

MOHEGAN TRIBAL GAMING AUTHORITY

Moderator: Mario Kontomerkos
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11:00 a.m. ET

Operator: Good morning, my name is (Ginger) and I'll be your conference operator today. At this time, I would like to welcome everyone to the Fourth Quarter Fiscal 2011 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during this time, simply press star, then the number one on your telephone keypad. If you would like to withdraw your question, press the pound key. Thank you, Mr. Mario Kontomerkos, you may begin your conference.

Mario Kontomerkos: Well thank you (Ginger) and thank and good morning everybody.

Welcome to the Fourth Quarter Fiscal 2011 Earnings Call for the Mohegan Tribal Gaming Authority. This is Mario Kontomerkos, and I'll moderate today's call.

As you know, last Thursday, we issued a press release on our operating results for the quarter ended September 30, 2011. That release is available on our website www.mtga.com. Before we begin the call today, I'd like to introduce the participants. We have with us Bruce Bozsum, Chairman of the MTGA Management Board; James Gessner, Vice Chair of the MTGA Management Board; Thayne Hutchins, Treasurer of the Management Board; and Mark Sperry, Tribal Councilor. Also from the Tribe is Phil Cahill, the Tribe's Chief Operating Officer. From the MTGA, we have Mitchell Etes, our CEO; Peter Roberti, our Vice President of Finance; and Leo Chupaska, our Vice President of Investor Relations. For Mohegan Sun, we have Jeff Hartmann, President and CEO; Ray Pineault, Senior Vice President and Chief Operating Officer,

and Tim Williams, Senior Vice President and CFO. And on the line from Mohegan Sun at Pocono Downs in Pennsylvania is Bobby Soper, who is the President and General Manager along with Tony McGowan, CFO.

As usual, Bruce will give some introductory comments followed by Mitchell who will briefly discuss the significant events during the last quarter. I will then provide you with a brief overview of balance sheet matters, after which we will open the call for Q&A. Before we start, let me turn it over to Peter Roberti, Vice President of Finance, who will take you through some cautionary language. Peter?

Peter Roberti: Hey thanks Mario and good morning everybody. I would like to remind you that our comments today may contain forward-looking statements protected by the Safe Harbor Provisions of the Private Securities Litigation Reform Act. Such forward-looking statements are only predictions and actual events or results may differ materially from the forward-looking statements made during today's conference call. Risks and uncertainties that can cause actual results to vary from these forward-looking statements are more fully described in our Form 10-K filing with the Securities and Exchange Commission for the fiscal year ending September 30, 2011.

Forward-looking statements made during today's call represent the Authority's current outlook only as of today's date. The Authority undertakes no obligation to update or supplement any forward-looking statements. Today's conference call may also include discussions concerning financial measures of performance that are not calculated in accordance with Generally Accepted Accounting Principles. A reconciliation of these non-GAAP measures to the most directly comparable GAAP measures is included in our press release for your records. This call and its replay is a property of Mohegan Tribal Gaming Authority. It's not for rebroadcast or for any use for any other person without the consent of the Mohegan Tribal Gaming Authority. If you do not agree to these terms, please disconnect now. By remaining on the line, you agree to be bound by these terms.

A replay of the call and the related information will be made available on the Authority's website at www.mtga.com. A telephone replay of the call will

also be made available and instructions how to access the replay including the phone numbers, conference ID are included in the earnings press release. With that said, let me turn the call back over to Mario Kontomerkos, our Chief Financial Officer at Mohegan Tribal Gaming Authority.

Mario Kontomerkos: Thanks Pete. At this time, I'd like to introduce the Chairman of the Mohegan Tribe and of the MTGA Management Board, Bruce Bozsum.

Bruce Bozsum: Good morning. Thanks Mario. And thanks for listening in this morning, everyone. I am sure that each of you has had a chance to see the information that we provided last week in our fourth quarter press release. As we reported, the Authority had excellent operating results for the quarter ending September 30, 2011. I join the Authority's Board in commending the management team here at Mohegan Sun in Connecticut and in Poconos as well as every one of our employees for a job well done.

