



Global Market Advisors

History and Current Status of Gaming in Taiwan

A White Paper

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Table of Contents

I. INTRODUCTION	1
II. LEGAL AND POLITICAL BACKGROUND	1
III. ELIGIBLE ISLANDS.....	3
MATSU.....	4
PENGHU.....	4
KINMEN.....	5
IV. THE DRAFT ACT.....	6
OVERVIEW.....	6
STRUCTURE.....	7
PRIOR DPP COMMENTS ON THE ACT.....	8
V. THE NEXT STEP: PENGHU REFERENDUM, ROUND TWO	9
VI. DISCLAIMER, TERMS AND CONDITIONS OF USE.....	11
VII. APPENDICES	12
FIRM QUALIFICATIONS	12
BIOGRAPHIES	12



I. INTRODUCTION

Taiwan has long been a venue of interest among foreign casino investors, originally because of the importance of Taiwan as a source of customers and more recently because of the potential to reach Chinese customers through the ever-increasing transportation and tourism links between Taiwan and China. The effort to bring casino gaming to Taiwan, however, has been a journey of stops and starts over the past 25-plus years, though there has been fairly steady progress since 2009.

In 2009, the Taiwanese island of Penghu held a public referendum on the establishment of casino-based tourist zones. The referendum was the culmination of nearly twenty years of advocacy on the part of politicians, gaming companies, university professors and professional advisors. The referendum failed. However, in 2012, Matsu held a referendum that passed. While the success of Matsu's referendum was supposed to politically incentivize the Taiwanese government to pass gaming legislation regulating casino operations, and the government did retain a law firm to draft the Tourism Casino Administration Act (the "Act"), the Act has been stalled in Taiwan's legislature since 2013.

Fast forward to 2016, and Penghu is once again preparing to hold a casino gaming referendum. The question is – will this be a repeat of 2009, or will it herald an era of casino development in Taiwan? While the former is possible, there is reason to be optimistic about the latter. The passage of a referendum in Penghu, which locals consider part of Taiwan, would likely force the legislature to pass the draft Act. Should the draft Act pass, then the process of accepting and processing applications for casino licenses would likely begin, assuming, of course that the provisions of the draft Act would create an operating environment acceptable to international casino resort operators.

II. LEGAL AND POLITICAL BACKGROUND

In general, gambling is illegal under Taiwan law. Public gambling is illegal under Article 266 of the Taiwan Criminal Code, being a professional gambler is illegal under Article 267 of the Criminal Code, and operating a casino is illegal under Article 268 of the Criminal Code. While specific statutes can exempt certain activities from the application of these provisions of the Criminal Code, most gambling activities remain illegal in Taiwan.

There have, however, been efforts to bring casino gaming to Taiwan since at least 1989. The first serious consideration of the legalization of different forms of gaming at the national



government level occurred in 1995, when the Research and Development Commission of Taiwan's Executive Yuan ("EY") - the executive branch of the government, equivalent to the U.S. Cabinet - commissioned two academics to study foreign laws and regulations relating to lotteries, horse track betting, and casino gaming. Subsequent to the submission of their 450-page report, in 1996, the Legislative Yuan ("LY") - the legislative branch of the Taiwan government - passed the Charitable Lotteries Law, which created both scratch card and VLT-based lotteries in Taiwan under the auspices of the Ministry of Finance. The establishment of the national charitable lottery, and the subsequent establishment of the national sports lottery, represented Taiwan's first forays into legal, regulated gaming.

While there were efforts on the part of some government officials and other interested parties to promote casino gaming in the years after the passage of the Charitable Lotteries Law, no progress was made, and all efforts effectively ceased in 2000 with the election of a President from the Democratic Progressive Party (the "DPP"), a political party which has traditionally been opposed to the establishment of casinos in Taiwan. This hiatus lasted until 2008, when Taiwan's Nationalist Party (the "KMT"), a political party which has traditionally supported the establishment of casinos in Taiwan, regained the Presidency.

