appointed Business Administrator[4], which began on July 1, 1982, when the Mayor and nine (9) Council members took office. Three (3) of the Council members are elected at-large for four (4)-year terms. The remaining six (6) members are elected from wards. On November 7, 2000, the voters of the City approved a further change in the City's form of government, from a non-partisan to a partisan form of government. Under the partisan form of government, elections are held in November rather than May and elected terms begin on January 1st rather than July 1st.

Under the Mayor-Council form of government, the Business Administrator[4] is appointed by the Mayor with the advice and consent of the Council and supervises all City departments as well as assists the Mayor in the preparation of the annual operating and capital budgets.

The City Council adopted an Administrative Code, by ordinance, which established the following departments: Administration, Revenue and Finance, Planning and Development, Public Works, Public Safety, Health and Human Services, License and Inspection, and Human Resources.

By virtue of Local Finance Board approval on November 9, 2016, the City is under direct State intervention and control pursuant to and in accordance with the Municipal Stabilization and Recovery Act, P.L.2016, c. 4 (N.J.S.A. 52:27BBBB-1 et seq.) ("MSRA").

Transportation

The City is accessible by land via the Garden State Parkway, a major north-south artery which is adjacent to the City and provides access to New York City, and the Atlantic City Expressway, which leads directly to Philadelphia. The Garden State Parkway going south connects with the Cape May-Lewes ferry service, which provides a convenient, modern method of crossing the Delaware Bay to points south. The South Jersey Transportation Authority constructed a $330 million tunnel and roadway that links the Atlantic City Expressway with the Marina District. The New Jersey

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[1] *Source: The City, unless otherwise indicated.*
[2] *Please refer to S&P Global Ratings report dated October 17, 2017.*
[3] *Please refer to Moody's Investors Service Issuer Rating report dated March 26, 2018.*
[4] *Pursuant to the MSRA, the Business Administrator is currently a State employee.*

Transit Rail Terminal is located within the Convention Center and connects the City to Philadelphia at 30th Street Station and Amtrak's Northeast corridor lines.

Atlantic City International Airport (approximately fifteen (15) miles distant) provides both commuter and regular air travel to and from five (5) cities year round and an additional five (5) cities on a seasonal basis.

Utilities/Public Works

Electricity is provided by the Atlantic City Electric Company and gas is provided by South Jersey Gas Co., a subsidiary of South Jersey Industries, Inc.

Sewerage facilities are provided by the Atlantic City Sewerage Company, a privately-held concern which, in turn, is a participant in the Atlantic County Utilities Authority, a public body created by resolution of the Atlantic County Board of Chosen Freeholders for the purpose of relieving waters in the Atlantic County Coastal Region from pollution or threatened pollution and for the improvement of conditions affecting public health. The Atlantic County Utilities Authority completed the construction of a wastewater treatment system for the Atlantic County Coastal Region and began operations on October 19, 1978. The Atlantic City Sewerage Company pays to the Atlantic County Utilities Authority annual service charges based on its percentage participation in the system.

The Atlantic City Municipal Utilities Authority ("ACMUA"), established by the City government, acquired the City Water Utility in 1980 and has assumed its operation. The ACMUA is solely responsible for operating, maintaining, managing, and improving the water system in the City. The ACMUA has the ability to deliver twenty-one (21) million treated gallons of water per day (gpd). The peak single day requirement in 2016[1] was 16.388 million gpd and in 2015 was 15.315 million gpd.

City Employees

For the past five (5) years, and as of the dates shown below, the City reported the following number of full-time City employees.

As of	Full-Time Employees
2/22/2018	825
8/1/2017	819
10/1/2016	894
8/1/2015	1,179
10/10/2014	1,238
7/1/2013	1,267

[1] *Source: ACMUA 2016 Annual Report.*

Labor Contracts

Under the laws of the State, municipal employees have certain organizational and representational rights. State law prohibits strikes by public employees and there have been no strikes by municipal employees in the City since employees were granted the right to negotiate collectively. Under the terms of the Local Government Supervision Act, the Local Finance Board has the ability to be involved in the City's collective bargaining agreements. However, this authority has been enhanced pursuant to the MSRA. The Designee of the Director of the Division of Local Government Services has been granted authority to amend or terminate any existing contracts or agreements, which shall not include bonds, notes, indentures, or other similar financing instruments and documents to which the municipality is a party, in accordance with the terms thereof; unilaterally amend or terminate any contracts or agreements which shall not include bonds, notes, indentures, or other similar financing instruments and documents to which the municipality is a party, provided that the director determines that the unilateral termination or amendment is reasonable and directly related to stabilizing the finances or assisting with the fiscal rehabilitation and recovery of the municipality; unilaterally modify, amend, or terminate any collective negotiations agreements, except those related to school districts, to which the municipality is a party, or unilaterally modify, amend, or terminate the terms and conditions of employment during the term of any applicable collective negotiations agreement, or both, provided that the director determines that the modifications, amendments, or terminations are reasonable and directly related to stabilizing the finances or assisting with the fiscal rehabilitation and recovery of the municipality.

As of August 15, 2017, the City's employees are organized into eight (8) collective bargaining units, as described below:

Bargaining Unit	Job Category	Membership	Expiration Date	Number of Members[1]
PBA Local 24	Uniform Police	Police	12/31/2021[2]	249
Superior Officer's Assoc.	Captains/Lieutenant	Police	12/31/2021[2]	18
IAFF Local 198	Uniform Firefighters	Firefighters	12/31/2021[3]	201
AFL-CIO #2303	Blue Collar	Pub Works & Maint.	12/31/2014*	109
AFL-CIO-2303C	Beach Patrol	Lifeguards	12/31/2021[4]	135
GWU#910	Supervisors	Supervisors	12/31/2014*	64
ACWCPA	White Collar	All Others	12/31/2014*	268
IBEW #351	Construction Inspectors	Const. Inspectors	12/31/2014*	6
		Total:		1,050

** No new contracts have been entered into. The bargaining units continue to work under the terms of the expired contracts.*

Retirement Systems

Substantially all full-time permanent or qualified City employees who began employment after 1944 must enroll in one (1) of two (2) retirement systems depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by State law. The Division of Pensions, within the New Jersey Department of Treasury (the "Division"), is the administrator of the funds with the benefit and contribution levels set by the State. The City is enrolled in the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS").

The State sponsors and administers a defined contribution public employee retirement program covering certain state and local government employees which include those City employees who are eligible for pension coverage. The Defined Contribution Retirement Program ("DCRP") was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a cost sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by NJ.S.A. 43:15C-1 et seq.

[1] *Includes part-time and seasonal employees.*
[2] *As per Order of Hon. Assignment Judge Julio L. Mendez and Notice of Implementation dated June 7, 2017.*
[3] *As per Notices of Implementation dated March 21, 2017 and July 12, 2017 and Order of Hon. Assignment Judge Julio L. Mendez dated March 17, 2017 and July 6, 2017.*
[4] *As per Notice of Implementation dated May 19, 2017.*

Pension Information[1]

Employees, who are eligible to participate in a pension plan, are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost.

Lifeguards are required to enroll in a separate pension established under N.J.S.A. 43:13-23 (the "Plan"). The lifeguards contribute 4% of their salary to their pension and the City is required to budget the projected annual participants' distribution. The Plan is administered by a commission appointed by the Mayor.

The following table sets forth the City's annual pension payments and contributions to the Social Security System for the past five (5) fiscal years.

ANNUAL PAYMENTS/CONTRIBUTIONS AS OF DECEMBER 31

	2017[2]	2016	2015	2014	2013
A) Public Employees' Retirement System	$3,630,016	$4,363,865	$ 0[3]	$3,534,671	$3,747,827
Social Security	2,336,220	2,524,120	3,134,205	3,426,666	3,485,016
Consolidated Police & Firemen's Pension Fund	270	0	416	404	685
B) Police & Firemen's Retirement System	14,264,283	15,605,750	83,762[4]	14,323,085	14,669,897
Defined Contribution Retirement	25,510	26,053	35,511	41,903	39,999
Lifeguard Pension	1,135,757	1,098,595	1,007,594	820,003	832,458
Pension Increase Act – CPF	0	18,582	54,902	48,191	36,502
Early Retirement – PERS	0	0	0	0	0
	$21,392,056	$23,636,965	$4,316,390	$22,194,923	$22,948,039

Education[5]

The Atlantic City School District (the "School District") is coterminous with the boundaries of the City. The Board of Education of the City of Atlantic City (the "Board") is comprised of nine (9) members, serving three (3)-year staggered terms. The Superintendent is appointed by, and responsible to, the Board and is the executive in charge of the instruction program and personnel. The School Business Administrator/Board Secretary, also appointed by and responsible to the Board, oversees the business functions of the School District.

The School District is a Type II school district and provides a full range of educational services appropriate to pre-kindergarten through grade twelve (12), including regular and special education programs. The School District has send-receive agreements with the Brigantine City School District, Ventnor City School District, Margate City School District, and Longport Borough School District, allowing each of these school districts to send their ninth (9th) through twelfth (12th) grade students to the Atlantic City High School on a tuition basis. These agreements can only be severed by the New Jersey Commissioner of Education.

School District Staff

The Superintendent is the chief executive officer of the Board and is in charge of carrying out Board policies. The Board Secretary/School Business Administrator is the chief financial officer of the Board and must submit monthly financial reports to the Board and annual reports to the New Jersey Department of Education.

[1] *Source: State of New Jersey Department of Treasury, Division of Pensions and Benefits.*
[2] *2017 figures are unaudited and subject to change.*
[3] *PERS Payment of $3,985,571 was deferred and not yet paid as of 8/24/16. Such amount will be funded by the issuance of the 2018A Bonds.*
[4] *PFRS Payment of $14,660,769 was deferred and not yet paid as of 8/24/16. Such amount will be funded by the issuance of the 2018A Bonds.*
[5] *Source: Comprehensive Annual Financial Report of the School District.*

The following table presents the number of full and part-time teaching professionals and support staff of the School District as of June 30 for each of the past five (5) years.

	2017	2016	2015	2014	2013
Teaching Professionals	753	752	837	823	823
Support Staff	317	322	397	376	375
Total Full & Part Time Employees	1,070	1,074	1,234	1,199	1,198

School District Enrollments[1]

The following table presents the historical average daily pupil enrollments for the past five (5) school years.

Pupil Enrollment

School Year	Enrollment
2016 - 2017	7,054
2015 - 2016	7,155
2014 - 2015	7,188
2013 - 2014	7,221
2012 - 2013	7,290

Description of School Facilities[1]

The Board presently operates the following school facilities:

Facility	Construction	Grade Level	Student Enrollment (as of 6/30/17)
Atlantic City High School	1994	9-12	1,896
Brighton Avenue	1916	K-5	368
Chelsea Heights School	1950	K-8	373
Dr. Martin Luther King Jr. School Complex	1976	Pre K-8	636
New York Avenue School	2004	Pre K-8	569
Pennsylvania Avenue	2012	K-6	555
Richmond Avenue	2012	K-6	665
Sovereign Avenue School	2004	Pre K-8	743
Texas Avenue School	1928	K-8	551
Uptown School Complex	1977	K-8	601
Venice Park School	1950	Pre K	97

Population[2]

The following table summarizes population increases and decreases for the City, the County, and the State.

	City		County		State	
Year	Population	% Change	Population	% Change	Population	% Change
2010	39,558	(2.37)	274,549	8.71	8,791,894	4.49
2000	40,517	6.66	252,552	12.58	8,414,350	8.85
1990	37,986	(5.51)	224,327	15.56	7,730,188	4.96
1980	40,199	(16.01)	194,119	10.90	7,365,001	2.75
1970	47,859	(19.62)	175,043	8.80	7,168,164	18.15

[1] *Source: Comprehensive Annual Financial Report of the School District.*
[2] *Source: United States Department of Commerce, Bureau of the Census.*

Employment and Unemployment Comparisons[1]

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the City, the County, and the State.

City	Total Labor Force	Employed Labor Force	Total Unemployed	Unemployment Rate
2017[(2)]	15,000	13,600	1,400	9.0%
2016	15,258	13,717	1,525	10.1
2015	15,913	13,819	2,094	13.2
2014	16,700	14,200	2,500	15.0
2013	16,477	13,765	2,712	16.5
County				
2017[(2)]	122,200	114,300	7,900	6.5%
2016	124,050	114,867	9,175	7.4
2015	127,700	115,700	12,000	9.4
2014	132,700	118,700	14,000	10.5
2013	132,840	116,879	15,961	12.0
State				
2017[(2)]	4,435,000	4,254,000	180,900	4.1%
2016	4,559,375	4,336,358	222,983	4.9
2015	4,543,800	4,288,800	255,000	5.6
2014	4,513,600	4,209,700	303,900	6.7
2013	4,585,550	4,198,492	387,058	8.4

Income[3]

Income (as of 2010)	City	County	State
Median Household Income	$28,526	$55,222	$71,180
Median Family Income	33,587	68,652	86,779
Per Capita Income	19,840	27,613	35,768

Comparison of Tax Levies and Collections[4]

Year	Tax Levy	Current Year Collection	Current Year Percentage of Collection
2017[(5)]	$100,460,165	$96,542,661	96.10%
2016[(6)]	243,392,800	231,758,652	95.22
2015[(7)]	240,246,154	236,406,571	98.40
2014[(8)]	347,223,794	337,094,258	97.08
2013[(9)]	358,998,095	354,102,158	98.64

[1] *Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics.*
[2] *2017 Employment and Unemployment Comparisons are as of December 2017.*
[3] *Source: US Bureau of the Census 2010.*
[4] *Source: Annual Audit Reports of the City.*
[5] *2017 figures are unaudited and subject to change. Reduced by $7,218,614 in successful tax appeals. In addition, pursuant to the CPTSA (hereinafter defined), casino properties in the City commencing in 2017 for a term of ten (10) years will provide specific PILOT (as hereinafter defined) to be paid to the City, the County of Atlantic and the Atlantic City School District. The total PILOT amount to be paid by all casino gaming properties for calendar year 2017 was $120,000,000.*
[6] *Reduced by $8,120,219 in successful tax appeals.*
[7] *Reduced by $11,502,196 in successful tax appeals.*
[8] *Reduced by $31,083,726 in successful tax appeals.*
[9] *Reduced by $7,202,241 in successful tax appeals.*

Delinquent Taxes and Tax Title Liens[1]

Year	Amount of Tax Title Liens	Amount of Delinquent Tax	Total Delinquent	% of Tax Levy
2017[(2)]	$9,741,799	$1,223,006	$10,964,805	10.91%
2016	10,907,385	8,716,807	19,624,192	7.80
2015	9,094,923	686,027	9,780,320	4.07
2014	6,376,804	1,577,837	7,954,641	2.29
2013	5,218,101	2,738,661	7,956,762	2.22

Property Acquired by Tax Lien Liquidation[1]

Year	Amount
2017[(2)]	$29,857,600
2016	29,087,600
2015	31,224,800
2014	30,672,100
2013	29,563,900

Tax Rates per $100 of Net Valuations Taxable and Allocations[3]

The table below lists the tax rates per $100 of net valuation taxable for City residents for the past five (5) years.

Year	Municipal	Local School	County	Total Taxes
2017	$1.831	$1.349	$0.241	$3.421
2016	1.941	1.536	0.383	3.860
2015	1.798	1.239	0.385	3.422
2014	1.794	1.197	0.357	3.348
2013	1.384	0.929	0.229	2.542

[1] *Source: Annual Audit Reports of the City.*
[2] *2017 figures are unaudited and subject to change.*
[3] *Source:2017-2013 - Abstract of Ratable and State of New Jersey -- Property Taxes.*

Valuation of Property[1]

Year	Aggregate Assessed Valuation of Real Property	Aggregate True Value of Real Property	Ratio of Assessed to True Value	Assessed Value of Personal Property	Equalized Valuation
2017[(2)(3]	$3,106,630,700	$2,799,270,770	110.98%	$100	$2,799,270,870
2016	6,509,752,640	6,430,020,387	101.24	6,128,664	6,436,149,051
2015	7,342,866,355	8,394,725,454	87.47	7,027,851	8,401,753,305
2014	11,266,179,115	11,260,548,841	100.05	6,538,788	11,267,087,629
2013	14,394,905,145	15,084,255,627	95.43	7,968,531	15,092,224,158

Classification of Ratables[4]

The table below lists the comparative assessed valuation for each classification of real property within the City for the past five (5) years.

Year	Vacant Land	Residential	Farm	Commercial	Industrial	Apartments	Total
2017[(2)]	$366,992,996	$1,539,063,900	$0	$1,050,265,704	$3,672,800	$146,635,300	$3,106,630,700
2016	415,929,500	1,685,997,740	0	4,251,201,600	4,972,800	151,651,000	6,509,752,640
2015	462,757,500	1,910,222,855	0	4,792,899,500	4,069,800	172,916,700	7,342,866,355
2014	768,923,100	2,100,464,715	0	8,207,089,300	4,069,800	185,632,200	11,266,179,115
2013	990,057,400	2,276,786,145	0	10,931,800,500	4,434,800	191,826,300	14,394,905,145

[1] *Source: 2017-2013: Abstract of Ratable and State of New Jersey -- Table of Equalized Valuations.*

[2] *Due to the MSRA and the CPTSA (hereinafter defined), casino properties in the City are being specially assessed in the form of specific PILOT (as hereinafter defined) to be paid to the City, the County of Atlantic and the Atlantic City School District for a term of ten (10) years, commencing in calendar year 2017. Due to this property tax abatement, the assessed valuations of the casino properties are removed from the tax base which drastically reduces the size of the overall assessed valuation of real property that the general tax rate is applied against, as shown in the chart.*

[3] *2017 figures are amended to reflect tax court appeals. Due to recent amendments by the tax court, the ratio of assessed to true value has been revised to approximately 110%.*

[4] *Source: Abstract of Ratables and State of New Jersey -- Property Value Classification.*

Largest Non-Casino Taxpayers

The twenty (20) largest non-casino taxpayers in the City in 2017 and their assessed valuations are listed below (taxpayers with an * have tax appeals pending on their property):

	Name of Taxpayer	Property Assessed	2017 Assessed Valuation
1)	Trump Taj Mahal Assoc.	Former Trump Taj Mahal Casino/Hotel	$224,681,400
2)	Mirage A C Corp (MAC)*	Land Holdings	153,454,596
3)	Flagship Resorts	Time Share Condominiums	51,743,300
4)	TJM Atlantic City LLC*	Claridge Hotel	40,337,000
5)	Fairfield Resorts	Time Share Condominiums	35,985,900
6)	TJM AC Hotel LLC	Former Atlantic Club Hotel	35,907,700
7)	Boardwalk Piers	Former Sands Casino/Hotel Site	33,012,400
8)	AC Holding Corp*	Land Holdings	32,044,800
9)	Atlantic Palace Condominium Assoc.	Condominiums/Timeshare	24,153,300
10)	Showboat Renaissance	Former Showboat Casino/Hotel	23,000,000
11)	CRDA	Sheraton Hotel	22,900,000
12)	Boardwalk Regency Corp	The Pier @ Caesars + Employee Office	15,080,700
13)	Grand Prix Atlantic City	Quality Inn	13,700,000
14)	Atlantic Ventures, LP	Chelsea Village Apartments	13,100,000
15)	CRDA/Renaissance*	Renaissance Plaza (Retail)	13,000,000
16)	Trump Plaza Corp	Trump Plaza Casino/Hotel	11,735,615
17)	Thermal Energy Limited Prtnshp	Thermal Energy Facility	11,039,300
18)	Atlantic City Development Corp	Future site of Stockton University	10,849,900
19)	The Ocean at 101 Boardwalk	Waterside Apartments	9,400,000
20)	Arctic Realty Co., LLC	Arctic Realty Co., LLC	8,911,800

Largest Casino Taxpayers (PILOT Participants)

Pursuant to the Casino Property Tax Stabilization Act, P.L.2016, c.5 (the "CPTSA"), for the purpose of addressing the financial difficulties faced by the City resulting from the loss of property value in the City and the inconsistencies in property taxes collected and paid by casino properties in the City, a measure of financial certainty has been implemented in the form of specific payments in lieu of taxes ("PILOT") to be paid to the City, the County and the Atlantic City School District for a term of ten (10) years. The CPTSA provided that the total PILOT amount to be paid by all casino gaming properties for calendar year 2017 was $120,000,000 (i.e., the aggregate PILOT to be paid by all casino gaming property owners was $120,000,000, which amount was divided among each casino gaming property according to a formula set forth in the CPTSA). The total aggregate PILOT amount to be paid by the casino gaming properties in 2018 increased to $130,000,000, however 2018 PILOT allocations have not been finalized. Casino properties affected by the CPTSA and their 2017 PILOT share percentages are listed below:

Taxpayers (PILOT Participants)	Description	2017 PILOT Percentage (%)
Marina District Development Corp[1]	Borgata Casino/Hotel	25.37%
Marina Associates	Harrah's Casino/Hotel	19.57
Tropicana Atlantic City Corp.	Trop World Casino/Hotel	12.26
Boardwalk Regency	Caesars Casino/Hotel	9.94
Revel Atlantic City LLC[2]	Revel Casino/Hotel	6.94
Bally Park Place, Inc.	Ballys Park Place Casino/Hotel	9.68
Golden Nugget Atlantic City	Golden Nugget Casino/Hotel	7.69
Resorts International Inc.	Resorts Casino/Hotel	8.56

[1] *On June 8, 2017, the City paid the Borgata $72,000,000 in settlement of tax appeals filed for tax years 2009 through and including 2015.*

[2] *Closed as of September 2, 2014.*

Financial Operations[1]

The following table summarizes the City's Current Fund budget for 2017 and the past five (5) fiscal years ending December 31. This summary should be used in conjunction with the tables from which it is derived.

Summary of Current Fund Budget

Anticipated Revenues	**2017**	**2016**	**2015**	**2014**	**2013**
Fund Balance	$0	$0	$0	$0	$0
Miscellaneous Revenues	164,236,341	115,270,468	127,778,776	58,208,769	32,050,736
Receipts from Delinquent Taxes	1,000,000	0	2,500,000	1,000,000	4,500,000
Amount to be Raised by Taxes for Support of Municipal Budget	59,906,370	126,437,859	132,166,338	202,155,401	209,203,904
Total Revenue:	$222,142,711	$241,708,327	$262,445,114	$261,364,170	$245,754,640
Appropriations					
General Appropriations inside "CAPS"	$184,513,010	$176,560,556	$162,705,435	$185,112,992	$187,522,938
Operations outside "CAPS"	4,701,314	7,641,699	57,476,799	24,768,695	5,360,750
Deferred Charges	1,395,654	14,490,514	2,328,307	5,150,499	11,284,029
Capital Improvement Fund/Projects	200,000	200,000	200,000	4,373,759	500,000
Municipal Debt Service	29,126,426	36,782,942	34,697,364	36,895,825	36,752,330
Reserve for Uncollected Taxes	2,206,307	6,032,615	5,037,209	5,062,400	4,334,593
Total Appropriations:	$222,142,711	$241,708,327	$262,445,114	$261,364,170	$245,754,640

Fund Balance - Current Fund[2]

The following table lists the City's fund balance and amount utilized in the succeeding year's budget for the Current Fund for the past five (5) fiscal years ending December 31.

Year	**Balance 12/31**	**Utilized in Budget of Succeeding Year**
2017[3]	$12,683,470	$0
2016	11,775,316	0
2015	4,947,434	0
2014	3,110,408	0
2013	2,257,628	0

[1] *Source: Annual Adopted Budgets of the City.*
[2] *Source: Annual Audit Reports of the City.*
[3] *2017 figures are unaudited and subject to change.*

DEBT INFORMATION FOR YEAR ENDED DECEMBER 31, 2017

City Indebtedness as of December 31, 2017[1]

General Purpose Debt	
Serial Bonds*	$344,609,000
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	14,292,951
Other Bonds, Notes and Loans	12,249,788
Total:	$371,151,740
Local School District Debt	
Serial Bonds	$67,521,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	$67,521,000
Self-Liquidating Debt	
Serial Bonds	$0
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	0
Total:	$0
TOTAL GROSS DEBT	**$438,672,740**
Less: Statutory Deductions	
General Purpose Debt	$26,062,740
Local School District Debt	67,521,000
Self-Liquidating Debt	0
Total:	$93,583,740
TOTAL NET DEBT	**$345,089,000**

**Includes outstanding bonds as of December 31, 2017 in the amount of $191,035,000 issued under the Municipal Qualified Bond Act, N.J.S.A. 40A:3-1 et seq., as amended and supplemented.*

[1] *Source: 2017 Amended Annual Debt Statement of the City.*

Overlapping Debt as of December 31, 2017

Name of Related Entity	Related Entity City Debt Outstanding	Percentage[1]	City Share
Local School District	$67,521,000	100.00%	$67,521,000
County	155,902,988	9.01	14,045,377
Municipal Utilities Authority*	12,249,788	100.00	12,249,788
Net Indirect Debt			$93,816,165
Net Direct Debt			$345,089,000
Total Net Direct and Indirect Debt			$438,905,165

**The Atlantic City Municipal Utilities Authority is self-liquidating.*

Debt Limit as of December 31, 2017

Average Equalized Valuation Basis (2015, 2016, 2017)[2]	$5,874,672,204
Permitted Debt Limitation (3 1/2%)[3]	205,613,527
Less: Net Debt	345,089,000
Remaining Borrowing Power	$0
Percentage of Net Debt to Average Equalized Valuation	5.874%
Gross Debt Per Capita based on 2010 population of 39,558	$11,089
Net Debt Per Capita based on 2010 population of 39,558	$8,724

[1] *City percentage of County debt is based on the City's share of total equalized valuation in the County for calendar year 2017 prior to tax court appeals ($2,799,270,770/$31,071,765,711).*

[2] *Due to recent amendments by the tax court, the ratio of assessed to true value has been revised to approximately 110%. This ratio change prompted an amended annual debt statement to be filed by the City. Due to the MSRA and the CPTSA, casino properties in the City are being specially assessed in the form of specific PILOTs to be paid to the City, the County of Atlantic and the Atlantic City School District for a term of ten (10) years, commencing in calendar year 2017. Due to this property tax abatement, the assessed valuations of the casino properties are removed from the tax base which drastically reduces the size of the overall assessed valuation of real property and corresponding equalized valuation.*

[3] *Pursuant to N.J.S.A. 40A:2-7(d), the City received consent from the Local Finance Board to exceed the City's statutory debt limitation as outlined in N.J.S.A 40A:2-6.*

CITY TOURISM INDUSTRY

State Tourism District

In July of 2010, Governor Christie announced plans for the improvement of the City's entertainment and gaming districts. Under the plan and based upon a February 2010 State commission review, a State Tourism District (the "Tourism District") was created in the City and overseen by the State. Governor Christie's plan increased marketing efforts of the City's entertainment, meeting and convention businesses as well as sought to improve transportation options to the City. A master plan for the Tourism District, which includes gaming and non-gaming attractions, was finalized on February 1, 2012. Under a resolution adopted by the Casino Reinvestment Development Authority ("CRDA") in April of 2011, CRDA was designated to oversee the Tourism District which includes the Boardwalk, The Walk outlet stores, and the City's Marina District. CRDA is authorized, among other things, to facilitate development by assuming planning, zoning, and other land use functions. The City's former Special Improvement District, which was funded by a special tax on businesses in the central business district to improve such district, was made part of the Tourism District.

Over the past several years, Governor Christie and the State Legislature have taken various actions to centralize redevelopment and tourism development efforts for the City. Efforts that were previously undertaken by various State and local entities are now the responsibility of CRDA. Redevelopment and tourism development have been centered in CRDA, focusing its existing powers and expanding is responsibilities and powers. Since 2011, CRDA has: (i) developed the master plan for the Tourism District and taken over City planning responsibilities and land use powers from the City for the Tourism District; (ii) taken over management of the Special Improvement District with its Clean & Safe program and expanded the "Ambassador Corp" from 15 to 75; (iii) taken over the management of the Atlantic City Convention Center Project - outsourcing management of both facilities and marketing of Boardwalk Hall (hereinafter defined) to Global Spectrum and the sales and marketing of the Atlantic City Convention Center to Meet AC, Inc.; and (iv) refocused its reinvestment initiatives exclusively in City, and expanded the reinvestment activities to include non-gaming amenities within the casino properties (i.e., Bass Pro Shop retail complex, Resorts Margaritaville and Harrah's Conference Center). In April 2017, the master plan was amended to bolster the original document and include a statement of objectives, land use element and housing element.

CRDA has been spearheading the mission of the Tourism District by efforts to: (i) grow the convention meeting and group tourism business during peak and off-peak periods at the Convention Center, (ii) expand the use of Boardwalk Hall (hereinafter defined) for signature entertainment events; and (iii) diversify the City's regional economy by increasing demand for non-gaming amenities and attractions, including restaurants, retail and ancillary businesses and uses that support the tourism industry.

Atlantic City Alliance

The Atlantic City Alliance ("ACA") was a five (5)-year (2012-2016) partnership between the CRDA and the ACA created under N.J.S.A. 5:12-22.1. The purpose of that partnership was to establish a five-year marketing campaign to promote Atlantic City and the Tourism District as a destination resort. The $30 million annual ACA budget was funded by payments from the casinos.

The CPTSA repealed and transformed this mechanism by establishing a "Separate State Payment" revenue stream to the City. N.J.S.A. 52:27BBBB–21. The statute, made retroactive to include the 2015 calendar year, provides that the former ACA monies be redirected to the City. In addition to the amounts casinos are required to pay through the PILOT payments, the owner of each casino gaming property is required to make a separate payment to the State in calendar years 2015 through and including 2023. The aggregate amount of these payments paid by the casino gaming properties must equal:

(i) $30,000,000 for calendar year 2015;
(ii) $30,000,000 for calendar year 2016;
(iii) $15,000,000 for calendar year 2017;
(iv) $10,000,000 for calendar year 2018;
(v) $5,000,000 for calendar year 2019;
(vi) $5,000,000 for calendar year 2020;
(vii) $5,000,000 for calendar year 2021;
(viii) $5,000,000 for calendar year 2022; and
(ix) $5,000,000 for calendar year 2023.

The owner of each casino gaming property where a casino is operated during the year in which the payments required by the CPTSA are due is required to remit its payment to the State. These funds are, thereafter, to be remitted from the State to the City, which, for purposes of preparing annual budgets pursuant to the "Local Budget Law," N.J.S.A. 40A:4-1 et seq., must be applied to the City budget for the calendar year for which funds are provided and to no other City calendar year budget.

Visitor Statistics[1]

The following table shows annual visitor statistics for the years 2013 through and including 2017

Annual Trips to the City

Year	Car[2]	Air[3]	Bus[4]	Rail	Total	Percent Change
2017	18,495,125	1,102,092	45,470	999,346	20,642,033	(7.75%)
2016	18,809,694	1,207,273	1,123,553	1,100,269	22,240,789	0.16%
2015	18,552,596	1,200,295	1,267,510	1,185,164	22,205,565	(4.30%)
2014	19,088,597	1,211,667	1,688,221	1,215,008	23,203,493	(6.00%)
2013	20,223,208	1,136,350	2,079,580	1,245,979	24,685,117	(4.41%)

Convention Industry

The City, through the "Meet AC" campaign, has been working to expand the number of conventions and visitors to the City. With the facilities offered by Boardwalk Hall (hereinafter defined) and the Atlantic City Convention Center (the "Convention Center"), the City is able to accommodate a substantial number of conventions and special events.

The Atlantic City Convention Center Project (the "Convention Center Project") consists primarily of: (i) the operation of the East and West Halls (as hereinafter defined) which the New Jersey Sports and Exposition Authority ("NJSEA") acquired by lease from the ACIA, and (ii) the acquisition from ACIA by lease of a site in the City, and the construction thereon, and operation of a new convention center, known as the Atlantic City Convention Center. The West Hall and the Convention Center were subsequently conveyed by ACIA to NJSEA.

Original Convention Halls

The original convention halls (including the East and West halls) (the "Boardwalk Hall") are located on an approximately ten (10)-acre site within the City, bounded by the Boardwalk, Mississippi Avenue, Pacific A venue and Florida A venue. The Boardwalk Hall consists primarily of: (i) two (2) main convention halls (the east hall of approximately 119,500 square feet of contiguous exhibit space (the "East Hall") and the west hall of approximately 181,000 square feet of contiguous exhibit space (the "West Hall")); (ii) a ballroom of approximately 23,100 square feet; (iii) street level garage/alternate exhibition space of approximately 118,000 square feet; and (iv) approximately 30,000 square feet of meeting rooms. The East Hall has historically served as a convening place for national and international organizations and as host venue for the Miss America Pageant, except during the years 2005-2012 when the Pageant changed locations. The Pageant returned to the East Hall in 2013. The East Hall was listed on the New Jersey State Register of Historic Places on March 2, 1993 and the United States Register of Historic Places as a National Historic Landmark on February 27, 1987. As part of the Convention Center Project, the East Hall was substantially renovated in 2001. The restored and renovated East Hall houses a 10,000-14,000 seat special events center to host concerts, boxing, sporting events, family shows, ice shows and other public events. The total cost of the renovation was approximately $99,543,000.

[1] *Source: South Jersey Transportation Authority website- www.sjta.com.*
[2] *Cars include only those going through the Pleasantville Plaza.*
[3] *Air traffic includes all passengers traveling through the Atlantic City International Airport.*
[4] *Bus data for FY 2017 are through September.*

Convention Center

The Convention Center is located on an approximately thirty (30)-acre site at the foot of the Atlantic City Expressway within the City. Completed in May 1997, the Convention Center consists primarily of approximately 486,000 square feet of contiguous exhibit space, approximately 114,000 square feet of meeting space and approximately 648,000 square feet of garage space. The total cost of constructing the Convention Center was approximately $265,500,000. In addition, the ACIA invested approximately $90,000,000 to finance site acquisition, improvement and environmental remediation costs, certain relocation expenses, engineering and architectural specifications for the construction of the Convention Center and the completion of a rail terminal (which is currently serviced by New Jersey Transit Corporation).

Events held in the City attract a large number of visitors. The table below lists the expected attendance of the ten most popular events held at the Convention Center during the twelve (12) months as indicated:

Atlantic City Convention Center
Top 10 Expected Events[1]
March 2018 – March 2019

Event	Expected Attendance
Progressive Atlantic City Boat Show 2019	40,000
2018 NJEA Annual Exhibition / Meeting	35,000
NJ State IAA Championship Wrestling 2018 Weekend	34,000
AnimeNEXT 2018	30,000
Atlantic City Classic Car Show 2019	30,000
The Atlantic City Beer and Music Festival	24,000
NJSLM 2018 Annual Fall Conference	22,000
Spirit Cheer Competition 2019	22,000
Battle at the Boardwalk Nationals 2019	12,535
Gamblers Classic Indoor Racing 2019	11,000

There can be no assurance that the actual attendance at any of these events will be as set forth above.

Harrah's Waterfront Conference Center[2]

In addition to the conference and convention opportunities provided by Boardwalk Hall and the Convention Center, in 2015 Harrah's Resort constructed a $126 million Waterfront Conference Center overlooking the Atlantic Ocean and the iconic marina district. The 100,000 square-foot meeting space offers planners the unique experience to sleep, eat, and meet all in one location with more than 2,500 hotel rooms available. This versatile space with two 50,000 square-foot ballrooms can be configured two hundred (200) different ways, making more than sixty (60) smaller rooms to accommodate meetings of all sizes.

LEGALIZED CASINO GAMING

Background

On November 2, 1976, in a State constitutional referendum, the electorate approved legalized casino gambling exclusively in the City. The enabling legislation, the Casino Control Act, P.L. 1977, Ch. 110, was signed on June 2, 1977. It created a State regulatory agency known as the Casino Control Commission and outlined procedures, eligibility, restrictions and limitations on gambling; defined types of hotels eligible for licenses; specified the annual license fees to be used to pay all commission and related administrative costs; and established a State tax on casino gambling to be utilized for seniors and persons with disabilities programs.

The creation of the City's casino gaming industry has profoundly affected the social and economic fabric of the entire region of the County and even has had implications for the financial climate of the State. Since the economic downturn of 2008 and due to an increase in competition from neighboring states, however, gambling revenues for the

[1] *Source: Meet AC website- www.meetac.com.*
[2] *Source: Caesar's Entertainment- Harrah's Resort Waterfront Conference Center.*

City's casino industry have suffered, resulting in significant tax appeals, and beginning in 2014, the closure of five (5) casino/hotel properties.

Casino Industry[3]

Casino licenses are issued to approved hotels which meet a variety of requirements, the most significant of which is a minimum of five hundred (500) rooms containing at least three hundred twenty-five (325) square feet each for the accommodation of overnight guests. The following is a list of casino hotels which were in operation at the end of 2016 (four (4) casino/hotels closed in 2014 and Trump Taj Mahal closed in October 2016), along with the date of their opening and the total number of guest rooms available.