The extremely positive quarterly results, improving trends, and strong patron visitation provides us with a sense of optimism that the economy is slowly but steadily recovering, and consumer discretionary spending, particularly in gaming and entertainment will continue to improve. Our continued focus on margin improvements also bodes well for future results. And as you know, we recently celebrated Mohegan Sun's 15th anniversary. It's been 15 years of great success, tremendous events, and wonderful memories. And through those years, we also were faced with some – well actually with many challenges; changing patrons spending habits, managing technological advances in gaming, competitive pressures, the economic recession, and that's just to name a few.

And today, and for the better part of the last year-and-a-half, we've been focused on a new challenge, that being our bank and bond obligations that mature this year. I want all to know that we have made good progress with our refinancing efforts, and are confident of a successful conclusion. The Authority is appreciative of the hard work by all involved. We look forward to continued success in 2012 and thanks for your continued support of Mohegan.

I will now turn the call over to Mitchell.

Mitchell Etess: Thank you Bruce. And once again, hello everybody and thank you for listening to the call today. Before I give you some highlights of the fourth quarter results, I want to give you a brief update on our refinancing. As Bruce said, we made very good progress working with our bank group and bondholders on our planned refinancing. Although I can't get into any specifics at this time, we are encouraged by the efforts of all parties. Our team advisors at Blackstone and Credit Suisse remain completely focused on our refinancing efforts and we are all hopeful that we will all come together very soon.

In spite of the progress that we have made thus far, we were unable to complete our refinancing by the end of the first quarter of fiscal 2012. As a result, our auditors issued a "going concern" opinion our 2011 financial statements. As most of you are probably aware by now, we obtained a waiver from our bank group to address this opinion, which we believe reflects the group's continued confidence in and support of Mohegan Tribal Gaming Authority and the Mohegan Tribe. That is all we will be saying on our refinancing efforts in this portion of the call or during our Q&A. But now onto our fourth quarter results.

We are certainly pleased with our operating results for the fourth quarter. On a consolidated basis, MTGA adjusted EBITDA of \$90.5 million represented a 24 percent increase over the prior year quarter with net revenues essentially flat year-over-year. These results reflect the impact of the various cost savings measures that have been implemented and maintained over the last 18 to 20 – 24 months, and that we have talked about on so many of our previous calls.

MTGA consolidated adjusted EBITDA was \$322 million for the fiscal year 2011 compared to \$283 million for the prior year, a healthy 14 percent increase. In Connecticut, Mohegan Sun adjusted EBITDA was \$80.1 million for the quarter. This represents a 23 percent increase over the previous year's quarter, despite the adverse affects of Hurricane Irene and a corresponding slow restoration of power in Connecticut.

During the quarter, EBITDA margin showed a marked improvement, increasing from 21.9 percent to 27.3 percent, a 540 basis point improvement. We are very, very proud of that. Slot revenues were down by 4.3 percent for the quarter but are gradually improving from prior quarters on a year-over-year basis. Also important is that we believe that promotional environment here in Connecticut has stabilized which we think is a very, very positive sign. And while (our use) of Free Slot Play in Connecticut grew over the previous year, we are focused on more productive marketing programs and in some cases, we have actually foregone revenue which was not profitable. And this is evidenced in our results.

Table games revenues in Connecticut grew 6.9 percent over the prior year quarter. We did benefit from our higher holds in the fourth quarter of previous year, 15.1 to 14.0, which helped offset slight 1.2 percent decrease in table drop. But again, at 15.1 hold is right in the – down and center of what our expected range is.

Fiscal 2011 adjusted EBITDA at Connecticut Mohegan Sun was \$285 million compared to \$258 million in the prior year, up 10 percent. Going forward, non-gaming revenue should benefit from the July opening of the incredibly beautiful Season's Buffet. It really came out great. It's a great facility, large capacity, very efficient floors, beautiful designer work by Moreno and the September opening of the BALLO Italian Restaurant and Social Club in the space previously occupied by our (inaudible). The Mohegan Sun Arena continues to be a strong contributor and driver for us, and we are recently named, voted the "Casino of the Year" by the Academy of Country Music, and were cited as the fourth busiest Arena in the world for our sized category by venues today, pretty amazing here at Uncasville, Connecticut.

