MOHEGAN TRIBAL GAMING AUTHORITY

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

Operator: Good morning. My name is Kalina and I will be your conference operator today. At this time, I would like to welcome everyone to the 1st Quarter Fiscal 2014 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 that 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 Vice President of Finance, Peter Roberti. You may begin your conference.

Peter Roberti: OK, thank you Kalina. Good morning, everyone. Thank you for joining our call this morning. Today, we issued a press release on the operating results for the First Fiscal quarter ending December 31, 2013. That release is available on our Web site, 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 those predictions. Risks and uncertainties associated with these forward-looking statements are more fully described in today's press release and in our filings with the SEC, including our reports on Form 10K and 10Q.

Forward-looking statements made during today's call to represent the Authority's current outlook only as of today's date and the Authority undertakes no obligation to update or supplement any forward-looking statements. Today's conference call may also include discussions on Non-GAAP financial measures.

Reconciliations of these Non-GAAP measures to the most directly comparable GAAP measures are included in today's press release.

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

Mario Kontomerkos: 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, Kevin Brown, Chairman of the MTGA Management Board. From MTGA, we have Mitchell Etess, our CEO. And you just heard from Peter Roberti, our Vice President of Finance.

From Mohegan Sun we have President and 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 and on the phone who are available to answer any questions that you may have.

As usual, our Chairman 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 we 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, Kevin Brown.

Kevin Brown: Thanks Mario. My first reaction to this quarter's results was certainly it was going to be difficult to explain the results to both you and the tribal membership. There is a decline in net revenues and gaming revenues in large part driven by 11.2% decline in table revenues seem eye-opening.

But I view these as temporary and not the sign of a systemic problem with our operating model. Tablegame hold percentage for the quarter fell well below the mean for the last 20 years of operation. But that's largely impacted by the volatility of high-end players. And when viewed in a broader perspective, looking over the years, we are experiencing an overall trend toward a return to pre-recession gaming levels.

In fact, both slot handle and table drop increased in the December 2013 quarter over the December 2012 quarter. So there's definitely some good news here in that regard. So I'll turn the program over to Mitchell who will provide you more details on the quarter. Thank you.

Mitchell Etess: Thanks, Kevin. And hello to everybody and thanks again for joining the call and for your support in following us. Our results for the quarter were mixed. While we are encouraged that business volumes are holding up relatively well in Connecticut and we completed a number of important initiatives that position us very well for the future.

Our operating results were impacted significantly by unusually low – very unusually low table games hold percentage at Mohegan Sun. In fact, the difference in hold percentage between last year's quarter and this year's quarter is approximately $15 million in revenue. The vast majority of that would have fallen to the bottom line.

In fact, as Kevin just alluded to, this is one of our lowest holds that we've ever experience in a quarter since we opened in 1996. So all this resulted in Consolidated Adjusted EBITDA of $53.7 million. A 26.7% decrease in the previous year, while net revenues were down 3.7% to $312.8 million.

However, when you normalized our results for table games hold, Consolidated Net Revenues would have been actually increased by 1% and Adjusted EBITDA would have declined by more modest of 6.2%.

More importantly, as I mentioned, we achieved many accomplishments during the quarter that will position us for stronger operating performance going forward. These accomplishments include the soft opening of our new 238 room hotel for the public at Mohegan Sun at Pocono Downs, completing series of refinancing transactions that reduced our interest expense by $16 million and put us in a position to rapidly de-lever going forward. And redirecting our efforts in Massachusetts and announcing our strategic partnership as leasing land with the owners of Suffolk Downs to pursue the coveted Boston Region A casino license in the Commonwealth of Massachusetts and that has been quite a whirlwind.

We'll have more details on all these things a little later. Turning to Mohegan Sun in Connecticut, Mohegan Sun's Adjusted EBITDA decreased 22.6% compared to the prior year's quarter, on a decrease in Net Revenues of 4.4%. Adjusted EBITDA Margin decreased 490 basis points to 20.9% for the quarter, compared to 25.8% in the Prior Year quarter.

