Mohegan Tribal Gaming Authority

Moderator: Peter Roberti, Vice President of Finance
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11:00 a.m. CT

Operator: Good morning. My name is Brenda and I will be your conference operator today. At this time, I would like to welcome everyone to the First Quarter Fiscal 2013 Earning Calls with Mohegan Tribal Gaming Authority. All lines have been placed on mute to prevent any background noise. After the speaker's 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.

I would now like to turn the call over to Mr. Peter Roberti, Vice President of Finance. Sir, you may begin.

Peter Roberti: OK. Thank you, Brenda. And good morning, everyone. Thank you for joining our call this morning.

Today we issued a press release on our first quarter offering results for the quarter ending December 31, 2012. This release is available on our website www.mtga.com. 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 these predictions.

There are some uncertainties associated with these forward-looking statements and were fully described in today's news announcement in our – in our filings with the SEC, including our reports on Form 10-K and 10-Q. The forward-looking statements made during today's call represent the authority's current outlook only as of today's date and the authority undertakes no obligations to update or supplement any forward-looking statements.

Today’s conference call may also include discussions of non-GAAP financial measures. A reconciliation of these non-GAAP measures to the most directly comparable GAAP measures is included in our earnings press release.

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With that said, let me turn the call over to Mario Kontomerkos, Chief Financial Officer of Mohegan Tribal Gaming Authority.

Mario Kontomerkos: Thanks, Peter. And good morning, everyone.

Before we begin, I’d like to introduce the participants for today’s call. We have with us Bruce Bozsum, the Chairman of the MTGA management board. From MTGA, we have Mitchell Etess, our CEO and Peter Roberti, our Vice President of Finance. From Mohegan Sun, we have President and CEO, Bobby Soper and from Mohegan Sun at Pocono Downs, we have Mike Bean, our President and General Manager in Pennsylvania. In addition, we have a number of others in the room who are available to answer any questions you may have.

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 I’ll open up the call for Q&A.

So with that, I’ll turn the call over to the Chairman of the Mohegan Tribe and of the MTGA management board Bruce Bozsum.

Bruce Bozsum: Mario, I’ve just have a few comments before Mitch and the team provide some more detail.

Obviously our first quarter revenues were not what we had hoped for. But the board will continue to work closely with our senior management team to ensure that we continue to meet our targets for profitability.

Reasons for the declines are our business volumes are varied, and will be discussed later. But clearly the less than robust economic situation in Connecticut and Eastern Pennsylvania, and the additional gaming capacity in our neighboring states have hurt the most.

However, the entire Mohegan organization's approach to our problems is to adhere to the advice provided from Winston Churchill from long ago. If you're going through hell, keep going. So that is exactly what we have done of late by adding new and remodeled dining and entertainment outlets at Mohegan Sun Connecticut, scheduling many first rate acts in our arena, and redoubling our marketing efforts to our most profitable customer base.

Our vigorous expense reduction efforts also continue. But in doing so, we will not compromise the level of customer service that has become the signature of Mohegan Sun.

At Pocono, the hotel construction is on a steady pace and is scheduled for a late calendar year 2013 opening. The addition of the hotel and meeting space will enhance the property's ability to attract more visitations.

Also, as many of you have seen, we have submitted our application for a casino license in the Commonwealth of Massachusetts to develop a casino in Palmer, Mass. with our financial partner, Brigade.

And now – I will now turn the conference call over to Mitch for more detail on the quarter. And as always, thanks for your confidence and support in Mohegan. Mitch, it's all yours.

Mitchell Etess: Thank you, Bruce. And hello, everybody and thanks again for joining our call.

Our results for the first quarter are reflective of the work that we have done to maintain profitability dealing with strong headwinds as far as revenues are concerned at both our operating properties. We continue to focus our operations as evidenced by the increase in margin and EBITDA in Connecticut in spite of year over year decline in revenue. We're confident that we've put ourselves in a position for great flow through to the bottom line when we ultimately see more favorable economic conditions.

