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HOW TO GROW IN A DEVELOPED MARKET OR
HOW TO STEAL THE OTHER GUY'S CUSTOMER

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Speakers:
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Joe Weinberg, Partner and Vice President, The Cordish Company

MR. STEVE BARHAM: First of all, I'd like to say thank you to Innovation Group who has helped us this year as well as last year on getting all the gaming content for the Symposium. I'd like to thank our sponsor for this panel, Smart Button Associates, and the sponsor for the refreshment break, which was XpressBet.

One other housekeeping issue. If you are going to the Keynote Luncheon, please right after the panel is over make your way to the pavilion. It's outside. If you go up to where you register for the hotel, it's outside. We need to get started as soon as we can on that, so if you help us on that we'd appreciate it.

I'll now introduce Will Cummings, the president of the Cummings Associates, a consulting firm that specializes in economics of racing and gaming industries. Mr. Cummings was born in Detroit, raised in Kansas, and has lived in Massachusetts since 1969. He received his bachelors and masters of science degrees from Sloan School of Management at MIT, and joined a professor's consulting firm in 1975. With that, Will?

MR. WILL CUMMINGS: Thank you, Steve. And thank you all for joining us.

We are a panel of two this morning. We originally scheduled to be three. Unfortunately, Steve Snyder with Penn National Gaming got held up on a project they are working on and sends his regrets. But myself and fellow panelist Joe Weinberg of The Cordish Company will do our best to entertain you as best we can and inform you, hopefully, as well.

I think I'll introduce Joe right now. Joe is a principal in The Cordish

Company, president of development. They are a multifaceted real estate firm. They are involved in a lot of aspects of real estate development. They have done a number of projects and won many awards, including six Urban Land Institute Awards of Excellence as well as International Waterfront Development Award of Excellence. They have worked for the Seminole Hard Rocks in Florida, a variety of other gaming retail restaurants, and all kinds of real estate development activities. And Joe will regale you with tales of what they've been doing and show you a lot of pictures, which will be more interesting than my slides. So I have a few numbers to share with you myself.

The title of our session is "How to Grow in a Market or How to Steal the Other Guy's Customer." As I indicated, we are two panelists, myself and Joe, with The Cordish Company. I'll give the first presentation and turn it over to Joe.

The title today I thought about is a two-edged sword of one kind or another. I think it's really two aspects. Growing in a developed market is not necessarily stealing the other guy's customer. You can be in a monopoly situation and simply have developed your market where the easy growth days are past and you have to invest more wisely, spend more to make more and in a different situation than you were in the early days when you just put slots in a box and people would come.

Even if you don't have competition nearby, that's a very different situation than if you are in a highly competitive market and you have numbers of competitors close by and essentially the market is per force by virtue of all these competitors working hard, fairly well developed, and the only way to grow is steal or earn customers from the other guy. But they have a lot of things in common. The techniques, the strategies, the things you want to do are very similar in both situations, whether it's a monopoly market that's simply more difficult to make grow, or a competitive market where you are up against competitors more than one's own inertia. So I view this as a session on how to grow a developed market and how to steal the other guy's customer.

Now, in my presentation I'm going to talk about four or five things. In contrast to real estate where the mantra is location, location, location, with casinos, and racetracks for that matter, it's location, location and size; and a lot of other things as well. I'll be talking about location, size, design, and some of the other things that matter, and you can hopefully have some influence over in your efforts to grow your market and increase your market share.

With regard to location, I'm a big fan of something called "Reilly's Law." A lot of my work involves market studies, feasibility studies for new gaming facilities, either stand-alone casinos or slots at tracks; and I have some mathematical models based on Reilly's Law in one way or another, which is fairly simple. And I apologize to those of you who aren't mathematically inclined for giving the equation here.