Casino Name	Dated Opened	Guest Rooms (as of 9/30/17)	Total Employees (as of 12/31/17)
Resorts Casino Hotel[1]	May 1978	942	2,040
Caesars Atlantic City Hotel Casino[2]	June 1979	1,141	2,924
Bally's Park Place Casino Hotel & Tower	December 1979	1,251	2,445
Harrah's Marina Hotel Casino	November 1980	2,587	3,564
Tropicana Casino & Entertainment Resort	November 1981	2,263	3,195
Golden Nugget Hotel & Casino	May 2011[3]	716	2,202
Borgata	July 2003	2,767	5,808
Total:		11,667	23,178

In October 2016, Trump Taj Mahal ceased casino operations. At the time of closure, Trump Taj Mahal had 2,010 guest rooms. In March 2017, the Trump Taj Mahal property was sold to a group of investors (which was deed restricted as a non-casino property at the time of purchase). The property is being converted into the Hard Rock Atlantic City Casino and Hotel and is expected to reopen in the summer of 2018. The deed restriction is expected to be removed prior to reopening.

Casino Employment[4]

The table below lists the total number of casino employees at the end of each year for the past ten (10), which primarily reflects a reduction in employment as a result of the closure of five (5) casinos, as described in "Closed Casinos and Chapter 11 Bankruptcy Filing".

Calendar Year	Total Employees
2017	22,178
2016	22,005
2015	23,615
2014	24,843
2013	32,457
2012	34,754
2011	32,823
2010	34,145
2009	36,082
2008	38,585

[3] *Source: New Jersey Division of Gaming Enforcement and New Jersey Casino Control Commission.*
[1] *Total employees for Resorts Casino Hotel include people employed by Resorts Digital Gaming, NJ.*
[2] *Total employees for Caesars include people employed by Caesars Enterprise Service and Caesars Interactive Entertainment, NJ.*
[3] *The original predecessor to Golden Nugget Hotel & Casino opened in June 1985.*
[4] *Source: State of New Jersey Casino Control Commission*; *As of December of each year, unless otherwise indicated; The figures reflect total number of employed positions in the casino industry and make no distinction between full or part time employment.*

Assessed Valuation History

A summary of assessed valuations since 2011, along with any revisions to such assessments, for the twelve (12) casino/hotel properties in operation at the start of 2015 is included on the following page. Casino properties assessed values are based on one of three approaches: (i) comparable sales; (ii) capitalization of income; or (iii) cost. Due to the City's implementation of a revaluation in 2007, the economic downturn in the national economy in 2008, and an increase in competition from neighboring states, gambling revenues in the City have decreased since 2008.

	2011		2012		2013	
Property	Original Assessed Valuation[1]	Revised Assessed Valuation[2]	Original Assessed Valuation[1]	Revised Assessed Valuation[2]	Original Assessed Valuation[1]	Revised Assessed Valuation[2]
Borgata Casino/Hotel	2,262,391,300	1,691,224,600	2,262,391,300	1,691,224,600	2,260,470,200	1,600,983,500
Harrah's Casino/Hotel	2,324,046,900	1,819,980,700	1,469,980,700	1,469,980,700	1,469,980,700	1,372,065,023
Revel Casino/Hotel[3]	821,411,700	821,411,700	1,470,000,000	1,475,000,000	1,150,000,000	1,150,000,000
Caesars Casino/Hotel	1,698,906,000	1,698,906,000	1,048,906,000	994,362,800	1,048,906,000	1,048,906,000
Trump Taj Mahal Casino/Hotel[7]	1,633,094,900	1,224,400,000	1,625,504,800	1,000,000,000	1,000,000,000	1,000,000,000
Ballys Park Place Casino/Hotel	1,034,870,900	950,000,000	1,492,289,800	700,000,000	700,000,000	653,940,300
Trop World Casino Hotel	1,258,906,600	750,432,000	1,258,906,600	801,420,400	700,000,000	700,000,000
Showboat Casino/Hotel[5]	625,000,000	625,000,000	625,000,000	592,382,000	625,000,000	583,875,000
Trump Plaza Casino/Hotel[4]	723,084,000	340,357,980	723,084,000	184,000,000	250,000,000	250,000,000
Golden Nugget Casino/Hotel	653,447,400	653,395,600	653,447,400	653,395,600	175,000,000	244,400,100
Atlantic Club/Hilton[6]	541,318,400	300,000,000	300,000,000	165,000,000	165,000,000	165,000,000
Resorts Casino/Hotel	479,311,300	165,000,000	165,000,000	165,000,000	165,000,000	165,000,000
Total:	14,055,789,400	11,040,108,580	13,094,510,600	9,891,766,100	9,709,356,900	8,934,169,923

	2014		2015		2016	
Property	Original Assessed Valuation[1]	Revised Assessed Valuation[2]	Original Assessed Valuation[1]	Revised Assessed Valuation[2]	Original Assessed Valuation[1]	Revised Assessed Valuation[2]
Borgata Casino/Hotel	1,500,000,000	1,151,325,300	925,000,000	850,000,000	850,000,000	850,000,000
Harrah's Casino/Hotel	950,000,000	950,000,000	950,000,000	750,000,000	750,000,000	664,126,000
Revel Casino/Hotel[3]	1,150,000,000	1,150,000,000	1,150,000,000	225,000,000	133,000,000	133,000,000
Caesars Casino/Hotel	625,000,000	625,000,000	625,000,000	480,000,000	480,000,000	426,000,000
Trump Taj Mahal Casino/Hotel[7]	825,000,000	328,812,500	825,000,000	225,150,000	224,681,400	111,150,000
Ballys Park Place Casino/Hotel	250,000,000	250,000,000	250,000,000	188,000,000	188,000,000	167,000,000
Trop World Casino Hotel	680,000,000	680,000,000	680,000,000	245,000,000	580,000,000	295,000,000
Showboat Casino/Hotel[5]	400,252,200	400,252,200	n/a	400,252,200	32,000,000	32,000,000
Trump Plaza Casino/Hotel[4]	210,000,000	82,000,000	210,000,000	30,000,000	29,664,300	11,535,200
Golden Nugget Casino/Hotel	244,400,100	140,000,000	140,000,000	140,000,000	140,000,000	108,912,000
Atlantic Club/Hilton[6]	165,000,000	60,000,000	60,000,000	60,000,000	37,500,000	37,500,000
Resorts Casino/Hotel	120,000,000	120,000,000	120,000,000	110,000,000	110,000,000	110,000,000
Total:	7,119,652,300	5,937,390,000	5,935,000,000	3,393,402,200	3,554,845,700	2,946,223,200

(1) Source: Top 25 Taxpayer list for each year provided by the City Tax Assessor.
(2) Source: City. All settlements are concluded.
(3) Closed as of September 2, 2014.
(4) Closed as of September 16, 2014.
(5) Closed as of August 31, 2014.
(6) Closed as of January 31, 2014.
(7) Closed as of September 2, 2016.
n/a =no revision to the assessment

State Gaming Tax[1]

The State receives a tax on gross casino revenues from the City's gaming operations, which is used primarily to fund programs for senior citizens and the disabled in the State. For land-based casino operations, the tax is based on 8.0% of gross casino revenues, less a deduction for Promotional Gaming Credits (since 2008). The land-based taxable gross revenue and related tax are presented in the following table:

Calendar Year*	Total Gross Casino Revenues ($000's)	Tax Paid to the State ($000's)
2017	2,413,221	174,743
2016	2,405,323	175,719
2015	2,414,336	174,670
2014	2,616,435	186,910
2013	2,860,153	203,965
2012	3,047,469	216,725
2011	3,316,159	236,129
2010	3,564,495	260,940
2009	3,943,124	295,309
2008	4,545,228	360,250

**Unaudited and Subject to Change.*

Internet gaming operations in New Jersey commenced in November 2013. Internet gross revenue is taxed at a 15% rate. The total internet gross revenues and related tax paid to the State are presented in the following table:

Calendar Year*	Total Internet Gross Revenues ($000's)	Tax Paid to the State ($000's)
2017	246,018	36,903
2016	196,859	29,528
2015	149,030	22,354
2014	123,097	18,465
2013	8,371	1,256

**Unaudited and Subject to Change.*

CRDA and Casino Investment Alternative Tax

CRDA was established in 1984 pursuant to Chapter 218 of P.L. 1984, effective December 19, 1984 (the "Act") as a public body corporate and politic, constituting an instrumentality of the State. CRDA is governed by a board of seventeen (17) members ("CRDA Board"). Six (6) members are appointed by the Governor with the advice and consent of the State Senate. Two (2) members appointed by the Governor are casino industry representatives. Two (2) members are appointed by the Governor upon recommendation of the President of the State Senate. Two (2) members are appointed by the Governor upon recommendation of the Speaker of the General Assembly. One (1) member is also a member of the Casino Control Commission appointed by the Governor. One (1) member shall be either Commissioner of the Department of Commerce and Economic Development or the Commissioner of the Department of Community Affairs or an additional member of the Casino Control Commission, as appointed by the Governor. The Mayor of the City, the State Treasurer and the State Attorney General are also members of the CRDA Board. Upon its creation, CRDA had a statutory obligation to distribute reinvestment tax moneys throughout the State over a fifty (50)-year period. Subsequently, through the establishment of the Tourism District, all reinvestment of funds will remain in the City.

[1] *Source: New Jersey Division of Gaming Enforcement. Total Gross Casino Revenues shown prior to the deduction for Promotional Gaming Credits.*

Casino Investment Alternative Tax[1]

Pursuant to the Act, each licensed casino hotel is required to either pay 2.5% of its land-based gross revenues as a tax or invest 1.25% of its land-based gross revenues with CRDA. Internet gaming operations in New Jersey commenced in November 2013. Pursuant to the Act, each licensed casino hotel that conducts internet gaming operations is required to either pay 5.0% of its internet gross revenues as a tax or invest 2.5% of its internet gross revenues with CRDA. Prior to the CPTSA, the Act provided that investments may take the form of: 1) taxable or tax-exempt bonds issued to the casino licensees at a discounted rate; 2) direct investment in projects approved by CRDA; or 3) CRDA approved donations.

Pursuant to the CPTSA, beginning on May 27, 2016, through and including December 31, 2026, certain moneys received by the State Treasurer derived from the payment of the casino Investment Alternative Tax shall be allocated to the City for the purposes of paying debt service on bonds issued by the City prior to and after May 27, 2016, except for: 1) any amounts thereof previously pledged for the payment of bonds issued by CRDA or otherwise contractually obligated by CRDA prior to the effective date of the CPTSA, or any bonds issued to refund such bonds and 2) for calendar years 2017 through and including 2021, Investment Alternative Tax credits due to casino gaming properties whose PILOT allocation exceeds the total real property taxes due and payable in calendar year 2015.

The Investment Alternative Tax obligations funded by the casino industry are presented in the following table and are based upon 1.25% of land-based gross revenues and, beginning in November 2013, 2.5% of internet gross revenues:

Calendar Year*	Investment Alternative Tax Deposits ($000's)
2017	36,316
2016	34,988
2015	33,905
2014	35,783
2013	35,953
2012	38,114
2011	41,474
2010	44,565
2009	49,289
2008	56,819

**Unaudited and Subject to Change.*

[1] *Source: New Jersey Division of Gaming Enforcement.*

Parking Fee Revenue[1]

Pursuant to the Parking Fee Statute, P.L. 1993 C. 159, as amended, on July 1, 2003, the State increased the minimum casino hotel parking fee from $2.00 to $3.00, and directed $1.50 of the fee to be deposited in the Casino Revenue Fund in State fiscal years 2004 through 2006. Beginning in State fiscal year 2007 and thereafter, the State directed $0.50 of the $3.00 fee to be deposited into the Casino Revenue Fund, and the remaining $2.50 to be transferred to CRDA. The historic Parking Fee collections for the past nine (9) years and year to date 2017 are as follows:

Calendar Year*	Total Annual Revenue ($000's)	Percentage Change From Prior Year
2017	19,807	(0.03%)
2016	20,405	(0.04%
2015	21,207	(13.87%)
2014	24,622	(11.77%)
2013	27,907	(3.04%)
2012	28,782	1.25%
2011	28,427	(4.66%)
2010	29,816	(5.28%)
2009	31,477	(8.49%)
2008	34,398	(4.08%)

**Unaudited and Subject to Change.*

Other Taxes and Fees[1]

Other taxes and fees collected in the City by the State or CRDA, but not by the City, include, among others, the Luxury Tax, Promotional Fee, and Hotel Room Fee. The amount of such taxes and fees for the past eleven (11) years is shown below.

Calendar Year*	Luxury Tax[2] ($000's)	Promotional Fee[3] ($000's)	Hotel Room Fee[4] ($000's)
2017	28,101	7,126	10,808
2016	29,204	8,248	11,511
2015	30,006	8,296	11,856
2014	34,751	9,818	14,039
2013	35,519	10,822	15,638
2012	35,486	10,794	15,618
2011	31,515	10,573	15,446
2010	28,479	9,940	15,382
2009	26,374	10,697	15,228
2008	27,608	10,460	15,171
2007	27,977	10,257	14,541

**Unaudited and Subject to Change.*

[1] *Source: New Jersey Division of Gaming Enforcement; Summary of Atlantic City Taxes and Fees Report; Parking Fee Revenue: State of New Jersey Casino Control Commission; Luxury Tax and Tourism Promotion Fee: State of New Jersey Office of Management and Budget, Legislative Manual; Hotel Room Fee: State of New Jersey Division of Taxation.*

[2] *The Luxury Tax applies to the receipts from specified retail sales within the City, including alcoholic beverages, hotel room rentals, and cover charges for entertainment. The tax rate is 3% on alcoholic beverages sold by the drink and 9% on other taxable sales (subject to a 13% maximum rate when combined with the NJ Sales and Use Tax). Proceeds from the Luxury Tax support debt service on Luxury Tax bonds and the operation of the Convention Center and Boardwalk Hall.*

[3] *A Tourism Promotion Fee of either $1 or $2 per day is charged for each room rental in a hotel, motel, inn, rooming house, etc. in the City. This fee applies to each room either occupied or possessed by guests, other than as a place of assembly. The fee is also due with respect to "complimentary" occupancies. The rate of $2 per day applies to each occupied room in the case of hotels which provide casino gambling. The $1 per day rate applies to each occupied room in all other facilities. The Tourism Promotion Fee supports the operation of the Atlantic City Convention Center and Visitors Association (now under CRDA).*

[4] *The proceeds from the $3.00 Hotel Room Fee are used to fund debt service on CRDA Hotel Room Fee Revenue Bonds. Effective July 1, 2006, the remaining Hotel Room Fees after debt service are split between the Casino Revenue Fund (66.7%) and the CRDA (33.3%).*

Non-Casino Development

CRDA Projects:

CRDA assisted with the construction of 86,000 square foot, $34 million Bass Pro Shops store located on Atlantic Avenue, at the main entrance to the City, near The Walk outlet stores. The Bass Pro Shops opened in April 2015.

Numerous housing developments are either under construction or on the drawing board. Boraie Development LLC is developing an $81 million apartment complex on eight (8) acres of land located in the south inlet area of Atlantic City. The Beach at South Inlet will have two hundred fifty (250) apartments with a courtyard, pool, a gym and residents lounge. The project is being backed by a $15 million loan from the CRDA, in line with the CRDA's strategy of diversifying the City's economy as well as $45 million in loans from two other State agencies. The project broke ground in December 2016 and is expected to be completed by July 2018. Procida Realty & Construction Corporation is building single family homes and townhouses in the City. The Breakers at Atlantic City will include twelve (12) luxury oceanfront residential townhomes built along the boardwalk, with one hundred forty (140) more units planned for a future phase.

Source: CRDA

Other[1]:

The City is considering the sale and development of Bader Field, which is currently zoned for casino development and owned by the City. The City is working to determine the highest and best use of the property.

The first phase, a $21 million makeover of a $112 million renovation to the Steel Pier was completed with a season opening of Memorial Day weekend 2012. A 227-foot-high observation wheel with climate-controlled gondolas is now open on the Steel Pier. The $14 million project is the third tallest wheel in the country and stands on the Steel Pier, which was bought by the Catanoso Family from Trump entertainment for $4.25 million in 2011. Several other new attractions have been recently added. They include The Flying Dutchman, Surf's Up and Loco Motion, as well as the Mix, a new high speed $1 million thrill ride that soars over the ocean and the Freedom Flyer, a pendulum like swing ride that whisks riders back and forth and upside down.

Tower Investments, controlled by Philadelphia developer Bart Blatstein, reopened the Pier Shops at Caesars as "The Playground", a five hundred thousand (500,000) square foot shopping and entertainment complex. The Playground recently announced a change in business plan for the retail and entertainment center according to philly.com. Blatstein has assumed the role of landlord, and will employ operators for the various venues at The Playground. In addition, Tower Investments has reopened the former Showboat casino in Atlantic City as a non-casino hotel. It is the largest non-casino hotel in New Jersey with 852 rooms.

NewCast Call Center BPO finished construction of two hundred (200) work spaces hosting three hundred (300) staffers as well as thirty-two (32) supervisors. NewCast Call Center BPO renovated two (2) floors in the Claridge Hotel in the City to be used as call centers and are processing calls for several industries including retail, insurance, and technical support twenty four (24) hours a day.

Stockton University is developing a new campus in the Chelsea Heights area of the City that will include academic facilities, new student housing, retail and parking. The University Academic Improvements will consist of approximately fifty-six thousand (56,000) square feet and will offer academic and administrative space to accommodate a diverse schedule of classes at the facility. Academic facilities will include general classrooms, computer labs, a technology lab and a number of areas allowing for student project work and study. The new student housing will be comprised of a new two hundred seventeen thousand (217,000) square foot residential building that will provide housing for five hundred thirty-three (533) students ("University Housing Improvements"), primarily in four (4)-bedroom single or two (2)-bedroom double configurations. The parking project will be constructed adjacent to the new student housing and will include approximately seven (7) stories with a total of eight hundred sixty-six (866) parking spaces ("Parking Structure"). The retail portion of the parking project will consist of seven thousand five hundred (7,500) square feet and will front on Atlantic Avenue with a service corridor located to the rear of the space ("Garage Retail Improvements"). The project is expected to be completed in fall 2018.

[1] *Source: County of Atlantic – Atlantic County Projects and Events Driving Economic Development Report.*

Additionally, Light House Properties announced plans for a one hundred (100)-bed private student housing development on the bay front west of the Gateway Project, which houses Stockton's new Atlantic City campus. Light House Property's proposed four (4)-story structure off Sunset Avenue and adjacent to the Wonder Bar would offer waterfront views on two sides and a head-on view of the Gateway Project. Most of the apartments will be one (1)-bedroom units between three hundred fifty (350) and four hundred (400) square feet. There will be some two-bedroom units available.

APPENDIX B

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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FORD-SCOTT
& ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS
1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226
PHONE 609.399.6333 • FAX 609.399.3710
www.ford-scott.com

Independent Auditor's Report

The Honorable Mayor and
Members of City Council
City of Atlantic City, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the City of Atlantic City, as of December 31, 2016 and 2015, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles.

As described in Note 1 of the financial statements, the financial statements are prepared by the City of Atlantic City on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the City of Atlantic City as of December 31, 2016 and 2015, or changes in financial position for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2016 and 2015, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2016 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Atlantic City's basic financial statements. The supplementary information listed in the table of contents and schedule of expenditures of federal awards, as required by Office of Management and Budget Uniform Guidance and the schedule of expenditures of state financial assistance as required by NJ OMB 15-08 and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), *Audits of States, Local Governments*, *and Non-Profit Organizations,* the schedule of and the schedule of expenditures of state financial assistance as required by NJ OMB 15-08 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the financial statements. Because of the significance of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

The letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2017 on our consideration of the City of Atlantic City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Atlantic City's internal control over financial reporting and compliance.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello
Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

April 14, 2017

CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,

		2016	2015
ASSETS			
Regular Fund:			
Cash:			
Cash Treasurer	$	42,342,849.18	29,777,037.69
Cash - Collector		-	-
Cash - Change		1,470.00	1,470.00
Total Cash		42,344,319.18	29,778,507.69
Other Receivables:			
Due from State - Chapter 20 P.L. 1971		131,994.95	134,459.95
Due from State - Qualified Bonds		2,336,487.49	3,289,975.85
Due from State - ACA/IAT		4,390,712.00	30,000,000.00
Due from Atlantic County		14,403.27	-
Total Other Receivables		6,873,597.71	33,424,435.80
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable		8,716,806.54	686,026.71
Tax Title and Other Liens		10,907,384.86	9,094,292.76
Property Acquired for Taxes -			
at Assessed Valuation		29,087,600.00	28,874,400.00
Demolition Assessments and Liens		2,928,829.08	4,037,562.21
Revenue Accounts Receivable		93,474.56	89,182.19
Advance from AC Endowment Fund		3,000,000.00	3,000,000.00
Interfund Receivable:			
Animal Control Fund		388.80	1,134.00
CDBG		105,659.05	1,531,079.27
Federal and State Grant Fund		3,098,512.95	4,753,377.74
Trust		158,316.53	3.29
Total Receivables and Other Assets		58,096,972.37	52,067,058.17
Deferred Charges:			
Deficit in Operations		8,615,182.24	9,845,922.24
Deficit Due to Tax Appeals		108,028,257.32	63,483,815.00
Prior Outstanding Payables		37,588,785.85	37,743,249.74
Special Emergency Appropriation		-	350,000.00
Total Deferred Charges		154,232,225.41	111,422,986.98
Total Regular Fund		261,547,114.67	226,692,988.64
Federal and State Grant Fund:			
Cash		48,947.02	48,942.16
Federal and State Grants Receivable		41,391,511.80	58,537,490.78
Due from Trust Fund - Other		756.09	756.09
Total Federal and State Grant Fund		41,441,214.91	58,587,189.03
Total Current Fund	$	302,988,329.58	285,280,177.67

The accompanying Notes to Financial Statements are an integral part of this statement

CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,

		2016	2015
LIABILITIES, RESERVES AND FUND BALANCE			
Regular Fund:			
Liabilities:			
Appropriation Reserves	$	14,590,487.73	13,440,357.21
Reserve for Encumbrances		3,812,002.38	3,909,631.78
Accounts Payable		423,335.63	406,503.49
Accrued Interest Payable on Judgement		14,648,002.00	14,648,002.00
Prior Outstanding Open Payables		37,588,785.85	37,743,249.74
Prepaid Taxes		840,825.85	1,237,391.88
Overpaid Taxes		89,073,638.39	62,002,242.21
Local School Tax Payable		9,242,106.69	0.75
County Added Tax Payable		-	39,636.47
Due to Atlantic City MUA		4,716.74	-
Due to State:			
Marriage Licenses		1,830.00	4,690.00
CCO Fees		68,035.00	42,558.00
Interfund Payable:			
Other Trust Funds		11,696,017.72	15,124,910.69
Other			
Payroll Deductions Payable		1,917,540.37	2,788,330.39
AC Endowment Fund		1,320,669.42	1,320,537.38
Reserve for Revaluation		900,000.00	900,000.00
Reserve for Performance Bonds		205,862.89	205,862.89
Reserve for Police Property Room		50,338.71	50,338.71
Reserve for State Tax Appeals Pending		2,917,116.04	15,421,145.62
Reserve for FEMA		1,985,407.71	-
Reserve for Preparation of Approved Tax Map		188,107.55	188,107.55
Miscellaneous Reserves		200,000.00	205,000.00
		191,674,826.67	169,678,496.76
Reserve for Receivables and Other Assets		58,096,972.37	52,067,058.17
Fund Balance		11,775,315.63	4,947,433.71
Total Regular Fund		261,547,114.67	226,692,988.64
Federal and State Grant Fund:			
Unappropriated Reserves		81,000.16	83,845.13
Appropriated Reserves		29,359,232.34	43,768,349.16
Encumbrances Payable		8,902,469.46	9,981,617.00
Due to Current Fund		3,098,512.95	4,753,377.74
Due to Agencies		-	-
Total Federal and State Grant Fund		41,441,214.91	58,587,189.03
Total Current Fund	$	302,988,329.58	285,280,177.67

The accompanying Notes to Financial Statements are an integral part of this statement

CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,

	2016	2015
Revenue and Other Income Realized		
Fund Balance	$ -	-
Miscellaneous Revenue Anticipated	117,925,436.54	130,102,029.22
Receipts from Delinquent Taxes	-	1,585,954.45
Receipts from Current Taxes	231,758,652.44	236,406,571.75
Non Budget Revenue	2,365,801.32	2,235,815.89
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	12,830,933.29	12,350,954.59
Grants Canceled	49,027.54	162,018.19
Interfund Returned	3,015,931.92	
Reserves and Accounts Payables Canceled	709,137.00	2,267,673.45
Reserve for State Tax Appeals	16,404,029.58	13,728,301.38
Total Income	385,058,949.63	398,839,318.92
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	80,139,236.00	74,976,264.00
Other Expenses	72,332,688.74	83,108,294.88
Deferred Charges & Statutory Expenditures	38,229,145.61	6,399,162.38
Appropriations Excluded from "CAPS"		
Operations:		
Salaries and Wages	-	14,805,000.00
Other Expenses	8,783,628.77	42,819,848.42
Capital Improvements	200,000.00	200,000.00
Debt Service	36,782,824.09	34,697,364.38
Deferred Charges	350,000.00	900,000.00
Local District School Tax	100,077,234.00	91,060,723.00
County Tax	24,901,259.50	28,259,234.47
County Share of Added Tax	-	39,636.47
Interfund Created		6,165,449.09
Refund of Prior Year's Revenue	31,021.42	193,014.92
Other: deferred charges		
Prior Year Overpayments	73,645,235.90	62,564,114.38
Judgement for Interest on Tax Appeals		14,648,002.00
Total Expenditures	435,472,274.03	460,836,108.39
Excess/(Deficit) in Revenue	(50,413,324.40)	(61,996,789.47)

The accompanying Notes to Financial Statements are an integral part of this statement

CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,

	2016	2015
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year	57,241,206.32	63,483,815.00
Emergency Appropriation		
Special Emergency Appropriation		350,000.00
Total Adjustments	57,241,206.32	63,833,815.00
Statutory Excess to Fund Balance	6,827,881.92	1,837,025.53
Fund Balance January 1	4,947,433.71	3,110,408.18
	11,775,315.63	4,947,433.71
Decreased by:		
Utilization as Anticipated Revenue	-	-
Fund Balance December 31	$ 11,775,315.63	4,947,433.71

The accompanying Notes to Financial Statements are an integral part of this statement

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Anticipated			Excess or
	Budget	N.J.S. 40A:4-87	Realized	(Deficit)
Fund Balance Anticipated	$ -			-
Total Fund Balance Anticipated	-	-	-	-
Miscellaneous Revenues:				
Section A: Local Revenues				
Licenses:				
Alcoholic Beverages	140,000.00		174,741.00	34,741.00
Other	800,000.00		955,032.83	155,032.83
Fees and Permits	1,500,000.00		1,527,676.93	27,676.93
Fines and Costs:				-
Municipal Court	1,400,000.00		1,436,227.32	36,227.32
Interest and Costs on Taxes	2,000,000.00		600,392.32	(1,399,607.68)
Interest Earned on Investments	20,000.00		34,705.45	14,705.45
Parking Meters	500,000.00		611,407.13	111,407.13
Boardwalk Tram Fees	105,000.00		126,000.00	21,000.00
Refunds and Reimbursements	1,500,000.00		4,804,223.65	3,304,223.65
Rent and Sale of City Property	475,000.00		160,834.35	(314,165.65)
Towing Fees	390,000.00		300,619.00	(89,381.00)
Payments in Lieu of Taxes				
Magellan Manor	75,000.00		86,592.00	11,592.00
Metropolitan Plaza	28,000.00		29,099.66	1,099.66
New York Ave Apt	108,553.00		111,668.30	3,115.30
Elliot House	44,574.00		44,574.00	-
School House Liberty	29,790.00		50,850.96	21,060.96
Town House Terraces East I	68,784.00		76,498.00	7,714.00
Atlantic City Townhouse	-			-
Baltic Plaza Apt	100,000.00		108,000.00	8,000.00
Best of Life Park	120,000.00		197,634.00	77,634.00

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Anticipated			Excess or
	Budget	N.J.S. 40A:4-87	Realized	(Deficit)
Community Haven	350,000.00		404,207.00	54,207.00
Hamilton Venice Apartments	67,500.00		57,513.00	(9,987.00)
Bright's Villa North	10,000.00			(10,000.00)
Barclay Arms	42,000.00		64,185.60	22,185.60
Brigantine Homes	90,000.00		128,730.00	38,730.00
The Walk Phase I	648,000.00		648,048.01	48.01
The Walk Phase II	300,000.00		258,236.57	(41,763.43)
The Walk Phase III	100,000.00		91,717.00	(8,283.00)
Atlantic Marina	450,000.00		460,884.00	10,884.00
Total Section A: Local Revenues	11,462,201.00	-	13,550,298.08	2,088,097.08
Section B: State Aid Without Offsetting Appropriations				
Consolidated Municipal Property Tax Relief Act	20,000,000.00		19,999,999.99	(0.01)
Energy Receipts Tax	6,260,714.00		6,260,714.00	-
Transitional Aid	26,200,000.00		26,200,000.00	-
ACA Funds	30,000,000.00		30,000,000.00	-
IAT Funds	13,000,000.00		13,000,000.00	-
Total Section B: State Aid Without Offsetting Appropriations	95,460,714.00	-	95,460,713.99	(0.01)
Section C: Uniform Construction Code Fees				
Uniform Construction Code Fees	1,500,000.00		1,987,295.33	487,295.33
Total Section C: Uniform Construction Code Fees	1,500,000.00	-	1,987,295.33	487,295.33
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations				
Clean Communities	98,461.24		98,461.24	-
Drunk Driving Enforcement Fund	2,849.83		2,849.83	-
COPS in Shops	5,000.00		5,000.00	-

The accompanying Notes to Financial Statements are an intergal part of this statement

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Anticipated			Excess or
	Budget	N.J.S. 40A:4-87	Realized	(Deficit)
Body Worn Cameras	30,000.00		30,000.00	-
Winter Wonderland Festival	17,125.00		17,125.00	-
NJ Body Armor	23,035.81		23,035.81	-
Alliance on Alcoholism and Drugs	30,059.00		30,059.00	-
AC Devco	170,000.00		170,000.00	-
AC Housing Authority	30,000.00		30,000.00	-
FEMA Assistance to Firefighters	185,651.00		185,651.00	-
AC Meals on Wheels	12,090.00		12,090.00	-
County Environmental Health Act	48,000.00		48,000.00	-
NJ BPU - LEDLighting Upgrad	2,000,000.00		2,000,000.00	-
NJ DOT - Rsurface Ventnor Ave	196,000.00		196,000.00	-
Harold Brown Memorial Park	666,296.00		666,296.00	-
Hazardous Discharge - Riverside Business Park	47,985.00		47,985.00	-
NJ DEP Acquisition - Altman Playground		378,271.25	378,271.25	-
Brownfields - Bungalow Park Site Cleanup		163,658.00	163,658.00	-
Brownfields - Delta Basin Site Cleanup		200,000.00	200,000.00	-
Brownfields - Hazardous Contamination		200,000.00	200,000.00	-
Brownfields - Petroleum Contamination		200,000.00	200,000.00	-
Total Section F: Special Items - Public and Private Programs Off-Set with Appropriations	3,562,552.88	1,141,929.25	4,704,482.13	-
Section G: Other Special Items				
Uniform Fire Safety Act	225,000.00		230,690.88	5,690.88
Atlantic City Municipal Utilities Authority	700,000.00		702,658.00	2,658.00
Interlocal Agreements				-
Pleasantville BOE	160,000.00		-	(160,000.00)
CRDA - Tourism District Class 2's Officers	1,000,000.00		217,160.13	(782,839.87)
Sale of Municipal Assets	1,200,000.00		1,072,138.00	(127,862.00)

The accompanying Notes to Financial Statements are an intergal part of this statement

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Anticipated			Excess or
	Budget	N.J.S. 40A:4-87	Realized	(Deficit)
Total Section G: Other Special Items	3,285,000.00	-	2,222,647.01	(1,062,352.99)
Total Miscellaneous Revenues:	115,270,467.88	1,141,929.25	117,925,436.54	1,513,039.41
Receipts from Delinquent Taxes			-	-
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes	123,637,277.47		110,012,192.42	(13,625,085.05)
Library Tax	2,800,581.64		2,800,581.64	-
Total Amount to be Raised by Taxes for Support of Municipal Budget	126,437,859.11	-	112,812,774.06	(13,625,085.05)
Budget Totals	241,708,326.99	1,141,929.25	230,738,210.60	(12,112,045.64)
Non- Budget Revenues:				
Other Non- Budget Revenues:			2,365,801.32	2,365,801.32
$	241,708,326.99	1,141,929.25	233,104,011.92	(9,746,244.32)

The accompanying Notes to Financial Statements are an intergal part of this statement

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

Analysis of Realized Revenues		
Allocation of Current Tax Collections:		
Revenue from Collections		$ 231,758,652.44
Less: Reserve for Tax Appeals Pending		-
Net Revenue from Collections		231,758,652.44
Allocated to:		
School, County and Other Taxes		124,978,493.50
Balance for Support of Municipal Budget Appropriations		106,780,158.94
Increased by:		
Appropriation "Reserved for Uncollected Taxes"		6,032,615.12
Amount for Support of Municipal Budget Appropriations		112,812,774.06
Receipts from Delinquent Taxes:		
Delinquent Tax Collection	$ -	
Tax Title Lien Collections	-	
Total Receipts from Delinquent Taxes		-
Analysis of Non-Budget Revenue:		
Miscellaneous Revenue Not Anticipated:		
Demolition Arrears and Liens	113,016.17	
Delinquent Tax Collection	271,776.68	
Tax Title Lien Collections	577,294.54	
Other Liens	11,695.73	
PILOT's not Anticipated	513,359.81	
Police Detail	371,230.76	
ACBOE Gasoline and Trash	51,710.06	
Mortgage Registations	208,200.00	
Miscellaneous	247,517.57	
Total Miscellaneous Revenue Not Anticipated:		$ 2,365,801.32
Tax Collector		973,783.12
Treasurer		1,392,018.20
		$ 2,365,801.32

The accompanying Notes to Financial Statements are an integral part of this statement

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
DEPARTMENT OF ADMINISTRATION						
Mayor's Office						
Salaries and Wages	$ 273,075.00	273,075.00	265,087.05		7,987.95	-
Other Expenses	29,500.00	29,500.00	4,688.96	2,367.00	22,444.04	-
Business Administrator						
Salaries and Wages	238,970.00	238,970.00	237,434.85		1,535.15	-
Other Expenses	808,900.00	808,900.00	452,508.72	164,251.87	192,139.41	-
Administrative Services - Mail Room						
Salaries and Wages	68,868.00	68,868.00	68,784.12		83.88	-
Other Expenses	171,200.00	171,200.00	144,455.29	5,035.69	21,709.02	-
Solicitor's Office						
Salaries and Wages	750,764.00	750,764.00	726,954.22		23,809.78	-
Other Expenses	1,632,160.00	1,632,160.00	505,361.44	220,888.97	905,909.59	-
Prosecutor's Office						
Salaries and Wages	371,949.00	371,949.00	344,274.76		27,674.24	-
Other Expenses	37,550.00	37,550.00	9,369.12	3,382.46	24,798.42	-
Public Defender						
Salaries and Wages	298,240.00	298,240.00	250,898.13		47,341.87	-
Other Expenses	48,600.00	48,600.00	14,501.82	6,632.70	27,465.48	-
Insurance						
Unemployment	1,300,000.00	1,300,000.00	1,300,000.00		-	-
Liability	6,353,587.00	6,353,587.00	5,820,556.32	65,152.00	467,878.68	-
Workers Compensation	5,631,000.00	5,631,000.00	5,505,655.30		125,344.70	-
Employee Group	32,740,000.00	32,740,000.00	31,656,479.77	127,703.98	955,816.25	-
Health Waiver - Employee Opt Out	100,000.00	100,000.00	89,546.16		10,453.84	-
Social Services Agencies	14,500.00	14,500.00			14,500.00	-
Municipal Court						
Salaries and Wages	1,095,525.00	1,095,525.00	1,050,916.71		44,608.29	-
Other Expenses	88,889.00	88,889.00	25,096.95	17,910.27	45,881.78	-
Assessor						
Salaries and Wages	237,967.00	237,967.00	236,092.62		1,874.38	-
Other Expenses	495,857.00	495,857.00	166,421.48	175,127.63	154,307.89	-
MIS						
Salaries and Wages	289,373.00	289,373.00	269,311.88		20,061.12	-
Other Expenses	431,500.00	431,500.00	239,660.55	92,446.62	99,392.83	-
DEPARTMENT OF HUMAN RESOURCES						
Director's Office						
Salaries and Wages	90,000.00	90,000.00	90,000.00		-	-

The accompanying Notes to Financial Statements are an integral part of this statement