Although we are technically in the first quarter of 2012, our 15th anniversary celebration in October was a huge success by all measures. The celebrity filled weekend garners us millions and millions of PR impressions from both traditional and the social media outlets. Mohegan Sun at Pocono Downs continues to benefit from the addition of table games. Property adjusted EBITDA increased 16 percent to \$14.2 million while EBITDA margin

increased to 17.6 percent from 16.2 percent the previous year's quarter. Also encouraging was an increase in the slot revenues of 3 percent over the prior year quarters and record table games drop 57.4 million. Bob and his team have done a great job fine tuning their marketing programs and driving profitable business.

Fiscal 2011 adjusted EBITDA was \$52 million versus \$41 million from the prior year, a very strong 27 percent improvement. One major event of note at Pocono Downs was the first annual Pennsylvania Oktoberfest that was held in September even though it was the Oktoberfest. This attracted over 40,000 visitors, and this event has already presented itself as one of the largest events of its kind on the East Coast.

And lastly I am sure that many of you are interested to know the impact of Aqueduct's opening on our operations. While we will not be officially releasing our results for about a month, I believe you will find that our slot revenues will be basically flat compared to the prior year and above our budgeted expectations for the quarter. Since the macro-economic environment is not significantly different, one would assume that we are not experiencing much impact from the opening of the new convenience facility in Queens. And although the weather has been quite cooperative in December, please remember we had a major snow event here in October, which actually resulted in – people in Connecticut have more power outages here in Connecticut which is one of our major markets, as you all know than were affected by Hurricane Irene. So we are very pleased with what you will hear in probably about a month, it will be a quick turnover for the next call.

Thanks again, and I will now turn this call back over to Mario, who will take you through the rest of the information before the questions.

Mario Kontomerkos: All right. Thank you Mitchell. Let me now give you a brief update on certain balance sheet related items. At quarter end the MTGA was in compliance with all of its covenants. Total leverage under the bank credit facility was 6.00 times against the covenant of 6.5 times. As you all know, we've made significant progress in delevering our balance sheet as evidenced by our total leverage decreasing 110 basis points over the last four quarters

from 7.1 times. Senior leverage was 3.69 times against the covenant of 4.25 times. Total debt was \$1.64 billion and amounts drawn on the bank credit facility were \$535 million. When factoring in restrictive covenants, the Authority had approximately \$134 million available for borrowing under the bank credit facility. Distributions totaled \$23.4 million for the quarter and \$47.1 million for the fiscal year. Capital expenditures totaled \$12.5 million for the quarter and \$46.5 million for the fiscal year, mainly comprised of maintenance and development capital expenditures here at Mohegan Sun. Cash and cash equivalents at the end of the year totaled \$112.2 million.

So, having said all that, at this point, I will turn it back to (Ginger) for Q&A.

Operator: Ladies and gentlemen, at this time, if you would like to ask a question, please press star, then the number one on your telephone keypad. Once again, that is star one for any questions. We will pause for just a moment to compile the Q&A roster. Your first question comes from the line of Larry Klatzkin from Klatzkin Advisors.

Larry Klatzkin: Hi guys.

Mario Kontomerkos: Hi Larry.

Larry Klatzkin: No questions on basketball because the season is not going on. Massachusetts, you've been talking about how that competition is going to work and how you see a – would you see a chance at all with the competitor showing up.

Mitchell Etess: Sure. You know, like we have invested a tremendous amount of time and effort to Massachusetts. We've had a store front there for over two years. We've handled seven or more community conversations. We – you know, we've been building our relationships. You know, we believe we have the best location in Western Mass and gives us the best opportunity to drive the most revenue for the Commonwealth of Massachusetts frankly. We think that our brand and our position as the premier gaming operator in North East are really – get us the usual leg up there. Now, we knew there would be more competition. We never felt like it was going to be one-horse race or anybody

would hand us the license. And I think that's great. We believe that at the end of the day our ability to operate our location and everything about Mohegan Sun far more speak for itself. We have a great community in support of us. So we are very optimistic about that competition.