In words it says that the market share of a company, or trade area or a service retail establishment, is in most situations proportional to the size — exactly what it is we'll get to — of the operator divided by the distance squared, and this is

why I say location, location and size. Location is twice as important as size. It's called the gravity model, it's based on Reilly's Law, and offshoots are called "gravity models" because it is very similar. And, in fact, it was inspired by Newton's law of gravitation. The force is proportional to the mass divided by the distance squared. Algebraically it's very similar. And the underlying concepts are parallel.

What that means is that if you are in a remote location far from centers of population, you'll have a relatively small market despite your best efforts or, conversely, you have to spend an inordinate amount of money. Developing a destination type of resort rather than a convenience gaming center, or what I call "excursion gaming center," to draw your people, it's four times more difficult to draw people from twice as far away, that's what Reilly's Law says.

The second aspect of distance is that for casino gaming, for racetrack visitation — betting on the horse and a lot of other things — the convenience, the access of the facility matters, because people do not participate as often. Not as many people participate at all the further away they live. This works even for Las Vegas.

Las Vegas is a unique entertainment center, draws people from all over the world. If you plot the rates of visitation to a center like Las Vegas versus distance you get a chart that looks like this: The first three points are California, Arizona, and the Pacific Northwest. Relatively high rates of visitation. Further out in terms of distance from the South and East you get lower rates of visitation. From overseas, lower yet. This looks like a fairly steep fall off. It is in raw numbers something we mathematicians and economists translate into something we call a log-log relationship to make it look smoother. It looks pretty much like a straight line. That's a good fit to a relatively modest declining rate of participation with distance.

Las Vegas, through the efforts of the people involved there, one operator trying to top another and make even bigger facilities and attract people from long distances, it offers a variety of attractions and it's a very entertaining place to visit. Draws people from long distances.

You look at regional gaming markets. You see the same type of thing with a somewhat steeper slope. Mississippi, prior to Katrina wiping out the Gulf Coast, developed a fairly intensive level of development of casinos there and did a good job of drawing people from long distances.

In the smaller markets such as Laughlin, Nevada, and a lot of small casinos and slots and track markets they are even more localized gaming markets. They are essentially local gaming markets and don't draw people from very long distances at all. But from the distances they do draw, you see this type of relationship.

Here's one specific casino based on a player's club data that I analyzed. They are in an isolated market. They don't have other competition nearby. They

can go quite a distance and still draw a significant amount of customers.

From another casino, which has competition that's 60, 80, 100 miles down the road, for the first 50 or 60 miles it's a small slope. But as you see, you get out and competition starts to matter. The rate of participation falls off dramatically. What does all this mean? Is location your destiny?

It matters a lot. I built a large part of my career on building mathematical models to assess these issues, but it isn't everything. To demonstrate that, I've put together a slide here that shows two casinos in Iowa that are located a mile from each other, essentially the same access, similar size, they have undergone some expansion and some renovations and developments. But location-wise, and the legislations under which they operate and a lot of other things, are identical. Essentially identical for these two casinos. Yet the one, the blue casino, didn't fare so well in the late '90s. The other one was taken over and did some renovation. And the win per slot for a few years there was 50 percent greater than for their neighbor. The owner of that casino then bought the neighboring casino and started improvements there. It still hasn't caught up with its neighbor. This is in the Bettendorf/Davenport, the Quad Cities area of Iowa.

I'd like to point to that as an example of how you can have casinos in very similar geographic circumstances but still do very differently. The performance is dramatically different because of the inputs that the management and investors have put into them to drive their performance.

With regard to location itself, it isn't just distance itself, it's about access, convenience. And to get greater convenience you make it more accessible. The microaccess, ingress and egress, and parking facilities are very important. Your facility can be more or less inviting, and you can make it more prominent in the psyche of your potential customers. That's something of distance factors. It's not just mileage. There are a variety of issues connected with distance that matter.

