



MASHANTUCKET PEQUOT GAMING ENTERPRISE

Annual Report

For the Fiscal Years Ended September 30, 2016, 2015 and 2014

Dated: December 28, 2016

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Cautionary Note Regarding Forward-Looking Statements

This report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended, including but not limited to statements regarding our expected capital expenditures, the results of our legal proceedings, the impact of inflation, the sustainability of profits, our business strategy and government funding. These statements are based on current expectations, beliefs, estimates, forecasts, projections and management assumptions about the Enterprise, its future performance, its liquidity and the gaming industry in which it operates. These statements can sometimes be identified by our use of forward-looking words such as “anticipate”, “expect”, “intend”, “estimate”, “may” and similar expressions. Such forward-looking information involves important risks and uncertainties that could materially affect our anticipated results. These risks and uncertainties include, but are not limited to, the following:

- our significant amount of indebtedness and other obligations;
- our lack of geographic diversity;
- changes in the United States economy;
- changes in the regional economy;
- seasonal variations in our revenue;
- substantial capital expenditures;
- our ability to compete successfully with current competitors;
- potential for new market entrants;
- conditions affecting, and the seasonal nature of, the lodging industry;
- severe weather conditions impacting our operations;
- our ability to implement successful marketing and advertising programs;
- our failure to generate sufficient cash flows from operations;
- changes in the membership of the Tribal Council, its policies or Constitution impacting our operations;
- the interests of the Tribe, the Tribal Council or members of the Tribe
- our ability to retain key management members;
- changes in labor costs;
- changes in energy costs;
- our ability to operate expanded facilities and manage growth;
- changes in federal and common law trade name protection;
- changes in laws affecting gaming;
- our ability to maintain the integrity of internal customer information; and
- changes in our tax-exempt status

In addition, new risks and uncertainties may arise from time to time. We caution against any undue reliance on forward-looking statements, which speak only as of the date they were made. We do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date of this report except as required by law.

PART I

MASHANTUCKET PEQUOT GAMING ENTERPRISE
FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016, 2015 AND 2014

INDEPENDENT AUDITORS' REPORT

To the Tribal Council of
Mashantucket Pequot Tribal Nation:

We have audited the accompanying financial statements of the Mashantucket Pequot Gaming Enterprise (the "Enterprise"), a wholly owned, unincorporated division of the Mashantucket Pequot Tribal Nation (the "Tribe"), which comprise the balance sheets as of September 30, 2016 and 2015, and the related statements of income, changes in equity, and cash flows for each of the three fiscal years in the period ended September 30, 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Enterprise's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Enterprise's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, such financial statements referred to above present fairly, in all material respects, the financial position of the Enterprise as of September 30, 2016 and 2015, and the results of its operations and its cash flows for each of the three fiscal years in the period ended September 30, 2016 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

The accompanying financial statements for the year ended September 30, 2016 have been prepared assuming that the Enterprise will continue as a going concern. As discussed in Note 1 to the financial statements, during 2014 the Tribe failed to meet certain financial covenants which was an event of default under its outstanding debt obligations. The Tribe and the lenders under its senior credit facility have entered into a forbearance agreement which, as amended, expires on December 31, 2017 whereby the lenders have agreed to forbear from exercising certain of the remedies available to them under default. If the forbearance agreement is not renewed upon its expiration and the Credit Facility lenders were to exercise certain default related remedies, those circumstances would negatively impact the operations of the Enterprise. These matters raise substantial doubt about the Enterprise's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

As discussed in Note 3, the financial statements of the Enterprise as of September 30, 2016 and 2015, and for the years then ended, are intended to present the financial position and the changes in financial position and cash flows of only that portion of the Tribe that is attributable to the transactions of the Enterprise. The financial statements do not purport to, and do not, present fairly the financial position of the Tribe as of September 30, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3, these financial statements were prepared in accordance with accounting principles generally accepted in the United States of America using the Financial Accounting Standards Board Accounting Standards Codification, whereas the Tribe prepares its financial statements in accordance with the Governmental Accounting Standards Board Codification.

Deloitte + Touche LLP

December 28, 2016

MASHANTUCKET PEQUOT GAMING ENTERPRISE

BALANCE SHEETS

AS OF SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015

(In thousands)

	2016	2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 52,470	\$ 48,582
Gaming receivables — less allowance for doubtful accounts of \$5,707 and \$6,168, respectively	16,302	25,962
Other receivables	3,946	5,641
Due from related parties	609	650
Inventories	11,630	12,996
Prepaid expenses	3,992	4,146
Deposits	796	2,086
Total current assets	<u>89,745</u>	<u>100,063</u>
PROPERTY AND EQUIPMENT — At cost:		
Land and land improvements	207,194	207,490
Building	1,940,032	1,936,500
Wastewater treatment facility	23,468	23,468
Equipment	431,070	421,644
Furniture and fixtures	115,909	115,063
Roadways	71,959	71,959
Construction in progress	5,797	11,760
	<u>2,795,429</u>	<u>2,787,884</u>
Less accumulated depreciation and amortization	<u>(2,067,374)</u>	<u>(1,990,235)</u>
Property and equipment — net	<u>728,055</u>	<u>797,649</u>
OTHER ASSETS:		
Artwork and other collectibles	3,061	3,061
Other	4,122	4,228
Total other assets	<u>7,183</u>	<u>7,289</u>
TOTAL	<u>\$ 824,983</u>	<u>\$ 905,001</u>

(Continued)

MASHANTUCKET PEQUOT GAMING ENTERPRISE

BALANCE SHEETS

AS OF SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015

(In thousands)

	2016	2015
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 24,474	\$ 27,091
Due to related parties	4,938	14,236
Accrued expenses	75,437	74,943
Deferred revenues	9,263	7,865
Current Debt	<u>-</u>	<u>-</u>
Total current liabilities	114,112	124,135
OTHER LONG-TERM LIABILITIES	<u>138</u>	<u>99</u>
Total liabilities	<u>114,250</u>	<u>124,234</u>
EQUITY:		
Contributed capital	710,733	780,767
Retained earnings	<u>-</u>	<u>-</u>
Total equity	<u>710,733</u>	<u>780,767</u>
TOTAL	<u>\$ 824,983</u>	<u>\$ 905,001</u>

See notes to financial statements.

