# MOHEGAN TRIBAL GAMING AUTHORITY

## Moderator: Mario Kontomerkos
## Wednesday, February 3, 2016
## 11:00 a.m. Eastern Daylight Time

**<u>Operator:</u>** This is Conference #: 85028362

Operator: Good morning. My name is Shannon and I will be your conference operator today. At this time, I would like to welcome everyone to the First Quarter Fiscal 2016 Earnings call for the Mohegan Tribal Gaming Authority.

All lines have been placed on mute to prevent any background noise. If you should need assistance during the call, please press star zero on your telephone keypad and an operator will come back to assist you.

It is now my pleasure to turn today's call over to Mr. Peter Roberti, Vice President of Finance, and Chief Accounting Officer. Mr. Roberti, you may begin your conference.

**<u>Peter Roberti:</u>**

Thank you, Shannon, and good morning everyone. Thank you for joining our call this morning.

Today we issued a press release on our operating results for our first fiscal quarter ending December 31, 2015. That release is available on our website at *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 10-K and 10-Q. Forward-looking statements made during today’s call represent the Authority’s current outlook only as of today’s

date, and the Authority undertakes no obligation to update or supplement any forward-looking statements.

Today's conference call may also include discussions of 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. Good morning everyone. Before we begin, I'd like to introduce the participants of today's call. We have with us today, Kevin Brown, Chairman of the MTGA Management Board. From MTGA, we have Bobby Soper, President and CEO of MTGA, and Tom Burke, Chief Operating Officer of MTGA, along with Peter Roberti who you just heard from, our Vice President of Finance and Chief Accounting Officer. 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 Bobby, 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 can 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?

**Kevin Brown:**

Thank you, Mario.

Thanks. Good Morning everyone and thanks for joining today's call.

Once again, we are extremely pleased with the operating performance of the Mohegan Tribal Gaming Authority for the first quarter of 2016, both in terms of financial performance and on the strategic initiatives front as well. Gaming Revenues remained stable, and as has been the case for the last five quarters, the Authority delivered on the EBITDA line, and I will leave it to Bobby who will explain just how we did it in detail shortly.

In addition to continued strong financial performance, during the quarter, we also continued to achieve a number of strategic milestones in our diversification efforts both domestic and internationally. This includes five key points: First, we helped the Cowlitz Tribe complete their financing effort and begin the rapid construction of what will be a world-class facility in the Pacific Northwest.

Second, and closer to home, we poured the 12th deck of our new 400-room, 14-story hotel here in Connecticut. Third, we completed several important and accretive financing transactions at MTGA.

Fourth, we pressed forward in our request for proposal process for a new third casino located in Northern Connecticut to be jointly operated by the two federally recognized tribes, and we've received five great responses.

And finally, on the international front we submitted what we believe to be the strongest application to the South Korean government's RFP to build a one-of-a-kind integrated resort that has the potential to transform Incheon International Airport, just right outside of Seoul, into one of Asia's top leisure destinations. These initiatives along with our strong operating performance stand to put the Mohegan Tribal Gaming Authority in a strong position for many years to come. So in short, and much like last quarter, we are very excited about where we stand today and very excited about where we are headed in the future. At this point, let me turn the call over to Bobby

Soper, President and Chief Executive Officer of the Mohegan Tribal Gaming Authority to go into further detail.  Bobby?

**Bobby Soper**

Thank you, Chairman.  Hello everyone and thanks again for joining our call today, and as always, thank you for all your support.

We are pleased with our results for the first fiscal quarter.  Our Net Revenues increased by 5.2% during our first quarter, which was our largest increase in nearly 9 years.  The increase was driven by increases in net revenues at Mohegan Sun and Mohegan Sun Pocono along with higher revenues generated by Corporate, driven by new development fee revenues from the Cowlitz project now that the casino is under construction.  Overall, Consolidated EBITDA increased 17.8% year-over-year, and Consolidated EBITDA margin increased at 25.1%, an increase of 270 basis points from last year, reflecting strong flow-through and our continued ongoing efforts to streamline our operations.