Again, when you normalized our results for table games hold, we estimate Adjusted EBITDA would have been approximately flat at Connecticut relative to last year. Table game Revenues decreased by 13 % again to low table hold of 13.3% compared to 16.3% in the prior year.

However, table drop for the quarter increased by 6.9% which is a great sign. As a result, normalized table game revenues would have resulted in table games revenue increasing by nearly 7%. Slot revenues declined by 2.6%, mainly reflective of the continued sluggish economic environment as all strategic and self-afflicted reductions in marketing, as we strive to improve our profitability.Well we feel that these slot revenues are indicative that things do seem to be flattening out.

Hotel, Retail, Entertainment and other revenues all increased during the quarter, mainly due to programming at the Mohegan Sun Arena. We had fewer events in the quarter, by one. But we had more headliner acts resulting in more revenue.

In addition, we were named 'Arena of the Year' at G2E, and more recently we were just nominated for three awards by the Academy of Country Music for Casino, the Wolf Den, and the Mohegan Sun Arena. Acts in the quarter included three amazing Prince concerts at the end of December.

Additional concerts by Keith Urban, Bon Jovi, Selena Gomez, Kenny Chesney – Kenny Rogers, rather, the Trans Siberian Orchestra, Straight No Chaser, Cirque Celebration, So You Think You Can Dance, boxing, and mixed martial arts events. As I said, in our last call, in early October, we successfully launched a new Player's Club Program – a rewards program Momentum at Mohegan Sun.

During the quarter, we experienced marketing cost related to this rollout of several million dollars which is not expected to occur at this rate going forward. The program is beginning – is being launched at Pocono Downs on February 1, using the knowledge that we've gained here in Connecticut.

Momentum offers guests a personalized experience with tailored rewards and faster earnings power for certain players. This program has really been extremely well received by our guests. In Pennsylvania, Mohegan Sun at Pocono Downs Adjusted EBITDA totaled $11.8 million, a 5.6% decrease as compared to the prior year.

On slightly lower Net Revenues, EBITDA margin decreased to 16.7% compared to 17.6% in the Prior Year quarter. The quarter results reflect fully-ramped labor, rent, and supplies expenses related to the hotel again, it's essentially only one month of ramping hotel revenues, which obviously we do not expect to continue going forward.

Slot Revenues declined by 1.2%, while at the same time table games revenues increased by 2.7% driven by an increase in table games drop, slightly offset by a decrease in hold percentage. Despite slot revenues being down, we fared much better than the Commonwealth of Pennsylvania as a same store slot revenues declined by 4.2%.

While our neighboring casino Mt. Airy declined by 4% for the quarter. In fact, for the quarter we were 5th highest slot revenue generating casino in the Commonwealth – up from 7th last year. And actually for the last four weeks, we've been 4th in the Commonwealth as opposed to 7th last year.

Table games revenues increased 2.7% during the quarter. We believe that our new hotel contributed to this increase in table games revenues as well as the performance of our slots relative to the Commonwealth and the market. WE believe the results in Pennsylvania continue to be impacted by a sluggish economy and economic environment due in part to increases in payroll and local property taxes as municipalities in the region continue to struggle with fiscal challenges.

Note that some of our declines continue to be strategic and self-inflicted as we continue to improve profitability. The pronounced 25.8% decline in promotional credits in the quarter relative to the decline of 1.2% in slots revenue is an example of that. That makes my Mario particularly happy.

The operating team in Pennsylvania also continues to be very focused on our cost-savings initiatives. We're on target to achieve an estimated annual savings there of at least $7 million. Finally, as I previously mentioned I'm very pleased to report that our new $50 million, 238-room hotel opened up in late in November of Pocono Downs with a grand opening celebration occurring just a few weeks ago, on the weekend of January 17th.

The grand opening was a big hit. Had celebrity performances by Jay Leno, Kevin Bacon and the Bacon Brothers, Josh Turner, Rachel Bradshaw, Derek Hough, Amy Slater, and Chris Daughtry. Our new hotel will clearly be the best product in the market. A destination of choice in the northeastern Pennsylvania market. We're very excited to having new offering to our guests in Pennsylvania.

