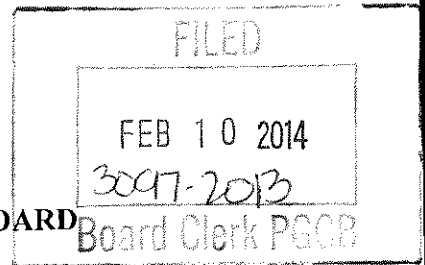


**COMMONWEALTH OF PENNSYLVANIA
BEFORE THE PENNSYLVANIA GAMING CONTROL BOARD**



IN RE: MARKET EAST ASSOCIATES,
L.P.

PGCB Docket Number: 73576

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Date of Suitability Hearing: January 29, 2014

**MARKET EAST ASSOCIATES, L.P.
POST-HEARING MEMORANDUM
PURSUANT TO 58 Pa. Code § 441a.7(u)**

Pursuant to 58 Pa. Code §441a.7(u), Market East Associates, L.P. ("Market8"), by its undersigned counsel, submits this Memorandum in support of its application for the one remaining Category 2 Slot Machine License in the City of Philadelphia, a city of the first class (the "Category 2 License"), to the Pennsylvania Gaming Control Board (the "Board") under the Pennsylvania Race Horse Development and Gaming Act, 4 Pa. C.S. §1101 et seq. (the "Act").

I. INTRODUCTION

The Board has received for its consideration the applications of five (5) potential casino operators (collectively, the "Applicants"), each seeking the Category 2 License. After the

conduct of extensive application and background investigations by Board staff, suitability hearings (the "Suitability Hearings" or "Hearing") were held on January 28 through January 30, 2014. On January 28, 2014, the Board heard from PA Gaming Venture, LLC ("Hollywood") and Tower Entertainment, LLC ("Provence"). On January 29, 2014, the Board heard from Market8 and PHL Local Gaming, LLC ("Revolution"). On January 30, 2014, the Board heard from Stadium Casino, LLC ("Live!"; Hollywood, Revolution and Live! are sometimes collectively referred to as the "Stadium District Casinos," or individually as a "Stadium District Casino"). In addition, on January 30, 2014, the Board heard testimony from SugarHouse HSP Gaming, L.P. ("SugarHouse"), which the Board had permitted to intervene in the applications of each Applicant.¹

At the conclusion of the Market8 Suitability Hearing, senior members of the Board staff testified that there were no issues precluding the granting of the Category 2 License to Market8. Accordingly, Market8 will not reiterate in detail here each element of the determinations of Market8's eligibility and suitability, nor the criteria used in reaching such determinations. Rather, through this memorandum, Market8 will highlight those areas in which Market8 submits that its proposal and characteristics not only satisfy the relevant licensing criteria, but also serve to distinguish Market8 as the most qualified applicant in this contest. In short, Market8 firmly believes that because of its unique location at 8th and Market Streets in Center City Philadelphia, its superior project, and unrivalled operator in Mohegan Sun, it will generate the highest gross and incremental gaming revenue, while at the same time produce manifold benefits for the Market Street East corridor, its surrounding communities, and the City of Philadelphia.

¹ In addition to SugarHouse, the Board also permitted the intervention of Congregation Rodeph Shalom, The Mathematics, Civics and Science Charter School and Friends Select School (the "Tower Intervenors") in the application of Provence. The Tower Intervenors were heard by the Board on January 28, 2014.

Market8 respectfully submits that these considerations warrant the award by the Board of the Category 2 License to Market8.

II. ARGUMENT AND ANALYSIS

A. Location

As described during its Suitability Hearing, Market8 sits squarely in the middle of Philadelphia's densest commercial, retail, entertainment, and tourist corridor. Accordingly, Market8's proximity to historic sites, hotels, convention facilities, dining and shopping alternatives, offices and public transportation options is unrivaled. More specifically, Market8 is within easy walking distance of:

- Independence National Historical Park and related attractions (over 100 attractions drawing 3.6 million visitors annually)
- Hotel Rooms (over 4,400 rooms)
- Pennsylvania Convention Center (more than 1 million visitors annually)
- Reading Terminal Market (approximately 6.25 million visitors annually)
- The Gallery (approximately 1 million square feet of retail)
- Old City (approximately 100 restaurants and galleries)
- Office space (13.4 million square feet)

As such, Market8's proposed urban entertainment project, is highly compatible, and will operate in considerable synergy, with the commercial nature of its immediately surrounding community.

By contrast, Provenge is situated on North Broad Street, physically separated from Center City Philadelphia by Vine Street and the Vine Street Expressway (I-676), and in a location without similar commercial and tourism attraction density. Instead, Provenge is surrounded by wholly incompatible community-oriented establishments, including places of worship, schools and other public institutions. The Stadium district is devoid of nearly *any* commercial activity

other than that driven by the professional sports stadiums (which, as Market8 will explain below, is a net negative) and the commercial warehousing operations that typify the area.

