

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: CATEGORY 2 SLOT MACHINE OPERATOR APPLICATION  
FOR MARKET EAST ASSOCIATES, LP

\* \* \* \* \*

PUBLIC HEARING

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

HEARING: January 29, 2014  
9:00 a.m.

LOCATION: Pennsylvania Convention Center, Ballroom A  
1101 Arch Street  
Philadelphia, PA 19107

WITNESSES: Ken Goldenberg; Mitchell Etess; Robert  
Soper; Jim Markham, P.E.; Barbara Chance,  
Ph.D.; William R. Miller, IV; Pete Tyson;  
Michael Mariano; Shuprotim Bhaumik; Francis  
Hanney

Reporter: Sami Zeka

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A P P E A R A N C E S

1  
2  
3  
4  
5  
6  
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9  
10  
11  
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14  
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## I N D E X

1		
2		
3	OPENING REMARKS	
4	By Chairman	6 - 8
5	PRESENTATION	
6	By Mr. O'Toole	8 - 14
7	By Attorney Downey	14 - 16
8	By Mr. Goldenberg	16 - 24
9	By Mr. Etess	24 - 31
10	By Mr. Soper	31 - 35
11	By Mr. Markham	35 - 39
12	By Dr. Chance	39 - 41
13	By Mr. Miller	41 - 47
14	By Mr. Etess	47 - 48
15	By Mr. Tyson	48 - 59
16	By Mr. Mariano	59 - 62
17	By Mr. Bhaumik	62 - 65
18	By Mr. Etess	65 - 70
19	By Mr. Soper	70 - 73
20	By Mr. Goldenberg	73 - 74
21	DISCUSSION AMONG PARTIES	74 - 76
22	QUESTIONS BY BOARD	76 - 156
23	<u>WITNESS:</u> FRANCIS HANNEY	
24	DIRECT EXAMINATION	
25	By Attorney Manifesto	157 - 165

I N D E X (continued)

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

PRESENTATION

By Ms. Hensel	165 - 166
By Mr. O'Neil	166 - 167
By Mr. Mauro	168 - 169
By Attorney Pitre	169 - 171

CLOSING REMARKS

By Chairman	172 - 173
-------------	-----------

## E X H I B I T S

		Page	Page	
	<u>Number</u>	<u>Description</u>	<u>Offered</u>	<u>Admitted</u>
5	<u>Board Exhibits:</u>			
6	One	Document	12	13*
7	Two	Document	12	13*
8	Three	Document	12	13*
9	Four	Document	12	13*
10	Five	Document	12	13*
11	Six	Document	12	13*
12	Seven	Document	12	13*
13	Eight	Document	12	13*
14	Nine	Document	12	13*

16 Market East Associates Exhibits:

17	--	Reports of Experts	75	75*
18	--	Parking Location Schematic	172	172*

25 \* Exhibit Not Attached

## P R O C E E D I N G S

1  
2  
3  
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5  
6  
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8  
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CHAIRMAN:

Good morning, ladies and gentlemen. My name is Bill Ryan. I'm Chairman of the Pennsylvania Gaming Control Board. I see all the members of the Board are present and accounted for. Also with us is Jen Langan. Jen is here representing Treasurer Rob McCord, who is an ex-officio member of the Board. I will now call to order the meeting.

The Board convenes for the second day to hold public licensing hearings on the Category 2 Slot Machine Operator Applications for the one available license designated for the City of Philadelphia. This is the final opportunity for each applicant to demonstrate to the Board's satisfaction that it is suitable for the license and that it should be selected by the Board to receive the one available license.

Before we begin formally, I would ask everyone to please rise for the Pledge of Allegiance.

PLEDGE OF ALLEGIANCE RECITED

CHAIRMAN:

Thank you very much, ladies and gentlemen. One note before we begin, tomorrow,

1 presently, we are scheduled at 9:00 a.m. to preside  
2 over the presentation of the Stadium Casino  
3 suitability case. And as some of you may know,  
4 because of what occurred yesterday afternoon, the  
5 Board has told Tower Entertainment that it may return  
6 to put on evidence in response to the presentation of  
7 the Interveners yesterday. The Board has decided that  
8 that presentation by Tower Entertainment will take  
9 place tomorrow at 9:00 a.m. until 9:30 a.m., which of  
10 course means that the Stadium Casino presentation will  
11 begin at 9:30 tomorrow morning.

12 Ladies and gentlemen, this morning's  
13 hearing will follow the same format as yesterday. The  
14 Board's Executive Director, Kevin O'Toole, will  
15 provide an overview of the process that brings us here  
16 today. The applicants will then make their  
17 presentation, including responding to questions or  
18 issues arising during the hearing, followed by input  
19 from the Board's Bureau of Licensing and the Bureau of  
20 Investigations and Enforcement (BIE) through the  
21 Office of Enforcement Counsel (OEC).

22 Additionally, as explained yesterday,  
23 the Board desires to hold the entire hearing in a  
24 public forum. However, there may be a limited scope  
25 of information, which the law recognizes as

1 confidential and is not permitted to be made public.  
2 Should any issues of confidentiality arise, the Board  
3 will convene a closed session to hear only that  
4 confidential testimony, as mandated by the statute.

5 MR. O'TOOLE:

6 Good morning, Chairman Ryan, members of  
7 the Board. Today is the second of three days of  
8 licensing hearings for five applicants for the  
9 Category 2 Slot Machine Operator License to be located  
10 in the City of Philadelphia. Since the filing of the  
11 applications in November of 2012, a number of  
12 significant events have occurred to promote the review  
13 of each applicant for both its eligibility and  
14 suitability for licensure under the Pennsylvania  
15 Racehorse Development and Gaming Act.

16 First, on February 12th, 2013, a public  
17 hearing was held in Philadelphia for the purpose of  
18 having each of the five applicants introduce its  
19 proposed project to the public. Thereafter, public  
20 input hearings were held in Philadelphia on April the  
21 11th and 12th, and again on May 8th and 9th, 2013,  
22 during which speakers presented either their support  
23 or opposition for the proposed projects. These  
24 hearings were recorded and transcribed.

25 Second, the Pennsylvania Gaming Control



1 Board placed a significant amount of material  
2 submitted by each applicant on the Board's website for  
3 the public to have access to the information  
4 concerning the proposals, the projections and the  
5 studies which had been presented to the Board. These  
6 documents included the public portions of the  
7 individual applications for each entity associated  
8 with the various applicant, local impact reports,  
9 traffic impact studies, diversity plans, PowerPoint  
10 presentations for each proposal with presentation  
11 videos, and the video recordings and transcripts of  
12 the public input hearings mentioned earlier, which are  
13 all located on the Board's website.

14                   The dissemination of this information  
15 permitted the Board's receipt of written submissions,  
16 both in support of and in opposition to the project.  
17 A date of December 31st, 2013 was established for the  
18 Board to receive written submissions. The number of  
19 written submissions for the applicants received by the  
20 cutoff date will be noted prior to each applicant's  
21 presentation.

22                   In addition, the Bureau of Licensing and  
23 the BIE have undertaken the review and investigation  
24 of each application, consistent with the mandates of  
25 the Act. The results of this licensing and

1 investigative phase of the application process is the  
2 creation of the suitability report, which summarizes  
3 the findings of the Bureaus as to the applicant's  
4 compliance with the Act's licensing eligibility and  
5 suitability requirements.

6 Last, the parties have entered into a  
7 stipulation regarding the procedure employed by the  
8 Bureau of Licensing and the BIE. And that will be  
9 entered into the record shortly. Thank you.

10 CHAIRMAN:

11 Thank you, Kevin. We will now begin the  
12 licensing hearing in the matter of the Category 2  
13 hearing for Market East Associates, LP. I see all  
14 representatives of Market East Associates are at  
15 counsel table. I would ask that all representatives  
16 and all of those who work with the Board who may  
17 present testimony to please stand to be sworn in.

18 -----

19 WITNESSES SWORN EN MASSE

20 -----

21 CHAIRMAN:

22 Thank you, gentlemen. You may be  
23 seated. Before we begin with the presentations, I  
24 note that by a letter dated January 2nd, 2014 directed  
25 to the Board's Office of Hearings and Appeals (OHA),

1 Tower Entertainment filed an objection to Market  
2 East's pre-hearing memorandum on the basis that Market  
3 East did not submit reports of persons who may be  
4 called as expert witnesses. A person may be called as  
5 an expert witness if that person has knowledge of a  
6 matter which is greater than that of the general  
7 public. Board regulations do not require a person who  
8 may testify as an expert to create a report, but  
9 instead simply require that if an expert creates a  
10 report or relies upon a document to render an expert  
11 opinion, that report or document must be produced.

12                   To provide assurance that the Board  
13 regulation has been complied with in this regard, I am  
14 directing Counsel that with respect to any person  
15 called as a witness and who Market East wishes to have  
16 qualified as an expert witness, you should have the  
17 witnesses identify whether he or she conducted any  
18 tests, experiments, examinations, studies or relied  
19 upon documents in rendering an expert opinion. If the  
20 individual testifies under oath in the negative, then  
21 he will be or she will be permitted to proceed. If  
22 the answer is in the affirmative, the Board will  
23 consider whether to preclude the expert testimony at  
24 that time based upon the nature of the material at  
25 issue.

1                   With that, we will begin the  
2 presentations.

3                   MR. O'TOOLE:

4                   Mr. Chairman, members of the Board, the  
5 application for Market East Associates, LP was filed  
6 with the Pennsylvania Gaming Control Board on November  
7 15th, 2012. Since that time, the evidentiary record  
8 for this applicant has been developed to include the  
9 full application, local impact statements, traffic  
10 studies, the transcript of the public input hearings,  
11 the written comments presented and received by the  
12 Board, the licensing suitability report and the  
13 stipulated testimony of various staff members of the  
14 Board. The parties have entered into an agreement  
15 that identifies each of these items which are offered  
16 as Exhibits One through Nine and are to be admitted  
17 into the record as the stipulated evidentiary record  
18 for the Board's consideration.

19                   (Board Exhibits One through Nine marked  
20 for identification.)

21                   MR. O'TOOLE:

22                   In addition, the transcript of these  
23 proceedings and any other evidence submitted and  
24 admitted as exhibits in connection with this  
25 applicant's licensing hearing today would likewise be

1 part of the record for the Board's review and  
2 consideration.

3                   Finally, the written public comment  
4 submissions, including submissions received via the  
5 Board's website, for this applicant by the cutoff date  
6 of December 31st, 2013 encompassed 277 submissions,  
7 including 179 supporting the application, 73 opposing  
8 the application and 25 that were neutral.  
9 Additionally, one petition containing 293 signatures  
10 opposing the application was received. Thank you.

11                   CHAIRMAN:

12                   In light of the stipulation regarding  
13 Exhibits One through Nine having been admitted to the  
14 evidentiary record in this matter, may I have a motion  
15 to accept the exhibits?

16                   MR. FAJT:

17                   So moved, Mr. Chairman.

18                   CHAIRMAN:

19                   Second?

20                   MR. MCCALL:

21                   Second.

22                   CHAIRMAN:

23                   All in favor?

24 ALL SAY AYE

25                   CHAIRMAN:

1 All against? The motion passes.  
2 Exhibits One through Nine are included in the record.  
3 Market8?

4 ATTORNEY DOWNEY:

5 Good morning, Mr. Chairman, members of  
6 the Gaming Control Board. My name is Bill Downey and  
7 I am a partner in the law firm of Fox Rothschild.  
8 It's my pleasure and my privilege to be before you  
9 this morning to present to you the application of  
10 Market East Associates, an applicant for a Category 2  
11 Slot Machine in the City of Philadelphia. We're very  
12 excited to have this opportunity to share with you  
13 this morning what we believe to be a potential game  
14 changer for the City of Philadelphia and for the  
15 Commonwealth.

16 Our goals for today's presentation are  
17 straightforward. First and foremost, we will  
18 demonstrate to you that Market East Associates and the  
19 Market8 project satisfy all of the eligibility and  
20 suitability criteria established by the Gaming Act and  
21 the Board's regulations for the issuance of a Category  
22 2 Slot Machine License. Second, we want to give you  
23 an up close and personal view of the multifaceted  
24 Market8 project and the careful consideration that  
25 helped to sculpt its every component. Finally, we

1 want to share with you our excitement and our  
2 confidence that given the opportunity, the Market8  
3 team can and will deliver a gaming and entertainment  
4 facility with potential that far exceeds that of any  
5 of our competitors in this contest.

6           To accomplish this, our presentation is  
7 going to track the following outline. First we'll  
8 introduce our location, then the project and project  
9 team, traffic and parking, our community initiatives,  
10 our numbers and perhaps most importantly, certainty of  
11 deliverability. In each of these categories we will  
12 demonstrate that the Market8 project is far superior  
13 to that of our competitors in this contest.

14           Mr. Chairman, I want to just take a  
15 moment to acknowledge the work of your staff in  
16 bringing us to the table today. As someone who was  
17 involved in the first version of this contest some  
18 eight years ago, I can tell you that the Applicant's  
19 experience has advanced by light years. And from the  
20 processes that have been implemented to the  
21 substantive understanding of your staff, I can fairly  
22 say you have ample reason to be proud of the work they  
23 have accomplished.

24           On the subject of the process, I would  
25 be remiss if I didn't acknowledge the success of the

1 Board's comparative evidence process. On the basis of  
2 evidence received last week, we discovered an error  
3 contained in our traffic impact study and were able to  
4 take immediate steps to correct the error. As you  
5 will hear from our traffic expert, Jim Markham, we  
6 were able to work with Orth-Rodgers and PennDOT to  
7 reach a positive resolution, and we appreciate the  
8 efforts of all those who were involved in that  
9 process.

10 With that, we'd like to run a short  
11 video for you that we hope will help to convey the  
12 spirit and the opportunity inherent in the Market8  
13 project.

14 VIDEO PLAYED

15 ATTORNEY DOWNEY:

16 Chairman and members of the Board, it's  
17 my pleasure to introduce Ken Goldenberg, president of  
18 the general partner of Market East Associates, to  
19 begin our presentation. Ken?

20 MR. GOLDENBERG:

21 Thank you, Bill. Chairman Ryan, members  
22 of the Gaming Control Board, we're obviously extremely  
23 excited to be here today. And thank you for giving us  
24 the opportunity to participate in this process and  
25 make this presentation.



1           Before I start, allow me to introduce my  
2 partners. This amazing group of accomplished business  
3 executives, entrepreneurs and professionals who come  
4 from such diverse backgrounds, but all share a record  
5 of creating and maintaining successful businesses and  
6 bringing complex projects to fruition, to say nothing  
7 of their philanthropy, David Adleman, Dennis Cook,  
8 Michael Heller, Willie Johnson, Bill Landman, Mary  
9 Lawton, Tommy Leonard, Ira Lubert, Cheryl McKissack,  
10 Bill Miller, Bernard Smalley, and last but certainly  
11 not least, Mohegan Sun, represented here today by  
12 Mitchell Etes and Bobby Soper.

13           Chairman Ryan and members of the Gaming  
14 Control Board, in our estimation, this final casino  
15 license affords us the opportunity to accomplish two  
16 critical goals. One, hit a grand slam with respect to  
17 gross gaming revenue in a way that we don't believe  
18 currently exists in the Commonwealth, and two,  
19 transform Market Street East into one of the great  
20 avenues in America. It also affords us the  
21 opportunity to create almost a new breed of casino,  
22 one perfectly suited for an exceptionally dense  
23 commercial corridor like this, and the opportunity to  
24 create a collection of community charitable and  
25 inclusion programs that are unprecedented for a

1 project like this.

2                   Following up on what Bill Downey said,  
3 we're going to break our presentation into four parts.  
4 Location, project, which will also include traffic,  
5 parking and our community initiatives, numbers and  
6 deliverability. Our hope, of course, is that by the  
7 end of this presentation you will reach the same  
8 conclusion we have, that it's apples and oranges and  
9 that Market8 is clearly the best location with the  
10 best project, the best operator in Mohegan Sun, the  
11 best collection of community initiatives, and by far  
12 will give the State the best opportunity to fully  
13 realize the potential intrinsic in this casino  
14 legislation. Again, Chairman Ryan and members of the  
15 Gaming Control Board, I thank you.

16                   And I will now begin with location. The  
17 basis thesis is this. We are in the middle of the  
18 most concentrated strip of convention center, hotels,  
19 retail, restaurants, historic sites, museums and  
20 cultural sites, office buildings and residential  
21 properties, highways, roadways, trains, subway cars,  
22 buses, taxis and pedestrians anywhere in the city and  
23 the Commonwealth. And what that means for new gamers  
24 who are not now going to any of the pre-existing  
25 casinos and what that means for gross gaming revenue

1 and what that means for aggregate gross gaming revenue  
2 is unparalleled.

3                   Now, let me walk you around this  
4 location in greater detail. Two and a half blocks to  
5 the west of our site is the Pennsylvania Convention  
6 Center, which we happen to be --- find ourselves in  
7 this morning. It's almost one million square feet,  
8 has the potential to host 250 conferences and  
9 conventions per year, but unfortunately today is doing  
10 much less than that, which is one of the reasons that  
11 developing this project at 8th and Market and  
12 transforming this zone is so critical.

13                   And abutting this convention center, in  
14 fact, right underneath us, is the Reading Terminal  
15 Market. It's a buzz of markets and stalls  
16 representing different families and ethnic groups from  
17 all over the Commonwealth, and it's the largest  
18 singular attraction in the city, with 6.25 million  
19 visitors per year. And adjacent to it, across the  
20 street from the Reading Terminal Market are the  
21 Marriott and Loews convention center hotels with over  
22 2,000 rooms, representing the largest concentration of  
23 hotel rooms of anywhere in the city. In fact, within  
24 a half a mile of our project, there are 4,400 hotel  
25 rooms.

1                   Then two blocks to the east of us is  
2 Independence National Historical Park, which includes  
3 the Liberty Bell, Independence Hall, the Constitution  
4 Center and the Philadelphia Visitor Center, which  
5 together attract close to 3.6 billion visitors per  
6 year. And these sites are surrounded by dozens of  
7 other important historic sites, which altogether  
8 represent the single greatest collection of historic  
9 properties anywhere in this country and the heart of  
10 Philadelphia's tourism district. Then three blocks to  
11 the east of Independence National Historical Park are  
12 the vibrant art galleries and restaurants of Old City,  
13 almost a hundred of them.

14                   Then coming back to our site, right  
15 across Market Street from us is the Gallery. It's 1.5  
16 million square feet, represents the largest  
17 concentration of retail anywhere in Center City. And  
18 maybe as important as anything, has 40,000 people  
19 passing through its halls every day. It's worth  
20 noting that the Gallery itself is on the verge of its  
21 own complete makeover. It'll have a completely new  
22 facelift, be turned inside out with close to 15 new  
23 entrances onto Market Street, include entertainment,  
24 and have an exciting new collection of tenants, some  
25 of which will have their flagship Philadelphia stores

1 at this location.

2                   Then just to the north of the Gallery is  
3 Philadelphia's Chinatown. It's one of the oldest and  
4 largest Chinatowns in the country, and with more than  
5 50 restaurants is one of Philadelphia's top  
6 destinations. Then going the other way, to the south  
7 of us, is Washington Square West, which includes  
8 Chestnut and Walnut Streets, two of Philadelphia's  
9 most iconic retail and restaurant streets; Jewelers'  
10 Row, America's oldest diamond district; and Midtown  
11 Village, one of Philadelphia's hottest new commercial  
12 neighborhoods.

13                   And interspersed throughout in the  
14 Market Street East zone alone is 13.4 million square  
15 feet of office space, and the total workforce  
16 population within just a quarter mile of Market<sup>8</sup> is  
17 45,000 people. Then surrounding this entire zone are  
18 some of Philadelphia's most prestigious neighborhoods,  
19 such as Society Hill, Washington Square West and Old  
20 City. In fact, Center City, Philadelphia has the  
21 third largest residential population in the country,  
22 with almost 200,000 people and growing.

23                   And maybe most important of all as far  
24 as 8th and Market is concerned is that everything I  
25 just described is within walking distance. Talk about

1 a remarkable location. But it doesn't end here.  
2 Whether by car or public transportation, 8th and  
3 Market may also be the most accessible location in  
4 Center City, Philadelphia. By car, there's not one  
5 major highway system or bridge that doesn't directly  
6 or indirectly deposit itself within five blocks of our  
7 site, some within three blocks of our site. Indeed,  
8 we're right off the 8th Street ramp from the Vine  
9 Street Expressway, which connections I-76 and I-95.  
10 Plus, we sit at the middle of Center City,  
11 Philadelphia's main two-way east/west roadway, Market  
12 Street.

13                   By public transportation, Philadelphia's  
14 Market East Station with access directly across the  
15 street from us, together with the convergence of three  
16 rail lines directly beneath us, forms the busiest  
17 transportation hub in Philadelphia and one of the  
18 busiest transportation hubs on the east coast. When  
19 combined with SEPTA and New Jersey Transit bus routes,  
20 there are more than 400 transit options per day  
21 servicing the Market8 location, carrying millions and  
22 millions of riders annually. And in addition to all  
23 of this, already 17,500 pedestrians walk by our site  
24 daily.

25                   So, what does this mean for gaming, our

1 casino and the Commonwealth? Because of this  
2 incredible location and its proximity to the  
3 convention center, these historic sites, these hotels,  
4 these shops and restaurants and this critical mass of  
5 residents and workers, all of which are within walking  
6 distance, and because of the ease of access provided  
7 by all of these highways and roadways and all of these  
8 transit options, and because of the character and  
9 quality of the project that we're planning to build  
10 here, which we will describe to you in greater detail  
11 shortly, we will produce more new gamers, more gross  
12 gaming revenue, cannibalize the existing casinos less,  
13 and therefore produce more incremental gross gaming  
14 revenue than any other proposed location. What a  
15 tremendous opportunity.

16 Chairman Ryan and members of the Gaming  
17 Control Board, I hope by the end of the presentation,  
18 you'll feel just like we do, that Market8 is just head  
19 and shoulders above the other applicants in this  
20 process, and that this opportunity to develop a  
21 project like Market8 at a location like 8th and Market  
22 is just too significant to pass up. So, with that, I  
23 again thank you, and I'm now going to turn the next  
24 portion of our presentation over to Mitchell Etes, CEO  
25 of our esteemed partner and casino operator,

1 Mohegan Sun, who's going to talk to you about the  
2 amazing project that we're going to build here,  
3 Market8. Mitchell?