Now, onto our quarterly results from our operating units ….

**Mohegan Sun**

In Connecticut, Mohegan Sun's Net Revenues grew 3.8% which is our highest year-over-year revenue growth in any quarter since 2012.

Adjusted EBITDA increased 15.4% as compared to the prior year.  Mohegan Sun's Adjusted EBITDA Margin increased 290 basis points to 29.4% for the quarter, which was the highest for a fiscal 1st quarter since fiscal 2001, 15 years ago.

Table games revenues increased 20.7%, due to an increase in both Hold and Drop as compared to the prior year.  As is evident from these results, our team has focused its efforts for several quarters now on introducing Mohegan Sun's world-class amenities to higher-end guests from further and further afield, and these efforts seem to be paying dividends especially on the table game side.

Slot revenues had a slight decrease of 1.4% due to a slight decline in Hold percentage from the previous year.

On the non-gaming side, Hotel occupancy continues to be strong at 98.2% for the quarter.

The arena again was a world-class phenomenon in 2015, and, as in years past, captured an impressive bundle of awards. The Mohegan Sun Arena was ranked number 3 in the world and the nation for arenas of our size by Billboard and Venues Today and was named “2015 Arena of the Year” by the IEBA (International Entertainment Buyers Association) in Nashville. That's a prestigious award.

We had 26 events this quarter, which is the same number as in the prior year. The performers we had during the quarter were as always, diverse, impressive and appealing to a broad demographic, and including among others Amy Schumer comedy show and The Comedy Get Down, concerts by The Weekend, Rascal Flatts, Toby Keith, a great veterans rock show, the Trans-Siberian Orchestra, Darius Rucker, Straight No Chaser, and a number of sporting events including an ESPN boxing event, a UCONN Women’s Basketball game, and the Basketball Hall of Fame event, as well as Bella Tour MMA Event

Going forward, there are no signs of letting up as the fall and winter lineup is equally spectacular with more great shows and events.

Now, let's move on to Mohegan Sun Pocono results.

**Mohegan Sun Pocono**

At Mohegan Sun Pocono, Net Revenues increased by 3.7% in our first quarter, which is the highest growth rate in 15 quarters, while Adjusted EBITDA was up 3.3% over the prior year quarter. Our gaming metrics were strong for the quarter, as slot win was up 5.0% and table games revenues increased by 1.1%. The hotel operating metrics continue to be strong during the quarter with occupancy at 96.0% and ADR and RevPAR at $60 and $58, respectively, up from $58 and $53 in the prior year quarter. Also worth noting, and perhaps even more important, is the $162 average rate for the transient segment, at the property.

Now, on to….

**Atlantic City**

Our managed property in Atlantic City, Resorts, continues to amaze and outperform its peers, despite a challenging market environment. For the quarter ended December 31, 2015, revenue at Resorts increased 20.7% and EBITDAM by $3.1 Million year over year. For all of 2015, revenues grew by 15.8% and EBITDAM grew by $7.7 Million to $8.6 Million from $833,000 last year. A remarkable turnaround in results, which speaks not only to the great management team and an amazing group of employees at Resorts but to all of the benefits Mohegan Management, brings to the table.

And for the quarter, MTGA generated half a million dollars in fee income from Resorts.
Resorts' progress in real money wagering online has been equally impressive. For the quarter ended December 31st, our online revenues increased by 96% as compared to the prior quarter, and our two skins, ResortsCasino.com and MoheganSunCasino.com are now at 11% of online casino market share after just 11 months of combined operation. We expect to see our market share continue to grow in the coming months and years.

**MTGA Development**

Now, on the development side. Let me provide you with an update on each of our major management and development opportunities.

The **Earth Hotel update**, which the chairman referenced earlier, the Earth Hotel project, a $125 Million, 400-room hotel that will be directly connected to Mohegan Sun in Connecticut is on time and on budget. The 13th floor has been poured and we are currently pouring the roof of the 13th-story tower, and the installation of the glass curtain wall skin is in process and presently up to the 7th floor. We plan to top off the hotel sometime in early March and look forward to the Fall 2016 opening when we can begin to recapture the almost half million room-nights that we turn away each year.