Overall, the regional economy here in the Northeast continues to be sluggish and is definitely impacting our results. In addition, we believe many of our guest spending habits during the previous quarter was affected by uncertainties around the presidential election and the fiscal cliff negotiations in Congress.

In Pennsylvania, we also believe our top line was likely to have been impacted by local government proposals to significantly increase taxes. As many municipalities in the Mohegan Sun at Pocono Downs region are dealing with major fiscal challenges.

We also believe there has been a construction disruption associated with our ongoing hotel and convention center expansion projects. And of course, both our properties felt some impact from hurricane Sandy during the quarter but it's kind of difficult to quantify this specifically.

Our consolidated bases net revenues totaled \$324.8 million at 7.7 percent decrease over the prior year quarter whereas adjusted EBITDA totaled \$73.2 million, just a 2 percent decrease over the prior year quarter.

In Connecticut, Mohegan Sun's adjusted EBITDA increased by 2 percent to \$65.3 million even if there is a decline in revenues of 7.6 percent to \$253.2 million. Table games revenues in Connecticut increased 0.8 percent over the prior year mainly due to 1.5% as an increase in hold percentage offset by 8.3 percent decrease in drop.

Sequentially, table games revenues improved modestly from our previous quarter, following a decrease 12.9 percent during the quarter. As I have already mentioned, some of this is related to the economy, some of this is self-inflicted, as we've turned away unprofitable revenues in order to improve profitability.

And lastly, the quarter's revenues were impacted negatively by the additional gaming capacity as well as the tough comparison year over year as we were up against our highly successful 15th anniversary festivities in the prior year quarter.

Operating cost declined 9.6 percent. The team has done an excellent job managing operating costs. Part of the decline in operating cost relates to the successful implementation of our labor reduction which we announced last September. And some of the – some of the savings is related to our attention to detail in all aspects of the operation.

In addition, the team continues to seek additional efficiencies this year at Mohegan Sun and Pocono Downs and then successful in doing so in areas that do not impact guest service.

Also on a positive note, hotel revenues for the quarter were up 9.1 percent resulting from an increase in occupancy. In addition, ADR and RevPAR were up 7 and 9.9 percent respectively over the prior year quarter. Again, our retail entertainment and other revenues were down 3.3 percent compared to the prior year.

As Bruce was referring to, over the past several months we've completed projects that has significantly refreshed the Connecticut facility. Some of these were mentioned in our last call but it's worth reviewing.

The Vista lounge at Wombi Rock renovation has been very successful both in terms of guest experience and beverage owners. Dylan's Candy Bar, they renovated and reprogrammed Bow & Arrow Sports Bar, the Clay Pipe and the Mist Lounge in the Casino of the Wind, which opened just before New Year's is our great attractions.

All new – the all new Land of Down pub and Hash House A-Go-Go have been an excellent addition to our food and beverage offerings and are attractions in themselves. And the recent change in Summer Shack, along with Ballo's Italian restaurant all add up to an amazing upgrade to the most spectacular destination of its kind, a food and beverage line up that already includes Michael Jordan's, Bobby Flay and Todd English.

The quarter also saw the beginning of unprecedented run of headliners in the Mohegan Sun arena which attained the rating in the U.S. of fourth in the world of venues of its size by Billboard magazine and third in the world by the venues magazine.

The shows in the first quarter included One Direction, Coldplay and Dave Matthews. And in the next several months, we'll see Bon Jovi, Jason Aldean, Kenny Chesney, Pink, Lady Gaga, Maroon 5, Matchbox 20, Fleetwood Mac, Eric Clapton, Reba McEntire, Rush, New Kids from the Block, and Sting, just to name a few. This should be a great foundation for programming as the fiscal year continues.

At the Pocono announced property net revenues decreased to $71.3 million or 8.6 percent, a property adjusted EBITDA decreased 11.6 percent to $12.5 million. EBITDA margin decreased to 17.6 percent from 18.2 percent in the prior year quarter. Table games revenue is down by 6.5 percent mostly due to a decrease in drop of 17.4 percent. And this is offset by an increase in hold percentage to 20.9 percent versus 18.5 in the prior year quarter.