Secondly, still working on Reilly's Law. Size matters, size matters very much. Not just because of the place it occupies in the mathematical formula, but for several reasons. One is fairly straightforward to understand. And that's something some analyst's term "fair share." I think Larry Klatskin was the guy, looking at Atlantic City and analyzing the performance of the casinos there and said, well, if casino X has a thousand slots and the total market is 10,000, the fair share of the business is 10 percent. Thus, you can apply this kind of analysis to competitive markets anywhere you look and it seems to have a lot of utility. You can increase the size of your facility and not do a thing. If you are just putting more slots in your box, that doesn't make you a more attractive product and your share of the market will probably not go up much and you will probably do less than your fair share. If you provide a bigger box and more attractive and market it bigger, you ought to continue to get at least your fair share. And if you do a good job on other things, you'll get more than your fair share of the marketplace.

There's also a second issue related to size. The larger your center, your

group of facilities as a whole, or single facility if you are a monopoly market, the more you expand geographically. The more slots, the larger the size of your trade center. Reilly's Law says you are expanding the boundaries, reaching further into the competitive gravity wells of your neighbors, and making your market bigger. So if you as an individual facility or group of facilities add more capacity, slots, table games, restaurant seating, retail square footage, you should be expanding the size of your trade center as a whole.

I've graphed this phenomena for Iowa. I did a lot of work analyzing the slot and track markets in Iowa. Again, there's a nice relationship. In the markets of Iowa with a high ratio of slot machines to population, you get a higher ratio of spending per person. In those markets, which have fewer slot machines per person, the density of slots is lower, you get less spending. In fact, the two lowest dots on the graph — down at the lower left as you are looking at it — are the two smallest casinos in Iowa. The larger ones actually aren't up at the right end of the curve, because they are in larger population centers. The ratio of slots to population isn't all that great. The ones at the top right are in a higher, smaller market but have a high ratio of capacity to population and, thus, enlarging their market.

Third, I'd like to emphasize that design matters. Location access, convenience, size, those are fairly quantitative scientific concepts to grasp. But, again, based on the experience we've seen in Iowa and elsewhere, you can have very different performance from facilities that are right next to each other and otherwise very similar. That is due to a host of other factors.

The most important of those factors is the design of your facility. I got confirmation for this at several panels at the Global Gaming Exposition in Las Vegas a few weeks ago. One of them impressed me greatly. A fellow, Cory Morowitz, was talking about revenue management, not design in particular, but revenue management. A lot of concepts that would apply here. The first thing you do, he says, is design a facility that delivers the optimum experience to your target customer set. You design a facility that gives customers what they are looking for. And this can involve just plain wow factor, fun, involve a lot of ancillary amenities, a lot of things to do other than a just fun gaming or racing entertainment experience.

The other things that matter that go into that difference in performance between neighboring facilities. Garage is somewhat of a double counting. The access convenience parking issue usually leads facilities in competitive markets to add parking garages which customers like. And folks in The Innovation Group can tell you a lot about parking issues.

A hotel. If you are in one of those markets trying to draw people from longer distances, a hotel is essential. It provides a resting place for your customers coming from long distances, and you can use it in your reward system to reward customers for making that long distance trip to your facility.

Dining. Up to fine dining at a stratospheric level, but even at the middle class levels you can offer an array of establishments.

Retail. Entertainment and player's club and other types of marketing. These all drive market share.

That finishes my presentation. Joe Weinberg of The Cordish Company will take over and show you some of the things they have done to give you specifics and pictures of some developments that combine entertainment, retail, and a variety of things to enhance the customer experience.

Joe?

(Applause)

MR. JOE WEINBERG: Thank you, and good morning. I hope you don't mind, I'm going to do my presentation from here.

A couple ground rules. I would love this to be a conversation, and for this to be an opportunity for me to talk with you and not at you. Anyone with a question or comment, feel free to shout it out, and I think it will be a more interesting approach to this morning's presentation.