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
Other Expenses	100,689.00	100,689.00	53,789.83	7,062.68	39,836.49	-
Personnel Division						
Salaries and Wages	392,412.00	392,412.00	322,154.61		70,257.39	-
Health Division						
Salaries and Wages	81,610.00	81,610.00	54,936.30		26,673.70	-
DEPARTMENT OF PLANNING AND DEVELOPMENT						
Director's Office						
Salaries and Wages	209,583.00	209,583.00	198,857.13		10,725.87	-
Other Expenses	46,900.00	46,900.00	10,472.71	3,775.00	32,652.29	-
Planning Division						
Salaries and Wages	244,336.00	248,336.00	240,931.58		7,404.42	-
Other Expenses	111,165.00	107,165.00	22,167.54	2,736.53	82,260.93	-
Zoning Board						
Other Expenses	17,000.00	17,000.00	8,000.00		9,000.00	-
City Engineer						
Salaries and Wages	469,980.00	469,980.00	469,352.21		627.79	-
Other Expenses	252,900.00	252,900.00	64,910.87	79,750.57	108,238.56	-
Economic Development - CDBG						
Salaries and Wages	100,000.00	100,000.00	86,290.59		13,709.41	-
DEPARTMENT OF REVENUE AND FINANCE						
Director's Office						
Salaries and Wages	218,574.00	218,574.00	217,991.03		582.97	-
Other Expenses	117,900.00	117,900.00	80,526.51	23,816.00	13,557.49	-
Comptroller's Office						
Salaries and Wages	751,817.00	751,817.00	719,936.15		31,880.85	-
Other Expenses	94,639.00	94,639.00	23,242.30	3,167.31	68,229.39	-
Tax Collector's Office						
Salaries and Wages	327,423.00	327,423.00	234,996.54		92,426.46	-
Other Expenses	40,800.00	40,800.00	23,728.87	6,994.37	10,076.76	-
Audit Services						
Other Expenses	150,000.00	150,000.00	100,000.00		50,000.00	-
Purchasing						
Salaries and Wages	205,415.00	205,415.00	204,698.14		716.86	-
Other Expenses	26,796.00	26,796.00	10,637.28	2,656.54	13,502.18	-
Finance Division						
Salaries and Wages	171,130.00	171,130.00	141,565.00		29,565.00	-
Other Expenses	2,990.00	2,990.00	126.50	199.16	2,664.34	-

The accompanying Notes to Financial Statements are an integral part of this statement

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
DEPARTMENT OF PUBLIC SAFETY						
Director						
Other Expenses	550,000.00	550,000.00			550,000.00	-
Police						
Salaries and Wages	33,402,127.00	33,402,127.00	31,889,178.06		1,512,948.94	-
Other Expenses	1,314,884.00	1,239,884.00	420,412.41	241,084.78	578,386.81	-
Police Civilian Division						
Salaries and Wages	4,727,066.00	4,727,066.00	4,424,530.55		302,535.45	-
Other Expenses	328,512.00	403,512.00	239,686.51	50,647.85	113,177.64	-
Emergency Services						
Salaries and Wages	2,080,060.00	2,080,060.00	1,785,887.38		294,172.62	-
Other Expenses	234,920.00	234,920.00	118,398.34	68,067.38	48,454.28	-
Fire						
Salaries and Wages	16,482,631.00	16,482,631.00	16,148,320.05		334,310.95	-
Other Expenses	127,280.00	127,280.00	21,667.35	28,850.54	76,762.11	-
Fire Civilian						
Salaries and Wages	114,149.00	114,149.00	114,147.28		1.72	-
Uniform Fire Safety Act						
Salaries and Wages	686,043.00	686,043.00	581,826.89		104,216.11	-
Other Expenses	2,208.00	2,208.00			2,208.00	-
		-			-	-
DEPARTMENT OF PUBLIC WORKS						
Director's Office						
Salaries and Wages	337,554.00	337,554.00	327,666.99		9,887.01	-
Other Expenses	1,163,850.00	1,163,850.00	432,350.39	244,587.43	486,912.18	-
Electrical Bureau						
Salaries and Wages	306,866.00	306,866.00	254,853.85		52,012.15	-
Other Expenses	35,400.00	35,400.00	11,478.68	9,384.55	14,536.77	-
Parks						
Salaries and Wages	566,204.00	566,204.00	525,755.71		40,448.29	-
Other Expenses	27,250.00	27,250.00	925.18	3,504.20	22,820.62	-
Beach and Boardwalk						
Salaries and Wages	881,055.00	881,055.00	797,641.51		83,413.49	-
Other Expenses	24,450.00	24,450.00	2,196.24	6,505.46	15,748.30	-
Sanitation						
Salaries and Wages	1,406,199.00	1,406,199.00	1,227,875.50		178,323.50	-
Other Expenses	1,291,350.00	1,291,350.00	827,375.41	82,374.59	381,600.00	-

The accompanying Notes to Financial Statements are an integral part of this statement

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
Asphalt Plant/Street Repairs						
Salaries and Wages	428,834.00	428,834.00	342,041.63		86,792.37	-
Other Expenses	50,050.00	50,050.00	13,577.04	24,172.96	12,300.00	-
Paint and Sign Shop						
Salaries and Wages	113,211.00	113,211.00	107,997.61		5,213.39	-
Other Expenses	23,800.00	23,800.00	15,346.28	5,408.28	3,045.44	-
Building Maintenance Division						
Salaries and Wages	1,192,449.00	1,192,449.00	1,008,702.11		183,746.89	-
Other Expenses	46,050.00	46,050.00	11,306.85	1,776.02	32,967.13	-
Community Services Act						
Other Expenses	950,000.00	950,000.00	620,045.02	226,638.24	103,316.74	-
Vehicle Maintenance						
Other Expenses	2,444,433.00	2,444,433.00	1,651,847.10	611,108.26	181,477.64	-
Facilities						
Salaries and Wages	509,896.00	509,896.00	453,771.46		56,124.54	-
Other Expenses	31,150.00	31,150.00	10,376.55	3,857.01	16,916.44	-
DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Director's Office						
Other Expenses	130,600.00	130,600.00	39,878.51	16,589.20	74,132.29	-
Health Administration						
Salaries and Wages	948,609.00	948,609.00	903,885.70		44,723.30	-
Other Expenses	48,575.00	48,575.00	23,440.69	108.25	25,026.06	-
Social Services						
Salaries and Wages	1,059,444.00	1,059,444.00	997,216.41		62,227.59	-
Other Expenses	227,750.00	227,750.00	102,202.91	56,870.02	68,677.07	-
Recreational and Cultural Affairs						
Salaries and Wages	1,228,794.00	1,228,794.00	824,362.24		404,431.76	-
Other Expenses	67,050.00	67,050.00	10,126.87	8,957.41	47,965.72	-
Clinical Services						
Other Expenses	143,104.00	143,104.00	48,488.97	34,138.76	60,476.27	-
Animal Control Expense						
Other Expenses	43,200.00	43,200.00	43,200.00		-	-
DEPARTMENT OF LICENSES AND INSPECTIONS						
Director's Office						
Salaries and Wages	202,742.00	202,742.00	202,486.30		255.70	-
Other Expenses	18,802.00	18,802.00	1,180.72	17,601.24	20.04	-
Inspections						
Salaries and Wages	811,070.00	811,070.00	777,305.76		33,764.24	-

The accompanying Notes to Financial Statements are an integral part of this statement

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
Other Expenses	7,300.00	7,300.00	1,278.59	2,673.75	3,347.66	-
Regulatory Division						
Salaries and Wages	478,960.00	478,960.00	432,564.59		46,395.41	-
Other Expenses	13,650.00	13,650.00	5,015.97	3,095.64	5,538.39	-
CITY COUNCIL						
Salaries and Wages	306,912.00	306,912.00	306,478.51		433.49	-
Other Expenses	16,000.00	16,000.00	6,351.88	2,738.56	6,909.56	-
CITY CLERK						
Salaries and Wages	347,709.00	347,709.00	319,376.54		28,332.46	-
Other Expenses	126,000.00	126,000.00	46,811.29	14,004.85	65,183.86	-
UNIFORM CONSTRUCTION CODE						
Salaries and Wages	1,528,559.00	1,528,559.00	1,370,136.47		158,422.53	-
Other Expenses	11,580.00	11,580.00	1,399.26	2,486.06	7,694.68	-
UNCLASSIFIED						
Gas	400,000.00	400,000.00	229,867.07	150.69	169,982.24	-
Street Lighting	2,000,000.00	2,000,000.00	1,433,277.27	160,294.26	406,428.47	-
Electricity	1,700,000.00	1,700,000.00	1,533,602.17	53,826.95	112,570.88	-
Telephone	780,000.00	780,000.00	714,009.41	10,591.65	55,398.94	-
Sewer	200,000.00	200,000.00	142,350.29	20.01	57,629.70	-
Gasoline	1,008,000.00	1,008,000.00	451,832.17	98,521.45	457,646.38	-
City Water Usage	310,000.00	310,000.00		261,417.05	48,582.95	-
Codification of Ordinances	15,000.00	15,000.00	7,500.00	2,500.00	5,000.00	-
Terminal Leave Payments	3,101,082.00	3,101,082.00	3,101,082.00		-	-
Reserve for Tax Appeals	2,100,000.00	2,100,000.00	2,100,000.00		-	-
Refund of Overpayments	1,800,000.00	1,800,000.00	1,800,000.00		-	-
Interest to State for Deferred Payments	1,880,000.00	1,679,468.74	501,148.60		1,178,320.14	-
TOTAL OPERATIONS WITHIN "CAPS"	152,672,456.00	152,471,924.74	135,628,411.00	3,365,610.70	13,477,903.04	-
Contingent						-
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	152,672,456.00	152,471,924.74	135,628,411.00	3,365,610.70	13,477,903.04	-
Detail:						
Salaries and Wages	80,135,236.00	80,139,236.00	75,656,554.72	-	4,482,681.28	-

The accompanying Notes to Financial Statements are an integral part of this statement

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
Other Expenses	72,537,220.00	72,332,688.74	59,971,856.28	3,365,610.70	8,995,221.76	-
DEFERRED CHARGES AND STATUTORY EXPENDITURES:						
Deferred Charges:						
Operating Deficit	1,230,740.00	1,230,740.00	1,230,740.00		-	-
Prior Years						
FEMA Deobligation	213,009.88	213,009.88		213,009.88	-	-
Tax Appeal	12,696,764.00	12,696,764.00	12,696,764.00		-	
						-
Statutory Expenditures:						-
Contributions to:						-
Public Employees' Retirement System	4,200,249.00	4,363,864.74	4,363,864.74		-	-
Social Security System (O.A.S.I.)	2,900,000.00	2,885,000.00	2,524,120.13		360,879.87	-
Consolidated Police and Firemen's Pension Fund	435.00	435.00			435.00	-
Police and Firemen's Retirement System	15,568,834.00	15,605,749.52	15,605,749.52		-	-
Defined Contribution Retirement Program	50,000.00	50,000.00	26,053.02		23,946.98	-
Lifeguard Pension	1,150,000.00	1,165,000.00	1,098,595.23		66,404.77	-
Pension Increase Act - CPF	18,582.47	18,582.47	18,582.47		-	-
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	38,028,614.35	38,229,145.61	37,564,469.11	213,009.88	451,666.62	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	190,701,070.35	190,701,070.35	173,192,880.11	3,578,620.58	13,929,569.66	-
OPERATIONS - EXCLUDED FROM "CAPS"						
(A) Operations - Excluded from "CAPS"						
Maintenance of Library	2,800,581.64	2,800,581.64	2,567,199.84	233,381.80	0.00	-
					-	-
Interlocal Service Agreement - Pleasantville BOE	160,000.00	160,000.00	33,427.90		126,572.10	-
Interlocal Service Agreement - CRDA Class 2's	1,000,000.00	1,000,000.00	525,851.03		474,148.97	-
	3,960,581.64	3,960,581.64	3,126,478.77	233,381.80	600,721.07	-
(A) Public and Private Programs Off-Set by Revenues						
Clean Communities	98,461.24	98,461.24	98,461.24		-	-
Drunk Driving Enforcement Fund	2,849.83	2,849.83	2,849.83		-	-

The accompanying Notes to Financial Statements are an integral part of this statement

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
COPS in Shops	5,000.00	5,000.00	5,000.00		-	-
Body Worn Cameras	30,000.00	30,000.00	30,000.00		-	-
Winter Wonderland Festival	17,125.00	17,125.00	17,125.00		-	-
NJ Body Armor	23,035.81	23,035.81	23,035.81		-	-
Alliance on Alcoholism and Drugs	30,059.00	30,059.00	30,059.00		-	-
Alliance on Alcoholism and Drugs - Match	7,515.00	7,515.00	7,515.00		-	-
AC Devco	170,000.00	170,000.00	170,000.00		-	-
AC Housing Authority	30,000.00	30,000.00	30,000.00		-	-
FEMA Assistance to Firefighters	185,651.00	185,651.00	185,651.00		-	-
FEMA Assistance to Firefighters - Match	18,565.00	18,565.00	18,565.00		-	-
AC Meals on Wheels	12,090.00	12,090.00	12,090.00		-	-
County Environmental Health Act	48,000.00	48,000.00	48,000.00		-	-
NJ BPU - LEDLighting Upgrad	2,000,000.00	2,000,000.00	2,000,000.00		-	-
NJ DOT - Rsurface Ventnor Ave	196,000.00	196,000.00	196,000.00		-	-
EDA Boardwalk Reconstruction - Match	32,288.00	32,288.00	32,288.00		-	-
Harold Brown Memorial Park	666,296.00	666,296.00	666,296.00		-	-
Hazardous Discharge - Riverside Business Park	47,985.00	47,985.00	47,985.00		-	-
NJ DEP Acquisition - Altman Playground		378,271.25	378,271.25		-	-
Brownfields - Bungalow Park Site Cleanup		163,658.00	163,658.00		-	-
Brownfields - Delta Basin Site Cleanup		200,000.00	200,000.00		-	-
Brownfields - Hazardous Contamination		200,000.00	200,000.00		-	-
Brownfields - Petroleum Contamination		200,000.00	200,000.00		-	-
Matching Funds	60,197.00	60,197.00			60,197.00	-
		-	-		-	-
Total Public and Private Programs Off-Set by Revenues	3,681,117.88	4,823,047.13	4,762,850.13	-	60,197.00	-
Total Operations - Excluded from "CAPS"	7,641,699.52	8,783,628.77	7,889,328.90	233,381.80	660,918.07	-
Detail:						
Salaries and Wages						
Other Expenses	7,641,699.52	8,783,628.77	7,889,328.90	233,381.80	660,918.07	-
(C) Capital Improvements						
Capital Improvement Fund	200,000.00	200,000.00	200,000.00		-	-
Total Capital Improvements	200,000.00	200,000.00	200,000.00	-	-	-
(D) Debt Service						
Payment of Bond Principal	23,760,000.00	23,760,000.00	23,760,000.00		-	-

The accompanying Notes to Financial Statements are an integral part of this statement

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
Payment of Bond Anticipation Notes		-			-	-
Interest on Bonds	13,022,942.00	13,022,942.00	13,022,824.09		0.00	117.91
Interest on Notes		-			-	-
Total Debt Service	36,782,942.00	36,782,942.00	36,782,824.09	-	0.00	117.91
(E) Deferred Charges						
Emergency Authorizations	350,000.00	350,000.00	350,000.00			-
Special Emergency Authorization		-				-
Deferred Charge to Future Taxation - Unfunded		-				-
Total Deferred Charges	350,000.00	350,000.00	350,000.00	-	-	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	44,974,641.52	46,116,570.77	45,222,152.99	233,381.80	660,918.07	117.91
SUBTOTAL GENERAL APPROPRIATIONS	235,675,711.87	236,817,641.12	218,415,033.10	3,812,002.38	14,590,487.73	117.91
(M) Reserve for Uncollected Taxes	6,032,615.12	6,032,615.12	6,032,615.12			-
TOTAL GENERAL APPRORIATIONS	$ 241,708,326.99	242,850,256.24	224,447,648.22	3,812,002.38	14,590,487.73	117.91

Budget	241,708,326.99	Cancelled	117.91
Appropriations by 40A:4-87	1,141,929.25	Overexpended	-
Emergency Appropriations			
	242,850,256.24		117.91

Reserve for Uncollected Taxes	6,032,615.12
Federal and State Grants	4,762,850.13
Reserve for Tax Appeals	
Deferred Charges	14,277,504.00
Disbursements	199,374,678.97
	224,447,648.22

The accompanying Notes to Financial Statements are an integral part of this statement

Exhibit B

TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,

ASSETS	Ref.	2016	2015
Dog License Fund:			
Cash		$ 1,417.80	2,310.00
		1,417.80	2,310.00
Community Development Block Grant:			
Cash		78,498.71	1,430,173.16
CDBG Receivable		1,665,125.41	1,407,022.42
HOME Receivable		872,771.43	724,839.65
Loans Receivable		600,896.51	600,896.51
Due from Current			
Deferred Loan		5,256,737.58	5,256,737.58
		8,474,029.64	9,419,669.32
Other Funds:			
Cash - Treasurer		7,784,124.89	2,608,615.43
Cash - Collector		1,720,362.88	4,184,409.26
Police Detail Receivable		82,929.15	35,510.83
Due from Current Fund		11,537,704.48	15,124,910.69
Loan Receivable - NPP Program		1,254.45	1,254.45
		21,126,375.85	21,954,700.66
		29,601,823.29	31,376,679.98
LIABILITIES, RESERVES AND FUND BALANCE			
Dog License Fund:			
Due to Current Fund		388.80	1,134.00
Due to State of New Jersey		-	-
Reserve for Dog Fund Expenditures		1,029.00	1,176.00
		1,417.80	2,310.00
Community Development Block Grant:			
Reserve for Community Development			
Block Grant - Appropriated		2,510,736.50	2,020,654.83
Reserve for Loans Receivable		5,857,634.09	5,857,634.09
Due to Agencies			10,301.13
Due to Current Fund		105,659.05	1,531,079.27
		8,474,029.64	9,419,669.32
Other Funds:			
Deposits for Redemption of Tax Sale Certificates		562,962.88	1,566,969.67
Premiums on Tax Sale Deposits		1,157,400.00	2,614,800.00
Due to Taxpayers - Tax Title Lien		-	2,639.59
Encumbrances Payable		2,344,862.84	1,346,219.39
Reserve for NNP Loan			-
Overpaid Special Detail Services		100,892.57	148,344.09
Due to Current Fund		3.29	3.29
Due to Federal and State Grant Fund		756.09	756.09
Miscellaneous Reserves		16,959,498.18	16,274,968.54
		21,126,375.85	21,954,700.66
Total		$ 29,601,823.29	31,376,679.98

The accompanying Notes to Financial Statements are an integral part of this statement

GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,

	Ref.	2016	2015
ASSETS			
Cash		$ 15,059,739.48	18,473,829.50
Deferred Charges to Future Taxation -			
Funded		223,646,000.00	247,406,000.00
Unfunded		480,000.00	480,000.00
Interfunds and Receivables			
Due from State of New Jersey		270,000.00	270,000.00
		239,455,739.48	266,629,829.50
LIABILITIES, RESERVES AND FUND BALANCE			
Encumbrances Payable		1,306,549.22	3,432,324.18
Bond Anticipation Notes Payable		-	-
Serial Bonds Payable		49,530,000.00	61,025,000.00
Tax Appeal Refunding Bonds		174,116,000.00	186,381,000.00
Improvement Authorizations:			
Funded		9,650,755.43	11,139,070.49
Unfunded		480,000.00	480,000.00
Reserve for Payment of Bonds		-	-
Capital Improvement Fund		911,292.97	711,292.97
Fund Balance		3,461,141.86	3,461,141.86
		$ 239,455,739.48	266,629,829.50

There were bonds and notes authorized but not issued at December 31

2015	480,000.00
2016	480,000.00

GENERAL CAPITAL FUND
COMPARATIVE STATEMENT OF FUND BALANCE -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,

		2016	2015
Beginning Balance January 1	$	3,461,141.86	1,268,930.05
Increased by:			
Premiums on sale of Bonds & Notes			342,054.25
Canceled Improvement Authorizations		-	3,225,157.56
Decreased by:			
Transfer to Current Fund			
Transfer to Improvement Authorizations			1,375,000.00
Ending Balance December 31	$	3,461,141.86	3,461,141.86

The accompanying Notes to Financial Statements are an integral part of this statement

STATEMENT OF GENERAL FIXED ASSETS
REGULATORY BASIS
AS OF DECEMBER 31,

	2016	2015
General Fixed Assets:		
Land	$ 622,642,682.64	622,642,682.64
Land Improvements	9,746,440.00	8,965,912.25
Buildings	65,094,809.33	63,702,056.00
Machinery and Equipment	27,970,412.62	25,317,845.54
Vehicles	25,728,126.49	24,907,797.27
	751,182,471.08	745,536,293.70
Investment in General Fixed Assets	$ 751,182,471.08	745,536,293.70

The accompanying Notes to Financial Statements are an integral part of this statement

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Atlantic City is a resort community in the County of Atlantic, State of New Jersey. The City covers an area of approximately 12 square miles with a population according to the 2010 census of 39,558. The City operates under a Mayor and Council form of government with the Mayor being the chief executive officer of the City and directly elected by the voters. The City Council is the law making body and passes all resolutions and ordinances. The City also employs a City Administrator who is responsible for the day to day operations of the City. Except as noted below, the financial statements of the City of Atlantic City include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the City of Atlantic City, as required by N.J.S. 40A:5-5.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. If the City reported under GAAP, the Atlantic City Municipal Utility Authority, 401 N. Virginia Avenue, Atlantic City and the Atlantic City Public Library, 1600 Atlantic Ave, Atlantic City would be considered component units. Complete financial statements for the component units may be obtained at the entity’s administrative offices.

B. Description of Funds

The accounting policies of the City of Atlantic City conform to the accounting principles applicable to municipalities that have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with the respect to public funds. Under this method of accounting, the City of Atlantic City accounts for its financial transactions through the following separate funds:

Current Fund -- resources and expenditures for governmental operations of a general nature, including Federal and State grant funds.

Trust Funds -- receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

General Capital Fund -- receipt and disbursement of funds for the acquisition of general facilities, other than those acquired in the Current Fund.

General Fixed Assets Account Group -- All fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds.

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from accounting principles generally accepted in the United States of America applicable to local governmental units. The more significant policies in New Jersey follow. A modified accrual basis of accounting is followed with minor exceptions.

Revenues -- are recorded as received in cash except for certain amounts that are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the City budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the City's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the City which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

Expenditures -- are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts that may be canceled by the Governing Body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis.

Foreclosed Property -- Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

Interfunds -- Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories are not included on the various balance sheets.

General Fixed Assets -- The City has developed a fixed assets accounting and reporting system, as promulgated by the Division of Local Government Services, which differs in certain respects from accounting principles generally accepted in the United States of America.

As required by New Jersey Statutes, foreclosed property is reported in the current operating fund of the municipality.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value at the time the land is foreclosed or donated. Land purchased by the City is valued at cost.

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the Capital Funds until such time that construction is completed and put into operation.

Fixed assets acquired through grants in aid or contributed capital have been accounted for separately.

The following schedule is a summarization of the changes in general fixed assets for the most recent calendar year ended December 31, 2016 and 2015:

	Balance as of 12/31/14	Additions	Disposals	Adjustments	Balance as of 12/31/15
Land	$ 622,642,683				622,642,683
Land Improvements	8,296,440	669,472			8,965,912
Buildings	63,702,056				63,702,056
Machinery and Equipment	25,311,017	6,829			25,317,846
Vehicles	24,438,157	469,640			24,907,797
	$ 744,390,353	1,145,941	-	-	745,536,294

	Balance as of 12/31/15	Additions	Disposals	Adjustment	Balance as of 12/31/16
Land	$ 622,642,683				622,642,683
Land Improvements	8,965,912	780,528			9,746,440
Buildings	63,702,056	1,392,753			65,094,809
Machinery and Equipment	25,317,846	2,652,567			27,970,413
Vehicles	24,907,797	820,329			25,728,126
	$ 745,536,294	5,646,177	-	-	751,182,471

Levy of Taxes -- The County Board of Taxation certifies the tax levy of the municipality each year. The tax levy is based on the assessed valuation of taxable property within the municipality. Taxes are payable on the first day of February, May, August, and November. Any taxes that have not been paid by the 11th day of the 11th month in the fiscal year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with NJSA 54:5 et seq.

The municipality is responsible for remitting 100% of the school and county taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the municipality and not the school district, or county.

Capitalization of Interest -- It is the policy of the City of Atlantic City to treat interest on projects as a current expense and the interest is included in the current operating budget.

Use of Estimates -- The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America or the regulatory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Comparative Data

Comparative total data for the prior year has been presented in the accompanying Balance Sheets and Statement of Operations in order to provide an understanding of changes in the City's financial position. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in the Statement of Revenue-Regulatory Basis and Statement of Expenditures-Regulatory Basis since their inclusion would make the statements unduly complex and difficult to read.

E. Recent Accounting Pronouncements Not Yet Effective

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". This statement is effective for fiscal periods beginning after June 30, 2016 establishes new accounting and financial reporting requirements for OPEB plans. It is anticipated that this statement will not have any effect on the City's financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement is effective for fiscal periods beginning after June 30, 2017. Although not determinable, the impact of this statement on the net position of the City is no expected to be significant.

In August 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 77, "Tax Abatement Disclosure". This statement is effective for fiscal periods beginning after December 15, 2015, will not have any effect on the City's financial reporting.

In December 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans". This statement is effective for fiscal periods beginning after December 15, 2015, will not have any effect on the City's financial reporting.

In January 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 80, "Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14". This statement is effective for fiscal periods beginning after December 15, 2016, will not have any effect on the City's financial reporting.

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 81, "Irrevocable Split-Interest Agreements". This statement is effective for fiscal periods beginning after December 15, 2016, will not have any effect on the City's financial reporting.

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 82, "Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No.73". This statement is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the City's financial reporting, however will affect the disclosure of pension related items.

Note 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2016 and 2015 statutory budgets included a reserve for uncollected taxes in the amount of $6,032,615 and $5,037,209. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2016 and 2015 statutory budgets was $0 and $0.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1, these transfers can be made in the form of a resolution and approved by City Council. The following significant budget transfers were approved in the 2016 and 2015 calendar years:

Budget Category	2016	2015
Audit Services		
Other Expenses		110,426
Police		
Other Expenses	(75,000)	
Police Civilian Division		
Other Expenses	75,000	
Director's Office Public Works		
Other Expenses		350,000
Gasoline		(179,264)
Interest to State for Deferred Payments	(200,531)	
Public Employees Retirement System	163,617	
Social Security System (O.A.S.I.)	(15,000)	
Police and Firemen's Retirement System	36,916	
Lifeguard Pension	15,000	

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During 2016, the following budget insertions were approved:

NJ DEP Acquisition - Altman Playground	$	378,271.00
Brownfields - Bungalow Park Site Cleanup		163,658.00
Brownfields - Delta Basin Site Cleanup		200,000.00
Brownfields - Hazardous Contamination		200,000.00
Brownfields - Petroleum Contamination		200,000.00

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the

succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. In 2015 the City authorized an emergency for $350,000, there was $0 left as of December 31, 2016.

Note 3: INVESTMENTS

Interest Rate Risk. The municipality does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk. New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk. The municipality places no limit on the amount the City may invest in any one issuer.

Note 4: CASH

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2016 and 2015, $0 and $0 of the municipality's bank balance of $70,642,559.31 and $71,209,316.19, respectively were exposed to custodial credit risk.

Note 5: LONG TERM DEBT

Long-term debt as of December 31, 2016 and 2015 consisted of the following:

	Balance Beginning 12/31/2014	Additions	Reductions	Balance Ending 12/31/2015	Due in One Year
General	$ 217,856,000.00	53,760,000.00	24,210,000.00	247,406,000.00	23,760,000.00
Comp Absences	28,160,371.79	15,664,662.82	19,632,583.84	24,192,450.77	
Total	$ 246,016,371.79	69,424,662.82	43,842,583.84	271,598,450.77	23,760,000.00

	Balance Beginning 12/31/2015	Additions	Reductions	Balance Ending 12/31/2016	Due in One Year
General	$ 247,406,000.00		23,760,000.00	223,646,000.00	17,162,000.00
Comp Absences	24,192,450.77	12,660,600.79	12,900,830.37	23,952,221.19	
Total	$ 271,598,450.77	12,660,600.79	36,660,830.37	247,598,221.19	17,162,000.00

Paid by Current Fund:

$26,500,000 General obligation bonds dated 2/15/08 with principal payments starting 2/15/09 and ending 2/15/18. $3,000,000 of principal was paid on 2/15/16. Semiannual interest payments began 2/15/09 with annual rates of 2.25% to 5.5%. The balance remaining as of December 31, 2016 was $6,000,000.

$16,354,000 General Improvement bonds dated 2/1/11 with principal payments starting 2/1/12 and ending 2/1/22. $1,600,000 of principal was paid on 2/1/16. Semiannual interest payments began 8/1/11 with annual rates of 3.0% to 5.00%. The balance remaining as of December 31, 2016 was $9,599,000.

$35,285,000 Tax appeal refunding bonds dated 12/15/11 with principal payments starting 12/15/12 and ending 12/15/16. $4,700,000 of principal was paid on 12/15/16. Semiannual interest payments began 6/15/12 with annual rates of 1.40% to 3.299%. The balance remaining as of December 31, 2016 was $0. This entire issue was taxable for federal and state income taxes based on the purpose of the bond ordinance and in the opinion of Bond Council.

$15,710,000 General obligation refunding bonds dated 4/1/12 with principal payments starting 10/1/12 and ending 4/1/17. $3,075,000.00 of principal was paid on 4/1/16. Semiannual interest payments began 4/1/13 with annual rates of 3.0% to 5.00%. The balance remaining as of December 31, 2016 was $3,220,000. $15,710,000 of the refunding bonds replaced $16,150,000 of the series 2003 General obligation refunding bonds. The net present value savings exceeded $606,000.

$5,450,000 Pension refunding bonds dated 4/1/12 with principal payments starting 4/1/13 and ending 4/1/21. $585,000.00 of principal was paid on 4/1/16. Semiannual interest payments began 4/1/13 with annual rates of 2.314% to 4.756%. The balance remaining as of December 31, 2016 was $3,295,000. $5,450,000 of the pension refunding bonds replaced $5,325,035 of State of New Jersey PERS ERI Program debt. The net present value savings exceeded $421,000.

$93,000,000 Tax appeal refunding bonds dated 12/5/12 with principal payments starting 11/1/13 and ending 11/1/32. $7,565,000.00 of principal was paid on 11/1/16. Semiannual interest payments began 5/1/13 with annual rates of 1.388% to 5.00%. The balance remaining as of December 31, 2016 was $83,380,000. $2,620,000 of this issue was taxable for federal and state income taxes based on the purpose of the bond ordinance and in the opinion of Bond Council.

$48,976,000 Tax appeal refunding bonds dated 12/5/13 with principal payments starting 12/1/17 and ending 12/1/33. Semiannual interest payments began 6/1/14 with annual rates of 3.00% to 5.00%. The balance remaining as of December 31, 2016 was $48,976,000.

$13,901,000 General Obligation bonds dated 12/5/13 with principal payments starting 12/1/14 and ending 12/1/28. $790,000.00 of principal was paid on 12/1/16. Semiannual interest payments began 6/1/14 with annual rates of 3.00% to 5.00%. The balance remaining as of December 31, 2016 was $11,881,000.

$7,710,000 General obligation refunding bonds dated 1/15/14 with principal payments starting 7/15/14 and ending 1/15/18. $2,020,000.00 of principal was paid on 1/15/16. Semiannual interest payments began 7/15/14 with annual rates of 2.09%. The balance remaining as of December 31, 2016 was $5,980,000. $3,960,000 of the refunding bonds replaced $7,480,000 of the series 2005 General obligation refunding bonds.

$41,760,000 Tax appeal refunding bonds dated 5/21/15 with principal payments starting 3/1/20 and ending 3/1/40. Semiannual interest payments will begin in 2016 with annual rates of 7.00% to 7.50%. The balance remaining as of December 31, 2016 was $41,760,000.

$12,000,000 General obligation bonds dated 5/28/15 with principal payments starting 3/1/16 and ending 3/1/30. $425,000.00 of principal was paid on 3/1/16. Semiannual interest payments will begin in 2016 with annual rates of 6.00%. The balance remaining as of December 31, 2016 was $11,575,000.

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Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding

Calendar Year	General Capital Principal	Total Interest	Total
2017	$ 17,162,000.00	11,159,787.41	28,321,787.41
2018	14,045,000.00	10,411,417.91	24,456,417.91
2019	17,090,000.00	9,911,455.38	27,001,455.38
2020	16,015,000.00	9,032,297.50	25,047,297.50
2021	15,360,000.00	8,216,646.60	23,576,646.60
2022-2026	62,329,000.00	30,709,150.00	93,038,150.00
2027-2031	43,880,000.00	18,145,331.26	62,025,331.26
2032-2036	21,175,000.00	9,445,687.50	30,620,687.50
2037-2040	16,590,000.00	2,604,750.00	19,194,750.00
	$ 223,646,000.00	109,636,523.56	333,282,523.56

As of December 31, 2016, the carrying value of the above bonds approximates the fair value of the bonds.

Bonds & Notes Issued	$ 223,646,000.00	247,406,000.00	217,856,000.00
Notes/Loans		-	52,800,000.00
Less: Funds Temporarily Held to Pay Bonds and Notes		-	7,956.44
Net Debt Issued	223,646,000.00	247,406,000.00	270,648,043.56
Authorized but not issued:			
General:			
Bonds and notes	480,000.00	480,000.00	100,480,000.00
Bonds & Notes Authorized But Not Issued	480,000.00	480,000.00	100,480,000.00
Net Bonds & Notes Issued and Authorized But Not Issued	$ 224,126,000.00	247,886,000.00	371,128,043.56

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 2.141%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	$ 70,696,000.00	70,696,000.00	-
General Debt	238,845,148.00	14,719,148.00	224,126,000.00
	$ 309,541,148.00	85,415,148.00	224,126,000.00

Net Debt $224,126,000/ Equalized Valuation Basis per NJSA 40A:2-2 as amended, $8,695,098,227.33 = 2.578%.

The foregoing information is in agreement with the Annual Debt Statement filed with the Division of Local Government Services.

Borrowing Power Under N.J.S.A. 40A:2-6 as Amended

3 1/2 % of Equalized Valuation Basis (Municipal)	$ 304,328,437.96
Net Debt	224,126,000.00
Remaining Borrowing Power	$ 80,202,437.96

The City of Atlantic City School District, as a K-12 school district, is permitted to borrow up to 4% of the average equalized valuation for the past three years. State statutes allow a school district to exceed the districts limitation with voter approval. Any amounts approved by the voters in excess of the limit is treated as an impairment of the municipal limit.

Note 6: SHORT-TERM OBLIGATIONS

There were no short term obligations during the 2016 year. The 2015 short term obligations were as follows:

	Balance 12/31/14	Issued	Retired	Balance 12/31/15
Bond Anticipation Notes payable:				
General	$ 52,800,000.00		52,800,000.00	-
	$ 52,800,000.00	-	52,800,000.00	-

The City had no outstanding short term obligations as of December 31, 2016 and 2015.

Note 7: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2016 and 2015, which were appropriated and included as anticipated revenue in their own respective funds for the years ending December 31, 2017 and 2016 were as follows:

	2016
Current Fund	$0

The 2017 budget has not been adopted as of the date of the audit.

Note 8: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2016, the following deferred charges are shown on the balance sheets of the various funds:

	Balance December 31, 2016	2017 Budget Appropriation	Balance to Succeeding
Current fund:			
Deficit in Operations	$ 8,615,182.24	1,230,740.00	7,384,442.24
Deficit due to Tax Appeals	108,028,257.32	-	108,028,257.32
Prior Outstanding Payables	37,588,785.85	-	37,588,785.85
	$ 154,232,225.41	1,230,740.00	153,001,485.41

The 2017 budget has not yet been adopted. The City is currently under the supervision of a State Monitor, and the amounts required to be appropriated for the Deficit due to Tax Appeals and the Prior Outstanding Payables will be determined by the State prior to the budget being adopted.

The appropriations in the 2017 Budget are not less than that required by statute and State agreement.

Note 9: SCHOOL TAXES

Local District School Tax in the amount of $100,077,234.75 has been raised for the 2016 calendar year and $90,835,128.06 remitted to the school district leaving a $9,242,106.69 balance payable. Since the school district operates on a July 1 to June 30 fiscal year the school tax levy is determined by taking 50% of the prior year and 50% of the current year requirements, plus the actual amount needed for debt service.

Note 10: TAXES COLLECTED IN ADVANCE

Taxes collected in advance are recorded as cash liabilities in the financial statements. Following is a comparison of the liability for the previous two years:

	Balance 12/31/16	Balance 12/31/15
Prepaid Taxes	$ 840,825.85	1,237,391.88
Cash Liability for Taxes Collected in Advance	$ 840,825.85	1,237,391.88

Note 11: PENSION FUNDS

Description of Plans

Substantially all of the City's employees are covered by the Public Employees' Retirement System (PERS) and Police and Fireman's Retirement System (PFRS), a cost-sharing multiple-employer defined benefit pension plan which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and Police and Fireman's Retirement System. This report may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or the report can be accessed on the internet at
http://www.state.nj.us/treasury/pensions/annrpts.shtml.

Public Employees' Retirement System

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State-administered retirement system or other state or local jurisdiction.

Police and Fireman's Retirement System

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate.

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (NJSA43:15C-1 et seq). The DCRP is a cost sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by NJSA 43:15C-1 et seq.