Slot revenues were down [to] $53.6 million or 9.4 percent. We believe that much of the impact in Pennsylvania is a result of weak regional economy and governmental proposals to significantly raise property taxes.

In addition, we believe results are impacted by the construction disruption related to our hotel and convention center expansion.

Pocono Downs team continues to identify cost savings opportunities which have helped mitigate the decrease in revenues, have evaluated their direct marketing and made some changes to profitably increase trips.

Mario and I were in Wilkes Barre this past week and reviewed plans with Mike Bean and his team, and they're taking an aggressive yet prudent approach to address both top and bottom line issues. Most importantly in Pennsylvania is the fact that Project Sunlight is under construction, speeding along to a late calendar year 2013 opening as was indicated. This is really going to be a significant EBITDA enhancer to the property.

Down at Resorts in AC, we continue to make significant progress at the property. We got new senior management and employees and have conducted a conference of guest service training program for all the team members.

I had the opportunity to join Gary Van Hettinga on a series of town hall meetings with the resort's employees in early December. And as a group, there is no doubt they are committed to the success of Resorts.

Constructions continuing on Margaritaville, the LandShark Bar & Grill and the Five O'Clock Somewhere Bar is part of the Margaritaville expansion project, as well as the Margaritaville slots area. And in spite of the impact of hurricane Sandy, all of our planning is directed towards achieving a Memorial Day opening of these facilities.

We opened our two new VIP lounges in early January, and they are – they're really beautiful, and have been very well received by the guests. Work will begin soon on a much needed food court as well as renovations to the rooms in the ocean tower.

Mario and his team continue to focus on addressing additional rooms we need in Connecticut. And they will help us maximize our profit. We expect this to be an off balance sheet third party hotel, and it continues to be a big priority of the finance team. We're certainly closer than we've ever been in the past, at securing a deal.

Also significant, though technically just outside the quarter was our announced partnership with Brigade and our official submission of the RFA1 application in pursuit of the Western Massachusetts casino license. We're committed to bring in the license home to Palmer and looking forward to proving our projects will clearly be the best with the deal in Massachusetts.

Now I'm sure some of you are going to ask so let me say upfront that the revenue trends in general here in Connecticut are somewhat better. We're not seeing increases yet but the decreases are decreasing, and we're feeling a little better about what we're seeing in terms of the rate of decline in revenues here, but not much change on what's happening in Pennsylvania.

I'd like to close by saying that we remain focused on our operations. It's all we do everyday. We're taking steps to maintain our profitability and refine our marketing companywide with the goal of driving the best operating results. Additionally, in fact, we're enhancing the pro – our product offerings at both of our properties and in Resorts as well.

We also need you to stay focused on training and service as you know, at the end of the day, the guest experience will all the more be the center of our success. And with all that said, and I'll turn it over to Mario to give you all the heavy details that you're so looking forward to.

Mario Kontomerkos: Thank you, Mitchell.

I'll 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. The total leverage under the bank credit facility was 6.18 times against the covenant of 7.00 times. Our senior credit facility leverage ratio was 1.5 times against the covenant of 1.75 times. Our first lean leverage was 2.35 times compared to a covenant 2.75 times and total debt was $1.7 billion with no amounts drawn on the authority's $75 million dollar revolver as of December 31, 2012.

After factoring in outstanding LCs and restricted covenants, the authority had approximately $66.8 million available for borrowing under the BCF. Cash in cash equivalents at the end of the quarter totaled $88.2 million. At December 31, 2012, liquidity totaled approximately $84.2 million net of bank roll and restricted cash. Distributions totaled $10 million for the quarter and our forecast has a total of $50 million for the fiscal 2013.

Capital expenditures totaled $13.7 million for the quarter mainly comprised of Project Sunlight expenditures and maintenance capital expenditures at Mohegan Sun and Mohegan Sun at Pocono Downs. Capital expenditures are forecasted to be $77.7 million for the fiscal 2013, of which $41.9 million is Project Sunlight.

