

**Mohegan Tribal Gaming Authority**

**Moderator: Peter Roberti**  
**July 30, 2013**  
**11:00 a.m. ET**

Operator: Good morning, my name is Marcie and I will be your conference operator today. At this time, I would like to welcome everyone to the Mohegan Tribal Gaming Authority Third Quarter Fiscal 2013 Earnings conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remark 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 key pad. If you would like to withdraw your question, press the pound key.

Thank you Mr. Roberti, You may begin your conference.

Peter Roberti: Thank you Marcie and good morning everyone. Thank you for joining our call this morning. Today we issued a press release on our operating results for the third fiscal quarter ending June 30, 2013. That release is available on our website, [www.mtga.com](http://www.mtga.com). We would like to remind you that our comments today may contain forward-looking statements protected by the Safe Harbors Provision for the Private Securities Litigation Formed Act. Such forward-looking statements are only predictions and actual events or results may differ materially from those predictions.

This and uncertainties such as these forward-looking statement are more fully described in today's press release and our filings with the FCC, including our reports on forms, 10-K and 10-Q. Forward looking statements made during today's call represents the Authority's current look 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 measures, reconciliations of these non GAAP measures to the most directly comparable cap measures are included today's press release.

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Mario Kontomerko: Thank you, Peter and good morning everyone. Before we begin I'd like to introduce the participants of today's call. We have with us today Bruce Bozsum, chairman of the MTGA management board. From MTGA, we have Mitchell Etes our CEO and you just heard from Peter Roberti our Vice President of Finance. From Mohegan Sun we have President-CEO Bobby Soper, and from Mohegan Sun at Pocono Downs is 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 our operating results for the last quarter. I will then provide you with a brief overview of balance sheet matters, after which I will open up the call for Q&A.

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

Bruce Bozsum: Thank you, Mario and good morning everyone and thank you for joining our call today. As always, I'd like to make a few comments about the direction of our organization before turning it over to Mitchell and his team to provide the details that many of you are looking for. I am particularly pleased to introduced today's call because I believe you will see that the hard work our dedicated team from the executive committee to our line level employees is paying off. Our team members have come together and an increasingly competitive market, and worked to reduce the expenses while at the same time

increasing table game revenue to offset the weaker slot market. This resulted in income from operations increasing over the last year by over 26%.

The Mohegan Connecticut team continues to bring incredible entertainment to our property, which drove visits and entertainment revenue. And we know customers were excited about the announcement of a new destination retail expansion. In Pennsylvania, construction on our hotel continues. We are excited for the opening in late fall and the ability to utilize those rooms and meeting space. In closing, I want to thank you for your continued confidence and support as we work to guarantee that our properties are the premier destinations on the East Coast and I will now turn it over to Mitchell. Mitch.

Mitchell Etess: Thank you very much, Bruce and hello everybody again and thanks for joining the call and for all of your support. Our results of the third quarter are really quite rewarding. The growth and adjusted EBITDA and the margins, that both properties demonstrate the commitment of our entire team for pursuing operational efficiencies, while providing the ultimate guest experience. We are also extremely optimistic with the stabilization and in cases, increases in revenue. On a consolidated basis, adjusted EBITDA totaled \$85.1 million, a 16.7% increase from the prior year quarter. While net revenues remained relatively flat at \$344.2 million.

Our results continue to be impacted by several factors. One is a weak economic environment, which seem have a more meaningful effect on our slot business. In addition, higher payroll taxes and in Pennsylvania higher property taxes have impacted many household spending habits. The same time, household incomes have been stagnant, leading to a decline in household disposable net income. What is interesting and to be frank, a little bit confusing is that at the same time, we have seen higher table games volumes than slot volume. Perhaps this can be particularly partly attributed to the rise in the stock market, or that tables appeals to a slightly younger demographic who may have accepted and adapted to the new economic conditions relative of their spending habits.

But these broad trends are consistent with all we witnessed in our previous quarter and are continuing into July thus far. We continue to implement and

execute cost savings initiatives across the company to improve efficiency and profitability. Our results have shown these initiatives contributed to our increases and property adjusted EBITDA and margins we remain confident and will continue to realize significant additional benefits from these efforts in the future. And continue to seek other opportunities for efficiencies when available.