Will did a great job of going through some of the science of looking at feasibility of a project and determining how the size of a project based on various parameters, such as competition, distance, size of facilities, fair share analysis. And while we at The Cordish Company have our own sophisticated scientific models to help us to size and program our projects, we go beyond the numbers. The numbers don't tell us everything.

What I thought I would do this morning is talk about looking at some of our philosophies and how we handle our developments, how we design and program our developments, and how sometimes we buck the conventional wisdom as we pursue our projects.

First, to give you a quick background on our company. We're based in Baltimore, and we develop throughout the U.S. and internationally. We have six divisions within the company: Entertainment and mixed-use projects typically in urban areas; gaming and lodging division, which I head up. We have an operations division that owns and operates and develops restaurants nightclubs and live music venues throughout the U.S. A division that does residential and student housing, shopping and lifestyle retail centers throughout the U.S., and a division that focuses on sports-anchored developments working with a lot of major league sports franchises both in the U.S. and Canada.

To talk a little bit about our philosophies of development, this is really where we start to get beyond the numbers. We have several main philosophies critical to us. The first being we want to dominate and be number one in any of the markets

that we develop in. And, of course, everybody wants to be number one. But it really does drive the approach to your projects up front. A lot of the work in how successful your projects will be are done up front, and it's a strategy and philosophy you have to bring from day one. You have to have a goal to be the best and work to achieve it.

Secondly, we look to over-deliver in all our projects. We believe that the consumer is more sophisticated and smarter than any of us give him credit for, and you must not insult the customer. We strive to overdeliver whether in the design of the project or in the operational details. We'll get to that in a little bit.

Thirdly, as Will mentioned earlier, size does matter. And we believe you can achieve more than your fair share of a market in a competitive situation if you have an appropriate critical mass with appropriate amenities that outperforms your competition.

Next, it's critical to us that we plan ahead for growth. We don't go into a project unless we believe it's going to be successful. If your project is successful, you want to improve and keep growing the project. I have seen a lot of facilities throughout the U.S. and worldwide where the growth was an afterthought, and, therefore, when the facility went to add amenities or hotel rooms or gaming space it was difficult. They didn't think about it up front. It's critical to master plan for your success from day one.

Next, you must demand great design. We believe deeply it costs just as much for great design as it does for poor design. It's a matter of hard work of demanding it from your consultants, be it your architects, having appropriate taste level that meets consumer needs and driving the process so that for the same dollar spent you get a great product and not a mediocre product.

Next, this is something that we see. It seems obvious you want to maximize your assets, but we see it all the time with some of the major league sports franchises and with racing facilities. Many times the owner doesn't necessarily understand what business they are in. Sometimes a baseball team believes they are in the business of baseball only and providing the experience during the 80-some home games that a team has during the year. But in the gaming business, racing business, sports business, we have to broader define the business we are in. Entertainment business and real estate business, among many others, and it's important to look at what your assets are and how to maximize that. And in a little bit we'll get into some examples of how it's been done.

Lastly, it seems obvious as well, we have a philosophy and we work harder than the next guy. Nothing substitutes from sweating the details, putting the time into it achieves a great product. A perfect example of bucking the conventional wisdom. This is the Power Plant that is our headquarters on the Inner Harbor of Baltimore.

When we acquired the Power Plant in the mid-'90s, this building had been

shuttered for over 10 years; and in a previous life had been a failed Six Flags indoor adult amusement park. We never heard that the concept of an adult amusement park necessarily works. The project had failed. It was part of the, well, a section of the Inner Harbor of Baltimore had been quite successful for a number of years. This was on the edge of the Inner Harbor. It was a difficult, hulking building, no access from the waterfront, and everyone thought we were nuts for acquiring the building. What we saw was the ability. We saw this beautiful, historic building built in the 1900s, early 1900s, that we could bring to life. It's an historic industrial architecture and adaptively reuses it for retail entertainment and office space.

Part of what we did, we totally reoriented the pedestrian walkway through the Inner Harbor, allowing the flow of bodies along the harbor directly into the building.