The hotel will be important to drive incremental revenues to the property in 2014. And early indications are strong as January occupancy increased substantially from December and our rates are steady. In addition, we're finding that our rated play guests who are staying in the hotel are generating approximately two times their theoretical win when they stay overnight. That's a real important number.

In Atlantic City, we continue to grow market share at Resorts despite a decline in the overall market which reflects the benefits of our recently renovated property. And our commitment is to revitalizing this storied facility. Last quarter our market share grew to 4.6% from 4.3% last year. We continue to build on our database as we position the property for the future.

In Massachusetts – in Revere now, we are excited about our chances to win the Boston

Casino license. In late December, we successfully filed our 16,000 page – our RFA2 application. Last week we gave our formal presentation to the Massachusetts Gaming Commission. We really felt that presentation went extremely well.

We believe, there's no doubt frankly, that our proposal makes the most sense for the Commonwealth and we really hope that we're able to win that group of license in greater Boston and we feel really good about it. And then in Pennsylvania, as we previously disclosed, we partnered with Market East Associates to receive a license down there.

We will operate the gaming and entertaining portions of their proposed facility to be developed in Center City on 8th and Market there – it's called Market 8. Yesterday, Bobby and I appeared in the final suitability hearing for Market 8. We anticipate that – we felt very good about it as well. It went very well. It was well received.

We anticipate the PCGB making a decision on Philadelphia by this spring. And actually that's about the same timeline as

Massachusetts. We're still looking at May – end of May as far as the Massachusetts license goes. We continue to move forward on a major retail expansion and entertainment destination at Mohegan Sun featuring about 200,000 square feet of entertainment, shopping and dining.

It will be located adjacent to the Winter Garage developed all by third parties. We will also remain focused on addressing the need for additional rooms here in Mohegan Sun in Connecticut. With respect to both projects, we're in the final stages of the budgeting and construction costs estimation phase and hope to be in position to move ahead in the coming months you know

Honestly, this has taken longer than we would have hoped. But we're working diligently and really do continue to make progress and get closer and closer every day. These amenities will be a great addition to the complex here and add greatly to the attraction factor of this destination. So in closing, despite the low table hold at Mohegan Sun during the quarter, which has already turned around in January, I believe the hard work we've put in over the last several years plus diversifying and deleveraging really began to bear fruit during the quarter and will continue to do so in the coming quarters.

All these efforts are key in positioning ourselves for not just the next few quarters but the future of the company. We remain steadfast in seeking out new and profitable revenue streams and identifying additional cost saving opportunities, while maintaining the excellent guest service, product and hospitality experience that has made Mohegan Sun and Mohegan Sun at Pocono Downs premiere gaming and entertainment destinations. Thanks again, for listening to all that. And now I'll turn the call back over to Mario.

Mario Kontomerkos: Thanks, Mitchell. As Mitchell previously mentioned, we did complete two refinancing transactions over the last four and half months which have dramatically improved our balance sheet. And with the expiration of the relinquish agreement payments – now less than 12 months away, these put us in position to seek further balance sheet enhancements and to begin to deleverage very quickly.

The net effect of these refinancing was the reduction in our debt and cost of capital by approximately 150 basis points. And our estimated annualized interest savings, as we said, we expect a total of at least $16 million. So I'll now give you a brief update regarding certain balance sheet related items.

For the quarter ending December 31, 2013, the Mohegan Tribal Gaming Authority was in compliance with all of its covenants. Total Leverage as of 12/31, was 5.69 times. Total Debt was $1.75 billion; $14 million was drawn on our $100 million dollar revolver as of December 31, 2013.

And after factoring in outstanding Letters of Credit and restricted covenants, we had approximately $73.8 million available for borrowing under our Bank Credit Facility and line of credit. Cash and Cash Equivalents at the end of the quarter totaled $75.6 million with Liquidity totaling approximately $83.7 million net of Bankroll and Restricted Cash. Distributions to the Tribe totaled $10 million for the quarter and are forecasted to total $50 million for the fiscal 2014.