In Connecticut, Mohegan's adjusted EBITDA was \$74.8 million for the quarter just about 20%, at 19.6% increase compared to the prior year quarter. While net revenues totaled \$166.7 million, an increase of 0.7%. This represents the first revenue increase in six quarters. Mohegan Sun adjusted EBITDA margin increase 440 basis points to 28% for the quarter, compared to 23.6% for the prior year quarter.

Table game revenues in Connecticut increased significantly by 10.2% to \$76.2 million revenues benefited from a higher hold percentage compared to the prior year of 16.3% versus 14.7%. But as I mentioned earlier, it's quite interesting to note the table drop was essentially flat for the quarter. Slot Revenues declined by 4.2% to \$152 million for the quarter. The decline of Slots Revenue is mainly reflective of the economic environment I spoke of earlier along with a higher payroll taxes and its impact on consumer discretionary spending. That being said, I'd like to reiterate that some of our declines continue to be strategic and self-inflicted to improve our profitability.

For example, see in June, our rated slot play was down several million dollars, while our profits, for that group was actually up. With respect to operating costs and expenses are Connecticut team continues to do a great job as evidenced by the 4.9% or \$11 million reduction in operating costs and expenses. The group at Mohegan Sun is continuously working towards identifying and implement cost savings initiatives. We're expecting savings from our cost savings initiatives at Mohegan Sun of at least \$25 million for fiscal 2013.

Hotel revenues increased slightly due to small gains in occupancy ADR and RevPar were up slightly compared to prior year. Occupancy remains strong at 96.7% for the quarter. Retail, entertainment and other revenues increased by

7.2%, to \$29.6 million mainly due to our programming at the Mohegan Sun Arena. We had less events this quarter, 26 compared to 38 in the prior year, but more headliners including, Eric Clapton, Green Day, Reba McEntire, Bob Seger, Rush, Barry Manilow, Motley Crue, New Kids on the Block Package Tour, Bruno Mars, and Kevin James, just to name a few.

This last weekend alone on the quarter, we hosted a very successful and completely sold out WNBA All-Star game with once again a live network television broadcast on ABC television for two and half hours. Our upcoming programming continues to be really amazing. This quarter has already seen the Eagles stop by, and Beyoncé is here Friday. Kiss, Matchbox 20, the Goo Goo Dolls, Ke\$ha, Fall Out Boy, are all cited to appear among others. In addition, we have the remainder of the WNBA season left, and are hopeful that the Connecticut Sun's injuries will subside. Will be able to turn things around and get a few playoff games in as well.

It's great that we have a newly exciting addition to our restaurant offerings here, as we talked about last quarter with Virgil's Real Barbecue, opening up. It's really a great addition, a classic New York restaurant here in Uncasville.

Some other items worth mentioning for Connecticut is the fact that we set three Guinness World Records with Bally's. Two on April 27, one for the world's largest slot tournament and the most slot machines running at the same game simultaneously. And then on May 11<sup>th</sup>, we followed up with a new record of the Largest Virtual Race. In addition, we completed a new relationship with the Connecticut lottery. Whereas, we'll be one of the few high tier ticket redemption centers in Connecticut and we were also fortunate to hold the Bally's user conference, which was held here at Mohegan Sun for the first time ever on the East Coast.

Down in Pennsylvania Mohegan Sun of Pocono Downs adjusted EBITDA of \$15.7 million with a 7.1% increase and the strongest quarter in the history of the property.

Net revenues totaled \$77.2 million, a decline of 2.9%, EBITDA margin increased modestly to 20.4% compared to 18.5% in the prior year quarter. All

this accomplished with a decrease in revenues. This was the second highest margin ever for a quarter at the property and the highest ever was in 2007 was the result of a year-end accounting adjustment.

Slot Revenues declined 5.2% to \$56.6 million. Table Game Revenue was up 8.7% to \$10 million, driven by an increase whole percentage of 19.5% versus 18.2% in the prior year quarter. But a 1% increase in table drop year over year, again seeing that same strength in table games compared to slots.