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provide for employee contributions of 7.06% through June 30, 2016 and 7.13% thereafter of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS and PFRS. The current PERS rate is 6.98% of covered payroll and for PFRS a rate of 10.0% of covered payroll. The City's contributions to PERS for the years ending December 31, 2016, 2015 and 2014 were $4,363,864.74, $0.00 and $3,534,671.00 respectively, equal to the required contributions for each year. The City's contributions to PFRS for the years ending December 31, 2016, 2015 and 2014 were $15,605,749.52, $0.00 and $14,323,084.39 respectively, equal to the required contributions for each year. The City received permission from the State Division of Local Government Services to defer the 2015 payments due for the pensions. The amounts have been accrued as payables on the balance sheet as of December 31, 2016 in the amounts of $3,985,571.50 for PERS and $14,660,768.52 for PFRS. For the year 2009 the City elected to defer 50% of the PERS and PFRS payments. The City started to budget the deferred amount in 2012 for 5 years, in addition to 8.5% interest.

Significant Legislation

Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Chapter 1, P.L. 2010, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to $1/60^{th}$ from $1/55^{th}$, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the Prosecutors

Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined a 1/7th of the required amount, beginning in fiscal years 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform; established a DCRP for elected and certain appointed officials, effective July 1, 2007; the new pension loan interest rate became 4.69% per year, and an $8.00 processing fee per loan was charged, effective January 1, 2008. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the Funds and Systems when excess assets are available.

Note 12: PENSION LIABILITIES

In 2012, the Governmental Accounting Standards Board issued GASB statement 68. This statement is effective for fiscal years beginning after June 15, 2014. This statement changes the method of reporting the municipality's pension liabilities. However, due to the fact that the municipality reports on the regulatory basis of accounting, no financial statement impact will be recognized.

The following represents the municipality's pension liabilities as June 30, 2016:

Public Employees' Retirement System

The Municipality has a liability of $115,125,249.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Municipality's proportion would be .38871167490%, which would be a decrease of 17.26% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Municipality would have recognized pension expense of $8,760,124.00. At December 31, 2016, the Municipality would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	$ 2,140,981	
Changes of assumptions	23,847,802	
Changes in proportion	2,331,963	(13,218,448)
Net difference between projected and actual earnings on pension plan investments	4,389,830	
Total	$ 32,710,576	(13,218,448)

Amounts that would be reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows:

Year ended June 30,		
2017	$	4,411,190
2018		4,411,190
2019		5,042,896
2020		4,220,064
2021		1,406,787
Total	$	19,492,128

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	3.08%
Salary increases:	
Through 2026	1.65% - 4.15% (based on age)
Thereafter	2.65% - 5.15% (based on age)
Investment rate of return:	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2014 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy

Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation)are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflations. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt (Except US)	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Municipality's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Municipality's proportionate share of the net pension liability calculated using the discount rate of 3.98%, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.98%) or 1-percentage point higher (4.98%) than the current rate:

	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Municipality's proportionate share of the net pension liability	$ 137,966,529	115,125,249	96,288,039

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Police and Firemen's Retirement System

The Municipality has a liability of $314,099,932.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Municipality's proportion would be 1.64428204790%, which would be a decrease of 9.48% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Municipality would have recognized pension expense of $28,545,743.00 At December 31, 2016, the Municipality would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience		(2,058,972)
Changes of assumptions	43,505,422	
Changes in proportion	2,262,316	(24,257,636)
Net difference between projected and actual earnings on pension plan investments	22,008,350	
Total	$ 67,776,088	(26,316,608)

Amounts that would be reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows:

Year ended June 30,		
2016	$	10,025,430
2017		10,025,430
2018		13,306,706
2019		7,795,366
2020		306,548
Total	$	41,459,480

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	3.08%
Salary increases:	
Through 2026	2.10% - 8.98% (based on age)
Thereafter	3.10% - 9.98% (based on age)
Investment rate of return:	7.65%

Pre-retirement mortality rates were based on the RP-2000 Pre-Retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt (Except US)	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liability was 5.55% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Municipality's proportionate share of the net pension liability to changes in the discount rate.

The following presents the collective net pension liability of the participating employers as of June 30, 2016, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
District's proportionate share of the net pension liability	$ 399,301,646	314,099,932	244,650,964

In addition to the PFRS liabilities listed above, a special funding situation exists for the Local employers of the Police and Fire Retirement System of New Jersey. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers under Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The June 30, 2016 State special funding situation net pension liability amount of $1,604,141,087.00, is the accumulated differences between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The fiscal year ending June 30, 2016 State special funding situation pension expense of $204,886,666.00 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2016. The pension expense is deemed to be a State administrative expense due to the special funding situation.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and required contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2016, the State contributed an amount less than the actuarially determined amount.

Although the liabilities related to the special funding situation are the liabilities of the State of New Jersey, the proportionate share of the statewide liability allocated to the Municipality was 1.64428204790 % for 2016. The net pension liability amount allocated to the Municipality was $26,376,604.00. For the fiscal year ending June 30, 2016 State special funding situation pension expense of $3,368,914.00 is allocated to the Municipality.

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued PFRS financial report.

Note 13: PENSION PLAN FOR LIFEGUARDS

The City of Atlantic City has established a pension plan to provide retirement, disability and survivor pension benefits for the individuals who serve on the City's lifeguard force. An eligible employee becomes a plan member upon employment. Employee contributions shall be withheld from the member's salary at the rate of 4.0% and contributed to the plan for his benefit. Retiree benefits are paid out of the current fund and charged to the current operating budget of the City. A plan member may retire with a pension only after his 45th birthday and after he has completed 20 years of service, the last 10 must have been completed immediately preceding his application.

Employee contributions to the pension fund were $64,434.40 and $74,183.06 and benefits paid to retirees was $1,163,029.63 and $1,081,777.88 for the years ended December 31, 2016 and 2015, respectively. The City has not established a separate trust fund for the accumulation of contributions and the payment of retiree benefits.

Note 14: POST-RETIREMENT BENEFITS

The City contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 2009, the City authorized participation in the State Health Benefit Program through resolution 307-2009.

Members of the Public Employees' Retirement System would generally qualify for coverage under the following criteria:

Service Retirement	Eligible at age 60
Early Retirement	Eligible after 25 years of service
Service or Early Retirement Eligibility for State-paid SHBP Benefits	Attainment of 25 years of service
Ordinary Disability Retirement	Eligible after 10 years of service
Accidental Disability	Eligible upon total and permanent disability prior to age 65 as a result of a duty injury

The New Jersey State Health Benefits Plan issues a stand-alone financial report under GASB 43. To view the report, go to http://www.state.nj.us/treasury/pensions/shbp.htm.

The City is a member of the SHBP. During 2016, $31,656,479.77 was paid by the City for health care, of which $11,170,495.74 was paid for retirees and additional $4,588,394.91 was withheld and paid by employees. The amount paid during 2015 was $10,786,246.99, of which $2,465,532.10 was paid for retirees. The City has deferred health benefit payments from 2015 with permission from the State Division of Local Government Services. The City has accrued $18,942,445.83 in Health Benefits Payable as of December 31, 2016.

Note 15: DEFERRED COMPENSATION

Employees of the City of Atlantic City may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans With Respect to Service For State and Local Governments).

The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

The deferred compensation plan is administered by an unrelated financial institution. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the employees.

As part of its fiduciary role, the City has an obligation of due care in selecting the third party administrator. In the opinion of the City's legal counsel, the City has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

Note 16: LABOR CONTRACTS

As of December 31, 2016, the City's employees are organized in the following collective bargaining units. Contracts are continually being negotiated the following table shows their current status.

Contract	Category	Expiration	Covers
ACWCPA	White Collar	12/31/14	All employees except police, fire, craft and blue collar workers. Supervisors are also excluded.
PBA	Police	12/31/15	All uniformed police, detectives, and other special police units, excluding the chief, deputy chief, inspectors, captains, and all other employees of the City.
IAFF	Firefighters	12/31/14	All uniformed firefighters
IBEW #351	Construction Code Inspectors	12/31/14	All Construction Office inspectors.
GWU # 910	Supervisors	12/31/14	All supervisors
AFL-CIO #2303	Blue Collar	12/31/14	Blue collar workers
AFL-CIO # 2303C	Beach Patrol	12/31/12	All lifeguards, lieutenants and captains, but excludes chief, assistant chief, area chief, beach surgeon, medical assistant.
SOA	Superior Officers'	12/31/15	Police captains, excluding chief, deputy chief, inspectors, and all other employees of the City.

Note 17: ACCRUED SICK AND VACATION BENEFITS

The City has permitted full time employees to accrue unused sick and vacation time, which may be taken as time off or paid at a later date at an agreed upon rate. The monetary value of these earned and unused employee benefits has not been accrued by either charges to operations or to budgets of prior years, although in some cases they might be material, since the realization of this liability may be affected by conditions which preclude an employee from receiving full payment of the accrual. At December 31, 2016 and 2015, the City estimates this liability to approximate $23,952,221.19 and $24,192,450.77, respectively. The policy of not reflecting the accrued benefit is not in agreement with GASB Statement No. 12. Effective January 1, 2002 the State of New Jersey is allowing municipalities to accrue a compensated absences liability. The City has established a reserve that as of December 31, 2016 and 2015 was $4,468,651.50 and $4,095,598.18, respectively.

Note 18: ECONOMIC DEPENDENCY

The City of Atlantic City is economically dependent on one industry as a major source of tax revenue for the City. The City receives approximately 65% of the Tax Levy from the Casino industry.

Note 19: COMMITMENTS AND CONTINGENCIES

During the normal course of operations, lawsuits are frequently brought against the governmental unit. There are presently numerous suits pending against the City.

The City has not prepared an Incurred But Not Reported ("IBNR") report for the General Liability or Workers Compensation self funded insurance. The General Liability loss reserve calculated by the insurance consultant is approximately $13,800,000. This Reserve is underfunded without including an IBNR calculation, by over $12,400,000. Based on verification by the City's Insurance Broker and Solicitor the loss reserves include an adequate basis for estimating potential liabilities to the City at December 31, 2016. Also, estimates of payments to be made in 2016 were included in the City's 2016 budget. Additionally, the City has purchased an excess loss policy for any losses over $500,000.

The Worker Compensation report, prepared by the City's other consultant, indicated current claims of over $9,500,000. This Reserve is underfunded without including an IBNR calculation, by over $4,600,000. Based on verification by the City's Insurance Broker and Solicitor the loss reserves include an adequate basis for estimating potential liabilities to the City at December 31, 2016. Also, estimates of payments to be made in 2017 will be included in the City's 2017 budget.

In prior years the City has settled real estate tax appeal with a number of casinos and non-casino properties. The settlement and appeals were comprised of cash payment and future tax credits. The tax credits are applied against the quarterly tax bills to a maximum of the total bill. The application of the credit results in a negative adjustment to fund balance. As of December 31, 2016 there were credits to be applied. Any appeals or settlements with the casinos may be funded with tax appeal bonds or are listed as overpaid taxes on the financial statements. As of December 31, 2016 there are two unfunded settlements. The first is with the Borgata Casino Hotel. The City has agreed to a settlement of $72,000,000. The City adopted an ordinance in 2017 to refund the settlement but has not issued debt as of the date of this report and tax credits had been taken by the Borgata through December 31, 2016. The second is with MGM, a non-casino land. As of December 31, 2016 the City owed $32,264,732 in tax credits. The City currently includes $5,000,000 in operations each year which reflects the annual credits.

Note 20: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance – The City is self insured for property, liability some employee health plans and workers compensation. The City has commercial coverage for surety bonds and employee health insurance.

The self insurance has an excess policy for covered claims over $500,000

The following is the activity for the years ended December 31,

	2016		2015	
	General Liability	Worker Compensation	General Liability	Worker Compensation
Beginning of Year:				
Unencumbered Reserve	$ 4,055,130.08	3,757,028.84	1,954,640.65	3,171,837.00
Other	81,831.77	326,852.43	33,994.36	282,545.65
Funded by Budget Appropriation	4,295,000.00	5,336,000.00	8,177,500.00	5,091,500.00
	8,431,961.85	9,419,881.27	10,166,135.01	8,545,882.65
Paid	5,468,568.48	4,508,190.85	6,111,004.93	4,788,853.81
End of Year	2,963,393.37	4,911,690.42	4,055,130.08	3,757,028.84
Analysis of Balance				
Unencumbered Reserve	2,963,393.37	4,911,690.42	3,208,341.52	3,757,028.84
Encumbrances/Payables			846,788.56	
	$ 2,963,393.37	4,911,690.42	4,055,130.08	3,757,028.84

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Note 21: INTERFUND BALANCES

As of December 31, 2016, the following interfunds were included on the balance sheets of the various funds of the City of Atlantic City:

	Due From	Due to
Current Fund:		
CDBG Trust	$ 105,659.05	
Grant Fund	3,098,512.95	
Trust Fund - Dog Fund	388.80	
Trust Funds - Other	158,316.53	11,696,017.72
Grant Fund:		
Current Fund		3,098,512.95
Trust Funds – Other	756.09	
Trust Fund:		
Current -		
Dog Fund		388.80
Other Trusts	11,537,704.48	3.29
CDBG		105,659.05
Grant Fund		756.09
	$ 14,901,337.90	14,901,337.90

The Grant Fund only maintains a bank account for specific grants. All other grant activity is transacted through Current Fund bank accounts. A number of the Trust Funds do not maintain bank accounts. Their activity is transacted through the Current Fund bank accounts. The CDBG interfund is due to a timing issue based on the drawdown of Federal funds.

Note 22: SUBSEQUENT EVENTS

The management of the City has been placed under the Local Finance Board (the "Board") by the State of New Jersey under the authority of the Municipal Stabilization and Recovery Act (the "Act".) Under the Act, the Board has the authority to, among other powers, renegotiate and/or break union contracts. As of the date of the audit report, the police and fire unions have filed lawsuits to block the contract changes proposed.

In order to stabilize the ratable tax base, S1715/A-3209, known as the PILOT bill, went into effect in 2017. The bill provides for the casinos within the City to make guaranteed mandatory minimum payments in lieu of paying property taxes for a ten year period. During this period, the casinos will be unable to file tax appeals and will be required to make quarterly payments.

The City has evaluated events through April 14, 2017, the date which the financial statements were available to be issued and no additional items, except as noted above, were noted for disclosure.

APPENDIX C

FORM OF TRUST AGREEMENT

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SUPPLEMENTAL SECURITY AND TRUST AGREEMENT
FOR BONDS OF THE
CITY OF ATLANTIC CITY, NEW JERSEY

DATED AS OF APRIL 1, 2018

BY AND BETWEEN

CITY OF ATLANTIC CITY, NEW JERSEY

AND

THE BANK OF NEW YORK MELLON, AS TRUSTEE

SUPPLEMENTAL SECURITY AND TRUST AGREEMENT
FOR BONDS OF THE
CITY OF ATLANTIC CITY, NEW JERSEY

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SUPPLEMENTAL SECURITY AND TRUST AGREEMENT
FOR BONDS OF THE
CITY OF ATLANTIC CITY, NEW JERSEY

This "SUPPLEMENTAL SECURITY AND TRUST AGREEMENT FOR BONDS OF THE CITY OF ATLANTIC CITY, NEW JERSEY" dated as of April 1, 2018 (as the same may be amended and supplemented from time to time in accordance with its terms, and including the Exhibits hereto as if fully set forth herein, the "*Trust Agreement*") by and between the **City of Atlantic City**, in the County of Atlantic, State of New Jersey (the "*City*") and **The Bank of New York Mellon**, as trustee (the "*Trustee*") hereunder.

WHEREAS, on January 27, 2011, the City issued its "General Improvement Bonds, Series 2011" in the original aggregate principal amount of $16,354,000 (the "*Series 2011 Bonds*"), all in accordance with the Local Bond Law, P.L. 1964, c. 72, codified at N.J.S.A. 40A:2-1 *et seq*. (as amended from time to time, the "*Local Bond Law*"), other applicable law, that certain "RESOLUTION DETERMINING THE FORM AND OTHER DETAILS OF $16,354,000 GENERAL IMPROVEMENT BONDS OF THE CITY OF ATLANTIC CITY, IN THE COUNTY OF ATLANTIC, NEW JERSEY AND PROVIDING FOR THEIR SALE." adopted January 19, 2011 (the "*Series 2011 Original Bond Resolution*"), and other applicable official action;

WHEREAS, on April 19, 2012, the City issued its "Pension Refunding Bonds (Taxable), Series 2012" in the original aggregate principal amount of $5,450,000 (the "*Series 2012[1st] Bonds*"), all in accordance with the Local Bond Law, other applicable law, that certain "RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF NOT TO EXCEED $23,600,000 AGGREGATE PRINCIPAL AMOUNT OF GENERAL OBLIGATION REFUNDING BONDS (THE "REFUNDING BONDS") OF THE CITY OF ATLANTIC CITY, IN THE COUNTY OF ATLANTIC, STATE OF NEW JERSEY (THE "CITY") CONSISTING OF NOT TO EXCEED $17,500,000 AGGREGATE PRINCIPAL AMOUNT OF GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012 AND NOT TO EXCEED $6,100,000 AGGREGATE PRINCIPAL AMOUNT OF PENSION REFUNDING BONDS (TAXABLE), SERIES 2012, AUTHORIZED BY A REFUNDING BOND ORDINANCES HERETOFORE FINALLY ADOPTED BY THE CITY COUNCIL OF THE CITY ON MARCH 7, 2012, TO REFUND CERTAIN BONDS AND PENSION LIABILITIES OF THE CITY, AND PROVIDING FOR THE FORM AND OTHER DETAILS WITH RESPECT TO THE SALE AND ISSUANCE OF SAID REFUNDING BONDS" adopted April 11, 2012 (the "*Series 2012[1st] Original Bond Resolution*"), and other applicable official action;

WHEREAS, on December 5, 2012, the City issued its "Tax Appeal Refunding Bonds, Series 2012 (Tax Exempt)" in the original aggregate principal amount of $90,380,000 (the "*Series 2012[2nd] Bonds*"), all in accordance with the Local Bond Law, other applicable law, that

certain Resolution of the City of Atlantic City No. 798 adopted September 26, 2012 (the "*Series 2012[2nd] Original Bond Resolution*"), and other applicable official action;

WHEREAS, on November 26, 2013, the City issued its "General Obligation Bonds, Series 2013" in the original aggregate principal amount of $13,901,000 (the "*Series 2013[1st] Bonds*"), all in accordance with the Local Bond Law, other applicable law, that certain "RESOLUTION DETERMINING THE FORM AND OTHER DETAILS OF THE OFFERING OF $14,690,000 GENERAL OBLIGATION BONDS, SERIES 2013 AND $52,085,000 TAX APPEAL REFUNDING BONDS SERIES 2013 OF THE CITY OF ATLANTIC CITY, IN THE COUNTY OF ATLANTIC, STATE OF NEW JERSEY AND PROVIDING FOR THEIR SALE AND DETERMINING CERTAIN OTHER MATTERS WITH RESPECT THERETO" adopted November 13, 2013 (the "*Series 2013[1st] Original Bond Resolution*"), and other applicable official action;

WHEREAS, on November 26, 2013, the City issued its "Tax Appeal Refunding Bonds, Series 2013" in the original aggregate principal amount of $48,976,000 (the "*Series 2013[2nd] Bonds*"), all in accordance with the Local Bond Law, other applicable law, that certain "RESOLUTION DETERMINING THE FORM AND OTHER DETAILS OF THE OFFERING OF $14,690,000 GENERAL OBLIGATION BONDS, SERIES 2013 AND $52,085,000 TAX APPEAL REFUNDING BONDS SERIES 2013 OF THE CITY OF ATLANTIC CITY, IN THE COUNTY OF ATLANTIC, STATE OF NEW JERSEY AND PROVIDING FOR THEIR SALE AND DETERMINING CERTAIN OTHER MATTERS WITH RESPECT THERETO" adopted November 13, 2013 (the "*Series 2013[2nd] Original Bond Resolution*", and together with the Series 2011 Original Bonds Resolution, the Series 2012[1st] Original Bond Resolution, the Series 2012[2nd] Original Bond Resolution, and the Series 2013[1st] Original Bond Resolution, the "*Prior Non-Qualified Original Bond Resolutions*"), and other applicable official action;

WHEREAS, none of the Series 2011 Bonds, Series 2012[1st] Bonds, Series 2012[2nd] Bonds, Series 2013[1st] Bonds, or Series 2013[2nd] Bonds were issued as qualified bonds (the "*Prior Non-Qualified Bonds*") in accordance with the provisions of, or pursuant to, the Municipal Qualified Bond Act, P.L. 1976, c. 38, codified at N.J.S.A. 40A:3-1 *et seq*. (as amended from time to time, the "*Municipal Qualified Bond Act*");

WHEREAS, on May 28, 2015, the City issued its "General Obligation Bonds, Series 2015B" in the original aggregate principal amount of $12,000,000 (the "*Series 2015B Bonds*"), all in accordance with the Local Bond Law, the Municipal Qualified Bond Act, other applicable law, that certain "RESOLUTION AUTHORIZING CERTAIN ACTIONS NECESSARY IN CONNECTION WITH THE SALE AND ISSUANCE OF NOT TO EXCEED $12,000,000 AGGREGATE PRINCIPAL AMOUNT OF GENERAL OBLIGATION BONDS, SERIES 2015 OF THE CITY OF ATLANTIC CITY, IN THE COUNTY OF ATLANTIC, STATE OF NEW JERSEY, AND AUTHORIZING THE APPROPRIATE OFFICIALS TO DO ALL ACTS AND THINGS DEEMED NECESSARY AND ADVISABLE IN CONNECTION WITH THE SALE, ISSUANCE AND DELIVERY OF SAID BONDS" adopted March 18, 2015 (the "*Series 2015B Original Bond Resolution*"), and other applicable official action;

WHEREAS, on June 3, 2015, the City issued its "General Obligation Refunding Bonds (Taxable), Series 2015A" in the original aggregate principal amount of $41,760,000 (the "*Series 2015A Bonds*"), all in accordance with the Local Bond Law, the Municipal Qualified Bond Act, other applicable law, that certain "RESOLUTION AUTHORIZING CERTAIN ACTIONS NECESSARY IN CONNECTION WITH THE SALE AND ISSUANCE OF NOT TO EXCEED $43,000,000 AGGREGATE PRINCIPAL AMOUNT OF TAX APPEAL REFUNDING BONDS (TAXABLE), SERIES 2015A OF THE CITY OF ATLANTIC CITY, IN THE COUNTY OF ATLANTIC, STATE OF NEW JERSEY, AND AUTHORIZING THE APPROPRIATE OFFICIALS TO DO ALL ACTS AND THINGS DEEMED NECESSARY AND ADVISABLE IN CONNECTION WITH THE SALE, ISSUANCE AND DELIVERY OF SAID BONDS" adopted March 4, 2015 (the "*Series 2015A Original Bond Resolution*"), and other applicable official action;

WHEREAS, on June 8, 2017, the City issued its "Tax Appeal Refunding Bonds, Series 2017A" in the original aggregate principal amount of $69,800,000 (the "*Series 2017A Bonds*"), all in accordance with the Local Bond Law, the Municipal Qualified Bond Act, the MSRA (as defined herein), other applicable law, that certain "RESOLUTION AUTHORIZING CERTAIN ACTIONS NECESSARY IN CONNECTION WITH THE SALE AND ISSUANCE OF NOT TO EXCEED $80,000,000 AGGREGATE PRINCIPAL AMOUNT OF ONE OR MORE SERIES OF TAX APPEAL REFUNDING BONDS AND/OR TAX APPEAL REFUNDING NOTES OF THE CITY OF ATLANTIC CITY, IN THE COUNTY OF ATLANTIC, STATE OF NEW JERSEY, AND AUTHORIZING THE APPROPRIATE OFFICIALS TO DO ALL ACTS AND THINGS DEEMED NECESSARY AND ADVISABLE IN CONNECTION WITH THE SALE, ISSUANCE AND DELIVERY OF SAID BONDS" adopted April 26, 2017 (the "*Series 2017A Original Bond Resolution*"), and other applicable official action;

WHEREAS, on October 4, 2017, the City issued its "Tax Appeal Refunding Bonds, Series 2017B" in the original aggregate principal amount of $68,325,000 (the "*Series 2017B Bonds*"), all in accordance with the Local Bond Law, the Municipal Qualified Bond Act, the MSRA (as defined herein), other applicable law, that certain "RESOLUTION AUTHORIZING CERTAIN ACTIONS NECESSARY IN CONNECTION WITH THE SALE AND ISSUANCE OF NOT TO EXCEED $80,000,000 AGGREGATE PRINCIPAL AMOUNT OF ONE OR MORE SERIES OF TAX APPEAL REFUNDING BONDS AND/OR TAX APPEAL REFUNDING NOTES OF THE CITY OF ATLANTIC CITY, IN THE COUNTY OF ATLANTIC, STATE OF NEW JERSEY, AND AUTHORIZING THE APPROPRIATE OFFICIALS TO DO ALL ACTS AND THINGS DEEMED NECESSARY AND ADVISABLE IN CONNECTION WITH THE SALE, ISSUANCE AND DELIVERY OF SAID BONDS" adopted August 9, 2017 (the "*Series 2017B Original Bond Resolution*", and together with the Series 2015A Original Bond Resolution, the Series 2015B Original Bond Resolution and the Series 2017A Original Bond Resolution, the "*Prior Qualified Original Bond Resolutions*", and the Prior Qualified Original Bond Resolutions together with the Prior Non-Qualified Original Bond Resolutions, the "*Prior Original Bond Resolutions*"), and other applicable official action;

WHEREAS, on April 12, 2018, and contemporaneously with the authorization, execution and delivery of this Trust Agreement, the City issued its "Deferred Contribution Refunding Bonds (Federally Taxable), Series 2018A" in the original aggregate principal amount

not to exceed $55,000,000 (the "*Series 2018A Bonds*"), all in accordance with the Local Bond Law, the Municipal Qualified Bond Act, the MSRA (as defined herein), other applicable law, that certain "RESOLUTION AUTHORIZING CERTAIN ACTIONS NECESSARY IN CONNECTION WITH THE SALE AND ISSUANCE OF NOT TO EXCEED $55,000,000 AGGREGATE PRINCIPAL AMOUNT OF ONE OR MORE SERIES OF DEFERRED CONTRIBUTION REFUNDING BONDS AND/OR DEFERRED CONTRIBUTION REFUNDING NOTES OF THE CITY OF ATLANTIC CITY, IN THE COUNTY OF ATLANTIC, STATE OF NEW JERSEY, AND AUTHORIZING THE APPROPRIATE OFFICIALS TO DO ALL ACTS AND THINGS DEEMED NECESSARY AND ADVISABLE IN CONNECTION WITH THE SALE, ISSUANCE AND DELIVERY OF SAID BONDS" adopted February 21, 2018 (the "*Series 2018A Bond Resolution*"), and other applicable official action;

WHEREAS, pursuant to the Series 2018A Bond Resolution, the City created a series specific retirement fund to provide additional security for the Series 2018A Bonds (the "*Series 2018A Qualified Bond Retirement Fund*");

WHEREAS, the Series 2015A Bonds, the Series 2015B Bonds, the Series 2017A Bonds, the Series 2017B Bonds (collectively, the "*Pre-2018 Prior Qualified Bonds*") and the Series 2018A Bonds were all issued by the City as qualified bonds in accordance with the provisions of, and pursuant to, among other things, the Municipal Qualified Bond Act (collectively, the "*Prior Qualified Bonds*", and together with the Prior Non-Qualified Bonds, the "*Prior Bonds*");

WHEREAS, pursuant to that certain "SUPPLEMENTAL RESOLUTION NO. 1 OF THE CITY OF ATLANTIC CITY, IN THE COUNTY OF ATLANTIC, STATE OF NEW JERSEY AUTHORIZING THE AMENDMENT TO AND SUPPLEMENT OF THE ORIGINAL BOND RESOLUTIONS ADOPTED IN CONNECTION WITH THE ISSUANCE OF THE FOLLOWING NON-QUALIFIED BONDS: THE SERIES 2011 BONDS, THE SERIES 2012[1^{ST}] BONDS, THE SERIES 2012[2^{ND}] BONDS, THE SERIES 2013[1^{ST}] BONDS, AND THE SERIES 2013[2^{ND}] BONDS, AND DETERMINING OTHER MATTERS IN CONNECTION THEREWITH" (constituting, respectively, the "*Supplemental Resolution No. 1 to Series 2011 Bond Resolution*", the "*Supplemental Resolution No. 1 to Series 2012[1^{st}] Bond Resolution*", the "*Supplemental Resolution No. 1 to Series 2012[2^{nd}] Bond Resolution*", the "*Supplemental Resolution No. 1 to Series 2013[1^{st}] Bond Resolution*", and the "*Supplemental Resolution No. 1 to Series 2013[2^{nd}] Bond Resolution*" and collectively, the "*Supplemental Resolutions No. 1A*"), for which the City amended and supplemented the respective Prior Non-Qualified Original Bond Resolutions (as so amended, the "*Prior Non-Qualified Bond Resolutions*"), the City created a series specific retirement fund to provide additional security for each such series of Prior Non-Qualified Bonds (the "*Prior Non-Qualified Bond Retirement Funds*");

WHEREAS, pursuant to that certain "SUPPLEMENTAL RESOLUTION NO. 1 OF THE CITY OF ATLANTIC CITY, IN THE COUNTY OF ATLANTIC, STATE OF NEW JERSEY AUTHORIZING THE AMENDMENT TO AND SUPPLEMENT OF THE ORIGINAL BOND RESOLUTIONS ADOPTED IN CONNECTION WITH THE ISSUANCE OF THE FOLLOWING QUALIFIED BONDS: THE SERIES 2015A BONDS, THE SERIES

2015B BONDS, THE SERIES 2017A BONDS, AND THE SERIES 2017B BONDS, AND DETERMINING OTHER MATTERS IN CONNECTION THEREWITH" (constituting, respectively, the *"Supplemental Resolution No. 1 to Series 2015A Bond Resolution"*, the *"Supplemental Resolution No. 1 to Series 2015B Bond Resolution"*, the *"Supplemental Resolution No. 1 to Series 2017A Bond Resolution"*, the *"Supplemental Resolution No. 1 to Series 2017B Bond Resolution*", and collectively, the *"Supplemental Resolutions No. 1B"*), for which the City amended and supplemented the respective Prior Qualified Original Bond Resolutions (as so amended, the "*Pre-2018 Prior Qualified Bond Resolutions*", and together with the Series 2018A Bond Resolution, the *"Prior Qualified Bond Resolutions"*, and together with the Prior Non-Qualified Bond Resolutions, the *"Prior Bond Resolutions"*), the City created, a series specific retirement fund to provide additional security for each series of Pre-2018 Prior Qualified Bonds (the "*Pre-2018 Prior Qualified Bond Retirement Funds*" and together with the Series 2018A Qualified Bond Retirement Fund, the *"Prior Qualified Bond Retirement Funds"*, and together with the Prior Non-Qualified Bond Retirement Funds, the "*Prior Retirement Funds*");

WHEREAS, from time to time, the City may desire to issue one (1) or more future series of qualified general obligation bonds or notes (each a series of "*Future Qualified Bonds*", and together with the Prior Qualified Bonds, the "*Qualified Bonds*") in accordance with the provisions of, and pursuant to, among other things, the Local Bond Law, the Municipal Qualified Bond Act, other applicable law, future bond resolutions (each a "*Future Qualified Bond Resolution*" and together with the Prior Qualified Bond Resolutions, the "*Qualified Bond Resolutions*") and other future official action, whereupon each Future Qualified Bond Resolution may provide for a series specific retirement fund (the "*Future Qualified Bond Retirement Funds*" and together with the Prior Qualified Bond Retirement Funds, the "*Qualified Retirement Funds*");

WHEREAS, from time to time, the City may desire to issue one (1) or more future series of non-qualified general obligation bonds or notes (each a series of "*Future Non-Qualified Bonds*", and together with the Prior Non-Qualified Bonds, the "*Non-Qualified Bonds*"; the Future Non-Qualified Bonds, together with the Future Qualified Bonds, the "*Future Bonds*"; and the Non-Qualified Bonds, together with the Qualified Bonds, the "*Bonds*") in accordance with the provisions of, and pursuant to, among other things, the Local Bond Law, other applicable law, future bond resolutions (each a "*Future Non-Qualified Bond Resolution*" and together with the Prior Non-Qualified Bond Resolutions, the "*Non-Qualified Bond Resolutions*", and the Non-Qualified Bond Resolutions, together with the Qualified Bond Resolutions, the "*Bond Resolutions*", and the Future Non-Qualified Bond Resolution, together with the Future Qualified Bond Resolution, the "*Future Bond Resolutions*") and other future official action, whereupon each Future Non-Qualified Bond Resolution may provide for a series specific retirement fund (the "*Future Non-Qualified Bond Retirement Funds*" and together with the Prior Non-Qualified Bond Retirement Funds, the "*Non-Qualified Retirement Funds*", and the Future Non-Qualified Bond Retirement Funds, together with the Future Qualified Bond Retirement Funds, the "*Future Retirement Funds*", and the Non-Qualified Retirement Funds, together with the Qualified Retirement Funds, the "*Retirement Funds*");

WHEREAS, the City desires to create a Reserve Fund (as defined herein) and contribute, or cause the contribution of funds to such Reserve Fund (as defined herein), from time to time, for deposit and (pending disbursement) investment with the Trustee, the principal of which, together with interest earned thereon, shall be paid to the paying agents for the respective series of Bonds (the "*Paying Agent*" or "*Paying Agents*") for deposit in the respective Retirement Funds, whereby such moneys shall be applied in accordance with the respective Bond Resolutions for the respective series of Bonds, all in accordance with the terms and conditions of this Trust Agreement and the Bond Resolutions; and

WHEREAS, this Trust Agreement does not provide direct or pledged security for any one (1) or more series of Bonds.

NOW THEREFORE, in consideration of the premises, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the City and the Trustee intending to be legally bound by the terms of this Trust Agreement, hereby agree as follows:

Section 1. Definitions

(a) The following terms shall have the respective meanings set forth in the recitals above for all purposes of this Trust Agreement:

Bond Resolutions
Bonds
City
Future Bond Resolutions
Future Bonds
Future Non-Qualified Bond Resolution
Future Non-Qualified Bond Retirement Funds
Future Non-Qualified Bonds
Future Qualified Bond Resolution
Future Qualified Bond Retirement Funds
Future Qualified Bonds
Future Retirement Funds
Local Bond Law
Municipal Qualified Bond Act
Non-Qualified Bond Resolutions
Non-Qualified Bonds
Non-Qualified Retirement Funds
Paying Agent
Paying Agents
Pre-2018 Prior Qualified Bonds
Pre-2018 Prior Qualified Bond Resolutions
Pre-2018 Prior Qualified Bond Retirement Funds
Prior Bond Resolutions
Prior Bonds

Prior Non-Qualified Bonds
Prior Non-Qualified Bond Resolutions
Prior Non-Qualified Bond Retirement Funds
Prior Non-Qualified Original Bond Resolutions
Prior Original Bond Resolutions
Prior Qualified Bond Resolutions
Prior Qualified Bond Retirement Funds
Prior Qualified Bonds
Prior Qualified Original Bond Resolutions
Prior Retirement Funds
Qualified Bonds
Qualified Bond Resolutions
Qualified Retirement Funds
Retirement Funds
Series 2011 Bonds
Series 2012[1st] Bonds
Series 2012[2nd] Bonds
Series 2013[1st] Bonds
Series 2013[2nd] Bonds
Series 2015A Bonds
Series 2015B Bonds
Series 2017A Bonds
Series 2017B Bonds
Series 2018A Bonds
Series 2011 Original Bond Resolution
Series 2012[1st] Original Bond Resolution
Series 2012[2nd] Original Bond Resolution
Series 2013[1st] Original Bond Resolution
Series 2013[2nd] Original Bond Resolution
Series 2015A Original Bond Resolution
Series 2015B Original Bond Resolution
Series 2017A Original Bond Resolution
Series 2017B Original Bond Resolution
Series 2018A Bond Resolution
Series 2018A Qualified Bond Retirement Fund
Supplemental Resolutions No. 1A
Supplemental Resolution No. 1 to Series 2011 Bond Resolution
Supplemental Resolution No. 1 to Series 2012[1st] Bond Resolution
Supplemental Resolution No. 1 to Series 2012[2nd] Bond Resolution
Supplemental Resolution No. 1 to Series 2013[1st] Bond Resolution
Supplemental Resolution No. 1 to Series 2013[2nd] Bond Resolution
Supplemental Resolutions No. 1B
Supplemental Resolution No. 1 to Series 2015A Bond Resolution
Supplemental Resolution No. 1 to Series 2015B Bond Resolution
Supplemental Resolution No. 1 to Series 2017A Bond Resolution
Supplemental Resolution No. 1 to Series 2017B Bond Resolution

(b) The following terms shall have the respective meanings set forth below for all purposes of this Trust Agreement:

"*Acceptable to the Director*" shall mean where required pursuant to the terms of this Trust Agreement, the Director's (as defined herein) consent to any such requested action, in writing, and the City shall be entitled to rely on same as full and complete authority and/or consent as may be required by the MSRA (as defined herein). To the extent the provisions of the MSRA (as defined herein) are no longer in effect while Qualified Bonds are outstanding, notwithstanding any other provision herein, the Director's (as defined herein) written consent shall no longer be required from such point forward, regardless of whether the action provision hereof expressly requires that any such action be Acceptable to the Director, in all of which cases from such point forward the term Acceptable to the Director shall no longer be applicable with respect to this Trust Agreement, regardless of any express provision of this Trust Agreement requiring same.

