MOHEGAN TRIBAL GAMING AUTHORITY

Moderator: Mario Kontomerkos
April 28, 2015
11:00 a.m. ET

Operator: This is Conference # 32497587.

Good morning, my name is Tanya. And I will be your conference operator today.

At this time, I would like to welcome everyone to the second quarter fiscal 2015 earnings call from 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.

Peter Roberti, Vice President of Finance, you may begin your conference.

Peter Roberti: Thank you, Tanya.

Good morning, everyone. Thank you for joining our call this morning.

Today, we issued a press release on our operating results for the second fiscal quarter ending March 31st, 2015. 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 Securities and Exchange Commission, including our reports on Forms 10K and Form 10Q.

Forward-looking statements made in today's calls represents 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 of Non-GAAP measures, of Reconciliations of these Non-GAAP measures to the most directly comparable GAAP measures that 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?

Mario Kontomerkos: Thank you, Peter.

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; Bobby Soper, our newly appointed President; and our newly appointed Chief Operating Officer Tom Burke, along with Peter Roberti who you just heard from, our Vice President of Finance.

From Mohegan Sun, we have President and General Manager Ray Pineault, and from Mohegan Sun Pocono 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 that are available to answer any questions you may have.

So as usual, our chairman will give some introductory comments, followed by Mitchell, who will briefly discuss our operating results for the last quarter. I'll then provide you with a brief overview of balance sheet matters, after which we'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 the MTGA Management Board, Kevin Brown.

Chairman?

Kevin Brown: Thank you, Mario. Good Morning, everyone, and thanks for joining in.

We're extremely pleased with the operating performance of Mohegan Tribal Gaming Authority for the second quarter of fiscal year 2015. Despite another brutal winter, and it was a historically brutal one in fact, MTGA still had solid operating results. We achieved a number of important operational milestones, which Mitchell will get into the details of shortly.

During the quarter, we also achieved a number of strategic milestones which include the making of our last payment owed under the Relinquishment Agreement, putting us in what got coined during our last call as the "post-relinquishment era," something that should not go understated for its effect on our ability to improve our financial position.

We also broke ground on our new 400-room Earth Hotel, which will open sometime next fall, and achieved a milestone on the Cowlitz project with the placement of that site into trust by the United States government, paving the way for rapid development of that planned casino-resort near Portland, Oregon.

These developments, along with our strong operating performance, have better positioned Mohegan Tribal Gaming Authority in terms of its financial position for many years to come.

I'd like to turn it over to Mitchell Etess, CEO of MTGA, to provide some descriptive examples of that success.

Mitchell?

Mitchell Etess: Thank you, Kevin. Thank you, everybody, for joining our call, and as always for your continued support.

Obviously, we're extremely pleased with our results for the second fiscal quarter. Kudos to our management teams whose hard work, continued focus on efficiency, and an incredible guest experience are evident in this performance. We've proven that we can market effectively without chasing business, and this is clearly visible on the bottom line.

Overall, consolidated EBITDA increased 12.8% year-over-year, and consolidated EBITDA margin increased to 24.1%, an increase of 320 basis points from last year. In fact, EBITDA margin at Mohegan Sun was our highest for a fiscal second quarter since 2004, 11 years ago.

We achieved these results despite experiencing one of the coldest and snowiest winters on record – a winter that we were all glad to get behind us both personally and professionally.

Consolidated property operating costs and expenses decreased by $8 Million for the quarter, equating to approximately $32 Million of cost savings on an annualized basis. This was all done on a consolidated net revenue decrease of 1.9%, reflecting our ongoing efforts to streamline our operations.

So we're pleased with the progress we've made, but we still continue to explore additional diversification opportunities, new product, new attractions, new entertainment content to drive additional revenue streams. A constant reexamination of our operations with an eye on continued efficiency is in our day-to-day mindset, but we never lose focus on providing an unmatched hospitality experience to our guests, our core value number one, Blowing Away The Customer.

Now, on to the quarterly results for our operating units. In Connecticut, Mohegan Sun's Adjusted EBITDA increased 8.6% compared to the prior year. Adjusted EBITDA margin increased 260 basis points, to 28.6 for the quarter, again the highest since fiscal 2004. Table games revenue increased 3.4%, with an increase due to a higher hold percentage than last year.

Slot Revenues decreased by 1.8%, mainly due to a 2.2% decrease in handle for the quarter, we had record market share in terms of slot win, despite the lowest Free Slot Play since 2010.