In terms of planning ahead for growth, at the time we acquired the Power Plant we acquired a series of 16 historic buildings that had been shuttered for about 15 years. After completing the Power Plant we went to work to redevelop Power Plant Live! adjacent to the Power Plant. It's a 500,000 square foot retail entertainment office and residential project. And today Power Plant Live! dominates the entertainment scene in downtown Baltimore.

We developed two Hard Rock hotel/casinos along with the Seminole tribe in Florida. Each of the philosophies I mentioned earlier was applied to the Seminole project. The conventional wisdom at the time we began to work with the Seminole tribe — the two sites of the project, one in Hollywood and one in Tampa, Florida — were industrial areas that not many people visited in South Florida and Central Florida markets where they existed. The Seminoles only had Class II scope of gaming, bingo-based machines, and poker. No one believed you can create a world-class project with that kind of scope of gaming in the types of locations that the Seminoles' reservations were located in — in Florida. We believed differently.

What we saw was that we had a tremendous market in the Fort Lauderdale area as well as Tampa. If we design a world-class casino hotel entertainment resort we could dominate each of these important markets in Florida.

If we take the South Florida market as an example, which is tremendously competitive, what we saw was that it was a very fractured entertainment scene between South Beach and Palm Beach, and that there was no defining project in the market. And we felt that we could dominate the market by creating the appropriate critical mass and creating the defining project for South Florida.

Today the Seminole Hard Rock Hotel and Casino is in Hollywood and Fort Lauderdale. It features a 150,000-square-foot casino, a four-star, four-diamond Hard Rock hotel, seven restaurants, 13 nightclubs, and a 6,000-seat Hard Rock live music venue. The hotel features a 30,000-square-foot spa and four-acre tropical pool. As I mentioned earlier, the hotel rooms were designed to overdeliver to the customer, four-plus diamond star facility where even the standard rooms have the

feel of a suite. Today the casinos and the Hard Rock casinos in Florida are among the most successful casinos anywhere in the world.

If you took the two Hard Rocks in Fort Lauderdale and Hollywood, they would be one of the top two gaming companies in the world today. Seminole Paradise, the retail entertainment village adjacent to the hotel casino, was designed in a village setting to take advantage of the South Florida environment. And we constantly activate the common areas with live entertainment and have a spectacular water screen and fountain show that plays every evening.

The Hard Rock live venue and Seminole Paradise is utilized as one of our key marketing components. We book the facility midweek to drive off-peak period business as opposed to booking concerts on a Friday and Saturday night. We're in a position where we need to de-market rather than market. We utilize the facility to drive midweek business. To date they have featured such artists as Bruce Springsteen, Aerosmith, and this past weekend, Andrea Bocelli.

One of the things that we pay particular attention to — and this gets to some of the details of trying to overdeliver for the consumer—in the retail and entertainment complex in Hollywood we have 40 third-party tenants. What we have at The Cordish Company, we have a staff of architects that do nothing but work with third-party tenants to drive their design. Again, it costs the same for great design as it does for poor design. Great design leads to obtaining greater share of market, greater sales, and greater revenue. To us it's that important that we have architects in-house that do nothing but help drive the architectural design of our tenants.

This is the Hard Rock in Tampa, which has a similar design and approach to the South Florida project. We believe there are no cookie cutters. Again, the numbers are very helpful, every market is different. All the challenges in each market are different, and so the approaches to the projects, while they may have similar components, are different based on the market conditions. Charleston Place is a perfect example of this. In Charleston, South Carolina, located in a historic district of Charleston.

When we undertook the development of Charleston Place in the mid-'80s, the historic Battery District of Charleston was completely boarded up and the city was in a desperate state. What we did was we looked at Charleston, one of the truly unique cities in the country in terms of historic fabric, and worked with the city to design a five-star hotel and retail complex that would not only work as a project, but help to spur the redevelopment of the entire city of Charleston.