(Concluded)

MASHANTUCKET PEQUOT GAMING ENTERPRISE

STATEMENTS OF INCOME

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016, 2015 AND 2014

(In thousands)

	2016	2015	2014
OPERATING REVENUES:			
Gaming	\$ 726,494	\$ 717,451	\$ 767,872
Food and beverage	74,847	74,180	71,280
Hotel	68,715	67,825	63,076
Retail, entertainment, and other	70,810	75,561	67,347
Total gross operating revenues	940,866	935,017	969,575
Less promotional allowances	(82,669)	(89,857)	(87,518)
Total net operating revenues	858,197	845,160	882,057
OPERATING EXPENSES:			
Gaming	366,118	364,603	386,279
Food and beverage	60,609	57,904	57,083
Hotel	31,403	30,752	32,039
Retail, entertainment, and other	56,318	57,597	53,272
Bad debts	4,330	4,415	3,350
Advertising	19,649	20,774	19,885
Advisory Fees	990	3,588	2,078
General and administrative	162,286	159,166	182,704
Depreciation and amortization	90,841	103,452	108,596
Loss on disposal of assets	854	1,373	4,171
Total before severance	793,398	803,624	849,457
Severance	799	2,542	6,733
TOTAL SEVERANCE	799	2,542	6,733
TOTAL OPERATING EXPENSES	794,197	806,166	856,190
OPERATING INCOME	64,000	38,994	25,867
NONOPERATING EXPENSE:			
Interest expense	-	(1,484)	(1,971)
	-	(1,484)	(1,971)
NET INCOME	64,000	37,510	23,896

See notes to financial statements.

MASHANTUCKET PEQUOT GAMING ENTERPRISE

STATEMENT OF CHANGES IN EQUITY

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016, 2015 AND 2014

(In thousands)

	Contributed Capital	Retained Earnings	Total Equity
Balances, 10/1/2013	\$ 935,734	\$ -	\$ 935,734
Equity transfer of certain property & equipment to the Enterprise from other government funds of the Tribe	1,026	-	1,026
Transfers from the general fund of the Tribe	675	-	675
Transfers to the general fund of the Tribe	(130,748)	-	(130,748)
Net Income	<u>23,896</u>	<u>-</u>	<u>23,896</u>
Balances, 9/30/2014	830,583	-	830,583
Equity transfer of certain property & equipment to the Enterprise from other government funds of the Tribe	431	-	431
Transfers from the general fund of the Tribe	675	-	675
Transfers to the general fund of the Tribe	(88,432)	-	(88,432)
Net Income	<u>37,510</u>	<u>-</u>	<u>37,510</u>
Balances, 9/30/2015	780,767	-	780,767
Equity transfer of certain property & equipment to the Enterprise from other government funds of the Tribe	449	-	449
Transfers from the general fund of the Tribe	-	-	-
Transfers to the general fund of the Tribe	(134,483)	-	(134,483)
Net Income	<u>64,000</u>	<u>-</u>	<u>64,000</u>
Balances, 9/30/2016	<u>\$ 710,733</u>	<u>\$ -</u>	<u>\$ 710,733</u>

See notes to financial statements.

MASHANTUCKET PEQUOT GAMING ENTERPRISE

STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016, 2015 AND 2014

(In thousands)

	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 64,000	\$ 37,510	\$ 23,896
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	90,841	103,452	108,596
Provision for bad debts	4,330	4,415	3,350
Loss on disposal of assets	861	1,534	4,186
Changes in operating assets and liabilities:			
Gaming receivables	5,329	(13,293)	(5,485)
Other receivables	1,695	(795)	662
Inventories	1,366	(833)	2,161
Prepaid expenses	154	37	55
Deposits	1,290	(1,490)	174
Due from related parties	42	100	(28)
Other assets	102	377	237
Accounts payable	(2,584)	413	6,857
Due to related parties	(9,296)	(2,066)	2,986
Accrued expenses	494	2,941	(7,064)
Deferred revenues	1,398	111	2,098
Long-term liabilities	39	-	6
Total adjustments	<u>96,061</u>	<u>94,903</u>	<u>118,791</u>
Net cash provided by operating activities	<u>160,061</u>	<u>132,413</u>	<u>142,687</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(21,706)	(18,567)	(26,126)
Sales of property and equipment	16	76	27
Deposits	-	191	(191)
Net cash used in investing activities	<u>(21,690)</u>	<u>(18,300)</u>	<u>(26,290)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of Term Loan C	-	(18,650)	(675)
Transfers from the general fund of the Tribe	-	675	675
Transfers to the general fund of the Tribe	(134,483)	(88,432)	(130,748)
Net cash used in financing activities	<u>(134,483)</u>	<u>(106,407)</u>	<u>(130,748)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,888	7,706	(14,351)
CASH AND CASH EQUIVALENTS — Beginning of the period	<u>48,582</u>	<u>40,876</u>	<u>55,227</u>
CASH AND CASH EQUIVALENTS — End of the period	<u>\$ 52,470</u>	<u>\$ 48,582</u>	<u>\$ 40,876</u>
SUPPLEMENTAL DISCLOSURE — Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 1,484</u>	<u>\$ 1,971</u>
NONCASH ACTIVITY — Equity transfer of certain property and equipment to the Enterprise from other governmental funds of the Tribe	<u>\$ 449</u>	<u>\$ 431</u>	<u>\$ 1,026</u>
NONCASH - sales of property and equipment	<u>\$ 7</u>	<u>\$ 162</u>	<u>\$ 15</u>

See notes to financial statements.

MASHANTUCKET PEQUOT GAMING ENTERPRISE

NOTES TO FINANCIAL STATEMENTS

**AS OF AND FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016, 2015 and 2014
(IN THOUSANDS EXCEPT AS NOTED)**

(1) ORGANIZATION AND OPERATIONS AND LIQUIDITY

The Mashantucket Pequot Tribal Nation (the “Tribe” or “MPTN”) is a federally recognized Indian tribe with a reservation located in Mashantucket, Connecticut. During 1991, the Tribe established the Mashantucket Pequot Gaming Enterprise (the “Enterprise” or “MPGE”) as a wholly owned, instrumentality of the Tribe. The Enterprise has conducted its gaming operation under the name Foxwoods Resort Casino (“Foxwoods”) since 1992. In May 2008, Foxwoods opened a new casino hotel, originally called the MGM Grand at Foxwoods under a license agreement with MGM MIRAGE. Pursuant to which, among other rights and obligations, the MGM Grand at Foxwoods operated under the MGM Grand brand. The Tribe terminated the MGM Trademark License agreement on October 18, 2013 with an effective date of April 15, 2014. The termination of this agreement allowed us to consolidate the MGM Grand at Foxwoods under one “Foxwoods” brand. This casino hotel tower now operates as the Fox Tower.

Under the Indian Gaming Regulatory Act (the “Act”) passed by Congress in 1988, federally recognized Indian tribes may engage in gaming activities on their lands provided certain conditions are met. Under the Act, the Tribe has the right to operate certain “Class II Gaming,” including bingo and related games, under its own ordinances.

The Act specifies that the Tribe can conduct “Class III Gaming” in accordance with an agreement negotiated with the State of Connecticut (the “State”) or imposed by federal law. The Act specifies that federally recognized tribes can negotiate with their state governments for the right to operate on their land any games of chance that are permitted by the state in which they reside subject to terms set out in a negotiated Tribal-State gaming compact. The Tribe and the State negotiated the terms under which the Tribe would conduct its gaming operations during 1990, which culminated in the promulgation by the United States Secretary of the Interior of the final Mashantucket Pequot Gaming Procedures, commonly referred to as the “Compact,” which became effective May 31, 1991.