4 MR. ETESS:

5 Thank you, Ken. Mr. Chairman, members  
6 of the Board, my name is Mitchell Etes, E-T-E-S-S,  
7 and I have the good fortune to be the chief executive  
8 officer of the Mohegan Tribal Gaming Authority. I  
9 also stand here proudly as a member of the Market8  
10 team, as excited as anyone about the prospect of being  
11 involved with what we anticipate will be the top  
12 casino project in the Commonwealth and a new landmark  
13 for the City of Philadelphia. And it's important to  
14 know that Mohegan Sun is not just a casino operator  
15 here. It will be a substantial equity partner in this  
16 project, standing right alongside Market8's other  
17 investors.

18 With me is someone I know you're  
19 familiar with, Bobby Soper. Bobby was the CEO of the  
20 Commonwealth's first casino, Mohegan Sun at Pocono  
21 Downs. In fact, he did such a great job there that  
22 we've moved him up to be the CEO of our flagship  
23 property in Connecticut. And I know the Commonwealth  
24 is mad about that. In his new capacity Bobby works  
25 very closely with me as we develop outside ventures.



1 And consequently, he's been very, very involved with  
2 me in the organization and the planning of Market8.

3           Now, Bobby and I are going to take you  
4 through the project section of our presentation, which  
5 includes a short video about Market8, an introduction  
6 of our team, a brief description of this new  
7 generation urban casino project, a walkthrough of our  
8 plans, our traffic and parking programs and a  
9 description of our very impressive community  
10 initiatives. Our hope is that after hearing us, you  
11 will be as excited as we are, not only about the  
12 location, which is impressive, but about the project  
13 and the associated programs that we will create here,  
14 and fully understand why a project like Market8  
15 operated by Mohegan Sun at the center of Market Street  
16 East will generate the revenues that we are projecting  
17 and become one of the top performing urban  
18 entertainment casino hospitality projects in the  
19 country.

20           Now, let's take another look at  
21 Market8.

22 VIDEO PLAYED

23           MR. ETESS:

24           I hope when you look at that and you  
25 take a look at this incredible model over here that

1 you can see why we're so invigorated about this  
2 project. And even more exciting than the project  
3 itself is really the way it's going to so positively  
4 impact the area around Market8. And we're going to  
5 hear more about that shortly.

6           So, let me tell you about our team.  
7 First there's us, Mohegan Sun. I know you're familiar  
8 with us, but let me give you a few highlights. Our  
9 Connecticut casino is the highest grossing casino in  
10 the western hemisphere. In the 12-month period ending  
11 August 31st, 2013, it produced over \$1 billion in  
12 gross gaming win. You know our Pennsylvania casino,  
13 Mohegan Sun at Pocono Downs, always performs well and  
14 has exceeded your expectations. For example, the  
15 Commonwealth Task Force estimated that Mohegan Sun at  
16 Pocono Downs would produce enablized (phonetic) net  
17 slot win of \$131 million, but in the 12-month period  
18 ending August 31st, 2013, we produced a net slot win  
19 of \$222 million. That's a 69 percent increase over  
20 the Task Force's estimate, exceeding your  
21 expectations.

22           Finally, we bought a percentage and are  
23 the manager of Resorts Casino in Atlantic City, the  
24 first casino in Atlantic City. We've had a great  
25 impact there and are outperforming the market. Again,

1 for example, for the period from July through  
2 December, after we opened our renovations, the Resorts  
3 revenues increased by 11 and a half percent. But the  
4 revenues throughout the city, all the other casinos  
5 decreased by .9 percent.

6           Now, our success at these locations  
7 demonstrates our creativity, our tenacity and our  
8 ability to tailor our operations to each of the  
9 markets we serve. And it's also a testament to the  
10 success of our guest-centric business philosophy. In  
11 terms of quality, I submit that all you've got to do  
12 is walk into our facilities in Connecticut, at Pocono  
13 Downs and as well as Resorts now, and they really  
14 speak for themselves.

15           As far as promotional fire power, well,  
16 our database in the northeast is in excess of five  
17 million customers strong with over a million active,  
18 just in the northeast. And the cross-marketing  
19 potential offered by our existing casinos is really  
20 phenomenal. Finally, I'd like to tell you that we  
21 love doing business with the Commonwealth. We're  
22 proud of what we've accomplished in Wilkes-Barre and  
23 we're very excited about the possibility of expanding  
24 our operations here in Philadelphia and Market8.

25           Now for the rest of our team. Working

1 with us to sculpt our exciting collection of  
2 restaurants and bars is Elizabeth Blau. And Elizabeth  
3 stands alone when it comes to programming casino food  
4 and food beverage. Previously she was, among other  
5 things, the executive vice president of restaurant  
6 development and marketing for Wynn. She worked with  
7 us programming Mohegan Sun in Connecticut, and has  
8 successes all over the country and the world.

9                   For entertainment, we're working with  
10 AEG Live, one of the top two concert promoters in the  
11 country. They own part of and manage the Staples  
12 Center in Los Angeles, the Best Buy Concert Hall in  
13 Times Square, and many of the other nation's top  
14 concert and entertainment venues. Right here in  
15 Philadelphia, they manage the Mann Music Center, the  
16 Trocadero and the Keswick. And of course, Mohegan Sun  
17 has a vast experience in the entertainment field.

18                   Our hotel partner is very exciting.  
19 It's Hersha Hospitality Trust. They're a locally  
20 based, publicly traded real estate and investment  
21 trust. Hersha owns upscale hotels, resorts in major  
22 northern city centers, as well as on the beach in  
23 Miami and select California communities. They are a  
24 true Pennsylvania success story. They were founded in  
25 1984 with a single motel in Harrisburg, Pennsylvania.

1 Hersha has grown into an industry powerhouse with 50  
2 assets and a \$1.14 billion market cap. In  
3 Philadelphia they own what most consider to be the  
4 city's signature hotel, the Rittenhouse. Here with us  
5 today is Jay Shah, the CEO of Hersha. I think Jay's  
6 here. There he is.

7 Hersha brings to the project not only  
8 hotel development capital expertise, but also a  
9 significant branding acumen. They're adamant that  
10 immediate international recognition is needed to  
11 maximize our potential. To that end, Hersha intends  
12 to affiliate this hotel with Marriott's prestigious  
13 Autograph brand. Autograph is a collection of four  
14 and five star hotels supported by the powerful  
15 marketing reservation system of Marriott Hotels and  
16 Resorts. The dual Mohegan Sun/Autograph branding  
17 ensures that our project and Philadelphia itself will  
18 be promoted globally with the best marketing systems  
19 in the gaming and hospitality industries respectively.  
20 And Marriott has the world's largest loyalty program,  
21 with more than 40 million members. And rounding out  
22 our team force is Ken Goldenberg. The Goldenberg  
23 Group have worked tirelessly, and I mean tirelessly,  
24 to coordinate in advance this project.

25 So, before I turn things over to Bobby

1 to walk you through our plans, let me just say a  
2 couple of words about the philosophy that guarded the  
3 --- that guided the design of Market8. Market8 is  
4 really a new generation casino project. It's a  
5 multidimensional urban entertainment complex with a  
6 casino at its core, carefully crafted to integrate  
7 itself into the heart of the very concentrated  
8 commercial corridor that already has many pre-existing  
9 assets and amenities. And it seeks to assimilate and  
10 elevate as many of these surrounding assets and  
11 amenities into ourselves as it if was part of Market8  
12 itself. It's a great opportunity to have a huge  
13 project with things already existing.

14                   Our project architect is JCJ  
15 Architecture, one of the top casino architects in the  
16 world. They worked with us, a designer of Mohegan Sun  
17 at Pocono Downs. And maybe equally importantly as it  
18 relates to this project, they designed Resorts World  
19 Casino at Aqueduct Racetrack in New York for Genting,  
20 where --- for the Genting Group, where they placed the  
21 casino floors on the second and third floors of the  
22 facility. And because Genting is doing so well there,  
23 they are now designing a third level of gaming to be  
24 put on the fourth floor of the facility. Today  
25 Resorts World is the third highest revenue producing

1 casino on the east coast.

2                   So, what else can I say about Market8?  
3 Well, they rise upward instead of standing outward.  
4 It looks outside through its many windows and  
5 terraces, instead of inside. It goes to great lengths  
6 to activate to streets around it. It's defiantly not  
7 a Vegas style mega resort. For that matter, it's not  
8 a slot box offering limited amenities. Instead, it's  
9 precisely the kind of casino project you would build  
10 in the heart of the Center City district, one that  
11 interests and attracts people of all demographics.

12                   So, now I'd like to turn things over to  
13 Bobby to walk you through the plans of the project.  
14 Bobby?

15                   MR. SOPER:

16                   Thank you, Mitchell. Mr. Chairman,  
17 members of the Board, good morning. I'm Bobby Soper,  
18 S-O-P-E-R, and it too is my pleasure to be in front of  
19 you once again. As Mitchell noted, I'm going to take  
20 you through our Market8 program. Market8 is an  
21 825,000 square foot, 17 story, highly distinctive  
22 architectural structure designed to activate the  
23 street and respect the local architecture, but be  
24 forward looking and convey the excitement of a  
25 multifaceted urban entertainment complex, while at the

1 same time ensuring that every element of the space,  
2 indoors and out, from floor to floor, works well,  
3 remains highly functional and is aesthetically  
4 compelling. The goal here, quite simply, is to create  
5 a must see, must visit urban attraction.

6           So, how do you arrive? Either on Market  
7 Street or at our dramatic porte-cochère on Market8  
8 Boulevard. If you arrive by car, we will offer  
9 convenient self-park or valet options to accommodate  
10 our patrons. Dr. Barbara Chance, our parking expert,  
11 will describe our parking program to you in detail  
12 shortly. If you arrive by bus or taxi, there will be  
13 drop-off areas right at Market Street.

14           And then you enter. The centerpiece of  
15 the inside of our project will be our great hall and  
16 vertical atrium. The great hall, which extends from  
17 Market Street to our new Market8 Boulevard, will be  
18 overflowing with activity, and will integrate itself  
19 not only with the street through its grand entryways,  
20 but also the upper floors of the project through its  
21 highly energized vertical atrium.

22           Floating from the fifth floor to the  
23 first and providing an impressive wow factor will be a  
24 unique electronic sculpture consisting of an engaging  
25 program, moving panels and lights. The objective is



1 that this aspect of the complex will become a  
2 prominent Philadelphia attraction unto itself. Market  
3 Street will be highly activated by our restaurants,  
4 which will open up on the street and serve food  
5 outside and inside, with the goal of making the  
6 outside almost a part of the inside, and making the  
7 pedestrian experience on Market Street highly  
8 engaging.

9                   On the first floor there will be four  
10 very exciting restaurants. A steak house, a  
11 family-style Italian restaurant, an eclectic Mexican  
12 restaurant, as well as an active sports bar. Those  
13 are all highlighted. Then heading up the escalators  
14 there'll be two gaming floors, the second and third  
15 floors of the complex, each floor containing two  
16 uniquely designed casino bars and a theme restaurant.  
17 Each of these floors will have an appealing, but  
18 slightly distinct personality.

19                   Our first floor of gaming, which is the  
20 second floor of Market8, will have 1,250 slot machines  
21 and 38 table games, as well as our pavilion, a new age  
22 food court with a wide variety of tasty choices. It  
23 will also have two casino bars, one of which will be  
24 an extension of our sports bar on the first floor.

25                   The second gaming floor will have 1,150

1 slot machines and 44 table games. It will also be  
2 home to our high-limit gaming and VIP lounge, and our  
3 poker room, which will contain 30 poker tables and  
4 will be positioned in a glass-enclosed mezzanine  
5 overlooking the gaming floor. This floor will also  
6 have a full-service signature restaurant.

7           Now, let me describe our fourth floor.  
8 It will be dedicated to entertainment, food and  
9 beverage. We'll have our concert hall that will be  
10 managed by AEG Live, as Mitchell mentioned. This  
11 modern multifaceted venue will hold up to 1,400 people  
12 and offer exciting acts more often seen in  
13 significantly larger venues. It's going to also  
14 double as a banquet hall capable of serving over 600  
15 people, catering to large parties, meetings and social  
16 media events. And in addition, on the fourth floor  
17 will be our two-story club restaurant. The remainder  
18 of the fourth floor will include a pre-function area,  
19 as well as a collection of other outdoor terraces  
20 overlooking Market Street and the city.

21           Our fifth floor will be home to our  
22 hotel lobby, which will be integrated with the upper  
23 level of our club restaurant, and there will also be  
24 great outdoor space here as well. Then making its  
25 mark on the Philadelphia skyline will be the 12-story,

1 168-room boutique hotel that we are developing with  
2 Hersha.

3                   Now, as a final note about design and  
4 programming, Mohegan Sun is not only excited because  
5 we know that Market8 will have the wow factor that is  
6 associated with our brand, it's a hallmark of our  
7 brand. And in addition, it's an opportunity like any  
8 other spot in the country. The fact that we can  
9 design, program and operate space that is uniquely  
10 situated to capture the energy created by the millions  
11 of commuters, residents, pedestrians that walk by that  
12 space currently every day, and to take that energy to  
13 a whole new level through indoor/outdoor programming,  
14 unique cityscape and sidewalk sight lines, and other  
15 distinctive design elements, ultimately accomplishing  
16 what is most important to us. And that is creating  
17 the type of memorable experiences for our guests they  
18 simply cannot get at any other casino or entertainment  
19 destination.

20                   Now, I'm going to turn this over the Jim  
21 Markham and Barbara Chance, who are going to tell you  
22 about our traffic and parking respectively.

23                   MR. MARKHAM:

24                   Morning, Mr. Chairman, members of the  
25 Board. I'm Jim Markham. It's M-A-R-K-H-A-M. I work

1 for Pennoni Associates, and I'm the regional  
2 transportation principal for southeast Pennsylvania  
3 and New Jersey. I'm a licensed professional engineer  
4 in Pennsylvania and New Jersey, and I've been  
5 performing this work for Pennoni since 1999. We're  
6 headquartered in Philadelphia and we've provided  
7 transportation engineering service to public and  
8 private clients in this region for decades.

9           You've already heard about the great  
10 roadway network and transit options at this location,  
11 but it's when you get into the details that the  
12 transportation component that I will discuss comes out  
13 as a truly compelling part of the project. In  
14 consultation with PennDOT and your team at  
15 Orth-Rodgers, we studied 42 intersections that we felt  
16 could reasonably be expected to demonstrate some  
17 impact from the location of Market8 at the corner of  
18 8th and Market. After accounting for the additional  
19 traffic that we believe Market8 can reasonably be  
20 anticipated to generate, the surrounding road system  
21 continues to meet appropriate levels of service  
22 requirements ---.

23           CHAIRMAN:

24           Excuse me, sir. Could you just keep  
25 your voice up, please?

1                   MR. MARKHAM:

2                   I'm sorry.

3                   CHAIRMAN:

4                   Move the microphone a little closer,  
5 maybe.

6                   MR. MARKHAM:

7                   Do I need to go back?

8                   CHAIRMAN:

9                   No, that's okay.

10                  MR. MARKHAM:

11                  I apologize.

12                  CHAIRMAN:

13                  That's all right.

14                  MR. MARKHAM:

15                  So, the roadway network continues to  
16 meet appropriate levels of service requirements at all  
17 but six locations. At these six locations, the  
18 addition of the vehicular trips associated with  
19 Market8 resulted in an increase in delay of over ten  
20 seconds as compared to conditions today. Ten seconds  
21 of increased delay is a threshold beyond which PennDOT  
22 would expect the developer to mitigate the delay if it  
23 is feasible to do so.

24                  At five of the six locations, minor  
25 signal timing adjustments will lower the expected

1 increase in delay to less than ten seconds. At the  
2 sixth location, 9th and Market, on Friday evening the  
3 increase in delay remains at between 12 and 13  
4 seconds, even with signal timing adjustments and the  
5 addition of a northbound right turn lane. The good  
6 news is that even with this increase in delay, the  
7 intersection still operates at a level of service B.  
8 Therefore, the intersection will continue to perform  
9 well during this time period.

10           So, in short, with the addition of the  
11 traffic associated with Market8 Casino and after  
12 implementing the proposed mitigations, one  
13 intersection will experience an increase in delay of  
14 between 10 and 13 seconds on Friday evening, but will  
15 still operate at a level of service B. Five  
16 intersections will have minor signal timing  
17 adjustments so that they will experience less than a  
18 ten-second increase in delay, and the remainder of the  
19 study intersections will not require intervention  
20 whatsoever.

21           So, let's just take a moment and put  
22 this into perspective. Consider the route that we  
23 believe will be the primary route for those driving to  
24 Market8, 8th Street, coming from Vine Street and the  
25 Vine Street Expressway. Today you can expect that at

1 peak time that trip will take you less than three  
2 minutes. After adding our anticipated new volume and  
3 the proposed mitigations, we've calculated that at  
4 peak time that trip will continue to take you less  
5 than three minutes.

6 With that, I would like to turn this  
7 over to Barbara Chance, who's going to talk about  
8 parking.

9 DR. CHANCE:

10 Mr. Chairman and members of the Board,  
11 I'm Barbara Chance. Last name is spelled C-H-A-N-C-E.  
12 I'm president and CEO of CHANCE Management Advisors.  
13 Our firm has been providing parking, transportation  
14 and access management consulting throughout the United  
15 States for 30 years. We're very familiar with Market  
16 Street East, having worked on the original and  
17 expansion planning for the convention center in which  
18 we sit, the movement of the Philadelphia Flower Show  
19 to the convention center from West Philadelphia,  
20 transportation planning for the Constitution Center,  
21 and several other projects over the years.

22 I am pleased to tell you that the story  
23 about parking for Market8 is both good and short.  
24 Market East Associates will construct an underground  
25 garage at Market8 that will hold 752 self-park or

1 1,000 valet spaces. In addition, MEA leases a garage  
2 at 733 Chestnut Street, holding 250 self-park or 437  
3 valet spaces, and a 69-space lot at 8th and Ludlow,  
4 both locations contiguous to Market8. In addition,  
5 there are also now 100 spaces south of the site on the  
6 property that runs to Chestnut Street.

7           The most important part of the  
8 presentation is this, that over 90 percent of the time  
9 these spaces used as self-park and/or valet will be  
10 sufficient for the parking demand projected by our  
11 team, including PKF Consulting and Mohegan Sun. This  
12 demand is projected on Market8 patrons. I mention  
13 both self-park and valet figures because Market8 will  
14 have the opportunity to use either or both methods  
15 when they need to do so. The use of the spaces will  
16 be flexible, and Mohegan Sun will respond to the needs  
17 of the customers in working out the specific of their  
18 parking operations.

19           If there are higher parking demand  
20 periods for special times, for instance, like New  
21 Years' Eve, Market8 may also valet to affiliated  
22 parking garages, particularly 801 Filbert Street and  
23 10th and Filbert, both Philadelphia Parking Authority  
24 garages a block away with whom Market8 has an  
25 agreement. This process will be easy and virtually



1 invisible to the customers, and there will always be  
2 valet spaces available.

3           The PPA has indicated that during the  
4 peak periods of casino use, these two garages have a  
5 thousand vacant spaces that the authority would be  
6 pleased to have occupied by casino patrons, either  
7 valeted or self-parking. Those who valet will have  
8 their cars picked up at the Market8 porte-cochère for  
9 maximum customer service. The best of parking  
10 technology, which is changing practically daily in our  
11 industry, will be used for wayfinding, validations and  
12 payments, making the parking smooth and easy, a  
13 pleasant beginning and end to the Market8 experience  
14 for those who drive.

15           I'm now going to pass the mic over to  
16 Bill Miller, who will discuss the final portion of our  
17 project section, the rewards program, charitable  
18 programs and our inclusion program. Thank you.

19           MR. MILLER:

20           Thank you, Barbara. Good morning, Mr.  
21 Chairman and members of the Board. I'm Bill Miller,  
22 M-I-L-L-E-R, CEO of Ross Associates, a full-service  
23 strategic communications consulting firm in  
24 Philadelphia, and I am an equity partner in the  
25 Market8 project.

1                   You know, I grew up in the streets of  
2 Philadelphia, raised a family here, built a business  
3 here for 32 years, and I know firsthand the challenges  
4 this city faces today. With a poverty rate nearing 30  
5 percent, Philadelphia is among the poorest major  
6 American cities, and sadly, 40 percent of the children  
7 in our city go to bed hungry at night, so being a good  
8 corporate citizen is no longer a noble gesture. It's  
9 an absolute necessity to make this a viable  
10 marketplace.

11                   My partners and I chose Market8 for many  
12 reasons. We knew Ken Goldenberg is a successful  
13 developer and Mohegan Sun is one of the most  
14 successful casino operators in the world. We get  
15 that. And Ken Goldenberg has a history of charitable  
16 giving that defines him as much as his development  
17 projects. Mohegan Sun will have an efficient and  
18 profitable operation. Throughout their operation,  
19 they embrace a culture of caring. Market8 will be a  
20 well-run operation that will generate the much needed  
21 revenue for this Commonwealth. But in this city, we  
22 will be transforming it because a rising tide lifts  
23 all boats. We will accomplish all these things,  
24 transform the city with a wonderful edifice that will  
25 become world renowned.

1                   However, for us it's important we do  
2 this with a heart. Our group has a real commitment to  
3 and a real track record of ensuring that projects we  
4 are associated with benefit the surrounding  
5 communities. We have applied that philosophy here to  
6 make sure that Market8 is a win/win for everyone. I'm  
7 genuinely proud to be a part of the one team that will  
8 truly be a game changer in this respect. Our entire  
9 public interest program is designated to uplift the  
10 corridor, both its businesses and its residents.

11                   Let me first tell you about Market8's  
12 reward program. It is very interesting. Stimulating  
13 growth and producing transformation to benefit the  
14 entire commercial and tourism surrounding us is our  
15 primary goal. That's why we have extended the  
16 benefits of our rewards program to our neighbors.  
17 Typical rewards programs only allow dollars to be  
18 redeemed inside the casino. Market8 patrons will also  
19 be able to use their rewards at nearby restaurants,  
20 retailers and other arts and cultural venues. Our  
21 rewards and comp program is a \$30 million dollar line  
22 item in our operating budget. A percentage of that  
23 will go out into the business community. This will be  
24 a much needed stimulus for the surrounding corridor,  
25 and this is unprecedented.

1                   The second piece of our public interest  
2 program focused on providing support for our  
3 surrounding communities. Market8 has committed ten  
4 percent of its distributable profits to fund two  
5 charities with a minimum contribution of \$2 million  
6 per year. The contribution will start the day the  
7 casino opens its doors to the public. Specifically,  
8 these charities are our Market8 Improvement Zone.  
9 This is designated to provide physical and economic  
10 improvements up and down Market Street east corridor.  
11 Physical improvements will include additional  
12 security, enhanced lighting and greening.