So having said all of that, at this point I'll turn it back to Brenda for Q&A.

Operator: And at this time, if you would like to ask a question, please press star one on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Your first question is from David Faber.

Mitchell Etess: That's a new one.

David Faber: Hey, guys.

Mario Kontomerkos: Hey, David.

David Faber: How are you doing?

Mario Kontomerkos: Great.

Mario Kontomerkos: How are you?

David Faber: Good. I got a couple of questions on Mass. and then one or two in Connecticut. First on Massachusetts, I was just curious, any indications or updated thoughts from you guys post the application being submitted in mid-January either in terms of timing and project size or a chance of being awarded the license?

Mitchell Etess: I mean, basically, I don't think there is anything we didn't expect as far as the submissions. We still really believe at the end of the day, we're clearly the best site both in terms of location, off the highway, our ability to drive revenues from outside of the commonwealth and increase tourism which is very much a significant goal it appears of the commission.

So we really – we really feel comfortable about that. We also believe very strongly that the, you know, rural model, will be much more successful. And at the end of the day, we'll be out to show that we give economic benefit to the entire region, to all four counties, not just in one concentrated urban area. So I feel really good about all that.

As far as our project size, you know, we announced that – we've been saying the project itself will be $600 million, that's just the casino property. There's some land adjacent that we are working with our landlord who also controls that land on developing for ancillary development. So we believe that at the end of the day our – the value of our project and the overall draw is going to be extremely competitive when you hear that's all and the other things we have. We feel really good about it.

Mario Kontomerkos: Yes, David. And just to – on a – oh, you're doing it…

Mitchell Etess: Yes, I'm sorry. At this time, what we're hearing is that the commission is going to stay with what, you know, their current schedule. The RFA1 is due February 15th, RFA2s by October 15th with a decision if – by the end of February 14th.

So, you know, I mean – I guess I could always slip but right now they seem very focused on maintaining that schedule. But, you know, you never really know.

David Faber: Understood. That's helpful. And then regarding the structure post partnership with Brigade that you announced, if it's approved for you guys to move forward on the project, I was just curious how to think about that and then specifically as maybe it's contemplated, or does this credit the authority? Can it potentially put an equity and receive a management fee? Are the any thoughts around what the structure would look like post the partnership? And then I have one follow up.

Mario Kontomerkos: Yes. We can – we can talk to you a little bit about that. The way it's going to be set up, David is going to set up an unrestricted entity to own part of the venture. We're going to set up another unrestricted entity to manage the venture. And both of those entities will have the ability to move distributions back to the restricted group.

In terms of equity, you know, we're actually, you know, making contributions today through the operating expense lines that you see in the corporate line item, that are going to be equity going forward. There's not going to be, to our knowledge, another equity contribution of any size really if we win the license. It's really just going to be the ongoing expenses that you see today.

David Faber: OK. And that's helpful but just so I understand, so the two entities – neither of those entities will part of this credit?

Mario Kontomerkos: Correct.

David Faber: So the management fee will show up in the form of another entity which could be theoretically distribute money to the – to the authority? Is that the right way to think about it?

Mario Kontomerkos: That is correct.

David Faber: OK, thank you. And then just finally on the – on the cost savings, you guys highlighted, just curious to hear how you'd expect the $20 million to roll through for the balance of the year, and maybe, you know, what's been realized in this quarter. Are there any thoughts around the timing with respect to that would be helpful and then I'll duck back in the queue. Thanks.

Mario Kontomerkos: Yes. The $20 million I think, it's safe to say that, you know, it should be a pretty ratable over the course of the year. Basically the biggest component of that was the reduction in force that we conducted at the end of September. And so, really from the beginning of October on, you saw most of the benefit of that. I think we tweaked and got a little bit better as the quarter got – went along.

So we might be a little bit better than that in the coming quarters. But I think, you know, a ratable breakdown across the year is probably a fair assessment on that.