Since the opening of the Foxwoods facility in 1992, the Tribe has spent approximately \$3.0 billion in capital on the facility, including the addition of the Fox Tower in 2008. The Tribe has funded the Enterprise’s construction activities through net revenues of the Enterprise and third party borrowings. The Tribe relies on the cash flow generated by the Enterprise to fund its debt service obligations.

Regional competition from New York, Rhode Island, Pennsylvania, Connecticut and now Massachusetts continues to put pressure on Enterprise operations. When the Fox Tower facility opened in May 2008, the size of the property increased by 40% and added significant fixed and variable operating costs during a period of declining gaming revenues resulting from decreases in the discretionary spending decisions of our patrons.

As a result of the factors mentioned above, the Tribe defaulted on its debt in 2009. Thereafter, the Tribe operated under a series of forbearance agreements with its senior lenders until a settlement was reached with all of the lenders. On July 1, 2013, the Tribe consummated its offers to exchange the entire \$2.2 billion of outstanding debt for new debt instruments totaling \$1.7 billion.

On August 14, 2014 the Tribe acknowledged to the lenders under the Credit Facility (the “Credit Facility Lenders”) that it was not in compliance with certain financial covenants in the Loan Agreement as of June 30, 2014 and represented an event of default under the Credit Facility.

As of September 30, 2016 and September 30, 2015, the Tribe had the following debt:

	<u>September 30, 2016</u>	<u>September 30, 2015</u>
Principal	\$ 1,709,955	\$ 1,709,531
Accrued Interest	113,217	62,721
Total debt outstanding	<u>\$ 1,823,172</u>	<u>\$ 1,772,252</u>

In connection with the default noted above, on September 16, 2014 the Credit Facility Lenders delivered a specified default notice to the Collateral Trustee and the trustees for the SROs, SSROs and Notes. The effect of this notice is to limit required debt service by blocking all cash payments of interest from the Collection Account to the Junior Obligations. The Credit Facility Lenders have the right, in accordance with the CTSISA, to direct the application of any excess amounts on deposit in the Collection Account, if any.

A summary of the debt obligations outstanding as of September 30, 2016 is as follows:

	<u>Maturity</u>	<u>September 30, 2016</u>	
		<u>Principal</u>	<u>Accrued Interest</u>
<u>Credit Facility</u>			
Term Loan A	2018	\$ 174,946	\$ -
Term Loan B	2020	266,225	-
Total Credit Facility		441,171	-
<u>Junior Obligations</u>			
SRO Notes	2026	671,752	105,059
SSRO Notes	2031	351,841	6,965
Notes	2036	245,191	1,193
Total Junior Obligations		1,268,784	113,217
Total		<u>\$ 1,709,955</u>	<u>\$ 113,217</u>

Notes to Schedule:

- The financial statements of the Tribe reflect the accounting impacts for troubled debt restructurings in accordance with Government Accounting Standards Board No. 62.
- Interest is added to principal or accrues on March 31 and September 30 of each year consistent with the loan agreements.

The Term Loan C facility was repaid by the Enterprise in full as of August 2015 in advance of the maturity date of January 1, 2016. The Revolving Credit Facility matured on January 1, 2016 and was not renewed.

All other debt instruments listed in the table above are obligations of the Tribe and are not included in the accompanying balance sheet of the Enterprise. However, in connection with the issuance of Term Loan A, Term Loan B, SRO Notes, SSRO Notes and Notes by the Tribe, the Enterprise was required to issue, to the debt holders, unconditional guarantees of the payment of these obligations when due whether at stated maturity, by required prepayment, upon acceleration, demand or otherwise. The guarantees expire only upon full satisfaction and payment of the underlying debt obligations. In addition, the Credit Facility requires that the Enterprise comply with certain covenants, including compliance with interest coverage and leverage ratios, as defined by the related loan agreement. Note 4 contains additional information regarding the debt obligations of the Tribe which are guaranteed by the Enterprise.

The accompanying financial statements have been prepared under the assumption that the Enterprise will continue as a going concern which presumes the Enterprise will be able to continue to meet its obligations as they become due without substantial disposition of assets outside the ordinary course of business, restructuring of debt or similar actions. The conditions and events described below and the uncertainty relating to the exercise of default-related remedies available to the Credit Facility Lenders at that time raise substantial doubt about the Enterprises' ability to continue as a going concern.

On September 25, 2014, the Tribe and the Credit Facility Lenders entered into a forbearance agreement which was extended through December 31, 2015, and has been extended through December 31, 2017 (the "Forbearance Agreement). Among other things, the Forbearance Agreement provides for a waiver of default interest from the period beginning on June 30, 2014 through the date that the Tribe receives a Default Rate Notice that the Credit Facility Lenders will begin to charge an additional 2% of default interest. The Default Rate Notice will specify the date that default interest will commence which shall be on or after the date of the Default Rate Notice. Also under the terms of the Forbearance Agreement, the Credit Facility Lenders agreed to forbear from exercising default related remedies available to them and the Tribe agreed to a new financial test, as defined by the Forbearance Agreement that the Enterprise must meet. If the Forbearance Agreement is not renewed upon its expiration and the Credit Facility Lenders were to exercise certain default related remedies, those circumstances would negatively impact the operations of the Enterprise. From 2009 until the debt restructuring on July 1, 2013, the Tribe and the senior lenders had entered into a series of forbearance agreements which provided the time for the Tribe to negotiate the restructuring of its entire debt outstanding. While management believes that the current Forbearance Agreement will be extended at or prior to its expiration, no assurances can be made at this time.

The Enterprise continues to invest in its business and to reduce operating costs to potentially improve its financial performance. Absent either an extension of the Forbearance Agreement or a refinancing or restructuring of the Tribe's debt obligations, present cash flows of the Enterprise, while positive, plus available cash balances are not sufficient to liquidate all of the Tribe's debt if called by the lenders.

The table below summarizes how cash flows from the Enterprise are transferred into the Collection Account to potentially service the debt of the Tribe. The "Transfers to the Debt Service Fund" differ from "Free Cash Flow" generated due to certain timing differences.

	Twelve Months Ended	
	September 30	
	(dollars in thousands)	
	2016	2015
Transfers to the General Fund of the Tribe	\$ 134,483	\$ 88,432
MPTN Tax Revenue	12,341	12,259
Keno Commissions from the State of CT (1)	528	
Term Loan A and Term Loan B interest expense	(35,291)	(36,906)
Term Loan A and Term Loan B principal repayment (2)	(34,068)	(30,000)
Transfers to MPTN	(35,000)	(40,000)
Notes Escrow transfer (3)	-	500
Consent, arranger and other fees, net of interest income	(249)	(278)
Net Collection Account Activity	42,744	(5,993)
Collection Account - Beginning Balance	1,403	7,396
Collection Account - Ending Balance	<u>\$ 44,147</u>	<u>\$ 1,403</u>

- (1) In the State of Connecticut, the state lottery has gained approval to begin operating keno as part of an agreement involving the Mashantucket Pequot and Mohegan Tribes where they will both receive 12.5% of the gross revenues.
- (2) Pursuant to our loan agreements an Excess Cash Flow payment was made in the third quarter of 2016 and was applied towards Term Loan A principal.
- (3) Remaining Notes Escrow balance of \$0.5 million transferred to Collection Account as required on July 2, 2015.