The hotel is one of several capital-light, non-gaming developments that are being considered here on the reservation; there will be more to come in the not too distant future, and when they do, we will be sure to let you know.

Now, onto the **Cowlitz Project.** The Cowlitz project is full speed ahead. With the successful financing effort completed in December, the project construction is in full swing and is moving swiftly towards a late-spring 2017 opening. In connection with the financing, we recognized approximately in $4.4 Million in fee revenues during the quarter under our Development Agreement with CTGA. Finally, we recently announced, Kara Fox-LaRose, our former Assistant General Manager at our Pennsylvania property, will be the new President and General Manager for the Cowlitz Casino.

**South Korea update:** As many of you know, on November 27th we submitted a proposal, along with our trusted local partner KCC Corporation, in response to an RFP integrated resort request put forth by the Korean Ministry of Culture, Sports and Tourism earlier in the year. Should our proposal be selected, and we currently expect that decision could be made as soon as in four to six weeks, we will move rapidly to develop Inspire, a first-of-its kind $1.6 Billion gateway integrated resort on 800 acres directly adjacent to the Incheon International Airport, and the first phase of a larger $5.0 Billion investment over time. The resort will feature several hotel towers, a massive retail offering, one of the largest arenas in Northern Asia, dramatic water features, multiple leisure and entertainment destinations, and, of course, a casino. The Airport itself is currently undergoing a $4.5 Billion expansion that will increase passenger throughput from $45 Million currently to $65 Million by 2018, likely placing it as one of the top 5 busiest airports in the world.

**Update**

Here in Connecticut, just an update **on Connecticut Gaming.** As you know, we received five responses to the RFP late last year for a new jointly owned, commercial casino facility in Northern Connecticut, to be jointly owned with the Mashantucket Pequot Tribe. Our joint-owned company is currently in the process of evaluating the proposals and expects to be in position to select a location very soon. As has been publicly reported, the towns and cities represented in the responses are Windsor Locks, East Windsor, East Hartford and Hartford.

So in summary, we believe we are embarking on a very positive time for the Tribe and MTGA as our operations are improving, our balance sheet has quickly become one of the strongest in the industry, we have a second hotel under construction here at Mohegan Sun, we are headlong with the development of the Cowlitz project and our development pipeline continues to be filled with exciting projects, including an important and potentially transformational international project in South Korea.

We've always operated with the thought of maximizing not only the present, but also the future. And while we remain steadfast in seeking new and diverse opportunities, we never forget what makes our product so special, and that is the unparalleled guest service product and hospitality experience that has made Mohegan Sun a premiere gaming and entertainment brand in the industry.

Thanks again, and I will now turn the call back over to Mario Kontomerkos.  Mario?

**Mario Kontomerkos**
Thank you, Bobby.

As Bobby mentioned, our balance sheet continued to improve in the December quarter. Our Total Leverage Ratio, net of excess cash, was 4.71 times, the lowest that ratio's been in almost 8 years.  Going forward, we expect to see continued improvement in this and other of our various credit metrics, driven by steady operating performance and our continued intense focus on debt reduction goals, which is to drive Total Leverage into the 3’s over the next couple of years.

As many of you know, we are very active in the capital markets during the December quarter. In late November, we announced that we closed on a $200 Million Facility Agreement with UBS. This facility agreement allows us to raise unsecured capital in the form of variable size and maturity note issuances at advantageous interest rates, and a few days later, we announced that we issued a 2-year, $100 Million note under this facility at a rate of 4.65%.  In November, we also refinanced our $45 Million Downs Lodging facility by repaying about half of the principal of that facility and replacing the other half, which was at a double digit coupon, at effectively 13% with a new 4-year facility priced at L Plus 350.

And, of course, we are now benefitting from the associated interest expense savings from that transaction. And in early December, we assisted, as we mentioned, the Cowlitz Tribe in closing on its $433 Million bank construction financing, and we are very, very happy to see that transaction being completed.