Whether by public transportation or by automobile, Market8's location offers the easiest and most consistent access among all applicants. By car, Market8 is serviced by virtually all of Philadelphia's major highways as well as Market Street, Center City Philadelphia's only 2-way East-West roadway. Indeed, James Markham, P.E., testified that patrons will experience a drive of less than three minutes on Market8's primary route from local highways – 8th Street from the Vine Street Expressway (I-676), which connects I-76 and I-95.² By public transit, Market8 patrons will have access to one of the largest transit hubs in Philadelphia connecting regional rail, PATCO, subway and bus riders, with over 250 transit options during the Friday peak hour. By contrast, Provenance enjoys less than 25% of Market8's transit options (conservatively estimated), while the Stadium district lags even further behind in both categories.

All of this translates directly into Market8's superior access to millions of people – to the residents, the visitors, and the workforce that comprise the new and underserved gaming customers for Market8.

B. Project/Design Team

Market8 proposes to develop a 17-story, state-of-the-art, casino, urban entertainment, and hotel facility, incorporating the amenities normally expected of a resort destination, while retaining a decidedly "Center City" feel, right at the center of Market Street East. Market8's design, components and programming, are all geared to create a vibrant multi-dimensional urban entertainment complex with a casino at its core, and to energize Market Street, connecting,

² See Testimony of James Markham, Video of Market8 Suitability Hearing at 0:45:35.

integrating and elevating the amenities and assets that surround Market8, as if such assets were a part of Market8 itself.

The Market8 program is being carefully crafted by a world-class team of professionals in the gaming and hospitality industries, including:

- Mohegan Sun;
- JCJ Architects;
- Elizabeth Blau;
- AEG Live; and
- Hersha Hospitality.

Working together with the Goldenberg Group, Dan Keating and Keating Consulting and the partners in Market East Associates, this team will create a dramatic, must-see attraction that will act as an economic catalyst for the entire Market Street East corridor.

Over time, Market8 anticipates that the net effect of the location of this project, its design and programming will be the emergence of the “virtuous circle” referenced by Shuprotim Bhaumik, Market8’s economics expert.³ This virtuous circle would redound not just to the benefit of Market8 in terms of additional gaming revenues, but also to the occupants of the Market Street East corridor who would be the beneficiaries of the transformative effects of the resultant economic activity.

C. Operator

The importance of operational skill in the success of a casino project cannot be understated. In Mohegan Sun, the Board is getting the top casino operator on the East Coast with demonstrated success in the Pennsylvania marketplace at Pocono Downs, and claim to the top-grossing casino in the western hemisphere in Mohegan Sun, Connecticut. Mohegan Sun has

³ See Testimony of Shuprotim Bhaumik, Video of Market8 Suitability Hearings at 1:22:00.

consistently evidenced a creative and adaptable approach to achieving success in environs as diverse as the Scranton-Wilkes-Barre metropolitan area, rural Connecticut and Atlantic City, New Jersey. Their success is founded on a commitment to making guest-centric service and high-end amenities the central features of each of their casinos, without regard to the specific operating platform. In addition, Mohegan Sun travels with a 5-million person strong database of gaming customers that will provide unmatched cross-marketing opportunities. Add to all of this Mohegan Sun's exceptional record of delivering on its promises to this Board and you have an operator unrivaled in this contest.

D. Community Initiatives and Inclusion

On the subject of community initiatives and inclusion efforts, Market8 submits that it materially exceeds the gross commitments and initiatives of each of the other applicants.

Market8's commitments include:

- A "Day 1" commitment of a minimum of \$2 million per year to fund neighborhood improvements and social programs (rising to 10% of distributable net income after an 8% return, return of capital and establishment of reserves);
- An unprecedented player rewards program allowing "points" to be redeemed in community restaurants, shops and attractions, designed to capitalize upon, integrate, and elevate all the surrounding assets and amenities in the Market Street East corridor;
- Development of a ground-breaking inclusion program, honoring the diversity goals of the Act and recognizing that the Market8 project will be located in the heart of the Commonwealth's largest and most diverse city; and

- Establishment of an innovative, responsible gaming program.⁴

Market8 submits that taken together, these initiatives represent the best in class among applicants for the Category 2 license.

E. Traffic/Access

Market8's location at one of the most easily accessed points in the City of Philadelphia – whether by foot, by public transit or by automobile – together with the fact that Market8's peak times will not coincide with City traffic peak times, will afford Market8 patrons a level of traffic access unequalled among the competitors in this contest. As indicated at the Market8 Suitability Hearing, the existing roadways and traffic control infrastructure servicing Market8 are more than adequate to handle the volume anticipated to be generated by Market8.⁵ Evidence the fact that those arriving by automobile via 8th Street – the primary route for those driving to Market8 – will, as they do today, experience a trip of less than three minutes from the Vine Street Expressway at peak times.