"*Account*" shall mean any account created and held by the Trustee within the Reserve Fund (as defined herein) pursuant to Section 3(b) hereof, consisting of the Revenue Account, the Aging Account, the Aged Account, the Defeasance Account, and the General Account, all of which are defined herein.

"*Aged Account*" shall mean the Account created and held by the Trustee pursuant to Section 3(b) hereof.

"*Aging Account*" shall mean the Account created and held by the Trustee pursuant to Section 3(b) hereof.

"*Authorized Officer*" shall mean, (i) with respect to the City, the Mayor, the Director of Revenue and Finance and Chief Financial Officer of the City, or such other person or officer specified by resolution of the City, each severally authorized to take any action contemplated by this Trust Agreement on behalf of the City, (ii) with respect to the Trustee or any Paying Agent, Deborah Stewart or any person and/or officer authorized to take any action contemplated by this Trust Agreement on behalf of the Trustee, and (iii) with respect to any other person or entity, the person and/or officer authorized in writing to take any action contemplated by this Trust Agreement on behalf of such person or entity.

"*Biennial Debt Service Obligation for Non-Qualified Bonds*" shall mean as of any Date of Calculation (as defined herein), the amount required to pay the principal of, and interest on, the aggregate of all series of outstanding Non-Qualified Bonds, including Future Non-Qualified Bonds, if any, due on all Debt Service Payment Dates (as defined herein) for such Non-Qualified Bonds occurring over the remainder of the Current Calendar Year (as defined herein) and the following Calendar Year (as defined herein), commencing on such Date of Calculation (as defined herein).

"*Biennial Debt Service Obligation for Qualified Bonds*" shall mean as of any Date of Calculation (as defined herein), the amount required to pay the principal of, and interest on, the aggregate of all series of outstanding Qualified Bonds, including Future Qualified Bonds, if any, due on all Debt Service Payment Dates (as defined herein) for such Qualified Bonds occurring over the remainder of the Current Calendar Year (as defined herein) and the following Calendar Year (as defined herein), commencing on such Date of Calculation (as defined herein).

"*Bond Insurer*" shall mean, (i) with respect to the Series 2012[1st] Bonds, Series 2012[2nd] Bonds, and the Series 2017B Bonds, Assured Guaranty Municipal Corp., and (ii) with respect to the Series 2017A Bonds, Build America Mutual Assurance Company. The Series 2011 Bonds, Series 2013[1st] Bonds, Series 2013[2nd] Bonds, Series 2015A Bonds and Series 2015B Bonds were issued without municipal bond insurance, and the Series 2018A Bonds are being issued the date hereof without municipal bond insurance. A bond insurer, if any, with respect to any Future Bonds shall be issuing its policy contemporaneously with the authorization, execution and delivery of this Trust Agreement, which obviates the need for a separate acknowledgement therefrom in the form of **Exhibit A** hereto.

"*Business Day*" shall mean any day other than (i) a Saturday, Sunday or legal holiday or a day on which banking institutions, either in the City or in the municipality of the principal corporate trust office of the Trustee within the State is located, are closed, or (ii) a day on which the New York Stock Exchange is closed.

"*Calendar Year*" shall mean the twelve (12) month period commencing January 1 and ending December 31.

"*Casino Control Act"* shall mean the Casino Control Act, P.L. 1977, c. 110, codified at N.J.S.A. 5:12-1 *et seq*., as amended from time to time.

"*Certificate*" shall mean a written certificate (i) with respect to the City, the Trustee or any Paying Agent, authorized by, and executed by an Authorized Officer of, the City, the Trustee, or any such Paying Agent, as applicable, and (ii) with respect to State Treasurer (as defined herein), the Director or the Designee, such persons, in any event with the intent that such person or entity be legally bound by the terms thereof, thereby allowing any recipient thereof to rely on the contents thereof without any independent verification.

"*City IATs"* shall mean that portion of IATs that are (i) allocated to the City to pay debt service on bonds of the City and (ii) not allocated for other purposes, all pursuant to N.J.S.A. 52:27BBBB-25 of the CPTSA (as defined below).

"*CPTSA"* shall mean the Casino Property Tax Stabilization Act, P.L. 2016, c. 5, codified at N.J.S.A. 52:27BBBB-18 *et seq*., as amended from time to time.

"*Current Calendar Year*" shall mean the Calendar Year in which funds are being transferred into or disbursed from the Revenue Fund (as defined herein).

"*Date of Calculation*" shall mean each date on which the Trustee makes payment to the Aged Account from the Aging Account pursuant to Section 5 of this Trust Agreement; provided, however, that in any instance where a Debt Service Payment Date (as defined herein) is scheduled to occur within five (5) Business Days following the date on which the Trustee makes payment to the Aged Account, the Date of Calculation in such instance shall be one (1) Business Day following such immediately succeeding Debt Service Payment Date (as defined herein).

"*Debt Service Payment*" shall mean the aggregate amount of principal of and/or interest on any series of Bonds due and payable to the holders thereof on any given Debt Service Payment Date (as defined below), including, without limitation, any redemption price applicable to a given series of Bonds upon the optional redemption of such Bonds in accordance with the applicable Bond Resolution.

"*Debt Service Payment Dates*" shall mean (i) the annual and semi-annual or other period dates on which the principal of and/or interest on any series of Prior Bonds is due and payable to the holders thereof, and (ii) the annual and semi-annual or other periodic dates on which the principal of and/or interest on any series of Future Bonds become due and payable to the holders thereof, if different from clause (i) above, all including, without limitation, any date on which an optional redemption of any series of Bonds is exercised in accordance with the applicable Bond Resolution.

"Defeasance Account" shall mean the Account created and held by the Trustee pursuant to Section 3(b) hereof.

"*Designee*" shall mean the one (1) or more individuals designated by the Director (as defined below) with the rights, powers and authority set forth in the MSRA (as defined herein), including without limitation the authority to act in the Director's (as defined below) stead. Where any action of the Director (as defined below) is required hereunder, for so long as the MSRA (as defined herein) is in effect, action of the Designee in the stead of the Director (as defined below) shall be acceptable for all purposes of this Trust Agreement.

"*Director*" shall mean the Director of the Division of Local Government Services of the Department of Community Affairs of the State (as defined herein).

"*Effective Date*" shall mean the date this Trust Agreement has been authorized, executed and delivered by the parties hereto, from which date this Trust Agreement is in full force and effect, which shall be April 12, 2018.

"*Electronic Means*" shall mean the following communications methods: electronic mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

"*Event of Default*" shall have the meaning as set forth in Section 9(a) hereof.

"*Fund*" shall mean any fund created and held by the Trustee pursuant to Section 3(a) hereof, consisting solely of the Reserve Fund (as defined herein).

"*General Account*" shall mean the Account created and held by the Trustee pursuant to Section 3(b) hereof. Unless and until the Trustee receives a Certificate of an Authorized Officer of the City, Acceptable to the Director, specifying the General Account pursuant to Section 5(e) hereof, there should be no monies on deposit in the General Account.

"*IATs*" shall mean the investment alternative tax payable by licensed casino operators pursuant to the Casino Control Act.

"*Instructions*" shall have the meaning as set forth in Section 8(i) hereof.

"*MSRA*" shall mean the Municipal Stabilization and Recovery Act, P.L. 2016, c. 4, codified at N.J.S.A. 52:27BBBB-1 *et seq*., as amended from time to time, pursuant to which, among other things, the Director and/or the Designee have oversight responsibilities concerning the issuance of Qualified Bonds by the City.

"*Reserve Fund*" shall mean the Fund created and held by the Trustee pursuant to Section 3(a) hereof.

"*Revenue Account"* shall mean the Account created and held by the Trustee pursuant to Section 3(b) hereof.

"*State*" shall mean the State of New Jersey.

"*State Treasurer*" shall mean the Treasurer of the State.

Section 2. Authority for Trust Agreement; Provisions Extend to Future Bond Resolutions

(a) This Trust Agreement has been authorized pursuant to the Local Bond Law (including without limitation N.J.S.A. 40A:2-62), the Municipal Qualified Bond Act, the MSRA (including without limitation N.J.S.A. 52:27BBBB-5(a)(3)(p) and N.J.S.A. 52:27BBBB-5(a)(4)), the Casino Control Act (including without limitation N.J.S.A. 5:12-144.1(a)), the CPTSA (including without limitation N.J.S.A. 52:27BBBB-25), other applicable law, and the following Bond Resolutions:

(i) Section 15 of the Series 2011 Original Bond Resolution and Section 2(b) of the Supplemental Resolution No. 1 to the Series 2011 Bond Resolution;

(ii) Section 18 of the Series 2012[1st] Original Bond Resolution and Section 2(b) of the Supplemental Resolution No. 1 to the Series 2012[1st] Bond Resolution;

(iii) Section 18 of the Series 2012[2nd] Original Bond Resolution and Section 2(b) of the Supplemental Resolution No. 1 to the Series 2012[2nd] Bond Resolution;

(iv) Section 15 of the Series 2013[1st] Original Bond Resolution and Section 2(b) of the Supplemental Resolution No. 1 to the Series 2013[1st] Bond Resolution;

(v) Section 15 of the Series 2013[2nd] Original Bond Resolution and Section 2(b) of the Supplemental Resolution No. 1 to the Series 2013[2nd] Bond Resolution;

(vi) Section 17 of the Series 2015A Original Bond Resolution and Section 2(b) of the Supplemental Resolution No. 1 to Series 2015A Bond Resolution;

(vii) Section 18 of the Series 2015B Original Bond Resolution and Section 2(b) of the Supplemental Resolution No. 1 to Series 2015B Bond Resolution;

(viii) Section 18 of the Series 2017A Original Bond Resolution and Section 2(b) of the Supplemental Resolution No. 1 to Series 2017A Bond Resolution;

(ix) Section 18 of the Series 2017B Original Bond Resolution and Section 2(b) of the Supplemental Resolution No. 1 to Series 2017B Bond Resolution; and

(x) Section 4(b) of the Series 2018A Bond Resolution.

(b) To the extent the City adopts one (1) or more Future Bond Resolutions after the date hereof authorizing the issuance of one (1) or more series of Future Bonds under the Local Bond Law, the Municipal Qualified Bond Act, as applicable, and other applicable law, whereby pursuant to the terms of each such Future Bond Resolution a Future Retirement Fund, created to provide further security for such series of Future Bonds, shall be entitled to receive moneys from the Reserve Fund created hereby, the provisions of this Trust Agreement shall also apply with respect to each such Future Bond Resolution, series of Future Bonds and Future Retirement Fund, without any further action by the City, the State Treasurer, the Director or the Designee, as if same existed as of the Effective Date. Upon the City's adoption of a Future Bond Resolution providing for a Future Retirement Fund, the City shall provide the Trustee a Certificate of an Authorized Officer of the City in substantially the form of **Exhibit B** hereto.

(c) Although not required pursuant to the terms of the Series 2012[1st] Bond Resolution, the Series 2012[2nd] Bond Resolution, the Series 2017A Bond Resolution or the Series 2017B Bond Resolution, attached as **Exhibit A** hereto is the acknowledgement of the

Bond Insurer for each of the Series 2012[1st] Bonds, the Series 2012[2nd] Bonds, the Series 2017A Bonds and the Series 2017B Bonds.

Section 3. Reserve Fund, Accounts, and Subaccounts

(a) The Trustee is hereby authorized and directed to establish, hold and transfer and account for monies paid into and disbursed from the following Fund in accordance with the express provisions, and for all other purposes, of this Trust Agreement:

(i) The Reserve Fund.

(b) The Trustee is hereby authorized and directed to establish, hold and transfer and account for monies paid into and disbursed from the following Accounts, each within the Reserve Fund, in accordance with the express provisions, and for all other purposes, of this Trust Agreement:

(i) The Revenue Account;

(ii) The Aging Account;

(iii) The Aged Account;

(iv) The Defeasance Account; and

(v) The General Account.

(c) The Trustee acknowledges that all Funds and Accounts shall be created, held, funded, invested, and have funds disbursed therefrom by the Trustee in strict compliance with the express provisions of this Trust Agreement.

(d) Although Section 7 below sets forth the disbursement of amounts on deposit in the Aged Account of the Revenue Fund by the Trustee to the Paying Agents (i) first, for pro-rata deposit in the respective Qualified Retirement Funds created with respect to all series of outstanding Qualified Bonds in the Current Calendar Year up to the amount set forth in Section 7(a)(i) hereof; (ii) second, for deposit in the respective Non-Qualified Retirement Funds created with respect to the applicable series of outstanding Non-Qualified Bonds in the Current Calendar Year up to the amount set forth in Section 7(a)(ii) hereof; (iii) third, for pro-rata deposit in the respective Qualified Retirement Funds created with respect to all series of outstanding Qualified Bonds up to the amount set forth in Section 7(a)(iii) hereof; (iv) fourth, for deposit in the respective Non-Qualified Retirement Funds created with respect to the applicable series of outstanding Non-Qualified Bonds up to the amount set forth in Section 7(a)(iv) hereof; and (v) fifth, for deposit in the Defeasance Account for use in connection with such series of Bonds as shall be set forth in a Certificate of an Authorized Officer of the City, Acceptable to the Director, delivered in accordance with Section 7(e) hereof, the Reserve Fund shall not be pledged to the payment of the principal of or interest on any series of Bonds, and shall not be considered direct

security for any such series of Bonds. Accordingly, the Trustee is not holding the Reserve Fund in trust for any holders of any such series of Bonds.

Section 4. Funding of Reserve Fund

(a) Contemporaneously with the authorization, execution and delivery of this Trust Agreement, and also on December 1, 2018, the City shall deliver to the State Treasurer the allocation notification set forth in **Exhibit C** attached hereto with respect to City IATs. Pursuant to the noted provisions of the Casino Control Act and the CPTSA set forth in such notice, the City anticipates that, based on such notice, the State Treasurer, shall pay over to the Trustee, on or about the fifteenth (15th) day of each February, May, August, and November in each Calendar Year, commencing February 15, 2019, City IATs for deposit in the Revenue Account of the Reserve Fund. Notwithstanding the foregoing, the Trustee shall be entitled to rely on, and shall follow, the direction of a Certificate of an Authorized Officer of the City, Acceptable to the Director, regarding different City IAT payment dates when and if any such Certificate shall be so delivered. City IATs are not subject to annual appropriation, but are subject to the provisions of the Casino Control Act, CPTSA and other applicable law.

(i) To the extent the City receives City IATs, for any reason (regardless of the delivery of such allocation notification by the City to the State Treasurer), unless and until the City delivers to the Trustee a Certificate of an Authorized Officer of the City, Acceptable to the Director, pursuant to Section 5(e) of this Trust Agreement, which by its terms directs a different outcome, the City covenants that it will promptly pay (or, as applicable, cause the payment) over to the Trustee all City IAT's received by or on behalf of the City for deposit by the Trustee in the Reserve Fund in accordance with the provisions of this Trust Agreement.

(b) The City represents that pursuant to the Casino Control Act and CPTSA as in effect on the Effective Date, the City anticipates, though it does not guaranty, a continuing contribution of City IATs from the State Treasurer to the Trustee through and including the expiration of N.J.S.A. 52:27BBBB-25 of the CPTSA on December 31, 2026. The City covenants to provide any update to the Trustee regarding any extension, amendment or modification of such applicable law, and if such extension, amendment or modification of such applicable law occurs, this Trust Agreement shall be deemed modified according to such extension, amendment or modification of same.

(c) The City is hereby authorized, but shall not be obligated, to contribute additional funds from any available source to the Trustee for deposit in the Revenue Account of the Reserve Fund. Any such contribution shall be accompanied by evidence, to the Director, of an appropriation of City available funds therefor. Unless such monies shall require segregation, in which case the City shall expressly direct, in writing through a Certificate of an Authorized Officer of the City, Acceptable to the Director, the necessary actions to be taken by the Trustee (including without limitation the creation of additional Accounts or subaccounts, if applicable) to achieve segregation on or prior to any such date of contribution, the Trustee shall receive and

deposit any such monies in the Revenue Account of the Reserve Fund for application in the same manner as City IATs set forth elsewhere in this Trust Agreement.

Section 5. Flow of Funds in Reserve Fund

(a) Monies received by the Trustee in accordance with the provisions of Section 4 hereof shall be deposited in the Revenue Account of the Reserve Fund.

(b) On the first (1st) Business Day following deposit of funds in the Revenue Account of the Reserve Fund, the Trustee shall transfer all funds on deposit in the Revenue Account of the Reserve Fund to the Aging Account of the Reserve Fund.

(c) On the first (1st) Business Day following the ninetieth (90th) day on which monies have been on deposit in the Aging Account of the Reserve Fund, the Trustee shall transfer all monies on deposit in the Aging Account of the Reserve Fund to the Aged Account of the Reserve Fund, such that an amount up to and including, but not exceeding, the sum of the Biennial Debt Service Obligation for Qualified Bonds and the Biennial Debt Service Obligation for Non-Qualified Bonds, each as calculated by the Trustee, shall be on deposit in the Aged Account of the Reserve Fund. In calculating the Biennial Debt Service Obligation for Qualified Bonds and the Biennial Debt Service Obligation for Non-Qualified Bonds, the Trustee may conclusively rely on the schedule of all Debt Service Payments and Debt Service Payment Dates for each outstanding series of Qualified Bonds and Non-Qualified Bonds attached hereto as **Exhibit E** and **Exhibit F**, respectively. The City hereby covenants to deliver the Trustee an updated: (i) **Exhibit E** simultaneously with the issuance of Future Qualified Bonds where such Future Qualified Bond Resolution provides for the creation of a series specific Future Qualified Bond Retirement Fund; and (ii) **Exhibit F** simultaneously with the issuance of Future Non-Qualified Bonds where such Future Non-Qualified Bond Resolution provides for the creation of a series specific Future Non-Qualified Bond Retirement Fund.

(d) On the first (1st) Business Day following the ninetieth (90th) day on which monies have been on deposit in the Aging Account of the Reserve Fund, after first accounting for the maximum amount to be transferred to the Aged Account of the Reserve Fund in accordance with subsection (c) above, the Trustee shall transfer all remaining monies on deposit in the Aging Account of the Reserve Fund, if any, to the Defeasance Account of the Reserve Fund. For clarification, to the extent monies on deposit in the Aged Account of the Reserve Fund never attain the value which is the sum of the Biennial Debt Service Obligation for Qualified Bonds and the Biennial Debt Service Obligation for Non-Qualified Bonds, no monies shall be transferred from the Aging Account of the Reserve Fund to the Defeasance Account of the Reserve Fund, and in such instance, all transfers from the Aging Account of the Reserve Fund shall be in accordance with subsection (c) above.

(e) To the extent the Trustee receives a Certificate of an Authorized Officer of the City, Acceptable to the Director, stating that the Casino Control Act has been amended or supplemented, the CPTSA has been amended or supplemented, or some other provision of applicable law has changed from that in effect as of the Effective Date such that either (i) City IATs are no longer required to be used to pay debt service on bonds of the City (including the

Bonds), or (ii) the City desires to pay debt service on bonds of the City other than the Bonds, then notwithstanding the provisions of subsections (c) and (d) above, the Trustee shall transfer such monies as identified in such Certificate to such Fund or Account, or other fund, account or subaccount as shall be set forth in such Certificate. In view of the provisions of Section 3(d) above, the consent of holders of Bonds, or Bond Insurers, shall not be required to implement the revised transfer and payment instructions set forth in any such Certificate, which shall be automatically in effect for the duration set forth in such Certificate, without any further action, including amendment hereof or supplement hereto.

Section 6. Investment of the Reserve Fund

(a) Pending disbursement from the Reserve Fund in accordance with this Section 6, monies on deposit in the Reserve Fund shall be invested in any of the following investments in clause (i) below that conform to the restrictions of clauses (ii) and (iii) below, as the City shall direct the Trustee by delivering to the Trustee a written Certificate of an Authorized Officer of the City, Acceptable to the Director, with all interest earned thereon credited to the same Fund or Account from where such monies are invested. To the extent the City fails to direct the Trustee with respect to such investments, monies in the Reserve Fund shall be invested in the Trustee's BlackRock Liquidity Funds, Institutional Shares: Treasury Trust Fund (TTTXX).

(i) Any investment authorized by N.J.S.A. 40A:5-15.1 that is or would be rated in the highest or second highest rating category for any one (1) or more national rating agency;

(ii) Any such investment matures or can be redeemed at par or other non-discounted amount on or prior to the date such funds are needed to be disbursed to the Paying Agents pursuant to this Section 6; and

(iii) Funds on deposit in the Defeasance Account of the Reserve Fund, may not be invested at yields in excess of the lowest yield applicable to any series of Bonds set forth on **Exhibit D** attached hereto (as automatically supplemented by any such **Schedule 1** to **Exhibit B**, as applicable).

Section 7. Disbursements from the Reserve Fund

(a) Within two (2) Business Days of funds being deposited in the Aged Account of the Reserve Fund from the Aging Account of the Reserve Fund pursuant to Section 5 hereof, the Trustee shall pay over from the Aged Account of the Reserve Fund to the Paying Agents for the respective following series of Bonds the following moneys in the following order for deposit in such Paying Agents respective Retirement Funds:

(i) FIRST, for each respective series of outstanding Qualified Bonds, on a pro-rata basis, for deposit in such Paying Agent's respective Retirement Funds, in immediately available funds, an amount up to but not exceeding the remaining Current Calendar Year portion, if any, of the Biennial Debt Service

Obligation for Qualified Bonds that have Debt Service Payment Dates remaining in such Current Calendar Year;

(ii) SECOND, for the one (1) or more (in which case the pro-rata amount shall be applied for each applicable series) series of outstanding Non-Qualified Bonds with the next occurring (on a chronological basis) Debt Service Payment Date in such Current Calendar Year, if any, for deposit in such Paying Agent's respective Retirement Funds, in immediately available funds, on a chronological basis, an amount up to but not exceeding the Debt Service Payment due on such one (1) or more series of outstanding Non-Qualified Bonds on such Debt Service Payment Date. If amounts in the Aged Account are still available after such application, such excess amounts shall be similarly paid over by the Trustee to the respective Paying Agents for deposit in their respective Retirement Funds allocable to the Non-Qualified Bonds with the next succeeding Debt Service Payment Dates remaining in such Current Calendar Year in amounts sufficient to pay all of Debt Service Payments for such Non-Qualified Bonds due on each such next succeeding Debt Service Payment Dates until the earlier of (A) the depletion of any such excess amounts or (B) full application for the payment by the Trustee to the Paying Agents of such excess amounts for deposit in their respective Retirement Funds for all outstanding Non-Qualified Bonds with Debt Service Payment Dates remaining through the end of such Current Calendar Year in amounts sufficient to make all of the Debt Service Payments due and owing for such Non-Qualified Bonds through the end of such Current Calendar Year;

(iii) THIRD, for each respective series of outstanding Qualified Bonds, on a pro-rata basis, for deposit in such Paying Agent's respective Retirement Funds, in immediately available funds, an amount up to but not exceeding the remaining Biennial Debt Service Obligation for Qualified Bonds, if any, for the year following the Current Calendar Year; and

(iv) FOURTH, for the one (1) or more (in which case the pro-rata amount shall be applied for each applicable series) series of outstanding Non-Qualified Bonds with the next occurring (on a chronological basis) Debt Service Payment Date in the year following the Current Calendar Year, if any, for deposit in such Paying Agent's respective Retirement Funds, in immediately available funds, on a chronological basis, an amount up to but not exceeding the Debt Service Payment due on such one (1) or more series of outstanding Non-Qualified Bonds on such Debt Service Payment Date. If amounts in the Aged Account are still available after such application, such excess amounts shall be similarly paid over by the Trustee to the respective Paying Agents for deposit in their respective Retirement Funds allocable to the Non-Qualified Bonds with the next succeeding Debt Service Payment Dates remaining in such following Calendar Year in amounts sufficient to pay all of Debt Service Payments for such Non-Qualified Bonds due on each such next succeeding Debt Service Payment Dates until the earlier of (A) the depletion of any such excess amounts or (B) full application for the payment by the Trustee to the Paying Agents of such excess amounts for

deposit in their respective Retirement Funds for all outstanding Non-Qualified Bonds with Debt Service Payment Dates remaining through the end of such following Calendar Year in amounts sufficient to make all of the Debt Service Payments due and owing for such Non-Qualified Bonds through the end of such following Calendar Year, thereby satisfying the Biennial Debt Service Obligation for Non-Qualified Bonds.

(b) In order to determine the principal amount of each series of outstanding (i) Prior Qualified Bonds, the Trustee shall be entitled to rely conclusively on the schedule of Debt Service Payments and Debt Service Payment Dates on the Prior Qualified Bonds attached as **Exhibit E** hereto; (ii) Prior Non-Qualified Bonds, the Trustee shall be entitled to rely conclusively on the schedule of Debt Service Payments and Debt Service Payment Dates on the Prior Non-Qualified Bonds attached as **Exhibit F** hereto; and (iii) Future Bonds issued after the Effective Date, the Trustee shall be entitled to rely conclusively on the **Schedule 1** of the Certificate of an Authorized Officer of the City in the form of **Exhibit B** attached hereto.

(c) In order to determine the pro-rata amount of Bonds for the respective purposes of clauses (i) through (iv) inclusive of subsection (a) above, the Trustee shall apply to any such applicable disbursement amount a fraction, the numerator of which is the total principal and interest amount due of a particular series of Bonds for such payment date which an allocation and payment is required pursuant to such subsection and clause, and the denominator of which is the total of all principal and interest due of all series of Bonds for such payment date in that year for which allocations and payments are required pursuant to such subsection and clause.

(d) Notwithstanding the provisions of subsections (a), (b) and (c) above, if within one (1) Business Day of funds being deposited into the Aged Account of the Reserve Fund from the Aging Account of the Reserve Fund the Trustee receives a Certificate of an Authorized Officer of the City, Acceptable to the Director, substantially in the form attached hereto as **Exhibit H**, the Trustee shall transfer funds from the Aged Account of the Reserve Fund to the Retirement Fund for any one (1) or more series of Bonds, pursuant to the direction of such Certificate. Such Certificate may direct the Trustee to transfer funds from the Aged Account of the Reserve Fund to the Retirement Fund for any one (1) or more series of Bonds, in any amount not in excess of that needed to fund the next Debt Service Payment(s) to come due on the Debt Service Payment Date(s) in the Current Calendar Year for such series of Bonds.

(e) After the application of all monies on deposit in the Aged Account of the Reserve Fund in accordance with subsection (a) above, all remaining monies, if any, shall be transferred by the Trustee to the Defeasance Account of the Reserve Fund. Monies on deposit in the Defeasance Account of the Reserve Fund shall be held in such Account by the Trustee until receipt by the Trustee of a Certificate of an Authorized Officer of the City, Acceptable to the Director, substantially in the form attached hereto as **Exhibit G**, directing the Trustee to transfer some or all of the monies then on deposit in the Defeasance Account of the Reserve Fund. Such Certificate may direct the Trustee to transfer funds in any amount from the Defeasance Account of the Reserve Fund to the Retirement Fund for any one (1) or more series of Bonds, to any Fund or Account established by this Trust Agreement, or, to the extent of a change in law pursuant to Section 5(e) hereof, and if accompanied by a Certificate required by such subsection, for any

other purpose so stated in such Certificate of an Authorized Officer of the City; provided, however, in each and every case, that the transfer and use of such funds is permitted under applicable law, including but not limited to the CPTSA, the Municipal Qualified Bond Act, the Local Bond Law and federal tax law.

Section 8. The Trustee

(a) The Bank of New York Mellon is hereby appointed by the City as Trustee, and the Trustee, through its authorization, execution and delivery of this Trust Agreement, hereby accepts all of the rights, duties and obligations of Trustee under this Trust Agreement. The Reserve Fund, and the Accounts therein, shall be created, held, funded, and pending disbursement, invested by the Trustee, and the Trustee shall disburse funds therefrom, all in strict compliance with the express provisions of this Trust Agreement. To the extent of any inconsistencies between this Trust Agreement and any Bond Resolution, this Trust Agreement shall control, unless the Trustee is directed by a Certificate of an Authorized Officer of the City, Acceptable to the Director, which Certificate, if received by the Trustee, shall control.

(i) The City, the Director and the Designee each acknowledge that as of the Effective Date, The Bank of New York Mellon has also been appointed as Paying Agent for each of the Prior Qualified Bonds;

(ii) Nothing in this Trust Agreement prohibits the City from appointing The Bank of New York Mellon as Paying Agent for any series of Future Bonds; and

(iii) The Trustee acknowledges that its rights, duties and obligations as Trustee are separate and apart from it rights, duties and obligations under the respective Bond Resolutions as the respective Paying Agents for the respective series of Bonds and accordingly, the Trustee is able to fully discharge all of such rights, duties and obligations, of Trustee and Paying Agents, in accordance with the terms of this Trust Agreement and the respective Bond Resolutions, without conflict.

(b) The Trustee shall be entitled to rely on the express provisions of this Trust Agreement as full and complete authority for any action or inaction taken hereunder by the Trustee, and full and strict compliance with the express terms of this Trust Agreement shall be a full and complete defense to any cause of action in any jurisdiction brought by the City, the Director or any other entity relating to the Trustee's discharge of its rights, duties and obligations hereunder. Similarly, the Trustee may ask for clarification of, or direction regarding, any provision of this Trust Agreement and to the extent the Trustee receives a Certificate of an Authorized Officer of the City providing same, the Trustee shall be fully entitled to rely on the express provisions of any such Certificate, to the same extent as if fully set forth in this Trust Agreement.

(c) The Trustee shall receive compensation for acting as Trustee pursuant to the terms of this Trust Agreement, payable by the City, with such terms as the Trustee, City and Director

shall agree to in writing. The Trustee shall not be entitled to receive payment from any portion of the Reserve Fund.

(d) The Trustee shall keep proper books and records of all Funds and Accounts, and provide the City with monthly statements for each Account in the Revenue Fund on or before the fifteenth (15th) of every month, and any other information the City may reasonably request related thereto within a reasonable period of time following any such request.

(e) The Trustee may resign at any time, but shall not be relieved of its obligations hereunder until a successor has been duly appointed by the City, such successor being Acceptable to the Director, and until such successor has accepted the terms hereof. If the City fails to appoint a successor within thirty (30) days of any such resignation, the Trustee may apply to any court of competent jurisdiction for the appointment of a successor, and the City (and Director) shall be bound by any such decision. With thirty (30) days' prior written notice, the Trustee may be removed by the City for cause, or for any other reason Acceptable to the Director, in which case a custodian of all Funds and Accounts shall be appointed by the City immediately, even if on a temporary basis, until a replacement Trustee accepting all of the rights, duties and obligations under this Trust Agreement shall be identified, be Acceptable to the Director, and shall be in place discharging such rights, duties and obligations.

(f) None of the provisions of this Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder. The Trustee shall have the right, but not the obligation, to consult with counsel of choice and shall not be liable for action taken or omitted to be taken by Trustee either in accordance with the written advice of such counsel or in accordance with any opinion of counsel to the City addressed and delivered to the Trustee. The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed. The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty. The Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Trust Agreement, and no implied covenants or obligations shall be read into this Trust Agreement against the Trustee. The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(g) The Trustee may conclusively rely upon the City's written instructions as to both the suitability and legality of the permitted investments (including compliance with the investment provisions of Section 6(a)(i), (ii) and (iii) hereof). In the absence of investment instructions from the City, the Trustee shall hold the moneys held by it hereunder uninvested. Although the City recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the City agrees that confirmations of permitted investments are not required to be issued by the Trustee for each month in which a

monthly statement is rendered and that no statement need be rendered for any Fund or Account if no activity occurred in such fund or account during such month.

(h) To the extent permitted by law, the City agrees to indemnify, defend and hold the Trustee and its officers, directors, agents, and employees harmless from and against any and all loss, damage, claim, liability and expense that may be incurred by the Trustee arising out of or in connection with its acceptance or appointment as Trustee hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder except that the Trustee shall not be indemnified for any loss, damage, claim, liability, or expense resulting from its own negligence or willful misconduct. The foregoing indemnification shall survive the termination of this Trust Agreement or the resignation or removal of the Trustee for any reason.

(i) The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("*Instructions*") given pursuant to this Trust Agreement and delivered using Electronic Means; provided, however, that the City shall provide to the Trustee an incumbency certificate listing Authorized Officers with the authority to provide such Instructions and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the City whenever a person is to be added or deleted from the listing. If the City elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

Section 9. Events of Default

(a) The failure by either party to comply with the conditions, covenants and other provisions of this Trust Agreement shall constitute a default hereunder. In addition, any material misstatement or omission concerning any representation herein shall constitute a default

hereunder, until and unless an accurate, revised representation is delivered by the defaulting party to the other through a written Certificate of an Authorized Officer of the defaulting party. After thirty (30) days' written notice from one (1) party to the other, such default, if not cured, becomes an "*Event of Default*" hereunder, unless such default cannot be cured within such thirty (30) day period, in which case such period shall extend to such commercially reasonable time period not exceeding ninety (90) days as shall be necessary to cure said default.

(b) Upon the occurrence of an Event of Default hereunder, the non-defaulting party shall be entitled to any and all remedies available at law or in equity, including without limitation, specific performance.

Section 10. Miscellaneous

(a) Term.

(i) Subject to the final disbursement of funds in accordance with clause (ii) below, this Trust Agreement shall be in effect from the Effective Date until the earliest of the following:

(A) The date on which there are no Bonds of the City outstanding; or

(B) The date on which City IATs are no longer being allocated to the City, for whatever reason (expiration or amendment of the Casino Control Act, the CPTSA, or other applicable law, or otherwise), and the City delivers to the Trustee a written Certificate of an Authorized Officer to such effect.

(ii) To the extent any moneys remain on deposit in the Reserve Fund upon the occurrence of an event described in clause (i)(A) or (B) above, the Trustee shall promptly pay over all such remaining funds to the City, along with a final accounting of all Funds and Accounts to be prepared as soon as practicable.

(b) Right, Power and Authority. Each party represents and warrants that it has full right, power and authority to enter into this Trust Agreement, and discharge its respective rights, duties and obligations hereunder, and neither it nor its property is bound by any agreement, court decision, ruling or other process (pending or in effect, other than the present challenge to CPTSA in the courts) that would conflict with or prevent it from discharging any of its rights, duties or obligations hereunder. Each party, through its authorization, execution and delivery hereof by an Authorized Officer, intends to be legally bound by all of the terms and conditions hereof. If any of the foregoing in this subsection shall change, prior to the termination of this Trust Agreement, the party shall promptly notify the other party.

(c) Governing Law. This Trust Agreement shall be governed by the laws of the State.

(d) Severability. If any one (1) provision shall be determined to be unenforceable for any reason by a court of competent jurisdiction, such provision shall be null and void, and such decision shall have no effect on the other provisions hereof, which shall continue to be enforceable and legally binding on the parties.

(e) Entire Agreement. This Trust Agreement shall constitute the entire agreement between the parties with respect to the matters set forth herein, and no other document or other evidence may be presented to the contrary.

(f) No Waiver. The rights and remedies of the parties, regardless of whether provided by this Trust Agreement or by law, shall be cumulative. Except as otherwise may be specifically provided by this Trust Agreement, the exercise by the parties of any one (1) or more of such rights or remedies shall not preclude the exercise, at the same or at different times, of any other such rights or remedies for the same Event of Default, or for the same failure in respect to any of the terms, covenants, conditions or provisions of this Trust Agreement or any of its remedies for any other Event of Default. No delay by either party in asserting any rights or exercising any remedies shall operate as a waiver of such rights or remedies or otherwise deprive it of, or limit, such rights and remedies in any way.

(g) Notices. The following contact information for the following parties, the acknowledgement party, and their representative, shall be as follows, and shall be sufficient for all purposes of notice in accordance with this Trust Agreement, unless updated by providing notice to all other persons/entities listed in this subsection. Proper notice under this Trust Agreement may be by hand delivery, overnight delivery, or electronic mail or facsimile, followed by overnight or certified mail, and shall be effective when distributed.

