

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

* * * * *

IN RE: CLOSING ARGUMENTS FOR CATEGORY 2 LICENSE
APPLICATIONS, MARKET EAST ASSOCIATES, LP

* * * * *

PUBLIC HEARING

* * * * *

BEFORE: WILLIAM H. RYAN, JR., CHAIRMAN
Gregory C. Fajt; Annamarie Kaiser; Keith R.
McCall; John J. McNally, III; Anthony
Moscato; David W. Woods; Members
Jennifer Langan, representing Robert
McCord, State Treasurer
Robert Coyne, representing Daniel Meuser,
Secretary of Revenue

HEARING: Tuesday, February, 26, 2014
11:07 a.m.

LOCATION: Pennsylvania Gaming Control Board
Office of Hearings and Appeals
Strawberry Square Complex
2nd Floor
Harrisburg, Pennsylvania 17101

Reporter: Jennifer D. Crawford

Any reproduction of this transcript is prohibited
without authorization by the certifying agency.

WITNESSES: None

A P P E A R A N C E S

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

OFFICE OF CHIEF COUNSEL

R. DOUGLAS SHERMAN, ESQUIRE

Chief Counsel

STEPHEN S. COOK, ESQUIRE

Deputy Chief Counsel

OFFICE OF ENFORCEMENT COUNSEL

CYRUS PITRE, ESQUIRE

Chief Enforcement Counsel

ALEXANDRIA SACAVAGE, ESQUIRE

Assistant Enforcement Counsel

DUSTIN MILLER, ESQUIRE

Assistant Enforcement Counsel

MELISSA POWERS, ESQUIRE

Assistant Enforcement Counsel

PA Gaming Control Board

P.O. Box 69060

Harrisburg, PA 17106-9060

Counsel for the Pennsylvania Gaming Control Board

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A P P E A R A N C E S (cont'd)

ALAN C. KOHLER, ESQUIRE

Eckert Seamans

213 Market Street, 8th Floor

Harrisburg, PA 17101

Counsel for Stadium Casino, LLC

JOHN M. DONNELLY, ESQUIRE

Levine, Staller, Sklar, Chan, Brown & Donnelly, PA

3030 Atlantic Avenue

Atlantic City, NY 08401

Counsel for SugarHouse Casino

LARRY H. SPECTOR, ESQUIRE

Larry Spector, PC

One South Broad Street

Suite 1500

Philadelphia, PA 19107

Counsel for Congregation Rodeph Shalom, the
Mathematics, Civics and Sciences Charter School
and Friends Select School

1 A P P E A R A N C E S (Cont.)

2

3 JOHN F. O'RIORDAN, ESQUIRE

4 O'Riordan Law Firm

5 1601 Market Street

6 Suite 2600

7 Philadelphia, PA 19103

8 Counsel for PHL Local Gaming, LLC

9

10 WILLIAM J. DOWNEY, III, ESQUIRE

11 Fox Rothschild, LLC

12 Midtown Building, Suite 400

13 1301 Atlantic Avenue

14 Atlantic City, NJ 08401

15 Counsel for Market East Associates, LP

16

17 RAYMOND A. QUIGLIA, ESQUIRE

18 Ballard Spahr, LLP

19 1735 Market Street, 51st Floor

20 Philadelphia, PA 19103

21 Counsel for Tower Entertainment

22

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A P P E A R A N C E S (cont'd)

STEVEN E. BIZAR, ESQUIRE
Buchanan, Ingersoll & Rooney, PC
Two Liberty Place
50 South 16th Street
Suite 3200
Philadelphia, PA 19102
Counsel for PA Gaming Ventures and Penn National
Gaming

I N D E X

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CLOSING ARGUMENT

By Attorney Downey

9 - 17

E X H I B I T S

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

<u>Number</u>	<u>Description</u>	<u>Page</u> <u>Offered</u>	<u>Page</u> <u>Admitted</u>
---------------	--------------------	-------------------------------	--------------------------------

NONE OFFERED

P R O C E E D I N G S

1

2

3

CHAIRMAN:

4

Next, we'll hear from Market East

5

Associates. Mr. Downey.

6

ATTORNEY DOWNEY:

7

Good morning, Mr. Chairman, Members of

8

the Board. I'm Bill Downey, D-O-W-N-E-Y. And I'm a

9

partner with the law firm of Fox Rothschild, LLP,

10

appearing on behalf of Market East Associates, LP and

11

the Market8 project.