13                   Our sponsorship of Market8 --- our  
14 sponsorship of the East Market Street planners this  
15 past summer through the Center City district is just  
16 the beginning. We will also support the economic  
17 vitality of the area in a number of ways, including  
18 development, assistance, micro-financing, cultural and  
19 arts activities and cross promotional efforts. This  
20 aspect began when we worked with the Philadelphia  
21 Convention and Visitors Bureau to launch Market East  
22 Arts Series this August.

23                   Our Market8 Foundation will fund efforts  
24 in the neighboring communities that will be dedicated  
25 to providing support for our economically challenged,

1 as well as assistance in the fields of education,  
2 health, environment, arts and culture and other  
3 community initiatives. Both charities will be  
4 structured with governing boards that are  
5 representative of the community. In addition, as a  
6 part of our public interest program, we have made a  
7 long-term commitment to those who may be at risk for  
8 problem gambling.

9                   People Helping People, the Goldenberg  
10 philanthropic arm is already working on the  
11 development of a forward-thinking program that isn't  
12 just about awareness and prevention. It's also about  
13 education, family interaction, intervention,  
14 alternative entertainment activities and creative  
15 counseling. This commitment will continue whether  
16 Market8 gets a license or not.

17                   And finally, there is our historic  
18 inclusion program. You already know that we reflect  
19 the cultural diversity of our investor group through  
20 our ownership interest in the inner city and Mohegan  
21 Sun. As you can see, Market8 plans to meet or exceed  
22 traditional inclusion goals with 40 to 45 percent  
23 women and minority employees in construction and  
24 ongoing operations, 40 to 45 percent of contracts  
25 during construction, 24 percent of contracts ongoing

1 operations going to minority and women-owned and  
2 disadvantaged businesses.

3           To underscore our commitment to  
4 establish an ideal program to maximize the  
5 opportunities that will be created through this  
6 project, we engaged experts, the Urban League of  
7 Philadelphia, the Urban Affairs Coalition and the John  
8 Milliken (phonetic) Group. They worked with us to  
9 develop an inclusion strategy that will provide the  
10 greatest economic benefit to the local community,  
11 particularly for those who are traditionally unable to  
12 take advantage of opportunities in development  
13 projects.

14           As part of this inclusion program,  
15 Market8 will conduct an extensive community engagement  
16 process to maximize our information dissemination.  
17 Our outreach efforts will also facilitate job  
18 training, licensing assistance programs to make sure  
19 our goals are fully realized. Obtaining these goals  
20 will make Market8 a national model for transformative  
21 inclusionary economic development. This aggressive  
22 comprehensive program has earned us the unprecedented  
23 public endorsement of several key minority  
24 institutions, including the Urban League of  
25 Philadelphia, the Urban Affairs Coalition, the

1 Philadelphia Chapter of the NAACP, and the African-  
2 American Chamber of Commerce. These groups will play  
3 an integral role in implementing this historic  
4 inclusion program.

5 To say the least, we are very excited  
6 about this comprehensive collection of community  
7 initiatives designated to ensure Market8 becomes the  
8 gold standard of similar development projects in the  
9 future. And with that, I'll pass it back to Mitchell.

10 MR. ETESS:

11 Thank you, Bill. Well, hopefully now  
12 you're starting to see how all these components are  
13 adding up to something great at the location, the  
14 project, all these different programs, the points  
15 program, and I hope you're starting to see exactly why  
16 we're so excited about Market8 and why we feel it has  
17 so much promise for the Commonwealth and for  
18 Philadelphia itself. There's no question this is  
19 going to be one of the most dynamic and successful  
20 casino projects in the country and truly complementary  
21 to its surroundings. But at the end of the day, this  
22 project will be dependant --- the success of this  
23 project will be dependent on the revenues, and my  
24 guess is you're probably a little interested in that.

25 So, now for the next portion of our

1 presentation, our financial projections, I'll turn the  
2 mic over to Pete Tyson, our expert in this area, who  
3 is going to walk you through his analysis of Market8.

4 MR. TYSON:

5 Thank you, Mitchell. Mr. Chairman and  
6 members of the Board, my name is Peter Tyson,  
7 T-Y-S-O-N. I'm a vice president of PKF Consulting,  
8 the nation's oldest and largest consulting firm  
9 dedicated to the hospitality industry. I've been a  
10 hospitality consultant since 1969, all but five of  
11 those years here in my hometown of Philadelphia. I've  
12 also been continuously involved in consulting to the  
13 gaming industry since the introduction of gaming to  
14 Atlantic City over 35 years ago. In addition to  
15 Atlantic City, I've performed gaming-related  
16 engagements in 12 U.S. states and throughout the  
17 world. I have testified before this Board several  
18 times as an expert, as well as in New Jersey and  
19 Kansas. In Pennsylvania, I've also conducted  
20 non-licensed gaming assignments involving Pocono  
21 Downs, Meadows and Valley View Downs.

22 On behalf of Market8, we were asked to  
23 project casino wins for the Market8 project and for  
24 the other applicants for this Category 2 License, as  
25 well as related estimates of impact and incremental



1 win. Based on the methodologies I will share with  
2 you, we projected that Market8 will achieve gross  
3 gaming revenues of \$518 million in its first year of  
4 operation, assumed to us to be 2016, some \$60 million  
5 higher than Provence and approximately \$125 million  
6 higher than an optimal stadium area licensee.

7           By the way, Market8's projected win of  
8 \$518 million is about the same as that reported by  
9 Parx for the fiscal year ended November 30th once  
10 interim inflation is considered. And this is where  
11 the Parx location, I submit not close to mass transit,  
12 nor a major convention center, nor attractions hosting  
13 millions of tourists per year, nor millions of square  
14 feet of office space, nor densely populated  
15 residential communities like those that exist in  
16 Center City, Philadelphia.

17           We also project that Market8 will  
18 generate some \$86 million more in incremental win for  
19 the Commonwealth than will Provence, and \$147 million  
20 more in incremental win than a casino in the stadium  
21 area. These differences are very significant as they  
22 will occur year after year, and they make sense when  
23 the clearly superior location of Market8 is  
24 considered. Due to its centralized urban location,  
25 Market8 is projected to have negligible impacts on the

1 gaming revenues of the three existing reigning  
2 casinos, Parks, Harrah's Chester and Valley Forge,  
3 which mostly serve their immediate suburban markets  
4 that are not readily accessible by public  
5 transportation. In contrast, the stadium area casino  
6 will have a material adverse impact on Harrah's.

7           Additionally, as it relates to  
8 SugarHouse, Market8 is projected to have less impact  
9 than Provence due to Provence's greater overlap with  
10 SugarHouse's primary residential market. And where as  
11 a stadium area casino is projected to have less impact  
12 on SugarHouse than Market8, it's only because its  
13 gaming revenue potential is so much lower.

14           Now, I'll briefly describe to you the  
15 projection methodologies that we employed. In  
16 estimating levels of casino win for Market8, a drive  
17 time methodology was used to estimate residential win,  
18 and what I will term a buildup methodology was used to  
19 estimate other win, primarily coming from out-of-town  
20 visitors to Center City, which is a huge market that  
21 we believe is largely untapped at the moment.

22           The drive time, or some would say  
23 gravitational method of estimating residential win is  
24 commonly used by gaming companies, gaming regulatory  
25 agencies and industry professionals to estimate how

1 much gaming revenue one or more gaming venues may  
2 expect from residents within a defined geographic  
3 area. I know the Board has been exposed to this  
4 methodology by me and others at past hearings,  
5 including yesterday, so I'll just focus on the  
6 highlights of our analysis. All the specific details  
7 are included in the reports that have been submitted,  
8 and obviously I'll be around to answer any questions  
9 you may have at the conclusion of our remarks.

10           First, we divided the residential gaming  
11 market for Market8 into primary and secondary zones.  
12 The primary zone encompasses the cities of  
13 Philadelphia and Camden and other portions of Camden  
14 County running along the PATCO Lindenwold high speed  
15 line. The primary zone is highlighted in red in the  
16 map. The secondary zone encompasses the four suburban  
17 Pennsylvania counties abutting the city, and  
18 Burlington and Gloucester Counties directly across the  
19 Delaware River in New Jersey. The secondary zone is  
20 indicated by the green areas.

21           Rather than treat the City of  
22 Philadelphia and the other portions of the primary  
23 residential market as a single homogeneous catchment  
24 area, as at least one of the other consultants for the  
25 other applicants did, we divided the primary

1 residential area into seven smaller submarkets or  
2 zones by ZIP code, including three that are clustered  
3 around the three existing ring casinos to which we  
4 believe nearby residents would most likely gravitate.  
5 These detailed zone maps, which are too hard to show  
6 in this particular venue, are included in our report,  
7 and I encourage you to take a look at them.

8           And in doing these particular zones,  
9 again we considered not only the location of the  
10 casino, but its location in relationship to major  
11 highways and public transportation routes. This  
12 approach, in our mind, appropriately took into account  
13 the neighborhood nature of and the transportation  
14 network in the city, which is critically important in  
15 this urban setting.

16           Assessing the public transportation  
17 availability and its corresponding impact was  
18 especially important in this exercise, as between  
19 depending on your source, 30 and 40 percent of  
20 Philadelphia's households do not even own a car. And  
21 frankly, seniors like me travel for free on buses and  
22 subways and for \$1 on Regional Rail by just showing  
23 your Medicare card. While this card may not be that  
24 relevant to the existing Philadelphia area casinos and  
25 the other applicants for this license, it will have a

1 great impact on the Market8 property.

2                   We then allocated the gaming revenue  
3 projected for each ZIP code or zone to each of the  
4 casinos in the Philadelphia area, plus some to  
5 Atlantic City and other nearby jurisdictions, such as  
6 Delaware and the Lehigh Valley. Our allocations were  
7 primarily based on the proximity of these population  
8 concentrations to each of the gaming venues, again by  
9 highways and public transportation.

10                   For Market8 it resulted in the  
11 following, a projected first year primary residential  
12 win of \$289 million from 1.4 million adult residents  
13 and some 2.7 million patron visits. A projected first  
14 year secondary residential win, which came from the  
15 green area, was \$146 million from 2.4 million adult  
16 residents and some 1.35 million patron visits.

17                   Finally, and of particular importance to  
18 this applicant is the casino win anticipated to be  
19 generated by others. These others, or visitors, would  
20 consist of out-of-towners coming into Center City,  
21 Philadelphia for reasons other than gaming. We  
22 envision these visitors to primarily consist of the  
23 following. First, occupants of the over 4.1 million  
24 hotel rooms filled in Philadelphia County on an annual  
25 basis. And some three million of those are located

1 directly in Center City. By the way, our approach  
2 conservatively omitted potential revenue from the 5.5  
3 million visitors who elect to stay overnight in the  
4 general area with family and friends. And that  
5 estimate comes from Longwoods International, who  
6 prepares tourism estimates for the city.

7                   Secondly, the day attendee segment of  
8 the more than one million attendees of the events held  
9 at the state-owned convention center in which we sit  
10 today, such as the auto show and the flower show which  
11 are both coming up shortly. And finally, the over 3.6  
12 million annual visitors to the major historical  
13 attractions in nearby Independence Historic National  
14 Park, of which some 20 percent are international.

15                   Of note, the Market8 site has over 4,400  
16 hotel rooms within a half-mile radius, including the  
17 city's major convention headquarters hotels. In  
18 contrast, there are only 2,700 hotel rooms that close  
19 to Provence, although none are located north of the  
20 Vine Street Expressway, and just over 200 rooms within  
21 a half mile of the applicants in the stadium area. In  
22 sum, 480,000 gaming patrons from these sources are  
23 estimated to generate \$63 million in gaming venue for  
24 Market8.

25                   In addition, the Center City workforce

1 of 330,000, many of whom are officed along Market  
2 Street --- the Market Street corridor, can be expected  
3 to provide some after-work gaming demand for Market8  
4 and the other casinos. We estimated \$20 million in  
5 win for Market8 from just a portion of the out-of-city  
6 commuters --- the out-of-city commuter segment of this  
7 overall Center City workforce. Combined, the other,  
8 or visitor, win for Market8 is estimated to total \$83  
9 million in the casino's assumed first full year of  
10 operation.

11                   As Market8 is to be located at the  
12 bullseye of the Philadelphia gaming market and not on  
13 the middle or outer rings, as are or will be the  
14 existing casinos and other applicants, it can  
15 logically be expected, and is projected to penetrate  
16 this mostly untapped market to a much greater extent.  
17 This market segment is truly a major differentiator  
18 between Market8, Provence and a casino in the stadium  
19 area. Further, as many of these visitors can be  
20 expected on weekdays when residential volumes are  
21 typically lighter, their patronage will help balance  
22 casino volume levels at Market8 and help this  
23 right-sized casino achieve higher wins per unit.

24                   As shown in this summary table, all the  
25 segments evaluated add up to the estimated first year

1 win of \$518 million for Market8 from 4.72 million  
2 patrons, for a win per patron of about \$110, again in  
3 2016 dollars. That would equate to about \$100 today.  
4 The resulting wins per unit compare favorably with the  
5 performance of the better performing casinos around  
6 Philadelphia and across the nation.

7           Now, I'd like to briefly discuss market  
8 saturation. In order to ensure that the Philadelphia  
9 area could absorb the level of win projected for  
10 Market8, we also prepared an estimate of potential win  
11 for the entire Philadelphia area from both residents  
12 and visitors, using the same methodologies I just  
13 discussed. Our estimate of potential market-wide win  
14 was approximately \$1.92 billion for 2016. As we  
15 projected a market-wide win totaling \$1.76 billion  
16 with Market8 and an expended SugarHouse Casino in that  
17 year, there would be approximately \$160 million of  
18 untapped demand remaining in the market. The experts  
19 for each of the other applicants similarly found  
20 saturation not to be an issue.

21           I would also like to address the  
22 disparities between our projections for the other  
23 applicants and the revenue projections submitted on  
24 behalf of those applicants. First and importantly, in  
25 our projections we applied a standardized methodology



1 across the board for all applicants. In order to do  
2 so, we went through exactly the same procedures that  
3 we followed for Market8 for Provence and what we  
4 considered to be the optimal performing applicant in  
5 the stadium area.

6           The key attribute of our methodology,  
7 which appeared to be missing from the report prepared  
8 for Provence, was that we projected gaming revenues  
9 from the defined sub ZIP code --- or submarket ZIP  
10 codes within the city, rather than treating  
11 Philadelphia as one big homogeneous market. In our  
12 opinion, this methodology allowed for the logical  
13 gravitation of neighborhood residents to the most  
14 convenient gaming venue, whether by foot, car or  
15 public transportation, based on more focused localized  
16 analyses.

17           Second, by using the same methodology  
18 for all applicants, the relevant results or  
19 differences between the applicants should remain  
20 generally consistent, even if one or more of the  
21 individual assumptions or bases are considered too  
22 high or too low. As the data in this summary  
23 comparative table demonstrates, we estimate that  
24 Market8 will generate the highest level of casino  
25 revenue of the applicants, particularly from city

1 residents, hotel guests, attraction attendees and the  
2 commuter workforce.

3                   Between Market8 and Provence, the  
4 applicants with the highest levels of projected win,  
5 the primary difference in win, in our opinion, is  
6 Market8's expected ability to attract significantly  
7 more win from the other patrons or visitors due to its  
8 superior location. I'm not aware of any other casino  
9 in the country that has a location with such close  
10 proximity to not only dense residential populations,  
11 but to major visitor attractions and office and retail  
12 concentration. Not New York, Chicago, Cleveland,  
13 Detroit, or closer to home to this Board, Pittsburgh.  
14 Thus, the location of Market8 is truly one of a kind.  
15 Furthermore, Market8 will have the proven power of the  
16 Mohegan Sun marketing organization and player program  
17 to stimulate patronage.

18                   In summary, we believe that the Market8  
19 Casino with its superior location and with Mohegan Sun  
20 at the helm of its marketing and operations, we  
21 believe that Market8 will produce the highest levels  
22 of casino win and the greatest positive incremental  
23 impacts on Commonwealth win and the resulting tax  
24 revenues, and less impact on SugarHouse than the other  
25 downtown applicant.

1                   Finally, I would like to address the  
2 comparative evidence proposed to be introduced  
3 tomorrow by Stadium. Stadium projects that they will  
4 generate approximately \$322 million in gross gaming  
5 revenue, while a so-called generic Center City  
6 location will generate only \$311 million. I have to  
7 note that we are a bit hamstrung in our analysis of  
8 this claim, as Stadium has refused to disclose any of  
9 their assumptions supporting their conclusions,  
10 advising only that they used a gravitation model.  
11 Thus, we are left to make some assumptions ourselves,  
12 but can only come to one conclusion. Stadium greatly  
13 underestimates the impact of Market8's proximity to  
14 its primary residential market and the significant  
15 visitor and office populations that uniquely apply to  
16 Market8. The net premiums that we believe you should  
17 logically anticipate that Market8 will enjoy from  
18 these sources are \$50 million and \$75 million  
19 respectively.

20                   Now, I'll turn the presentation over to  
21 Michael Mariano to discuss the economic impacts of  
22 Market8 for the Commonwealth and the city. Thank you  
23 very much.

24                   MR. MARIANO:

25                   Thank you, Peter. Mr. Chairman and

1 members of the Board, my name is Michael Mariano,  
2 M-A-R-I-A-N-O. And I am a senior economist and  
3 director at Tourism Economics, an Oxford Economics  
4 company. Oxford Economics is a world leader in global  
5 forecasting and quantitative analysis for business and  
6 government, and I have provided expert witness  
7 testimony and expert reports on economic impacts for  
8 this Board and other Gaming Control Boards in Iowa,  
9 Massachusetts and Kansas.

10           As you know, an economic impact model,  
11 otherwise known as an input/output model, calculates  
12 economic impacts based on a set of direct inputs or  
13 expenditures. There are three main contributing  
14 factors to a casino's overall economic impact,  
15 including one-time development expenditures, annual  
16 operational expenditures and annual ancillary spending  
17 by casino patrons and outside businesses. All of this  
18 direct spending ripples through the local, regional  
19 and statewide economies and has a positive impact on  
20 suppliers and businesses. Here are the economic  
21 impacts we determined for Market8.

22           First, the one-time economic impacts  
23 attributable to construction and development.  
24 Market8's development activities will generate a  
25 one-time economic impact of \$704 million in the

1 Commonwealth. Market8's construction phase will  
2 generate a total of nearly 6,400 total jobs in the  
3 Commonwealth, including 2,800 direct jobs and 3,600 in  
4 direct and induced jobs. Market8's development  
5 activities will also have significant tax impacts for  
6 the State. We estimate that the development phase  
7 will generate \$15.2 million in state and local tax  
8 revenues.

9                   Next, the annual impact attributable to  
10 Market8 operations and ancillary spending by patrons.  
11 In its first year of operations, Market8 will generate  
12 \$700 million in total statewide economic activity.  
13 This total economic impact of \$700 million will  
14 include \$87 million in total compensation, supporting  
15 an estimated 1,600 direct jobs at Market8. This  
16 direct employment of Market8 would include an  
17 estimated 800 table games and slots jobs, 260  
18 administrative and general jobs, and 170 security and  
19 surveillance jobs. First year operational and  
20 ancillary spending impacts would also include \$147  
21 million in employee salaries and wages, supporting an  
22 estimated 4,700 in direct and induced jobs.

23                   Market8 will also be an important  
24 economic driver for ongoing state and local tax  
25 revenues. In its first year of operations Market8

1 will generate nearly \$230 million in state and local  
2 gaming taxes. Annual operations and ancillary  
3 spending by Market8 customers will generate ongoing  
4 fiscal benefits of \$30.5 million annually in state and  
5 local tax revenues.

6                   Finally, I'd like to make one final  
7 point that I think is very relevant here, and that is  
8 that the standard economic impact modeling does not  
9 capture the jobs and taxes likely to be generated by a  
10 consequence of anticipated business growth and new  
11 construction and development that would be spawned by  
12 a project such as Market8 with its many patrons and  
13 programs in a corridor such as this.

14                   Chairman Ryan and members of the Gaming  
15 Control Board, I'd now like to turn the microphone  
16 over to Shuprotim Bhaumik from HR&A Advisors, who will  
17 explain this additional economic impact. Thank you.

18                   MR. BHAUMIK:

19                   Thanks, Michael. Mr. Chairman, members  
20 of the Board, my name is Shuprotim Bhaumik,  
21 B-H-A-U-M-I-K, and I'm a partner at HR&A Advisors. I  
22 have been in the economic development consulting field  
23 for over two decades. Prior to HR&A, I was a senior  
24 vice president of AECOM, where I led the firm's  
25 economic practice in North America, and the senior

1 vice president for the New York City Economic  
2 Development Corporation.

3                   Founded in 1976, HR&A is an industry-  
4 leading economic development consulting firm that  
5 specializes in measuring the economic and fiscal  
6 impacts of major policy interventions and development  
7 projects. We are also frequently called upon to  
8 create and implement urban revitalization strategies  
9 for cities and municipalities around the country and  
10 across the world.

11                   Today our focus turns to the Market8  
12 project and what we believe is its unique  
13 transformational potential for the Market East  
14 corridor. So, how do we define transformation?  
15 Simply put, it's the ability of a well-focused,  
16 well-placed development project to materially change  
17 the trajectory of development and economic vitality in  
18 its surrounding area. With a multidimensional urban  
19 casino and entertainment complex placed at 8th at  
20 Market, just what would that potential be? Here's  
21 what we concluded.

22                   Michael Mariano already told you about  
23 the direct and indirect economic and fiscal benefits  
24 of the casino and hotel operations. Then consider the  
25 existing businesses and assets along the Market Street

1 East corridor and imagine the growth they would  
2 realize on account of the five million customers per  
3 year that Market8 will attract and on account of  
4 Market8's outward focused rewards program and  
5 charities.

6                   Finally, consider the underdeveloped  
7 lots near Market8. Here are the ones I'm referring  
8 to, the underdeveloped properties that lie two to  
9 three blocks to the west of us and two blocks to the  
10 east of us. These properties present an additional  
11 development potential of nearly four million square  
12 feet. What these properties need is a catalyst, and  
13 that catalyst could be Market8.

14                   When a powerful trigger development like  
15 Market8 is combined with these pre-existing conditions  
16 that have been mentioned numerous times here today,  
17 the result is not only new development, growth and  
18 transformation, but something we refer to in the  
19 development business as a virtuous cycle where all  
20 these phenomena just feed off each other, amplifying  
21 their positive effects. Obviously, the right project  
22 in the right place can make a very significant  
23 positive impact. What does this mean for Market8 and  
24 the Commonwealth? More jobs, more patrons, higher  
25 gaming revenues and higher taxes.