(2) RELATED-PARTY TRANSACTIONS

Certain services are provided by the Tribe's Government to the Enterprise. In connection therewith, the Tribe allocates to the Enterprise its share of the operating costs for these centralized departments based on various allocation methods. The cost of such services for the twelve months ended September 30, 2016, 2015 and 2014 was as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Health Benefit program	\$ 66,518	\$ 64,486	\$ 69,213
Reservation infrastructure	21,526	22,442	28,901
Oversight and regulatory	8,601	8,623	9,071
Support Services	8,756	8,264	8,857
Workers' Compensation program	<u>3,810</u>	<u>3,115</u>	<u>4,047</u>
Total	<u>\$ 109,211</u>	<u>\$ 106,930</u>	<u>\$ 120,089</u>

For the twelve months ended September 30, 2016, 2015 and 2014, the Enterprise recorded charges of \$109.2 million, \$106.9 million and \$120.1 million, respectively, as part of its costs of operations for the above mentioned services. As of September 30, 2016 and September 30, 2015, the Enterprise had net liabilities of \$4.9 million and \$14.2 million included in due to related parties in the accompanying balance sheets, respectively.

At September 30, 2016 and September 30, 2015, the Enterprise had accrued liabilities of \$14.5 million and \$15.2 million, respectively, specifically to cover its estimated workers' compensation liability, which is included in accrued expenses in the accompanying balance sheets.

The Enterprise is responsible for departments that provide certain services to the Tribe's government and non-gaming enterprises. These departments consist of Mashantucket Information Systems, Procurement, Environmental Services, Human Resources and certain other services. For the twelve months ended September 30, 2016, 2015 and 2014, the Enterprise charged costs of \$ 2.4 million, \$2.3 million and \$2.5 million, respectively, for each period to the Tribe's government and non-gaming enterprises for services provided by these departments.

The Enterprise reimbursed certain other non-gaming enterprises of the Tribe for goods or services purchased by patrons with points earned from the promotional programs of the Enterprise which totaled approximately \$6.8 million, \$7.0 million and \$7.3 million for the twelve months ended September 30, 2016, 2015 and 2014, respectively.

The Enterprise purchased goods and services totaling approximately \$4.6 million, \$4.9 million and \$4.4 million from entities controlled by members of the Tribe during the twelve months ended September 30, 2016, 2015 and 2014, respectively.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation —The Tribe prepares its financial statements, including the accounts of MPGE, in accordance with the Governmental Accounting Standards Board (GASB) Codification, whereas the accompanying financial statements have been prepared in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). There are differences between financial statements prepared in accordance with GASB Codification and those prepared in accordance with FASB ASC.

The primary differences between FASB ASC and GASB Codification, as they relate to MPGE, include the following:

- The statements of revenue, expenses, and changes in net equity (deficit) under GASB Codification embodies an all-inclusive change in net deficiency. FASB ASC requires a statement of income and a separate statement of fund deficit detailing operating transfers to and from owners.
- FASB ASC allows use of the indirect method in the presentation of the statements of cash flows, while GASB Codification requires use of the direct method.
- GASB Codification has additional disclosure requirements in areas such as risk management, related parties, property and equipment, debt, and management's discussion and analysis.
- GASB Codification requires that an entity classify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Use of Estimates — The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include employee benefits, workers compensation, accounts receivable allowances, and reserves for certain promotional allowances. Actual results could differ from these estimates.

Gaming Revenues and Promotional Allowances — The Enterprise recognizes as gaming revenues the net win from gaming activities, which is the difference between gaming wins and losses.

The Enterprise has changed the previously issued financial statements for 2015 and 2014 for an immaterial restatement related to the classification of gaming related promotional activities wherein, the amount of free play and other gaming offers provided to customers was reported as a component of gaming revenues while the corresponding promotional allowance related to such activities was reported as a component of gaming expenses rather than netting the promotional allowances against gaming revenues. The change has the effect of reducing gaming revenues and gaming expenses by \$78.1 million and \$78.0 million in 2015 and 2014, respectively and had no net impact to operating income or net income.

Promotional allowances in the accompanying statements of income represent the retail value of rooms, food, beverage, retail, entertainment, and other promotional allowances on a year-to-date basis, and are reflected as a reduction of revenues, as follows:

	For the Fiscal Years Ended		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Food and Beverage	\$ 29,345	\$ 31,039	\$ 31,626
Hotel	27,703	27,608	26,779
Retail	17,066	22,664	23,912
Entertainment and Other	<u>8,555</u>	<u>8,546</u>	<u>5,201</u>
Total	<u>\$ 82,669</u>	<u>\$ 89,857</u>	<u>\$ 87,518</u>

The costs of providing these promotional allowances have been reflected as operating expenses in the respective departments, primarily gaming, and totaled \$62.3 million, \$66.0 million and \$65.9 million for the twelve months ended September 30, 2016, 2015 and 2014, respectively.

Cash and Cash Equivalents — All unrestricted cash and unrestricted, highly liquid investments with a maturity of three months or less, if any when purchased, are classified as cash and cash equivalents. Cash equivalents are carried at cost, which approximates fair market value.

Allowance for Doubtful Accounts – We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our patrons to make required payments, which results in bad debt expense. The Enterprise assesses the adequacy of this allowance by continuously evaluating the patrons' financial condition, credit history, and current economic conditions. If the financial condition of the patrons were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Concentrations of Credit Risk — Financial instruments which potentially subject the Enterprise to concentrations of credit risk consist principally of cash and cash equivalents and gaming accounts receivable.

The Enterprise extends credit to a limited number of casino patrons, but only after extensive background checks and investigations of creditworthiness are conducted.

Fair Value Measurements - Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I — Quoted prices are available in active markets for identical investments at the measurement date (observable).

Level II — Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable at the measurement date, such as quoted prices for similar investments; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level III — Unobservable inputs that include situations where little, if any, market activity exists for the investment. The Enterprise held no Level 3 Investments as of September 30, 2016 and 2015.

The carrying amount of the Enterprises' other financial instruments, which include cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses, approximates their fair value at September 30, 2016 and 2015, respectively, due to the short maturities of those instruments.

The Term Loan C facility was repaid by the Enterprise in full as of August 2015 in advance of the maturity date of January 1, 2016.

For further information on these matters, see Note 1 and Note 4.

Inventories — Inventories are stated at the lower of cost or market value. Cost is determined by the first-in, first-out, average-cost, and specific-identification methods.