We believe the results in Pennsylvania were impacted by a weak economic environment, due in part, to recent increase they've seen in payroll and local property taxes. Whereas a lot of municipalities in that region continue to struggle with significant fiscal challenges.

In addition, we continue to believe results were impacted by construction disruptions associated with our hotel and convention center expansion. I mentioned on the previous quarter's call that we look at the year-over-year revenues by day, volumes are decreasing significantly on the weekends when the loss of parking is more impactful. We're very excited this issue will be resolved shortly.

The team in Pennsylvania also continues to be focused on their cost savings initiatives. We're on target to achieve an estimated annual savings there of at least \$7 million.

Project Sunlight is progressing well on time and on budget. We are eagerly awaiting completion of the project in the late fall and will complement our existing offerings drive visitation to Mohegan Sun Pocono Downs, as well as extend some stays. We launched a new website in anticipation of taking online hotel reservations. It is really beautiful and as of now, opening is slated for November with some festivities taking place in January.

In Atlantic City things are going very well at the Resorts in AC. We will continue to make significant progress in improving the property. Virtually all of the renovation projects are complete, including the 5 O'Clock Somewhere Bar with adjacent Table Games Pit, Land Shark Bar Grill and Gift Shop, Margaritaville Theme Casino Slot Area, The Margaritaville Café and Gift

Shop, The Margaritaville Coffee Shop which is kind of similar to Starbucks, but the coffee is actually really good. And, the Beach Tower hotel room renovations, 259 rooms have been renovated.

The property has been very, very well received. We've installed our Sterling Tracking System down at Resorts and the results are showing a great guest satisfaction with the property. We have a strong marketing campaign developed throughout the summer to build the properties database and updated brand awareness.

We held the Jimmy Buffett concert on the beach, which highlighted the June 15<sup>th</sup> grand opening weekend, where 75,000 fans attended to get things off to a spectacular start. It was really a great day.

Revenues have been very encouraging. In June, our slots were up 13% though the market was down about 11. Revenues were flat, basically with very, with not productive whole percentage, so we feel very good about the revenues there, and the acceptance of the product has been wonderful.

I'm really proud of the entire team there for all the work they've done, I feel really good for the employees who kind of hang in there over the years, through some very bad times, and now are experiencing what it's like to be the top property in Atlantic City once again. It's very exciting for them and it's really great for us to see them go through that.

Regarding our Massachusetts project, we're very busy working on our RFA-2 application at this time. In addition, we've made great progress toward our host committee agreement with the town of Palmer. This should be completed in the very near future. We have the best site, the best brand, we've formulated the best project for the Commonwealth of Massachusetts to win that Western license and we continue to work every single day conveying that message.

In Philadelphia, Pennsylvania as we talk to you about previously, we've partnered with Market East and Associates to pursue a casino license in Philadelphia, Pennsylvania, where will operate gaming and entertainment portions of the proposed casino facility to be developed in Center City,

known as Market Eight. I could go on for a long time about the reasons why we should be selected for that, but I won't.

Mohegan Sun here in Connecticut, Mario and his team remained focused on addressing the need for hotel rooms. We're working on the hotel we believe were getting closer. They're still really nothing more additional we can say publicly at this time. Of course, on July 22, 2013 you are all aware, the authority commenced the solicitation of consent or the consent of solicitation to amend the indentured governing the authorities of 11.5% second lien senior secured notes due 2017 to permit the authority to refinance its outstanding subordinated notes with senior unsecured indebtedness and to enter into certain transactions with the Tribe in the event that the Tribe constructs a hotel on tribal land currently leased by the authority. For further information on this, I ask you to refer to our July 22, 2013 press release for further information on the consent solicitation.