1                   Mr. Chairman and members of the Board,  
2 we believe that of all the applicants for this casino  
3 license in Philadelphia, including the three  
4 candidates in the stadium district, Provence on the  
5 southern rim of North Philadelphia and Market8 in the  
6 middle of Center City, Market8 is positioned to  
7 generate the greatest transformational impact of any  
8 of these proposed casinos, that Market8 is that right  
9 project and that all these additional benefits will be  
10 realized here. Thank you for this opportunity. And I  
11 will now pass the mic back to Mitchell Etes, who will  
12 address the final section of our presentation,  
13 deliverability.

14                   MR. ETESS:

15                   Thank you, Shuprotim. Mr. Chairman,  
16 members of the Board, you received a comprehensive  
17 briefing on our project. You've heard about the  
18 unmatched location of Market8, a product designed by a  
19 terrific team specifically tailored for this location,  
20 in the center of everything, and the fact that Market8  
21 will generate the most gross gaming revenue and  
22 cannibalize the least. But I know that for us to  
23 stand here and tell you about Mohegan Sun operating  
24 this amazing facility in this phenomenal location and  
25 tell you about driving these impressive numbers, it's

1 pretty meaningless unless we can deliver it to you.  
2 Well, I'm here to tell you that we can, Mr. Chairman,  
3 members of the Board, and we will. For just like  
4 Mohegan Sun has consistently performed for the  
5 Commonwealth at Pocono Downs, just as we have  
6 significantly increased the scope of our project  
7 there, even though it was in no way a condition of our  
8 license, we absolutely will fulfill our commitments to  
9 you and the Commonwealth here.

10                   And here's why I'm so confident about  
11 that. First, let's talk about the project cost and  
12 our funding structure. You've heard the Market8  
13 project will be approximately \$500 million to develop.  
14 That number does not include the development of the  
15 hotel of Market8, which we'll come back to in a  
16 moment. As is common in the industry, we're going to  
17 fund that \$500 million through a combination of debt  
18 and equity. On the equity side, our partners have  
19 committed to fund \$125 million in capital that I'll  
20 refer to as our primary equity. As indicated in the  
21 suitability report prepared by our investigatory and  
22 licensing team, we have demonstrated the availability  
23 of these funds.

24                   The balance of our project cost will be  
25 funded with senior secured bank financing. For this

1 purpose, we've retained Deutsche Bank, one of the  
2 leading lenders in the gaming and hospitality industry  
3 today, as the lead arranger for our \$375 million  
4 senior secured term loan. And the structure gives a  
5 very comfortable debt-to-equity ratio of under four to  
6 one. With us today is, Ressa Ackivey (phonetic), the  
7 managing director of Deutsche Bank securities, who can  
8 answer any questions you might have later.

9 I want to note here that the decision to  
10 select Deutsche Bank was not made lightly, but Market8  
11 recognized the distinct advantage to dealing with a  
12 bank that over the past two years has taken the lead  
13 on more leverage loan and high-yield issuances than  
14 any other bank working in the gaming and hospitality  
15 industry. In fact, in the last two years they've  
16 delivered 75 times as lead underwriter. That's ten  
17 more deals than their closest competitor.

18 For their part, Deutsche Bank advised us  
19 that first and foremost they wanted to work with  
20 Market8 because of the following factors. The  
21 strength of us, Mohegan Sun as operators and  
22 marketers, the team of established and successful  
23 owners and developers here in our ownership group, the  
24 true once in a lifetime location, the right-size  
25 project that we're proposing to build, and their

1 confidence that this will be the top performing casino  
2 in the region. I should note that it was not lost on  
3 Deutsche Bank that Mohegan Sun was not just operating  
4 as manager for this project, but felt such confidence  
5 in this project that we've agreed to invest \$20  
6 million of our own money as a partner in the venture.

7                   So, let's see how this all works  
8 together by looking at our sources and uses breakdown.

9     So, you can look up there, you can see the sources  
10 and uses, the primary equity, the debt. Looking down,  
11 you see the acquisition cost of the land, the  
12 construction cost, which we've run by Dan Keating,  
13 who's part of our team now and have his vioff  
14 (phonetic) on that. See the gaming license soft cost  
15 and the \$500 million total on both sides of the ledger  
16 there.

17                   We're very comfortable with our  
18 contingency of \$25 million that you see on the bottom,  
19 but we started asking what if. You know, what if  
20 something came up that we wanted to do, what if the  
21 credit market softened again. Well, our answer was to  
22 raise an additional \$50 million in contingent equity.  
23 These funds, which are fully committed by the existing  
24 Market8 partners, can be called on by Market8 if and  
25 when needed again. And as the suitability report

1 indicates, we have demonstrated the availability of  
2 these funds as well.

3           Now, let's take a moment to walk through  
4 the hotel structure and that funding --- the funding  
5 of that aspect of the project. Market8 and Hersha  
6 have agreed to use a condominium structure that will  
7 allow the casino and hotel components to be developed  
8 and operated seamlessly, but allow for the independent  
9 ownership of each component. Market8 will fund,  
10 acquire, own and operate the casino portion of the  
11 facility. Hersha Hospitality, through a subsidiary,  
12 will fund, acquire, own and operate the hotel portion  
13 of the facility. Like any condominium, each of us and  
14 our guests will share certain common elements, like  
15 elevators and utility systems. Equally important and  
16 is very important to you, construction of the two  
17 condominiums will occur in a single phase using a  
18 single developer and a single contractor.

19           The hotel portion will cost  
20 approximately \$70 million. So, pursuant to this  
21 condominium structure, Hersha Hospitality, through its  
22 affiliated reach has committed to fund this cost. As  
23 you'll see in the suitability report, Hersha  
24 Hospitality has also demonstrated the availability of  
25 these funds.

1           So, let's just take a quick look at the  
2 Hersha --- at the hotel sources and uses. Again, you  
3 can see the \$70 million funded by the Hersha  
4 Hospitality Trust, \$55 million for construction and  
5 the soft costs and their financing costs, and also  
6 there a nice healthy \$5 million dollar contingency.

7           As we and Hersha Hospitality have  
8 discussed with your staff, once open and operating, we  
9 anticipate the casino will do a very healthy level of  
10 business with the hotel, and the hotel is going to be  
11 a very integral part of Market8, much like the  
12 restaurants, clubs and concert hall. I recognize in  
13 this reality your staff has required that Hersha  
14 Hospitality become certified as a gaming services  
15 provider. Accordingly, they have filed all the  
16 required applications.

17           So, now let me explain to you a little  
18 bit about the funding project. We're going to turn it  
19 over to Bobby to take you the rest of the way.

20           MR. SOPER:

21           Thank you, Mitchell. First, let me just  
22 start off by walking you briefly through the  
23 construction schedule. As you can see from the  
24 visual, construction will begin with the subsurface  
25 parking garage. And we expect to be in position to

1 commence casino operations within 24 months  
2 thereafter. And while construction of the hotel will  
3 commence simultaneously with construction of the  
4 casino, it will take an additional six months to  
5 complete.

6                   Now let's turn to the parties actually  
7 responsible for bringing this development home on  
8 budget and on time. First, Market8's owners include  
9 very successful Philadelphians. Some of the most  
10 accomplished businesspeople, as well as some of the  
11 top developers in the region. Indeed, between them  
12 the partners have been responsible for the development  
13 of over 30 million square feet of commercial and  
14 residential and retail space in projects all over the  
15 country and raised over \$25 billion in equity and  
16 sourced more than \$20 billion in debt.

17                   Leading the Market8 effort, there's Ken  
18 Goldenberg and the Goldenberg Group. Suffice it to  
19 say that Ken and his company are incredibly committed,  
20 focused and are one of the most well-meaning  
21 development groups we've ever have the pleasure of  
22 working with. Their successes in projects in  
23 Philadelphia and throughout the region, almost all of  
24 which were large complex projects that took a lot of  
25 creativity and staying power, speak for themselves.

1                   Next is Dan Keating and Keating  
2 Consulting, who have joined the team as project  
3 manager for Market8. Keating Consulting and its CEO,  
4 Dan Keating, are well known to the Board. That's  
5 because Dan's companies have developed and/or built  
6 five casinos in Pennsylvania, SugarHouse, Rivers,  
7 Hollywood, Nemacolin and of course our property,  
8 Mohegan Sun at Pocono Downs and for that matter, 22  
9 casinos nationwide, including the Casino of the Wind  
10 at our Mohegan Sun property in Connecticut. Indeed,  
11 here in the Commonwealth, Keating has taken on some of  
12 the toughest casino projects and has consistently  
13 delivered.

14                   But Keating's ability to deliver doesn't  
15 stop there. His development and construction  
16 companies have built many of the Philadelphia's  
17 region's landmarks. The building we're in, the  
18 \$1 billion Pennsylvania Convention Center; the \$300  
19 million IRS regional headquarters at 30th Street; the  
20 Phoenix; the Hyatt Regency at Penns Landing and  
21 Lincoln Financial Field, home of the Philadelphia  
22 Eagles, just to name a few.

23                   I think it is fair to say when  
24 considering Mohegan Sun, Hersha Hospitality, Dan  
25 Keating, JCJ Architecture and the Market8 partners,



1 our collective team experience in design, development,  
2 construction and speed of delivery far surpasses that  
3 of any other applicant. Operationally you know what  
4 you're getting in Mohegan Sun, an organization that  
5 has a track record of fulfilling its promises,  
6 including here in the Commonwealth. Whether it's  
7 meeting and exceeding our revenue and job projections,  
8 whether it's meeting and exceeding our commitment to  
9 diversity, whether it's meeting and exceeding our  
10 project delivery and schedule dates, or whether it's  
11 meeting and exceeding our commitment to community, we  
12 simply fulfill our promises. And I think if any of  
13 the partners were up here right now, they can make  
14 that same exact statement.

15                   Mr. Chairman, members of the Board, to  
16 summarize, we have the ability to finance this project  
17 and we have a team assembled here who can execute on  
18 the plan. Together, we believe we offer the Board the  
19 highest degree of certainty and delivery. I thank you  
20 for hearing our presentation here today, and now I'm  
21 going to turn it back over to Ken Goldenberg for some  
22 concluding remarks. Ken?

23                   MR. GOLDENBERG:

24                   Thank you, Bobby. After this  
25 comprehensive presentation, my closing remark is

1 merely this. Chairman Ryan and members of the Gaming  
2 Control Board, I submit that granting this Category 2  
3 casino license to Market East Associates and this team  
4 so that we can develop the project and the programs  
5 that we've shown you here today at this location, to  
6 produce the gross gaming revenue and make this  
7 contribution to the aggregate gross gaming revenue in  
8 the interest in generating taxes for the citizens of  
9 this state, while at the same time transforming this  
10 avenue into one of the greatest avenues in America may  
11 be one of the most beneficial decisions that any  
12 public body in this Commonwealth could make. I thank  
13 you for giving us the time and the opportunity to  
14 present to you hear today Market8. Now one last look.

15 VIDEO PLAYED

16 ATTORNEY DOWNEY:

17 Chairman, that will conclude the  
18 presentation portion of our presence here today. Two  
19 procedural matters. First, I would like to move our  
20 presentation and the videos into the record. We've  
21 delivered both hard copies and digital copies to your  
22 staff. And if you wouldn't mind, I'd like to address  
23 the expert issue that you raised.

24 CHAIRMAN:

25 Go ahead.

1                   ATTORNEY DOWNEY:

2                   We've offered for your consideration  
3 seven experts today. Those who have submitted reports  
4 are James Markham, Dr. Barbara Chance, Peter Tyson,  
5 Michael Mariano, Shuprotim Bhaumik. All of those  
6 experts have delivered reports that they used --- they  
7 prepared and they ultimately used in the course of  
8 their testimony. We would also offer as experts, the  
9 testimony of Mitchell Etes and Bobby Soper, neither  
10 of whom have submitted a report, but both of whom are  
11 offered as experts in the field of casino operations  
12 and casino finance-ability, generally.

13                   ATTORNEY PITRE:

14                   There is no objection.

15                   CHAIRMAN:

16                   Hearing no objection, the exhibits  
17 referred to will be admitted, and the experts  
18 requested to be --- or the witnesses who Counsel  
19 requests to be deemed experts, the Board will accept  
20 that request. And we thank you.

21                   (Market East Associates Exhibits marked  
22 for identification.)

23                   ATTORNEY DOWNEY:

24                   Thank you, Mr. Chairman.

25                   CHAIRMAN:

1           At this point, ladies and gentlemen,  
2 before we get into any questioning, the Board will  
3 take a ten-minute recess until about quarter of 11:00.

4 BRIEF RECESS

5           CHAIRMAN:

6           Thank you, ladies and gentlemen. At  
7 this time I would ask my colleagues on the Board if  
8 any have any questions. Keith?

9           MR. MCCALL:

10           Thank you, Mr. Chairman. Just a few  
11 questions. Have you identified any adverse effects to  
12 the surrounding community? Have you identified any  
13 adverse effects to the surrounding community? Maybe  
14 hone in a little bit on Chinatown and some of the  
15 concerns raised in that community.

16           MR. GOLDENBERG:

17           Yeah. Thus far, we've had --- sorry.  
18 From the beginning of the project, we recognized how  
19 critical it was, given how significant a project this  
20 is, or could be, to meet with, recognize, collaborate  
21 with to a certain extent all of the adjoining  
22 communities, Chinatown, Washington Square West,  
23 Society Hill, Old City, and in Chinatown, probably in  
24 particular, there's obviously a certain sensitivity  
25 about --- which we fully understood --- a project like

1 this going here. So, right from the get-go, we had  
2 very, very constructive meetings with numerous groups  
3 in Chinatown and talked about the sensitivities and  
4 tried to suggest --- you know, if they don't exist,  
5 acknowledge them, and said we are going to do  
6 everything possible to maximize the benefits of this  
7 project for your community and minimize the negative  
8 impacts.

9                   And I think they appreciated that  
10 commitment. They know me to a certain extent from my  
11 reputation, and some individually by what --- from  
12 what I do in other areas of the city and the community  
13 groups that I've worked with in the interest of making  
14 projects like this a win, win, win for everybody. So,  
15 there was a level of trust.

16                   And then one of probably the more  
17 interesting things, not to go on too long, but that  
18 we've done there is under our affiliated charity,  
19 People Helping People, which works closely with the  
20 Alcoholic Anonymous community in Kenya, actually. We  
21 started a program in Chinatown, but really more  
22 generally, to address compulsive gambling issues. And  
23 our goal was to make it an award-winning program. I  
24 reached out to people all over the country. We  
25 brought in people from Massachusetts, et cetera,

1 looked at --- you know, talking to as many people as  
2 we can to sculpt a program that will really get to the  
3 root of that and do everything we can to help that  
4 issue.

5 ATTORNEY DOWNEY:

6 Commission, just in furtherance of that  
7 last piece, I point out that the Market8 team, and in  
8 particular, People Helping People ---

9 CHAIRMAN:

10 Mr. Downey, please keep your voice up.

11 ATTORNEY DOWNEY:

12 --- the Market8 team and People Helping  
13 People, on the Goldenberg Group side, have actually  
14 had contact with groups in Chinatown and had been  
15 working with the Council on Compulsive Gambling on  
16 issues as basic as translation, for example, on the  
17 lines. Things that seem somewhat commonsensical maybe  
18 when you step back and look at them, but that clearly  
19 needed to be addressed more specifically. And as I  
20 think you heard Bill Miller testify, they're working  
21 on developing a somewhat different model, maybe a more  
22 robust intervention model, an education model, than  
23 may have previously been the norm.

24 MR. MCCALL:

25 And maybe a little more follow-up on

1 that. Since you've met with the community groups and  
2 the public at large, can you maybe point to some  
3 specifics on maybe changes that you've made to your  
4 plans as a result of those meetings with those groups?

5 MR. GOLDENBERG:

6 You know, frankly, we were sort of out  
7 in front with respect to our programs, the magnitude  
8 of them and the focus of them. So, on the one hand,  
9 right from the get-go, we were committed to doing  
10 everything we could to uplift the corridor, both  
11 through the outward facing rewards program, which is a  
12 fairly unique opportunity, and the Market East  
13 Improvement Zone. And then additionally, the Market  
14 Foundation addressed, you know, almost a whole panoply  
15 of charitable issues that you would like to address in  
16 the community.

17 So, we went into each of the communities  
18 and walked through the details of these programs.  
19 There wasn't a lot there saying oh, we think that it's  
20 deficient or you're not addressing this sensitivity,  
21 et cetera. They were very pleased to hear what we  
22 were doing, and it created a lot of positive energy.  
23 You know, they embraced us, and so far so good as far  
24 as all that is concerned. So, we're working on the  
25 details of governance and things of that sort, but

1 other than that, there wasn't a lot of substantive  
2 change to the program. We just listened to what they  
3 had to say and kept molding it.

4 MR. ETESS:

5 Also, I think it's pertinent that when  
6 you're dealing with us we come along with very  
7 comprehensive --- particularly when it comes to  
8 problem gambling, a problem gambling program and  
9 history and policy and procedures that, you know, when  
10 we joined the team we're kind of, all right, we're ---  
11 it came along with us.

12 MR. MCCALL:

13 Thank you. I may need your traffic guy  
14 at the microphone. What percentage of the patrons do  
15 you anticipate will use transit? And in addition, and  
16 what percentage do you think will be using automobiles  
17 to come to the facility? So, transit use and  
18 automobile use, what percentage of your patrons do you  
19 think will use transit and what percentage do you  
20 think will use automobiles?

21 MR. MARKHAM:

22 Sure. We based our findings on the  
23 Philadelphia Gaming Advisory Task Force report from  
24 2007 that said that 56 percent would come by auto, 20  
25 percent by public transit, and there's taxi, private



1 charter and pedestrian make up the balance.

2 MR. MCCALL:

3 And when you testified, you said when  
4 cars exit, you think the most rational way is they're  
5 going to come off 8th Street off of Vine, three  
6 minutes to the facility, and with the influx of the  
7 automobiles that there won't be any difference in the  
8 drive time. You're confident in that?

9 MR. MARKHAM:

10 There will be a difference. What I  
11 testified was they would be less than --- they would  
12 both be less than three minutes.

13 MR. MCCALL:

14 Right.

15 MR. MARKHAM:

16 So, for example, on the Friday peak of  
17 the roadway we measured it by driving. The average  
18 was 2 minutes, 25 seconds. We modeled it with our new  
19 traffic and the new mitigations that the intersections  
20 along that road, and it's 2 minutes, 5 seconds. And  
21 it's similar for the other --- the Friday casino peak  
22 and the Saturday peak, the three time periods we  
23 studied. But all of those three periods, it's less  
24 than three minutes under both conditions, existing and  
25 proposed.

1                   MR. MCCALL:

2                   Fine. Thank you. Your calculation ---.  
3 And this isn't for traffic now. This will be, I  
4 think, Mr. Tyson.

5                   MR. MCCALL:

6                   When you calculate your revenue,  
7 incremental revenue, you're assuming about \$146  
8 million from Chester, Montgomery, Bucks, Delaware,  
9 outside of the red area, you know, Philadelphia,  
10 Camden. And I'm not from the city. You know, I live  
11 in the Poconos, a pretty rural area. But I have a lot  
12 of friends in the surrounding area. One of the things  
13 they always say is they don't want to drive into the  
14 city because they worry about parking. They worry  
15 about the city traffic. I guess my question is and  
16 this --- easiest way to answer it may be your  
17 calculations; conservative, aggressive, middle of the  
18 road on that \$146 million.

19                   I just --- I guess what I'm having a  
20 problem with is, how do you get people to drive by  
21 Valley Forge, Parx or Harrah's to come into Center  
22 City, Philadelphia for their gaming experience? How  
23 do you attract that? How do you get that person to  
24 come in to Center City when really they don't want to  
25 come in to Center City?

1                   MR. TYSON:

2                   That's an interesting question. Our  
3 numbers --- and we projected about the same amount of  
4 secondary market win for both ourselves and for  
5 Provence under the theory that people in the outlying  
6 suburbs first have to make that decision. You know,  
7 what do I want to go into the city for? Right now  
8 we've got the tourist attractions, the restaurants.  
9 We've got culture, entertainment, et cetera, et  
10 cetera. Apart from SugarHouse, there's really not a  
11 gaming option downtown.

12                   What we did was we reduced the  
13 percentage. We hopefully took into account that only  
14 a certain percentage of people will be willing to get  
15 in their car and drive downtown, whether it's just to  
16 gamble and the other amenities at the casino or to do  
17 it plus one other thing, go to a show then go to the  
18 casino afterwards.

19                   We also took into account what portion,  
20 particularly on the Jersey side, that will still go to  
21 Atlantic City. You know, if they live in the further  
22 reaches of Camden County or Gloucester or Burlington,  
23 they may still go to Atlantic City X number of trips a  
24 year and only come into Center City ---. All I can  
25 say is if we took what we felt was a reasonable

1 percentage of those folks, a reasonable number of  
2 visits a year and came up with a win that was, you  
3 know, about half of what the primary residential win  
4 and a number that we think is reasonable.

5 MR. ETESS:

6 And I think to add to that, you know,  
7 that there is certain --- I can understand why you  
8 asked the question. I think that the product that  
9 we're going to be offering here, the project itself  
10 and the whole extension of our project to the  
11 community and the power of all the other amenities in  
12 the area will, you know, make that an easier decision.  
13 It's not just, you know, going to the game facility.  
14 You're coming to these restaurants, to this area and  
15 to the whole downtown. So, you're getting more than  
16 just that gaming visit. It makes it a more compelling  
17 reason to do that.

18 MR. TYSON:

19 One thing we did not do that may in fact  
20 make this number look even more reasonable than we  
21 think it is now. Certain of the other consultants in  
22 this matter, and has happened in other hearings before  
23 you, tend to have a secondary drive-in market that  
24 extends hundreds of miles where they assume that  
25 people are going to do a day trip, drive two hours one

1 way to a casino quite often past other existing  
2 casinos and then drive home the same night.

3 I know in one case in this particular  
4 application process that there's one expert who had  
5 people doing day trips from the Poconos, from  
6 Bethlehem, from Atlantic City, from the Delmarva  
7 Peninsula. To me that's very unrealistic. You're  
8 going to go to the closest casino except on the rare  
9 case where there's an act you want to see in  
10 Philadelphia or there's something special going on.  
11 So, we felt ignoring that potential additional demand,  
12 which others did, made our number look even more  
13 reasonable.

14 MR. MCCALL:

15 So, the bottom line, you consider a  
16 conservative assessment or an aggressive assessment or  
17 something in between?