Property and Equipment — Property and equipment are recorded at cost and include interest capitalized during the construction period, where required. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to 25 years. The following are the types of property and equipment and the respective years of depreciation. Land improvements seven to 15 years, building and improvements seven to 25 years, wastewater treatment facility 25 years, machinery and equipment three to five years, furniture and fixtures three to five years, and external roadways seven years. Significant replacements and improvements are capitalized; maintenance and repairs are expensed. The cost and related accumulated depreciation of assets retired or otherwise disposed of are eliminated from the accounts and any resulting gain or loss is credited or charged to income.

Advertising — External costs incurred in producing media advertising are expensed the first time the advertising takes place.

Impairment of Long-Lived Assets — Management reviews long-lived assets for possible impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If there is an indication of impairment, management prepares an estimate of future cash flows (undiscounted and without interest charges) expected to result from the use of the asset and its eventual disposition. If these cash flows are less than the carrying amount of the asset, an impairment loss is recognized to write down the asset to its estimated fair value. Long-lived assets, for which management has committed to a plan to dispose of the assets, whether by sale or abandonment, are reported at the lower of carrying amount or fair value less the cost to sell. Preparation of estimated expected future cash flows is inherently subjective and is based on management's best estimate of assumptions concerning expected future conditions.

Income Taxes — The income from the Enterprise's activities is not subject to federal or state income taxes since the Tribe is not a taxable entity under existing income tax laws.

Workers' Compensation — The Tribe self-administers and self-adjudicates its workers' compensation program under its own Mashantucket Pequot Tribal Workers' Compensation Code and therefore does not participate in the State of Connecticut's Workers' Compensation Code. Under the Tribe's system, claims in excess of self-insured retention amounts are covered through a "stop-loss" insurance policy. The Enterprise is allocated its share of the Tribe's workers' compensation costs based upon loss experience (see Note 2).

Contributed Capital — Contributed capital represents the value of assets, primarily property and equipment, transferred from the Tribe to the Enterprise. Such asset transfers are recorded at the Tribe's net book value at the time of transfer. In fiscal years 2005 to 2010, the Tribe contributed \$786 million related to the construction of the Fox Tower. During the year ended September 30, 2016, the Enterprise

transferred \$134.5 million to the General Fund of the Tribe. This was reflected as a reduction of Contributed Capital in the accompanying balance sheet as of September 30, 2016.

Impact of Recently Issued Accounting Standards—In May 2014, the Financial Accounting Standards Board issued Revenue from Contracts with Customers (the “Standard”), an accounting standards update that supersedes virtually all existing revenue recognition guidance under GAAP. The Standard provides companies with a single model for use in accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, including industry-specific revenue guidance. In addition, there are disclosure requirements related to the nature, amount, timing, and uncertainty of revenue recognition. This guidance will be effective for annual reporting periods beginning after December 15, 2018, unless the current tentative proposal to defer the effective date by an additional year is finalized and adopted. The Company is currently evaluating this guidance and any potential impact to its consolidated financial statements.

(4) LONG-TERM DEBT

The following disclosures describe the terms of Tribe’s indebtedness in detail. As discussed in Note 1, the Tribe has entered into Forbearance Agreements with the lenders under the Credit Facility that modified certain of the terms of the Credit Facility.

Credit Facility

In connection with the debt restructuring on July 1, 2013, as described in Note 1, the Tribe and the Enterprise entered into a Loan Agreement with Bank of America, N.A. as Administrative Agent, Swing Line Lender and L/C issuer (the “Loan Agreement”). The Loan Agreement provides for loans under four credit facilities, the Term Loan A Facility, the Term Loan B Facility, the Term Loan C Facility and a Revolving Credit Facility (collectively the “Credit Facility”). The Term Loan A Facility and Term Loan B Facility are obligations of the Tribe and may be repaid by a combination of fixed amortization plus mandatory and voluntary prepayments, if any. Term Loan C and Revolving Credit Facility have no fixed amortization and were obligations of the Enterprise.

The Credit Facility will receive all of Excess Cash Flow, if any, as defined by the Loan Agreement during a Specified Bank Default. Payments of Excess Cash Flow, if any, will be applied first to the Term Loan A until paid in full, second to the Term Loan C until paid in full, third to the Term Loan B until paid in full and then to prepay the Revolving Credit Facility and cash collateralize outstanding Letters of Credit.

The Tribe will also be required to prepay Credit Facility loans in an amount equal to 100% of the net cash proceeds received (i) as a result of the State of Connecticut, Department of Public Utility Control’s Capital Grant for Customer-Side Distributed Generation Resources in respect of the Tribe’s cogeneration plant and (ii) with the proceeds of certain asset sales and casualty events, subject to reinvestment rights and certain exceptions. Mandatory prepayments (other than with respect to excess cash flow) will be applied first to the Term Loan A until paid in full, second to the Term Loan B until paid in full and then to prepay the Revolving Credit Facility and cash collateralize outstanding letters of credit. Any portion of the Term Loan A Facility or Term Loan B Facility repaid or prepaid may not be reborrowed.

A security interest has been granted in certain personal property and certain revenues from Enterprise property to the collateral trustee stipulated in documents related to the Loan Agreement.

The Loan Agreement contains certain covenants which, among other things, (i) require compliance with certain interest coverage ratios and leverage ratios, (ii) require the maintenance, preservation and protection of all Enterprise property in good order and condition, and (iii) limit the incurrence of indebtedness, the disposition of property, capital expenditures, investments and acquisitions and certain transactions with affiliates.

On August 14, 2014 the Tribe acknowledged to the lenders under the Credit Facility (the “Credit Facility Lenders”) that it was not in compliance with certain financial covenants in the Loan Agreement as of June 30, 2014.

On September 16, 2014 the Credit Facility Lenders delivered a specified default notice to the Collateral Trustee and the trustees for the SROs, SSROs and Notes. The effect of this notice is to block all cash payments of interest from the Collection Account to the Junior Obligations. The Credit Facility Lenders have the right, in accordance with the CTSISA, to direct the application of any excess amounts on deposit in the Collection Account, if any.

Term Loan C Facility – The Term Loan C Facility was repaid in full as of August 28, 2015 in advance of the maturity date of January 1, 2016.

Revolving Credit Facility – The facility matured on January 1, 2016 and was not renewed.

Additional Tribe Indebtedness – Listed below are the other debt obligations of the Tribe which are guaranteed by the Enterprise and a summary of the key terms on these obligations.

Term Loan A Facility – The maturity date of this facility is July 1, 2018. The Tribe may choose to price loans using either Eurodollar (LIBOR) or Base Rate indices plus a spread. The Eurodollar Rate is subject to a floor of 1.00% and the Base Rate is subject to a floor of 2.00%. The current spread for Eurodollar loans is 4.00% and for Base Rate loans is 3.00%. The spread may decrease over time based upon the senior leverage ratio set forth in the most recent compliance certificate. At September 30, 2016, the interest rate was 5.00%. The Term Loan A Facility will amortize at a rate of \$27.3 million per year. In addition, the Term Loan A will be repaid from a portion of Excess Cash Flow plus mandatory or optional voluntary prepayments, if any, by the borrower as described above.