Capital Expenditures totaled $15.5 million for the quarter comprising primarily of Project Sunlight expenditures, that's the hotel at Pocono and maintenance capital expenditures at Mohegan Sun. Capital expenditures are forecasted to be $29.3 million for the remainder of fiscal 2014.

Again, comprised primarily of maintenance capital expenditures at our operating units. So having said all of that, at this point I will now turn it back to our operator, Kalina, for Q&A.

Operator: Thank you. As a reminder, ladies and gentlemen, if you would like to ask a question or have a comment, please press star followed by the number one on your telephone keypad. We'll pause for just a moment to compile the Q&A roster. Your first question comes from the line of David Farber of Credit Suisse.

David Farber: Good morning guys.

Mario Kontomerkos: Good morning.

David Farber: How are you?

Mario Kontomerkos: Good.

Mitchell Etess: We're good. How are you?

David Farber: Good. Just a couple housekeeping and then some follow ups. Just to make sure we heard you correctly. Down 6% on a hold adjusted basis? And slightly up in Connecticut? Was that sort of the numbers you guys mentioned in the prepared remarks?

Mario Kontomerkos: Yes, on a consolidated basis, we'd be down 6%. I don't think that that adds back any of the expenses that are related to Massachusetts which you know are not going to continue at the rate that we're going at going forward. Nor do they back out any of the expenses related to the Momentum roll-out. But I think that's right.

David Farber: Got it. OK. And then just on the heightened corporate expense, obviously a little bit higher than we've seen and you said that will likely decline a little bit going forward. Should we be using this sort of $6 million number for at least the next couple of quarters?

Mario Kontomerkos: I think it's probably safe to say that the existing quarter that we're in will probably be around the same level and then start to level off in the quarter after that.

David Farber: Great. And then just in Massachusetts – just trying to get a better you know sense of all the puts-and-takes seen in recent announcements with some of the tentative agreements in the community. And I was just hoping to hear sort of an updated sense of the timeline that we should expect given some of the changes in the submission and now in East Mass – and so just wanted to hear up to the thoughts and timeline and then one other from me. Thanks.

Mitchell Etess: Well, as to the Eastern Region. I can only focus on what I know about our Region A. Look we feel we've done a really good job up there. We've been sewing up a lot of these surrounding community agreements. We felt our presentation to the Gaming Board really hit the mark. We gave them a full comprehensive presentation, really addressing tremendous amount of detail that things that the commission was looking for as opposed to the other applicant.

We had a great enthusiastic team and you know I think we've got a great product there. What we – we continue – our next thing for us there is Referendum in Revere on February 25 and then we will you know we're still anticipating that they will make the determination by the end of May. So you know we feel like we've got a lot of momentum there, no pun intended to our Player's Club Program. And it you know we're doing everything we can. We're dotting the I's crossing the T's, really being active in the community as we are as a company.

So there's you know I could talk a long time if you want me to keep going on about why we're the best choice but I'll just spend my comments on that one.

David Farber: Fair enough. Any sort of discussions around the agreements you have with Suffolk Downs – any sort of economic agreements or financial implications – anything like that that we should be thinking about at this point?

Mario Kontomerkos: We do have a number of agreements that we've worked on with them, David. At this point, we're probably not going to get into disclosing them. But rest assured, a lot of those agreements have been made.

David Farber: Understood. OK. And then finally just on the hotel now that it's open, any sort of numbers or ways you can help us quantify how it's performing. And then finally, can you just remind us how the debt at that entity might get paid down or any sort of thoughts around how that works given the capital structure there? And then that's it for me. Thanks.

Mario Kontomerkos: Let me take the debt piece first. Yes, as you alluded to there's debt in unrestricted sub there. It's actually you know probably one of the more expensive pieces of debt that we have. So we are clearly focused on that as well as some other pieces in our capital structure which you're probably aware of in terms of refinancing them.

I can't tell you right now what we're going to do exactly with those. But I will say that that's – that piece as well as the sub-piece in our capital structure is probably the highest priority in our view right now.