David Faber: That was good. Thanks a lot. Take care.

Operator: Your next question comes from Greg Roselli.

Mario Kontomerkos: Hey, Greg.

Greg Roselli: Just to clarify something you mentioned before, you said the expense in applying for the license in Massachusetts, is that going into corporate expense fund right now?

Mario Kontomerkos: It is.

Greg Roselli: Can you give us any sense to how much – how much that costing you in each quarter?

Mario Kontomerkos: You know, on an annual basis, it's on the order of $1 to $2 million a year.

Greg Roselli: I guess not bad. On the hotel tower in Connecticut, can you – can you give us any update on how many – the timing of a groundbreaking could be on that one and potentially how big it would be?

Mario Kontomerkos: Yes. If everything moves according to plan, I would say that the goal would be to get into a position where we sign definitive agreements over the next three to six months. And then groundbreaking would occur sometime thereafter.

Greg Roselli: Got you. In terms of size, any idea of rooms you're thinking it could be, you know, that the property could handle getting built?

Mario Kontomerkos: Yes. I think at this point, 300 to 400 hundred rooms is probably is going to be target range.

Greg Roselli: Got you. Can you give a sense on how the economics that will be structured between you and whoever the third party is that you're speaking to?

Mario Kontomerkos: Yes. There'll essentially be a couple of streams of income. There'll be lease incomes since there will be a lease of our – of the authority's land to a third party. So obviously whatever benefit we get from having, you know, three or 400 hundred occupied room nights on site.

And, you know, those people obviously flying into the casino. And then there's a good possibility we think that MTGA will be able to manage the hotel and integrate it into the – into the existing reservations system we have and obviously take advantage of all the infrastructure we have here but TBD.

Greg Roselli: Yes, I should think. With Foxwood and their free slot play drop another 20 percent in last quarter? Are you starting to feel an impact on that on your – the property with really good slot players, have you been able to lower your freeplay accordingly and try to drop your free slot play out of these guys?

Mitchell Etess: We know – we've been making our free play at low level, below the taxable rate and so we're feeling pretty good about that.

Greg Roselli: Got you. I guess in response to – oh sorry, go ahead.

Mitchell Etess: The, you know, the competitive market is relatively stable. And sometimes some packets of aggressive promotions but it's OK.

Greg Roselli: Got you. Can you count me down the room for any incremental cost savings in 2013 following the layoffs and everything in September, is there even more room to cut cost that you guys are finding?

Mitchell Etess: Yes, I think every single day we are working on it. We – Mario chairs the committee with the team here in Connecticut and also working with folks down in Pocono Downs. Every single week we're looking at different things. And I would say, yes, there's the opportunity for it and, you know, I don't know that Mario want to put a number on it, but yes, we continue to find things every week.

Greg Roselli: Got you. That's great. Any update on Cowlitz? Had there been change since the last fall?

Mario Kontomerkos: Not much, Greg. I think we're still in the same timeline that we talked about in the last call with respect to the, you know, potential for a district court ruling sometime this summer.

Greg Roselli: Got you. You guys mentioned in the press release the property tax hikes in Pennsylvania, it's kind of flown under the radar but it's definitely been heard of, you know, throughout the Pocono and some other competitors in central PA, any more color you can offer us on that, exactly what's getting proposed and the timing?

Mario Kontomerkos: Yes. We have – we have some data here in terms of those property tax hikes. So Pocono Downs serves Luzerne County in Pennsylvania, and 15 of the 50 municipalities with more than 2,000 people saw an average increase in property taxes this fiscal year starting January 1 of 20 to 27 percent.

The three biggest municipalities that serve Pocono Downs are Wilkes Barre, Scranton and (Hazelton) and they saw a 26 percent increase, a 22 percent increase and a 45 percent increase respectively in property taxes. So there's definitely an impact being felt by our customers there in Northeastern Pennsylvania.

Greg Roselli: Got you. That's tough. And lastly, I know it's not a very large amount at all especially with Sandy can you tell us how much on the resorts fee in the quarter?