(i) If to the City:

City of Atlantic City
City Hall
1301 Bacharach Boulevard
Atlantic City, NJ 08401

Attention: Michael P. Stinson, CPA, Room 707
Director of Revenue and Finance; Chief Financial Officer
msxxxxxx@xxxxxxxxxxxxxxxxxx.xxx
(609) 347-5800 (T)
(609) 347-6110 (F)

With copies to:

Attention: Anthony A. Swan, Esq.
City Solicitor

xxxxx@xxxxxxxxxxxxxxxxxx.xxx
(609) 347-5540 (T)
(609) 347-6110 (F)

City bond counsel: Stephen B. Pearlman, Esq.
Pearlman & Miranda, LLC
2 Broad Street, Suite 510
Bloomfield, NJ 07003
spearlman@pearlmanmiranda.com
(973) 707-3566 (T)
(973) 893-5962 (F)

(ii) If to the Trustee:

The Bank of New York Mellon
385 Rifle Camp Road – 3rd Floor
Woodland Park, NJ 07424

Attention: Deborah Stewart
Vice President
xxxxxxx.xxxxxxx@xxxxxxxxx.xxx
(973) 357-7824 (T)
(973) 357-7840 (F)

(iii) If to the Director:

Director
Division of Local Government Services
Department of Community Affairs
State of New Jersey
101 South Broad Street
P.O. Box 803
Trenton NJ 08625-0803

Attention: Timothy J. Cunningham
timothy.cunningham@dca.nj.gov
(609) 292-6613 (T)
(609) 292-9073 (F)

(iv) If to the Designee:

Chiesa, Shahinian & Giantomasi PC
One Boland Drive
West Orange, NJ 07052

Attention: John R. Lloyd, Esq.

xxxxx@xxxxxx.xxx
(973) 530-2098 (T)
(973) 530-2298 (F)

(h) Notice Parties. The notice parties hereunder shall be the City, the Trustee, the Director, the Designee, all at their contact information and through their Authorized Officers set forth in Section 10(g) above.

(i) Amendment. This Trust Agreement shall not be amended or supplemented without the express written consent of the parties hereto, if Acceptable to the Director.

_____
_____

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have each authorized their respective Authorized Officers to execute and deliver this Trust Agreement as of the first day above written, each intending to be legally bound by the terms of this Trust Agreement.

(SEAL)

City of Atlantic City, New Jersey

_____
Michael P. Stinson, C.P.A.
Director of Revenue and Finance/Chief Financial Officer

The Bank of New York Mellon, as Trustee

_____
Janet Russo, Vice President

The terms and conditions of this Trust Agreement are **HEREBY ACKNOWLEDGED** by the Director this 1st day of April, 2018, thereby providing the Director's acceptance of the provisions of this Trust Agreement for all purposes of the MSRA.

_____
Timothy J. Cunningham
Director of the Division of Local Government Services,
Department of Community Affairs,
State of New Jersey

EXHIBIT A
[Attach Acknowledgement of Bond Insurers]

EXHIBIT B
NOTICE OF FUTURE BOND RESOLUTION, FUTURE RETIREMENT FUND, AND DEBT SERVICE SCHEDULE, AND INVESTMENT YIELD RESTRICTION FOR SERIES OF FUTURE BONDS

[Letterhead of City]

[Date]

The Bank of New York Mellon, as Trustee
385 Rifle Camp Road – 3rd Floor
Woodland Park, NJ 07424

Attention: Deborah Stewart
Vice President

Re: Supplemental Security and Trust Agreement for Bonds of the City of Atlantic City, New Jersey dated as of April 1, 2018 (the "*Trust Agreement*") by and between the City of Atlantic City, New Jersey (the "*City*") and The Bank of New York Mellon, as Trustee (the "*Trustee*")
- Notice of Future Bond Resolution and Future Retirement Fund, and Provide Debt Service Schedule

Dear Sir or Madam:

As an Authorized Officer of the City, the undersigned HEREBY CERTIFIES to the Trustee as follows:

1. Simultaneously with the authorization, execution and delivery of this Certificate (capitalized terms not defined herein shall have the respective meanings ascribed thereto in the Trust Agreement), the City has issued a series of Future Bonds entitled [_____] dated [_____] in the original aggregate principal amount of $[_____]. The debt service schedule, including the first available call date, [and investment yield restriction] for such series of Future Bonds is attached hereto as **Schedule 1**.

2. Pursuant to the Future Bond Resolution, the City has created the series specific Future Retirement Fund entitled [_____].

3. Such Future Retirement Fund shall be entitled to the same provisions of the Trust Agreement as if established as of the Effective Date.

Very truly yours,

_____
Director of Revenue and Finance; CFO

cc: Notice parties to Trust Agreement

Schedule 1

[Attach debt service schedule, including the first available call date
[and investment yield restriction]
for series of Future Bonds]

EXHIBIT C

NOTICE TO STATE TREASURER
REGARDING PAYMENT OF CITY IATs TO RESERVE FUND

[Letterhead of City]

[April 12, 2018][December 1, 2018]

State Treasurer
State of New Jersey
Trenton, New Jersey

Re: Supplemental Security and Trust Agreement for Bonds of the City of Atlantic City, New Jersey dated as of April 1, 2018 (the "*Trust Agreement*") by and between the City of Atlantic City, New Jersey (the "*City*") and The Bank of New York Mellon, as Trustee (the "*Trustee*")
- [Reminder notice of] Request to allocate City IATs to Reserve Fund

Dear Sir or Madam:

[Attached hereto please find] [By notice dated April 12, 2018, we have previously provided] a true and complete copy of the Trust Agreement. Capitalized terms not defined herein shall have the respective meanings ascribed thereto in the Trust Agreement.

Pursuant to N.J.S.A. 5:12-144.1(a) of the Casino Control Act, from time to time the State Treasurer receives IATs. Pursuant to N.J.S.A. 52:27BBBB-25 of the CPTSA, a designated portion of the IATs, the City IATs, shall be allocated to the City for payment of debt service on bonds of the City.

Please be advised that [this is a reminder notice that on April 12, 2018,] the City formally respectfully [requests] [requested] that the State Treasurer, on behalf of the City, pay, on or about the fifteenth (15th) day of each February, May, August, and November in each Calendar Year, commencing February 15, 2019, in accordance with the wire instructions attached hereto as **Schedule 1**, over to the Trustee under the Trust Agreement for deposit by the Trustee in the Reserve Fund, all such City IATs. Pursuant to the Trust Agreement, the sole disbursement purpose of funds deposited in the Reserve Fund is to pay the principal of and interest on the Bonds of the City.

The undersigned is an Authorized Officer of the City, and [this] [the April 12, 2018] notice shall be in effect unless and until the City has no Bonds outstanding, the allocation of City IATs for debt service on Bonds is no longer in effect for any reason (including without limitation its expiration on December 31, 2026, or otherwise), or [this] [the April 12, 2018] notice has been revoked or amended and supplemented by a written Certificate of an Authorized Officer of the City, Acceptable to the Director, whichever is to occur earliest.

Very truly yours,

_____
Director of Revenue and Finance; CFO

cc: Mike Griffin, OMB
Notice parties to Trust Agreement

SCHEDULE 1
[WIRE INSTRUCTIONS FOR RESERVE FUND]

EXHIBIT D

[Attach Schedule of Debt Service, including First Available Call Dates, for all outstanding Prior Bonds as of the Effective Date, and Investment Yield Restrictions for Series 2011 Bonds, Series 2012[1st] Bonds, Series 2012[2nd] Bonds, Series 2013[1st] Bonds, Series 2013[2nd] Bonds, Series 2015A Bonds, Series 2015B Bonds, Series 2017A Bonds, and Series 2017B Bonds**]**

EXHIBIT E
SCHEDULE OF DEBT SERVICE PAYMENTS ON QUALIFIED BONDS

QBA Debt Service ($)

	2015A	2015B	2017A	2017B	2018	Total
3/1/2019	1,546,050	764,938	1,745,000	3,321,625		7,377,613
9/1/2019	1,546,050	327,188	1,745,000	1,485,625		5,103,863
3/1/2020	2,071,050	927,188	3,415,000	3,285,625	999,846	10,698,709
9/1/2020	1,527,675	309,188	1,703,250	1,440,625	999,846	5,980,584
3/1/2021	2,132,675	909,188	3,453,250	3,240,625	999,846	10,735,584
9/1/2021	1,506,500	290,063	1,659,500	1,395,625	3,999,846	8,851,534
3/1/2022	2,191,500	890,063	3,504,500	3,195,625	944,856	10,726,544
9/1/2022	1,482,525	270,938	1,613,375	1,350,625	8,999,856	13,717,319
3/1/2023	2,252,525	870,938	3,558,375	3,170,625	791,650	10,644,113
9/1/2023	1,455,575	251,813	1,564,750	1,305,125	9,156,650	13,733,913
3/1/2024	2,320,575	851,813	3,609,750	3,220,125	626,274	10,628,537
9/1/2024	1,425,300	232,688	1,513,625	1,257,250	9,321,274	13,750,137
3/1/2025	2,390,300	832,688	3,663,625	3,272,250	448,853	10,607,715
9/1/2025	1,391,525	213,563	1,459,875	1,206,875	9,498,853	13,770,690
3/1/2026	2,461,525	813,563	3,724,875	3,321,875	257,400	10,579,238
9/1/2026	1,354,075	194,438	1,403,250	1,154,000	12,257,400	16,363,163
3/1/2027	2,539,075	794,438	3,788,250	3,379,000		10,500,763
9/1/2027	1,312,600	175,313	1,343,625	1,098,375		3,929,913
3/1/2028	2,622,600	775,313	3,853,625	3,438,375		10,689,913
9/1/2028	1,266,750	156,188	1,280,875	1,039,875		3,743,688
3/1/2029	1,266,750	2,421,188	3,695,875	3,499,875		10,883,688
9/1/2029	1,266,750	83,991	1,220,500	978,375		3,549,616
3/1/2030	1,266,750	2,718,991	3,535,500	3,563,375		11,084,616
9/1/2030	1,266,750		1,162,625	913,750		3,343,125
3/1/2031	3,621,750		4,062,625	3,633,750		11,318,125
9/1/2031	1,178,438		1,090,125	845,750		3,114,313
3/1/2032	3,718,438		4,135,125	3,700,750		11,554,313
9/1/2032	1,083,188		1,014,000	774,375		2,871,563
3/1/2033	3,818,188		4,219,000	3,779,375		11,816,563
9/1/2033	980,625		933,875	699,250		2,613,750
3/1/2034	3,930,625		4,303,875	3,859,250		12,093,750
9/1/2034	870,000		849,625	620,250		2,339,875
3/1/2035	4,050,000		4,389,625	3,940,250		12,379,875
9/1/2035	750,750		761,125	537,250		2,049,125
3/1/2036	4,180,750		4,481,125	4,027,250		12,689,125
9/1/2036	622,125		668,125	450,000		1,740,250
3/1/2037	4,317,125		4,583,125	4,050,000		12,950,250
9/1/2037	483,563		570,250	360,000		1,413,813
3/1/2038	4,463,563		4,685,250	3,960,000		13,108,813
9/1/2038	334,313		467,375	288,000		1,089,688
3/1/2039	4,624,313		4,797,375	3,888,000		13,309,688
9/1/2039	173,438		359,125	216,000		748,563
3/1/2040	4,798,438		4,909,125	3,816,000		13,523,563
9/1/2040			245,375	144,000		389,375
3/1/2041			5,030,375	3,744,000		8,774,375
9/1/2041			125,750	72,000		197,750
3/1/2042			5,155,750	3,672,000		8,827,750
9/1/2042						

QBA Debt Service (%)

	2015A	2015B	2017A	2017B	2018	Total
3/1/2019	20.96%	10.37%	23.65%	45.02%		100.00%
9/1/2019	30.29%	6.41%	34.19%	29.11%		100.00%
3/1/2020	19.36%	8.67%	31.92%	30.71%	9.35%	100.00%
9/1/2020	25.54%	5.17%	28.48%	24.09%	16.72%	100.00%
3/1/2021	19.87%	8.47%	32.17%	30.19%	9.31%	100.00%
9/1/2021	17.02%	3.28%	18.75%	15.77%	45.19%	100.00%
3/1/2022	20.43%	8.30%	32.67%	29.79%	8.81%	100.00%
9/1/2022	10.81%	1.98%	11.76%	9.85%	65.61%	100.00%
3/1/2023	21.16%	8.18%	33.43%	29.79%	7.44%	100.00%
9/1/2023	10.60%	1.83%	11.39%	9.50%	66.67%	100.00%
3/1/2024	21.83%	8.01%	33.96%	30.30%	5.89%	100.00%
9/1/2024	10.37%	1.69%	11.01%	9.14%	67.79%	100.00%
3/1/2025	22.53%	7.85%	34.54%	30.85%	4.23%	100.00%
9/1/2025	10.10%	1.55%	10.60%	8.76%	68.98%	100.00%
3/1/2026	23.27%	7.69%	35.21%	31.40%	2.43%	100.00%
9/1/2026	8.28%	1.19%	8.58%	7.05%	74.91%	100.00%
3/1/2027	24.18%	7.57%	36.08%	32.18%		100.00%
9/1/2027	33.40%	4.46%	34.19%	27.95%		100.00%
3/1/2028	24.53%	7.25%	36.05%	32.16%		100.00%
9/1/2028	33.84%	4.17%	34.21%	27.78%		100.00%
3/1/2029	11.64%	22.25%	33.96%	32.16%		100.00%
9/1/2029	35.69%	2.37%	34.38%	27.56%		100.00%
3/1/2030	11.43%	24.53%	31.90%	32.15%		100.00%
9/1/2030	37.89%		34.78%	27.33%		100.00%
3/1/2031	32.00%		35.89%	32.11%		100.00%
9/1/2031	37.84%		35.00%	27.16%		100.00%
3/1/2032	32.18%		35.79%	32.03%		100.00%
9/1/2032	37.72%		35.31%	26.97%		100.00%
3/1/2033	32.31%		35.70%	31.98%		100.00%
9/1/2033	37.52%		35.73%	26.75%		100.00%
3/1/2034	32.50%		35.59%	31.91%		100.00%
9/1/2034	37.18%		36.31%	26.51%		100.00%
3/1/2035	32.71%		35.46%	31.83%		100.00%
9/1/2035	36.64%		37.14%	26.22%		100.00%
3/1/2036	32.95%		35.31%	31.74%		100.00%
9/1/2036	35.75%		38.39%	25.86%		100.00%
3/1/2037	33.34%		35.39%	31.27%		100.00%
9/1/2037	34.20%		40.33%	25.46%		100.00%
3/1/2038	34.05%		35.74%	30.21%		100.00%
9/1/2038	30.68%		42.89%	26.43%		100.00%
3/1/2039	34.74%		36.04%	29.21%		100.00%
9/1/2039	23.17%		47.98%	28.86%		100.00%
3/1/2040	35.48%		36.30%	28.22%		100.00%
9/1/2040			63.02%	36.98%		100.00%
3/1/2041			57.33%	42.67%		100.00%
9/1/2041			63.59%	36.41%		100.00%
3/1/2042			58.40%	41.60%		100.00%
9/1/2042						

EXHIBIT F
SCHEDULE OF DEBT SERVICE PAYMENTS ON NON-QUALIFIED BONDS

Non-QBA Debt Service ($)

	2011 Gen Imp	2012 Pension	2012 Tax Appeal	2013 GO	2013 Tax Appeal	Total
2/1/2019	1,755,975	-	-	-	-	1,755,975
4/1/2019	-	701,654	-	-	-	701,654
5/1/2019	-	-	1,458,075	-	-	1,458,075
6/1/2019	-	-	-	255,750	1,186,625	1,442,375
8/1/2019	115,975	-	-	-	-	115,975
10/1/2019	-	32,726	-	-	-	32,726
11/1/2019	-	-	7,883,075	-	-	7,883,075
12/1/2019	-	-	-	1,115,750	8,311,625	9,427,375
2/1/2020	1,715,975	-	-	-	-	1,715,975
4/1/2020	-	717,726	-	-	-	717,726
5/1/2020	-	-	1,297,450	-	-	1,297,450
6/1/2020	-	-	-	234,250	1,008,500	1,242,750
8/1/2020	75,975	-	-	-	-	75,975
10/1/2020	-	17,122	-	-	-	17,122
11/1/2020	-	-	6,332,450	-	-	6,332,450
12/1/2020	-	-	-	1,124,250	7,688,500	8,812,750
2/1/2021	1,675,975	-	-	-	-	1,675,975
4/1/2021	-	737,122	-	-	-	737,122
5/1/2021	-	-	1,171,575	-	-	1,171,575
6/1/2021	-	-	-	212,000	841,500	1,053,500
8/1/2021	39,975	-	-	-	-	39,975
10/1/2021	-	-	-	-	-	-
11/1/2021	-	-	5,851,575	-	-	5,851,575
12/1/2021	-	-	-	1,132,000	7,076,500	8,208,500
2/1/2022	1,638,975	-	-	-	-	1,638,975
4/1/2022	-	-	-	-	-	-
5/1/2022	-	-	1,054,575	-	-	1,054,575
6/1/2022	-	-	-	189,000	685,625	874,625
8/1/2022	-	-	-	-	-	-
10/1/2022	-	-	-	-	-	-
11/1/2022	-	-	5,209,575	-	-	5,209,575
12/1/2022	-	-	-	1,139,000	6,740,625	7,879,625
2/1/2023	-	-	-	-	-	-
4/1/2023	-	-	-	-	-	-
5/1/2023	-	-	950,700	-	-	950,700
6/1/2023	-	-	-	165,250	534,250	699,500
8/1/2023	-	-	-	-	-	-
10/1/2023	-	-	-	-	-	-
11/1/2023	-	-	6,680,700	-	-	6,680,700
12/1/2023	-	-	-	1,155,250	6,324,250	7,479,500
2/1/2024	-	-	-	-	-	-
4/1/2024	-	-	-	-	-	-
5/1/2024	-	-	836,100	-	-	836,100
6/1/2024	-	-	-	140,500	389,500	530,000
8/1/2024	-	-	-	-	-	-
10/1/2024	-	-	-	-	-	-
11/1/2024	-	-	6,596,100	-	-	6,596,100
12/1/2024	-	-	-	1,170,500	4,534,500	5,705,000
2/1/2025	-	-	-	-	-	-
4/1/2025	-	-	-	-	-	-
5/1/2025	-	-	720,900	-	-	720,900
6/1/2025	-	-	-	114,750	285,875	400,625
8/1/2025	-	-	-	-	-	-
10/1/2025	-	-	-	-	-	-
11/1/2025	-	-	6,510,900	-	-	6,510,900
12/1/2025	-	-	-	1,184,750	4,600,875	5,785,625
2/1/2026	-	-	-	-	-	-
4/1/2026	-	-	-	-	-	-
5/1/2026	-	-	605,100	-	-	605,100
6/1/2026	-	-	-	88,000	178,000	266,000
8/1/2026	-	-	-	-	-	-
10/1/2026	-	-	-	-	-	-
11/1/2026	-	-	6,195,100	-	-	6,195,100
12/1/2026	-	-	-	1,203,000	1,068,000	2,271,000

Non-QBA Debt Service (%)

	2011		2012		2012		2013		2013		
	CUSIP	Gen Imp	CUSIP	Pension	CUSIP	Tax Appeal	CUSIP	GO	CUSIP	Tax Appeal	Total
2/1/2019	048339RJ6	100.00%		-		-		-		-	100.00%
4/1/2019		-	048339SF3	100.00%		-		-		-	100.00%
5/1/2019		-		-	048339SR7	100.00%		-		-	100.00%
6/1/2019		-		-		-	048339TP0	17.73%	048339TP0	82.27%	100.00%
8/1/2019	048339RJ6	100.00%		-		-		-		-	100.00%
10/1/2019		-	048339SF3	100.00%		-		-		-	100.00%
11/1/2019		-		-	048339SR7	100.00%		-		-	100.00%
12/1/2019		-		-		-	048339TP0	11.84%	048339TP0	88.16%	100.00%
2/1/2020	048339RK3	100.00%		-		-		-		-	100.00%
4/1/2020		-	048339SG1	100.00%		-		-		-	100.00%
5/1/2020		-		-	048339SS5	100.00%		-		-	100.00%
6/1/2020		-		-		-	048339TQ8	18.85%	048339TQ8	81.15%	100.00%
8/1/2020	048339RK3	100.00%		-		-		-		-	100.00%
10/1/2020		-	048339SG1	100.00%		-		-		-	100.00%
11/1/2020		-		-	048339SS5	100.00%		-		-	100.00%
12/1/2020		-		-		-	048339TQ8	12.76%	048339TQ8	87.24%	100.00%
2/1/2021	048339RL1	100.00%		-		-		-		-	100.00%
4/1/2021		-	048339SH9	100.00%		-		-		-	100.00%
5/1/2021		-		-	048339ST3	100.00%		-		-	100.00%
6/1/2021		-		-		-	048339TR6	20.12%	048339TR6	79.88%	100.00%
8/1/2021	048339RL1	100.00%		-		-		-		-	100.00%
10/1/2021		-		-		-		-		-	-
11/1/2021		-		-	048339ST3	100.00%		-		-	100.00%
12/1/2021		-		-		-	048339TR6	13.79%	048339TR6	86.21%	100.00%
2/1/2022	048339RM9	100.00%		-		-		-		-	100.00%
4/1/2022		-		-		-		-		-	-
5/1/2022		-		-	048339SU0	100.00%		-		-	100.00%
6/1/2022		-		-		-	048339TS4	21.61%	048339TS4	78.39%	100.00%
8/1/2022		-		-		-		-		-	-
10/1/2022		-		-		-		-		-	-
11/1/2022		-		-	048339SU0	100.00%		-		-	100.00%
12/1/2022		-		-		-	048339TS4	14.46%	048339TS4	85.54%	100.00%
2/1/2023		-		-		-		-		-	-
4/1/2023		-		-		-		-		-	-
5/1/2023		-		-	048339SV8	100.00%		-		-	100.00%
6/1/2023		-		-		-	048339TT2	23.62%	048339TT2	76.38%	100.00%
8/1/2023		-		-		-		-		-	-
10/1/2023		-		-		-		-		-	-
11/1/2023		-		-	048339SV8	100.00%		-		-	100.00%
12/1/2023		-		-		-	048339TT2	15.45%	048339TT2	84.55%	100.00%
2/1/2024		-		-		-		-		-	-
4/1/2024		-		-		-		-		-	-
5/1/2024		-		-	048339SW6	100.00%		-		-	100.00%
6/1/2024		-		-		-	048339TU9	26.51%	048339TU9	73.49%	100.00%
8/1/2024		-		-		-		-		-	-
10/1/2024		-		-		-		-		-	-
11/1/2024		-		-	048339SW6	100.00%		-		-	100.00%
12/1/2024		-		-		-	048339TU9	20.52%	048339TU9	79.48%	100.00%
2/1/2025		-		-		-		-		-	-
4/1/2025		-		-		-		-		-	-
5/1/2025		-		-	048339SX4	100.00%		-		-	100.00%
6/1/2025		-		-		-	048339TV7	28.64%	048339TV7	71.36%	100.00%
8/1/2025		-		-		-		-		-	-
10/1/2025		-		-		-		-		-	-
11/1/2025		-		-	048339SX4	100.00%		-		-	100.00%
12/1/2025		-		-		-	048339TV7	20.48%	048339TV7	79.52%	100.00%
2/1/2026		-		-		-		-		-	-
4/1/2026		-		-		-		-		-	-
5/1/2026		-		-	048339SY2	100.00%		-		-	100.00%
6/1/2026		-		-		-	048339TW5	33.08%	048339TW5	66.92%	100.00%
8/1/2026		-		-		-		-		-	-
10/1/2026		-		-		-		-		-	-
11/1/2026		-		-	048339SY2	100.00%		-		-	100.00%
12/1/2026		-		-		-	048339TW5	52.97%	048339TW5	47.03%	100.00%

Non-QBA Debt Service ($)

	2011 Gen Imp	2012 Pension	2012 Tax Appeal	2013 GO	2013 Tax Appeal	Total
2/1/2027	-	-	-	-	-	-
4/1/2027	-	-	-	-	-	-
5/1/2027	-	-	493,300	-	-	493,300
6/1/2027	-	-	-	60,125	155,750	215,875
8/1/2027	-	-	-	-	-	-
10/1/2027	-	-	-	-	-	-
11/1/2027	-	-	6,103,300	-	-	6,103,300
12/1/2027	-	-	-	1,235,125	1,045,750	2,280,875
2/1/2028	-	-	-	-	-	-
4/1/2028	-	-	-	-	-	-
5/1/2028	-	-	381,100	-	-	381,100
6/1/2028	-	-	-	30,750	133,500	164,250
8/1/2028	-	-	-	-	-	-
10/1/2028	-	-	-	-	-	-
11/1/2028	-	-	6,011,100	-	-	6,011,100
12/1/2028	-	-	-	1,260,750	1,023,500	2,284,250
2/1/2029	-	-	-	-	-	-
4/1/2029	-	-	-	-	-	-
5/1/2029	-	-	296,650	-	-	296,650
6/1/2029	-	-	-	-	111,250	111,250
8/1/2029	-	-	-	-	-	-
10/1/2029	-	-	-	-	-	-
11/1/2029	-	-	5,436,650	-	-	5,436,650
12/1/2029	-	-	-	-	1,001,250	1,001,250
2/1/2030	-	-	-	-	-	-
4/1/2030	-	-	-	-	-	-
5/1/2030	-	-	219,550	-	-	219,550
6/1/2030	-	-	-	-	89,000	89,000
8/1/2030	-	-	-	-	-	-
10/1/2030	-	-	-	-	-	-
11/1/2030	-	-	5,314,550	-	-	5,314,550
12/1/2030	-	-	-	-	979,000	979,000
2/1/2031	-	-	-	-	-	-
4/1/2031	-	-	-	-	-	-
5/1/2031	-	-	143,125	-	-	143,125
6/1/2031	-	-	-	-	66,750	66,750
8/1/2031	-	-	-	-	-	-
10/1/2031	-	-	-	-	-	-
11/1/2031	-	-	4,743,125	-	-	4,743,125
12/1/2031	-	-	-	-	956,750	956,750
2/1/2032	-	-	-	-	-	-
4/1/2032	-	-	-	-	-	-
5/1/2032	-	-	71,250	-	-	71,250
6/1/2032	-	-	-	-	44,500	44,500
8/1/2032	-	-	-	-	-	-
10/1/2032	-	-	-	-	-	-
11/1/2032	-	-	4,631,250	-	-	4,631,250
12/1/2032	-	-	-	-	934,500	934,500
2/1/2033	-	-	-	-	-	-
4/1/2033	-	-	-	-	-	-
5/1/2033	-	-	-	-	-	-
6/1/2033	-	-	-	-	22,250	22,250
8/1/2033	-	-	-	-	-	-
10/1/2033	-	-	-	-	-	-
11/1/2033	-	-	-	-	-	-
12/1/2033	-	-	-	-	912,250	912,250

Non-QBA Debt Service (%)

	CUSIP	2011 Gen Imp	CUSIP	2012 Pension	CUSIP	2012 Tax Appeal	CUSIP	2013 GO	CUSIP	2013 Tax Appeal	Total
2/1/2027		-		-		-		-		-	-
4/1/2027		-		-		-		-		-	-
5/1/2027		-		-	048339SZ9	100.00%		-		-	100.00%
6/1/2027		-		-		-	048339TX3	27.85%	048339TX3	72.15%	100.00%
8/1/2027		-		-		-		-		-	-
10/1/2027		-		-		-		-		-	-
11/1/2027		-		-	048339SZ9	100.00%		-		-	100.00%
12/1/2027		-		-		-	048339TX3	54.15%	048339TX3	45.85%	100.00%
2/1/2028		-		-		-		-		-	-
4/1/2028		-		-		-		-		-	-
5/1/2028		-		-	048339TA3	100.00%		-		-	100.00%
6/1/2028		-		-		-	048339TY1	18.72%	048339TY1	81.28%	100.00%
8/1/2028		-		-		-		-		-	-
10/1/2028		-		-		-		-		-	-
11/1/2028		-		-	048339TA3	100.00%		-		-	100.00%
12/1/2028		-		-		-	048339TY1	55.19%	048339TY1	44.81%	100.00%
2/1/2029		-		-		-		-		-	-
4/1/2029		-		-		-		-		-	-
5/1/2029		-		-	048339TB1	100.00%		-		-	100.00%
6/1/2029		-		-		-		-	048339TZ8	100.00%	100.00%
8/1/2029		-		-		-		-		-	-
10/1/2029		-		-		-		-		-	-
11/1/2029		-		-	048339TB1	100.00%		-		-	100.00%
12/1/2029		-		-		-		-	048339TZ8	100.00%	100.00%
2/1/2030		-		-		-		-		-	-
4/1/2030		-		-		-		-		-	-
5/1/2030		-		-	048339TC9	100.00%		-		-	100.00%
6/1/2030		-		-		-		-	048339UA1	100.00%	100.00%
8/1/2030		-		-		-		-		-	-
10/1/2030		-		-		-		-		-	-
11/1/2030		-		-	048339TC9	100.00%		-		-	100.00%
12/1/2030		-		-		-		-	048339UA1	100.00%	100.00%
2/1/2031		-		-		-		-		-	-
4/1/2031		-		-		-		-		-	-
5/1/2031		-		-	048339TD7	100.00%		-		-	100.00%
6/1/2031		-		-		-		-	048339UB9	100.00%	100.00%
8/1/2031		-		-		-		-		-	-
10/1/2031		-		-		-		-		-	-
11/1/2031		-		-	048339TD7	100.00%		-		-	100.00%
12/1/2031		-		-		-		-	048339UB9	100.00%	100.00%
2/1/2032		-		-		-		-		-	-
4/1/2032		-		-		-		-		-	-
5/1/2032		-		-	048339TE5	100.00%		-		-	100.00%
6/1/2032		-		-		-		-	048339UC7	100.00%	100.00%
8/1/2032		-		-		-		-		-	-
10/1/2032		-		-		-		-		-	-
11/1/2032		-		-	048339TE5	100.00%		-		-	100.00%
12/1/2032		-		-		-		-	048339UC7	100.00%	100.00%
2/1/2033		-		-		-		-		-	-
4/1/2033		-		-		-		-		-	-
5/1/2033		-		-		-		-		-	-
6/1/2033		-		-		-		-	048339UD5	100.00%	100.00%
8/1/2033		-		-		-		-		-	-
10/1/2033		-		-		-		-		-	-
11/1/2033		-		-		-		-		-	-
12/1/2033		-		-		-		-	048339UD5	100.00%	100.00%

EXHIBIT G

NOTICE OF DIRECTION TO TRUSTEE REGARDING TRANSFER OF FUNDS FROM DEFEASANCE ACCOUNT

[Letterhead of City]

[Date]

The Bank of New York Mellon, as Trustee
385 Rifle Camp Road – 3rd Floor
Woodland Park, NJ 07424

The Bank of New York Mellon, as Paying Agent for the Series ___ Bonds [and the Series __ Bonds]
385 Rifle Camp Road – 3rd Floor
Woodland Park, NJ 07424

Attention: Deborah Stewart
Vice President

Attention: xxxxxxx.xxxxxxx@xxxxxxxxx.xxx
973-357-7824 (T)
973-357-7840 (F)

Re: Supplemental Security and Trust Agreement for Bonds of the City of Atlantic City, New Jersey dated as of April 1, 2018 (the "*Trust Agreement*") by and between the City of Atlantic City, New Jersey (the "*City*") and The Bank of New York Mellon, as Trustee (the "*Trustee*")
- Notice of Direction to Transfer Funds from Defeasance Account of the Reserve Fund

Dear Sir or Madam:

Pursuant to Section 7(e) of the Trust Agreement, you are hereby directed as Trustee pursuant to the Trust Agreement, by virtue of the below signature of an Authorized Officer of the City, to immediately transfer $_____ from the amounts on deposit in the Defeasance Account of the Reserve Fund (capitalized terms not defined herein shall be ascribed the meaning given such term in the Trust Agreement) to the [Series ____ Retirement Fund/other Fund or Account established under the Trust Agreement] [_____].

[Remainder of Page Left Blank]

Upon receipt of and deposit of the above referenced funds in the Series ____ Retirement Fund, you are hereby directed as Paying Agent for the Series ___ Bonds, by virtue of the below signature of an Authorized Officer of the City, to apply such monies to the [optional redemption of such Series ___ Bonds in accordance with the Series ___ Bond Resolution] [to the next scheduled Debt Service Payment with respect to the Series ___ Bonds].

Very truly yours,

_____
Director of Revenue and Finance; CFO

cc: Notice parties to Trust Agreement

EXHIBIT H

NOTICE OF DIRECTION TO TRUSTEE REGARDING TRANSFER OF FUNDS FROM AGED ACCOUNT

[Letterhead of City]

[Date]

The Bank of New York Mellon, as Trustee
385 Rifle Camp Road – 3rd Floor
Woodland Park, NJ 07424

The Bank of New York Mellon, as Paying Agent for the Series ___ Bonds [and the Series __ Bonds]
385 Rifle Camp Road – 3rd Floor
Woodland Park, NJ 07424

Attention: Deborah Stewart
Vice President

Attention: xxxxxxx.xxxxxxx@xxxxxxxxx.xxx
973-357-7824 (T)
973-357-7840 (F)

Re: Supplemental Security and Trust Agreement for Bonds of the City of Atlantic City, New Jersey dated as of April 1, 2018 (the "*Trust Agreement*") by and between the City of Atlantic City, New Jersey (the "*City*") and The Bank of New York Mellon, as Trustee (the "*Trustee*")
- Notice of Direction to Transfer Funds from Aged Account of the Reserve Fund

Dear Sir or Madam:

Pursuant to Section 7(d) of the Trust Agreement, you are hereby directed as Trustee pursuant to the Trust Agreement, by virtue of the below signature of an Authorized Officer of the City, to immediately transfer $_____ from the amounts on deposit in the Aged Account of the Reserve Fund (capitalized terms not defined herein shall be ascribed the meaning given such term in the Trust Agreement) to the Series ____ Retirement Fund.

[Remainder of Page Left Blank]

Upon receipt of and deposit of the above referenced funds in the Series ____ Retirement Fund, you are hereby directed as Paying Agent for the Series ___ Bonds, by virtue of the below signature of an Authorized Officer of the City, to apply such monies to the to the next scheduled Debt Service Payment(s) to come due on the Debt Service Payment Date(s) in the Current Calendar Year with respect to the Series ___ Bonds.

Very truly yours,

_____
Director of Revenue and Finance; CFO

cc: Notice parties to Trust Agreement

APPENDIX D

FORM OF BOND COUNSEL OPINION

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Simultaneously with the issuance of the Series 2018A Bonds, Pearlman & Miranda, LLC, Bloomfield, New Jersey, Bond Counsel, anticipates rendering an opinion in substantially the following form:

[Date of Closing]

Mayor and City Council of the
City of Atlantic City
Atlantic City, New Jersey

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, issuance, sale and delivery of $49,165,000 aggregate principal amount of Deferred Contribution Refunding Bonds, Series 2018A (Federally Taxable) (Qualified Pursuant to the Provisions of the Municipal Qualified Bond Act, P.L. 1976, c. 38, as amended) (the "*Series 2018A Bonds*"), of the City of Atlantic City, in the County of Atlantic (the "*City*"), a body politic and corporate of the State of New Jersey (the "*State*").

The Series 2018A Bonds are authorized by and are issued under and pursuant to the provisions of: (i) the Local Bond Law, N.J.S.A. 40A:2-1 *et seq*., as amended and supplemented (the "*Local Bond Law*"), specifically N.J.S.A. 40A:2-51; (ii) the Municipal Qualified Bond Act, N.J.S.A. 40A:3-1 et seq., as amended and supplemented (the "*Municipal Qualified Bond Act*"); (iii) the Municipal Stabilization and Recovery Act, N.J.S.A. 52:27BBBB-1 et seq. (the "*Municipal Stabilization and Recovery Act*"); (iv) a refunding bond ordinance duly adopted by the City Council of the City on February 21, 2018 (the "*Refunding Bond Ordinance*"); (v) a resolution duly adopted by the City Council of the City on February 21, 2018 (the "*Resolution*"); (vi) certifications of the Director of the Division of Local Government Services of the New Jersey Department of Community Affairs (the "*Director*") pursuant to and in accordance with the Municipal Stabilization and Recovery Act (the "*Director Certifications*"); and (vii) resolutions adopted on January 10, 2018 (collectively, the "*LFB Resolutions*" and together with the Refunding Bond Ordinance, the Resolution and the Director Certifications, the "*Authorization Proceedings*") by the Local Finance Board of the Division of Local Government Services of the New Jersey Department of Community Affairs (the "*Local Finance Board*").

Pursuant to the provisions of the Municipal Qualified Bond Act, the Local Finance Board has determined that the City is entitled to issue the Series 2018A Bonds as "qualified bonds" and has caused its consent to be endorsed upon the Refunding Bond Ordinance within the meaning of the Municipal Qualified Bond Act. Pursuant to the Municipal Qualified Bond Act, and subject to appropriation of the State Legislature, a portion of certain State aid, in amounts sufficient to pay the principal of and interest on "qualified bonds" of the City, including the Series 2018A Bonds, is to be withheld by the State Treasurer (the "*Withheld State Amounts*").

Pursuant to and in accordance with the Authorizing Proceedings, the proceeds of the Series 2018A Bonds are being used by the City to: (i) pay the City's fiscal year 2015 deferred allocable contribution into (a) the State pension systems for, including others, certain municipal employees of the City participating in the New Jersey Public Employees' Retirement System and the New Jersey Police and Firemen's Retirement System pursuant to and in accordance with P.L. 2009, c. 19 (N.J.S.A. 40A:4-45.1 et seq.), and (b) the State healthcare systems for, including others, certain municipal employees of the City pursuant to N.J.S.A. 52:14-17.25 et seq. and other applicable law; (ii) capitalized interest through and including September 1, 2019 and (iii) pay for costs of issuance of the Series 2018A Bonds.