Term Loan B Facility – The maturity date of this facility is June 30, 2020. The Tribe may choose to price loans using either Eurodollar (LIBOR) or Base Rate indices plus a spread. The Eurodollar Rate is subject to a floor of 1.25% and the Base Rate is subject to a floor of 2.25%. The fixed spread for Eurodollar loans is 8.125% and for Base Rate loans is 7.125%. At September 30, 2016, the interest rate was 9.375%. The Term Loan B Facility will amortize at a rate of \$2.7 million per year. In addition, the Term Loan B will be repaid from a portion of Excess Cash Flow plus mandatory or optional voluntary prepayments by the borrower as described above.

SRO Notes – The SRO Notes bear interest at a rate per annum of 7.35% provided that (i) from the issue date until and including the earlier of (x) the 6th anniversary of the date issuance and (y) when the aggregate principal amount under the Credit Facility is less than or equal to \$450.0 million (such earlier date, the “SRO PIK Toggle Date”), such interest in an amount equal to 6.35% per annum shall be payable in cash and 1.00% per annum shall be payable in kind by increasing the principal amount of the SRO Notes and (ii) after the SRO PIK Toggle Date, all of such interest shall be payable in cash. The maturity date of the SRO Notes is July 1, 2026 and there is no scheduled fixed amortization prior to maturity.

As of the date of the delivery of the specified default notice by the Credit Facility Lenders, interest accrues on the SROs in accordance with the SRO indenture.

SSRO Notes - The maturity date of the SSRO Notes is July 1, 2031 (the “Initial Maturity Date”). The SSRO Notes bear interest (i) at a rate per annum of 6.05% (the “Fixed Component”) and (ii) for the first three years following the issue date, an additional amount defined by the related agreement (the “Additional Component”); provided that from the issue date until and including the 7th anniversary of the date of issuance (the “SSRO PIK Toggle Date”), the Fixed Component in an amount equal to 4.00% per annum shall be payable in cash and 2.05% per annum shall be payable in kind by increasing the principal amount of the SSRO Notes and (ii) after the SSRO PIK Toggle Date, all of such interest shall be payable in cash. The Additional Component of interest was fully funded in cash at the time of issuance and is being held in an account with the trustee of the SSRO Notes. In addition to the amounts described above, the SSRO Notes will be entitled to receive contingent interest either at maturity or during the period from the Initial Maturity Date to July 1, 2048 (the “Final Maturity Date”). The amount of contingent interest, if

any, is dependent upon a projection made at the Initial Maturity Date of excess cash flows allocated to the SSRO Notes during the period from the Initial Maturity Date to the Final Maturity Date subject to a cap as defined by the terms of the SSRO Notes. There is no scheduled fixed amortization prior to maturity.

As of the date of the delivery of the specified default notice by the Credit Facility Lenders, interest accrues or is paid in kind on the SSROs in accordance with the SSRO indenture.

Notes - The maturity date of the Notes is July 1, 2036 (the “Initial Maturity Date”). The Notes bear interest at a rate per annum of 6.5% provided that (i) from the issue date until the later of (x) the 8th anniversary of the date of issuance and (y) the first date upon which the ratio of (a) the sum of the outstanding principal amount of loans under the Credit Facility and the Junior Obligations to (b) Enterprise EBITDA less the Fixed Distribution for the four consecutive fiscal quarters is less than 6.25 to 1.0 (such later date, the “Notes PIK Toggle Date”), such interest in an amount equal to 1.00% per annum shall be payable in cash and 5.5% per annum shall be payable in kind by increasing the principal amount of the Notes and (ii) after the Notes PIK Toggle Date, all of such interest shall be payable in cash. In addition to the amounts described above, the Notes will be entitled to receive contingent interest either at maturity or during the period from the Initial Maturity Date to July 1, 2048 (the “Final Maturity Date”). The amount of contingent interest, if any, is dependent upon a projection made at the Initial Maturity Date of Excess Cash Flows allocated to the Notes during the period from the Initial Maturity Date to the Final Maturity Date subject to a cap.

As of the date of the delivery of the specified default notice by the Credit Facility Lenders, interest accrues or is paid in kind on the Notes in accordance with the Notes indenture.

(5) INVENTORIES

As of September 30, 2016 and September 30, 2015, inventories were composed of the following:

	Sep 30, 2016	Sep 30, 2015
Retail	\$ 5,688	\$ 6,041
Food and beverage	1,770	1,609
Other	<u>4,172</u>	<u>5,346</u>
	<u>\$ 11,630</u>	<u>\$ 12,996</u>

(6) EMPLOYEE BENEFIT PLAN

The Tribe has a retirement savings plan for its employees under Section 401(k) of the Internal Revenue Code. The plan allows employees of the Enterprise to defer up to the lesser of, the maximum amount prescribed by the Internal Revenue Code (\$18,000 for 2016), or 50% of their income on a pretax basis, through contributions to the plan. The Enterprise matches 100% of contributions from participating employees up to a maximum of 3% of their individual earnings, limited to the federal maximum. The Enterprise recorded matching contributions of \$4.8 million, \$4.6 million and \$4.1 million for the twelve months ended September 30, 2016, 2015 and 2014, respectively.

(7) ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As of September 30, 2016 and September 30, 2015, accounts payable and accrued expenses were composed of the following:

	Sep 30, 2016	Sep 30, 2015
Accounts payable	\$ 24,474	\$ 27,091
Accrued payroll and benefits	\$ 26,037	\$ 26,824
State slot contribution liability	9,809	9,637
Gaming related accruals	9,920	8,178
Reserve for promotional allowances	8,497	8,707
Workers' compensation	14,472	15,172
Other	<u>6,702</u>	<u>6,425</u>
Total accrued expenses	<u>75,437</u>	<u>74,943</u>
Total accounts payable and accrued expenses	<u>\$ 99,911</u>	<u>\$ 102,034</u>

Severance – Accrued payroll and benefits includes accrued severance expense of \$0.2 million and \$0.4 million as of September 30, 2016 and September 30, 2015, respectively. As disclosed in Note 1, since late fiscal year 2008, the Enterprise has faced a number of significant economic and operational challenges which led to the debt restructuring efforts. The Enterprise decided to reduce its workforce. Employees impacted by this decision qualified for severance and related benefits totaling \$0.8 million, \$2.5 million and \$6.7 million for the twelve months ended September 30, 2016, 2015 and 2014, respectively. Severance and related benefits are paid through cash flows from operations and included in the Statements of Income. The following table summarizes severance and related benefits activity as of September 30, 2016 and September 30, 2015:

	<u>2016</u>	<u>2015</u>
Accrued liability, beginning of year	425	2,036
Charges	799	2,542
Payments	<u>(1,060)</u>	<u>(4,153)</u>
Accrued liability, end of year	<u>164</u>	<u>425</u>

(8) COMMITMENTS AND CONTINGENCIES

On January 13, 1993, the Tribe entered into a memorandum of understanding, as amended (the “Memorandum”), with the State of Connecticut (the “State”), which terminated the moratorium that previously prevented the Tribe from operating electronic lottery devices and other video facsimiles. The Memorandum, which was effective on the date of execution, provides that the Tribe can operate such gaming devices at its gaming enterprise(s) in accordance with a revenue sharing arrangement with the State. This arrangement provides that the Tribe will contribute to the State a sum equal to a minimum of 25% of the gross operating revenues derived from such devices, defined as the total sum wagered less amounts paid out as prizes. The Tribe’s obligation to make such contributions ceases if and when the State legalizes the operation of video facsimiles or commercial casino games at any other location within the State, except for the operation of video facsimiles or commercial casino games by the Mohegan Tribe as outlined below.

During 1994, the Mohegan Tribe (the “Mohegans”), located in Uncasville, Connecticut, became a federally recognized Indian tribe, and on October 12, 1996, commenced operations of its Mohegan Sun Casino. In connection therewith, the Mohegans have negotiated a compact with the State of Connecticut, outlining the terms of its gaming operations. As a result, the Mashantucket Pequot Tribe and the

Mohegans have entered into parallel memoranda of understanding with the State, dated April 25, 1994. In connection with this arrangement and subject to the provisions contained therein, the Mashantucket Pequot Tribe has agreed that for each fiscal year of the State commencing on or after July 1, 1995, during which the Mohegans operate video facsimiles or other commercial casino games, its minimum contribution shall be the lesser of (i) 30% of gross operating revenues derived from video facsimiles during the State's fiscal year, or (ii) the greater of 25% of gross operating revenues from such devices during the State's fiscal year or \$80.0 million.

In September 2009, the Tribe reached an agreement with the State of Connecticut regarding slot win contribution payments on the Enterprise's free promotional slot play program. Effective July 1, 2009, the State agreed that no value shall be attributed to free promotional slot play utilized by patrons at the Enterprise for purposes of calculating monthly slot win contribution payments to the State provided that the aggregate amount of such free promotional slot play during any month does not exceed 5.5% of gross slot revenues for such month. Effective July 1, 2012, the State agreed to increase this aggregate amount to 11.0%. In the event free promotional slot play exceeds 11.0% of monthly gross slot revenues, contribution payments to the State are required on such excess face amount of free promotional slot play at the same rate as slot win contribution payments, or 25.0%.

The Enterprise has operating lease obligations with varying terms. For the twelve months ended September 30, 2016, 2015 and 2014, the operating lease expenses which are included in gaming and general and administrative expenses, were \$6.3 million, \$6.1 million and \$6.6 million, respectively.

At September 30, 2016, scheduled commitments are as follows:

2017	\$ 2,413
2018	90
2019	22
2020	-
Thereafter	<u>-</u>
	<u>\$ 2,525</u>

In the normal course of business, the Enterprise is party to various legal claims, actions, and complaints. It is not possible to predict with certainty whether or not the Enterprise will ultimately be successful in any of these legal matters or, if not, what the impact will be. However, the Enterprise's management does not expect that the results in any of these legal proceedings will have a material adverse effect on the Enterprise's results of operations, financial position, or cash flows.

(9) TENANT LEASES REVENUE

Since August 2004, the Enterprise has entered into a number of lease agreements renting space for operating restaurants and a retail store. The agreements specify minimum annual rent of \$3.7 million, plus additional amounts based on a percentage of revenue which is included in other revenue. At September 30, 2016, scheduled rental payments are as follows:

2017	\$ 3,744
2018	3,694
2019	2,586
2020	2,443
2021	1,533
Thereafter	<u>6,070</u>
	<u>\$ 20,070</u>

10. SUBSEQUENT EVENTS

In preparing the financial statements, management has evaluated subsequent events through December 28, 2016, which represents the date the financial statements were available to be issued, and has determined that no subsequent events have occurred which would require adjustment to or disclosure in the financial statements.

11. SELECTED QUARTERLY FINANCIAL DATA (Unaudited)

	Three Months Ended			
	December 31	March 31	June 30	September 30
	(dollars in thousands)			
Fiscal 2016				
OPERATING RESULTS:				
Gross revenue	\$ 235,822	\$ 234,455	\$ 222,651	\$ 247,940
Promotional allowances	<u>(23,030)</u>	<u>(18,143)</u>	<u>(19,314)</u>	<u>(22,182)</u>
Net operating revenues	<u>\$ 212,792</u>	<u>\$ 216,312</u>	<u>\$ 203,337</u>	<u>\$ 225,758</u>
Income from operations	\$ 9,643	\$ 23,044	\$ 10,341	\$ 20,973
NET INCOME	\$ 9,643	\$ 23,044	\$ 10,341	\$ 20,973
Fiscal 2015				
OPERATING RESULTS:				
Gross revenue	\$ 229,332	\$ 218,834	\$ 240,597	\$ 246,252
Promotional allowances	<u>(23,215)</u>	<u>(20,398)</u>	<u>(22,713)</u>	<u>(23,531)</u>
Net operating revenues	<u>\$ 206,117</u>	<u>\$ 198,436</u>	<u>\$ 217,884</u>	<u>\$ 222,721</u>
Income from operations	\$ 1,346	\$ 3,641	\$ 15,138	\$ 18,868
NONOPERATING EXPENSE:				
Interest expense	<u>(480)</u>	<u>(469)</u>	<u>(414)</u>	<u>(121)</u>
NET INCOME	\$ 866	\$ 3,172	\$ 14,724	\$ 18,747

Item 2. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

Item 3. FILING STATUS

The Enterprise does not file its financial statements with the Securities and Exchange Commission.

PART II

Item 4. BUSINESS

The Mashantucket Pequot Gaming Enterprise

The Mashantucket (Western) Pequot Tribe (the “Tribe”), also known as the Mashantucket Pequot Tribal Nation, is a federally recognized Indian tribe with a reservation located in Mashantucket, Connecticut. Under the Indian Gaming Regulatory Act of 1988 (“IGRA”), federally recognized Indian tribes are permitted to conduct full-scale casino gaming operations on tribal lands, subject to, among other things, the negotiation of a gaming compact with the state in which they operate. Such a compact between the Tribe and the State of Connecticut has been approved by the United States Secretary of the Interior.

The Tribe established the Mashantucket Pequot Gaming Enterprise (the “Enterprise”), as a wholly-owned, unincorporated instrumentality of the Tribe. The Enterprise conducts its gaming operations under the name Foxwoods Resort Casino (“Foxwoods”).