18 MR. TYSON:

19 The word I would use, Commissioner, is  
20 robust.

21 MCCALL:

22 Robust.

23 MR. TYSON:

24 It is certainly not a shy estimate. I  
25 --- aggressive, I think is a bit too strong. Frankly

1 I looked at the location and all of its attributes and  
2 particularly the differentiators of the public  
3 transport system. And number two, the fact that  
4 Mohegan's on board, to me that's an extremely  
5 important element. With a five million person  
6 database to work with, some of whom are Pennsylvanians  
7 already. I think those two elements justify the  
8 robust projection.

9                   And by the way, I'll admit I was more  
10 robust in projecting the comparative numbers for the  
11 other applicants. I think some of those applicants  
12 are guilty or the people who did the numbers or the  
13 brands or the operators at really understanding the  
14 potential of the untapped market, both residential and  
15 visitor, that exists that these properties should  
16 capture.

17                   MR. MCCALL:

18                   Thanks, Mr. Tyson. Just switching gears  
19 again --- and I don't want to steal other Board  
20 members' thunder. But I have a question on parking  
21 and I think somebody else may be asked a little bit  
22 more detailed questions on parking. But you have 700  
23 self-parking and 300 valet. If I self-park, are you  
24 going to charge me for that self-parking if --- when I  
25 pull in the garage? And the reason why I ask is that,

1 you know, we're in Center City Philadelphia but, you  
2 know, people know it's free parking, they're just all  
3 going to pull into your parking place, you know, your  
4 parking garage. So, how do you --- what's the --- how  
5 does that work?

6 MR. SOPER:

7 Yes. Commissioner, the answer is yes.  
8 The program --- the foundation of the program, there  
9 will be charges for parking. We've had experiences,  
10 an operator in Atlantic City for example, where they  
11 charge for parking. I believe even still some of the  
12 casinos --- we don't in Wilkes-Barre but some casinos  
13 even charge parking here. So, there's definitely a  
14 mechanism where if you charge you're able to create  
15 these exceptions for your better players.

16 For example, if you're a tiered  
17 cardholder as part of a loyalty program, one of the  
18 tier cards, you know, that's going to --- that's going  
19 to get you complementary parking, or even if you're  
20 not. If you visited the property and you reached a  
21 certain threshold of gaming, we have a mechanism in  
22 place which will allow you to have complementary  
23 parking for that visit, for that particular visit.

24 So, you know, for the masses, yes, it  
25 will be charged. But we feel very confident,

1 especially based upon our experience, that we can  
2 create the necessary exceptions so as not to deter any  
3 of our visitors to the casino.

4 MR. MCCALL:

5 You know, and as far as the construction  
6 schedule, you know, and parking may be part of this,  
7 your whole plan on construction, because of the  
8 permits required and zoning requirements, because a  
9 zoning requirement says you have to 1,900 parking  
10 spots. You have 1,000. Maybe just tell us a little  
11 bit about the permits that are required in zoning and,  
12 you know, walk us through that.

13 Are you confident that you're going to  
14 be able to meet these timelines to get this thing  
15 built? You know, you're saying it looks like it's,  
16 you know, 30 months. You know, what's the timeline  
17 when you can deliver, especially with the permits and  
18 the zoning requirements that you have, those types of  
19 hurdles. We understand bureaucracy so we're just  
20 curious to hear your end of it.

21 ATTORNEY DOWNEY:

22 Commissioner, just from a --- sort of a  
23 high-level perspective, the commitment of MEA is to  
24 commence the permitting and approval process upon the  
25 award of a license. So, they would not wait to start



1 that process until what bluntly we'd deem to be a  
2 somewhat inevitable appeal process.

3 MR. MCCALL:

4 Sure.

5 ATTORNEY DOWNEY:

6 So, our anticipation is that we would  
7 probably be talking about somewhere in the  
8 neighborhood of a nine-month process from beginning to  
9 end of the permit approval process. Could slip to  
10 either side, of course. And we believe that that  
11 would comfortably fall within what historically we've  
12 seen as getting to file an unappeasable.

13 I do --- I want to hit the zoning, you  
14 know, head-on. I think it's really important to  
15 remember that right now there's not an applicant in  
16 this process who has the zoning in place that they  
17 need. And that all by itself implies that there is  
18 going to be a conversation with the municipality of  
19 Philadelphia on this subject squarely.

20 The prospect that the four, five ---  
21 four to five and contiguous overlay is going to be  
22 applied in the context of a Center City location.  
23 Bluntly, we and the people who do this on an expert  
24 basis, including our co-counsel in this --- in this  
25 process, I believe that there is almost zero chance of

1 that happening.

2                   There are various ways that that can be  
3 worked. You actually saw the City of Philadelphia  
4 deal with this issue once back when the Foxwoods  
5 license was being proposed for relocation to a Center  
6 City and at the Strawbridge site. And you've saw them  
7 come in and basically say we're going to drop a ---  
8 we're going to drop a parking requirement and that at  
9 the time was characterized as C-5, broaden the zone  
10 and allow parking to be satisfied within 1,000 feet of  
11 that zone. We think something along those lines is  
12 far more likely to occur in terms of what would happen  
13 here. The easiest methodology, frankly, would be to  
14 permit casino operation in the CMX-5 zone. Yeah,  
15 you're done at that point.

16                   MR. MCCALL:

17                   All right.

18                   ATTORNEY DOWNEY:

19                   The alternative, however, where they  
20 would come in with a four to five, wouldn't work for  
21 us --- assuming that there would be no --- excuse me,  
22 no contiguity requirement. We have every reason to  
23 believe there would not be. Largely because --- the  
24 last point that I'll raise is that we've had  
25 conversations with the City on this subject. They

1 recognize this. The enforcement of some contiguity  
2 requirement along those lines would be completely  
3 contrary to the direction that the zoning process has  
4 taken over the last 20-plus years as they recognize  
5 that they don't want corridors of parking garages  
6 lining their streets. And you know, I think on that  
7 basis, we have a high degree of comfort that we can  
8 get there. Thank you.

9 MR. MCCALL:

10 Thank you, Mr. Chairman.

11 MR. MCNALLY:

12 If I could just follow up on that?  
13 You're going to go through with the amendment process  
14 onto the CMX-5. And then if you don't get that then  
15 you'll have to go in and seek the SPND as everybody  
16 else is proposing? So, you're going to go through the  
17 amendment process first and you're confident that  
18 you'll get them to amend the current zoning for the  
19 CMX as opposed to starting off with just getting them  
20 to rezone; right?

21 ATTORNEY DOWNEY:

22 I think that would probably be the path  
23 of least resistance. Obviously no guarantee that we  
24 get there but I think in either direction we wind up  
25 with the same net result. At least as we --- as we

1 think within the realm of reasonable.

2 MR. MCNALLY:

3 But if you go through that first process  
4 and aren't successful, that's going to set you back  
5 because you're going to have to start over; correct?

6 ATTORNEY DOWNEY:

7 Well, sure. If we were to do that as a  
8 single path. But I think it's highly unlikely that we  
9 would take that route. I think we would --- you know,  
10 we would --- we would explore the panoply with the  
11 City and determine what the --- you know, what would  
12 be the path of least resistance would be to get where  
13 we need to be.

14 MR. MCNALLY:

15 A couple follow-up questions from what  
16 had already gone forward. Specifically, with regard  
17 to the condo concept, has Mohegan ever participated in  
18 a project where condo was the form of ownership?

19 MR. ETESS:

20 No, we have not. We have not  
21 participated in any specifically but it's fairly  
22 common in many real estate deals today. It's all been  
23 arranged and we're very comfortable with it. We're  
24 very comfortable with Hersha being able to fund it.  
25 And we're extremely comfortable in the interactions

1 that will take place between the hotel operation and  
2 the casino operation.

3 MR. MCNALLY:

4 So, there is going to be a marriage of  
5 sorts that you're going to be officiating over;  
6 correct?

7 MR. ETESS:

8 Well, it's a marriage that we'll be part  
9 of actually. So, you kind of officiate over the  
10 marriage you're in I guess but --- yes.

11 MR. MCNALLY:

12 With regard to the parking that the  
13 Commissioner McCall discussed, how many of those spots  
14 that are onsite are actually going to be reserved for  
15 the hotel guests themselves?

16 MR. SOPER:

17 Yes. Just a couple points on the onsite  
18 parking. Number one, the way that it's going to be  
19 programmed. It's going to be programmed as flex  
20 space, meaning that at any given time we can transform  
21 all or part of the space to self-park or valet. Okay?  
22 Our initial plan is to launch it as all self-park.  
23 And the reason we --- our methodology here is simply  
24 anyone who wants to valet or --- and come to the  
25 property, they're going to have that opportunity. We

1 have sufficient capacity from a valet perspective and  
2 we can take you through the program. But we have  
3 sufficient capacity from --- you know, to accommodate  
4 all valet cars.

5           In regards to onsite, we have the  
6 subsurface parking that has about 752 self-park spots.  
7 And then adjacent, right there, we have two surface  
8 lots and one parking garage that can accommodate  
9 another almost 400 spots which we also plan to use as  
10 a select space, but again, utilize, at least  
11 initially, as self-park. Hence, when you drive up to  
12 Market8, you've literally got over 1,200 spots that  
13 are for self-park. Clearly some of these as an  
14 operator --- and again, you know, we generally know we  
15 can forecast where volumes are, you know, and it'll  
16 evolve a little bit after we open. But we have a  
17 pretty good appreciation of how we can forecast.

18           We'll be ready and utilize the flex  
19 space as appropriate. But those 1,200 spaces we think  
20 can accommodate almost all the time those that are  
21 going to be self-parking so that they can go directly  
22 to the property and self-park on property. Again, you  
23 know, depending on your level of play, just as we do  
24 now, some may --- we may short park some, we may put  
25 some aside for our better customers. We may have a

1 specific area for VIP customers that have a certain  
2 card level. But at the end of the day, it'll be  
3 primarily self-park for our guests.

4 MR. MCNALLY:

5 So, will those parking spaces be part of  
6 the common elements, part of the common area between  
7 the hotel and the casino?

8 MR. SOPER:

9 Yes, they will.

10 MR. MCNALLY:

11 So, no --- not one of those parking  
12 spots will be part of, say for instance, the hotel's  
13 condominium? They won't have reserved spots for their  
14 guests?

15 MR. SOPER:

16 Yes. It's all common area.

17 MR. MCNALLY:

18 Okay.

19 MR. TYSON:

20 Sir, just add a comment just to put the  
21 whole perspective of hotel parking in perspective, we  
22 did a survey of all the Center City hotels about three  
23 years ago. And typically, 30 percent of the hotel  
24 rooms occupied in Philadelphia have a car associated  
25 with them. That percentage rises on the weekends and

1 falls during the week when you have a lot of business  
2 and convention people in town who fly in or take the  
3 train. So, you know, it's not like you'll have 168  
4 cars related to the hotel if the hotel happens to be  
5 full.

6 MR. SOPER:

7 And the other thing I would add --- and  
8 again, this is sort of the context of this unique  
9 location. Just about all the hotels in Center City  
10 have offsite parking. So, this is a very --- you  
11 know, it's a common thing. In fact, in this case  
12 we're probably the exception to the rule having all  
13 this onsite parking.

14 MR. ETESS:

15 And one other thing as it relates to the  
16 parking. It's actually amazing, unique aspect of this  
17 particular casino is that we will never really run out  
18 of valet parking because of the arrangements that have  
19 been made. Whereas in Connecticut, even in Pocono  
20 Downs, there's a point where your valet fills. That's  
21 really not going to be --- ever happen here.

22 MR. MCNALLY:

23 The outreach that you've done into  
24 Chinatown, does that include a bricks and mortar  
25 presence or public information?



1                   MR. GOLDENBERG:

2                   Yes. So, we currently lease an office  
3 in Chinatown.

4                   MR. MCNALLY:

5                   And will be devoted strictly to problem  
6 gambling?

7                   MR. GOLDENBERG:

8                   Yes. I mean, it might --- there might  
9 be a respect in which we use those offices for the  
10 sake of other community meetings and community  
11 initiatives. But currently, it's specifically for the  
12 purpose of developing and having meetings related to  
13 the compulsive gambling program.

14                   MR. MCNALLY:

15                   Mr. Tyson, part of your numbers were  
16 that primary area which was put together by ZIP codes;  
17 correct?

18                   MR. TYSON:

19                   Correct, sir.

20                   MR. MCNALLY:

21                   And what percentage of those ZIP codes  
22 are found in Chinatown?

23                   MR. TYSON:

24                   Excellent question. I would have to go  
25 to the detailed map. My guess would be one or

1 possibly two. They're fairly broad ZIP codes in  
2 Philadelphia that cover a pretty wide geographic area.  
3 But I don't have a specific answer to that.

4 MR. MCNALLY:

5 A certain portion of your percentage,  
6 roughly 55 percent by my calculations, were coming  
7 from those primary zones of the gross revenue. Is  
8 that a fair ballpark?

9 MR. TYSON:

10 That sounds about correct. Yes, sir.

11 MR. MCNALLY:

12 And part of the attraction is the  
13 neighborhoods, the residents that live there. You're  
14 going to draw from them. And when you talk about the  
15 residents, you're talking about families. One of the  
16 concerns that we face all the time is underage access  
17 to the gaming floor. And particularly in the way this  
18 project is set up, you have the retail on the first  
19 floor, then you have the gaming floor, then you have  
20 the --- a lot of the other amenities, the theaters.  
21 And then on top of that, you have the hotel. I was  
22 wondering what measures have been taken as part of the  
23 design and what other measures will be taken as part  
24 of the management to ensure that we will not have a  
25 problem with underage gamers getting onto your floor?

1                   MR. SOPER:

2                   Commissioner, I'll take that. You know,  
3 first and foremost, you know, as an organization we  
4 obviously take underage gambling seriously. And we  
5 want to address it as much as possible. You know, I  
6 will note we, obviously, have experience here in the  
7 Commonwealth and we have a design in our --- in the  
8 property at Wilkes-Barre that is very challenging  
9 since it's a very open spot with many access points.  
10 I'm actually fairly excited about this simply because  
11 those access points are far more limited.

12                   So, you have gaming on the second and  
13 third floor of the property. Both of those floors  
14 will have zero access for minors. And we control the  
15 access points basically off of the elevators and the  
16 escalators by having actual security personnel at  
17 those locations. So, it's a very, very narrow,  
18 simple, you know, process. And obviously, we'll  
19 ensure we have sufficient personnel such that there  
20 will not be any access for minors either through the  
21 escalators or elevators.

22                   In regards to access at the other  
23 floors, obviously the first floor which is all  
24 non-gaming --- and actually to get to the fourth or  
25 fifth floor, the elevators will take them there. But

1 again, if they were to stop on the third or fourth  
2 floor, we will have security personnel there to ensure  
3 that no minors to go on --- go on those floors. So,  
4 either by escalator or elevator you can get to the  
5 fourth or fifth floor. But in regards to the second  
6 and third floor, in both of those spots there will be  
7 security personnel.

8 MR. MCNALLY:

9 Thank you. With regard to your rewards  
10 program, I'm really interested to know how that works.  
11 We've heard about the economic development that will  
12 be spun off but how far will that reach into the local  
13 community?

14 MR. ETESS:

15 Well, it will reach as --- to as many  
16 groups, as many businesses as we can enlist in the  
17 region. And it's really a great program and it's kind  
18 of an offshoot of what we developed in Connecticut,  
19 except we're now taking it out into the community.  
20 And the way it works is we developed --- as you know,  
21 when customers play they earn rewards points and comp  
22 dollars or momentum dollars --- now I don't want to  
23 use the wrong term, momentum dollars, as they play.

24 And our guests can take their cards and  
25 they can use a proprietary piece of software we've

1 developed and you can go to a participating merchant  
2 and you swipe your card and it acts as a point of sale  
3 device just like if you were using your MasterCard.  
4 So, any of these merchants who wish to participate can  
5 sign up for that and get the software. The people  
6 come, they use their card. They would swipe in with  
7 them. And then at the end of the month, we set up  
8 with them as far as paying them for the comps.

9 I think it's --- it's a great  
10 opportunity really for the community. We think it'll  
11 be --- it'll be millions of dollars that go out. And  
12 what's also important is that, you know, people who  
13 already are cardholders, their points are  
14 transferable. So, the day we open here, for example,  
15 there may be customers who have Mohegan Sun points or  
16 come from Connecticut or come up from Pennsylvania or  
17 whatever, and they'll be able to use those points in  
18 the community.

19 We have about \$30 million in the budget  
20 for comp points. Approximately \$30 million will go  
21 out to the community. In Connecticut approximately 60  
22 percent, I think, of the points are used for retail  
23 redemptions. So, with a gallery being reborn right  
24 across the street, we hope to anticipate --- to get a  
25 lot of those merchants involved and other small shops

1 and things throughout the area. So, basically it can  
2 go throughout the entire city, anybody who wants to  
3 participate in the program.

4 MR. MCNALLY:

5 Would the access and use of that card be  
6 restricted to the cardholder or could someone take  
7 that card who is not the cardholder and use it at a  
8 local restaurant or bar?

9 MR. SOPER:

10 Yes. As Mitchel mentioned, part of the  
11 proprietary tool --- or equipment requires a PIN  
12 number. So, you actually have a PIN number that's,  
13 you know, again proprietary to that individual. In  
14 addition, there is ID required which matches the name  
15 on the card. So, you know, just referencing what  
16 Mitchel said about our experience. We're really  
17 excited about this because this is the first  
18 opportunity --- I think it's the first opportunity for  
19 any property in the country that is surrounded by this  
20 many amenities that can actually leverage a program  
21 like this surrounded --- surrounding the property.

22 Our experience both in Connecticut and  
23 Pennsylvania, we've teamed up with local hotels. In  
24 fact, in Wilkes-Barre the arena, other places where  
25 they are able to take points. It's been highly

1 successful and, you know, even though it is in those  
2 limited situations, and here we think there's just a  
3 great opportunity to scale it at a much larger level.

4 MR. GOLDENBERG:

5 I just want to add one last thing that  
6 relates to the question that was asked earlier in  
7 terms of where things might have evolved pursuant to  
8 conversations we had with the communities. The  
9 rewards program became increasingly robust as we had  
10 conversations with the communities because we saw the  
11 opportunity in places like Chinatown, Old City with  
12 its restaurants and galleries, Midtown Village in the  
13 Washington Square West area to not only uplift the  
14 whole corridor in the interests of the project, but  
15 also to help those communities themselves, help their  
16 commercial districts. So, that was one area in which  
17 conversations with the local communities resulted in,  
18 you know, continued advancement of that outward basic  
19 rewards program.

20 MR. MCNALLY:

21 What criteria will be used in selecting  
22 who will be able to participate in that rewards  
23 program?

24 MR. SOPER:

25 So, one more comment to and on to Ken,

1 and I'll answer that question as well. We have talked  
2 to a number of organizations including the Center City  
3 Proprietors Association which represents many, many  
4 businesses right there. They have expressed extreme  
5 interest. A lot of the businesses are very excited  
6 about it. And, you know, which I think is a lead in  
7 to your question about who participates.

8           We're going to give every business an  
9 opportunity to participate. Basically the way the  
10 process works is, you know, we meet with them and we  
11 explain, you know, how it works. And, you know, every  
12 --- it's really a case by case. We got to them  
13 because certainly restaurants and retail, and  
14 depending on the nature of the business may have  
15 certain, you know, economic demands or, you know,  
16 consequences that vary from, you know, business to  
17 business. But from our standpoint, we want to include  
18 as many as we can. We think that the greater the  
19 scale we can have here, the more successful the  
20 program's going to be.

21           MR. MCNALLY:

22           Who will actually oversee the program?

23           MR. SOPER:

24           We will oversee the program, Mohegan  
25 Sun.



1                   MR. MCNALLY:

2                   Okay. Part of the economic development  
3 that you pointed out to is the potential for future  
4 economic development. I think the number was four  
5 million square feet were along that same corridor.  
6 And I was just wondering if the --- what are the  
7 current uses? How are those properties currently  
8 zoned and what are the uses that you see them being  
9 put to as part of future economic development that  
10 this project will spur?

11                   MR. BHAUMIK:

12                   So, the properties that we sort of  
13 looked at in terms of having potential are currently  
14 zoned to CMX so they can --- right now on that zoning,  
15 they can accommodate different types of commercial  
16 offers. We've drawn from for retail, hotels, if you  
17 will, as well as residential. And they can go from  
18 --- up to 15 stories or so. Right now, sort of the  
19 soft sites that we sort of looked at --- again, that's  
20 a very small subset of, obviously, all the subsites  
21 that are available in the immediate neighborhood.

22                   You know, it's a combination of some  
23 open space parking lots which are developed. There is  
24 a lot of one-story retail up there which, you know,  
25 clearly is not the highest and best use of those sites

1 over here. So, we were fairly judicious in thinking  
2 about sort of not just looking at, you know, the  
3 entire area over here, selecting the soft sites to get  
4 to sort of the four million square feet. But also it  
5 sort of, as you'll see in sort of the testimony we  
6 submitted earlier, last year, December 2013, sort of  
7 very conservative aspects of these things we actually  
8 think might happen over a year of time.

9 MR. MCNALLY:

10 Was that additional economic development  
11 taken in consideration in your traffic or parking  
12 studies?

13 MR. MARKHAM:

14 No. That specific development was not.  
15 We used a standard PennDOT growth factor. And the  
16 traffic studies particularly targets the build year of  
17 the casino which we anticipated to be 2016. I'm not  
18 sure of the time frame of the traditional economic  
19 development that was just discussed.

20 DR. CHANCE:

21 It's really the same with the parking,  
22 not knowing who the developments would be or whether  
23 they would incorporate parking in their developments.  
24 It's hard to tell what that demand might be. But  
25 generally speaking, parking demand in the city has

1 been declining as people ride public transit more  
2 often and are riding bikes and are walking more often.  
3 So, it would just depend upon what was developed.

4 MR. MCNALLY:

5 Thank you.

6 MR. GOLDENBERG:

7 I think it's worth observing too, that  
8 --- I don't know on those particular sites that a full  
9 four million square will necessarily result. You  
10 know, I think that's the capacity, so there will be a  
11 percentage of that, presumably, that would be realized  
12 based on market demand, et cetera. But I know  
13 there'll be tremendous desire on the part of the real  
14 estate development community if we're granted this  
15 license and develop this project for those sites.  
16 They'll quickly become some of the most valuable  
17 properties in Philadelphia and I imagine get developed  
18 pretty sensationally, including like the Girard Trust  
19 property, for example, that's been undeveloped for so  
20 many years.

21 MR. MCNALLY:

22 One of the things that you pointed to as  
23 a success story was the percentage of growth that you  
24 have experienced at resorts when the rest of the  
25 market was declining. Without revealing any trade

1 secrets, how did you do it?