For those arriving by means other than auto, Market8's estimates are more conservative than those proposed by the Philadelphia Gaming Advisory Task Force (the "Task Force").⁶ Specifically, the Task Force suggested that upwards of 43% of Market8's patrons would arrive

⁴ See Testimony of William Miller, Video of Market8 Suitability Hearing at 52:40.

⁵ During Live!'s Suitability Hearing conducted on January 30, 2014, Live!'s traffic consultant, Adam Catherine of Stantec Consulting, alleged that Market8's traffic consultant, Pennoni Associates, failed to measure certain existing traffic conditions in the field. Specifically, Mr. Catherine testified that "[Pennoni] did not identify the existing – or measure the existing – traffic congestion in the field to calibrate their analysis model." See Testimony of Adam Catherine, Video of Live!'s Suitability Hearing at 1:34:30. Mr. Catherine went on to allege that such failure resulted in Pennoni's use of artificially good levels of service in its model. *Id.* Mr. Catherine's allegation regarding Pennoni's services is demonstrably false. In fact, Pennoni measured existing conditions and calibrated its model accordingly for each intersection included in Pennoni's report. See Affidavit of James Markham, and supporting documentation attached hereto as Exhibit A and incorporated herein by this reference.

⁶ See Interim Report of Findings, Philadelphia Gaming Advisory Task Force at 123.

by means other than automobile.⁷ Nonetheless, in preparing its quantitative estimates, Market 8 assumed that only 37.5% of its patrons would arrive by means other than automobile at peak times during a typical Friday while approximately 30% would arrive by such means during a typical Saturday evening.⁸

By contrast, even though its public transportation options are not nearly as plentiful or convenient, Provence makes the aggressive and unsupported assumption and that more than 60% of its patrons will arrive by means other than auto, with as many as 48% arriving by mass transit.⁹ Indeed, Provence proposes that 45% of those mass transit customers (over 20% of Provence's total) will arrive at Suburban Station a half-mile from the Provence project. By way of example, on Saturday evenings at peak times (6:00 p.m. to 9:00 p.m.), Provence incredibly posits that approximately 700 patrons will traverse the half-mile from Suburban Station over the Vine Street Expressway to the Provence site. Had Provence adopted a more realistic approach to the use of mass transit, its arrivals by automobile would be materially higher, further muddying Provence's already problematic access story.

With very limited public transportation options, the Stadium Casinos have no alternative but to rely on a very high rate of automobile arrivals. But, with 400 events occurring on more than 300 days a year in the Stadium District¹⁰, a major portion of which occur during peak casino usage, Market8 submits that the resultant (and already well-documented) congestion in that

⁷ See *id.*

⁸ See Traffic Impact Study prepared by Pennoni Associates at p. 15-16.

⁹ Despite the testimony of a representative of Provence suggesting that arrival by mass transit accounts for 31% of Provence's estimated visitation, in fact, the 31% mass transit figure is only applied to trips relating to ancillary uses (e.g., hotel, restaurant, etc.), which account for less than 15% of the total estimated trips to Provence. For the casino use, accounting for more than 85% of the total trips, Provence assumes that over 50% of the patrons will arrive via mass transit. See Traffic Impact Study (last revised November 29, 2013) prepared by Traffic Planning and Design, Inc. at p. 10-11.

¹⁰ See Testimony of Joseph Weinberg, Video of Live!'s Suitability Hearing at 0:55:25.

district will leave Stadium District Casino patrons mired in traffic (and therefore not engaging in casino play) for significant periods of time. Market8 further believes that the concern over being caught up in such congestion will become a significant deterrent to potential patrons who might otherwise consider a casino trip on "game days." This observation is consistent with the experience of Rivers Casino in Pittsburgh, located in a similar stadium district.¹¹ Losing these patron trips, particularly during what otherwise would be considered peak periods, would adversely impact a Stadium Casino's financial performance.

F. Parking

Market8 will provide more than adequate parking, either on-site or within one block, to comfortably accommodate its anticipated parking demand at all times.

Market8's demand for parking is driven by customer visits, which was estimated to be 4.7 million customer visits per year. Of these visits, Market8 anticipates that 17.9%, or 841,300 visits, will occur on Saturdays, averaging 16,179 visits each Saturday. Based on estimates of coin-in data, Market8 has determined that 20% of its customer visits, or 3,246 customer visits, will occur during the Saturday peak hours of between 7:00 p.m. and 10:00 p.m. Applying a conservative estimate of 65% arrival by auto,¹² Market8 concluded that 2,110 customers would arrive by auto. Next, applying an industry standard assumption of 1.8 persons per vehicle¹³, Market8 determined that it would need to provide parking during peak Saturday times for 1,172 vehicles.