Mitchell Etess: As far as the general hotel questions, I mean I'll let Mike give you the details, but from my – it's very encouraging. The occupancy is increasing. That theoretical, two times theoretical when they stay over is very important. And Mike, if you just want to give it a little more added color feel free.

Mike Bean: Sure Mitchell. You know the reception from our guests has been really, really good with regards to our hotel out here in Pennsylvania. You know occupancy out of the gate was very good on weekends. During the weekday, it wasn't as strong, as you know we would expect.

But we were going through the December holiday season. And so during January occupancy mid-week has picked up substantially. We've had a number of sold-out days even during the week. So demand is very good. Overall occupancy between December and January has improved substantially.

Our ADR is – based on what we know is above the local market rates. You know we continue to improve so we’re very bullish on what we’re seeing so far.

David Farber: OK, thanks guys.

Mario Kontomerkos: Thank you.

Operator: Your next question comes from the line of Susan Berliner of JP Morgan.

Susan Berliner: Hi, good morning.

Mario Kontomerkos: Hi.

Susan Berliner: I was wondering if we could talk a little bit about, I guess, just from the quarter, did you see any impact from Rhode Island?

Mario Kontomerkos: You know as we’ve seen in the past, Sue, Rhode Island accounts for a very small percent of our business and we really are the second or third casino away when you think about in some cases, Rhode Island. So it really did not provide any sort of major impact to us. At least one that would be perceptible.

Mitchell Etess: And if you look at the table drop – table drop was up – it was like 6.9%? Right?

Mario Kontomerkos: Yes.

Mitchell Etess: So table drop was up so the only impact would be the new table games so we're not really feeling that that's having anything on us.

Susan Berliner: And what about the weather? Was there any quantifying of the weather in December or if you can talk at all about January?

Mario Kontomerkos: Yes, I can talk a little bit about what happened in the quarter. I mean you know it's one of those things, Sue, especially when you get into the winter months you know you always have weather and if there's weather last year and there was weather this year. And clearly we had more weather this quarter than last. You know it's probably a few million dollars if you were to quantify it. I think the difference really being the amount of snow days were about the same.

But the snow days fell on weekends this year which was the big difference. But you know we don't like to get into the you know the technicalities of weather every year, because you know it changes every year and it's hard to kind of track. But from a January perspective.

Mitchell Etess: You know when you think about January, again, more than just the snow. I think what's been a big impact on January is the really cold weather. I mean it's been really so super cold in our key markets and when it's that cold, a lot of our primary demographic stays home.

And so I think it's been impacting us you know obviously once the month's over and you know the next time we have this call we'll probably have to quantify that. But just when you look at the daily numbers as we do every morning and you can see you know when it was minus two when you got in your car, it's pretty clear that a lot of people aren't coming out. So I can't give you a number on that.

But I have no doubt, based on my experience, and living here, that the cold more than – as much as the snow is really being a factor in January.

Susan Berliner: Great and can you give us any update on Cowlitz?

Mario Kontomerkos: Yes, there's really no change there. You know I think we're still in the same position we were which is we're primarily waiting for the district court case – to see a ruling in that case. We still think that's sort of a March or April timeframe. So that's coming upon us pretty shortly here.

Susan Berliner: OK, great. Thank you very much.

Mario Kontomerkos: Thanks.

Operator: Your next question comes from the line of James Kayler, of Bank of America.

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

Mario Kontomerkos: Hi James.

James Kayler: I guess just to start to follow up on the hold, in the whole had a pretty dramatic impact. I guess I just wanted to check the box. I presume you didn't see any sort of change in player behavior like short play or anything like that. It truly was just – when you entered the number it was a sheer luck.

Mario Kontomerkos: Yes it was primarily …

Mitchell Etess: It's not a change in strategy in terms of going over to a high level of customer. It's just – it was a good run by a lot of our regular and a few new customers in the same level of play that we were after. I mean and one of our initiatives was to get more of that play. And the good news is we did it.

But it's not like because people were short-playing or we're going after $10 million customers or anything like that. It was just one of these things that does happen.