The move towards the establishment of casinos in Taiwan re-commenced in 2009, when the LY passed amendments to the Offshore Islands Development Act ("OIDA"). The OIDA is a statute which promotes the development of tourism and other industries on Taiwan's offshore islands. The islands most clearly covered by the OIDA are Penghu (an island in the Taiwan Strait), and Kinmen and Matsu (Taiwan's "frontline" islands off the Chinese east coast), along with three smaller islands - Xiao Liuchiu (near Kaohsiung), Green Island (off Taiwan's east coast), and Orchid Island (a small island southeast of Taiwan). Of these islands, the three which are generally acknowledged to be big enough to host a casino are Penghu, Kinmen and Matsu.

Article 10-2 of the amended OIDA provides that offshore islands may establish resort zones with casinos if the establishment of such zones is approved by a majority vote in a county-wide referendum. The "simple majority" standard of the OIDA is the most lenient referendum standard under Taiwan law; normally, referenda have to be approved by two-thirds of people who vote in a referendum in which a majority of eligible voters participate. The purpose of the less stringent standard, of course, is to encourage tourism development in Taiwan's offshore islands.

Two referenda have been held in Taiwan since the OIDA amendments were passed. In 2009, shortly after the amendments were adopted, the island of Penghu held a referendum, which was defeated due mainly to:



- 1) pressure from anti-gaming groups, both local and international;
- 2) an anti-gaming “get out the vote” campaign by DPP;
- 3) the absence of draft casino gaming legislation which would have addressed the concerns raised by the anti-gaming groups; and
- 4) the Penghu County Government – which had championed and supported the idea of a referendum – remaining neutral on the issue of whether or not passing the referendum was desirable.

In 2012, a similar referendum passed in Matsu, the smallest and most mountainous of the eligible offshore islands, in large part because conditions were markedly different. First, the then-Magistrate (Governor) of Matsu and his entire administration were very active supporters of casino resort zones on Matsu, mainly because of the infrastructure development, tourism and employment opportunities that casino investments would bring to the island. Second, at the time of the referendum, the Taiwan government had already issued a draft casino gaming statute, the provisions of which addressed many of the issues that had been raised by the anti-gaming forces in the earlier Penghu referendum. Third, and perhaps the most important element, a foreign gaming development company (Global Gaming Asset Management) had expressed a very strong interest in developing a multi-billion dollar integrated resort in Matsu, thus precluding any argument that nobody would be interested in developing such a resort in Matsu.

It is important to note, however, that neither the OIDA nor a successful referendum are self-executing. Casino development on the offshore islands is not possible until the LY passes legislation legalizing casino gaming and exempting offshore island casino gaming from the applicable provisions of the Criminal Code. Such draft legislation exists but, as noted above, the Act is currently languishing in the LY. Perhaps even more importantly, the most recent elections in Taiwan handed the DPP both the Presidency (and therefore the EY) and a majority in the LY. It is not clear whether or not the LY currently has plans to once again take up the Act.

III. ELIGIBLE ISLANDS

While the OIDA theoretically applies to all of Taiwan’s offshore islands, there are three islands – Penghu, Kinmen and Matsu – that are generally considered suitable for the development of casinos. As noted above, two of the three have already held referenda on casino gaming, with one referendum resulting in approval of casino development and one referendum resulting in a rejection of the casino gaming proposal.



MATSU

The smallest of the islands – Matsu – is a so-called “frontline” island controlled by Taiwan but located just a few kilometers off the coast of mainland China. In terms of area, Matsu is about the same size as Macau, though it is divided into two main islands – Beigan and Nangan – and includes an array of smaller islands. In addition to being the smallest of the three eligible islands, Matsu is also the most mountainous, and therefore the most problematic from a development point of view.

While Matsu is the one eligible island to pass a casino referendum, much has changed since the 2012 referendum. First, the Magistrate who championed casino gaming as a means of bringing badly-needed development funds to Matsu has been succeeded by a Magistrate who is less enthusiastic about casino development. Moreover, the failure of the LY to pass the Act has diminished the interest of foreign gaming companies in Taiwan in general, and Matsu in particular.