What we did was design a new hotel to fit into the historic fabric of Charleston. With the retail entertainment — as you can see in this picture — we focused the storefronts onto the street as opposed to creating an internal mall environment within the hotel. We focused all the retail to the outside to activate the streets of Charleston to assist in trying to help our neighbors to create the energy to redevelop. Today in Charleston, every storefront is filled and has among

the highest real estate values in the country.

Another example of bucking the conventional wisdom is the project in Atlantic City called "The Walk." When we undertook the development of The Walk, in partnership with Casino Redevelopment Authority in Atlantic City, nobody thought retail entertainment could work in Atlantic City. The areas that you see mapped out — it's about a 10-block area at the entrance to Atlantic City — was former Section 8 housing when we acquired the project. And at the time, nobody would walk the streets of Atlantic City. You would go to these self-contained edifices in the casinos and you went in and never came out. As those of you who have been to Atlantic City before, the Boardwalk, one of the major features of Atlantic City, going back for decades, all the major casinos turned their backs on the Boardwalk and were all really designed so once you entered the casinos you never left.

What we saw in Atlantic City was four-and-a-half billion dollars of gaming revenue, the same revenue that was being generated on The Strip in Las Vegas. And we also saw a higher income customer in Atlantic City than the average household income of the customer in Las Vegas. However, in Las Vegas the breakdown between gaming and nongaming revenues was 50/50. In Atlantic City, at the time that we acquired the project, it was more like 98/2. We thought there was a tremendous opportunity to add nine gaming establishments to Atlantic City.

What we did was to — prior to us taking on the project there had been three stock exchange development companies that attempted to do the project, all who brought a mall mentality to the project because that's what the companies did for a living, cookie-cutter malls.

Again, there are no cookie cutters. Every project is different. Every challenge is different. We created the City of Atlantic City, which should have existed but didn't, and created active streetfronts within the city street grid. And today people walk the streets of Atlantic City who never before would have even considered it. From the Boardwalk to the Convention Center there are very active storefronts, and sales per square foot are among the highest in the nation.

We're in the process of expanding the Atlantic City project and it's under construction at this point. When we are finished we'll have about a million-and-a-half square feet of retail entertainment in Atlantic City. Like in Charleston, it led to other major projects in Atlantic City and to the synergistic growth within the city. The Tropicana developed the French Quarter based on the success of The Walk. Caesars proceeded with the Pier Project, which recently opened, and the other opened after The Walk.

A VOICE: Joe, just to clarify, this is not a casino-centric development? This is a stand-alone facility, though it is proximate?

MR. WEINBERG: It's a good point. Many of the retail entertainment projects throughout the country typically associated with one casino. You have competing

retail projects that are connected to the casinos. We saw this as a unique opportunity given Atlantic City is more of an urban environment and land is at a premium. We saw the opportunity to be the retail entertainment project for the majority of the casinos in Atlantic City. We have a cooperative relationship with all the casinos. For them it's a real benefit. They get the amenity of the retail entertainment to drive customers into their facilities without having to allocate expensive land that for them could be better allocated towards expanding their gaming and hotel facilities.

Part of the entertainment component of The Walk is a 40/40 Club with JayZ. Here's a rendering of the phase two of Atlantic City of The Walk, which is currently under construction. An area that has a lot of synergy with gaming, racing, as I mentioned before, sports-anchored developments. I thought I'd take you through some of the sports projects that we are working on today, because they have a lot of application to your projects.

We're working in partnership with the San Francisco Giants to develop the Mission Rock on the bay in San Francisco. And this is a situation where very valuable land that the team has is currently allocated for surface parking. We're taking the surface parking areas and creating a high density of development while providing for parking and structured facilities. The Mission Rock project will include hotel, residential retail entertainment, live music, and live music venue. Like most of the sports-anchored projects to take this asset, broaden the look at what business the teams are in, and through denser development putting in greater amenities, one 365-day-a-year use of the real estate assets. Increasing the fan experience. There's more for fans to do when they come to a game, there's more amenities. Fans can come earlier, leave later. It's a more overall experience and creates greater revenues for the team.