James Kayler: OK, very good. And you sort of mentioned that you think the flow through on that is close to 100 %?

Mario Kontomerkos: Yes, I mean, when you think about it from a tax perspective, there's not much to speak of if any. And if anything, there's you know small amounts of marketing dollars but not much, James.

James Kayler: OK, very good. I just saw on the Pocono Hotel, obviously you know just getting it opened up and ramped up. I guess you know as the year progresses, you think that should be additive? – I mean both from a revenue perspective but I guess maybe would you expect it to be somewhat detrimental to margins because of the higher operating costs?

Mario Kontomerkos: Yes, only – we only expect it to be really in these kind of ramping up quarters. I mean, after that, we certainly expect to see a nice yield from that hotel. We've talked in the past about kind of a 10% free-cash flow yield on the investment – on the enterprise value which kind of translates to you know 15 to 20% type return, cash-on-cash. So we still expect that as the property ramps up.

James Kayler: OK, so not the results so far kind of support your initial underwriting?

Mario Kontomerkos: That's right.

James Kayler: OK, very good. So you guys obviously always lay out the cap ex and the tribal distributions, which is appreciated. Are there any sort of potential investments that you would make along with the retail and the hotel? Would you expect equity contributions into those? Or do you think you can finance those sort of on a completely standalone basis?

Mario Kontomerkos: Yes, let me go through them one-by-one. The retail is not going to require really any substantial investment from us. The hotel as contemplated right now is not going to require any substantial investment from us. And as I kind of go down the list of potential projects that we might be talking to you about in the next few months or so, Philadelphia is really the only one that if we win, there will be an investment made for our equity ownership there.

But other than that, there are no other projects that require a kind of a meaningful capital investment.

James Kayler: OK, just changing gears and moving to the balance sheet. I know you know you obviously have some high coupon debt that's refinanceable. Can you – are there – do you have the flexibility to refinance that stuff now, would you need to amend any of your existing agreements?

Mario Kontomerkos: You know we have a lot of different options on that James. You know we've been kind of evaluating the different options that we have. But you know we've got you know some availability at the first lien level. We've got availability at the second lien level. We've got availability at the senior and secured level. And we've got availability at the sub-level.

So there's – I think we have a lot of optionality in terms of how we want to deal with that.

James Kayler: OK, very good. I guess just finally, maybe your favorite topic? Relinquishment Fee – is that still about $50 million?

Mario Kontomerkos: On an annualized basis, yes, there's about $58 million remaining.

Peter Roberti: That's correct.

Mario Kontomerkos: Yes, over the next 12 to 15 months I think. So we are – it's in our sights.

Peter Roberti Winding down, still there, James?

Mario Kontomerkos: You still there?

Mario Kontomerkos: I think the dog got him.

Mitchell Etess: I think maybe the dog got him.

Operator: I'm showing that line has been disconnected.

Mitchell Etess: Oh that was the dog.

Operator: As a reminder, ladies and gentlemen, if you would like to ask a question or have a comment, please press star followed by the number one on your telephone keypad. Your next question comes from the line of John Maxwell of Jeffries.

John Maxwell: Hey, good morning guys. I'll find out if James's dog got him or not.

Mitchell Etess: Thank you. He didn't start breeding pit bulls on the side, did he?

John Maxwell: I didn't think so.

Mitchell Etess: OK.

John Maxwell: Hey Mario, on the cost-cutting initiatives that you've done in the past are they – do you still have more to go? Or have you pretty much you know kind of you know hit your – hit what you expected to get to?

Mario Kontomerkos: Yes, look, kind of the big program that we announced last year has annualized, as you know. But that doesn't mean by any stretch that we've stopped you know Bobby's here and he could probably speak to you in more color about it.

But this is an ongoing process for it and it never ends.

Bobby Soper: Yes you know the ones that were previously implemented, that you're referencing you know it is ongoing you know it's part of that program. There's nothing new. That being said, as Mario noted you know we are looking at other opportunities. You know on the non-labor side, we think we have some opportunities whether it's you know wide-area, progressive expenses.