On the non-gaming side, hotel occupancy continues to be strong at over 97% for the quarter. ADR and RevPar were also up 1% each over the prior year, and continue to yield the hotel better and better as rated room nights increased by 4% and rated play by nearly two times for the quarter.

We had 28 performances at Mohegan Center Arena for the quarter, versus 24 in the earlier period. The performances we had during the quarter were, as always, diverse, impressive and appealing to a broad demographic, and included Ariana Grande, Michael Bolton, Neil Diamond, Lincoln Park, Aaron Lewis, Juan Gabriel, Florida Georgia Line, Dancing With the Stars, Bowzer, Fleetwood Mac, an 80's Extravaganza, The Harlem Globetrotters, Bellator, a mixed martial arts events, 2 different boxing events, 6 New England Black Wolves Lacrosse games, 2 college basketball events, the Women's American Athletic Conference Basketball Championships, and the two-day Connecticut High School Championships.

We finished the basketball championships. We finished the year ranking 26th in the world for all Arenas, and 8th in the U.S. regardless of size, and 3rd in the world for our size. Really just amazing. And there are no signs of letting up as bookings for this quarter and the summer are plentiful and impressive, plus a WNBA season is upon us, and I am, of course, very optimistic about the team for this summer.

Now, let's move on to Mohegan Sun Pocono, where EBITDA was up 7.9% over the prior year quarter, mainly due to a decrease in operating costs and expenses despite a decline in net revenues. Revenues declined by 3.9% due in part to a continued sluggish regional economy, economic environment, and partly due to adverse weather.

Although we experienced a decrease in slot revenues, we achieved record table games revenue for the quarter. Table games drop increased 11.3%, while we held 21.8 versus 19.8 in the prior quarter. This is due in part to great marketing on our employee development staff and due to the addition of the hotel, which continues to ramp up and provide up-side for Pocono.

The hotel operating metrics continued to improve during the quarter, with occupancy of 93.7%, an ADR of 62, up from 89.9% and 57 in the prior year quarter. Also worth noting is the $171 average rate for the transient segment, very impressive for that market and indicative of the type of hotel experience Mike and his team are providing.

Furthermore, casino guests who stayed in the new hotel have been playing at approximately 1.5 to 2 times their regular level, which is really great for business.

Now, Mohegan Gaming Advisors towards the end of the quarter, Tom Burke transitioned out of the presidency of MGA into the role of COO of MTGA. Gary Luderitz, our Vice President of Corporate Development, how leads the MGA effort, working closely with Bobby and Mario. The MGA team was extremely busy during the quarter. We continue with our many irons in the fire strategy of diversification, whereby we really only need one or two wins to achieve our goals. Between Resorts, Cowlitz, the new hotel in Connecticut, and now the South Korea project, we feel as if we have the recipe we need. And there are others in the pipeline.

Let me give you an update of each – or some of these projects.

Our managed property in Atlantic City Resorts continues to out-perform most of its peers, despite a challenging revenue and competitive environment there. But the quarter ended March 31, 2015, revenue Resorts increased 12.1%.

Market share increased by 170 basis points, and EBITDAM rose by approximately $2 Million, or 85.7%.

This tremendous improvement speaks not only to the great management team in place there and an amazing group of employees at Resorts, but to all the benefits that Mohegan Gaming Advisors brings to the table in a way really nobody else can. Such as overseeing the repositioning of the property, an extremely powerful database, entertainment booking, which is really to improve the entertainment there and the efficiency of it, unmatched operational expertise, and a keen focus on guest service and loyalty, which is supported by training programs.

The dedication and financial commitment of our partner, Morris Bailey, who has invested the capital to make that property one of the nicest in the city. It's crucial to the success there.

And I'm serious – if you have not visited Resorts lately, you need to go and see what I'm talking about. The energy, product and overall ambience is great.

We're currently working on adding meeting space, which will make us even more successful in that important part of the business.

The Resort's bricks and mortar will not only be around for a long time, but it will thrive. And I say "bricks and mortar" because we are also beginning to fully ramp up I-Gaming Resorts.

The Resort's skin is fully up and running. And though it's early, it's performing well. A full media launch campaign is forthcoming.

Mohegan's Sun site will up by the summer, marking the Tribes first branded foray into real money online gaming, and one of the first Tribes in the country to do so.