¹¹ See Testimony of Mary Cheeks, Video of SugarHouse Hearing on Saturation at 0:36:05.

¹² Note that the *Interim Report of Findings* of the Philadelphia Gaming Advisory Task Force suggested an assumed arrival by automobile rate of 57% for the same period. See *Interim Report of Findings*, Philadelphia Gaming Advisory Task Force at 123.

¹³ Note that Market8's estimation of patrons per vehicle is considerably more conservative than the 2.2 patrons per vehicle proposed by the Philadelphia Gaming Advisory Task Force. See *id.* at 192.

As described in the Market8 Suitability Hearing, Market8 has available at or immediately adjacent to its site 1,171 spaces in full self-park configuration or 1,606 spaces in full valet configuration.¹⁴ As indicated by Market8's parking consultant, Dr. Barbara Chance, these spaces will satisfy Market8's parking demand over 90% of the time.¹⁵ In addition, Market8 has secured parking rights for up to an additional 1,000 spaces in two parking lots owned by the Philadelphia Parking Authority located one block away at 9th and Filbert and 10th and Filbert, respectively.¹⁶ Market8 anticipates that these garages would be utilized as valet lots during periods of high demand.¹⁷

As for employee parking, Market8 anticipates that a significant majority of its employees will arrive by means other than automobile. This assumption is consistent with current practice regarding the Center City Philadelphia workforce,¹⁸ and will be further bolstered by Market8's incentive program designed to encourage employee use of public transportation.¹⁹ For those who do drive, Market8 controls some 1,027 additional self-park parking spaces within a 10-minute walk of Market8 (in addition to the 2,171 self-park/2,606 valet parking spaces cited above) which Market8 could make available to employees.²⁰

¹⁴ See Testimony of Barbara Chance, Video of Market8 Suitability Hearing at 0:47:10.

¹⁵ Id. at 0:47:45

¹⁶ Id. Market8's agreement with the Philadelphia Parking Authority relating to the two cited lots was submitted to the Bureau of Investigation and Enforcement for its review.

¹⁷ Id. Even if one were to assume that all 3,246 Saturday peak customers were to arrive by automobile (which assumption Market8 believes to be entirely unreasonable), after applying an industry standard assumption of 1.8 persons per vehicle, Market8 would still only require parking for 1,803 vehicles – well within available parking capacity.

¹⁸ See "State of Center City Philadelphia 2013" report of Center City District & Central Philadelphia Development Corporation attached as Exhibit "J" to Notices of Intent to Present Comparative Evidence.

¹⁹ See Testimony of Barbara Chance, Video of Market8 Suitability Hearing at 3:06:20.

²⁰ In addition, Market8 contemplates employee parking and shuttling during certain late/grave shifts. Id.

As noted above, Market8's parking program will be highly flexible and will be able to shift between self-parking and valet parking configurations as market conditions and customer preference warrant. In this respect, Market8 notes that its parking employee count, which was submitted to the Board, contemplates a very robust parking operation, staffed by upwards of 111 FTEs. Similarly, Market8 will provide a robust security presence on the street at and around its project and parking facilities and in this regard notes a security employee count of 154 FTEs. By way of comparison, Market8 notes that these staffing levels are almost 40% and 50% higher, respectively, than those at Pocono Downs for the same job categories.

Finally, on the subject of access to its parking facilities, Market8 testified that it will offer complimentary parking to all of its preferred customers and further testified that such customers could be expected to represent 80% of gross gaming revenue ("GGR") generated at the project.²¹ Acknowledging that the imposition of a parking fee, while not mandatory, may be an advisable means of limiting non-patron access, representatives of Mohegan Sun testified that in no event would they allow such fees to become a deterrent to patron visitation.²² In sum, Market8 fully anticipates that, in the course of its operations, parking programs and techniques will be implemented that will enable Market8 to respond to current market conditions and maximize the convenience of its customers.

G. Revenues

Market8 will generate materially higher GGR and incremental GGR than any other applicant. Market8's conclusions in this regard are premised upon its exceptional accessibility to a unique density of residents, visitors and commuter workforce. Many of these potential

²¹ See Testimony of Robert Soper, Video of Market8 Suitability Hearing at 3:00:45.

²² Id. at 1:51:25

customers, in Market8's estimation, remain underserved by existing casino gaming options, as Market8 estimates the total Philadelphia gaming market to approach \$1.92 billion in 2016.²³ When combined with the quality and character of this project, and the demonstrated marketing and operational expertise of Mohegan Sun, Market8's access to these potential customers sets Market8's earning potential head and shoulders above its closest competitor.