Some expenses that are related to bus-marketing you know some of these are very material. Some of our benefit costs associated with pharmaceuticals. You know we have a new discount program that we think we're going to have some material savings associated with it. So we do actually have a new set of expense reductions, again, non-labor that we plan on implementing right now.

Mitchell Etess: And you know those things are either customer enhancing or employee enhancing or neutral like, for example, one of the things that we did is we you know we outsourced our employee cafeteria and it's you know a superior product now for – for the employees and it ends up being more cost efficient for us as well. So those are the kinds of things that we're looking at.

You'll see more cost savings here but you look at the main improvement to the guest and the employees or you won't even notice it.

John Maxwell: OK, OK, great and then Mitchell anything on efforts in New York? Or is it too early at this point?

Mitchell Etess: It's a little too early. I mean we're still working with Louis and the Concord. That would be our – that would be our target there. You know we are going through a lot of the work now so that we're in position that when you know they kind of get the process down, we're ready to go.

John Maxwell: Great, that's all I have guys.

Mario Kontomerkos: Thanks, John.

Operator: Your next question comes from the line of Roger Copeland of UBS.

Roger Copeland: Good morning.

Mitchell Etess: Hey, how are you?

Mario Kontomerkos: Good. That sounds like Sheree.

Roger Copeland: Yes it is. It was great watching Bruce in undercover parking those cars.

Mitchell Etess: He's still getting his breath from there.

Roger Copeland: Sounds good, so most of my questions have been answered. Just had a follow up on the first lien and second lien capacity. Can you provide us with that is? Like what's still available at this point?

Mario Kontomerkos: Yes, I think there's about $50 million the first lien capacity. And we'll have to look and see I think it's about the same for the second lien.

Roger Copeland: Got you. And obviously, I know we can't read too much into January given bad weather and everything. But does this trend that you saw like in Q4 with the higher end and higher slot volume and higher table volume, did that continue for the part of the January that was still all right in terms of weather?

Mitchell Etess: I mean on – more or less on when the days that were you know not really bad weather or freezing, we're seeing comparable volume as what we saw previously. But there's a lot more of that cold weather and bad days so.

Roger Copeland: That's true.

Mario Kontomerkos: I guess our gut feeling is we're seeing the same trends if you netted out the weather but it's kind of hard to verify that. But that's what our beliefs are.

Mitchell Etess: The other thing that's true is you know one good piece of news is that the hold percentage has come back.

Mitchell Etess: That is one thing we've seen. Hold percentage is better.

Roger Copeland: Any color on you know the gaming expansion in Connecticut at this point?

Mario Kontomerkos: On gaming expansion in Connecticut?

Roger Copeland: Yes, we've seen a couple of articles about the legislature thinking about expanding VLTs and things like that.

Mario Kontomerkos: Oh.

Mitchell Etess: Now look you know I mean I think the you know there – but I think certainly the government of Connecticut is focused on you know maybe what happens and they're looking at various options but I don't think there's anything that's hit the legislature yet.

Mario Kontomerkos: And keep in mind, Sheree if something like that were to happen, the tribes in most any situation would need to be involved in that.

Mitchell Etess: Yes, because we have an exclusive.

Roger Copeland: Got it, OK. I'm going to help John go find James, make sure he's OK.

Mario Kontomerkos: Thanks a lot.

Mitchell Etess: It's good that you guys all stick together.

Operator: Your next question comes from the line of Howard Goldberg, of Credit Agricole.

Howard Goldberg: Thank you very much and good morning.

Mario Kontomerkos: Hi, Howard.

Howard Goldberg: How are you doing?

Mario Kontomerkos: Good.

Howard Goldberg: Can you share with us the amount of non-recourse at the end of December?

Mario Kontomerkos: The Pocono Hotel alone is going to be the biggest piece of that by far. It's about you know a little bit more than $45 million. I think there's another couple of pieces which add up to probably in the $70 range, and we can get you the exact number in a few minutes here.