2 MR. ETESS:

3 Well, and there's a few things. When we  
4 went in to resorts as a manager we --- we went through  
5 and kind of implemented some of our training  
6 philosophies and our guest service philosophies. I'll  
7 say that the employees at the resorts are fantastic.  
8 It was more a matter of putting in methods for  
9 monitoring and keeping track of those stores and  
10 encouraging them. And really a lot of it has to do  
11 with the way you communicate with your employees.  
12 When we start talking to them, it had been managed  
13 differently than we had managed for a long time.

14 And I think we got a lot of business and  
15 development out of, you know, the employees performing  
16 better and how happy they were. We also, you know,  
17 went in and did significant renovations to the  
18 property. We identified what it needed and worked  
19 with the owner, Mr. Bailey (phonetic), to do that. It  
20 needed a food court. It needed to add some things  
21 onto it. We --- the whole casino floor was renovated.  
22 We had a whole Margaritaville complex. We added two  
23 new VIP lounges sensing that that would be an  
24 opportunity.

25 So, in general we went in. We

1 implemented our management style. More important, I  
2 think I'd find this as the very most important thing  
3 almost, is we began to market to our database. And we  
4 were able to market to the Mohegan Sun database of  
5 customers who go to Atlantic City. In fact, before we  
6 went in there, we did research. We did some research.  
7 We pulled our club members in New Jersey and the  
8 surrounding area and said do you go to Atlantic City,  
9 and yes. We said do you go to resorts? And they said  
10 no.

11                   We said okay. If you went to --- if you  
12 knew you could earn Mohegan Sun points by going to  
13 resorts, would you switch your trips? And we got a  
14 very high response rate to that. And we implemented  
15 that program, we've been driving revenue in that way.  
16 So, we implemented our database program. We  
17 implemented our marketing program. I think you could  
18 look, you see that we kind of refocused the marketing.  
19 We redid the product, redid the training. So, that's  
20 a little bit.

21                   MR. MCNALLY:

22                   If you look at this project, and it's  
23 been characterized as an urban entertainment project,  
24 could you point us to what you believe to be the most  
25 comparable up and running project in the region?

1                   MR. SOPER:

2                   Commissioner, I can answer it from  
3 Mohegan Sun's perspective, the operator, just because  
4 we've seen almost every casino. I really --- I say  
5 with great sincerity, I really don't believe there is  
6 a comparable. So, even when you hear the word city  
7 casino, you know, in all of those examples, they're  
8 very, very different than what we have here. And  
9 they're different for two reasons. One is the density  
10 of the right people right there within walking  
11 distance, within a taxi ride, especially walking  
12 distance. That doesn't exist anywhere else. Two,  
13 today before, you know, a shovel's in the ground 17  
14 feet, 17,000 people walk by this spot every single  
15 day.

16                   I mean, to put that in perspective. We  
17 have 10,000 people a day on average visit our Mohegan  
18 Sun and Pocono Downs property, after the casino was  
19 built. I've had 17,000 people that walk by that spot  
20 every day. There's no place like that. There's no  
21 casino location, you know, that's like that. For us,  
22 that's very powerful. I mean, it's certainly  
23 reflected empirically in the numbers but as an  
24 operator, you know, we know what drives business.  
25 That excites us a lot. And so because of that, there

1 really is no good comparable out there.

2 MR. ETESS:

3 The other thing is when you develop a  
4 property, you developed the gaming aspect of it. And  
5 then you developed surrounding amenities that  
6 complement your facility that you want to try to  
7 traffic. So, you might build convention facilities.  
8 You might build hotel towers and you would love to  
9 develop an attraction that would bring people in for  
10 --- for like a flower show or something like that.  
11 And the reality is I'm kind of looking at like --- we  
12 have so much of the actual, I don't know, for lack of  
13 a term, podium that you might call it at a regular  
14 casino where you have all these surrounding amenities  
15 already existing and people already coming.

16 I mean, you know, we --- you know, we go  
17 out of our way to create events at Pocono Downs and in  
18 Connecticut and its resorts as well that drive people  
19 --- the property whether it's the Oktoberfest or a  
20 wine fest or those kind of things. And those kind of  
21 things are really built right into this area. And it  
22 really is --- to have the gaming facility in the  
23 middle of such a concentrated population and, you  
24 know, sites is --- I don't really think there is a  
25 fair --- a real comparison. There's other casinos in

1 urban areas, other casinos in cities but nothing like  
2 this.

3 MR. MCNALLY:

4 So, this is new ground.

5 MR. SOPER:

6 Yes.

7 MR. ETESS:

8 Correct.

9 MR. MCNALLY:

10 And with that, like the gaming industry,  
11 comes risks.

12 MR. ETESS:

13 Well, I mean to some extent --- if it  
14 wasn't that, we know that a lot of these things in the  
15 region are proven drivers of gaming revenue. And, you  
16 know, conventions --- we have convention hotel. We  
17 have convention hotels in Connecticut because we want  
18 to drive revenue. We built a convention facility at  
19 Poconos because we know it helps revenue. Las Vegas  
20 has like, I don't know, three of the five biggest  
21 convention centers in the world --- or in the country  
22 right in Las Vegas and, you know, it drives revenue  
23 there. So, I don't know. I would say rather than  
24 risk, I think it provides a tremendous opportunity.

25 MR. SOPER:



1                   Yes. I would say that too. I need to  
2 clarify something. While it's a unique opportunity,  
3 certainly a powerful opportunity and something we  
4 haven't seen, it's by no means experimental, because  
5 at the end of the day what's driving these numbers are  
6 people that are here. And so, it's not an experiment  
7 to see if we can get people here coming from somewhere  
8 else. They're here. So, it's certainly not  
9 experimental, but this opportunity just doesn't exist  
10 anywhere else.

11                   MR. MCNALLY:

12                   That's all the questions I have at this  
13 time here.

14                   MR. WOODS:

15                   Thank you, Mr. Chairman. Just turning  
16 to your charitable program, I noticed in your  
17 presentation you mentioned there'd be a \$2 million  
18 minimum distribution per year. Could you just speak  
19 to the five-year projection of that based on your  
20 revenue projections that you've presented? A  
21 charitable contribution minimum of \$2 million but what  
22 is the possible upside of that over the first five  
23 years?

24                   ATTORNEY DOWNEY:

25                   Commissioner, I think given the current

1 projections, and it's interesting that you have the  
2 five-year mark, using --- let me put the financing  
3 package aside for a second because that's going to  
4 create a variable for us that we've got to address.  
5 But without taking amortization into account and just  
6 running it straight line, we would emerge in the fifth  
7 year out of the minimum and into the ten percent.

8           The practical reality though is that we  
9 anticipate that there would be, as there are typically  
10 in a commercial financing package along the lines of  
11 what we anticipate, there will be a sweep of some  
12 variety and an amortization. And in the early years  
13 it'll be a, to use Pete's word, a robust sweep or a  
14 robust amortization. To the extent that you want to  
15 pursue what that might look like a little bit, we can  
16 do that.

17           Ressa is prepared to talk to you about  
18 that if that --- if you choose to do so. But I think  
19 what we would anticipate is that at some point  
20 typically in the life of these projects, you'll see  
21 some type of financial refit, or recap, in the first,  
22 you know, year to two years of the project life. And  
23 in that context, there will likely be some opportunity  
24 to pull capital down and, again, restructure the debt  
25 that you would have in place initially. I think we'd

1 be --- bluntly, we'd be throwing a dart to try to  
2 anticipate what that might look like. But, again, if  
3 you want to get a sense of maybe a little more meat on  
4 the bones of what that amortization might look like,  
5 we can ask Ressa to testify to that affect.

6 MR. WOODS:

7 I appreciate the answer so far. Did ---  
8 Ken, did you want to make a comment?

9 MR. GOLDENBERG:

10 Just that we're excited. I know you ---  
11 if there is that cash sweep that Bill referred to,  
12 it'll probably, in some respects, accelerate the  
13 paydown of the --- a certain percentage of the debt.  
14 I mean, we're thinking probably in that five to ten-  
15 year horizon, we will exceed the \$2 million mark and,  
16 you know, move in to significantly bigger numbers.  
17 But it was --- the reason we made the \$2 million  
18 commitment coming right out of the gate as soon as we  
19 open the casino is because, as Bill says, there's, you  
20 know, questions as to when that ten percent would be  
21 realized based on the finances --- or as that over  
22 \$2 million would be realized based on finances.

23 MR. WOODS:

24 Thank you. Two of the areas in which  
25 you intend to apply those dollars are to the physical

1 improvements and economic improvements. Could you  
2 just speak to what type of security improvements along  
3 the corridor that you envision and who you might need  
4 to work with to accomplish those? I note, there's  
5 also comments of lighting and greening. Is this  
6 something within your total control or is it something  
7 that requires cooperation from the City and others?

8 MR. GOLDENBERG:

9 And so far as greening, landscaping,  
10 hardscaping, we've already engaged in certain  
11 activities. And we've had constructive interactions  
12 with the Center City district who does a certain  
13 amount of that activity currently. So, we'll be  
14 working with them sort of hand-in-hand using part of  
15 the resources here to embellish the sort of mutual  
16 efforts in the interest of beautifying, if you will,  
17 the corridor. As far as security is concerned,  
18 Mohegan, we have had numerous conversations about that  
19 because that's obviously, you know, the comfort and  
20 security of your customers is obviously at the  
21 forefront of your efforts.

22 So, we will be engaging to the extent  
23 necessary in a security effort onsite and along the  
24 corridor and extending to the extent that any offsite  
25 parking for example is utilized, needs to be utilized

1 in a comprehensive security program to make sure that  
2 all of the customers of this project feel completely  
3 safe and secure.

4 MR. ETESS:

5 But keep in mind that the --- those  
6 security that Mohegan --- the marketing security  
7 efforts are separate and distinct from any  
8 improvements that come out of the charitable  
9 contributions.

10 MR. WOODS:

11 Okay. Under economic improvement she  
12 talked about microfinancing. You're in the  
13 entertainment business and beyond. Who would you ---  
14 who do you envision running a microfinancing program  
15 and what kind of dollars would be associated with  
16 that?

17 MR. GOLDENBERG:

18 Well, as part of the Market East  
19 improvement zone --- actually, let me start  
20 differently. In Africa right now where People Helping  
21 People has certain robust programs and in the Ivory  
22 Coast and Kenya we have a microfinancing program where  
23 we make smaller loans available to capable people in  
24 the interest of giving them an opportunity to develop  
25 their independence and their wherewithal and

1 businesses. So, a piece of the Market East  
2 improvement zone, and one we're fairly excited about,  
3 is making capital outlays, if you will, to area  
4 businesses for the sake of improving facades or for  
5 the sake of helping them in different ways where they  
6 might not be able to do something to ramp up from a  
7 seven to a nine in their business efforts because they  
8 don't have access to capital. So, it's that. And,  
9 you know, we would be looking very carefully. I mean,  
10 the group of people responsible for the deployment of  
11 funds would be looking very carefully at these  
12 opportunities to make sure these were dollars that  
13 were well spent and were going to both help the  
14 business and help the corridor.

15 MR. WOODS:

16 I was just wondering who that the group  
17 you'd be looking to is?

18 ATTORNEY DOWNEY:

19 I was just going to say, Commissioner,  
20 let me speak to the structure for a second. What we  
21 would anticipate, and I think you heard Bill Miller  
22 testify, is that two Boards would be created for each  
23 of these initiatives, that the Boards would be  
24 comprised of certainly representatives of MEA, of your  
25 applicant. But they would be controlled by

1 representatives of the community that were not  
2 necessarily affiliated at all with the Applicant.  
3 Those Boards ultimately would be responsible for  
4 direct deployment.

5 MR. WOODS:

6 Thank you. In terms of the clientele,  
7 the gamers and others that'll be visiting your  
8 facility, what portion of your revenues do you expect  
9 from gaming and from nongaming?

10 MR. ETESS:

11 It's kind of an interesting answer. For  
12 as far as Market8, the vast majority of our revenues  
13 will be from gaming and not from gaming because we  
14 don't really have a tremendous amount of nongaming  
15 activities that we actually are owning. We'll be  
16 leasing out the restaurants, the club, the hotel. If  
17 you were to take all of the revenues on the  
18 facility ---

19 MR. WOODS:

20 That's what I'm asking.

21 MR. ETESS:

22 --- approximately 70 gaming and 30  
23 nongaming. But obviously from Market8 itself, it's  
24 gaming and then whatever lease streams are available  
25 from the leases.

1                   MR. WOODS:

2                   Any projection of the number of people  
3 coming who would use your facilities that are not  
4 gaming participants?

5                   MR. SOPER:

6                   You know, we certainly have experience  
7 in that. You know, generally a third will visit a  
8 property and not participate in gaming. This is such  
9 a different context, a whole new environment. It's  
10 hard to predict. We did, I would mention, include as  
11 part of the programming and design the ability to  
12 access the restaurants on Market Street. You know,  
13 again, programming that end program outdoor/indoor.  
14 You know, having that Center City café sidewalk feel  
15 and allowing that access directly from, you know,  
16 Market8's street rather than going through the casino  
17 itself into the restaurants. So, we believe there'll  
18 probably be even greater utilization of the nongaming  
19 amenities to --- as may be a little atypical than our  
20 current experience but, you know, we've certainly  
21 programmed to accommodate that.

22                   MR. WOODS:

23                   Turning to the revenues, we have  
24 five-year projections for each of the applicants. And  
25 Mr. Tyson, I know you used the word robust. Looking



1 at the three numbers you've provided, Market8 in year  
2 one, \$518 million. The Provence, \$458 million. And  
3 I'm not sure what the term you used, stadiums --- I  
4 don't know if that's a compilation of the three down  
5 in that area or one specific. I don't find that  
6 number in my projections. But it appears that you're  
7 \$518 million, you have a great deal of confidence in  
8 your operator, your location and your project. And I  
9 understand your excitement and belief that the  
10 revenues would be at that level. But looking at  
11 Provence in year five, they're still a \$1 million five  
12 short of the projection that you have for year one.  
13 And of any of the stadium projects in you year one,  
14 it's somewhere between I believe \$100 million or \$98  
15 million and about \$25 million short of those  
16 projections.

17                   Is there a very specific component of  
18 their analysis that you would point to on each of the  
19 other four applicants that are just missing the mark?  
20 And, in fact, when I look at year five going across  
21 the board, they don't make your year one projection  
22 for the other facilities. So, I was just hoping you  
23 could illuminate me specifically on the components of  
24 your analysis that drive your numbers?

25                   MR. TYSON:

1 I believe as I said earlier, there's no  
2 one single source but I think the single biggest group  
3 which favors Market8 is that group I referred to as  
4 the others or visitors. I think what we've got here  
5 is a rare opportunity and I'll echo what I heard from  
6 some of the Mohegan Sun folks. We've done work in  
7 Detroit. We've done work in Cleveland. We know what  
8 New York's all about. Sands Bethlehem in  
9 Pennsylvania, in Pittsburgh. We think there's really  
10 untapped potential. Frankly, the stadium area  
11 casinos, even with some of the good operators that are  
12 proposing down there, they won't have an opportunity  
13 to get this demand. We've got, as I said earlier,  
14 three-million occupied hotel rooms in Center City.  
15 Probably, I think 20 percent of the visitors to all  
16 the Philadelphia area have children with them.

17 So, a large majority of them are here  
18 either by themselves or as couples looking for  
19 something to do. Right now, they don't go to Parx  
20 with any great regularity. They don't go to Harrah's.  
21 Some go to SugarHouse because you can take a taxi to  
22 SugarHouse. That's a totally untapped market.  
23 Similarly, if you work downtown, like I do, it would  
24 be a real stretch for me to say well, after work I'm  
25 going to hop in a cab and go to SugarHouse. And

1 SugarHouse, to be --- to be very honest with them,  
2 right now they're operating at about half capacity in  
3 terms of what they intend to be and were intended to  
4 be in the early days.

5           They haven't finished their development  
6 yet. So, they've got one hand tied behind their back.  
7 We just think all the conventioners that come and ---  
8 probably a third of the conventioners touch this  
9 building. The other two-thirds don't even come to the  
10 convention center. You have conventions self-housed  
11 at the Marriott, the Courtyard, the Loews, the  
12 Sheraton in Center City. Those people are dying for  
13 something to do at the end of the night --- or at the  
14 end of the day, excuse me. And frankly, the last  
15 thing they typically want to do is hop in a taxi and  
16 go to a different part of town.

17           Combine that with the primary  
18 residential market. And remember, 30 percent of these  
19 people don't even have a car. If they're located  
20 along Market Street out into the West Philadelphia and  
21 even in the Upper Darby, Delaware County or up along  
22 the Broad Street spur into North Philadelphia and  
23 South Philly, unless they have a car, it's hard for  
24 them to get to any of the existing casinos. And  
25 there's no evidence to the contrary that these urban

1 populations do not have a gaming propensity similar to  
2 just about every other city in the country.

3           So, we see that as a totally untapped  
4 market that we think we are ideally positioned to  
5 capture. Provence less so, stadium area, very tough.  
6 Very tough to get people to go down there. Even if  
7 they take public transport, they have to schlep from  
8 the subway station all the way to one of these  
9 casinos. And trust me, if you go down to sporting  
10 events down there, it can be a schlep. Particularly  
11 if the weather's not particularly good. So, we just  
12 think --- again, the perfect storm exists at this  
13 location and we think we're going to see this untapped  
14 demand that now doesn't go to the ring casinos or even  
15 in great numbers to SugarHouse. We'll get them.

16           MR. WOODS:

17           If I take a look at the chart that you  
18 had gross revenues, visitor and commuter total. I  
19 believe the stack on top of that in 2016 dollars is  
20 \$83 million; is that correct?

21           MR. TYSON:

22           That's correct.

23           MR. WOODS:

24           Would that be approximately the same  
25 percentage that we would apply to others for the other

1 four applicants?

2 MR. TYSON:

3 In other words, you want to apply that  
4 \$83 million percentage to our total win to the other  
5 properties?

6 MR. WOODS:

7 I'm just trying to come up with, again,  
8 the amount of dollars that you're, you know, putting  
9 into the visitor and commuter, the other category, and  
10 seeing why their numbers are so much less than ---

11 MR. TYSON:

12 Yes.

13 MR. WOODS:

14 --- what you had projected. So,  
15 percentage-wise is that approximately --- is that an  
16 appropriate activity to undertake?

17 MR. TYSON:

18 Let me see if I understand. For  
19 instance, Market8, I have \$83 million. And again,  
20 we're talking about dollars in first year of opening  
21 in 2016. That compares to a \$518 million total win.  
22 So, that would be --- I'm going to guess 15 percent of  
23 the total win. The same time Provence we project \$41  
24 million in total visitor win which is about 10 percent  
25 of their total win. Again, reflecting our location

1 versus them. Finally, in the stadium area, we have  
2 \$8 million in visitor win which is 2 percent. So,  
3 that's the kind of magnitude and the delta that we see  
4 in terms of locational advantages, particularly  
5 vis-à-vis transportation systems that we can expect to  
6 get at the Market Street location.

7 MR. WOODS:

8 Thank you. Turning to your chart,  
9 potential market-wide win; you have a total market  
10 demand I believe of \$1.92 billion. Of that,  
11 approximately \$116 million is untapped demand. What  
12 is the current total market demand without Market8  
13 currently in, I don't care, 2013 dollars?

14 MR. TYSON:

15 I think 2013, if memory serves, I  
16 believe the total market win amongst the existing  
17 casinos was \$1.17 billion; if that was your question.

18 MR. WOODS:

19 That is the question. So, Market8, in  
20 three years you project \$518 million will come from  
21 Market8 and the market will have grown to  
22 \$1.92 billion. So, roughly \$8 and a half billion ---  
23 or \$850 million increase; is that correct?

24 MR. TYSON:

25 As I --- the chart I'm looking at, I

1 have market-wide win at \$1.76 billion with Market8  
2 thrown in there in 2016.

3 MR. WOODS:

4 I was asking for the entire market  
5 demand. So, you've subtracted out the untapped  
6 demand; correct, of \$160 million to come ---?

7 MR. TYSON:

8 I see. You mean, I --- I apologize.  
9 You mean, what's the potential market?

10 MR. WOODS:

11 Yes.

12 MR. TYSON:

13 Yes, \$1.92 ---.

14 MR. WOODS:

15 So, it's over \$800 million dollars in  
16 gross in the three years from 2013 to 2016?

17 MR. TYSON:

18 Yes, from --- consisting of sort of  
19 natural growth in the market which hopefully will  
20 begin to return again. Number two, Market8 in our  
21 case and, number three, you know, the expanded  
22 SugarHouse facility that --- to get it with more  
23 restaurants, more gaming space. Have it turn out to  
24 be like it was supposed to be from the beginning.

25 MR. WOODS:

1           The term of cannibalization is used  
2 often and on your 2016 dollars chart here of total  
3 market demand, \$1.24 billion goes to four other  
4 facilities that are located in the southeast and \$518  
5 million. What part of your revenue at Market8 would  
6 come from cannibalization versus new growth?

7           MR. TYSON:

8           We project that 22 percent of our win  
9 will be cannibalizing from other facilities, almost  
10 all of that from SugarHouse. And the remainder --- or  
11 what we would call incremental win would be about 78  
12 percent which just about agrees precisely with what  
13 Provence estimated yesterday. I think it's 77  
14 percent.

15           MR. WOODS:

16           Okay. Mr. Chairman, thank you.

17           CHAIRMAN:

18           Ann Marie?

19           MS. KAISER:

20           I'll be brief. First, thank you very  
21 much for this chart that nicely sets out where the  
22 access points are because I was going to ask that  
23 question. But it's very clear on what you provided,  
24 so thank you for that. Just real quickly, do you  
25 believe online gaming, and I've been asking this of



1 all the applicants, will have any impact on your  
2 ability to get patrons in from New Jersey?

3 MR. SOPER:

4 You know, obviously online gaming's new  
5 and, you know, not the most robust start. But we feel  
6 pretty confident that there's not going to be any  
7 material impact.

8 MR. ETESS:

9 And my --- this is my personal opinion  
10 relative to the subject. You know, it's a really  
11 different experience, online gaming versus coming to  
12 the casino. And, you know, I think the vast majority  
13 of people that come to the casino, they want the  
14 entertainment experience, the interaction that isn't  
15 the same thing as you get sitting at home. So, I'm of  
16 the opinion. You know, it's so early to see what the  
17 results are in New Jersey. Time will tell, but we  
18 don't look at it as a true competition.

19 MS. KAISER:

20 What do you think will be the biggest  
21 challenges or obstacles for you in having a successful  
22 gaming operation if you were granted this license at  
23 this location?