Similar to the Giants we're working with the City of Washington, D.C., and the Washington Nationals and developing Anacostia waterfront, a similar philosophy of taking valuable land in D.C. It has nowhere to grow but outward because of the height limitation that no building in D.C. can be taller than the Capitol, so there's a ferocious need for land. So the D.C. National's stadium is treated as an urban opportunity, creating great density. A lot of amenities dealing with parking and structured facilities.

By sprinkling structured parking facilities throughout the urban area we're able to increase the efficiency of the traffic flow. As opposed to a typical surface-parking situation where you have lots of traffic that's flowing out of a few funnel points, we're able to bring people in and take them out of dozens of city streets and to disperse traffic in many directions and get rid of the funnel effect.

We're working with the Rooney Family and the Pittsburgh Steelers in developing the North Shore area. Again, taking the surface lot opportunity, creating live entertainment, restaurants, retail, hotel, and office uses to maximize the assets of the North Shore area.

We're working with NASCAR in Daytona to create a mixed-use development adjacent to the Daytona racetrack in partnership with NASCAR and NISC. Again, enhance the fan experience, maximize real estate assets, maximize revenues. And more importantly, to stay current with consumer expectations.

To bring this closer to the racing business, we're working with Woodbine in Toronto. This is an aerial fly-through project that we are in development with Woodbine. About a 400-acre development, Woodbine is located on the outskirts of the City of Toronto. Like many cities, this city continues to grow out. This area, which was at one point considered on the edge, will eventually become the middle of the plate in Toronto. Mixed use development includes casino expansion, hotel, retail entertainment, sports complex. When completed there will be 1.8 million square feet of retail space, 1,000 hotel rooms, 2,500 residential units, and a 6,000-seat live music venue.

The project is designed to have several different districts within the project. We have a fashion district, you see running through the center; we have a series of canals that run through the entire project. Twelve months out of the year the community will be able to ice skate through the project. This is the live district. Live entertainment. Canals end at this ice skating rink, which is surrounded, by sports-oriented retail and restaurants and activities. So this will be a real community center for the City of Toronto.

This is an example of an urban project in the Kansas City Power & Light District in Kansas City. Let me go through it quickly. This is a 15-block area in Kansas City that we're developing, which includes residential, retail entertainment, hotel. The district is designed to fit into the urban fabric of the city and create great urban spaces, public entertainment areas, which we like to build in to all of our projects.

Most of our projects have both common area entertainment spaces as well as dedicated live music venues. The Kansas City project will include — I'll get to it in a second — includes the redevelopment of two historic buildings in partnership with AMC Theaters. One will be the Empire Theater, which will be a great urban movie theater that includes upscale restaurants where you can take your drinks into the theater and include a 4,000-seat live music venue redevelopment of the Midland Theater.

Another sports anchored project, in partnership with the DeWitt family in the St. Louis area, we're developing a whole village around the new Cardinal's stadium in St. Louis. Maximizing the real estate assets, taking surface parking lot areas by using structured parking and able to create density around the stadium. We will have three residential towers, all with views directly into the stadium. This is one of the views from the one of the residential towers. So if you are a sports fan, this is the place to live.

A VOICE: How about the residential at Woodbine? Is that going to look onto the track?

MR. WEINBERG: Some will, actually. As I mentioned before, one of the things we also do, we have a division that operates restaurants, clubs, and live music venues. What we found, having the ability to put the concepts into our developments we think are necessary, even if a third-party tenant is not available, has been a big asset for us. So we have a division that creates proprietary restaurants and club concepts, as well as license, licenses existing brands that we incorporate into a lot of our projects. These are some of the brands we are affiliated with.