Howard Goldberg: OK, and if I could ask my second question while we're waiting. I missed some of what Mitchell said about the Players Club Program Momentum. I thought I heard an incremental expense of a couple of million dollars. And if it's that order of magnitude, I was hoping you could share with us some of the detail as to what what you're trying to achieve. I know you said you're going to roll it out to Pennsylvania. So anything you could add on to the Momentum end would be helpful.

Bobby Soper: This is Bobby Soper. I'll go ahead and chime in on that. So, yes, we launched it at the beginning of the quarter and it basically – the program was restructured and you know to save on a lot of the details, there's some shifting of dollars from low margin, less profitable, retail play to higher frequent, more profitable play.

But as part of that shifting of dollars, they you know we had to learn what you know what a point accumulation would occur and there's various components also related to how free play was issued and ultimately there were expenses on both sides you know promotional expenses as well as free play you know associated with that shifting.

Obviously you know once we have a couple of months under our belt, there's some recalibration, and you know we feel comfortable that we're able to sort of stabilize those expenses and we won't continue to see those increased expenses moving forward.

Mitchell Etess: In addition, the lessons learned here is to minimize first time you know issues somewhere in Pocono.

Mario Kontomerkos: And, Howard, just to get back to you on your number. I think it's about $74 million.

Howard Goldberg: OK, thanks for all that. That's it for me.

Mario Kontomerkos: All right.

Mario Kontomerkos: Thanks a lot.

Operator: Your next question comes from the line of Kevin Coyne of Goldman-Sachs.

Kevin Coyne: Hi, good morning. Thanks for taking the questions.

Mario Kontomerkos: Sure thing.

Kevin Coyne: Most of my questions have been asked and answered. But I'm not sure if you mentioned in Pocono what the cash versus comp mix was for the rooms? Mike, do you have that number?

Mike Bean: Yes, we're pulling that out.

Mario Kontomerkos: Yes, and the only thing I'll say before those guys, Kevin, get that data for you. It's really in the quarter – you're talking about 45 days of operation in a very slow period of time. So whatever the number is – and I don't know what it is. But it's not going to be very reflective, I don't think, of what you're going to see going forward.

Mike Bean: Yes, right now you know we're looking at about a third or cash, but when we look at comp – we have comp and then we have partial comp, depending on the player level. So there's a little more to it than that. But that's just kind of generally where we are now.

Kevin Coyne: OK, thanks. And could you remind us of the calendar for your fiscal second quarter? I know you had some events last year I believe like basketball tournaments, etc.? Are there any – is it a favorable event calendar this period versus last period with any additional events such as that?

Mitchell Etess: I don't know what the total count is offhand. But we have a pretty robust calendar for the next few months. We have a good combination of acts. We were also able to acquire the American Athletic Conference which is the conference that UCONN went into when the Big East split off their women's basketball tournament. And UCONN's in there. That seems to be several sell-out days.

And then we have …

Mario Kontomerkos: Yes, …

Mitchell Etess: We've got a list here. Lady Antebellum is this Saturday.

Bobby Soper: Yes, we just had Luke Bryan. Lady Antebellum, Brad Paisley. A big country mix there.

Mitchell Etess: Oh yes.

Bobby Soper: Kings of Leon. Imagine Dragons. Kanye West. Just to name a few.

Mitchell Etess: On President's Weekend, we've got, for example, Marc Anthony, Brad Paisley, and Kings Leon kind of back-to-back-to-back which is extraordinarily strong. And you know Kanye West.

Bobby Soper: When is Cher?

Mitchell Etess: Cher is in April. So it's a pretty – we've got a pretty robust calendar on entertainment rolling forward.

Mitchell Etess: Lady Gaga, May. Justin Timberlake in the summer. It's already sold out. A lot of these shows are you know they've been very good.

Kevin Coyne: Great, that's helpful. Thank you.

Mitchell Etess: Thanks.

Operator: There are no further questions.

Mario Kontomerkos: OK, great, well thank you everybody again for joining us and we'll be in touch in the next couple of months. Thanks a lot.

Operator: Thank you, ladies and gentlemen. That does conclude today's conference call. You may now disconnect.

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