It has been a great quarter -- a very busy quarter on June 25, we announce plans for the Downtown District, which is a major retail expansion entertainment destination of Mohegan Sun featuring 200,000 square feet of entertainment, shopping and dining to be located adjacent to the Winter Garage. This project will be developed by a partnership of the Hampshire Companies and the Bronson Company. Construction on the Downtown District expected to be begin later this year, and is scheduled to open early 2015. It's a great addition to the complex here and will add greatly to the attraction factor the destination and kind of starts, you know, finishing off what we were unable to finish a few years ago. In closing, I'd like to say that our results for the quarter are very encouraging given our increases in adjusted EBITDA and adjusted EBITDA margin on essentially flat revenue. Due to mainly to our continued focus on efficiency at Mohegan Sun and Mohegan Sun of Pocono Downs.

Our Management Team and employees remain committed to this while maintaining the excellent guest service, product and hospitality experience that has made Mohegan Sun and Mohegan Sun of Pocono Downs premier gaming and entertainment destination in the Northeast. Our thanks again, and with that, I will turn it back over to Mario.



Mario Kontomerko: Thanks Mitch, that's a whole lot of stuff.

Mitchell Etes: Yeah.

Mario Kontomerko: I will now give you a brief update regarding certain balance sheet related items for the quarter in being June 30, 2013. The Mohegan Tribal Gaming Authority was in compliance with all of its covenants. Our total leverage was 5.26 times for purposes of the bank credit facility which subtracts relinquishment repayments from adjusted EBITDA, total leverage was 5.91 times against a covenant of 6.75 times. As many of you know, with the expiration of the relinquishment payments now only 17 months away, we believe the former calculation is a more appropriate calculation of leverage for us going forward.

Senior Credit Facility leverage was 1.22 times. For the purposes of the bank credit facility this ratio is 1.44 times against a covenant of 1.75 times. And our first lien leverage was 1.91 times. For the purpose of the bank credit facility ratio it was 2.26 times compared against the covenant of 2.75 times.

Total debt was \$1.69 billion, no amounts were drawn on our \$75 million dollar revolver as of June 30, 2013 and after factoring in outstanding Letters of Credit and Restrictive Covenants we had approximately \$71.6 million available for borrowing under our bank credit facility as of June 30, 2013.

Cash and cash equivalents at the end of the quarter totaled \$80.3 million. Liquidity totaled approximately \$90 million net of bank roll and restrictive cash. Distributions to the Tribe totaled \$15 million for the quarter and are forecasted to remain at a total of \$50 million for fiscal 2013.

Capital Expenditures totaled \$18.6 million for the quarter comprising primarily of Project Sun Light that's the hotel expansion at Pocono and maintenance capital expenditures at Mohegan Sun and capital expenditures are forecasted to be \$71.2 million for the fiscal 2013, of which \$35.4 million

is attributable to project Sun Light. The remainder is mostly mainly comprised of maintenance capital expenditures at Mohegan Sun.

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

Operator: This time, I would like to remind everyone in order to ask a question press star then the number one on your telephone keypad. We will pause for just a moment to compile the Q&A roster.

Your first question comes from the line of James Kaylor.

James Kaylor: Hey guys, how are you all doing?

Mario Kontomerko: Hey how are you?

James Kaylor: Good. Good. I guess starting on the revenue side. In Connecticut in particular, things seem to be improving a bit and then it seems like you guys took a step back, but that was kind of common throughout all of the regional gaming. Can you just give us your two cents on what's going on with customers broadly across the US, June seemed pretty week, any changes in July? And, what do you think the drivers might be?

Bobby Soper: Yeah, sure. So just referring to June, yeah June did seem like there were some softness, even in the regional markets. It seemed, you know, pretty universal in just about every market, especially mature markets, there was probably because of that we attribute that to external factors in economy, you know, the other variables usually when you see it, that universal. July, you know, we've seen some familiar trends. I mean, you know, we had a couple of months prior to June, where we saw pretty much flat slot revenues. June was a little softer. I think we made some more positive progress closer to pre-June

throughout July. And hopefully we will continue to see that trend through the fourth quarter.

Mitchell Etes: Yeah, it's always hard to understand what's in people's minds, and then this whole table flattening out and being stronger than slots seems interesting to me. Honestly, so it obviously deals with people's perception of the economy.