For those of you who attended the Kentucky Derby, we license the Maker's Mark bourbon name and one of our projects in downtown Kentucky. Fourth Street Live features the first Maker's Mark Bourbon House. One of our Mexican concepts. Suburban public concept.

Vine, an upscale bistro. As I mentioned before, we're joint venturing this urban theater concept with AMC. Also the international license to NASCAR for F&B concepts and about to open the first NASCAR Sports Grilles in Universal City Walk in Orlando and in Myrtle Beach, and we'll be rolling these out throughout the country and internationally.

Well, that's all I've got for you. Any questions that we can answer for you?

(A question was asked)

MR. JOE WEINBERG: It's a good question. I'm glad you asked. We work it every day. The marketing is a critical part of all of these projects. And we have at each project — we have hundreds of events, varied events, marketing driven. We target our events to driving peak period business primarily. We produce over a thousand events a year at our projects.

So when I was talking about the philosophies of work harder, once the projects are conceived, built and opening, there's constant asset management and marketing of these projects. So it's critical. And we work them every day and that is as important to the equation as conceptualizing the project correctly.

MR. CUMMINGS: I moved over because we have the television lights in our face. We encourage any other questions or comments from the audience. We're here to answer the questions.

(A question was asked)

MR. WEINBERG: We pass on a dozen projects every day. So if we don't believe there's a market for a project, or we don't believe we can dominate the market, we try not to be a me-too player in those markets.

In the gaming business, as opposed to focusing in on Las Vegas, we focused in on Florida where we felt that we could be first in, have a semi-monopoly situation and dominate the market even with the advent of competition from the racetracks

now coming in Florida. So we go through the process every day, we reject projects constantly if we feel there's no need, no market, there's nothing we can bring special to the project.

(A question was asked)

MR. CUMMINGS: Online and account betting, they are totally a different animal. Off-track betting, you do see a geographic distribution and distance matters for the customer. But yes, online, that erases the distance as a factor.

MR. WEINBERG: Just a note, let me go back to your question. A lot of the projects we reject. When you look in the development market there are coupon clippers in the market that will buy, whether it's a gaming project or real estate project, and will pay a five to six cap and happy to earn a five, six, seven percent yield. They are buying a project that's fully developed, maximized, and little room for growth. Almost like it's a bond. You know, there's an enormous amount of fund money to do that in this country. There's thousands and thousands of transactions like that every day.

MR. CUMMINGS: Single-digit growth isn't so bad in this country anymore

MR. WEINBERG: That's fine. What we look for are opportunities where we create the value and generate much larger returns than a fund that is looking to buy and clip coupons.

(A question was asked)

MR. WEINBERG: The question was that it looked like we use the Live! theme in a lot of our projects. The Live! is actually a brand that we own. Within our projects we brand the entertainment districts as the Live! district. And so throughout the country that's the brand that we have rolled out. Any other questions?

A VOICE: I have another. In several of your projects you mention concert venues of 6,000 seats. Is that minimum critical mass, or does it depend on the market?

It depends on the market. If you look nationally there's about 95 percent of the touring artists that play in front of 6,000 or less seats. So there's only a handful of artists that play stadiums and arenas 20,000-plus. From a cost benefit analysis we targeted on that sizing as being able to accommodate the lion share of the performers available nationally and internationally while being able to economically build a building that will house them.

MR. CUMMINGS: Good. Any other questions? Comments? Suggestions?

A VOICE: How do you define your company?

MR. WEINBERG: We're privately held and we're owners. We're not consultants. We invest, put equity in, and we're not passive investors. We have a number of

joint ventures with companies all over the country. Typically, always we're in the lead on the development side. So we are aggressive owners and developers. And privately held.

MR. CUMMINGS: Thank you all. You've been a great audience. We apologize we are only a two-ring circus, and we are available for questions afterwards. Enjoy your lunch.

(Applause)