In the event that Matsu ever regains its status as the primary target of interest for casino development in Taiwan, and given both its proximity to mainland China and the difficulty of getting there from Taiwan, the main customer market would be mainland China, with Taiwan as a secondary market. This potential dependence on the mainland market adds a layer of uncertainty as to the potential success of any casino development in Matsu, particularly given past comments and statements made by mainland China’s Taiwan Affairs Office as to its willingness to allow mainland tourists to travel to Matsu to gamble. An additional layer of uncertainty arises from even more recent comments by the mainland Chinese government that no dialogue with Taiwan, and no further expansion of the China-Taiwan relationship, will be possible until Taiwan’s new President, Tsai Ing-wen of the DPP, accepts the so-called “1992 Consensus,” a “one China” formulation dating from 1992 which the prior KMT regime used as a basis for its bilateral relationship with mainland China. It is even possible that one of the consequences of not accepting the 1992 Consensus would be a slowdown in Chinese tourism to Taiwan generally, since tourism to Taiwan is tightly controlled by the Chinese government.

PENGHU

Penghu is the second largest of the eligible islands, with an area a little under five times the size of Macau, and is located in the Taiwan Strait. Like Matsu, Penghu is actually an archipelago, with one large main island and a number of smaller islands, the largest of which are connected by bridges, but some of which are only accessible by boat. Inter-island transportation is somewhat limited during certain times of year because of high winds and the rough seas that come with them. As a result, interested casino developers have focused on potential



development sites on the main island and those islands that are connected by bridge to the main island.

As noted earlier in this paper, Penghu held an unsuccessful casino gaming referendum in 2009, and may be the next island to hold a referendum. Much has changed since 2009, however. In particular:

- 1) the County Magistrate of Penghu County is a member of the DPP and supports the referendum;
- 2) Penghu's representative in the LY is a member of the DPP and is expected to support the referendum;
- 3) the referendum enjoys the support of the county chamber of commerce and other local business organizations; and
- 4) the draft Act, which has been submitted to the LY, addresses many of the concerns raised by the anti-gaming activists in 2009.

While not a certainty, these new circumstances suggest that the planned 2016 referendum might succeed.

In the event of a successful referendum, the target market for a casino in Penghu would be much more diverse than the target market for Matsu. Given the ease of travel between Taiwan and Penghu, the popularity of Penghu with Japanese tourists, and the upgrades that have been made to the airport over the years, the target market would be primarily Taiwanese and Japanese players, with additional play possible from Chinese and other Asian players. Penghu is not as dependent on mainland tourists as Matsu and Kinmen, meaning that there are fewer uncertainties about the island's potential customer market.

KINMEN

Kinmen, another of Taiwan's frontline islands, is the largest of the eligible islands, with an area that is more than five times that of Macau. Unlike Matsu and Penghu, however, Kinmen is a single island with lots of developable land. Kinmen is home to the Kinmen Gaoliang Distillery, a major source of tax revenue and economic stability for the island. Kinmen is also home to many military retirees, providing it with a stable, but aging, population.

Kinmen has yet to hold a referendum and is unlikely to do so before the Penghu referendum later this year. That being said, Kinmen became the main focus of potential casino investors after the first Penghu referendum failed in 2009, and the former Magistrate of Kinmen County had indicated in his discussions with foreign investors that he would seriously consider holding



a referendum if he was re-elected and if the LY passed the draft Act. Neither of those conditions has been met, and the new Magistrate's attitude towards a potential casino referendum is not yet clear. As this paper was going to press, however, efforts were underway to obtain signatures in support of a casino gaming referendum.

In the event that Kinmen were to hold a casino gaming referendum, it is not clear that the referendum would pass. Of the three eligible islands, Kinmen is the least in need of economic re-vitalization - the Gaoliang factory produces around NT\$7 billion in tax revenues every year, the population is not poor, and the island enjoys a fairly robust tourism trade consisting mainly of mainland Chinese tourists. Moreover, as noted in our discussion of Matsu, taking steps towards the establishment of casinos on Kinmen could result in a policy shift in mainland China which would prevent Chinese tourists from coming to Kinmen. Thus, even if the Kinmen government were to decide it was worthwhile to put their existing tourism flow at risk by holding a referendum, it is not clear that there would be enough support among the residents of Kinmen County to pass the referendum.