James Kaylor: Okay, that is helpful. I guess as a follow on to that, what are you seeing from the opening of tables in Rhode Island? I mean, it seems like in the core -- I know it's just a short period in the quarter, but I guess what kind of run rate impact are you seeing? Is it what you expected more or less?

Mitchell Etes: Actually, for the first you know, since it's been open, it's less it's barely distinguishable as far as we're concerned from what we've seen so far. It doesn't mean that it's going to continue. We don't know, but I think were around the table everybody would agree that we've seen less impact than we anticipated.

Mario Kontomerko: And James, the only thing I would add as you know, as we mentioned earlier, we had a very small percentage of our rated play from Rhode Island, so we never really expected a big impact as Mitch was saying, were not even seen that at this point.

James Kaylor: That's good to hear. On the hotel in Pennsylvania, so opening sometime in the fall, obviously you should get some impact from the -- not adding in disruption. Can you give us any sort of parameters for how we should think about, you know, how that might impact business? I mean, should we be thinking about a sort of a gaming, a theoretical gaming win per occupied room night, or I don't know if you can give us any sort of guidance?

Mario Kontomerko: Yeah, in general I can give you this guidance, I mean we're always here at Mohegan looking for certain targets from on any investment from a free cash flow perspective, so in this case we're looking at least for a 10% return on free cash flow and given our cost of capital that would probably translate to something close to 20% cash on cash. You know, we've said that in the past then we still expect that going forward.

James Kaylor: Okay that is very helpful. I guess just two last ones. Is there any update on Cowlitz I know there have been a couple legal developments, just curious if you have any update on timing there?

Mario Kontomerko: Yeah it does seem like there's been some movement there and you know, in May you may have seen that the BIA issued another second or third at this point, record of decision in favor of the Tribe, the Cowlitz Tribe there that placed that land into trust, which we think was a good thing. There was a common period open for thirty days as is typical and lawsuits, I guess that were expected were filed again. The good news is that those lawsuits were similar to the lawsuits that were dismissed last time, and we believe based on some commentary we've seen from the Tribe, that they've made recently that we're on an expedited time frame from a litigation perspective. So, we're hoping to see some daylight and some resolution of that lawsuit. Hopefully soon as the spring or summer of next year.

James Kaylor: Okay, great. That'll be great. And then the last piece I know you mentioned the consent on the bonds is obviously out there. If so, that is contingent on financing. Can you give us any insights into the way you're thinking about the terms the big picture financing strategy?

Mario Kontomerko: All we can tell you, James is pretty much the same thing we told you last quarter which is that we're constantly evaluating the market. And we're always looking for opportunistic opportunities I should say, to improve our capital structures. As you know, major portions of our capital structure are pre-payable at (PAR). The only difference since the last time we discussed was we announced the consent solicitation which Mitchell talked about earlier, which takes us a step closer, and gives us the flexibility to do things we want to do, but I think other than that, that's the most we can say.

James Kaylor: Okay, great. Thanks, guys.

Mario Kontomerko: Sure.

Operator: Again, if you would like to ask a question, please press star one on your telephone keypad. Your next question comes from the line of Srihari Rajagopalon.

Srihari Rajagopalon: Congratulations on the good results guys.

Mario Kontomerko: Thank you.

Srihari Rajagopalon: James asked all the questions, so I pretty much have nothing left. Anyways, in terms of efficiency initiatives are there more opportunities out there without impacting your customer today?

Mitchell Etess: I think look the answers got to be yes because what happens you find the more you look, the more you find, and we approach everything we keep looking and keep speaking without wanting to impact the guest service, and we been able to do that so far, so we found out a few things that actually can help you save money and improve experiences. So the answer is yes. I don't think we can pin a number on it, other than, say, rolling continual process that the both parties are focused on.

Srihari Rajagopalon: And as a follow-up if I could just ask you on-line gaming with Atlantic City beginning to roll out on-line gaming by your end early next year. What percentage of your customers come from that side of the market? And do you expect any impact from that at all?

Mario Kontomerko: The question is, the number of customers that visit Mohegan Sun come from New Jersey?