24 MR. SOPER:

25 We obviously, as mentioned earlier, feel

1 really good about the location simply because of, you  
2 know, the population and, you know, the surrounding  
3 amenities. I think, you know, probably the biggest  
4 challenge is there's a ramp-up period of forming those  
5 relationships all around us with our loyalty program  
6 because it's new, educating these, you know,  
7 proprietors and businesses which we had to do in, you  
8 know, our other locations. Whether it's leasing a  
9 spot on property or creating that partnership offsite.  
10 And that's always a challenge.

11 I think we have a lot more experience  
12 under our belt now and so we --- I think we can  
13 efficiently do that. But, you know, this is --- this  
14 is a property that's transformative. It is --- it  
15 incorporates the community. And because it  
16 incorporates the community, there's more legwork  
17 associated with developing those relationships. And  
18 frankly that's going to be a challenge, but we  
19 certainly feel up to that challenge.

20 MS. KAISER:

21 And you also have a hotel as part of  
22 your project. Do you foresee partnering with other  
23 area hotels for overflow? You know, if you have more  
24 patrons than your hotel can accommodate?

25 MR. SOPER:

1                   Yes. No, absolutely. Certainly our  
2 design and programming contemplates that. Our  
3 discussions with hotel operators, you know, certainly  
4 considers that and there's an appreciation for that.  
5 And of course, again, we have experience with that.  
6 You know, in both Connecticut and Pennsylvania, we  
7 have relationships. In fact, certainly speaking for  
8 Connecticut, we have a large call center and they will  
9 actually, you know, either reference or in some cases  
10 we have an actual direct, you know, reservation system  
11 with the local Hyatt Hotel so that we can even, you  
12 know, monitor their occupancy and availability and  
13 then --- and push people over there. So, we certainly  
14 have experience in that and this --- in this case,  
15 it's probably going to even be more dramatic.

16                   MR. ETESS:

17                   And one of the reasons we're so excited  
18 about the project and support the projections is the  
19 vast number of hotel rooms right in our immediate  
20 area. And also, Hersha has other hotels that we'll  
21 also be able to probably incorporate into our plans.

22                   MS. KAISER:

23                   Thank you, Mr. Chairman.

24                   CHAIRMAN:

25                   Tony?

1                   MR. MOSCATO:

2                   Thank you, Mr. Chairman. Thank you for  
3 your presentation. Just a few questions. We've  
4 talked a lot about market saturation as far as casinos  
5 go. But you've testified that within a half mile  
6 there are 4,400 hotel rooms. Do you feel that there's  
7 a certain market saturation of hotel rooms?

8                   MR. TYSON:

9                   That's an interesting question. I  
10 didn't come prepared with stacks of numbers, to your  
11 relief I'm sure. Right now Center City, Philadelphia  
12 has approximately 11,100 available rooms every day.  
13 They're occupied at 72.3 percent, I think, for the  
14 passed year. There are no hotels under construction  
15 in the City of Philadelphia at this moment. There's  
16 one hotel going to expand by 48 rooms. The Convention  
17 Bureau, it's the chicken and the egg. The Convention  
18 Bureau would love to see more hotel rooms to help  
19 support this convention center that we're sitting in.  
20 They feel that's one of the problems. They could use  
21 another convention hotel.

22                   I think the existing hotels, if you were  
23 to put a 168-room hotel in some other part of the city  
24 that would be what I would call an ankle biter and eat  
25 away at the business of the other hotels, they'd

1 probably not look upon it with great favor. But 168  
2 rooms is relatively immaterial. But if you put it  
3 here as part of a project, that sort of raises the  
4 tide and adds another major attraction to the city, I  
5 don't think you'd find one hotel here in the city  
6 who'd object to it. So, it certainly can be absorbed  
7 without a material impact on occupancy or average  
8 rate.

9 MR. SOPER:

10 Yes, and I would just add, we could  
11 easily designed a 500-room hotel and fill that hotel  
12 up every day or certainly weekends, inhabit it. It's  
13 a pretty strong occupancy rate. But, as Peter  
14 mentioned, you know, that's not what this project's  
15 about. I will say this as well.

16 And again, this is our experience both  
17 in opening hotels in Connecticut, a 1,200-room hotel,  
18 a pretty significant supply, as well as recently, you  
19 know, in Wilkes-Barre. In the case of casino hotels,  
20 it generally creates more demand in the market so that  
21 when we opened up Connecticut one, two, three more  
22 hotels popped up after us simply because we --- they  
23 saw a demand increase, in large part because of  
24 overflow. You know, simply when, you know, on Friday,  
25 Saturday night we're 100 percent occupant and ---

1 occupied. And so, you know, they want to still stay  
2 overnight.

3 So, generally casino hotels generate  
4 greater demand for not only the casino in the casino  
5 hotel but for all the surrounding hotels. And that's  
6 --- you know, at least in the cases of where we've  
7 built hotels, that's been our history.

8 MR. MOSCATO:

9 Okay. Thank you. I think I've heard  
10 two members from Mr. Etes. One was a five-million  
11 customer base. And did I --- and then did I hear  
12 one-million active customer base?

13 MR. SOPER:

14 Uh-huh (yes).

15 MR. MOSCATO:

16 Okay. I got that correct. What's the  
17 average salary of a Mohegan Sun casino employee?

18 MR. ETESS:

19 The average salary at Market8, it's ---  
20 including benefits and tips it's approximately \$55,000  
21 a year. If you --- without the tip, the average is  
22 just under \$39,000 and then if you don't include the  
23 benefits, it's just about \$28,000.

24 MR. MOSCATO:

25 Okay. Thank you. With regard to

1 parking --- and apparently that's something we're  
2 always going to be talking about. Of all the  
3 properties that you're able to utilize, is --- one, do  
4 you have agreements with them that you can use those  
5 spaces? And two, what's the total number?

6 DR. CHANCE:

7 As you noticed everyone likes to talk  
8 about parking, but I guess I get this one. Within  
9 about five minutes of the Market East location, there  
10 are typically over 3,400 vacant spaces in the period  
11 that is the peak time for the casino. So, those are  
12 the spaces that would be most likely to be valet, too,  
13 because of their close proximity to Market8 which just  
14 makes a speedier process for everyone. But there are  
15 literally thousands of vacant spaces in the casino  
16 peak time.

17 MR. MOSCATO:

18 And Market8 knows that they can use  
19 them. There's no ---

20 DR. CHANCE:

21 Yes.

22 MR. MOSCATO:

23 --- question as to the availability?

24 DR. CHANCE:

25 But they have agreements to be able to

1 use those vacant spaces when they're available.

2 MR. MOSCATO:

3 Okay. Dr. Chance, as long as you're  
4 there, ---

5 DR. CHANCE:

6 Okay.

7 MR. MOSCATO:

8 --- something curious to me here. One  
9 instance you said that you could have 1,000 valet  
10 spots or 752 self-park spots.

11 DR. CHANCE:

12 Yes.

13 MR. MOSCATO:

14 That's quite a difference.

15 DR. CHANCE:

16 Yes.

17 MR. MOSCATO:

18 What explains the almost 250 car slots?

19 DR. CHANCE:

20 When individuals are parking their own  
21 vehicles, they have to have room to park, leave their  
22 car and go on up to the casino. When valets are  
23 parking the cars, they can stack the cars. They have  
24 the keys. They can arrange the cars in the space  
25 differently. And so they can, in the business we



1 would say, pack them in, as opposed to what you would  
2 do driving your own car there.

3 MR. MOSCATO:

4 I've got you. And I'm somewhat frugal,  
5 so I always self-park. But it's not a result that I  
6 might --- if I valet park, my doors wouldn't get  
7 dinged? They don't stack them in that close that ---?

8 DR. CHANCE:

9 No. They typically are very careful  
10 about those issues because ---.

11 MR. MOSCATO:

12 Do you self-park or valet?

13 DR. CHANCE:

14 I have to tell you the truth, I  
15 self-park.

16 MR. MOSCATO:

17 Very good. Okay. Thank you very much.

18 DR. CHANCE:

19 You're welcome.

20 MR. MOSCATO:

21 And my last question pertains to the  
22 People Helping People. And I certainly applaud your  
23 altruistic efforts. I think that it's incumbent upon  
24 everybody that has the ability to give to those that  
25 are less fortunate. And you've mentioned that you

1 have endeavors in Africa, I believe. Of the money  
2 that is flowing from the casino into these  
3 foundations, what percentage of that would be spent  
4 locally? And I think back to, you know, what my  
5 grandmother used to say to me about charity begins at  
6 home. So, would a hundred percent of the casino money  
7 flowing in be spent locally or 50 or ---?

8 MR. GOLDBENBERG:

9 Yes. A hundred percent of the dollars  
10 from the casino project will be spent locally ---

11 MR. MOSCATO:

12 Okay.

13 MR. GOLDENBERG:

14 --- to benefit communities that will be  
15 impacted by the casino.

16 MR. MOSCATO:

17 Very good. And I guess my last thing, I  
18 appreciate the model. When I heard that you were  
19 bringing in a big model, that's not exactly what I was  
20 picturing in my mind. I do appreciate it. Thank you,  
21 Mr. Chairman.

22 CHAIRMAN:

23 Greg?

24 MR. FAJT:

25 Thank you, Bill. Mr. Tyson, what is ---

1 we're talking about 2,400 slot machines; right?

2 MR. TYSON:

3 Yes, sir.

4 MR. FAJT:

5 Okay. And what is the average win per  
6 day that you have factored into your revenue numbers?

7 MR. TYSON:

8 I believe it's \$382 in today's dollars,  
9 in '12 dollars.

10 MR. FAJT:

11 And \$382, that's in year one? That's  
12 how you've come up with your beginning numbers?

13 MR. TYSON:

14 Well, the number is correct, sir. But I  
15 want to make it clear that that was not a derivative  
16 number. We didn't take 2,400 and multiply it times  
17 \$382 to get to our win number. The way we approach  
18 these numbers, we look at the demand side and we  
19 estimate what the slot win potential is for this  
20 property in total. And then as a second double-check,  
21 we divide by the number of slots that are planned for  
22 the facility to come up with that \$382 number.

23 MR. FAJT:

24 Do you have any idea what the win per  
25 slot per day on average is in Pennsylvania as of 2013?

1                   MR. TYSON:

2                   Give me just one second here. I'm sure  
3 it's in the 200s somewhere but ---.

4                   MR. FAJT:

5                   Yes. Well, ---.

6                   MR. TYSON:

7                   Yes. Yes, I think for --- I'm not  
8 exactly sure. I think this is calendar '12 because I  
9 did my numbers in early '13 and used '12 numbers. I  
10 think Parx was \$304, SugarHouse was \$324, Sands  
11 Bethlehem \$264, Mohegan Sun \$272 and Harrah's \$251.

12                   MR. FAJT:

13                   It's --- it's about \$265 win per slot  
14 per day for Pennsylvania on average. And so, you are  
15 anticipating for this casino, basically out of the  
16 gates, a 30-percent increase above what the average is  
17 right now. And we have a very mature market in  
18 Pennsylvania and, you know, the folks at Mohegan Sun  
19 know this better than anybody. It takes a while to  
20 ramp up. And so, I have some healthy skepticism about  
21 your number of \$382 a day. And I see Mr. Soper  
22 chomping at the bit to weigh in, so please do.

23                   MR. TYSON:

24                   Let me just say before the expert, the  
25 real expert, takes the floor. We looked at the

1 numbers and we looked at that and said boy, that's a  
2 healthy win per unit. We looked around at other  
3 jurisdictions around the country. There are ones ---  
4 none are in urban areas. They're out in the suburban  
5 areas. And they're ones in Indiana that are doing  
6 \$790 a unit. There are plenty of others that do in  
7 the high 4s, low 5s.

8                   So, we felt okay, it's high but we ---  
9 one important thing to remember here is that --- and  
10 this was an important contribution of Mohegan Sun.  
11 They right-sized the casino. And when I say  
12 right-sized, if you notice on all the applicants here  
13 everybody except one says we'll put in somewhere  
14 between 2,000 and 2,400 slots. One says 3,300. That  
15 immediately --- as a casino consultant I looked at  
16 that and I said well, boy, what are they --- what do  
17 they see in the market that I don't see that --- where  
18 they're going to support 3,300 slots in a location  
19 that's sort of not at the bullseye? I don't have an  
20 answer to that.

21                   But the minute, you know, you add that  
22 many slots, it's going to dilute your win per unit. I  
23 think what I would like Mohegan Sun to address is how  
24 they work to balance the number of units in a  
25 particular property to optimize win per unit as we do

1 with the size of a hotel. How many hotel rooms do you  
2 build? If you build 300 and there's only demand for  
3 150, you're not going to get good utilization. So,  
4 you only want to build 200 rooms. They go through the  
5 same exercise with the casino that allows them to  
6 increase utilization to the point where I feel  
7 comfortable with it.

8 MR. SOPER:

9 So, very good question, Commissioner.  
10 First and foremost from our perspective, when we look  
11 at the numbers and how realistic they are and how  
12 achievable they are, it's really about volumes. It's  
13 a --- it's really about gross gaming revenue. Can we  
14 generate the volumes and can we generate that revenue  
15 based on the demographics and, you know, based on all  
16 those factors?

17 For the purposes of win per unit as a  
18 metric, win per unit is important in the sense that do  
19 we have enough slot units? Do we have enough gaming  
20 positions on the floor to accommodate that volume that  
21 we just talked about? That volume that we believe is  
22 going to happen here, what's forecast? So, one, the  
23 question do we think the number are realistic? Can we  
24 achieve them?

25 And the answer is with confidence, yes.

1 And the reason simply is --- and while the  
2 Pennsylvania market is mature, again, going back to  
3 what we talked about before, this spot is uniquely  
4 located. You know, from a population density  
5 standpoint and from the visitor counts where you see  
6 nowhere else.

7                   And then the second question is, is  
8 2,400 slot machines and 80 tables --- 80 table games  
9 enough to accommodate these volumes? Well, what we  
10 like to look at is utilization itself. So, at any  
11 given time do we have enough units, gaming positions  
12 on the floor to accommodate those peak moments where  
13 you have the most people in your casino? Generally,  
14 when you look at, frankly, any property, certainly,  
15 you know, we have specific experience with our own  
16 three properties, the highest utilization typically is  
17 75 to 80 percent.

18                   So, you know, on a busy Saturday night,  
19 you know, you've got 75 percent of your slot units  
20 going on at one time. We think that's fair and at  
21 least it --- it's a utilization percentage that  
22 prevents lines and still provides enough choice such  
23 that it won't again deter visitation. It won't deter  
24 a guest from coming.

25                   When you look at this project, you look

1 at our volumes and you look at those gaming positions,  
2 we do not believe we are to have any issue with those  
3 utilization percentages. Such that we will have  
4 enough slot machines even during peak times --- and  
5 table game positions even during peak times to  
6 accommodate that. And just, you know, as a point of  
7 comparison, you know, in Connecticut we went four or  
8 five years with win per unit numbers much higher than  
9 that, well into the 400s.

10 Mohegan Sun at Pocono Downs, our very  
11 first month of operation we did \$600 win per unit.  
12 And end of the year in the 400 --- in the strong 400  
13 win per unit. So, I --- you know, the real question  
14 is, you know, can we generate this revenue? I think  
15 that --- I think we have the supply slots, the  
16 inventory on the property to accommodate it. And  
17 again, you know, we looked at it and we feel that  
18 we're going to be able to make those numbers.

19 MR. FAJT:

20 Do you have any concern about the  
21 parking charge being an inhibitor to, you know, those  
22 revenue numbers? I am, you know, somewhat skeptical,  
23 you know, when you're talking about charging patrons.  
24 And I understand, you know, your platinum members  
25 won't have to pay. But, you know, to Commissioner



1 McCall's comment earlier about charging patrons, it,  
2 in my mind, could be similar to what Valley Forge and  
3 Nemacolin out in western Pennsylvania are going  
4 through where there is a barrier to entry, so to  
5 speak. And look, you know your customer better than  
6 we do, quite frankly, but gamblers don't like to have  
7 to pay to get into a casino. And a parking charge, in  
8 my mind, will be a barrier to entry. And so, I'm sure  
9 you have an answer, but I am skeptical about that  
10 issue.

11 MR. SOPER:

12 Yes. I think, Commissioner, that's a  
13 fair comment and it --- anytime you create a barrier  
14 of entry, that's a concern. I will say this, though,  
15 our gamers are not going to be charged for parking.  
16 If you're a gamer that you --- we want there, you're  
17 not going to be charged for parking. We're going to  
18 find a way to ensure that you don't. And let me put a  
19 little perspective to this. Twenty (20) percent of  
20 our customers drive 80 percent of our revenue. I can  
21 tell you now those 20 percent aren't paying for  
22 parking, you know.

23 Those are the ones that usually hold the  
24 cards. For those other 20 percent of revenue --- or  
25 for those other customers that drive the other 20

1 percent of revenue, again, it's not a perfect science.  
2 There's a little art behind it. You know, in figuring  
3 out what the threshold is, what qualifies a customer  
4 to be exempt from the parking fee. But we feel pretty  
5 strong that the overwhelming majority of the case is  
6 for those customers, we can seamlessly allow them to  
7 park on a complementary basis. And simply, just  
8 because we do have that experience in Atlantic City.

9 MR. ETESS:

10 The other thing is if --- I certainly  
11 understand your concern. But it isn't exactly the  
12 same experience as paying to get in. And also the  
13 non-core gamers who we --- you know, who we are so  
14 robust on coming to this facility who go downtown, I  
15 mean, they're used to paying for parking at high  
16 rates. So, we --- you know, we're --- we feel that we  
17 --- with the technology available and our marketing  
18 ability, we will be able to deal with the casino  
19 customers. And it isn't really the turn for the non-  
20 core customer.

21 MR. SOPER:

22 Yes. And, you know, to Mitchel's point  
23 because I do think this is important. Why is it  
24 different than the entry fee at Category 3 Casino?  
25 Why is it a different barrier of entry? It's fairly

1 simple. Because here we don't have to charge for  
2 parking and we won't for those that we want in the  
3 doors. There you have to charge. And that's the  
4 fundamental difference between the two.

5 MR. FAJT:

6 Let's stay on parking. And Dr. Chance,  
7 you know, maybe, you know, I may have some questions  
8 for you. But we had talked about yesterday kind of a  
9 formula for number of parking spaces. And it was  
10 basically one spot for every gaming unit in a casino  
11 plus one half for the number of employees. So, if I  
12 do the math for you folks, that's 2,400 slots give or  
13 take, 100 table games. That's 2,500 spots. Work  
14 force of give or take 1,600, so that's another 800.  
15 3,300, 2,500 plus 800, 3,300 spots would be necessary.

16 When I look at, you know, the proposal  
17 that was presented to us for parking spaces, it's  
18 nowhere near that number. And obviously you have work  
19 --- a workforce who has to get in and out of your  
20 facility. So, can you address, you know, what I see  
21 as a lack of adequate parking?

22 MR. SOPER:

23 You know, let me take a stab and I'll  
24 leave it to the experts here just because we clearly,  
25 you know, as operators, have to feel comfortable one,

1 that we can get our patrons in and two, certainly our  
2 team members that need to come in. So, starting first  
3 with the employees. You know, again, Mitch and I are  
4 probably the only partners that weren't born and  
5 raised in Philadelphia. So, we've had to learn this.  
6 And it is somewhat for us eye-opening.

7                   In Philadelphia --- and I'll give you  
8 one good example. The Center City district issued a  
9 report based upon their interaction with the residents  
10 of Center City in the area, to find out how many  
11 actually commuted to work via car. What they found is  
12 about 75 to 80 percent don't. So, literally in their  
13 case, you know, one --- only one out of five work ---  
14 go to their place of employment via car. Okay?

15                   You know, which is --- again, hard for  
16 someone who didn't live in a city like this but that's  
17 just the way it is. And just another sort of  
18 anecdotal, you know, Comcast Center, the new Comcast  
19 Center that's going to be built that, you know, was  
20 just announced recently, 4,000 employees, a million  
21 square feet, they're building 80 parking spaces total.  
22 Again, there's an expectation that in this area ---  
23 that your mode of transportation --- and we'll  
24 incentives our own team members. But there's an  
25 expectation that you're going to go to work, whether

1 it's via public transportation or some other way but  
2 not by car.

3                   That being said, you know, as operators,  
4 we don't know exactly what's going to happen so we  
5 want to be prepared in all cases to ensure that's  
6 there plenty of parking for both our patrons and  
7 guests. And Barbara, if you want to, you know, to  
8 talk a little bit about that.

9                   DR. CHANCE:

10                   Let me just say a couple more things in  
11 terms of employee parking.

12                   CHAIRMAN:

13                   Speak up a little bit. Speak up if you  
14 can, ma'am.

15                   DR. CHANCE:

16                   Sorry.

17                   CHAIRMAN:

18                   Thank you.

19                   DR. CHANCE:

20                   Let me say a couple more things in terms  
21 of employee parking. There is the anticipation and  
22 there will be the encouragement of people --- to  
23 employees to come by public transportation. And here  
24 in this region we have the Ride Eco Program which  
25 allows employees to receive tax --- pre-tax dollars to

1 be used for paying for their public transportation  
2 passes. And it also reduces the FICA for the  
3 employers. So, it's a benefit that works for both  
4 employers and employees to lower the cost of public  
5 transportation.

6           But we also thought about the fact that  
7 there are going to be some people who are working in  
8 that late-night shift. And public transportation, all  
9 of the lines don't go in the middle of the night. And  
10 so there is a parking facility which Market East  
11 Associates has access to which is between 8th and 9th  
12 Street, just south of Vine Street, that's going to be  
13 a possibility for employee parking with a shuttle and  
14 security for those people that cannot use public  
15 transportation for the shift that they're coming on.  
16 And there will be some of those folks.

17           I think one other thing to think about  
18 is Bobby mentioned the Comcast Center. And it's  
19 actually the existing Comcast Center that has over a  
20 million square feet and about 4,000 employees and 85  
21 parking spaces underneath it. And one of the reasons  
22 it's that way is because it sits right above suburban  
23 station, a real mode for public transportation in  
24 Philadelphia. Market8 is going to be sitting directly  
25 across the street from the second largest public

1 transportation node that's in the Market East station.  
2 So, there's a great deal of analogy between what  
3 Comcast has already done and what we're talking about  
4 doing at Market8. Back to the parking for the  
5 customers. Do you want to talk some about that?