12

Mr. Chairman and Members of the Board,

13

Market8's argument is straightforward. If you allow

14

this distinguished group of developers to build a

15

project that our world class team of sculptors has

16

designed and shown to you, run by such well-recognized

17

leaders in casino and hotel operations, all within

18

walking distance of an incredible concentration of

19

residents, workers, tourists, visitors and amenities

20

and sitting at one of the most accessible locations in

21

the region, you will seize upon the unique opportunity

22

to do something extraordinary with this Category 2

23

License.

24

If awarded the license, Market8 submits

25

that it will generate greater gross and incremental

1 gaming revenue and far more tax revenue than we
2 believe would ever be possible from our closest
3 competitor. In fact, we project that Market8 will
4 generate the greatest gross gaming revenue and the
5 highest tax revenues in the Commonwealth. Moreover,
6 we submit that this conclusion is eminently logical,
7 when you consider the unique confluence of Market8's
8 three main attributes, location, access and the
9 operational expertise of Mohegan Sun.

10 Please allow me to highlight each of
11 these three areas in turn. First location. Market8
12 sits squarely in the middle of Center City
13 Philadelphia's densest commercial, retail,
14 entertainment and tourist corridor. Accordingly,
15 Market8's proximity to historical sites, hotels,
16 convention facilities, dining and shopping
17 alternatives, offices and public transportation
18 options is unrivaled. Additionally, Center City
19 Philadelphia enjoys the third largest downtown
20 residential population in the entire country. And the
21 Market8 site already boasts 17,500 pedestrians passing
22 by each day, shopping, dining, working, playing and
23 visiting, with millions more passing through the
24 Gallery immediately across the street, annually.

25 The consequence of all of this is that

1 Market8 will have far greater access to people,
2 millions and millions of them. And far greater access
3 to potential new gamers than any of our competitors.
4 By contrast, The Provence is not located in an area of
5 comparable commercial density. It proposes a project
6 that's largely incompatible with the immediate area
7 surrounding it. And it's not nearly as heavily
8 trafficked by pedestrians, sitting outside of the
9 Center City proper, as it does.

10 The Stadium District Applicants offer
11 even less, with almost no surrounding commercial
12 pedestrian activity, other than on game days. They're
13 left to alternate between the chaos of game day and
14 event traffic on the one hand, and the relative
15 desolation of a warehouse district on the other.

16 Whether arriving by foot, automobile or
17 public transportation, Market8's location offers the
18 most consistently easy and convenient access among all
19 Applicants. At one of Center City Philadelphia's most
20 accessible locations by car, Market8 will readily
21 handle its anticipated roadway and traffic volumes,
22 due in part to its pedestrian access and transit
23 options and the fact that Market8's anticipated peak
24 traffic hours will not coincide with the current peak
25 traffic hours in the Market Street East corridor.

1 Upon arriving by car, Market8 patrons
2 will be met with an equally easy and convenient
3 parking experience. With over 2,500 parking spaces,
4 either onsite or within one block, to service a demand
5 at peak of approximately 1,200 cars Market8 will have
6 more than sufficient capacity to support Mohegan Sun's
7 flexible parking program that will maximize
8 convenience, while ensuring that no element of their
9 program will in any way deter customer patronage.

10 Market8 patrons will also have immediate
11 access to one of the largest public transportation
12 systems and hubs in the region, connecting all of
13 southeastern Pennsylvania's regional rail lines, New
14 Jersey's extensive PACO rail system, and
15 Philadelphia's subway and bus lines. Indeed, at
16 Friday peak hours alone, Market8 patrons will have
17 over 250 trans options available to them. Neither
18 Provence nor the Stadium District Applicants enjoy
19 anything like Market8's access picture. None of them
20 have the pedestrian access or public transportation
21 options available to Market8. And each is already
22 burdened by a very challenged traffic scenario.

23 Third is the strength of our operator.
24 The exemplary team from Mohegan Sun is at the
25 operational helm of Market8 and, as Bobby Soper

1 reminded you, Market8 --- excuse me, Mohegan Sun is
2 not just a manager here, but will also be a
3 substantial equity partner. In Mohegan Sun, we get
4 not only the top casino operator on the East Coast,
5 but also the five million strong database of gaming
6 customers. Add to this, Mohegan Sun's unblemished
7 record of delivering on its promises to you, the
8 Board. And we believe you have the premiere operator
9 in this contest.

10 As I alluded to earlier, our expert,
11 Pete Tyson's projections flow logically and directly
12 from the synergistic impact of all three of these
13 factors. And that is why, as Pete suggested, his
14 numbers are as robust as they are. Inherent in his
15 conclusion is the notion that the right location at
16 8th and Market Streets in the Center City of
17 Philadelphia region and with an operator the caliber
18 of Mohegan Sun, there is just an opportunity to reach
19 the primary, secondary and other visitor and worker
20 markets in a manner that is simply unavailable to the
21 other Applicants in this contest.