As Market8's expert, Peter Tyson, noted during the Suitability Hearing, Market8 estimates that its convenient proximity to its "primary market," including approximately 1.4 million adult residents, and the expertise of its operator, Mohegan Sun, will enable Market8 to better penetrate this market than any other applicant in this contest generating an estimated \$289 million in GGR.²⁴

In the "secondary market," an additional 2.4 million adult residents are estimated to generate an additional \$146 million in GGR for Market8, representing a Market8 capture rate of only 16.5% of secondary market patron visits, with the majority of such visits remaining at the "ring casinos" (i.e., Harrah's Philadelphia, Parx and Valley Forge).²⁵

²³ Market8 notes that despite SugarHouse's claims to the contrary, statistical data proffered by every applicant in this contest suggests that this market remains underserved, leading some to the conclusion that SugarHouse has been generally ineffective in its efforts to penetrate this market. See e.g., Analysis of Demand and the Revenue Impact on the Southeastern Pennsylvania Casino Market and the Commonwealth of Pennsylvania Associated with the Award of a Slot Operator and Management Company License for a Category 2 Casino in Philadelphia of Christian Capital Advisors at 41-42. While the reasons for this underperformance may be manifold, Market8 notes that SugarHouse has still not completed the project that was promised to the Board in 2006, and that the quality of the current facility and its draw to customers suffers by comparison. By Market8's own estimates, completion of SugarHouse's pending expansion project may result in SugarHouse's generation of an additional \$100 million in GGR (\$389 million versus \$289 million in 2013).

²⁴ See Testimony of Peter Tyson, Video of Market8 Suitability Hearing at 1:50:00.

²⁵ Market8 estimates that on the low end, it will capture 5.0% of patron visits originating from Bucks County, while on the high end, it will capture 30% of patron visits originating in Burlington and Gloucester Counties in New Jersey. See February 12, 2013 Report of PKF Consulting USA at 21.

Considering just these primary and secondary residential markets then, Market8 anticipates that it will generate \$17 million more than Provenance and \$50 million more than an ideally situated Stadium District Casino.²⁶

While Market8 is not dismissive of a \$17 million to \$50 million margin over its competitors, the differentiation between Market8 and its competitors becomes glaring when considering what Mr. Tyson referred to as the “Other” category of casino gaming patron. These patrons include out-of-towners coming into Center City for reasons other than casino gaming and include: (i) hotel guests, (ii) conventioners, (iii) leisure visitors to area attractions, and (iv) the commuter workforce.²⁷ From these sources, Market8 anticipates an additional \$83 million in GGR.²⁸ Note that Mr. Tyson’s estimates did not include a single dollar in GGR earned from the over 5.5 million overnight visitors to the Philadelphia area staying with family and friends or any incremental growth in customer base that will result from the transformative impact of the Market8 project on the Market Street East corridor.²⁹

By comparison, in the category of “Other”, the Stadium District Casinos are left to rely on stadium event-driven patron visits while Provenance must argue that it will do a better job than Market8 of attracting people already in the Market8 neighborhood. In the case of the Stadium District Casinos, Market8 remains highly skeptical of the ability of the Stadium District Casinos to drive significant patron visits from a pre- or post-event audience. Logic suggests that the amount of time that a gaming patron will have to visit a casino should be significantly reduced

²⁶ Note that Mr. Tyson did not take into consideration the negative implications on GGR that may be implied by the various traffic and access constraints of Provenance and the Stadium sites.

²⁷ See Testimony of Peter Tyson, Video of Market8 Suitability Hearing at 1:07:40.

²⁸ Id.

²⁹ See id. at 1:08:10 and HRA.

by a multi-hour visit to a stadium event occurring at or around typical peak gaming times. Similar logic also suggests that such a patron's gaming budget might also be negatively impacted. To the extent that some visitation to a Stadium District Casino is generated by stadium event traffic, Market8 suggests that there is reason to believe that such traffic will be significantly offset by the loss of such casino's traditional patrons during those same periods resulting from the traffic challenges cited above.

With respect to Provenge, Market8 submits that the Provenge location, on the north side of Vine Street and the Vine Street Expressway (I-676) will not allow Provenge to penetrate the "Other" market, concentrated in Center City, as deeply as Market8, which will be operating in the heart of Center City Philadelphia.

The net effect of Market8's estimated \$518 million in GGR is \$405 million in incremental GGR, eclipsing Provenge incremental GGR by \$86 million and a Stadium District Casino incremental GGR by \$147 million. As Mr. Tyson testified, Market8's location at the intersection of "dense residential populations ... major visitor attractions and office and retail concentrations" renders this opportunity unique in the country.³⁰ As suggested by Mohegan Tribal Gaming Authority CEO, Mitchell Etes, the unique nature of the assets in close proximity to this site (e.g., the Pennsylvania Convention Center) would allow Market8 to capitalize on such assets without going to the time and expense of constructing equivalent internal amenities.³¹

Against this backdrop, Market8 observes that consultants for each of the five applicants in this contest have concluded to varying degrees that their respective applicants would generate significant incremental GGR, supporting the fact that the Philadelphia market is not "over-

³⁰ See Testimony of Peter Tyson, Video of Market8 Suitability Hearing at 1:14:10.