Pursuant to the Casino Property Tax Stabilization Act, P.L.2016, c.5 (the "*CPTSA*"), beginning on May 27, 2016, through and including December 31, 2026, certain moneys, if any, received by the State Treasurer derived from the payment of the "investment alternative tax" by licensed casinos in the City pursuant to the Casino Control Act, P.L.1984, c.218, as amended, including, in particular by P.L.2013, c.27 (N.J.S.A. 52:12-1 et seq.) ("*Casino Control Act*") (N.J.S.A. 5:12-144.1 and N.J.S.A. 5:12-95.19 specifically), except for any amounts thereof: (i) previously pledged for the payment of bonds issued by the Casino Reinvestment Development Authority (the "*CRDA*") or otherwise contractually obligated by the CRDA prior to the effective date of the CPTSA, or any bonds issued to refund such CRDA bonds; and (ii) required to be credited against amounts due and owing by applicable casino licensees for prior investment alternative taxes paid in excess of certain limitations imposed by the CPTSA (such remaining monies being hereafter referred to as "*Net IAT Revenues*"), shall be allocated to the City for the purposes of paying debt service on general obligation bonds issued by the City prior to and after May 27, 2016, including the Series 2018A Bonds. N.J.S.A. 52:27BBBB-25 of the CPTSA provides that Net IAT Revenues are allocated to the City for these specific purposes and does not provide for the City's general use of these funds.

In order to provide for the payment of some or all of the principal and redemption price of and interest on the Series 2018A Bonds, pursuant to that certain "Supplemental Security and Trust Agreement for the Bonds of the City of the Atlantic City", dated as of April 1, 2018 (the "*Trust Agreement*"), between the City and The Bank of New York Mellon, as trustee (the "*Trustee*"), the City has directed that Net IAT Revenues, if received and payable to or on behalf of the City by the State Treasurer pursuant to the CPTSA, shall instead be deposited with the Trustee in the Reserve Fund (as defined in the Trust Agreement) established by the Trust Agreement, all for the eventual required purpose of paying debt service on the certain bonds of the City including the Series 2018A Bonds. Thereafter, upon satisfaction of certain conditions set forth in the Trust Agreement (including, but not limited to, Net IAT Revenues being (a) held by the Trustee for certain time periods in certain accounts within the Reserve Fund, and (b) transferred and deposited from the Reserve Fund to the retirement fund created and established by the Resolution (the "*Series 2018A Qualified Retirement Fund*") for the Series 2018A Bonds to provide additional security therefor, established pursuant to the Resolution such available Net IAT Revenues (referred to herein as "*Available City IAT Revenues*") shall be transferred by the Trustee to The Bank of New York Mellon, as Paying Agent (the "*Paying Agent*") to pay all or a portion of the principal or redemption price of and interest on certain bonds of the City, including the Series 2018A Bonds.

The Series 2018A Bonds are issued in fully registered form, without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust

Company, Jersey City, New Jersey ("*DTC*"), an automated depository for securities and clearing house for securities transactions. One certificate shall be issued for the aggregate principal amount of Bonds maturing in each year. Purchases of the Series 2018A Bonds will be made in book-entry only form, without certificates, in principal denominations of $5,000 or any integral multiple thereof. So long as DTC or its nominee is the registered owner of the Series 2018A Bonds, payments of the principal of and interest on the Series 2018A Bonds will be made by the Paying Agent, directly to Cede & Co., as nominee for DTC. Disbursal of such payments to DTC participants is the responsibility of DTC and disbursal of such payments to the beneficial owners of the Series 2018A Bonds is the responsibility of DTC participants.

The Series 2018A Bonds are dated and shall bear interest from their date of delivery, which interest shall be payable semiannually on the first day of March and September in each year until maturity or prior redemption, as applicable, commencing March 1, 2019. The Series 2018A Bonds shall mature on September 1, in each of the years and in the principal amounts as follows:

Maturity Date	Principal Amount	Interest Rate	Price	CUSIP
September 1, 2021	$3,000,000	3.666%	100.000%	048339VZ5
September 1, 2022	8,055,000	3.804	100.000	048339WA9
September 1, 2023	8,365,000	3.954	100.000	048339WB7
September 1, 2024	8,695,000	4.081	100.000	048339WC5
September 1, 2025	9,050,000	4.231	100.000	048339WD3
September 1, 2026	12,000,000	4.290	100.000	048339WE1

The Series 2018A Bonds are not subject to optional redemption prior to their stated maturity dates. The Series 2018A Bonds are subject to make-whole redemption and mandatory sinking fund redemption prior to their stated maturity dates as set forth in the Series 2018A Bonds.

In our capacity as Bond Counsel and as a basis for the opinions set forth below, we have examined the proceedings relating to the authorization and issuance of the Series 2018A Bonds, including: (a) the Authorization Proceedings; and (b) such matters of law, including inter alia, the Local Bond Law, the Municipal Qualified Bond Act, the Municipal Stabilization and Recovery Act, the CPTSA and the Internal Revenue Code of 1986, as amended (the "*Code*"); (c) the Trust Agreement and (d) such other agreements, proceedings, certificates, records, approvals, resolutions, and documents as to various matters with respect to the issuance of the Series 2018A Bonds as we have deemed necessary. We have further assumed and relied upon the genuineness, accuracy and completeness of all of the documents and other instruments which we have examined. As to questions of fact material to our opinion, we have relied on the proceedings and other certifications of public officials executed and furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, and assuming that the Series 2018A Bonds and other documents and certificates are executed and delivered as instructed by us, we are of the opinion that:

1. The Authorization Proceedings show lawful authority for the authorization, issuance, sale and delivery of the Series 2018A Bonds pursuant to all applicable New Jersey statutes.

2. The Series 2018A Bonds have been duly authorized, executed and delivered, and constitute valid and legally binding obligations of the City enforceable in accordance with their terms.

3. The Series 2018A Bonds constitute "qualified bonds" for all purposes of the Municipal Qualified Bond Act, and are entitled to all of the benefits of the provisions of the Municipal Qualified Bond Act.

4. The City has pledged its full faith and credit for the payment of the principal of and interest on the Series 2018A Bonds and, unless paid from other sources, as set forth in subsection 6 below, all the taxable property within the City is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of principal of and interest on the Series 2018A Bonds.

5. Pursuant to the Authorization Proceedings and the Trust Agreement, the Available City IAT Revenues, if and to the extent deposited in the Series 2018A Qualified Retirement Fund, shall be pledged to bondholders for the payment of principal of and interest on the Series 2018A Bonds.

6. Pursuant to the terms of the Authorization Proceedings and the Trust Agreement, the Series 2018A Bonds shall be paid: (i) first from Available City IAT Revenues, if and to the extent deposited into the Series 2018A Qualified Retirement Fund; (ii) second, if Available City IAT Revenues on deposit in the Series 2018A Qualified Retirement Fund are insufficient for payment of the Series 2018A Bonds in full, from Withheld State Amounts received by the Paying Agent from the State Treasurer; and (iii) third, if monies on deposit in the Series 2018A Qualified Retirement Fund and Withheld State Amounts are insufficient to pay the Series 2018A Bonds in full, from the levy of *ad valorem* taxes on all the taxable property within the City, without limitation as to rate or amount, for the payment of the principal of and interest on the Series 2018A Bonds.

7. Under current law, interest on the Series 2018A Bonds and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act.

For purposes of this opinion, the enforceability (but not the validity) of the documents mentioned herein may be limited by applicable bankruptcy, insolvency, reorganization,

moratorium or other laws now or hereafter enacted by any state or by the federal government affecting the enforcement of creditors' rights generally, and by equitable principles, and the phrase "enforceable in accordance with their respective terms" shall not mean that specific performance would necessarily be available as a remedy in every situation.

Other than as set forth in Paragraph 7 hereof, we express no opinion regarding other state tax consequences arising with respect to the Series 2018A Bonds. Furthermore, we express no opinion regarding other state tax consequences arising with respect to the Series 2018A Bonds, or the interest thereon, if any action is taken with respect to the Series 2018A Bonds or the proceeds thereof upon the advice or approval of other bond counsel.

We express no opinion regarding any bankruptcy consequences with respect to the Series 2018A Bonds as all bankruptcy related discussions have been addressed in the bankruptcy opinion rendered by Pearlman & Miranda, LLC of even date herewith.

The opinions expressed herein are limited to and based upon the laws and judicial decisions of the State and the federal laws and judicial decisions of the United States of America as of the date hereof, and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for our opinions or to any laws or judicial decisions hereafter enacted or rendered.

This opinion is being delivered to you at your request. Our engagement by you with respect to the opinions expressed herein does not require, and shall not be construed to constitute, a continuing obligation on our part to notify or otherwise inform you or the reliance parties hereof of the amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for this opinion letter or of laws or judicial decisions hereafter enacted or rendered which impact on this opinion letter.

We have examined one of the Series 2018A Bonds, as executed by the City, and, in our opinion, the form of such Series 2018A Bond and its execution are regular and proper.

Very truly yours,

PEARLMAN & MIRANDA, LLC

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APPENDIX E

FORM OF CONTINUING DISCLOSURE UNDERTAKING

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CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking dated April 12, 2018 (this "Disclosure Undertaking") is executed and delivered by the City of Atlantic City, in the County of Atlantic, State of New Jersey (the "City" or the "Issuer") in connection with the authorization, sale and issuance of its $49,165,000 aggregate principal amount of Deferred Contribution Refunding Bonds, Series 2018A (Federally Taxable) (Qualified Pursuant to the Provisions of the Municipal Qualified Bond Act, P.L. 1976, c. 38, as amended) (the "Series 2018A Bonds"), all such Series 2018A Bonds being dated their date of delivery. The Series 2018A Bonds are being issued pursuant to (i) the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), specifically N.J.S.A. 40A:2-51; (ii) the Municipal Qualified Bond Act, N.J.S.A. 40A:3-1 et seq., as amended and supplemented (the "Municipal Qualified Bond Act" or "MQBA"); (iii) the Municipal Stabilization and Recovery Act, N.J.S.A. 52:27BBBB-1 et seq., as amended and supplemented (the "MSRA"); (iv) a refunding bond ordinance duly and finally adopted by the City Council of the City on February 21, 2018 (the "Refunding Bond Ordinance"); (v) a resolution duly adopted by the City Council of the City on February 21, 2018 (the "Resolution"); (vi) certifications of the Director of the Local Finance Board (as hereinafter defined) (the "Director") pursuant to and in accordance with the MSRA (the "Director Certifications"); and (vii) resolutions adopted on January 10, 2018 (collectively, the "LFB Resolutions" and together with the Refunding Bond Ordinance, the Resolution and the Director Certifications, the "Authorization Proceedings") by the Division of Local Government Services of the New Jersey Department of Community Affairs (the "Local Finance Board"). The City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the City for the benefit of the holders of the Series 2018A Bonds and Beneficial Owners (as defined below) of the Series 2018A Bonds to assist the Underwriter (as defined below) in complying with the Rule (as defined below). The City acknowledges it is an "Obligated Person" under the Rule (as defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Authorization Proceedings which apply to any capitalized term used in this Disclosure Undertaking, unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any annual report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2018A Bond (including persons holding Series 2018A Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2018A Bonds for federal income tax purposes.

"Continuing Disclosure Information" shall mean, collectively, (i) each Annual Report, (ii) any notice required to be electronically filed by the City, in an electronic format as prescribed by the MSRB (as defined below), with the MSRB (as defined below) pursuant to Section 3 of this Disclosure Undertaking, and (iii) any notice of Listed Events (as defined below) required to be filed, in an electronic format as prescribed by the MSRB (as defined below), by the City with the MSRB (as defined below) pursuant to Section 5 of this Disclosure Undertaking.

"Disclosure Representative" shall mean the Director of Revenue and Finance/Chief Financial Officer of the City, or such other person as the City shall designate in writing from time to time for the purposes of this Disclosure Undertaking.

"Dissemination Agent" shall mean, initially, Acacia Financial Group, Inc. or any dissemination agent subsequently designated in writing by the City which has filed with the City a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Undertaking.

"MSRB" means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC (as defined below) to receive reports pursuant to Rule 15c2-12. Effective July 1, 2009 and until otherwise designated by the MSRB or the SEC (as defined below), filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Rule" shall mean Rule 15c2-12 adopted by the SEC (as defined below) under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" shall mean the United State Securities and Exchange Commission.

"State" shall mean the State of New Jersey.

"Underwriter" shall mean Morgan Stanley & Co. LLC, the original underwriter of the Series 2018A Bonds required to comply with the Rule in connection with the purchase of the Series 2018A Bonds.

SECTION 3. Provision of Annual Reports.

(a) The City shall provide or cause to be provided to the Dissemination Agent not later than September 15 of each year, commencing September 15, 2018 (for the fiscal year ending December 31, 2017), an Annual Report to the MSRB in an electronic format as prescribed by the MSRB (accompanied by such identifying information as is prescribed by the MSRB) which is consistent with the requirements of Section 4 of this Disclosure Undertaking. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross reference other information which has been made available to the public on the MSRB's website or filed with the SEC; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required herein for the filing of the Annual Report if the financial statements of the City are not available by that date, but only if the unaudited financial statements of the City are included in the Annual Report; provided further, that if the audited financial statements of the City are not available by September 15 of each year, (i) the City shall include unaudited financial statements with its Annual Report (together with a statement that the audited financial statements are not available and when the City expects the audited financial statements to be completed and available for delivery to the Dissemination Agent) and, (ii) when

such audited financial statements are approved by the City Council of the City, the same shall be submitted to the Dissemination Agent and filed with the MSRB no later than fifteen (15) business days after such approval by the City Council.

(b) Not later than September 30 of each year (commencing September 30, 2018), the Dissemination Agent shall file with the MSRB a copy of the Annual Report received by the Dissemination Agent pursuant to subsection (a) hereof.

(c) If the City does not provide or is unable to provide an Annual Report by the applicable date required in subsection (a) above, such that the Dissemination Agent cannot forward the Annual Report to the MSRB in accordance with subsection (b) above, the Dissemination Agent shall file a notice of such event with the MSRB no later than October 10 in substantially the form attached hereto as Exhibit A, with copies to the City (if the Dissemination Agent is not the City).

(d) If the City does not provide the audited financial statements by the applicable date required in subsection (a)(ii) above, or if the Dissemination Agent does not forward the audited financial statements to the MSRB in accordance with subsection (a)(ii) above, the Dissemination Agent shall file a notice of such event with the MSRB in substantially the form attached hereto as Exhibit A, with copies to the City (if the Dissemination Agent is not the City).

(e) Each year the Dissemination Agent shall file a report with the City (if the Dissemination Agent is not the City), certifying that the Annual Report has been filed with the MSRB pursuant to this Disclosure Undertaking, stating the date it was provided.

(f) If the fiscal year of the City changes, the City shall give written notice of such change to the Dissemination Agent and the Dissemination Agent shall, within five (5) business days after the receipt thereof from the City, file a notice of such change with the MSRB.

SECTION 4. Content of Annual Report.

(a) The City's Annual Report shall contain or incorporate by reference the following:

1. The audited financial statements of the City (as of the preceding December 31), as provided in Section 3(a) above, shall comply with the following:

(i) The audited financial statements of the City for the prior fiscal year, prepared in accordance with generally accepted accounting standards as from time to time in effect, and as prescribed by the Local Finance Board pursuant to Chapter 5 of Title 40A of the New Jersey Statutes.

(ii) If the City's audited financial statements are not available by the time the Annual Report is required to be provided pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements and the audited financial statements shall be provided in the same manner as the Annual Report when they become available.

(iii) Include the most current annual debt statement of the City (as of the preceding December 31).

2. The general financial information and operating data of the City consistent with the information set forth in Appendix A to the Official Statement dated April 4, 2018, prepared in connection with the sale of the Series 2018A Bonds (the "Official Statement") contained under the headings entitled, "Comparison of Tax Levy and Collections", "Delinquent Taxes and Tax Title Liens", "Property Acquired By Tax Lien Liquidation", "Largest Non-Casino Taxpayers", "Largest Casino Taxpayers (PILOT Participants)", "Assessed Valuation History".

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the City is an "Obligated Person" (as defined by the Rule), which have been filed with the MSRB. If the document incorporated by reference is a final official statement, it must have been filed with the MSRB. The City shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Series 2018A Bonds, as applicable:

1. Principal and interest payment delinquencies;

2. Nonpayment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or of their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2018A Bonds, or other material events affecting the tax status of the Series 2018A Bonds;

7. Modifications to rights of persons holding the Series 2018A Bonds, if material;

8. Bond calls, if material; and tender offers ("Bond Call Event");

9. Defeasances of the Series 2018A Bonds ("Defeasance Event" and together with "Bond Call Event", "Bond Disclosure Events");

10. Release, substitution or sale of property securing repayment of the Series 2018A Bonds, if material;

11. Rating changes relating to the Series 2018A Bonds;

12. Bankruptcy, insolvency, receivership or similar event of the City;

13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee for the Series 2018A Bonds, or the change of name of a trustee for the Series 2018A Bonds, if material.

The City shall, in a timely manner not in excess of ten (10) business days after the occurrence of any of the Listed Events, file a notice of the occurrence of such Listed Events with the MSRB, in accordance with the provisions of Section 5 of this Disclosure Undertaking. In determining the materiality of any of the Listed Events specified in subsection (a) of this Section 5 that require a materiality determination, the City may, but shall not be required to, rely conclusively on an opinion of counsel. Notwithstanding the foregoing, notice of Bond Disclosure Events described in subsections (a)(8) and (a)(9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the holders of affected Series 2018A Bonds.

(b) Whenever the City has or obtains knowledge of the occurrence of any of the Listed Events that require a materiality determination, the City shall, as soon as possible, determine if such event would constitute information material, if applicable, to the Beneficial Owners of the Series 2018A Bonds.

(c) If the City (i) has or obtains knowledge of the occurrence of any of the Listed Events not requiring materiality determination, or (ii) determines that the occurrence of any of the Listed Events requiring a materiality determination would be material to the Beneficial Owners of the Series 2018A Bonds, the City shall promptly file, in an electronic format as prescribed by the MSRB, a notice of such occurrence with the MSRB.

(d) If the City determines that the occurrence of any of the Listed Events requiring a materiality determination would not be material to the Beneficial Owners of the Series 2018A Bonds, the City shall promptly notify the Dissemination Agent in writing (if the Dissemination Agent is not the City) and the Dissemination Agent (if the Dissemination Agent is not the City) shall be instructed by the City not to report the occurrence.

(e) If the Dissemination Agent has been instructed in writing by the City to report the occurrence of any of the Listed Events, the Dissemination Agent shall file in an electronic format as prescribed by the MSRB, a notice of such occurrence with the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence thereof, with a copy to the City (if the Dissemination Agent is not the City). Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (a)(9) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the persons holding the affected Series 2018A Bonds pursuant to the Authorization Proceedings.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Undertaking shall terminate upon the defeasance, prior redemption or payment in full of all of the Series 2018A Bonds or when the City is no longer an "Obligated Person" (as defined in the Rule). The City shall file a notice of the termination of its reporting obligations pursuant to the provisions hereof with the Dissemination Agent, which notice shall be filed with the MSRB in accordance with the provisions of Section 5(e) hereof.

SECTION 7. Reserved.

SECTION 8. Dissemination Agent; Compensation. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Acacia Financial Group, Inc.. The City shall compensate the Dissemination Agent (which shall be appointed) for the performance of its obligations hereunder in accordance with an agreed upon fee structure.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the City may amend this Disclosure Undertaking and any provision of this Disclosure Undertaking may be waived, if such amendment or waiver (supported by an opinion of bond counsel who is an expert in federal securities laws acceptable to the City to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof) is (a) made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (b) the undertaking, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering of the Series 2018A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not materially impair the interests of holders of the Series 2018A Bonds, as determined either by parties unaffiliated with the City, such determination being supported by an opinion of counsel expert in federal securities laws, or by the approving vote of a majority of Beneficial Owners of the Series 2018A Bonds at the time of the amendment. The City shall give notice of such amendment or waiver to this Disclosure Undertaking to the Dissemination Agent, which notice shall be filed in accordance with the provisions of Section 5 hereof. Notwithstanding the above, the addition of or change in the Dissemination Agent shall not be construed to be an amendment under the provisions hereof.

In the event of any amendment or waiver of a provision of this Disclosure Undertaking, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i) notice of such change shall be given in the same manner as any of the Listed Events under Section 5 hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of any of the Listed Events, in addition to that which is required by this Disclosure Undertaking. If the City chooses to include any information in any Annual Report or notice of occurrence of any of the Listed Events, in addition to that which is specifically required by this Disclosure Undertaking, the City shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of any of the Listed Events.

SECTION 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Undertaking, the holders of at least twenty-five percent (25%) aggregate principal amount of outstanding Series 2018A Bonds or any Beneficial Owner of the Series 2018A Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an event of default on the Series 2018A Bonds and the sole remedy under this Disclosure Undertaking in the event of any failure of the City to comply with this Disclosure Undertaking shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Undertaking, and, to the extent permitted by law, the City agrees to indemnify and hold the Dissemination Agent (if the Dissemination Agent is not the City) and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. To the extent permitted by law, the City further releases the Dissemination Agent from any liability for the disclosure of any information required by the Rule and this Disclosure Undertaking. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2018A Bonds.

SECTION 13. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the City, the Dissemination Agent, the Underwriter, and the Beneficial Owners of the Series 2018A Bonds, including persons holding the Series 2018A Bonds, and shall create no rights in any other person or entity.

SECTION 14: Notices. All notices and submissions required hereunder shall be given to the following, or their successors, by facsimile transmission (with written confirmation of receipt), followed by hard copy sent by certified or registered mail, personal delivery or recognized overnight delivery:

(a) If to the City: Michael P. Stinson, CPA
Director of Revenue and Finance/
Chief Financial Officer
City of Atlantic City
City Hall

1301 Bacharach Boulevard
Atlantic City, New Jersey 08401

(b) Copies of all notices to the Dissemination Agent from time to time with respect to the Series 2018A Bonds:

initially: Jennifer G. Edwards
Managing Director
Acacia Financial Group, Inc.
601 Route 73 North, Suite 206
Marlton, NJ 08053

Each party shall give notice from time to time to the other parties, in the manner specified herein, of any change of the identity or address of anyone listed herein.

SECTION 15. Counterparts. This Disclosure Undertaking may be executed in any number of counterparts which shall be executed by authorized signatories of the City and the Dissemination Agent, as applicable, and all of which together shall be regarded for all purposes as one original and shall constitute and be but one and the same.

SECTION 16. Severability. If any one (1) or more of the covenants or agreements in this Disclosure Undertaking to be performed on the part of the City and the Dissemination Agent should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions of this Disclosure Undertaking.

SECTION 17. Governing Law. This Disclosure Undertaking shall be construed in accordance with and governed by the laws of the United States of America and the State, as applicable.

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CITY OF ATLANTIC CITY,
IN THE COUNTY OF ATLANTIC,
STATE OF NEW JERSEY

By: _____
MICHAEL P. STINSON, CPA
Director of Revenue and Finance/
Chief Financial Officer

Acknowledged and Accepted by:
DISSEMINATION AGENT

BY: _____
Jennifer G. Edwards
Acacia Financial Group, Inc.

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE [ANNUAL REPORT] [AUDITED FINANCIAL STATEMENTS]

Name of Issuer:	City of Atlantic City, in the County of Atlantic, State of New Jersey
Name of Bond Issue:	$49,165,000 Deferred Contribution Refunding Bonds, Series 2018A (Federally Taxable) (Qualified Pursuant to the Provisions of the Municipal Qualified Bond Act, P.L. 1976, c. 38, as amended) (CUSIP Number: _____)
Date of Issuance:	April 12, 2018

NOTICE IS HEREBY GIVEN that the above designated City has not provided [an Annu.al Report with respect to the above-named Series 2018A Bonds] [audited financial statements] as required by the Continuing Disclosure Undertaking dated April 12, 2018 executed by the City.

DATED:_____ _, ____

_____
DISSEMINATION AGENT
(on behalf of the City)

cc: City of Atlantic City

APPENDIX F

DTC AND BOOK-ENTRY ONLY SYSTEM

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APPENDIX F

DTC AND BOOK-ENTRY ONLY SYSTEM

The description of the procedures and recordkeeping with respect to beneficial ownership interests in the Series 2018A Bonds, payment of principal and interest and other payments on the Series 2018A Bonds to Direct and Indirect Participants (defined below) or Beneficial Owners (defined below), confirmation and transfer of beneficial ownership interests in the Series 2018A Bonds and other related transactions by and between DTC, Direct Participants and Beneficial Owners, is based on certain information furnished by DTC to the City. Accordingly, the City does not make any representations as to the completeness or accuracy of such information.

DTC will act as securities depository for the Series 2018A Bonds. The Series 2018A Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Series 2018A Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2018A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2018A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2018A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2018A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2018A Bonds, except in the event that use of the book-entry system for the Series 2018A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2018A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2018A Bonds with DTC and their

registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2018A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2018A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2018A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy (the "Omnibus Proxy") to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2018A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Series 2018A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2018A Bonds at any time by giving reasonable notice to City and the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Series 2018A Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2018A Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

THE PAYING AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2018A BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE SERIES 2018A BONDHOLDERS OR REGISTERED OWNERS OF THE SERIES 2018A BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2018A BONDS.

NEITHER THE CITY NOR THE PAYING AGENT OR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION, EITHER SINGULARLY OR JOINTLY, TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE HOLDERS OF THE SERIES 2018A BONDS; (III) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE SERIES 2018A BONDS; (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE HOLDER OF THE SERIES 2018A BONDS; OR (V) ANY OTHER MATTER.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2018A BONDS, AS NOMINEE OF DTC, REFERENCES IN THIS OFFICIAL STATEMENT TO THE OWNERS OR REGISTERED OWNERS OF THE SERIES 2018A BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2018A BONDS. PAYMENT MADE BY THE PAYING AGENT TO DTC OR ITS NOMINEE SHALL BE THE CITY'S OBLIGATIONS WITH RESPECT TO THE SERIES 2018A BONDS TO THE EXTENT OF SUCH PAYMENTS.

IT IS THE DUTY OF EACH BENEFICIAL OWNER TO ARRANGE WITH ITS DTC PARTICIPANT OR INDIRECT PARTICIPANT TO RECEIVE FROM SUCH DTC PARTICIPANT OR INDIRECT PARTICIPANT PAYMENTS OF PRINCIPAL AND INTEREST, CREDIT BALANCES AND ALL OTHER COMMUNICATIONS WHICH THE DTC PARTICIPANT OR INDIRECT PARTICIPANT RECEIVES FROM DTC.

Discontinuation of Book-Entry Only System

If the City, in its sole discretion, determines that DTC is not capable of discharging its duties, or if DTC discontinues providing its services with respect to the Series 2018A Bonds at any time, the City will attempt to locate another qualified Securities Depository. If the City fails to find such Securities Depository, or if the City determines, in its sole discretion, that it is in the best interest of the City or that the interest of the Beneficial Owners might be adversely affected if the book-entry only system of transfer is continued (the City undertakes no obligation to make an investigation to determine the occurrence of any events that would permit it to make such determination) the City shall notify DTC of the termination of the book-entry only system.

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APPENDIX G

FORM OF BOND COUNSEL'S BANKRUPTCY OPINION

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Simultaneously with the issuance of the Series 2018A Bonds, Pearlman & Miranda, LLC, Bloomfield, New Jersey, Bond Counsel, anticipates rendering an opinion in substantially the following form:

[Date of Closing]

Mayor and City Council of the
City of Atlantic City
Atlantic City, New Jersey

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, issuance, sale and delivery of $49,165,000 aggregate principal amount of Deferred Contribution Refunding Bonds, Series 2018A (Federally Taxable) (Qualified Pursuant to the Provisions of the Municipal Qualified Bond Act, P.L. 1976, c. 38, as amended) (the "Series 2018A Bonds"), of the City of Atlantic City, in the County of Atlantic (the "City"), a body politic and corporate of the State of New Jersey (the "State").

The Series 2018A Bonds are authorized by and are issued under and pursuant to the provisions of: (i) the Local Bond Law, *N.J.S.A.* 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), specifically *N.J.S.A.* 40A:2-51; (ii) the Municipal Qualified Bond Act, *N.J.S.A.* 40A:3-1 et seq., as amended and supplemented (the "Municipal Qualified Bond Act"); (iii) the Municipal Stabilization and Recovery Act, *N.J.S.A.* 52:27BBBB-1 et seq., as amended (the "Municipal Stabilization and Recovery Act"); (iv) a refunding bond ordinance duly adopted by the City Council of the City on February 21, 2018 (the "Refunding Bond Ordinance"); (v) a resolution duly adopted by the City Council of the City on February 21, 2018 (the "Resolution"); (vi) certifications of the Director of the Division of Local Government Services of the New Jersey Department of Community Affairs (the "Director") pursuant to and in accordance with the Municipal Stabilization and Recovery Act (collectively, the "Director Certificates"); and (vii) resolutions adopted on January 10, 2018 (collectively, the "LFB Resolutions" and together with the Refunding Bond Ordinance, the Resolution and the Director Certificates, the "Authorizing Proceedings") by the Local Finance Board of the Division of Local Government Services of the New Jersey Department of Community Affairs (the "Local Finance Board"). Pursuant to and in accordance with the Authorizing Proceedings, the proceeds of the Series 2018A Bonds are being used by the City to: (i) pay the City's fiscal year 2015 deferred allocable contribution into (a) the State pension systems for, including others, certain municipal employees of the City participating in the New Jersey Public Employees' Retirement System and the New Jersey Police and Firemen's Retirement System pursuant to and in accordance with P.L. 2009, c. 19 (*N.J.S.A.* 40A:4-45.1 et seq.), together with interest accruing thereon, and (b) the State healthcare systems for, including others, certain municipal employees of the City pursuant to *N.J.S.A.* 52:14-17.25 et seq. and other applicable law, together with interest accruing thereon; (ii) fund capitalized interest on the Series 2018A Bonds through and including September 1, 2019; and (iii) pay for costs of issuance of the Series 2018A Bonds.

Pursuant to the provisions of the Municipal Qualified Bond Act, the Local Finance Board has determined that the City is entitled to issue the Series 2018A Bonds as "qualified bonds" and has caused its consent to be endorsed upon the Refunding Bond Ordinance within the meaning of the Municipal Qualified Bond Act. Accordingly, the Series 2018A Bonds constitute "qualified bonds" for all purposes of the Municipal Qualified Bond Act and are entitled to all of the benefits of the provisions of the Municipal Qualified Bond Act.

Pursuant to the Municipal Qualified Bond Act, a portion of certain State aid (as described below), in amounts sufficient to pay the principal of and interest on "qualified bonds" of the City, including the Series 2018A Bonds, is to be withheld by the State Treasurer (the "Withheld State Amounts"), all or a portion of such Withheld State Amount, as the case may be, is to be forwarded directly to the paying agent for each series of "qualified bonds" issued by the City, including the Series 2018A Bonds, on or prior to each principal and/or interest payment date thereof. In particular, after taking into account the amount of hereinafter defined and described Available City IAT Revenues, if any, that portion of such Withheld State Amounts (referred to herein as the "Required Qualified Bonds Withholding Amounts") necessary to pay the principal of and interest on each series of "qualified bonds" of the City then outstanding, including the Series 2018A Bonds, is to be forwarded directly by the State to the paying agents for each series of "qualified bonds" of the City, including the Series 2018A Bonds, on or before the principal and interest payment dates for such "qualified bonds." The Required Qualified Bonds Withholding Amounts, together with the Available City IAT Revenues, if any, are to be deposited in the respective Retirement Funds established by the respective paying agents for each series of "qualified bonds" of the City, including the Series 2018A Bonds, for the sole purpose of paying the principal of and interest on such "qualified bonds," including the Series 2018A Bonds, if and when required.

Pursuant to the Municipal Qualified Bond Act, within ten (10) days after issuance of the Series 2018A Bonds, the City is required to certify to the State Treasurer the name and address of the paying agent for the Series 2018A Bonds (the "Paying Agent") and the schedule of the maturing principal amounts of, interest rates on and dates of payment of the Series 2018A Bonds. After receipt of such certification from the City, the provisions of the Municipal Qualified Bond Act require the State Treasurer to withhold from: (i) the amount of business personal property tax replacement revenues, gross receipts tax revenues, municipal purpose tax assistance fund distributions, State urban aid and State revenue sharing and any other funds appropriated as State aid including Consolidated Municipal Property Tax Relief Aid ("CMPTRA"); and (ii) amounts appropriated by the State pursuant to the Energy Tax Receipts Property Tax Relief Act, P.L.1997, c.167 (*N.J.S.A.* 52:27D-438 et seq.) (such amounts referred to herein as "Energy Tax Receipts") and not otherwise dedicated by the State to specific municipal programs payable to the City, such amounts which will be sufficient to pay the debt service on such "qualified bonds" as the same shall mature and become due. Amounts derived from CMPTRA and Energy Tax Receipts withheld for the City and all other eligible municipalities under the Municipal Qualified Bond Act are hereinafter referred to as "Municipal Qualified Revenues."

The Municipal Qualified Bond Act, together with the hereinafter defined and described Trust Agreement, further provide that the State Treasurer shall, on or before each principal and interest payment date of each series of "qualified bonds" of the City, including the Series 2018A Bonds, forward that portion of Municipal Qualified Revenues appropriated by the State as Withheld State

Amounts constituting the Required Qualified Bonds Withholding Amounts, to the respective paying agent for each series of "qualified bonds" of the City, including the Series 2018A Bonds, for deposit to the respective Retirement Funds established with such paying agents for the sole purpose, together with the Available City IAT Revenues, if any, of paying principal of and interest on such "qualified bonds," including the Series 2018A Bonds.

The Municipal Qualified Bond Act provides that, from the time Municipal Qualified Revenues are withheld or required to be withheld by the State Treasurer as Withheld State Amounts, including Required Qualified Bonds Withholding Amounts, all such amounts paid or to be paid to and held by the paying agents for "qualified bonds" of the City, including the Series 2018A Bonds, shall be (i) exempt from being levied upon, taken, sequestered or applied towards paying the debts of the City other than for payment of debt service on "qualified" bonds, including the Series 2018A Bonds; and (ii) deemed to be held in trust for the sole purpose of paying the debt service on "qualified" bonds, including the Series 2018A Bonds.

The Municipal Qualified Bond Act further provides, in pertinent part, that "[n]otwithstanding any other provision of law to the contrary, a statutory lien and trust is automatically and without further act or filing created and impressed upon… [the Withheld State Amounts, including Required Qualified Bonds Withholding Amounts], which statutory lien and trust shall be paramount and superior to all other liens and interests of any kind in favor of the holders of qualified bonds, [including the Series 2018A Bonds] for the sole purpose of paying" the principal of and interest on "qualified bonds" issued by the City pursuant to the Municipal Qualified Bond Act. The Municipal Qualified Bond Act further provides that the lien created thereunder for the benefit of bondholders, including holders of the Series 2018A Bonds, "is perfected without delivery, recording, or notice."

None of the Municipal Qualified Bond Act, the hereinafter defined and described CPTSA or the Trust Agreement relieve the City of the obligation imposed on it by law to include in its annual budget amounts necessary to pay, in each year, the principal of and interest maturing and coming due on "qualified bonds" issued by the City, including the Series 2018A Bonds; provided, however, that such City-budgeted amounts may, to the extent they are not needed to pay debt service on "qualified bonds," including the Series 2018A Bonds, be applied to the payment of operating expenses of the City for the then current year, and conversely, if Municipal Qualified Revenues are not appropriated as Withheld State Amounts, including Required Qualified Bonds Withholding Amounts, such City budgeted amounts shall be used solely to pay the principal and interest becoming due in such year on such "qualified bonds" of the City, including the Series 2018A Bonds. In addition, notwithstanding any of the foregoing, the City must include in its annual budget amounts necessary to timely pay when due in each year, the principal of and interest maturing and coming due on all other general obligation bonds of the City.

As part of the Municipal Qualified Bond Act, the State has covenanted with the purchasers, holders and owners, from time to time, of "qualified bonds," including the Series 2018A Bonds, that it will not repeal, revoke, rescind, modify or amend the provisions of such Act providing for the withholding of State aid and other revenues and payment by the State of Municipal Qualified Revenues (including Withheld State Amounts, inclusive of the Required Qualified Bonds Withholding Amounts, for the Series 2018A Bonds) directly to the paying agents for each series of "qualified

bonds," including the Series 2018A Bonds, in any way so as to create any lien or charge on or pledge, assignment, diversion, withholding payment or other use of or deduction from such Municipal Qualified Revenues which is prior in time or superior in right to the payment required by the Municipal Qualified Bond Act.

Historically, the State has appropriated Municipal Qualified Revenues such that the amount thereof has been sufficient to timely pay principal of and interest on any and all "qualified bonds" issued pursuant to the Municipal Qualified Bond Act. Notwithstanding any previous course of conduct by the State regarding application of Municipal Qualified Revenues to payment of the principal of and interest on bonds qualified pursuant to the Municipal Qualified Bond Act, there can be no assurance such course of action will continue.