Mario Kontomerkos: Yes. It was about $250K.

Greg Roselli: Got you. All right. Thanks a lot, guys. Appreciate it.

Mario Kontomerkos: Sure thing.

Operator: And your next question is from James Kaylor.

James Kaylor: Hey, guys. How are you doing?

Mario Kontomerkos: Hi, James

James Kaylor: Just to come back to the cost question, obviously – or I guess the margin performance in the quarter was definitely better than my expectations. I look at the aggregate numbers, net revenues cost almost $25 million and EBITDA was just, you know, barely or a little worse than flat.

So clearly you're able to take more costs out. How should we think about that going forward? Was there something special in this quarter? Clearly there is, you know, I feel like there's more going on than just the layoffs that you guys did.

Mario Kontomerkos: Yes. And I think you're right, James. I think there is more going on than just on the labor side. I think we're looking at every aspect. And the guys here could speak much more to this than I can.

Bobby: I'll give a little commentary. A couple of things, along with the labor reduction, marketing dollars that Mitchell had referenced to earlier that we're getting smarter with our dollars. We're willing to, you know, I guess fire our unprofitable customers and that has translated in the reduction of certain promotional expense.

Just from a comparable basis to recalling last October, we had a lot of expense related to, you know, events surrounding our 15th anniversary. We didn't have that. So maybe that – maybe the one small unique piece but generally speaking, most of the savings which are driven about labor, by these marketing expense reductions and some other operational expenses, a lot of small stuff here and there. We're going to see for the remainder of the fiscal year.

Mario Kontomerkos: Yes. we mentioned changes to the slot floor. I think we've made some changes to F&B and so all of those are just adding up just like Bobby said.

James Kaylor: Very good. So is it safe to assume that even a, you know, sort of continued challenging revenue environment that we probably shouldn't expect the flow to what we might have expected in 2009 or, you know, in prior periods. Just give a note, the focus that you have and the optimization that you're doing.

Mario Kontomerkos: I think that's right. I think that's right. And we can – we continue to focus on those types of opportunities.

James Kaylor: So, very good. Just a follow up on the January trends comment, I want to make sure I heard it right because it sounded like Connecticut trends are a little bit better. I guess – is that – does it feel like underlying business is a little better? Is the comp easier?

I know you guys have talked in the past about anniversarying the opening of – or the grand opening of Aqueduct, is that – does that seem like it is somewhat of a positive impact?

Mario Kontomerkos: Yes. We do. I think if you look back over the last 12 months through December, we've had down comparisons in Connecticut. And I think in January we definitely lacked that. And so I think that's at least an important part of the driver for better comparisons that we think going forward.

Bobby: OK. And in Pennsylvania – I mean, I guess it depends a little bit on sort of calendarship as I – stuff like that. Why look at just the weekly numbers? At least the first two weeks of January seemed to actually be a little bit better. The way that my calculations are, you're down kind of 3 percent the first week of January and actually up a little bit in the second week of January. Is that masking – it sounded more like that's still kind of challenged in that market.

Mitchell Etess: Mike, you want to – I think there's some calendar impact in those first two weeks. Mike, you want to talk to that a bit?

Mike Bean: Yes, sure. Yes, we continue to see challenges out here in Pennsylvania. And as Mario mentioned earlier, they are associated with publicized, you know, the tax increases. And we're down, you know, we're down this January as well. And unlike Connecticut, we see more trends continue or at least – at least right now that's what we're looking at.

James Kaylor: OK. Very good. And then, I guess, just finally, on the hotel in Pennsylvania, to think about it like - kind of assume 85 percent occupancy and sort of $300 of sort of all in revenue, the gaming revenue were – or otherwise to get to like around $20 million of incremental revenue for that. Is that sort of within the realm of possibility?

Mario Kontomerkos: I think, you know, I remember there was - just going off memory that is within the realm of possibility.

James Kaylor: OK. Very good. Well, very impressive on the cost side, definitely up from my expectations.