³¹ See Testimony of Mitchell Etes, Video of Market8 Suitability Hearing at 2:19:50.

saturated” and can accommodate an additional Category 2 licensed facility. For its part, Market8 goes a step further and submits that not only can the market accommodate an additional gaming license, but that in order to realize its full potential, the Philadelphia market needs another gaming license.

Not surprisingly, SugarHouse takes issue with this conclusion, claiming that the Philadelphia market is fully saturated. At the same time, it:

- offers no estimates of the degree to which the SugarHouse property might be cannibalized by any additional license claiming “not to know” what such impacts might be;
- fails to quantify the distinction between acceptable “competition” and unacceptable “saturation”;
- does not dispute the levels of cannibalization suggested by the experts of each licensee noting that “nothing seemed out of line” with the projections advanced by such experts; and
- proposes that SugarHouse should be extended an additional monopoly period to allow the completion of its long-overdue and currently unscheduled expansion, which expansion was most recently delayed by SugarHouse’s own internal machinations.³²

The effect of all of this, SugarHouse argues, would be a specific litany of cuts and lay-offs almost certain to follow the introduction of additional competition in the market. However, these bald assertions were offered without the proffer of a single statistic in support.

³² See Testimony of Neil Bluhm and Steven Rittvo, Video of SugarHouse Hearing on Saturation at 1:14:40.

Unlike SugarHouse, Market8 has provided its assessment of the impact Market8 and its competitors might have on each of SugarHouse, Harrah's Philadelphia, Parx and Valley Forge. With respect to SugarHouse, Market8 expects that a Market8 casino might cannibalize SugarHouse at the rate of approximately 20% of its GGR, or \$91.5 million, in its first full year of operations (assumed to be 2016).³³ Importantly, Market8 materially adjusted SugarHouse's 2012 GGR from \$274 million to \$488 million for 2016, an increase of 78%, to reflect completion and operation of SugarHouse's expansion without a second Category 2 license in the City.³⁴ With Market8 receiving the second Category 2 license, SugarHouse is projected to receive GGR of \$389 million in 2016, an increase of 42% over its 2012 GGR. While Market8 recognizes that the cannibalization of SugarHouse GGR estimated by Market8 may be uncomfortable for SugarHouse in the near-term, Market8 submits that such cannibalization represents healthy competition in a market where SugarHouse always knew it would exist.

At the same time, Market8 estimates that it will cannibalize each of Parx and Valley Forge GGR by two percent and Harrah's Philadelphia GGR by one percent.³⁵ By contrast, Market8 notes that a Stadium District Casino is expected to have double-digit impacts on both SugarHouse and Harrah's Philadelphia, and the greatest impact on the latter (18%), as a Stadium District Casino would be readily accessible from Interstate 95 for residents from the eastern portions of the City, suburban New Jersey and Delaware and Chester Counties.³⁶ Market8 respectfully suggests that award of the Category 2 License to Market8 will ultimately result in

³³ See January 7, 2014 Comparative Gaming Revenue Projection Report of PKF Consulting USA at 8.

³⁴ See *id.*

³⁵ See *id.*

³⁶ See *id.* at 9.

considerably higher GGR for the region, given its unique ability to access so many new and underserved gamers.

H. Deliverability

Market8's team of Mohegan Sun, Dan Keating and Keating Consulting, Deutsche Bank, Hersha Hospitality and the Goldenberg Group is unrivaled in this competition. Market8's team members present a compelling story of commitments made and promises kept, in instances dealing directly with the Board.³⁷ Collectively, the Market8 team's experience in design, development, construction and timely project delivery, particularly in the City of Philadelphia, surpasses that of every other applicant in this contest.³⁸

Further, working with Deutsche Bank, the world's leading lender in the gaming and hospitality industry, Market8 proposes a reasonably and responsibly financed project. With a "market appropriate" debt to equity ratio of three to one, and a contingent equity commitment of \$50 million, the Market8 project is free of the troubling questions that swirl around Provence's purported six to one debt to equity ratio, and the unresolved licensing implications for certain of Provence's proposed financial sources.³⁹ Market8 respectfully submits that the Board would be well within its discretion to consider such uncertainty when measuring the financial suitability of Provence.

³⁷ See Testimony of Robert Soper, Video of Market8 Suitability Hearing at 1:32:30.

³⁸ See id.

³⁹ To the extent that any Provence financing configuration is contingent upon the contribution of capital from a party that is determined to require licensure, but has not yet been subject to scrutiny that has been applied to the principals of every other applicant in this contest, such lack of scrutiny implies uncertainty. See Testimony of Bart Blatstein, Video of Provence Suitability Hearing at 2:04:40 and 2:20:30. Mr. Blatstein made clear that his finance structure is far from settled. Id. In fact, as confirmed by the Office of Enforcement Counsel during Mr. Blatstein's testimony, certain of the options apparently being considered by Mr. Blatstein may very well have licensing implications which have not been vetted by the Board and its staff. Id.