6 MR. FAJT:

7 Yes.

8 DR. CHANCE:

9 Okay. You had mentioned the ratios that  
10 were brought up yesterday. They had one per gaming  
11 seat and also one per every two employees. I think  
12 we've sort of covered the employee end of things  
13 because there will be incentives for them not to  
14 drive. In terms of the other kind of ratio, if we're  
15 looking at so many of the customers not coming by car  
16 to the casino, the folks who already live here, the  
17 folks who are downtown already because they've come to  
18 downtown to work and they're already here. They'll  
19 stop by the casino at the end of the day, maybe go to  
20 the restaurant, whatever. We don't feel that we have  
21 the same parking demand ratios at all that you have in  
22 locations that only have parking because the only way  
23 to get there is to drive. So, that ratio doesn't  
24 really fit for a Center City location where there are  
25 already people here, already people who can walk here,

1 employees that are already downtown for the day and  
2 then folks who can ride public transportation.

3 MR. FAJT:

4 Thank you.

5 DR. CHANCE:

6 Okay.

7 MR. FAJT:

8 Mr. Goldenberg, can you confirm publicly  
9 that this is going to be a one phase only construction  
10 facility and that it will not be done in any more than  
11 one phase?

12 MR. GOLDENBERG:

13 Yeah, absolutely. That's --- it will  
14 all be a single integrated development with a single  
15 construction contract, single developer, construction  
16 manager, et cetera.

17 MR. FAJT:

18 Thank you. Mr. Etes, back to your  
19 comment about the average salary. I think I heard you  
20 say the average salary including benefits of your  
21 anticipated employees is about \$55,000; is that  
22 correct?

23 MR. ETESS:

24 Including benefits and gratuities.

25 MR. FAJT:



1 Yes. And then you mentioned a \$28,000  
2 number, and I'm not sure I understood what that was.

3 MR. ETESS:

4 That's if you don't include the benefits  
5 and there's no tips associated with that.

6 MR. FAJT:

7 I'm sorry?

8 MR. ETESS:

9 Pure wages. There's no benefits  
10 included and you're not allocating anything for  
11 tipping.

12 MR. FAJT:

13 Okay. And one last question for our BIE  
14 folks. Are you comfortable with the equity partners  
15 committed contributions of \$125 million initially and  
16 the additional \$50 million that we heard as a --- as a  
17 backup equity component if needed. Are you  
18 comfortable that they're able to make those  
19 contributions?

20 MR. MILLER:

21 Yes. Each principal, the Management  
22 Company and the hotel operator, they've all  
23 illustrated the wherewithal to fund those commitments.  
24 Additionally, as with any applicant that's awarded a  
25 license, we'll be seeking to have been segregate that

1 funding after the Board awards a license. So, we'll  
2 be moving in that direction to ensure that the funding  
3 sources are segregated and available for use when the  
4 time comes.

5 MR. FAJT:

6 Thank you. Thank you, Mr. Chairman.

7 CHAIRMAN:

8 Very quickly, Mr. Goldberg. Can you  
9 give an approximate number for the residential  
10 population of the Chinatown area in the city?

11 MR. GOLDENBERG:

12 Yeah. I think --- I think it's ---  
13 actually the residential population is surprisingly  
14 small, at least on the books. It's like 3,500 to ---  
15 right, 5,000 people.

16 CHAIRMAN:

17 Okay. And lastly, sir, can you state  
18 what you think is the most significant difference  
19 between your project and The Provence.

20 MR. GOLDENBERG:

21 We're in the middle of what I described  
22 as probably the most concentrated corridor of  
23 convention center on the one hand, historic sites on  
24 the second hand, if you had a third hand, retail  
25 shops, restaurants, et cetera in the city and the

1 state. And The Provence location on the other hand,  
2 is in North Philadelphia. And if anything, it's  
3 probably --- if people were sort of characterizing it,  
4 I would say it's more in the middle of schools and  
5 churches and synagogues and administrative buildings.  
6 The school district building's abutting it actually.

7           So, I think they --- if you know  
8 Philadelphia as a citizen or as a real estate  
9 developer, you see them as completely --- the  
10 character of those two zones is completely different.  
11 In fact, someone approached us recently and wanted to  
12 consider a joint venture on the development of the  
13 building that we were very attracted to and it's only  
14 a few blocks from Provence. And part of the program  
15 was actually moving two high schools to the adjoining  
16 area.

17           So, even the real estate community sees  
18 that zone as residential schools and churches and I'd  
19 say complementary retail whereas this zone, all of our  
20 --- I mean, like Wash West, for example, is  
21 unanimously in support of this. Not only because of  
22 the benefits that will endure to their community, but  
23 also they're dying, like we are, to see this corridor  
24 vitalized the way a project like this could vitalize  
25 it. Old city, same thing, you know, endorse this

1 project. I described Chinatown, Society Hill. I  
2 mean, everyone is --- everyone who understands  
3 Philadelphia and its dynamics and how it works would  
4 see those two locations as very, very different. And  
5 the opportunities for a project like this in those  
6 locations is very different. No one's going to walk  
7 from Center City, or certainly very few, all the way  
8 up to North Broad Street to go to a project like that,  
9 whereas here, as it was pointed out earlier, you've  
10 already got 17,500 people there now. You're a ---  
11 you're in the middle of 200,000 residents and you're  
12 in the middle of all these office towers.

13                   You can go underground from our site to  
14 the skyscrapers of West Philadelphia. I mean, the  
15 whole Center City district above ground, even  
16 underground to a certain extent, is inner connected.  
17 It runs east-west. It doesn't run north-south. But,  
18 you know, you really --- so if you're a citizen here  
19 and you're a real estate developer here, you're well  
20 aware, you know, of that dynamic. I'm trying to think  
21 of what else. That's the end of my answer.

22                   CHAIRMAN:

23                   Thank you, sir.

24                   MR. GOLDENBERG:

25                   You're welcome.

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CHAIRMAN:

Cyrus, does OEC --- any questions?

ATTORNEY PITRE:

No, we have no questions.

CHAIRMAN:

All right. At this time then I will ask the Director of Licensing and the Chief Enforcement Counsel to address the Board regarding the Bureau's review of the application.

ATTORNEY PITRE:

Yes. We'd like to call Mr. Hanney to discuss the traffic impacts that he reviewed.

CHAIRMAN:

That's fine.

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FRANCIS HANNEY, HAVING BEEN PREVIOUSLY SWORN,  
TESTIFIED AS FOLLOWS:

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DIRECT EXAMINATION

BY ATTORNEY MANIFESTO:

Q. Mr. Hanney, please state your full name and spell your last name for the record.

A. Good morning --- or actually good afternoon.

Thank you. My name is Francis Hanney and the last name is spelled H-A-N-N-E-Y.

1 ATTORNEY MANIFESTO:

2 Now, that we've established who you are,  
3 I am Beth Manifesto here on behalf of the OEC, spelled  
4 M-A-N-I-F-E-S-T-O.

5 CHAIRMAN:

6 Beth, keep your voice. Or that's ---  
7 you might want to pull that --- this is a huge room.

8 ATTORNEY MANIFESTO:

9 Is that better?

10 CHAIRMAN:

11 That's better.

12 ATTORNEY MANIFESTO:

13 Okay.

14 CHAIRMAN:

15 Thank you very much.

16 BY ATTORNEY MANIFESTO:

17 Q. Mr. Hanney, can you tell the Board how you are  
18 employed?

19 A. Yes. I'm employed at the Pennsylvania Department  
20 of Transportation Engineering, District 6 headquarters  
21 in Kind of Prussia.

22 Q. And how long have you been employed with PennDOT?

23 A. I've been employed with PennDOT for 17 years.  
24 The last ten as traffic services manager and the  
25 previous seven as district permit manager. Both

1 positions deal primarily with transportation issues  
2 related to land development.

3 Q. Can you now give the Board a summary of your  
4 education and your background experience in these  
5 areas?

6 A. Yes. I have a Bachelor's degree in civil  
7 engineering from Temple University. I have numerous  
8 certificates in both management and engineering that  
9 I've acquired over the years as part of my PennDOT  
10 employment. Primarily, I manage the unit within  
11 PennDot that reviews highway occupancy permits or  
12 HOPs. HOPs are required for any work within the state  
13 highway right-of-way or any new driveway access that  
14 is proposed as part of land development.

15 Essentially, I have been in the business of  
16 evaluating transportation impacts from land  
17 developments large and small for the last 17 years. I  
18 was also directly involved in the initial round of  
19 traffic impact study reviews during the period from  
20 2007 through 2009 when the first casino licenses were  
21 being sought. My office reviewed all of those  
22 applicants as well as worked with SugarHouse and  
23 FoxWoods after their selection.

24 Q. And was PennDOT asked to review the traffic  
25 studies submitted by the Applicant Market East

1 Associates?

2 A. PennDOT was asked to conduct reviews of all the  
3 traffic impact studies for the Category 2 slot license  
4 --- slot machine license process. The Pennsylvania  
5 Gaming Commission made this request.

6 Q. And did you have an opportunity to conduct those  
7 reviews?

8 A. Yes, we did.

9 Q. And would that include the report that was  
10 submitted in January of 2014 by Pennoni?

11 A. Yes, we did review that report.

12 Q. During the review, were you in any way influenced  
13 or coerced regarding your findings?

14 A. I was not.

15 Q. And were you made aware by anybody within  
16 Orth-Rogers that they experienced anything such as  
17 that?

18 A. I have no knowledge of any attempts to coerce  
19 Orth-Rogers in any way.

20 Q. And who employed Orth-Rogers?

21 A. PennDOT contracted Orth-Rogers to perform the  
22 reviews of the studies.

23 Q. And have you gone over Orth-Rogers' reviews?

24 A. Yes, I have.

25 Q. Can you give a summary of that to the Board,



1 please?

2 A. Certainly. Okay. The Market8 Casino, it's  
3 located at 8th and Market Street at Center City,  
4 currently the site of a 300-space parking lot.  
5 Developers, Market East Associates, and their traffic  
6 consultant was Pennoni Associates. The Applicant's  
7 traffic study has undergone several reviews, been  
8 updated and conditionally approved. Our reviews were  
9 coordinated with the City of Philadelphia Streets  
10 Department. The study now meets the guidelines  
11 provided by the City of Philadelphia and Pennsylvania  
12 Department of Transportation. Here's a summary of our  
13 findings.

14 The site is within the city's central business  
15 district. Therefore, it has a greater chance to  
16 generate non-vehicular trips. Being in the central  
17 business district, the road network is active with  
18 traffic on a typical Friday and Saturday evening.  
19 These time periods coincide with the casino's traffic  
20 peaks for a Friday and Saturday. The site benefits  
21 from its close proximity to the existing mass transit  
22 hub located at 8th and Market Streets, served by  
23 SEPTA's Market Frankford Line, Broad Ridge spur,  
24 SEPTA's regional rail and the PATCO Speed Line.

25 The site also benefits from being between 8th and

1 9th Streets which are a one-way pair of roadways that  
2 have access to and from the Vine Street Expressway  
3 where, according to their study, approximately 60  
4 percent of the vehicular traffic will arrive and  
5 depart. Recently, an error was discovered in the  
6 Applicant studies trip generation calculation. This  
7 error caused the Applicant to underestimate the number  
8 of trips the casino would produce. The error was  
9 corrected by the Applicant and an updated traffic  
10 study was resubmitted.

11 The review of the updated study indicates no  
12 significant change from the original findings except  
13 for the intersection of 9th and Market Street. I  
14 believe Mr. Markham addressed this earlier. The  
15 traffic could not be mitigated at this particular  
16 intersection and it'd experience a reduction in the  
17 overall level of service from A to a B during a Friday  
18 evening casino peak.

19 A level of service B is still considered  
20 acceptable but could not be mitigated based on  
21 PennDOT's guidelines. Therefore, the Applicant has  
22 agreed to pursue alternative mitigation as stated in  
23 their commitment letter dated December 20th, 2013.  
24 The City of Philadelphia and PennDOT have agreed to  
25 these mitigation measures, although the exact

1 components of such mitigation measures have not been  
2 discussed.

3       The Applicant, if awarded a license, has agreed  
4 to come back to PennDOT and the City of Philadelphia  
5 to discuss exactly what those improvements would  
6 entail. Currently, the Applicant has agreed in  
7 writing to investigate and provide intelligent  
8 transportation system improvements, or ITS, and some  
9 other offsite improvements at various locations to  
10 improve overall traffic operations.

11       Some examples are to provide upgrade signing,  
12 improvement pedestrian and transit facilities, provide  
13 ITS improvements along the travel routes to and from  
14 the Vine Street Expressway and I-95 aiding a ramp  
15 pavement marking upgrade to the immediate vicinity of  
16 the proposed site to enhance the pedestrian  
17 accessibility and connectivity, optimization of  
18 traffic signals at various intersections along Market  
19 Street, Arch Street, Chestnut Street and Race Street,  
20 and addition of a turning lane with restriping as well  
21 as elimination of some of the parking along 8th Street  
22 from Market Street to Market8th Boulevard to improve  
23 traffic flow.

24       As with all of the other applicants, we are also  
25 recommending a post development study approximately

1 six months after opening to analyze the actual casino  
2 trips and traffic operations in order to address any  
3 unforeseen traffic operational concerns.

4 In conclusion, if granted a license, the  
5 Applicant has committed in writing to the City of  
6 Philadelphia and Pennsylvania Department of  
7 Transportation to finalize the traffic analysis and  
8 the design details necessary for traffic mitigation.

9 Q. Can you tell us, Mr. Hanney, was the report  
10 provided to the Board from PennDOT?

11 A. Yes, it was.

12 Q. And you were present during the testimony  
13 provided by Market East's consultant, Pennoni; is that  
14 correct?

15 A. Yes, I was.

16 Q. And was that testimony consistent with the  
17 independent review that you provided?

18 A. It was consistent with one exception. They did  
19 not make any mention of the off-site improvements,  
20 signage, striping, other types of improvements that  
21 they have committed to in their letter concerning the  
22 Vine Street expressway and the pathways both in and  
23 out of the city.

24 Q. Did they present any testimony that was invalid,  
25 erroneous or contrary to your findings?

1 A. Other than what I just mentioned, they did not.

2 Q. Have they agreed thus far to implement the  
3 suggestions that Orth-Rogers has come up with?

4 A. Their commitment letter from December of 2013  
5 indicates as much.

6 ATTORNEY MANIFESTO:

7 We have nothing else.

8 CHAIRMAN:

9 Thank you, sir.

10 ATTORNEY PITRE:

11 Next I ask that Susan Hensel, the  
12 Director of Licensing, Paul Mauro, the director of the  
13 BIE, and Rich O'Neil, the Financial Investigative Unit  
14 supervisor come forward to make their statement before  
15 the Board. And I turn it over to Susan to begin.

16 MS. HENSEL:

17 Thank you, Cyrus and members of the  
18 Board. Susan Hensel, H-E-N-S-E-L, Director of  
19 Licensing. Market East Associates, LP timely filed a  
20 Category 2 Slot Operator Applications and Disclosure  
21 Form with the Bureau of Licensing. The Bureau of  
22 Licensing reviewed the application and worked with the  
23 Applicant to ensure the provision of all required  
24 information. The Bureau of Licensing deemed the  
25 application complete and transmitted it to the BIE for

1 investigation.

2           Upon completion of the background  
3 investigation, the Bureau of Licensing prepared a  
4 background investigation and suitability report using  
5 information and documentation received from the  
6 Applicant, the Bureau of Licensing, the OEC on behalf  
7 of the BIE, the Bureau of Gaming Operations, the  
8 Office of Diversity, the Office of Compulsive and  
9 Problem Gambling and the Pennsylvania Departments of  
10 Revenue and Labor and Industry.

11           The draft suitability report was  
12 provided to the Applicant to identify material errors  
13 and omissions, if any, and the final report was  
14 provided to the Applicant and to the Pennsylvania  
15 Gaming Control Board. Based on the application  
16 process the Bureau of Licensing is not, at this time  
17 aware of any issues that would preclude the approval  
18 of a Category 2 Slot Machine License for Market East  
19 Associates, LP.

20           ATTORNEY PITRE:

21           Next, a statement from Rich O'Neil.

22           MR. O'NEIL:

23           Richard O'Neil, O-N-E-I-L. Chairman  
24 Ryan, Commissioners, in preparation of the Financial  
25 Investigation Unit's report and, when necessary,

1 supplemental reports. All information provided by the  
2 Applicant, its intermediaries, subsidiaries, and  
3 holding companies and management company was fully  
4 reviewed and analyzed. This included any  
5 organizational documents, operating debt agreements,  
6 management agreements, financial statements and any  
7 other contracts or agreements. In this case, Market  
8 East Associates, LP and its related entities provided  
9 all the authorizations, contracts and agreements  
10 necessary to conduct the investigation.

11 It also provided clear and convincing  
12 evidence to enable the Financial Investigations Unit  
13 to make the determination of the financial  
14 suitability, integrity and responsibility of its  
15 application for Category 2 licensure and also that the  
16 Applicant is likely to maintain operational viability  
17 and maintain a steady level of growth. At this time,  
18 based upon the information contained in the  
19 application and other related documents as well as the  
20 financial suitability analysis performed, the  
21 Financial Investigations Unit did not discover  
22 anything material which would preclude Market East  
23 Associates, LP from being financially suitable to  
24 obtain a Category 2 License.

25 ATTORNEY PITRE:

1 And next we'll hear from Paul Mauro.

2 MR. MAURO:

3 Chairman Ryan, members of the Board,  
4 Paul Mauro, M-A-U-R-O; director of BIE. The Bureau of  
5 Licensing transmitted the Category 2 Application of  
6 Market East Associates, LP which included but was not  
7 limited to any and all associated forms, releases and  
8 disclosures to the BIE for the initiation and  
9 completion of a background investigation as  
10 contemplated by the Act.

11 The BIE's background investigation into  
12 Market East Associates consisted of but was not  
13 limited to an investigation into the criminal history,  
14 the credit history, the litigation history including  
15 civil judgments and bankruptcies, the business  
16 history, the federal tax history and if applicable,  
17 the Commonwealth and its political subdivision tax  
18 history, and the gaming regulatory history in the  
19 Commonwealth and/or other gaming jurisdictions for the  
20 Applicant, affiliated entities and management company.

21 Additionally, the Bureau's background  
22 investigation of each principal associated with Market  
23 East Associates included information pertaining to the  
24 family, habits, character, reputation, criminal  
25 history background, credit history, business



1 activities and history, litigation history including  
2 civil judgments and bankruptcies, financial affairs,  
3 federal tax history and business, professional and  
4 personal associates covering at least a ten-year  
5 period preceding the filing of the application.

6           Also, if applicable, information  
7 pertaining to the Commonwealth and its political  
8 subdivision tax history and any applicable gaming  
9 history --- gaming regulatory history in the  
10 Commonwealth or in any other legalized gaming  
11 jurisdiction was investigated and reported. The  
12 results of the Bureau's background investigation were  
13 placed in the Bureau's reports of investigation and  
14 forwarded along with the Bureau's Financial  
15 Investigation Unit's report to the OEC for the  
16 preparation of the final background investigation  
17 report.

18           As a result, based upon information  
19 obtained through the background investigation process,  
20 the BIE is not aware of any issues at this time that  
21 would preclude the suitability of Category 2  
22 Applicant, Market East Associates, LP.

23           ATTORNEY PITRE:

24           The OEC has been fully engaged with the  
25 applicants and Board staff throughout the process.

1 The OEC worked in conjunction with the BIE and its  
2 Financial Investigations Unit throughout the  
3 background investigation process. Once the Bureau  
4 completed its report of investigation and its  
5 financial investigations report, those reports were  
6 transmitted to the OEC for completion of the final  
7 background investigation reports as contemplated by  
8 the Act. The OEC drafted and prepared each associated  
9 final background investigation report and forwarded  
10 the same to the Bureau of Licensing for the inclusion  
11 in Category 2 Applicant Market East Associates'  
12 suitability report which has been delivered to the  
13 Board for its review and consideration.

14 I would like to remind representatives  
15 and principals of Market East Associates that  
16 suitability is an ongoing rolling process and as a  
17 result each applicant has a duty to maintain  
18 suitability and to provide information and updates to  
19 Board staff as it becomes known or available, and that  
20 as long as Market East Associates' applications are  
21 pending before the Board, my office will provide  
22 supplemental background investigation reports to the  
23 Board anytime there is an issue that may have an  
24 impact upon the suitability of any applicant. That  
25 concludes the statements of staff and should the Board

1 have any questions, we're available to answer them.

2 CHAIRMAN:

3 Thank you, Cyrus. Any questions from  
4 the Board? Mr. Downey, before we bring this  
5 proceeding to a conclusion, does Market East  
6 Associates have anything additional?

7 ATTORNEY DOWNEY:

8 Just one short matter, sir. With  
9 respect to the testimony of Mr. Hanney from PennDOT,  
10 there was reference made to omissions in the  
11 testimony of Mr. Markham relating to the commitment to  
12 mitigation measures. We would ask that the Board take  
13 as conclusive on that subject our submission of  
14 December 2013 and the commitment expressed in that  
15 letter to the mitigation measures identified.

16 CHAIRMAN:

17 Cyrus?

18 ATTORNEY PITRE:

19 He's correct. We have no objection.

20 CHAIRMAN:

21 The Board will do so.

22 ATTORNEY DOWNEY:

23 Thank you. We have nothing further.

24 CHAIRMAN:

25 Mr. Downey, I have here a rather

1 large ---

2 ATTORNEY DOWNEY:

3 That's ---.

4 CHAIRMAN:

5 --- schematic. Is this something you  
6 want to admit?

7 ATTORNEY DOWNEY:

8 Yes. Thank you, Mr. Chairman. Well, we  
9 prepared a schematic identifying the parking locations  
10 that you saw on the screen and specifically overlaid  
11 the points of ingress and egress. We would ask that  
12 that be moved additionally into the record.

13 ATTORNEY PITRE:

14 We have no objection.

15 CHAIRMAN:

16 It will be admitted.

17 (Market East Associates Exhibit marked  
18 for identification.)

19 CHAIRMAN:

20 Do the members of the Board have  
21 anything else they would like to add? All right. At  
22 this time then, the Board concludes this hearing for  
23 Applicant Market East Associates, LP. Market East has  
24 the opportunity to file a post-hearing memorandum, on  
25 or before Monday, February 10th, 2014. Market East

1 should address any questions of the Board for which  
 2 supplemental information was requested or is required.  
 3 This matter is now being taken under advisement for  
 4 review by each Board member and the Board will  
 5 reconvene at 2:00 p.m. Thank you, ladies and  
 6 gentlemen.

7 ATTORNEY DOWNEY:

8 Thank you.

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10 HEARING CONCLUDED AT 12:54 P.M.

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CERTIFICATE

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I hereby certify that the foregoing proceedings,  
hearing held before Chairman Ryan was reported by me  
on 1/29/2014 and that I Sami Zeka read this transcript  
and that I attest that this transcript is a true and  
accurate record of the proceeding.

*Sami Zeka*