Larry Klatzkin: All right. What do you see the timing for that? Any feel from the state?

Mitchell Etess: We don't really know exactly. It's a lot of things that have to take place. There's about you know, they've got to fill the commission. That has to be done within 120 days. Then they have to – there's a lot of things that have been left to the commission to decide. Then they will have to get out you know, the RFP. And I think that it would be very, very quick if they had any licenses signed in this – in the calendar year 2012. So we will have to see you know, how it happens and what transpires. But you know, we are really eager to get that going and for every – there is a lot of things every single applicant has to have a referendum in their communities. So there's a lot of things that has to take place. So you know, it's kind of hard to give you a really great timeline until we know some more specifics from the commission.

Larry Klatzkin: That's fair. The governor of Connecticut said he is committed to gaming and looking to improving you guys. What exactly did he mean by that?

Mitchell Etess: You know, he's been – I mean I think we just said we've had conversations and working with us on things like the liquor services and different aspect of it versus (inaudible) increasing that, Keno, a lot of different things. We are talking about every – the whole gamut of gaming in Connecticut and where we can go from here. Marketing, which is a real big deal to us.

Larry Klatzkin: OK you haven't entered Internet gaming within the state?

Mitchell Etess: I am sorry what was the question?

Larry Klatzkin: Internet gaming within the State if that gets opened up, would that be Lottery Commission or do you have some chance to add that?

Mitchell Etess: I think we certainly have a chance. I mean that's something that we are looking into, Larry, pretty closely right now. I mean we have done a lot of

work on Internet gaming in terms of evaluating vendors and evaluating technologies. And we will see where it goes from there.

Larry Klatzkin: All right thanks. And then the last question, any plans to gear up (Revo) rebels opening?

Jeff Hartmann: No Larry. This is Jeff Hartmann. You know, we are just going to go about our business and you know, work on cementing relationships with potential players (Revo). So we respect what (Revo) will bring to the table and what we are going to plan appropriately.

Larry Klatzkin: All right. Thanks guys. Good results.

Mitchell Etess: Thanks Larry. You know, there's a lot of hot stove WMBH. I am surprised you didn't bring it up.

Larry Klatzkin: I will bring that.

Operator: And your next question comes from the line of David Farber with Credit Suisse.

David Farber: Hello Guys.

Mitchell Etess: Hi David.

David Farber: I've got three questions. Just curious, conditions of the waiver with your banks, and then a couple of followups.

Male: I guess the easier answer is there were no conditions on the waiver from the banks.

David Farber: That is an easy answer.

Male: Try to give assurance (inaudible).

David Farber: Just any sort of follow-up on sort of maybe what's left to get you guys over the finish line with respect to the refinancing. The release was encouraging, your words are. Just curious if you can help us think about what might be left.

Mitchell Etess: Unfortunately, I can't give you any more than that.

David Farber: OK. Moving on. Distribution thoughts next year to the Tribe, and how it might be different or the same in this year?

Male: You know, there's not much we can say about that. All we can say is that the \$18 million of priority distributions is certain and we cannot really speculate on anything else right now about that David.

David Farber: And that you said \$18 million?

Male: \$18 million. That's prior to distribution amount that you all are familiar with.

David Farber: Got it. OK last is just on the cost cutting, which you guys have done a very good job of clearly – your release cites like I think \$34 million in cost cuts. Just curious if you think about additional cuts to drive the P&L in '12 or if you anniversary them and just sort of how you are thinking about the cost structure of the business today.

Jeff Hartmann: Dave, this is Jeff Hartmann. You know, what we can say you know, we are looking – constantly looking for efficiencies. You know, I think we are going to work amongst the three properties to may be work on some shared services concepts and (inaudible) of you know, how we look that and bring more cost out of the property. So I think that's been our focus. So nothing really to give you any specifics right now, or anything other than that.