Considering Market8's exceptional team and its conservative financial structure, the Board can have every confidence that Market8 will deliver its project as and when promised.

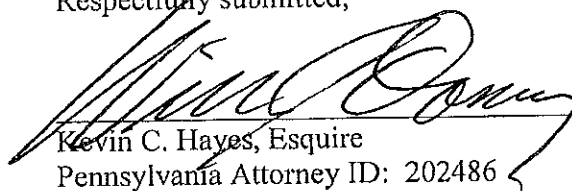
III. CONCLUSION

Market8 respectfully submits that it has, by clear and convincing evidence, demonstrated its eligibility and suitability to receive an award of the Category 2 License. Market8 further submits that, more than any other applicant in this contest, Market8 will accomplish and promote the primary goals of the Act, in a manner that is as exclusive to Market8 as it is beneficial to the Philadelphia community and the entire Commonwealth, in each of the areas discussed above.

Market8's unique position in this contest lies in its location and the incredible density of people in and around the Market Street East corridor every day. This access to people, the quality of the project designed for this site, and the operational expertise of Mohegan Sun and the team assembled to deliver this project, together translate directly into the ability to drive more gaming revenue, both gross and incremental, than any other applicant in this contest. These revenues will produce unparalleled economic benefits through (i) the taxes reserved to the Commonwealth and the City, and (ii) the local and transformative impacts envisioned by Market8's initiatives.

For all of the foregoing reasons, Market8 respectfully requests that the Board find Market8 eligible and suitable for the Category 2 License, and award Market8 the Category 2 License.

Respectfully submitted,



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Dated: February 10, 2014

EXHIBIT A

**COMMONWEALTH OF PENNSYLVANIA
BEFORE THE PENNSYLVANIA GAMING CONTROL BOARD**

IN RE: MARKET EAST ASSOCIATES,
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Filed By: Market East Associates, L.P.
Applicant for Category 2 Slot Machine
License

Date Filed: February 10, 2014

Date of Suitability Hearing: January 29, 2014

**MARKET EAST ASSOCIATES, L.P.
AFFIDAVIT OF ANTHONY J. CASTELLONE, PE, PTOE IN SUPPORT OF
POST-HEARING MEMORANDUM**

The undersigned, being of full legal age, does hereby aver as follows:

1. I am Anthony J. Castellone, PE, PTOE, and I am employed as Transportation Division Manager of Pennoni Associates, Inc. ("Pennoni").
2. In my capacity as Transportation Division Manager of Pennoni, I was responsible for the preparation of a Traffic Impact Study ("Pennoni TIS") for Market East Associates, L.P. related to the proposed Market8 casino project.
3. During Stadium Casino, LLC's ("Live!") Suitability Hearing conducted on January 30, 2014, Live!'s traffic consultant, Adam Catherine of Stantec Consulting, alleged that Pennoni failed to measure certain existing traffic conditions in the field. Specifically, Mr. Catherine testified that "[Pennoni] did not identify the existing – or measure the existing

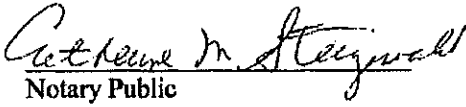
– traffic congestion in the field to calibrate their analysis model.” See Testimony of Adam Catherine, Video of Live!’s Suitability Hearing at 1:34:30. Mr. Catherine went on to allege that such failure resulted in Pennoni’s use of artificially good levels of service in its model. Id.

4. Mr. Catherine’s allegations regarding the Pennoni TIS are patently false.
5. Contrary to Mr. Catherine’s allegations, Pennoni traffic engineers calibrated the “base” (existing) traffic conditions utilizing standard modeling procedures collecting (initial) queue data for each of the studied intersections. Initial queue data was collected for all study intersections on Saturday June 8, 2014, and Friday June 14, 2014. {Initial queue data does not appear on the HCM 2000 worksheets in the Appendix because that data is not a calibration parameter using the HCM 2000 edition.} Travel time data (using GPS equipment) was collected for the main ingress and egress routes on Friday October 4, 2013 and Saturday October 5, 2013.
6. With this calibrated model used as the baseline, Pennoni “layered on” the estimated volumes anticipated to be generated by the Market8 casino project and examined the impact of such additional volumes at the studied intersections.
7. This methodology used to calibrate the Market8 traffic model is consistent with generally accepted traffic engineering principles and procedures.
8. Attached hereto as Schedule 1 is a representative sample of the worksheets that show the calibration of the existing roadway conditions at Market Street & 5th Street (from Appendix F of the Pennoni TIS). The 4th input row of this Existing Conditions Friday Street Peak Hour HCM2010 report shows the “initial Q” calibration parameter. Similar

worksheets were prepared for the other 41 "Build" intersections studied in the Pennoni
TIS.