James Kaylor: Thank you.

Mario Kontomerkos: Thank you.

Operator: And your next question comes from Susan Berlinger.

Susan Berlinger: Hi. Good morning.

Mario Kontomerkos: Hi, Sue.

Susan Berlinger: I want to start with New Jersey. I was wondering if you guys have any opinion on what you think is going to happen with the online bills the governor are signing or not?

Mario Kontomerkos: You know, Sue, we probably know as much about that as you do based on what we read in the papers. So, you know, I think there's still a lot of talk especially recently between the – discussions between certain senators and the governor. We don't really have any more insight though than you do.

Susan Berlinger: Have you seen anything, any change in competition at all from any of the – from Resorts, or anything from AC?

Mario Kontomerkos: In Connecticut?

Susan Berlinger: In Connecticut, yes.

Mitchell Etess: No, I don't think there's anything different that we have been seeing for the last few, you know, quarters. It is what it is, you know, as far as I'm concerned.

Susan Berlinger: OK. And then, Mario, I was wondering if you could help me reconcile the cash number because I thought it went down more than we were anticipating, and I didn't know if that had to do with some of the layoffs you had. I was wondering if you could help me with the cash.

Mario Kontomerkos: Yes. There is a couple of things that are factoring in there. I think one is that there's obviously incremental interest related to the deal, the transaction that we consummated last March that's kicking in.

The resorts transaction was closed at the very beginning of October. That was $5 million there. And there could be shifts in timing of cash related to New Year's Eve, you know, the quarter ended on New Year's Eve. And so there could be some shifts in timing there.

Susan Berlinger: How should we think about – I think the (K) had $12.5 million of cash severance payment. How should we model that for 2013?

Mario Kontomerkos: If I'm not mistaken – Pete most of those occurred in September, did they not?

Peter Roberti: Probably. Yes, they go out – it's heavier in the first quarter, wind down a little bit of second quarter and some in third and fourth.

Mario Kontomerkos: OK.

Peter Roberti: So our 50 percent, 25 percent, 12 and 12, something like that.

Susan Berlinger: And then just my last question on the travel distribution. I know you kind of kept it flat for the year. I was just curious why it's $10 million this quarter?

Mario Kontomerkos: Yes. I noticed just a small change we made to just sort of match up the distributions with the seasonality of the business.

Susan Berlinger: OK. Great. Thank you very much.

Mario Kontomerkos: No problem.

Operator: And your next question is from John Maxwell.

John Maxwell: Hey, guys. Just a couple of quick ones - Mario, the statistics you gave regarding the property tax increases in Pennsylvania, did that kick in January of '13 or was that January of last year?

Mario Kontomerkos: Yes. They kicked in January of this year. So basically a couple of weeks ago, but they were really ...

Mitchell Etess: They were talking about it for a long time before that.

Mario Kontomerkos: Yes, that’s right.

Mitchell Etess: And people were starting to get, you know, edgy about it. They knew it was coming.

John Maxwell: Right.

Mitchell Etess: And so it was highly publicized.

John Maxwell: Yes. But obviously they haven’t spent the money yet on the higher taxes so I guess the question is going to be what happens – you know, it’s still to be determined to see what kind of effect it’s going to have on you guys, right?

Mario Kontomerkos: Yes. I think – I think the question is whether people have already changed their habits in anticipation of it because we did start to see – the news really started being publicized in the region, I would say, in September of last year.

Mitchell Etess: And then that’s what we feel even though the actual tax didn’t hit, that we really started seeing that like in the middle – early part of the quarter.

John Maxwell: Sure. Do you think that could possibly maybe – I don’t know, maybe just had – I don’t know, you know, potential benefit – you know, people just don’t – you know, maybe they’ll just stay closer to home with some of their leisure time dollars?

Mitchell Etess: You know – I don’t think it’s disposable income and, you know, we’re not – and maybe might had and a few people who didn’t go some place and they stay around and go to the casino, but I think in reality, it’s more of an issue of how it’s impacting people’s disposable income and the cash they have.