In the event that a referendum did pass, however, the main source of customers - given the island's proximity to Xiamen and the Chinese mainland, and the relative difficulty of getting to the island from Taiwan - would be mainland China. As noted above in our discussion of Matsu, there are many levels of uncertainty at this point as to whether or not mainland customers would be allowed to travel to Kinmen if casinos were established on the island.

IV. THE DRAFT ACT

OVERVIEW

The Act was drafted by a local Taiwanese law firm pursuant to a contract issued by the Roads and Highway Department of the Taiwan Ministry of Transportation and Communications ("MOTC"), the Ministry which houses the Tourism Bureau. Scholars, government agencies, and the foreign casino industry all had input into various drafts of the Act, and the MOTC was quite receptive to comments made by all stakeholders, including industry.

The Act is based on a Singapore model, with elements of Nevada, New Jersey, and Australian regulatory influences, as well as provisions that were either modeled on, or drafted to dovetail with, existing Taiwan laws. The mixture of common law and civil law influences makes the Act a bit Taiwan-unique, but the licensing and regulatory regime described by the Act is likely to be found acceptable by both foreign operators and their regulators.



The Act was submitted to the LY on April 30, 2013 and, prior to the elections earlier this year, was mired in public hearings and cross-party negotiations. Interestingly, the DPP – which has traditionally been opposed to the establishment of casinos in Taiwan – was quite active in the negotiation of the provisions of the draft Act, even submitting a counter-draft during inter-party negotiations. The active involvement of the DPP in the negotiation of the Act is important, as it suggests that the DPP may have softened its stance on casino gaming in Taiwan’s offshore islands. It is not clear, however, that any such softening has been carried forward into the new DPP government.

While there was some possibility that the Act would pass during the post-election “lame duck” session of the LY, this possibility was not realized and the Act now sits on the desk of Su Chia-chuan, the new Speaker of the LY. In theory, however, the newly-elected LY would be more hostile to the Act, given the absolute majority which the DPP now owns in the LY, and the substantially diminished presence of the KMT in the LY.

STRUCTURE

As drafted, the Act is divided into seven Chapters, including an Annex that contains, among other things, the exemption from the gambling chapter of the Criminal Code for all casinos established under the Act. The main provisions of the Act include:

Regulator: Article 2 of the Draft Act provides that the regulator for tourism casinos under the Act will be the MOTC. The draft Act also provides for delegation of certain regulatory issues to an unnamed “designated responsible agency” (“DRA”). Both the DPP and industry have suggested that the DRA should be designated in the Act. The most likely DRA is the Tourism Bureau, though industry has commented that a new agency should be created.

Tourism Gaming Business: There are two approvals that must be obtained in order to operate a tourism casino under the Act: an establishment permit for the Integrated Resort of which the tourism casino will be a part, and the license for the tourism casino itself. Article 4 of the Act provides that the applicant for the casino license must be the same as the applicant for the IR establishment permit. Under Article 5 of the Act, which sets forth the corporate qualifications (corporate form, minimum paid-in-capital, etc.) for the Tourism Gaming Business (“TGB”), the TGB will have to be organized as a Taiwan company limited by shares (equivalent to a C corporation under US law).

Suitability: Under Articles 6 and 8-10 of the Act, suitability review is required for the TGB’s responsible person, and for the TGB, both at the time the establishment permit is issued and at the time that the final Tourism Casino License is issued. This is intended to prevent an



unauthorized sale of the operation rights while the IR is being developed. Under Article 17(3), the Regulator also reserves the right to call applicants and licensees forward for suitability examinations at any time. While standards for suitability are set forth in the Act, the review process and required documents have been deferred to regulations to be developed by the Regulator.

Problem Gambling: Articles 54-62 of the Act provide for a robust program of self-exclusion, government-ordered exclusion, and third-party exclusion, including exclusion of gamblers by family members and creditors. As noted in the section on “Taxes” below, the Act also provides for the establishment of a Gambling Addiction Prevention Foundation which is to be funded, at least in part, by a contribution of 0.5% of GGR by all casino licensees.

Licenses: The draft Act (Article 7) provides that the number of casino licenses to be issued for each offshore island will be determined by the Regulator and approved by the EY. The draft Act (Article 18) provides for 30-year license terms. The Act also provides that the government can reserve the right to revoke a casino license on a no-fault basis, though industry has submitted comments which request deletion or amelioration of this provision.