On April 16th, Resorts also opened a one of a kind – and it really is – one of a kind I-Gaming Lounge just off the casino floor. That's designed to incentivize sign-ups, integrate the land base and online experience that anyone else has in the market to date. It's really a really slick, neat facility right in the middle of the casino floor, off the side of it. You really should check that out also when you're down there.

Now, as Kevin mentioned, it was a monumental quarter for the Cowlitz Tribe in their long struggle for reservation and economic self-determination. And we're honored and excited to be seeing our joint efforts and the federal government support all coming together to advance the Cowlitz project.

On March 10th, 2015, land near Portland, Oregon, was taken into Trust by the United States of America for the benefit of the Cowlitz Tribe. Clearly, this was a historic moment, as the application was filed nearly a decade ago. We can now move forward with finalizing our development plans, which includes obtaining a GMP for the construction of the planned casino.

Once we obtain the GMP, we should be able to proceed with obtaining financing for the project, hopefully by the end of this calendar year, if not sooner.

On March 5th, 2015, the Mohegan Tribal Financing Authority, the instrumentality of the Mohegan Tribe, closed on the financing for our Earth Hotel project. And on March 20th, 2015, we broke ground.

As of right now, we're anticipating the new hotel opening up in the fall of 2016, hoping to coincide with the 20th anniversary here of Mohegan Sun.

As a reminder, there will be no capital invested by MTGA for this project, with the exception of perhaps a small FF&E loan. And the hotel will give us the opportunity to recapture some of the almost 500,000 room-nights we turned away last year.

Now, in South Korea, it's very interesting. As many of you may have heard, subsequent to the end of the quarter, on April 21st, 2015, MTGA and the Incheon International Airport Corporation, or IIAC, jointly announced they've signed a memorandum of understanding to develop, build and operate a first of its kind gateway entertainment city in South Korea. Essentially, we've entered into an exclusive arrangement with the IIAC, the Korean government instrumentality which operates one of the most respected, busiest and well managed airports in the world; develop 800 acres of land located directly adjacent to the Incheon International Airport over a 20-year period at a cost of at least $5 Billion U.S. dollars.

The first phase of this development will be a $1.6 Billion hotel retail entertainment casino integrated resort, which will be fully integrated into a complex via its very own FBO private airport, the first of its kind of its industry. Imagine that – the FBO backs right up to the property. You could get off your plane and walk right to the front desk.

We're very excited to partner with the IIAC in Korea to take advantage of this significant existing infrastructure and millions of foreign travelers already coming to Seoul to catapult the Incheon area into the top entertainment destination in Northern Asia.

Now, closer to home, on March 11th, 2015, legislation was introduced in the Connecticut legislature to legalize up to 3 casino facilities in the state of Connecticut to protect gaming business in the state of Connecticut. The bill has good momentum. It has been passed by two joint committees of the legislature, and is currently pending on the Senate calendar.

Note that the regular session of the Connecticut State Legislature ends on June 3rd.

Under the legislation, a 50/50 joint venture will be formed with the Mashantucket’s. We're hopeful that this legislation will pass to preserve the jobs and tax revenues that gaming business brings to the state of Connecticut.

We've also embarked on master planning efforts at Mohegan Sun intended to increase non-gaming development on the reservation in order to drive more customers to their property to ultimately diversify our revenues.

The Earth Hotel announced in March was the first of many such projects. And there will be more to come on this in the not too distant future as this strategy coincides right with our capital light strategy.

And finally, I'd be remiss not to comment on our recent organizational changes here at MTGA. On March 30th, 2015, Bobby Soper assumed the title of President of MTGA. In addition, Tom Burke, with his 35 years of experience in 12 gaming jurisdictions, and formerly the President of Mohegan Gaming Advisors, became our Chief Operating Officer at MTGA. And finally, Ray Pineault assumed the position of President and General Manager of Mohegan Sun, Connecticut. And more recently, we announced Jeffrey Hamilton was promoted the Assistant General Manager here in Connecticut.

As to me, as previously announced, I plan to retire my position at the end of our fiscal year on September 30th, 2015, and leave all these exciting things to Bobby and the rest of the folks here.

We believe we are embarking on a very positive time for the Tribe at MTGA. As our operations are improving, the Relinquishment Agreement Obligation has now expired. We have a second hotel under construction here in Connecticut. We can finally proceed with the development of the Cowlitz project, and our development pipeline continues to be filled with interesting and diverse projects, including now an exciting international project in South Korea.