John Maxwell: Yes. It definitely doesn’t help. And just lastly, the stub piece, Mario, that you have coming due in February, the 6 and 1/8’s. Does that get taken out in cash or do you – do you borrow under the revolver for that?

Mario Kontomerkos: We’d like to take it out with cash.

John Maxwell: OK. But that’s – and that’s $16 million if I remember correctly?

Mario Kontomerkos: Yes, that's right.

John Maxwell: OK. That's all I have. Congrats, guys.

Mario Kontomerkos: OK, thanks.

Operator: Your next question is from (David Hargraves).

David Hargraves: Hi. Mostly answered, but I was hoping you could just describe a little bit more of the construction disruption that you're seeing in the Poconos? I'm trying to picture if it's parking spaces that are being taken out or ingress and egress, did you have to shut anything down just to give us a little more of a picture so – what you're up against. Thank you.

Mario Kontomerkos: Mike?

Mike Bean: Yes, sure. What we're seeing – what we have here is temporary condition where our premium parkings for our best customers, along with our valet spaces have been reduced as a result of the construction in the staging area. And once the construction is completed, we'll be able to reconfigure it in a manner that recaptures those spaces and probably some additional spaces for those same purposes.

We're also adding a hotel valet amenity which will enhance the higher end service that we need to.

David Hargraves: Is there any sort of number of spaces or percentage of your parking that's been taken out of – out of commission?

Mike Bean: We're down about 25 to 30 percent, generally, between the two. That's significant.

David Hargraves: OK. Thank you.

Mike Bean: Thank you.

Mario Kontomerkos: I'm not – he said OK.

Operator: And once again, if you'd like to ask a question or make a comment, please press star one on your telephone keypad. That's star one for any questions or comments.

Your next question is from Dennis Farrell.

Dennis Farrell: Hi, everybody. Good morning. I have two questions. One is in regards to the internet gaming legislation. I know, it's obviously introduced in New Jersey. It looks like last week it was – there was internet gaming legislation introduced in Massachusetts. So I was wondering if there's any lobbying effort in Connecticut, and if so, I assume under your compact or two. Let me know if yay or nay, if you would have an exclusive right to online gaming in Connecticut, you and Foxwoods if it did go through.

Mario Kontomerkos: Listen, I think that, you know, discussions have been held. I think that, you know, Connecticut is probably going to be in a position from an online gaming legalization perspective of a fast follower. I think that if you see states like New Jersey go and New York go, and maybe just one of those states, and certainly Massachusetts, I think, there'll probably be increased interest in Connecticut to go that way too.

Mitchell Etess: But the answer is yes. We believe it will be ours.

Dennis Farrell: OK. Right. And it will be the same agreement with no tax no table games?

Mario Kontomerkos: That would be the idea.

Dennis Farrell: Right. And then secondly, Mitchell, in regards to the Catskills project, I was wondering if you could give us an update on that, and the current legislations being kicked around New York. I mean, how would that project stand up in that current legislation?

Mitchell Etess: Right now, you know, that's just where our Catskills project is a little inactive right now. It's kind of waiting out with all these talks of have maybe regenerated a little bit. We did our calls on the folks last week. I think that, you know, at the end of the day, my feel in New York is they're going to have quite a hard time figuring out exactly where to place this casinos as part of balance and try to get gambling in New York since 1976.

I can tell you at the end of the day, that's always what becomes the issue, where the casinos go, where the casinos go and I think you're already seeing it locally and in some of the articles you're seeing out. I mean, certainly, I think the Concord was a great location if they end up going – if it ends up going that way. But I think it's a little early to speculate on what's really going to happen in the New York political scene for that.

Dennis Farrell: Thank you.

Operator: And you have no further questions at this time.

Mario Kontomerkos: OK. All right. Well, thank you, Brenda and thank you all. And we'll be talking to you in about a quarter's time. Thanks a lot.

Operator: And ladies and gentlemen, this does conclude today's conference call. Thank you for your participation. You may now disconnect.

END