Mitchell Etess: You know, it's a constant every single day. Bobby and Jeff and their teams are always looking for the most efficient ways to do things, focus on the marketing, but (inaudible) we are a customer service focused company who believe our employees as well. So every decision is well-balanced and as we go about these things.

David Farber: Fair enough. Is it fair to categorize that most of these costs have been anniversaried at this point? The ones that you've cited prior?

Mitchell Etess: Yes.

David Farber: Got it. OK, good luck. Thank you guys.

Male: OK. Thank you.

Male: Thanks.

Operator: Once again, if you would like to ask a question, please press star, then the number one on your telephone keypad. Again, that is star one. Your next question is from the line of James Kayler from Bank of America.

James Kayler: Hi guys how are doing?

Mitchell Etess: Good how are you?

James Kayler: Very well. In your opening comments you had some sort of positive commentary about customer, you know, how you feel like the customer might be shaping out and you know, the sort of consumer outlook. Can you just get into that a little more? Is it visitation? Is it (inaudible)? Is it – is that things are actually improving?

Jeff Hartmann: It's Jeff Hartmann. You know, at Mohegan Sun I think we are – you know, we are seeing slight uptick in visitation and I think that you know, we are seeing you know, people respond to you know, some of our new marketing programs that you know, Mitch talked about or – and with the focus on the efficiencies, you know, we as Mitch alluded to earlier, you know, we've adjusted our casino for some of the products that we offer, that we looked at the profitability and we've adjusted some of the customer-facing aspects of some of the products. And you know, there's has been some pushback, but now we are starting to see them come back. You know, we are focused on profitability and the changes we have made has increased that profitability and you know, we – the customers went away initially, but now they are you know, coming back. So overall, we are very encouraged by our table games play through the first quarter you know, was good. And year-end was you know, (9/30) year-end was good. So table games play remains strong, you know, our slot play you know, through the end of the year was fairly strong. So we are – we are encouraged.

- Mitchell Etess: Is it? You know, James, what this is and people are now are starting to respond to things that they just weren't responding to before. And whether there you know, you saw retail sales I think were better for Christmas, and people starting to feel better and maybe there is a little more optimism or maybe they just said, well this is what it is, and I am still going to go. Now I am going to start doing what I am going to do. You know, so we are finding that people are starting to respond to things. Counter sales are – we are doing much more – people are more responsive to counter sales. You know, the markets kind of adjusted itself, and ticket prices have gone down a little bit, and that's – so we are just seeing various little signs throughout all aspects of the business.
- James Kayler: All right. Very good. Can you remind us sort of what the (inaudible) at Mohegan Sun in Connecticut is in terms of like the (fear) markets for the states, for the Connecticut versus New York and Massachusetts and others?
- Male: You know, Connecticut varies between 43 percent and 45 percent. You know, Massachusetts is 18 percent to 19 percent. New York is 20 percent to 23 percent. You know, we get about 3 percent or 4 percent out of Rhode Island and you know, the balance between Northern New Jersey, New Hampshire and Vermont. So that's basically the ranges of our business.
- James Kayler: And it does stay pretty consistent? I should know, I ask every couple of quarters, but...
- Male: Yes, it has. You know, it's really over the last ten years, we've – you know, we've kind of locked into those ranges.
- Male: As the first two years.
- James Kayler: OK. Very good. And then I guess just one other balance sheet question. It seem like the cash balance went up quite a bit. It look like you drew out little bit on the revolver. Was that just a timing issue? I guess just – I mean it looks like you obviously had plenty of liquidity.

Mario Kontomerkos: Yes. That was a timing issue. You know, the – James, the quarter ended on a Friday. So we just drew up on the revolver in anticipation of some increased activity and that came right back down after the end of the quarter.

James Kayler: OK. Good. Can you tell you do you off the hand what the revolver balanced now?

Mario Kontomerkos: Yes, it's roughly at \$505 million.

Male: That's correct.

James Kayler: OK. Very good. Thanks for the update as always guys.

Male: Sure thing.

Operator: And your next question is from the line of Joe Schock from Wells Fargo.