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

- Total Debt as defined under the bank credit facility was $1.74 Billion, up $38 Million from the prior year, due to the $100 Million note issuance, but net of excess cash, total debt was $1.60 Billion, down $97 Million from the prior year.
- $58 million was drawn on our $100 Million revolver as of December 31, 2015.
- After factoring in outstanding LC's, we had approximately $39.0 Million available for borrowing under our bank credit facility at December 31, 2015.
- Cash and Cash Equivalents at the end of the quarter totaled $222.9 Million, including approximately $138.1 Million of excess cash.
- Liquidity totaled approximately $177.1 Million
- Distributions to the Tribe totaled $10.6 Million for the quarter and distributions are continued to be forecasted to be $53.0 Million for fiscal 2016.

Capital Expenditures

- On the CAPEX side, CAPEX totaled $7.5 Million for the quarter, comprised primarily of maintenance CAPEX at our operating units, and we continue to forecast capital expenditures at our operating units.
- Capital expenditures are still forecasted to a total $52.0 Million for fiscal 2016.

So thank you all and now, I'll turn it over to Shannon for Q&A. Shannon?

Operator: At this time, I would remind our participants that if they have a question, they may press star and the number one on their telephone keypad. Again, if you have a question or a comment, you may press star and the number one on your telephone keypad.

Your first question comes from the line of James Kayler from Bank of America. Your line is open. Please go ahead.

James Kayler: Hi, everyone. How are you doing?

Mario Kontomerkos: Hey, James.

James Kayler: I guess just maybe first if we could talk about, you know, customer trends and just the tone in the market. The slot revenues in Connecticut seem to be sort of flattish and -- or just down very slightly. Pennsylvania obviously is performing better.

Can you just give a sense for, you know, how you think customers are feeling about the world these days?

Bobby Soper: Yes, I'll be happy to chime in. This is Bobby. So I think -- I think on the slot side, you know, we kind of view it as a stabilization. I think consumers are confident enough to spend leisure dollars and when you look at, you know, all the new competition to see actually in some quarter's growth in stabilization, we feel pretty good about it.

I don't think -- I think consumer confidence is better than what it was. Again, it's not where it was pre-2008. We are, however, seeing some nice growth on table games, especially in the high end.

And so we feel pretty good about that and I think that's an indicator both on the mass table game market and the high-end table game market that consumer confidence at least there, you know, seems to be growing.

So we feel pretty optimistic in light of the last several quarters. You know, again, we like to evaluate it over a longer period of time, but right now, we see that the trends are positive.

James Kayler: Very good. And I've had a couple of questions on the -- obviously, we all had -- there was a big snow storm a couple of weeks back. What kind of impact do you think that might have on the -- on the first quarter?

Mario Kontomerkos: Bobby, you want me to take that?

Bobby Soper: Go ahead, Mario. Yes.

Mario Kontomerkos: Yes. James, on that, you know, the weather's been interesting the last couple of years in the Northeast, you know? As you know, we didn't have much weather in the December quarter. We had a lot of weather last year in this -- in the March quarter, and in fact, that storm fell on the same weekend as the first storm did last year.

So I don't -- I think from a comp perspective we're exactly where we thought we would be and, in fact, I would probably tell you that in the first quarter, we're probably at or maybe slightly better than we thought we would be.

James Kayler: Very good. Yes, last year was equally bad, if not worse.

Mario Kontomerkos: That's right.

James Kayler: I guess just on the -- just on the balance sheet, so obviously, you know, sequentially the debt balance went up, but obviously the cash balance went up quite a bit, and you mentioned the $138 Million of excess.

Can you talk at all about sort of what the balance sheet strategy is, how the balance sheet might evolve over the next couple of quarters?

Mario Kontomerkos: Yes, you know, I think you correctly pointed out that there's a significant amount of cash on the balance sheet that's sitting in our accounts. That cash is there primarily for our -- for our application that we made in the Korea RFP process.