We've always operated with the thought of maximizing not only the present, but also the future. We remain steadfast in seeking out new and profitable revenue streams and identifying additional cost savings opportunities, while maintaining the excellent guest service, product and hospitality experience that has made Mohegan Sun and Mohegan Sun Pocono the premier gaming and entertainment destinations.

Thanks again. And now turn the call back over to Mario Kontomerkos.

Mario?

Mario Kontomerkos: Thank you, Mitchell.

I think it's fair to say that the Mohegan Tribal Gaming Authority reached an important turning point in our financial history in the fiscal second quarter of 2015.

We finished the March quarter with the lowest Total Leverage we've reported under our Bank Credit Facility since March of 2008, 7 years ago, at 5.37 times. And this was due primarily to the relentless efforts that we've talked about by all of our operating teams when generating sustainable and elevated levels of financial performance.

This decrease in leverage occurred during a period where we were still making relinquishment payments. Without those payments, deleveraging as we've said should only accelerate going forward as long as we continue to execute on our long-term plan. And so far, we've delivered.

We've consistently signaled our intention to achieve total leverage in the low 4 times range, and to stay in the 4s over the long term. With our recent financial performance, that goal should be becoming ever more evident.

So let me now give you a brief update on the Balance Sheet.

For the quarter ended March 31st, 2015, MTGA was in compliance with all of our covenants. As I stated, total leverage as of 3/31 was 5.37 times, down from 5.54 times in the previous quarter. And, again, the lowest leverage we've reported under our BCF since March of 2008.

Secured Leverage was 2.85 times as of 3/31, down from 2.87 in the previous quarter and 2.95 in the prior year.

Again, with the expiration of the relinquishment, we will expect secured debt to reduce going forward at an accelerated pace.

Total debt as defined under the Bank Credit Facility was $1.67 Billion, down $93 Million from the prior year.

$50 Million was drawn on our $100 Million revolver as of March 31. After factoring in outstanding LCs and restrictive covenants, we had approximately $46.6 Million available for borrowing under our BCF and line of credit as of March 31, 2015.

Cash and Cash Equivalents at the end of the quarter totaled $64.5 Million, including approximately $9.8 Million of excess cash. And liquidity totaled approximately $59.7 Million of net of Bank Roll and restrictive cash.

Distributions for the Tribe totaled $10 Million for the quarter, and are expected to total $50 Million for the fiscal 2015.

Capital Expenditures totaled $2.8 Million for the 6 months ended March 31, comprising primarily maintenance capital expenditures that are operating units.

And Cap Ex is forecast at a total $35.3 Million for fiscal 2015, again, comprised mainly of maintenance expenditures at our operating units.

So thank you all. And I'll now turn it over to Tanya, the operator, for Q&A.

Tanya?

Operator: At this time, I would like to remind everyone, in order 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 comes from the line of David Farber – (Credit Suisse) – if you could please state that. Your line is open.

David Farber: Good morning, guys. How are you?

Mario Kontomerkos: David, hi.

David Farber: Hey. Congrats on the beginning of the hotel.

First, I just wanted to hear from you guys on April. You mentioned in the release that things were going well in April. So, just curious how the business is performing in your mind? Sort of what drove that and what you're seeing from your customers? And then had a couple follow-ups.

Thanks.

Mitchell Etess: Well, I'll give you some top line, and maybe Bobby and others will want to comment. But so far, we're seeing slots up in the low single digits at both properties.

Tables are up in the low double digits in Connecticut and about flat in Pocono. And we're seeing a lot of that drop to the bottom line. And it's you know as we're seeing cost saving. So we're really encouraged by the flow-through that we're seeing.

In terms to some reasons for that, I can – you know Bobby and Mario might want to give you a little more color. But it – you know it seems like people are feeling a little better about things. And we're seeing the people coming in.

Bobby Soper: Yes, You know we've seen stabilization in the market really that dates back to the beginning of this fiscal year. You know we had some nice growth in the first quarter. We had some bad weather in the last quarter. And yet, we still hung in there on the revenue side. And you know that trend is just continuing going into the third quarter.

You know certainly you know consumer confidence is up ticked a little bit. Gas prices are lower, but I think it's really driven by the stabilization in the market, the fact that you know I think we've reached the maturity point with the competition that's been introduced for a period of time, and you know we're beginning to see the benefits of that maturation.