Anthony J. Castellone, PE, PTOE

















SWORN TO AND SUBSCRIBED
before me this 16th day
of February, 2014


Notary Public

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Catherine M. Steigerwald, Notary Public
Green Tree Boro, Allegheny County
My Commission Expires June 26, 2014
MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

HCM 2010 Signalized Intersection Summary 12: 5th St & Market St

7/22/2013

												
Movement	EBL	EBT	EBR	WBL	WBT	WBR	NBL	NBT	NBR	SBL	SBT	SBR
Lane Configurations												
Volume (veh/h)	439	549	0	0	226	129	70	722	55	0	0	0
Number	5	2	12	1	6	16	3	8	18			
Initial Q (Qb), veh	3	3	0	0	4	0	0	10	0			
Ped-Bike Adj(A_pbT)	0.84		1.00	1.00		0.65	1.00		0.64			
Parking Bus Adj	1.00	1.00	1.00	1.00	1.00	1.00	0.90	1.00	1.00			
Adj Sat Flow veh/h/ln	183.5	175.0	0.0	0.0	172.0	189.0	189.0	185.7	189.0			
Lanes	1	2	0	0	2	0	0	2	0			
Cap, veh/h	518	1896	0	0	592	289	81	875	70			
Arrive On Green	0.14	0.54	0.00	0.00	0.32	0.34	0.11	0.10	0.10			
Sat Flow, veh/h	1748	3500	0	0	1822	888	262	2838	226			
Grp Volume(v), veh/h	472	590	0	0	227	155	475	0	435			
Grp Sat Flow(s),veh/h/ln	1748	1750	0	0	1720	990	1658	0	1667			
Q Serve(g_s), s	8.5	5.6	0.0	0.0	6.2	7.4	17.1	0.0	15.4			
Cycle Q Clear(g_c), s	8.5	5.6	0.0	0.0	6.2	7.4	17.1	0.0	15.4			
Prop In Lane	1.00		0.00	0.00		0.90	0.16		0.14			
Lane Grp Cap(c), veh/h	518	1896	0	0	559	322	511	0	514			
V/C Ratio(X)	0.91	0.31	0.00	0.00	0.41	0.48	0.93	0.00	0.85			
Avail Cap(c_a), veh/h	518	1896	0	0	559	322	511	0	514			
HCM Platoon Ratio	1.00	1.00	1.00	1.00	1.00	1.00	0.33	0.33	0.33			
Upstream Filter(I)	1.00	1.00	0.00	0.00	1.00	1.00	1.00	0.00	1.00			
Uniform Delay (d), s/veh	14.6	7.6	0.0	0.0	15.7	15.8	26.3	0.0	25.6			
Incr Delay (d2), s/veh	22.8	0.4	0.0	0.0	2.2	5.1	25.6	0.0	15.7			
Initial Q Delay(d3),s/veh	2.7	0.0	0.0	0.0	0.2	0.5	9.7	0.0	4.4			
%ile Back of Q (95%), veh/ln	6.3	3.9	0.0	0.0	5.1	3.9	18.1	0.0	14.7			
Lane Grp Delay (d), s/veh	40.0	8.0	0.0	0.0	18.1	21.4	61.6	0.0	45.7			
Lane Grp LOS	D	A			B	C	E		D			
Approach Vol, veh/h	1062				382			910				
Approach Delay, s/veh	22.3				19.4			54.0				
Approach LOS	C				B			D				
Timer												
Assigned Phs	5	2			6			8				
Phs Duration (G+Y+Rc), s	13.0	37.0			24.0			23.0				
Change Period (Y+Rc), s	5.0	5.0			5.0			5.0				
Max Green Setting (Gmax), s	8.0	32.0			19.0			18.0				
Max Q Clear Time (g_c+I1), s	10.5	7.6			9.4			19.1				
Green Ext Time (p_c), s	0.0	6.5			4.1			0.0				
Intersection Summary												
HCM 2010 Ctrl Delay			34.1									
HCM 2010 LOS			C									
Notes												

CERTIFICATION OF SERVICE

The undersigned counsel for Market East Associates, L.P. hereby certifies that a true and correct copy of the foregoing document was served this date by way of electronic and first-class mail, addressed as follows:

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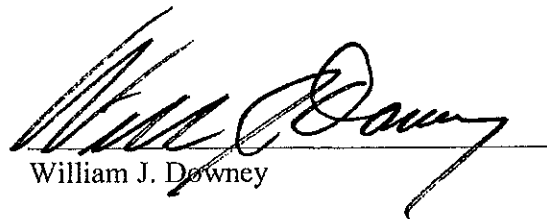
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William J. Downey

Date: February 10, 2014