Srihari Rajagopalon: Yes, New Jersey, New York.

Mario Kontomerko: Well New York is a bigger portion. New York is a little less than 20% that's about 18-19%. A little bit less in New Jersey. I think really from an on-line gaming perspective you're right, we're interested, we're very interested to see what happens here over the next couple months in New Jersey.

As you know, there's been legislation passed, they're going through the regulatory process as we speak and our partner in New Jersey Resorts, has recently signed an agreement with Poker Stars and as you may know if you followed on-line gaming in Europe, Poker Stars is a safe to say, very dominating force in Europe and I think it can be equally dominating in United States. So we're actually as a 10% owner very excited about that to the extent that that happens, and so that's something we should find out over the next couple of months.

Mitchell Etess: As far as Mohegan Sun, only 1.6% of our business

Srihari Rajagopalon: Got you. And in terms of management opportunities out there, are you getting close with anything, anything substantial going on there?

Mitchell Etess: Nothing that we can report on. Feel free to pass our cards out.

Srihari Rajagopalon: Alright, thanks guys.

Mario Kontomerko: Sure.

Operator: Your next question comes from the line of Susan Berlinger.

Susan Berlinger: Hi good morning.

Mario Kontomerko: Hey Sue.

Susan Berlinger: Hi, I guess just starting with CapEx, Mario it looked like you lowered it a little bit from 3Q and I was just wondering, you know, what that was about, and also should we just be assuming that will roll into 2014:

Mario Kontomerko: Yeah, I think most of the decrease that you saw was mostly a timing issue on CapEx related to the hotel project. So, really no major change from a CapEx perspective going forward.

Susan Berlinger: Okay, and then I know you had some revenues from the corporate side, I think it was 361 is that all from resorts?

Mario Kontomerko: The answer is yes.

Susan Berlinger: Okay, got you. And then, can you give us an update on the potential timing for licenses now being awarded both in Massachusetts and Philly.

Mitchell Etess: Yeah, sure. In Philly I think they are trying to get it done November/December. That is what my understanding is as far as that goes. And then as far as Massachusetts, the most recently I heard that there is a slot license could be awarded in December, although I don't know how they're going along on that, I know they are going through some of the suitability stuff now. That's the most recent guidance we've gotten from them. As far as the resort licenses, those are much more focused on. The RFA 2 are due December 31<sup>st</sup> and they have vowed to have licenses awarded by the end of April 2014.

Susan Berlinger: Great. And then I guess any update on your progress on a hotel in Connecticut?

Mario Kontomerko: Yeah Sue we, as you know we are always looking to find ways to do things more efficiently or do things on a cheaper basis if we can. I guess it was early part of last week, you know the part of that that was related to our ability to fit perhaps, procure better and cheaper financing through a conduit like the Tribe. And so we're going through those mechanics as we speak and we still have some work to do here, but I think that we've chartered a good path here, which I think would be good for everybody involved and hopefully we can still be on track to announce something in a couple of months.

Susan Berlinger: And one last. With regards to Connecticut, with some of the other states talking about on-line gaming, any talk at all in Connecticut?

Mario Kontomerko: Yeah, I think Connecticut is still certainly not going to be as quick as let's say New Jersey or some of these other states, but I think a fast follower is probably our best characterization of Connecticut. The governor has spoken out in favor of on-line gaming for the Tribes in the past, we have no reason to think that's changed, but there's probably some more work to do there from a

State Legislature perspective so there's still some time there, I think to get that on-line.

Mitchell Etes: I think the good news on that is we're ready. We launched our free site which has had up to 43,000 unique users so far without really a tremendous amount of marketing.

Mario Kontomerko: Alright so, to the extent that we do get legislation on on-line gaming in Connecticut, we're going to be ready to take advantage of that right away.

Susan Berlinger: Alright, thanks so much.

Mario Kontomerko: Sure.

Operator: There are no further questions at this time.

Mario Kontomerko: Okay well thank you everyone and we look forward to speaking with you soon.

Operator: Ladies and gentleman that does conclude today's conference call. You may now disconnect.

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