As Bobby mentioned earlier to all of you, you know, we think that process is probably another four to six weeks and then I think depending on the outcome of that process, I think we'll probably drive, you know, how we decide to move that cash going forward.

Obviously, if we get a good answer there, that cash that's sitting there will be our investment in the -- will be the totality of the investment in that project. And if we are not successful, then I think it's fair to say that that cash will immediately be returned and be used for debt reduction.

James Kayler: Got you. And does that -- does the cash balance at the end of the quarter reflect any proceeds from Cowlitz?

Mario Kontomerkos: You know, we did record in the quarter, James, about $4.4 Million of development fee revenue from the -- after the closing of the Cowlitz financing.

James Kayler: OK. Very good. And I guess just finally, on the -- on the Connecticut satellite project, can you maybe just give us some sort of milestones or, you know, roadblocks, I guess -- I guess what are the things that need to happen before that project give you -- before you select a location and then before it moves forward?

Bobby Soper: I'll be happy to take that. So the process now is we jointly have to pick a location. We had a very positive response to the RFP, perhaps even greater interest than we originally anticipated.

Because of that, we've had to undertake and we continued to undertake significant due diligence and we want to ensure that we pick a location that makes sense for both organizations, and we don't have a specific timeline on when that's going to happen, but we're, again, in the midst of that process.

Once that occurs, we will submit that location for legislative approval and once that occurs, then we'll move forward with a development of the project. Again, no real specific timelines at this point, but, you know, we're diligently working on it right now on sight selection.

James Kayler: All right. Very good. That's all the questions I had.

Mario Kontomerkos: Thanks, James.

Operator: Your next question comes from the line of Dennis Farrell from Wells Fargo. Your line is open. Please go ahead.

Dennis Farrell: Great. Thank you very much. Mario, I just wanted to just drill down on the balance sheet just a little bit more. I was wondering, the -- that 2-year facility that you have, I was wondering if you could grow that given that leverages declined. It's pretty favorable cost of capital.

I know it's short duration, but I was wondering if you could grow that 200 to 3 or 400 if you had to. And also, I was wondering who's the ultimate buyer of that paper?

Mario Kontomerkos: Yes, I mean, Dennis, good question. To your first question, I mean, it's a -- it is a bilateral facility which, you know, means that there are two interests into that facility.

So I think the answer is yes, you know, if we -- if we thought it was prudent to grow that facility, we would have one conversation to have and, you know, we could -- we could see where that goes.

So that is -- that's probably how we would handle that right now. We don't have any plans for growing it as of the moment, but I think that option always remains.

What was the second question, Dennis?

Dennis Farrell: I was just wondering who the buyer was of that tranche paper?

Mario Kontomerkos: Yes. So the direct buyer is, in fact, UBS. Now, UBS enters into some transactions on the back end, you know, to hedge that -- to hedge that exposure and so, you know, those buyers are various in nature.

Folks have entered into CDS transactions, but the immediate buyer who's facing us is UBS.

Dennis Farrell: OK. And then just moving to Pocono for a second, the new facility that you have there, I couldn't hear you on the month, so I was wondering -- it's a -- you said it's a four-year facility as of December?

Mario Kontomerkos: Yes, as of late November.

Dennis Farrell: Late November? OK. Late November, and that's a LIBOR floor of 1% on the 350?

Mario Kontomerkos: Yes.

Dennis Farrell: OK. All right. Great. And then just stepping away from the balance sheet, I was wondering from -- on the competitive front, what have you learned from Plainridge thus far and how do you think that experience will play into the incremental facilities that will come out of the region in Massachusetts?

Bobby Soper: I'll be happy to take a stab at that, Mario.

Mario Kontomerkos: Sure.

Bobby Soper: Yes. So, you know, thus far, our experience as it relates to Plainridge is we really haven't seen any impact. You've seen our numbers, you know, as we dig deeper into the database and see performance within the various geographic regions.

There's nothing that occurs to us as it relates to Plainridge that indicates there's, you know, a cannibalization going on. And it's frankly not that surprising. It's a -- it's a convenience market that is already, again, basically an occupied buy Twin River anyway.