Taxes: In addition to the normal corporate tax rate of 17%, the draft Act (Articles 77-78 and 80-81) proposes GGR-based taxes of a national-level special permit fee of between 7% and 9%, a local-level special gaming tax of up to 7%, a 0.5% contribution to social welfare funding, and a 0.5% contribution to a gambling addiction prevention foundation to be formed by the Regulator.

The Annex of the Act also provides that gaming winnings will be exempt from personal income tax for a period of 20 years after the first gaming license is issued.

PRIOR DPP COMMENTS ON THE ACT

As noted above, the DPP was actively involved in negotiating the provisions of the Act prior to the 2016 elections, and even submitted a counter-draft which included amendments to some of the key provisions in the draft of the Act submitted by the MOTC to the LY. These included amendments which would:

- a) limit the number of licenses to two per island;
- b) shorten the license term from 30 years to 15 years;
- c) impose a minimum NT\$60 billion (approximately US\$2 billion) capital requirement on licensees;



- d) impose taxes in an amount of up to 62 percent of gross gaming revenue, on top of a 17 percent tax on net income; and
- e) delete the 20-year personal income tax exemption for gaming winnings.

The question, of course, is whether or not the DPP would still want to retain these amendments in the Act in the event that the Act once again becomes a subject of deliberations in the LY. This issue may, in turn, depend on how the Act is brought back to the attention of the LY.

V. THE NEXT STEP: PENGHU REFERENDUM, ROUND TWO

As noted at the beginning of this paper, Penghu has already begun the necessary process for holding a casino gaming referendum, probably by the end of the year. The supporters of the referendum have collected far more than the number of signatures required to initiate the referendum process and the petition for the referendum is being processed by the County's referendum commission. This means that a DPP-governed county, with the support and approval of the DPP-led county government, will soon hold a referendum to approve the establishment of casinos.

In the event that the new Penghu referendum passes, the DPP government would be faced with a potential conflict between the party's prior opposition to the establishment of casino zones in Penghu, and the desire of the residents of a DPP-governed island to establish casino zones. Moreover, as an institution, the LY will be faced with the fact that two of the three eligible offshore islands will have approved the establishment of casino-based tourism zones under the OIDA. While the LY was not willing to pass the Act for the sake of Matsu alone, the LY might be more inclined to pass the Act if a majority of the eligible offshore islands have held successful referenda.

Perhaps more importantly, the DPP government – both in the EY and the LY – was elected on a platform of improving the economy and creating new jobs and opportunities for the people of Taiwan. Passing legislation that would bring billions of dollars of investment and thousands of jobs into the offshore islands (particularly a DPP-governed island) might seem like a desirable enough outcome that the party might be willing to set aside its former opposition to casino gaming on the offshore islands.

Of course, the LY also needs to be mindful that the Act needs to be workable for foreign investors and operators. Short license periods, excessive tax burdens and excessively high minimum capital requirements can all act to dis-incentivize reputable casino investors/operators from considering Taiwan's offshore islands as a potential venue for their



next casino gaming investment. Hopefully the LY can produce an Act that would make Taiwan an attractive casino investment jurisdiction.



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VII. APPENDICES

FIRM QUALIFICATIONS

Global Market Advisors, LLC provides clients with market feasibility studies, primary research, economic impact studies, due diligence, payroll control, operations analysis, business and marketing plan development, and player reward program design for the gaming, hospitality and tourism industries. The principals and associates of GMA have hands-on experience in nearly all aspects of the gaming industry including domestic and international operations, project development, marketing expertise, and detailed market analysis.

Global Market Advisors is a (Nevada) Limited Liability Corporation with offices in Las Vegas, NV, Denver, CO, Taipei, Taiwan and Bangkok, Thailand.

BIOGRAPHIES

WILLIAM BRYSON

Bill Bryson has practiced law in New York and Taipei for over 25 years, and is recognized as a leading lawyer in the fields of gaming, hospitality, real estate development, mergers and acquisitions and financial transactions.