Joe Schock: Hi gentlemen thanks for the call. Much appreciate it. A few questions for you. The first one is very easy. Can you repeat what the senior debt leverage was and what the covenant was? I missed out.

Mario Kontomerkos: Senior leverage was 3.6 times – sorry, 3.69 times against the covenant of 4.25.

Joe Schock: OK great. And then can you comment a little bit on what the financial commitments are with the two non-Connecticut development projects; Cowlitz and Menominee, kind of what the historical commitment is, and what it is going forward?

Mitchell Etess: As far as the Menominee, that pretty much has been written off, as you know it's written down and that's (overweight) as far as our books are concerned right now. And you know, I mean not much happening there. Now the Cowlitz, leaves at about \$40 million.

Male: (Inaudible) invested.

Mitchell Etess: That \$40 million is invested. And that – the project is basically just a matter of – it's – there we got their land and the trust thing, there is some litigation

going on now, are certainly confident that that's going to get – become a project but of course we can't push the litigation.

Joe Schock: OK great. And then final question for you. The priority distribution payments of \$18 million. Those are senior to all sort of debt taxable or commercial debt, right?

Male: That's right.

Joe Schock: That payment?

Male: That's correct.

Joe Schock: OK great. Thank you very much. Appreciate it.

Operator: And your next question is from the line of Greg Roselli from UBS.

Greg Roselli: Hey guys how are doing?

Male: Hey Greg.

Greg Roselli: Looks like you got to most of my questions already, but I saw on the Foxwoods numbers in the September quarter that it seems like they pulled back on a promo expense a lot. Are you guys seeing the competitive market up there stabilize at all?

Male: Jeff?

Jeff Hartmann: Yes absolutely.

Greg Roselli: OK and I guess (inaudible) have been able to pull back on your promos and maybe get a little back on the margins?

Male: Yes, we have you know, we pulled back on some of our reinvestments on some of our products. We did that through, you know, tail end of fiscal year '11. So that's carrying through this first quarter.

Greg Roselli: Oh great. Good to hear. Against last year, any update on any additional hotel capacity at either property?

- Male: You know, that's something that we continue to look into at both properties. You know, as you know, Greg, the hotel financing market, at least domestically, in the lodging industry has been pretty tough. It got a little bit tougher through August, through the – through the sort of the debt crisis debacle. And so we continue to work on that. We continue to try to find the best deals that we can in both Pennsylvania and Connecticut.
- Greg Roselli: Got you. Then I guess in the Poconos any additional updates on your UKB prospects there, anything?
- Male: Same, we continue to work on that project. We continue to look for sort of an off-balance sheet third party developer and financier and you know, like I said, the financing markets have not been that cooperative, but we think we will get there at the end of the day.
- Greg Roselli: Great. That's all I have for you guys. Thank you.
- Male: Thank you.
- Operator: Your next question is from the line of Alexander Smith from (Smith Management).
- Alexander Smith: Hi, my question is as the maturity for the bank debt is in March, meaning a couple of months away, how are the vendors reacting? Are you having anybody starting to pull? Aren't people worried about that?
- Male: No. I mean essentially yes, I mean just to add a little bit to Mitch's comment. When you think about what's happening, right, I mean we essentially got that opinion in our 10-K but the banks came back with the waiver which we think signifies – significant support for the MTGA and the Authority. And you know, I guess the feeling is that we all feel like we are making very good progress on the refinancing here. And so I think that you know, our vendors understand that and all of our partners understand that as well.

Alexander Smith: OK. The other question is the relinquishment payments, are those potentially negotiable as part of this refinancing package or restructuring or however you want to think about it?

Male: We can't really – we can't really discuss any of the negotiations going on in terms of the refinancing unfortunately.

Alexander Smith: OK. Thanks.

Male: OK. Sure thing.

Operator: There are no further questions in the queue.

Male: OK, well thank you all very much and we will look forward to speaking with you in about three or four weeks. Thank you.

Operator: Ladies and gentlemen, this does conclude today's conference call. Thank you for participating. At this time, you may now disconnect.

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