So we don't see them. We haven't seen them take any more business away from us, you know?

In regards to how, you know, that, you know, will translate into other properties in Massachusetts, we -- you know, we are obviously evaluating the situation. We think it probably if anything, you know, speaks well based on our -- what we anticipate to be the impact, but it is a different -- it's a convenience market, it's a convenience facility and, you know, we have to view it that way as well.

Dennis Farrell: And what's the current timing of the, you know -- of Springfield and when according to your calculations?

Bobby Soper: Yes. I mean, we know what everybody else knows what's been reported publically, which is sometime in 2018 probably likely late 2018 for each of those properties, you know, that's the only information we have right now.

Dennis Farrell: OK. And then in regards to the Hartford opportunity, I mean, how fast do you think you could get that up and running and what type of -- and how do you -- how will that work with the current indentures and your relationship with the current, you know, high yield investors in terms of, like, you know, how much equity would you have in the subsidiary and how much -- obviously, there'll be some cannibalization if you're pulling without a new property up there and it's split 50/50 from the current Connecticut property.

I'm just kind of wondering how you're thinking about that.

Bobby Soper: I'll answer the first question on timing and hand off the second question to Mario.

Dennis Farrell: OK.

Bobby Soper: In regards to timing, we can certainly develop it quickly. We want to be careful that we select the appropriate site and that we build a product that is the right size and right investment, but is consistent with our first-class brand and image that's very important to us.

And so we're not going to rush into it, but, you know, once we receive the necessary approvals after site selection, you know, development -- design development and construction is relatively quickly, probably in the neighborhood of 18 months.

Dennis Farrell: OK.

Mario Kontomerkos: Yes. And Dennis, I mean, in terms of financing, I think, you know, based on the timing that Bobby just laid out for you, I don't think there's going to be any issue with respect to our current indentures or bank agreement in terms of room to be able to make investments for this facility.

Dennis Farrell: OK.

Mario Kontomerkos: So I don't think we're going to be restricted by that.

Dennis Farrell: And how much would the equity investment be for Mohegan?

Mario Kontomerkos: Well, look, at this point we don't know the answer on that. It's obviously going to depend quite a bit on the size of the facility. I think what we've said is that if this is going to be a very first-class facility, and so that's still TBD, but we do think that, you know, we should be able to have the ability to finance that regardless of the size.

Dennis Farrell: Right. I mean, is there -- is there a point? I mean, I guess what I'm trying to think about this between, you know, thoughts within yourself, I mean, about how much do you -- I mean, obviously, it would compete with Mohegan Connecticut.

I'm wondering is it to your advantage to just do a slot-only facility or a kind more of a box versus a more resort?

Mario Kontomerkos: I'll tell you what? I think -- I think part of the evaluation process includes -- it's going to include manufacturers, and I think the fact that you just brought up is one of them, I think the great news is this: We've got a lot of folks and communities that are interested in this site, and I think what we have is the ability to evaluate each of those sites in terms of what the impact could be on existing locations, and we have further the ability to minimize that.

And so I think that -- I think that'll be, you know, one of the many factors that goes into the analysis and I think we're going to do everything we can to minimize any incremental impact on us.

Dennis Farrell: Got it. Thank you.

Mario Kontomerkos: Sure thing.

Operator: Your next question comes from the line of Susan Berliner from J.P. Morgan. Your line is open. Please go ahead.

Susan Berliner: Great. Good morning.

Bobby Soper: Good morning.

Susan Berliner: So Mario, I wanted to focus on you a little bit for the balance sheet. I guess one of the things I was curious about was the money you would advance to Cowlitz. I thought you got back $19 Million in the quarter. Is that not the case?

Mario Kontomerkos: No, that's correct, $19.4 Million.

Susan Berliner: OK. So in addition to the $4.4 Million of development fees, correct?

Mario Kontomerkos: That's correct.

Susan Berliner: OK. And then were you saying with their -- your excess cash that full amount, the $138 Million, could potentially be invested into the Korea project?