22 Now not surprisingly, at least two of
23 the Stadium District casinos and SugarHouse would have
24 you believe that further penetration --- further
25 material penetration into the Center City market is

1 simply possible. Market8 respectfully, but vehemently
2 disagrees with that conclusion. We, of course,
3 recognize that the impact of cannibalization and the
4 related matter of generating new revenue is of
5 critical importance to this Board.

6 But I'm sure you realize that this had
7 to be an equally critical consideration for Market8 in
8 determining to embark on this project at all.
9 Contrary to the testimony of Mr. Green and Mr. Bluhm,
10 Market8 did not enter into this contest merely to eat
11 SugarHouse's lunch. In fact, despite the incredulity
12 expressed by Mr. Donnelly this morning, Market8
13 scrutinized this market and its dynamics closely and
14 came to the conclusion that there's ample room in the
15 Philadelphia marketplace for itself and an expanded,
16 better performing SugarHouse.

17 Market8 respectfully submits the
18 competition of Market8's entry into this marketplace
19 will create will be healthy and ultimately beneficial
20 to the entire market. At the same time, I want to
21 remind you that Market8 estimated that it will
22 cannibalize Harrah's Philadelphia by only one percent
23 of Harrah's Philadelphia's GGR. While the Stadium
24 District would have double digit impacts on both the
25 SugarHouse and Harrah's Philadelphia, with the greater

1 impact being on Harrah's Philadelphia at 18 percent of
2 GGR.

3 I point this latter number out to you,
4 because none of the Stadium Applicants seem to feel so
5 paternalistic about Harrah's Philadelphia as they
6 seemed to feel about SugarHouse. There's not a single
7 reference to Harrah's or the heavy toll the Stadium
8 District casino will take on Harrah's, appears in the
9 post-hearing memoranda filed by any of these
10 Applicants.

11 So, here's our bottom line on this
12 issue. Market8 wouldn't be in this contest if we were
13 not convinced that the residential and visitor markets
14 available to Market8 provide an opportunity for
15 tremendous incremental growth. Not merely the
16 redistribution of current operating revenues on which
17 we believe any Stadium District casino must rely so
18 heavily.

19 I want to take just one more minute to
20 reiterate that Market8 takes very seriously the charge
21 that was put forward by our partner Bill Miller. That
22 Market8's community and outreach programs should not
23 just be noble gestures. But especially in a city like
24 Philadelphia, it must be a critical component of a
25 program designed to uplift the project's surrounding

1 communities, in order to ensure a viable and
2 sustainable marketplace.

3 Accordingly, Market8 has put forward the
4 truly revolutionary program of community outreach and
5 inclusion. Our diverse ownership, which incidentally
6 exceeds 16 percent. Our historic inclusion program,
7 our robust charitable initiatives, our outward facing
8 rewards program and the opportunity that Market8
9 offers to transform the entire Market Street East
10 corridor, with all of its amazing public assets and
11 amenities into one of the great avenues in America
12 benefitting both the City of Philadelphia of the
13 Commonwealth of Pennsylvania.

14 These programs and the recognized
15 potential Market8 have translated into the tremendous
16 support we have received from local community groups,
17 politicians and City officials. All of which, taken
18 together with our delivery team and our conservative
19 capital structure, will ensure delivery of the Market8
20 project on time and as promised.

21 Members of the Gaming Control Board, in
22 light of the foregoing and the voluminous evidence
23 already before you, I respectfully submit that Market8
24 has demonstrated its eligibility and suitability for
25 licensure by this Board. And that its application

1 presents far and away the most compelling case for
2 award of the Category 2 licensing to be cited in the
3 City of Philadelphia.

4 On behalf of the entire Market8 team, I
5 want to thank you for your time. And thank you for
6 your attention.

7 CHAIRMAN:

8 Thank you, Mr. Downey.

9 * * * * *

10 HEARING CONCLUDED AT 11:17 A.M.

11 * * * * *

12

13

14

15

16

17

18

19

20

21

22

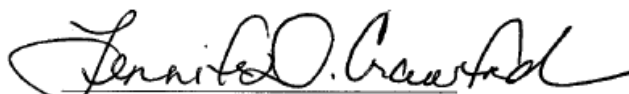
23

24

25

CERTIFICATE

I hereby certify that the foregoing proceedings,
hearing held before Chairman Ryan was reported by me
on 2/26/2014 and that I Jennifer Crawford read this
transcript and that I attest that this transcript is a
true and accurate record of the proceeding.


Court Reporter