Mitchell Etess: And I think as time goes on people appreciate the product that we're offering. The Arena has been strong.

And what's most encouraging about this is you're seeing this performance you know revenues increasing in stable while we're really decreasing our free slot play and being much more efficient on the marketing spend side, so we think that all is super positive.

David Farber: Very good. That's helpful. Given the positive news out of Cowlitz, if you would, maybe you guys could give us an update on timing capital raising and just the structure, again. If there are management fees maybe just talk to how you expect to use those management fees. Will you view over the balance sheet? Do you have other capital projects in place, just thoughts around that? And then just had one more on South Korea, and that's it. Thanks.

Mario Kontomerkos: Sure, let me start with the last one, David. I mean, the reimbursement of the receivables that we expect to receive from the financing of the project will essentially go to pay down debt. I don't think we have any other use for that capital at this point.

On the timing of the project, I think the project – I think internally some people think that it's moving at light speed, and we would agree.

You saw some articles that indicate that we think we can be in the ground by the end of year. We think that's accurate. It could be even sooner than that. There is going to be a project financing, as you're well aware.

And you know project financings depend on certain things, including the GMP.

As Mitchell mentioned, we've done a lot of work on procuring that GMP. We actually started that process even before the land went into trust. And so we're well on our way to receiving that; I would say sometime in the summer months.

So assuming that timeframe holds, we might be able to close the financing and break ground even sooner than the end of the year.

David Farber: Very good.

Just maybe on South Korea, obviously some – a significant project there were capital, and hopefully some significant returns as well. Maybe just high level, you guys can talk to how you envision your role would be with the project in terms of capital or managing facilities.

And then also maybe just a sense of how you understand the timing of the licensing and when we'd expect to hear from that.

And then I'll hop back in the queue. Thanks very much.

Mario Kontomerkos: OK. Well look, I don't think anything's changed in terms of our overall capital allocation strategy. So we've always talked about the capital's light strategy. I think that it remains in place, even with this project.

As you'll recall in previous projects, like Revere and elsewhere, we were able to employ the capital light capital allocation strategy, and this is no different for the first phase. The first phase of this project is going to be $1.6 Billion. We're working on how that's actually going to be allocated. There's going to be a consortium in place. We're going to be a major part of the consortium.

We haven't figured out all the details in terms of management and that sort of things, but I think what I can tell you is that just like some of these other projects that we proposed in the past, non-recourse entity, financing – project financing – and capital light is the way that we're going to approach this.

From a timing perspective, you know this is a two-step process, not unlike a lot of the processes that we've seen here in the United States, in terms of awarding a license. There's an RFC, request for concept, phase, which ends on June 30th. And I think we're well prepared for that phase. And then there's an RFP process which ends by the end of the year, the end of this calendar year, December 31st or thereabouts.

The Korean government is expected to issue between one to three licenses, and we think that we're in great shape with our partnership with the IIAC to win one of those licenses.

David Farber: Sounds good. Thanks again.

Mario Kontomerkos: Thank you.

Operator: Your next question comes from the line of James Kayler with Bank of America-Merrill Lynch. Your line is open.

James Kayler: Hey guys. How are you doing?

Mitchell Etess: Good.

Mario Kontomerkos: Hey James.

James Kayler: Good, good. Maybe just one follow-up on the hotel in Connecticut. Mitchell, I think you said that that construction could be complete there by the fall. Is this – that's in the fall of '15?

Mitchell Etess: No. Fall of '16.

James Kayler: Fall of '16. OK.

Mitchell Etess: Right.

James Kayler: Very good. And then I guess just changing gears a little bit on the cost side. Obviously you know the relinquishment fee will be a significant impact, but Mario, in terms of you know operating costs, I know it's obviously been a focus for you and for us for a long time. Can you maybe just describe you know where you think you are in terms of you know redefining the sort of cost structure at both properties? And is there – is there still more that can be done?

Mario Kontomerkos: I think the answer is yes, James. I think that you know this is a multi-year, as we've said, process. It's kind of a slowly evolving process. And look. We've kind of talked in the past about sort of where we are versus you know sort of the – sort of the best operated peers in the market, and what that – what that difference means in terms of overall EBITDA and cost savings to us. And we've talked about numbers that are you know triple digit in nature, triple digit millions.