Mario Kontomerkos: What we were saying there, Sue, is that our total investment in Korea from an equity investment perspective is probably going to be approximately $100 Million at a max.

Susan Berliner: OK.

Mario Kontomerkos: And so there's really -- it -- I -- the answer to that question was -- the intent of that answer was that if we were to win in Korea, there would be no further investment or capital raise needed because the funds are already there.

Susan Berliner: OK. And then I guess with regards to the additional $100 Million UBS Facility, can you kind of talk about your strategy this year? I mean, could you try to access it now and also, if you can talk about your strategy with regards to the sub-debt?

Mario Kontomerkos: Well, look, I think I'll start with the latter first. I think, you know, the sub-debt is, you know, primary importance to us in terms of dealing with that sometime over the next 12 months or sooner.

As you've seen over the last, you know, two or three years, we've definitely chipped away at that. I think we want to continue to do that. So that's an interesting source of incremental free cash flow for us as you know.

So I think we always -- that's always the top of our mind. I think the next 4 to 6 weeks will define exactly how we go about handling the remaining sub that's out there, but I think it's safe to say that regardless of what happens over the next 4 to 6 weeks, we will -- we will try to handle the remaining stub on that -- on that sub piece within the next 12 months.

Susan Berliner: OK. And then just I guess going back to the revolver, why did you need to draw on that this quarter if you don't have to make the payment for Korea for a while? I was just curious on that.

Mario Kontomerkos: I think that was mostly timing, Sue. The end of the quarter is a -- is a big holiday for us. It's a New Year's Eve holiday. We did draw down on the revolver, you know, for the additional volumes that we see particularly on the high-end side on New Year's, and a lot of that came back the next day.

So that -- I think what you're seeing there is primarily a timing issue.

Susan Berliner: Oh. OK. Great. That's helpful. And then can you just help us -- I just want to make sure our number is correct with regards to the benefit of the hold for the quarter.

Mario Kontomerkos: Yes. We can -- we can definitely provide you some info on that. What we did was, you know, in Connecticut you saw where we ended up, you know, 17.8%. The -- it's a little deceiving there because the last year number was a little bit lower than our average.

If you look at our average net hold percentage over the last 6 quarters here in Connecticut, we're at about 16% and a quarter. And so the difference there is about a point and a half, again, driven by all of these -- all of the efforts the team is making to drive a lot of that play.

We would say that the impact is probably somewhere in the $5 Million beneficial range there. I will say also that the table game was on the low end.

The table game's hold was on the low end of the range in Pocono, and also slot hold was on the low end of the range in Connecticut, which can have a pretty dramatic impact.

So, you know, when you look at all of those, I think from a whole perspective we were maybe slightly favorable.

Susan Berliner: OK. Great. And then just a couple of other questions. I guess with regards to Pocono down, the margin was down a little bit year-over-year, which surprised us. Can you discuss what happened there?

Mario Kontomerkos: Yes, I -- nothing alarming there. There were a couple of expenses that were incurred that we would consider one-time in nature. There was an unusually high health care cost, which can happen from time-to-time.

So that was one of the factors. There's also some timing events related to advertising expenses, those types of things.

Susan Berliner: OK. And then I guess just to help with modeling with regards to Cowlitz, the development fees, how should we be thinking about that being paid out?

Mario Kontomerkos: Yes, I think a safe number going forward is going to be about a half million in a month going forward for the development fee, Sue.

Susan Berliner: OK. OK. Great. That's all I had. Thanks so much.

Mario Kontomerkos: Sure thing.

Operator: At this time, I would remind our participants that if they have a question, they may press star and the number one on their telephone keypad. Again, if you have a question or a comment, you may press star and the number one on your telephone keypad.

Your next question comes from the line of Patrick Robb from Brigade Capital. Your line is open. Please go ahead.

Patrick Robb: Hey, Mario and everyone. First of all, congrats on a -- on a really good quarter.

Mario Kontomerkos: Thanks, Pat.