Bill has extensive experience in the representation of local and foreign hospitality industry clients in their operations and investments, both in Taiwan and throughout Asia. Bill has represented casino gaming companies, gaming machine manufacturers and consultants to the industry in Taiwan and 38 other jurisdictions on a variety of issues, including:

- Corporate Structuring
- Taxes
- Employment Issues
- Marketing Restrictions
- Internet/Interactive Gaming
- Debt Collection
- Gaming Development

In connection with prior and ongoing efforts by Taiwan to legalize casino gaming, Bill has represented several gaming industry clients in connection with possible gaming development projects in Taiwan. These representations have involved due diligence on potential joint venture partners, negotiation of joint venture and deal documentation, due diligence on potential casino gaming locations, reviewing and commenting on draft laws and regulations,



and preparing background materials for, and participating in, client lobbying efforts and meetings with government officials.

Bill has been acknowledged by Chambers Asia Pacific as a leading gaming lawyer in the region, and by Chambers Global as a leading lawyer in the global gaming industry. He has been a speaker at both the Asian Gaming Congress and G2E Asia, and currently serves on the Advisory Board of the Center for Research on Gaming and Lotteries, a division of the School of Business Administration at the National Taiwan University of Science and Technology.

Bill has also represented non-gaming interests in the hospitality industry, including both local hotel owners and foreign management companies. Bill's roles in such representations have included assisting local owners in the negotiation of letters of intent, hotel operation agreements, management agreements, franchise agreements, technical services agreements, and pre-opening services agreements. He has assisted foreign management companies in similar transactions, as well as in termination scenarios (including related hand-over issues) and owner insolvency proceedings.

Bill's merger and acquisitions, financing and real estate experience includes many "first of a kind" deals in Greater China, including the first-ever sale/leaseback of a commercial building in Taiwan, the first multi-jurisdiction acquisition of non-performing loans in Taiwan, the first acquisition of non-performing loans in China by a foreign investor, the first cross-border limited recourse financing led by Taiwanese banks, the first acquisition of a listed local shipping company by a foreign investor, the first acquisition of a substantial stake in a local financial holding company by a Japanese bank, the largest (by value) acquisition of commercial real estate by a foreign investor in Taiwan, and the acquisition of a local Internet Service Provider by an American internet company. Bill has been acknowledged as a leading lawyer in M&A, real estate, and finance by Chambers Asia Pacific, Asia Pacific Legal 500, and *AsiaLaw* magazine's Leading Lawyers Survey.

Along with his gaming, hospitality and transactional experience, Bill also brings with him extensive experience in public advocacy. As a member of the Government Relations Committee of the American Chamber of Commerce in Taipei, as well as his roles as Chairman of the Private Equity Committee and member of the Travel and Tourism Committee, Bill has, for the past 20 years, been a regular and central member of the Chamber's advocacy efforts on behalf of foreign companies in Taiwan. Bill's advocacy experience includes working with both local and US government officials on issues of importance to American companies in Taiwan, reviewing and revising draft legislation and regulations, developing advocacy strategies for both clients and industry groups, and being an editor of the Chamber's annual Taiwan White Paper, a



collection of position papers produced by the Chamber's industry Committees. Bill's efforts on behalf of foreign companies in Taiwan have been recognized by the American Chamber of Commerce with two Outstanding Achievement Awards.

STEVEN M. GALLAWAY

Steve Gallaway is Managing Partner at Global Market Advisors. His areas of expertise include gaming market assessments, hotel and casino feasibility studies, operational reviews and marketing analysis.

Mr. Gallaway has spent his entire career in the gaming and hospitality industry, starting as a valet attendant and eventually rising to chief operating officer and managing partner of a casino in Colorado. Prior to forming GMA, he served as senior vice president of a hospitality consulting firm where he honed his craft in the fields of gaming market assessments and feasibility analysis. During the span of his career, Steve developed hands-on experience in operations management, organizational development, project development, business development, process improvement, contract negotiations, employee development, and customer service training.

In 2005, along with Andrew Klebanow, Mr. Gallaway formed Gaming Market Advisors. In 2014 the firm was rebranded as Global Market Advisors, reflecting the company's evolution as an international gaming, tourism and hospitality consulting firm.