So I think – look, I think that's the opportunity. I think we're just starting to scratch the surface on that, honestly. I think it's going to be a long process, but I mean, with respect to the detail on that, I can hand it over to Bobby and see if he's got comments.

Bobby Soper: Yes. Like we've mentioned in the past really, we've undertaken a significant evaluation of both our labor and marketing costs, which are the two you know expense drivers.

On the marketing side, you've seen we've reduced costs; we've been strategic how we allocate our dollars, really starting to leverage our CRM systems. And on the labor side you know really evaluating schedules, re-evaluating organizational structure. And we've been doing both of these, but at the same time monitoring our guest service scores and levels which you know frankly have been elevated over the last two years.

So we still believe there's opportunity in both of those areas while maintaining or increasing our service scores. And you know there'll be more to come on that.

James Kayler: OK. Very good. And just on Cowlitz, one follow-up on Cowlitz. Can you just remind us what the terms of the management contract are and what the advances have been so far, Mario?

Mario Kontomerkos: Yes, that's a good question. So there's three, what I call, three economic events for the tribe and for MTGA.

So the initial economic event that will occur right on the financing. Like we said, we hope that happens before the end of the year. And that's the reimbursement of the receivables into the project. Our portion of that is in the $40 Million to $45 Million range. The Mohegan Tribe also has a portion of that. And then our partner also has, in the management company also has a portion of that. So that is, like I said, the timing by the end of the year.

Then during construction, MTGA will earn a development fee for actually developing the facility of 3% of hard costs. And I think what we've said publicly in the past, at least at this early stage – and we're going to get more details here very shortly on the construction side – but just assume a $400 Million to $500 Million dollar project, and so you can do the math on that; 3% of that is $12 Million to $15 Million of fees over the next, call it, 17 to 20 months.

And then at the end of that period, the actual management fee begins for 7 years, of which we would get approximately 50% of that. And that management fee is 24% of what the NIGC calls net revenue, which is really kind of EBIT, EBITDA after interest expense and depreciation. And as I said, that fee continues for 7 years.

James Kayler: Very good. So you said the – in terms of typical management fee structure like you would see with Graton or one of these other projects, and you guys get 50%; you're the 50% owner of that management company.

Mario Kontomerkos: That's correct.

James Kayler: And that is – just to clarify, that's MTGA or it's the Tribe?

Mario Kontomerkos: That's – MTGA is a 50% owner. The Tribe is another 11% owner. So combined, we're about 60%, 61%.

James Kayler: OK, very good. And I – just finally, just because the relinquishment fee is such an exciting event, can you just remind us what the sort of final closeout and accounting was? Did you have to make a final payment? And I think that there was probably no income statement impact in the quarter, if I'm thinking about it correctly.

Mario Kontomerkos: I could speak to the payment. The final payment was made on March. – or, sorry, January 26th for $18.6 Million dollars I believe was the final number. And any impact on the – on the income statement?

Peter Roberti: There was a $300,000 adjustment just to the final figure and flowed through the normal lines that add back on EBITDA.

James Kayler: OK. Very good. Thank you guys.

Mario Kontomerkos: Thank you.

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

Susan Berliner: Thank you. Good morning.

Mario Kontomerkos: Hi Sue.

Susan Berliner: I know it was a good quarter, so I don't want to sound picky. But I guess the only – the only area we were a little surprised was with regards to entertainment, which also impacted FMB. And I was wondering why it was down year-over-year considering the acts were up.

Mitchell Etess: Ticket prices. It had to do with a mix of – it has to do with a mix of the ticket prices as far as the entertainment revenue. You know you could have an act that's $100 a ticket and then it's replaced by – or an act that's $29 a ticket. So it kind of has a lot to do with the ticket revenues versus the – versus the – just not – just the number of acts.

Bobby Soper: Yes. And I think we have to look back. I think the comp for the last year. It was a very strong calendar at that time, and I think when you look at that comp from last year, that probably explains a little bit of it as well.

Susan Berliner: OK.

Mario Kontomerkos: Yes Sue, just to add to that, the average price per arena ticket was down about 10%, which kind of just speaks to what the folks were just talking about here.

Susan Berliner: Yes. Gotcha. And then I was wanting to get a little more color on Connecticut. So if the legislation session ends June 3rd, what happens after that? I mean, if it doesn't get done by June 3rd, can it be extended or …

Bobby Soper: I'll address that. So June 3rd is just the end of this session. It can always be re-introduced into subsequent sessions. You know clearly we're pushing for it now, but you know to the extent you know it's not successfully passed this session you know I doubt we would just sit still and not push into subsequent sessions.