Patrick Robb: So just a couple of quick ones. A number of mine have already been hit, but, you know, on the -- on the Cowlitz development fee, so, you know, for that $4.4 Million, you know, in Q1 and kind of your go-forward guidance, how much of that is actually sort of dropping to the -- to the EBITDA line as sort of an offset to the -- to corporate expense there?

Mario Kontomerkos: That amount, Pat, we can tell you the exact amount because there's some costs that offset it related to our development activities. So what we can do is we can get back to you on that.

I think the vast majority of that amount is falling to the bottom line.

Patrick Robb: Got it. OK. And so, you know, I guess with the repayment of, you know, 19 and change, and then about a half a million bucks a year, is that sort of the right, you know -- that's sort of the all-in amount you should get, you know, this fiscal year from Cowlitz that's sort of, you know, additive to the free cash flow?

Mario Kontomerkos: I think that's right, half a million per month going forward and then the 19.4 in terms of reimbursements of those advances that we made.

Patrick Robb: Got it. And then...

Mario Kontomerkos: fiscal year.

Patrick Robb: OK. And the last one on Cowlitz, you know, is the plan to start breaking out, you know, once the property's actually open and, you know, you're getting those management fees, you know?

Is the plan to actually break that out from corporate or have you kind of gotten to that point?

Mario Kontomerkos: You know, it's an interesting question, Pat. You know -- you know, I'll just give you an example. As of today, we obviously, you know -- I think we're booking, you know, north of a million dollars of fees or higher from resorts, which are currently included as part of corporate -- the corporate line item.

As we grow our business and I -- you know, as you know, we're very focused on growing our business, our management fee business, you know, there could be a point in the future where there's enough of this where it's worth breaking out.

So that's definitely something under consideration, but I think at -- for the moment probably keep it as it is and we'll go from there.

Patrick Robb: Got it. OK. On Connecticut, can you give any sense of just round numbers, like, what percentage of your table plays is considered -- you consider high end?

Bobby Soper: I can -- I can jump in there. I don't have exact numbers in front of me, but as a percentage of total volume, it's still relatively a small percentage. It's certainly less than 20% and probably much less than that, but obviously, you know, we've grown that database a lot and it's enough to move the needle from our perspective.

And the only other thing I would add too is, you know, we're not only growing to high end locally and regionally, but we're also growing it internationally. We've seen significant growth from international players at the property.

Patrick Robb: Got it. That's helpful. Just couldn't -- I don't think I've heard anyone ask yet that your slot budget for calendar 2016, can you give any sort of round numbers around sort of percentage-wise there?

Mario Kontomerkos: I can help you on that a little bit, Pat. I mean, we've never broken out our CAPEX budget, you know, to any great specificity, but, you know, I think, you know, you could probably see in the release that the number of units on the floor has declined, you know?

That has an impact on our slot budget going forward, you know? We try to -- we try to keep the slot floor fresh and keep, you know, machines that are, you know, reaching aging that's, you know, inappropriate replaced, and so I think, you know, we try -- we try to keep that level of slot replacement.

It's not a -- it's not an enormous number out of the, you know, let's say, $35 Million or so of CAPEX within the entire company. I'd say it's probably on the order of, you know, 10 to 20% of that.

Patrick Robb: OK. And then just last one, just on the, you know -- regards to, you know, taking out the remainder piece of the, you know, sub-notes, can you give any sense of where sort of our peak capacity stands as of today or as of 12-31?

Mario Kontomerkos: Yes, I think -- I think we don't have that number right in front of us, Pat, but I know that as of this quarter, I think we were well over half that $100 Million mark, and I think at the rate that earnings are growing, I think that that -- it should be just a fairly short order before we're covering the entire amount.

Patrick Robb: Great. That's it for me. Thanks, Mario and Bobby.

Mario Kontomerkos: Thank you.

Bobby Soper: Thanks.

Operator: And there are no further questions at this time. I will turn the call back to Mario for closing remarks.

Mario Kontomerkos: OK. Well, thank you, everybody, for joining us again. We look forward to speaking to you in about three months' time. Thank you very much.

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

END