Mr. Gallaway has completed over 300 feasibility studies, with a strong focus on international gaming operations and integrated resort development. Mr. Gallaway has worked on more than 60 projects in Asia, Western and Eastern Europe, the Caribbean, Central America, Canada, and Australia. His knowledge and understanding of emerging markets, particularly those in Asia, has led him to advise institutional investors on new market opportunities in that region, as well as an advisor on established markets. Today, Steve's clients include most public gaming companies, investment banks, private developers and government institutions.

Mr. Gallaway is a visiting lecturer at the University of Nevada Reno's School of Continuing Education where he teaches a class on casino feasibility analysis and marketing measurement. He is a periodic contributor to Global Gaming Business Magazine and Indian Gaming Magazine, and has spoken at G2E Las Vegas and the Asian Gaming Congress.

Mr. Gallaway graduated from Boston College with a B.A. in Economics.



ANDREW M. KLEBANOW

Andrew Klebanow specializes in Marketing Plan and Business Plan Development, Market Research, Casino Property Analysis, Service Quality Measurement Programs and Player Rewards Program Design exclusive to the gaming and hospitality industries.

Mr. Klebanow has worked in the hospitality industry since 1975 and in the fields of marketing and business planning since 1991. He earned a Bachelor of Arts degree at New York University and Master's Degree in Marketing from Cornell University's School of Hotel Administration.

From 1991-1993, he was Director of Marketing at Sahara Gaming Corporation's Hacienda Hotel and Casino and Director of Marketing and Planning for the parent company's Development Group.

Mr. Klebanow also worked as Director of Marketing for Alliance Gaming Corporation where he conducted the initial market research, consumer testing and marketing plan development for Gamblers Bonus, the industry's first cardless slot club for the company's Nevada slot route division. Gamblers Bonus was the first player tracking system that allowed customers to redeem bonus points for game credits at the machine.

As a consultant to Horseshoe Gaming, Klebanow conducted an analysis of the gaming market in Tunica, MS and subsequently prepared its pre-opening business and marketing plans. In addition, Mr. Klebanow wrote the opening marketing plan for the Horseshoe Casino in Bossier City, LA.

From 1996 to 1999, Klebanow was Vice President of Marketing for Santa Fe Gaming Corporation, where he oversaw the marketing efforts for the Santa Fe Hotel and Casino in Las Vegas and the Pioneer Hotel and Gambling Hall in Laughlin NV. During his tenure at Santa Fe Gaming, his team repositioned both casinos' player rewards programs to better meet the needs of the business. His most recent position was that of Vice President of Marketing at Sam's Town Hotel and Gambling Hall, where he oversaw the repositioning of the 22-year-old gaming property and the re-branding of its player rewards program.

Mr. Klebanow formed his own consulting firm in 2001 and, together with Mr. Gallaway, formed Gaming Market Advisors in 2005. In 2013, Gaming Market Advisors acquired the consulting firm Galaviz and Co, and rebranded Global market Advisors, where Mr. Klebanow is a partner today.



Mr. Klebanow is a periodic lecturer at Cornell University's School of Hotel Administration, the University of Nevada Las Vegas and the University of Nevada Reno's School of Continuing Education. Mr. Klebanow has authored over 100 articles in Indian Gaming Magazine, Global Gaming Business, In Asian Gaming and in the online gaming publication Urbino.net. He has also contributed academic papers to the Cornell University Hotel and Restaurant Quarterly and the UNLV Hospitality Journal. Mr. Klebanow has written extensively on the subject of player reinvestment and has developed methodologies for calculating a casino's player reinvestment rate. Recently, he focused his attention on casino development in urban environments and published a paper on that subject.

Over the past twenty years Mr. Klebanow has spoken at a number of gaming conferences. More recently he delivered a presentation on Player Reinvestment and Tiered Player Reward Program Design at the Asian Gaming Congress 2010 and on Casino Development in Eastern Russia in 2012. At G2E Asia 2010 he delivered a one hour presentation entitled "Say My Name: The Application of Loyalty Programs in Asia." He also served as a panelist at G2E Asia 2011 on the Korean gaming market and in 2012 on the Manila gaming market. In 2013 he moderated a panel on marketing communications in Asia.