Mitchell Etess: And come back in January.

Bobby Soper: And come back. And the next session would be in January.

Susan Berliner: In January, OK. And then

And then just one question on Massachusetts. I know Boston's taking – seems to be delayed for a while, and I was just wondering what your updated time frame for Springfield to open would be.

Mario Kontomerkos: Well, we can tell you Sue, probably the same – kind of the same things that you've been seeing in the paper. I think the latest that we've seen in – from the announcements from the folks in Springfield are saying the second half of '17 right now.

And the facility in Everett seems to be pushed back well beyond that. It's hard to – hard to evaluate exactly what the timing will be in Everett.

Susan Berliner: Great, that's it. Thanks so much.

Mario Kontomerkos: Thank you.

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 John Maxwell with Jefferies. Your line is open.

John Maxwell: Hey, good morning everyone.

Hey. Hey Bobby, could you follow up on the Connecticut? If you get the approval in this – in this session, does it then go to the governor? Does it need you know statewide approval, or what are the next steps from there?

Bobby Soper: Yes, the next step is it just would go to the governor's desk. That's it.

John Maxwell: OK.

Bobby Soper: Doesn't require any more state approval?

John Maxwell: Have this – I know there's been some press about where these locations would be, but has there been anything definitive on where they would be located?

Bobby Soper: Nothing definitive yet. We're evaluating that. There's you know obviously a lot of interest. It's been in the news. A lot of interest from a number of towns that would like to host the facility, but we're – we're evaluating that right now.

John Maxwell: And Mario, how would those get financed?

Are they – does the state finance those and you guys manage it, or are you each putting up 50% of the – or you know financing?

Mario Kontomerkos: No, the state won't be involved. I'm sure they're happy to hear that. This is going to be non-recourse financing, almost exactly like every other project that we entertain, where it's sort of third party or to J.V. project financing.

John Maxwell: And then you guys would co-manage it. Is that – would that be the plan?

Bobby Soper: Yes. I mean, we're evaluating right now the actual management structure, but we've had a lot of meetings with the Mashantucket Tribe. You know we have a structure and principle and you know we feel good about where we're at in that regard.

John Maxwell: OK. And then last on this, if you do get the governor's signature and you've finalized the locations, when would you anticipate that those you know one of those facilities would be up and running?

Bobby Soper: You know we believe if it was approved this session, we could be up and running by 2017.

John Maxwell: By – OK. All right. Great.

And then just shifting back to Connecticut at the main property, the – you know one of the things I've noticed is the number of slot machines have come down. I assume that's also part of the cost-savings you've experienced. At what point do you think you're at a level of you know kind of, you've got the right mix at this point that you know you need them for your peak periods, or are there more machines you can take off?

Bobby Soper: Yes, right now we feel like we're at an optimal level. You know our Win For units are strong. Our utilization you know at peak times is hitting 80%, which is you know a comfortable level. We really wouldn't want to go below that.

You know we evaluate it as we you know constantly do. We do have you know some plans. Mitchell mentioned our master planning exercise. We do have some plans to introduce some additional non-game amenities which we haven't publicly announced yet that may occupy some of the floor space, and you know could reduce a little bit of the slot count, but it's really not driven based on slot demand – more based on just the master planning exercise and the best use of the real estate.

Mitchell Etess: And also keep in mind, even though you know you do experience some cost-savings in less machines, nowadays with the slot paging and everything like that, it isn't quite as dramatic as it used to be because you know your people are flaggable you know they're sent right to the machines for servicing, so you know you can have less machines, but you can have more machines and still have more efficiencies.

John Maxwell: OK.

All right, great. And then just lastly, Mario you know the 11% notes are callable. And obviously you're coming off a good quarter with what looks like more to come. What's any thoughts on you know on refinancing?

Mario Kontomerkos: John, we always look to be opportunistic. That's obviously an area where we think we can generate a lot of interest savings at some point. And look, we just continue to evaluate it, and my guess is sometime over the next 12 months, we will – we will have done that.

John Maxwell: OK.

Great, that's all I have. Congrats.

Operator: And your next question comes from Dennis Farrell with Wells Fargo. Your line is open.

Dennis Farrell: Great, thank you.