Pursuant to the Casino Property Tax Stabilization Act, P.L.2016, c.5 (the "CPTSA"), beginning on May 27, 2016, through and including December 31, 2026, certain moneys, if any, received by the State Treasurer derived from the payment of the "investment alternative tax" by licensed casinos in the City pursuant to P.L.1984, c.218 (*N.J.S.A.* 5:12-144.1) and P.L.2013, c.27 (*N.J.S.A.* 5:12-95.19) of the Casino Control Act (the "Casino Control Act"), P.L.1984, c.218 (*N.J.S.A.*52:12-1 et seq.), except for any amounts thereof: (i) previously pledged for the payment of bonds issued by the Casino Reinvestment Development Authority (the "CRDA") or otherwise contractually obligated by the CRDA prior to the effective date of the CPTSA, or any bonds issued to refund such CRDA bonds; and (ii) required to be credited against amounts due and owing by applicable casino licensees for prior investment alternative taxes paid in excess of certain limitations imposed by the CPTSA (such remaining monies being hereafter referred to as "Net IAT Revenues"), shall be allocated to the City for the purposes of paying debt service on general obligation bonds issued by the City prior to and after May 27, 2016, including the Series 2018A Bonds (collectively, the "City Bonds"). *N.J.S.A.* 52:27BBBB-25 of the CPTSA provides that Net IAT Revenues are allocated to the City for these specific purposes and does not provide for the City's general use of these funds. The CPTSA does not specifically provide for an automatic statutory lien upon the Net IAT Revenues or that the Net IAT Revenues are exempt from being levied upon, taken, sequestered or applied towards paying the debts of the City other than for payment of debt service on the City Bonds.

In order to provide for the payment of some or all of the principal and redemption price of and interest on each series of the City Bonds, including the Series 2018A Bonds, pursuant to a "Supplemental Security and Trust Agreement for Bonds of the City of Atlantic City, New Jersey" dated as of April 1, 2018 (the "Trust Agreement"), between the City and the Bank of New York Mellon, as trustee (the "Trustee"), the City has directed that such Net IAT Revenues, if received and payable to or on behalf of the City by the State Treasurer pursuant to the CPTSA, shall instead be deposited with the Trustee in the "Reserve Fund" (as defined in the Trust Agreement) established by the Trust Agreement. Thereafter, upon satisfaction of certain conditions set forth in the Trust Agreement (including, but not limited to, Net IAT Funds being (a) held by the Trustee for certain time periods in certain accounts within the Reserve Fund, and (b) transferred and deposited from the Reserve Fund to the Retirement Funds (as defined in the Trust Agreement) established pursuant to the respective resolutions authorizing the issuance of each series of the City Bonds, including the Resolution authorizing the issuance of the Series 2018A Bonds), such available Net IAT Revenues (referred to herein as "Available City IAT Revenues") shall be transferred by the Trustee to the

respective paying agents for each series of the City Bonds, including the Paying Agent for the Series 2018A Bonds, to pay all or a portion of the principal or redemption price of and interest on each series of the City Bonds, including the Series 2018A Bonds. The difference, if any, between the amounts held in the respective Retirement Funds held by the respective paying agents for the City Bonds, including the Paying Agent for the Series 2018A Bonds, and the amount of debt service then due on such City Bonds, including the Series 2018A Bonds, shall be made from the Required Qualified Bonds Withholding Amount from the State Treasurer no later than the applicable debt service payment date for each series of the City Bonds, including the Series 2018A Bonds. Neither Net IAT Revenues nor Available City IAT Revenues: (i) constitute "Municipal Qualified Revenues"; (ii) will be included as "Withheld State Amounts" or as "Required Qualified Bonds Withholding Amounts" pursuant to the Municipal Qualified Bond Act; and (iii) are entitled to the benefits of the provisions of the Municipal Qualified Bond Act, including, but not limited to, the statutory lien and trust created thereby.

Pursuant to the Trust Agreement, the Trustee shall establish a "Reserve Fund" (as defined in the Trust Agreement) pursuant to which the City shall contribute, or cause the contribution of funds, including Net IAT Revenues, to such Reserve Fund, from time to time, for deposit and (pending disbursement) investment with the Trustee, the principal of which, together with interest earned thereon, shall be paid to the paying agents for the respective series of City Bonds, including the Series 2018A Bonds, for deposit in certain "Retirement Funds", for application in accordance with the respective bond resolutions (as amended) authorizing each series of the City Bonds.

Within the Reserve Fund, the Trustee shall establish the following accounts:

(i) the "Revenue Account";
(ii) the "Aging Account";
(iii) the "Aged Account";
(iv) the "Defeasance Account"; and
(v) the "General Account".

To the extent the City receives Net IAT Revenues, for any reason, unless and until the City delivers to the Trustee a "Certificate of an Authorized Officer of the City" (as defined in the Trust Agreement), acceptable to the Director and/or the one or more individuals designated by the Director with the rights, powers and authority set forth in the Municipal Stabilization and Recovery Act (the "MSRA"), including without limitation the authority to act in the Director's stead (the "Designee") pursuant to and in accordance with the oversight provisions of the MSRA, pursuant to Section 5(e) of the Trust Agreement, which by its terms directs a different outcome, the City covenants that it will promptly pay (or, as applicable, cause the payment) over to the Trustee all Net IAT Revenues received by or on behalf of the City for deposit by the Trustee in the Revenue Account of the Reserve Fund. The City is authorized, but shall not be obligated, to contribute additional funds from any available source to the Trustee for deposit in the Revenue Account of the Reserve Fund for application in the same manner as Net IAT Revenues.

In accordance with Section 6 of the Trust Agreement, monies received by the Trustee in the Reserve Fund and deposited in the Revenue Account shall be, thereafter, applied within the Reserve Fund as follows:

1. On the first Business Day (as such term is defined in the Trust Agreement) following deposit of funds in the Revenue Account of the Reserve Fund, the Trustee shall transfer all funds on deposit in the Revenue Account of the Reserve Fund to the Aging Account of the Reserve Fund;

2. On the first Business Day following the ninetieth (90th) day on which monies have been on deposit in the Aging Account of the Reserve Fund, the Trustee shall transfer all monies on deposit in the Aging Account of the Reserve Fund to the Aged Account of the Reserve Fund, such that an amount up to and including, but not exceeding, the sum of the Biennial Debt Service Obligation for Qualified Bonds[1] and the Biennial Debt Service Obligation for Non-Qualified Bonds[2], each as calculated by the Trustee, shall be on deposit in the Aged Account of the Reserve Fund.

3. On the first Business Day following the ninetieth (90th) day on which monies have been on deposit in the Aging Account of the Reserve Fund, after first accounting for the maximum amount to be transferred to the Aged Account in accordance with paragraph number (2) above, the Trustee shall transfer all remaining monies on deposit in the Aging Account of the Reserve Fund, if any, to the Defeasance Account of the Reserve Fund. To the extent monies on deposit in the Aged Account of the Reserve Fund never attain the value which is the sum of the Biennial Debt Service Obligation for Qualified Bonds and the Biennial Debt Service Obligation for Non-Qualified Bonds, no monies shall be transferred from the Aging Account of the Reserve Fund to the Defeasance Account of the Reserve Fund, and in such instance, all transfers from the Aging Account of the Reserve Fund shall be in accordance with paragraph numbered (2) above.

Pursuant to Section 5(e) of the Trust Agreement, to the extent the Trustee receives a Certificate of an Authorized Officer of the City (in a form acceptable to the Director and/or the Designee pursuant to and in accordance with the oversight provisions of the MSRA), stating that the Casino Control Act has been amended or supplemented, the CPTSA has been amended or supplemented, or some other provision of applicable law has changed from that in effect as of the effective date of the Trust Agreement such that either (i) Net IAT Revenues are no longer required to be used to pay debt service on City Bonds (including the Series 2018A Bonds), or (ii) the City desires to pay debt service on bonds of the City other than the City Bonds, then notwithstanding the provisions of numbered paragraphs (2)

[1] "Biennial Debt Service Obligation for Qualified Bonds" shall mean as of any "Date of Calculation" (as such term is defined in the Trust Agreement), the amount required to pay the principal of, and interest on, the aggregate of all series of outstanding City Bonds qualified pursuant to the provisions of the Municipal Qualified Bond Act, including any bonds issued by the City in the future that may be qualified pursuant to the provisions of the Municipal Qualified Bond Act, if any, including the Series 2018A Bonds (collectively, "Qualified Bonds"), due on all debt service payment dates for such Qualified Bonds occurring over the remainder of the then-current calendar year and the following calendar year, commencing on such Date of Calculation.

[2] "Biennial Debt Service Obligation for Non-Qualified Bonds" shall mean as of any Date of Calculation, the amount required to pay the principal of, and interest on, the aggregate of all series of outstanding City Bonds not subject to qualification pursuant to the Municipal Qualified Bond Act, including any City Bonds issued in the future not subject to qualification pursuant to the Municipal Qualified Bond Act, if any (collectively, "Non-Qualified Bonds"), due on all debt service payment dates for such Non-Qualified Bonds occurring over the remainder of the then-current calendar year and the following calendar year, commencing on such Date of Calculation.

and (3) above, the Trustee shall transfer such monies as identified in such certificate to such Fund or Account, or other fund, account or subaccount as shall be set forth in such certificate.

In accordance with Section 7 of the Trust Agreement, within two (2) Business Days of funds being deposited in the Aged Account from the Aging Account, the Trustee shall pay over from the Aged Account to the paying agents for the respective following series of City Bonds the following moneys in the following order for deposit in such respective paying agents' "Retirement Funds", which "Retirement Funds" have been established pursuant to the various bond resolutions authorizing each series of the City Bonds, including the Series 2018A Bonds, for the purpose of providing additional security for the payment of the City Bonds, including the Series 2018A Bonds:

1. First, for each respective series of outstanding Qualified Bonds, on a pro-rata basis, for deposit in such paying agent's respective Retirement Funds, in immediately available funds, an amount up to but not exceeding the remaining current calendar year portion, if any, of the Biennial Debt Service Obligation for Qualified Bonds that have debt service payment dates remaining in such current calendar year;

2. Second, for the one (1) or more (in which case the pro-rata amount shall be applied for each applicable series) series of outstanding Non-Qualified Bonds with the next occurring (on a chronological basis) debt service payment date in such current calendar year, if any, for deposit in such paying agent's respective Retirement Funds, in immediately available funds, on a chronological basis, an amount up to but not exceeding the debt service payment due on such one (1) or more series of outstanding Non-Qualified Bonds on such debt service payment date. If amounts in the Aged Account are still available after such application, such excess amounts shall be similarly paid over by the Trustee to the respective paying agents for deposit in their respective Retirement Funds allocable to the Non-Qualified Bonds with the next succeeding debt service payment dates remaining in such current calendar year in amounts sufficient to pay all of debt service payments for such Non-Qualified Bonds due on each such next succeeding debt service payment dates until the earlier of (A) the depletion of any such excess amounts or (B) full application for the payment by the Trustee to the paying agents of such excess amounts for deposit in their respective Retirement Funds for all outstanding Non-Qualified Bonds with debt service payment dates remaining through the end of such current calendar year in amounts sufficient to make all of the debt service payments due and owing for such Non-Qualified Bonds through the end of such current calendar year;

3. Third, for each respective series of outstanding Qualified Bonds, on a pro-rata basis, for deposit in such paying agent's respective Retirement Funds, in immediately available funds, an amount up to but not exceeding the remaining Biennial Debt Service Obligation for Qualified Bonds, if any; and

4. Fourth, for the one (1) or more (in which case the pro-rata amount shall be applied for each applicable series) series of outstanding Non-Qualified Bonds with the next occurring (on a chronological basis) debt service payment date in the year following the current calendar year, if any, for deposit in such paying agent's respective Retirement Funds, in immediately

available funds, on a chronological basis, an amount up to but not exceeding the debt service payment due on such one (1) or more series of outstanding Non-Qualified Bonds on such debt service payment date. If amounts in the Aged Account are still available after such application, such excess amounts shall be similarly paid over by the Trustee to the respective paying agents for deposit in their respective Retirement Funds allocable to the Non-Qualified Bonds with the next succeeding debt service payment dates remaining in such following calendar year in amounts sufficient to pay all of debt service payments for such Non-Qualified Bonds due on each such next succeeding debt service payment dates until the earlier of (A) the depletion of any such excess amounts or (B) full application for the payment by the Trustee to the paying agents of such excess amounts for deposit in their respective Retirement Funds for all outstanding Non-Qualified Bonds with debt service payment dates remaining through the end of such following calendar year in amounts sufficient to make all of the debt service payments due and owing for such Non-Qualified Bonds through the end of such following calendar year, thereby satisfying the Biennial Debt Service Obligation for Non-Qualified Bonds.

After the application of all monies on deposit in the Aged Account of the Reserve Fund in accordance with the above, all remaining monies, if any, shall be transferred by the Trustee to the Defeasance Account of the Reserve Fund. Monies on deposit in the Defeasance Account of the Reserve Fund shall be held in such Account by the Trustee until receipt by the Trustee of a Certificate of an Authorized Officer of the City, acceptable to the Director and/or the Designee pursuant to and in accordance with the oversight provisions of the MSRA, directing the Trustee to transfer some or all of the monies then on deposit in the Defeasance Account. Such certificate may direct the Trustee to transfer funds in any amount from the Defeasance Account to the Retirement Fund for any one or more series of City Bonds, to any Fund or Account established by the Trust Agreement, or, to the extent of a change in law, and if accompanied by a certificate required by the Trust Agreement, for any other purpose so stated in such certificate of direction.

Notwithstanding the foregoing, no assurances can be made and none are made, that any Net IAT Revenues will be payable to the City and that, if payable and deposited with the Trustee, that Available City IAT Revenues, if any, will be sufficient to pay some or all of the principal or redemption price of and interest on each series of the City Bonds, including the Series 2018A Bonds. None of the Net IAT Revenues deposited and held with the Trustee under the Trust Agreement, if any, are specifically pledged as security for the payment of any of the City Bonds, including the Series 2018A Bonds unless and until such Net IAT Revenues become Available City IAT Revenues on deposit in the respective Retirement Funds held by the paying agents for each series of the City Bonds, including the Series 2018A Bonds.

In accordance with the provisions of *N.J.S.A.* 52:27-40 et seq., any county, municipality, school district or other political subdivision of the State, including the City, has the power to file a petition in bankruptcy with any United States federal court or court in bankruptcy under the provisions of the United States Bankruptcy Code, 11 U.S.C. §101 et seq. (the "Bankruptcy Code"), for the purpose of effecting a plan of adjustment of its debts or for the composition of its debts; provided, however, that the prior approval of the Local Finance Board for the filing of such petition must be first obtained.

The City has been designated as a "municipality in need of stabilization and recovery" under the Municipal Stabilization and Recovery Act. Pursuant to section 5(a)(3)(t) thereof, while the City is so designated, the Director and/or the Designee pursuant to and in accordance with the oversight provisions of the MSRA, has conditional statutory authority to authorize and file, on behalf of the City, subject only to the written approval of the majority of the members of the Joint Budget Oversight Committee of the State Legislature, a petition and other pleadings and papers with any United States court or federal bankruptcy court for the purpose of effecting a plan of readjustment or composition of debts as set forth in *N.J.S.A.* 52:27-40 et seq., and taking any other and further actions necessary or appropriate in connection with any case or proceeding. However, by resolution of the Local Finance Board adopted November 9, 2016, the Local Finance Board determined to withhold this authority. As a result, the implementation of the Municipal Stabilization and Recovery Act has not altered the otherwise applicable statutory procedures to be followed by the City in connection with any bankruptcy petition under Chapter 9 of the Bankruptcy Code ("Chapter 9").

Chapter 9 permits any political subdivision (including the City), public agency or instrumentality of the State that is insolvent or unable to pay its debts and has obtained the prior approval of the Local Finance Board in accordance with the provisions of *N.J.S.A.* 52:27-40 et seq. to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under Chapter 9 shall operate as a stay as to the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to certain debts owed; and provides that the plan of adjustment must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount and more than one half in number of the allowed claims of at least one (1) impaired class. The Bankruptcy Code specifically does not limit or impair the power of the State to control, by legislation or otherwise, the procedures that a county, municipality, school district or other political subdivision of the State, including the City, must follow in order to take advantage of the provisions of the Bankruptcy Code.

Section 101(53) of the Bankruptcy Code defines a statutory lien, in relevant part, as a "lien arising solely by force of a statute on specified circumstances or conditions…." The Bankruptcy Code further provides for an exception to the automatic stay for application of pledged special revenues.

The Bankruptcy Code provides that "special revenues" acquired by a debtor after the commencement of a case under Chapter 9 shall (i) remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case, and (ii) continue to be available to pay any debt service secured by those revenues. The term "special revenues" is defined in the Bankruptcy Code to mean (i) receipts derived from the ownership, operation or disposition of projects or systems of the debtor that are primarily used or intended to be used primarily to provide transportation, utility, or other services, including the proceeds of borrowings to finance the projects or systems, (ii) special excise taxes imposed on particular activities or transactions, (iii) incremental tax receipts from the benefitted area in the case of tax-increment financing, (iv) other revenues or receipts derived from particular functions of the debtor, whether or not the debtor has other functions, or (v) taxes specifically levied to finance one or more projects or systems, excluding receipts from general property, sales, or income taxes (other than tax-increment financing) levied to finance the general purposes of the debtor.

Section 926(b) of Chapter 9 also provides that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may not be avoided pursuant to certain preferential transfer provisions set forth in such Bankruptcy Code.

In rendering the opinions set forth below, we have examined such matters of law and documents, certificates, records and other instruments as we have deemed necessary or appropriate to express the opinions set forth below, including, without limitation, the Local Bond Law, the Municipal Qualified Bond Act, the Municipal Stabilization and Recovery Act, the Casino Property Tax Stabilization Act, the Bankruptcy Code, original counterparts or certified copies of the Refunding Bond Ordinance, the Resolution, the LFB Resolutions, and the other documents, certifications, instruments, opinions and records delivered in connection with the issuance of the Series 2018A Bonds. In our examination, we have assumed (i) the authenticity of all records, agreements, instruments, certificates and other documents submitted to us as originals, the conformity to the original documents of all such documents submitted to us as conformed, certified or photocopied copies thereof and the authenticity of the originals of such conformed, certified or photocopied copies; and (ii) the valid existence and good standing in the jurisdiction of its organization of the Paying Agent. As to questions of fact material to the opinions set forth below, we have, when such facts were not independently established, relied solely and exclusively on the accuracy and validity of the representations, warranties and certifications of the City and the Paying Agent made in or pursuant to the documents, certificates, records and other instruments we examined and we have not made, or undertaken to make, any independent investigation, inquiry or verification of same.

Based upon the foregoing, we understand and assume that the facts and circumstances relating to the issuance and sale of the Series 2018A Bonds and any related transactions are, or will be at the relevant time, as follows:

(i) The City will certify to the State Treasurer the name and address of the Paying Agent and the schedule of the maturing principal amounts, interest rates and dates of payment of all debt service on the Series 2018A Bonds within ten (10) days after the date hereof;

(ii) The aggregate amount of the Withheld State Amounts paid by the State Treasurer to the Paying Agent in accordance with the Municipal Qualified Bond Act will not exceed the total amount of principal, redemption premium, if any, and interest due and payable on the Series 2018A Bonds; and

(iii) Other than the Municipal Qualified Bond Act, there are no executive orders, agreements, arrangements or understandings, written or otherwise, relating to the withholding and/or transfer of the Withheld State Amounts by the State Treasurer to the Paying Agent for the payment of debt service on the Series 2018A Bonds.

For purposes of determining whether the Withheld State Amounts, including the Required Qualified Bonds Withholding Amounts, the Net IAT Revenues, or thereafter the Available City IAT Revenues would constitute "property" of the City in a proceeding commenced by the City under the provisions of Chapter 9, there is no statutory provision in the Bankruptcy Code which defines the term

"property of the debtor" for purposes of Chapter 9 nor is there any prevailing precedent which addresses the issue. For purposes of analogy, however, there are statutory provisions in the Bankruptcy Code and several case law precedents which address the issue of what generally constitutes "property of the estate" for purposes of proceedings under the Bankruptcy Code other than Chapter 9 proceedings. Specifically, Section 541 of the Bankruptcy Code provides that, except as otherwise provided in such Section, "property of the estate" is comprised of "all legal or equitable interests of the debtor in property as of the commencement of the case." Although Section 541 of the Bankruptcy Code defines property of the estate, absent federal preemption, "Congress has generally left the determination of property rights in the assets of a bankrupt's estate to state law. Property interests are created and defined by state law." *Butner v. United States*, 440 U.S. 48, 54-55 (1979); *see also Slobodian v. United States IRS (In re Net Pay Solutions, Inc.)*, 822 F.3d 144, 159 n.13 (3d Cir. 2016).

In determining what the legal or equitable interest of a debtor might be in amounts which are statutorily required to be withheld, several bankruptcy courts have held that a debtor does not have an interest in amounts which are statutorily withheld and such withheld amounts are not property of the estate. For example, courts have held that (i) amounts statutorily withheld from the debtor to satisfy the debtor's obligation to pay wages to its employees were not property of the estate for bankruptcy purposes because the debtor had no rights to such withheld amounts (See *In re Pelham Fence Co., Inc.*, 65 B.R. 924 (Bankr. S.D.N.Y. 1986) and *In re Frank Mossa Trucking, Inc.*, 65 B.R. 715 (Bankr. D. Mass. 1985)), and (ii) a debtor's right to a tax overpayment is restricted by the amount which the taxing authority is required by law to withhold and the debtor's interest only extends to the amount of any net tax refund. (See *Gordon v. United States (In re Sissine)*, 432 B.R. 870 (Bankr. N.D. Ga. 2010), *Jones v. IRS (In re Jones)* 359 B.R. 837 (Bankr. M.D. Ga. 2006), *In re Pigott*, 330 B.R. 797 (Bankr. S.D. Ala. 2006), and *In re Lyle*, 324 B.R. 128 (Bankr. N.D. Cal. 2005)). Furthermore, the case law precedent holding that statutorily withheld amounts are not property of the estate effectively recognizes that such amounts should be treated no differently than amounts held in a trust or escrow account for purposes of determining the property of the estate. *See Frank Mossa Trucking,* at 65 B.R. at 718. Judicial precedent has established that funds held in trust are not estate property, especially if the debtor is not a settlor, trustee or beneficiary of the trust. *See Beiger v. IRS*, 496 U.S. 53 (1990). Courts have subsequently held that funds subject to the imposition of a constructive trust are not property of the estate, even without any statutory trust in place. See *In re Columbia Gas Systems Inc.,* 997 F.2d 1039, 1059 (3rd Cir. 1993) (customer refunds held in trust are excluded from a debtor's bankruptcy estate). In *In re Columbia Gas Systems Inc.*, the Third Circuit Court of Appeals reasoned that while a bankruptcy estate includes all property of a debtor, such inclusion is only to the extent of a debtor's equitable interest in such property (also discussing the legislative intent of the exempted specific interests from a debtor's estate in Section 541(d) of the Bankruptcy Code). Specifically, Congress intended that when a debtor is a mere conduit for funds to travel from one party to another (whether it be via an express trust or constructive trust), it lacks an equitable interest in the funds and thereby, the funds do not constitute property of the debtor. See *In re Columbia*, citing, H.R. Rep. No. 95-595, 95th Cong., 1st Sess. 368 (1977), reprinted in 1978 U.S.C.C.A.N. 5693, 6324. With respect to escrowed funds, courts have held that assets in escrow are not property of the estate. *See In re California Trade Technical Schools, Inc.*, 923 F.2d 641 (9th Cir. 1991) and *Old Republic Nat'l Title Ins. v. Tyler (In re Dameron)*, 206 B.R. 394 (Bankr. E.D. Va. 1997).

As noted above, the Municipal Qualified Bond Act provides that the Withheld State Amounts, including the Required Qualified Bonds Withholding Amounts (i) can only be paid by the State Treasurer directly to the Paying Agent and does not permit them to be paid to, or come under the control of, the City under any circumstance, nor is the City or any other person or entity (other than the Paying Agent) entitled to receive them under any circumstance, and (ii) are exempt from being levied upon, taken, sequestered or applied towards paying the debts of the City other than for payment of debt service on qualified bonds, including the Series 2018A Bonds, and deemed to be held in trust for the sole purpose of paying the debt service on qualified bonds, including the Series 2018A Bonds. Accordingly, applying the statutory provision of the Bankruptcy Code and the case law precedent discussed in the preceding paragraph, in a proceeding commenced by the City under the provisions of Chapter 9 and if the issue is properly briefed and presented to a court of competent jurisdiction, we believe that a court could reasonably determine that the City has no legal right or interest in or to the Withheld State Amounts, including the Required Qualified Bonds Withholding Amounts, under any circumstance and, therefore, the Withheld State Amounts, including the Required Qualified Bonds Withholding Amounts, do not constitute "property" of the City for purposes of the Bankruptcy Code.

To date, the applicable provisions of the Municipal Qualified Bond Act have not been subject to a legal challenge. Thus, in the event of a Chapter 9 proceeding, the precise effect of the lien established by the Municipal Qualified Bond Act for the Withheld State Amounts, including the Required Qualified Bonds Withholding Amounts, for the payment of the principal of and interest on the Series 2018A Bonds is uncertain. However, if the Withheld State Amounts, including the Required Qualified Bonds Withholding Amounts, are treated as property of the City in a Chapter 9 proceeding and while the precise effect of the lien established by the Municipal Bond Act is uncertain, if the issue is properly briefed and presented to a court of competent jurisdiction, we believe that a court would reasonably determine that a statutory lien in the Withheld State Amounts, including the Required Qualified Bonds Withholding Amounts, was created by the Municipal Qualified Bond Act in favor of the holders of the Series 2018A Bonds for purposes of a Chapter 9 proceeding commenced by the City. Section 101(53) of the Bankruptcy Code defines a statutory lien as a lien that arises solely by force of a statute. The Municipal Qualified Bond Act by its own terms creates an automatic lien in the Withheld State Amounts, including the Required Qualified Bonds Withholding Amounts, in favor of the holders of the Series 2018A Bonds. The Municipal Qualified Bond Act provides that the statutory lien is perfected without delivery, recording or notice. As secured, the holders of the Series 2018A Bonds are afforded certain protections otherwise unavailable to creditors holding general unsecured claims. Most importantly, in order for the City to confirm a plan and emerge from a Chapter 9 proceeding, the holders of the Series 2018A Bonds must be provided with value that is at least equivalent to the value of their collateral. In contrast, unsecured creditors are paid *pro rata* only after payment to secured creditors and unsecured creditors entitled to priority under the Bankruptcy Code.

In addition, while there is no case law directly on point, we believe that a court could reasonably determine that the Withheld State Amounts, including the Required Qualified Bonds Withholding Amounts, effectively constitute "special revenues" of the City for purposes of the Chapter 9 proceeding. Although the Withheld State Amounts, including the Required Qualified Bonds Withholding Amounts, do not constitute revenues derived by the City from the ownership, operation or disposition of any project or system, special excise taxes, incremental tax receipts, other revenues or receipts derived from particular functions of the City, or taxes levied to finance a project or system

and, therefore, do not expressly satisfy the definition of "special revenues" set forth in Chapter 9, given that the Municipal Qualified Bond Act unequivocally provides that the Withheld State Amounts, including the Required Qualified Bonds Withholding Amounts, can only be used to pay debt service on the Series 2018A Bonds and cannot be used for any other purpose, and further creates a statutory lien on the Withheld State Amounts, including the Required Qualified Bonds Withholding Amounts, in favor of the holders of the Series 2018A Bonds from the time such amounts are withheld or required to be withheld by the State Treasurer, the Withheld State Amounts, including the Required Qualified Bonds Withholding Amounts, in substance, have virtually all of the same status, characteristics and protections as are typically afforded to "special revenues" which are derived from the projects, systems, activities or functions financed by the proceeds of the debt which is payable from and secured by such "special revenues." Accordingly, an argument can be made that, for purposes of a Chapter 9 proceeding commenced by the City, the Withheld State Amounts, including the Required Qualified Bonds Withholding Amounts, are the "functional equivalent" of special revenues and should be afforded the same treatment as special revenues for all purposes of such proceeding.

With respect to Net IAT Revenues and thereafter the Available City IAT Revenues, to date, the applicable provisions of the CPTSA have not been subject to a legal challenge in a municipal bankruptcy. Thus, in the event of a Chapter 9 proceeding of the City, the effect, if any, of potentially applicable provisions of the CPTSA with respect to treatment of Net IAT Revenues and thereafter the Available City IAT Revenues is uncertain. *N.J.S.A.* 52:27BBBB-25 of the CPTSA provides that Net IAT Revenues are allocated to the City for the specific purpose of paying debt service on general obligation bonds issued by the City, including the Series 2018A Bonds. Unlike the Withheld State Amounts, including the Required Qualified Bonds Withholding Amounts, Net IAT Revenues and thereafter the Available City IAT Revenues come under the control and direction of the City and state law does not address whether they are exempt from being levied upon, taken, or sequestered. However, *N.J.S.A.* 52:27BBBB-25 provides that Net IAT Revenues are allocated to the City for the specific purpose of paying debt service on general obligation bonds issued by the City, including the Series 2018A Bonds and does not provide for the City's general use of these sums for other purposes. Therefore, it is possible that an argument could be made that Net IAT Revenues and thereafter the Available City IAT Revenues could be deemed to be held in trust under the CPTSA for the sole purpose of paying debt service on qualified bonds, including the Series 2018A Bonds. Accordingly, applying the statutory provision of the Bankruptcy Code and the case law precedent discussed herein, in a proceeding commenced by the City under the provisions of Chapter 9 and if the issue is properly briefed and presented to a court of competent jurisdiction, we believe that it is possible that a court could reasonably determine that the City has no legal right or interest in or to the Net IAT Revenues and thereafter the Available City IAT Revenues and, that therefore, the Net IAT Revenues and thereafter the Available City IAT Revenues do not constitute "property" of the City for purposes of the Bankruptcy Code.

Unlike the automatic statutory lien established by the Municipal Qualified Bond Act for the Withheld State Amounts, including the Required Qualified Bonds Withholding Amounts, the CPTSA does not specifically provide for an automatic statutory lien with respect to Net IAT Revenues and thereafter the Available City IAT Revenues. There is no case law addressing the issue of a statutory lien with respect to Net IAT Revenues and thereafter the Available City IAT Revenues. Therefore, it is uncertain in a Chapter 9 bankruptcy by the City, whether holders of the Series 2018A Bonds could

assert secured status as to Net IAT Revenues and thereafter Available City IAT Revenues, particularly in light of the specific requirements of a statutory lien in Section 101(53) of the Bankruptcy Code.

While there is no case law directly on point, we believe it is possible that a court could reasonably determine that the Net IAT Revenues and thereafter the Available City IAT Revenues effectively constitute "special revenues" of the City for purposes of the Chapter 9 proceeding. Although the Net IAT Revenues and thereafter the Available City IAT Revenues do not constitute revenues derived by the City from the ownership, operation or disposition of any project or system, special excise taxes, incremental tax receipts, other revenues or receipts derived from particular functions of the City, or taxes levied to finance a project or system and, therefore, do not expressly satisfy the definition of "special revenues" set forth in Chapter 9, given that CPTSA provides that Net IAT Revenues and thereafter the Available City IAT Revenues are specifically used to pay debt service on City Bonds, including the Series 2018A Bonds, and does not provide for any other use by the City, Net IAT Revenues and thereafter the Available City IAT Revenues in substance, have virtually all of the same status, characteristics and protections as are typically afforded to "special revenues" which are derived from the projects, systems, activities or functions financed by the proceeds of the debt which is payable from and secured by such "special revenues." Accordingly, it is possible that an argument could be made that, for purposes of a Chapter 9 proceeding commenced by the City, Net IAT Revenues and thereafter the Available City IAT Revenues could be considered the "functional equivalent" of special revenues and should be afforded the same treatment as special revenues for all purposes of such proceeding.

Based on all of the foregoing and subject to the limitations and qualifications set forth below, we are of the opinion that:

1. The commencement of a proceeding by the City under the provisions of Chapter 9 would not result in (i) a disruption or recapture of the payments of Withheld State Amounts, including the Required Qualified Bonds Withholding Amounts, made by the State Treasurer to the Paying Agent for the benefit of the holders of the Series 2018A Bonds pursuant to the Municipal Qualified Bond Act, or the payments of such Withheld State Amounts, including the Required Qualified Bonds Withholding Amounts, by the Paying Agent to the holders of the Series 2018A Bonds in satisfaction of debt service due and payable on the Series 2018A Bonds, as a result of the application of the automatic stay provisions of Section 362(a) of the Bankruptcy Code, or (ii) the characterization of the payments of Withheld State Amounts, including the Required Qualified Bonds Withholding Amounts, made by the State Treasurer to the Paying Agent for the benefit of the holders of the Series 2018A Bonds pursuant to the Municipal Qualified Bond Act, or the payments of such Withheld State Amounts, including the Required Qualified Bonds Withholding Amounts, by the Paying Agent to the holders of the Series 2018A Bonds in satisfaction of debt service due and payable on the Series 2018A Bonds, as preferences under Section 547(b) of the Bankruptcy Code.

2. The provisions of Section 552(a) of the Bankruptcy Code would not adversely affect the rights of (i) the Paying Agent to receive the payments of Withheld State Amounts, including the Required Qualified Bonds Withholding Amounts, made by the State Treasurer to the Paying Agent for the benefit of the holders of the Series 2018A Bonds in accordance with the Municipal Qualified Bond Act, or (ii) the holders of the Series 2018A Bonds to receive the payments of Withheld State

Amounts, including the Required Qualified Bonds Withholding Amounts, from the Paying Agent in satisfaction of debt service due and payable on the Series 2018A Bonds.

3. The commencement of a proceeding by the City under the provisions of Chapter 9: (a) should not result in a disruption or recapture of (i) the Net IAT Revenues being held by the Trustee for certain time periods in certain accounts within the Reserve Fund pursuant to the Trust Agreement and as described herein; or (ii) the Available City IAT Revenues being transferred and deposited from the Reserve Fund to the Retirement Funds established pursuant to the respective resolutions authorizing the issuance of each series of the City Bonds, including the Resolution authorizing the issuance of the Series 2018A Bonds, and as described herein, and being transferred by the Trustee to the Paying Agent, as a result of the application of the automatic stay provisions of Section 362(a) of the Bankruptcy Code, or (b) would not result in the characterization or recapture of the payments of Net IAT Revenues made by the State Treasurer to the Trustee or the Available City IAT Revenues being transferred and deposited from the Reserve Fund to the Retirement Funds established pursuant to the respective resolutions authorizing the issuance of each series of the City Bonds, including the Resolution authorizing the issuance of the Series 2018A Bonds, and as described herein, and being transferred by the Trustee to the Paying Agent, as preferences under Section 547(b) of the Bankruptcy Code.

4. The provisions of Section 552(a) of the Bankruptcy Code should not adversely affect the rights of (i) the Paying Agent to receive the payments of the Available City IAT Revenues, or (ii) the holders of the Series 2018A Bonds to receive the payments of the Available City IAT Revenues from the Paying Agent in satisfaction of debt service due and payable on the Series 2018A Bonds.

The foregoing expresses our legal opinion as to the matters set forth above based upon our professional knowledge and judgment. The opinions expressed herein are limited to the matters specifically stated herein and, without limiting the foregoing, no opinions or confirmations of law or fact are to be implied or may be inferred from or beyond those expressly stated herein. The opinions expressed herein are not a guarantee or warranty of what any particular court would actually hold, but, rather, are opinions as to the decisions a court might reach if the issues were properly presented to it. In that regard, we note the lack of any controlling statutory provision or controlling judicial precedent published by any federal court having jurisdiction over the City and that to date, the applicable provisions of the Municipal Qualified Bond Act or the Casino Property Tax Stabilization Act have not been legally challenged in a municipal bankruptcy. We note further that legal opinions on bankruptcy law matters unavoidably have inherent limitations that generally do not exist in respect of other issues on which opinions to third parties are typically given. These inherent limitations exist primarily because of the pervasive equity powers of bankruptcy courts, the overriding goal of reorganization and restructuring of debts to which other legal rights and policies may be subordinated, the potential relevance to the exercise of judicial discretion of future arising facts and circumstances, and the nature of the bankruptcy process. These factors should be taken into account in analyzing the bankruptcy risks associated with the transactions described herein.

We express no opinion regarding the legal, valid and binding obligations of the Series 2018A Bonds, as such matters have been addressed in the bond counsel opinion rendered by Pearlman & Miranda, LLC of even date herewith.

We are authorized to practice law in the State and do not purport to be experts on, or to express any opinion hereunder concerning, any law other than the laws of the State and the laws of the United States of America. This opinion is rendered on the basis of the laws of the State and the laws of the United States of America as enacted and construed on the date hereof, which laws are subject to change and we undertake no responsibility to update or supplement this letter after the date hereof to advise you of any such changes in law.

Very truly yours,

PEARLMAN & MIRANDA, LLC