Mr. Klebanow has also moderated panels and shared the lecture podium at G2E Las Vegas. In 2012 he moderated a panel discussion entitled "Risk and Rewards: Understanding Player Reinvestment." In 2013 he conducted a seminar entitled "An Introduction to Casino Operations" and spoke as a panelist in a session on Trends in Asian Tourism.

In April of 2015 he presented a paper entitled "Casinos and the City" at the Third Annual Asia Pacific Conference on Gambling and Commercial Gaming Research in Beijing and moderated a panel on Trends in Electronic Casino Marketing Communications at the Casino Marketing and Technology Conference in Las Vegas. Most recently, he published a paper that proposed strategies to grow international tourism into Las Vegas.

KIT L. SZYBALA

Kit Szybala graduated from Southern Methodist University as a Hunt Leadership Scholar with degrees in Finance and International Studies giving him a thorough understanding of international business and financial modeling. While studying at the university, Mr. Szybala also gained extensive experience abroad, both working for Oracle Corporation in London, United Kingdom and studying at the University of Oxford. While with Oracle Corporation, Mr. Szybala worked alongside the Senior Director of Marketing and Vice President of Technology Marketing for EMEA as a Marketing Analyst. Mr. Szybala monitored and improved the



efficiency of their marketing programs by utilizing Customer Relationship Management software.

Immediately following his time at Southern Methodist University, Mr. Szybala began working for Vail Resorts as a member of the Vail Resorts College Program. This Program gave him valuable insight into hospitality management and operations by giving him various opportunities to meet with chief members of resort management. It also afforded him the ability to work in several different capacities for the corporation, giving him the opportunity to understand the intricacies of the varying moving parts of resort operations.

In 2012, Mr. Szybala began working for Global Market Advisors. Currently, he serves as the company's Director of Analysis. At Global Market Advisors, Mr. Szybala has created over 100 robust financial models in various gaming markets across the globe. In addition to these financial models, Mr. Szybala has written a multitude of extensive, analytical reports, including feasibility studies, impact and cannibalization studies, gaming market assessments and strategic planning assessments. Mr. Szybala is a visiting lecturer at the School of Continuing Education at the University of Nevada, Reno where he teaches a class on casino feasibility analysis.

JONATHAN GALAVIZ

Mr. Jonathan Galaviz is a Partner in the firm. He manages consulting engagements to Fortune 500 clients and emerging companies in the areas of Asia market expansion, government policy, tourism strategy, and provides industry specific guidance to companies in the airline, casino gaming, and technology industries.

Mr. Galaviz regularly appears on CNBC, BBC, and Bloomberg TV and is quoted frequently by leading newspapers around the world. His clients include firms such as the Bank of Tokyo-Mitsubishi UFJ, Goldman Sachs (U.S. and Asia), CapitalLand, Deutsche Bank, Caesars Entertainment, Station Casinos (Fertitta Gaming), eSun/Lai Sun, Keppel Land (Singapore), Lend Lease (Australia) and several private equity / venture capital funds.

In 1996 Mr. Galaviz was a U.S. Senate Staffer in Washington DC for the office of U.S. Senator Pete Domenici (R-New Mexico). From 1998 to 2002 Mr. Galaviz was employed in a variety management consulting roles at Spectra Corporation, Whittman-Hart and Mandalay Resort Group (now a part of MGM Resorts International). From 2002 to 2013 Mr. Galaviz was head of Galaviz & Company LLC; a strategy-consulting firm focused on assisting Fortune 500 clients with their Asian market expansion strategies.

In 2011 Mr. Galaviz served as the Interim Head of Campus for the University of Nevada's campus located in the Republic of Singapore. He was responsible for returning the campus to profitability and enhancing its operational viability. His work at UNLV was widely praised in



media and academic circles.

Mr. Galaviz serves as the President of The Economic Club of Las Vegas, a non-profit organization dedicated to non-political economic discussion. He is also a member of the National Association for Business Economics.

Mr. Galaviz holds an MBA from the Saïd Business School at the University of Oxford (England) and is a graduate of the New Mexico Military Institute. He studied finance at the National University of Singapore's School of Business as a foreign exchange student in 1997.