Couple questions just on expansion in Connecticut. I'm just wondering, what locations have you identified as potentially where the properties would go, and I know the economics you said where the financing will be non-recourse. I'm just kind of wondering, how will that affect the credit you know the MTGA credit? Will you get a management feedback to this – to the credit there, or is – or will all that go to the Tribe?

Bobby Soper: Yes, I'll talk to location. You know again, we have been approached by numerous sites, numerous locations, numerous towns that have shown interest and you know it's just too premature to say you know the specific locations and talk about that yet.

But you know obviously it's going to be something strategic that we believe will allow us to recapture you know that potential loss of business, and most importantly, preserve the most amount of jobs here in Connecticut.

Mario Kontomerkos: Yes, and Dennis, on your – on your question about how the entity would be set up, again, it would be project financing between the J.V. partners. Obviously, every diversification entity that we – that we endeavor in going forward is set up for the benefit of the existing credits, so while the entity would be set up as an unrestricted entity outside the credit, all of the distributions and any fee income, if there were any, would be intended to – to enter the MTGA credit.

Dennis Farrell: OK.

And how is it going to be branded? I mean, you've got like a branding fee or a licensing fee, or would it be set up like you know certain ones would be set up for Foxwoods and others would be set up as Mohegan properties, or would you do a separate brand?

Bobby Soper: Yes those are – those are again details that we haven't exactly determined. The only thing I would say about that is it's clearly going to be first class. You know you've got two premiere operators. We' know what we're doing.

And you know we're going to do it right, but in regards to specific brands you know we just haven't got to that kind of detail yet.

Dennis Farrell: OK.

In regards to Plain Ridge, I'm not sure if you touched upon that. I jumped on the call late. But what are your thoughts on potential cannibalization, or do you feel like that most of that has kind of filtered through from that region?

Bobby Soper: Yes, I mean we look – we have Twin River, which sits in between us and that location as well as Boston. We – you know we feel like it's probably commensurate with that level of experience.

We didn't really see much at all when Twin River opened its table games operations. You know obviously, we're always cautious and ready and prepared, but we don't anticipate much impact at all from Plain Ridge.

Dennis Farrell: OK.

Mario Kontomerkos: Yes Dennis, the great Mitchell Etess once said that you can't lose the same customer twice, and there are – there are multiple properties in between us and the new Plain Ridge facility as being slot only and a 45% tax rate. As Bobby said, we didn't see much of an impact at all when the tables opened at Twin River. We don't really expect to see any impact from Plain Ridge.

Dennis Farrell: OK.

And then in regards to April, the commentary you had on April, have you seen more visitation or is it more spend per visit? I mean, what is – where are you seeing the strength, and is it from – are you getting new customers? Just wondering how is that checking out.

Bobby Soper: Yes, we're seeing you know both on the volume side, actual you know patrons. Obviously, the weather has improved a lot. And perhaps there's a little hint of demand. I'm not sure.

But you know both on slots and tables. We're seeing strong volumes. Spend per customer is pretty steady; maybe a little uptick there. But I think just overall you know both patron volumes and – and you know spend on property.

Dennis Farrell: OK. And then lastly on the financing side, I was wondering if you could just touch upon the – the Pocono Downs note that's callable this year? And you know thoughts on potentially refinancing that and where you would refinance that?

And then also I'd love to get your thoughts on how you would finance – I know you talked about Korea. I'm just wondering what the potential equity contribution would be to that project, if any.

Mario Kontomerkos: Well, good question, Dennis. Look, on Pocono, look, that's very top of mind right now. We want to try to be in position to refinance that as close as to the first call date as possible, which is July 16th. And so I think we've been working now for quite a while on – on a solution, and I think we've got a good one, which would reduce our costs pretty – pretty significantly, but there'll be more – more detail on that over the coming weeks and months.

And on Korea, on the financing there, again, not a lot of detail we can share with you on this. There's a lot of moving parts in terms of how Korea will be financed. So what we can tell you though is that the – the capital light strategy remains in place and you know obviously we wouldn't be in the situation and working toward it if we couldn't find a solution that makes a lot of financial sense for us.

Dennis Farrell: Great. Thank you very much.

Mario Kontomerkos: Thank you.

Operator: There are no further questions at this time.

Mario, please go ahead.

Mario Kontomerkos: Well, thank you Tanya, and thank you all for attending, and we look forward to speaking to you all in about three months' time.

Thank you very much.

Operator: And this concludes today's conference call. You may now disconnect.