The Tribe relies on the cash flow generated by the Enterprise to fund its operations and debt service obligations. Likewise, there are regulatory as well as centralized services provided by the Tribe to the Enterprise, and from the Enterprise to the Tribe, that are integral to the seamless and cost effective operation of both.

Property

Foxwoods Resort Casino

Foxwoods has grown to become one of the world’s largest full service destination resort casino hotel properties. Located in New England, Foxwoods offers a broad array of slot machines and table games, a world class poker room and bingo facility, luxury hotel accommodations, signature restaurants, extensive food and beverage, night life and entertainment alternatives.

As of September 30, 2016, the over eight million square foot entertainment destination provides a wide variety of amenities for visitors and guests including the Tanger Outlet Mall at Foxwoods:

- seven world class casinos covering approximately 329,000 square feet of total gaming space, featuring approximately 4,500 slot machines and 250 table games;
- the largest poker room on the East Coast, a 3,600-seat high stakes bingo hall and a high-tech race book facility;
- three distinctive on-site hotel properties offering 1,950 hotel rooms and suites;
- 81,000 square feet of meeting space and 75,000-square-feet of ballroom space;
- a 4,000-seat performing arts theater;
- six entertainment venues;
- 30 restaurants, lounges and bar areas;
- High Rollers luxury bowling lanes and lounge;
- two salon and spa locations;
- 17 specialty shops;
- approximately 10,400 parking spaces, including approximately 7,200 covered spaces.

Our destination casino resort is open 24 hours a day, 365 days a year and is conveniently located a short distance off of Interstate 95, a major thoroughfare linking New York City (approximately 125 miles away) and Boston (approximately 100 miles away). The Enterprise's primary market includes the densely populated areas within an approximate 200-mile radius of the resort in Massachusetts, Connecticut, Rhode Island and the New York metropolitan area.

Other Resort Attractions

Located adjacent to our destination casino resort, the Tribe owns and offers the following highly acclaimed and award winning resort attractions:

- Lake of Isles featuring 36 holes of championship golf designed by Rees Jones; and
- The Mashantucket Pequot Museum and Research Center, an affiliate of the Smithsonian Institute

In addition, we offer quaint and quiet accommodations at Two Trees Inn with 280 guest rooms, an indoor pool and fitness room also located adjacent to our destination casino resort.

Foxwoods Fashion Outlets – MPTN has entered into a Ground Lease pursuant to which Tanger Factory Outlets, Inc. ("Tanger") has constructed an outlet mall on Enterprise Property connected to the existing gaming facility at two locations. The mall consists of approximately 300,000 square feet and has approximately 80 retail tenants. Tanger subleases to these tenants. For the Ground Lease, Tanger pays the Tribe a base rent plus a percentage of rents received from sub-tenants. In exchange, the Tribe provides certain services essential to the operation of the Tanger mall. Substantially all of the costs of construction were born by Tanger.

Other Projects

The MPTN, together with the Mohegan Tribal Gaming Authority, are pursuing a potential new casino facility in the north/central portion of the State of Connecticut. The passage of the first phase of legislation was in June 2015 which authorized us to begin an RFP process for the selection of a host community. We have been conducting research into the optimal site selection to present to the state legislature which reconvenes in January 2017. At which time, we hope to have selected a location, reached agreement with a host municipality, and will be able to present this information to the state legislature in order to receive their approval to proceed with a development.

In June 2016, we announced that Foxwoods entered into a strategic partnership to develop and operate a Foxwoods-branded, casino resort, to be located at Biloxi Pointe in historic Biloxi, Mississippi. The project is currently in the pre-development stage

Competition

Foxwoods operates in a highly competitive market that includes significant, direct competition from Mohegan Sun, a resort casino approximately 10 miles away. Foxwoods faces increasing competition from new and existing local casinos in Rhode Island, New York, Pennsylvania, New Jersey, Maine, and Massachusetts, which are located in feeder markets that also supply Mohegan Sun. Future competition, will come from Massachusetts, where legislation passed in 2011 allows for three resort casinos and one slots-only property that will significantly impact revenue. Massachusetts opened Plainridge Park in June 2015.

In Connecticut, Mohegan Sun currently has 5,095 slot machines, 278 table games, 42 poker tables, and an 9,000 square foot racebook as well as a wide variety of non-gaming amenities including a world-class entertainment arena, retail shopping, food and beverage outlets, a 1,200 room hotel, and 100,000 square feet of convention space. In fiscal year 2016, the Mohegan Sun increased their share in the Connecticut slot market to 56.1% from 55.6% in fiscal year 2015, through increased targeted marketing campaigns. Their continued majority in market share is expected, particularly as future competition in Massachusetts is expected to impact Foxwoods to a greater degree. Mohegan Sun opened a new 400 room hotel tower on November 10, 2016.

Foxwoods is also impacted by the Twin River and Newport Grand pari-mutuel facilities in Rhode Island which operate a combined 5,630 video slot machines and virtual table games. On November 6, 2012 a referendum was passed in the state permitting table games at the larger Twin River facility. Twin River Casino, located 10 minutes from Providence and I-95, currently houses 4,480 video slots/virtual table games, 92 table games, 16 poker tables, 16 food and beverage outlets, and a 2,000 seat event center. The smaller Newport Grand contains 1,100 video slots/virtual tables and limited food and beverage options. Total slot revenue for Rhode Island as of September 30, 2016 was \$489 million. Both Rhode Island casinos have continued with enhanced marketing efforts in 2016 but it was not enough to offset their decline in slot revenues of 3.1% over fiscal year 2015 due to the impact of the opening of Plainridge Park in Massachusetts. As of September 30, 2016, Twin Rivers Casino table games (which includes poker) generated \$109 million in revenue, which is an increase of 20% compared to 2015. In March 2015 the Twin River Holdings group announced that they were purchasing the Newport Grand casino in a deal that was finalized in June 2015. In November 2016, the state passed a referendum allowing the Twin River Group to move their license from Newport to Tiverton and build a \$75 million casino, which will include table games, in an effort to compete with casinos slated to open in Massachusetts.

Prior to 2006, New York contained 7 racinos authorized to operate video slot machines, the closest of which was approximately 200 miles from Foxwoods, and 4 smaller resort-type casinos at an even greater distance to Foxwoods which contained both slot machines and table games. These facilities catered to locals markets and did not significantly impact Foxwoods. However the 5,300 video slot machine casino Empire City in Yonkers that opened in 2006 immediately began to draw customers from one of Foxwoods' main feeder markets. Additional expansion in the state occurred in 2011 with the opening of Resorts World Casino at the Aqueduct Raceway in Queens. The immediate success of the new Resorts World Casino was mainly attributed to its close proximity to a large concentration of Asian gamers in Flushing and Chinatown and convenient access to the metro subway. Resorts World recently received approval to add up to 1,000 more video terminals. As of September 30, 2016 the casino has 5,550 video slot machines and electronic table games averaging over \$400 in win per unit per day and \$72 million per month. In July 2016, Resorts World announced a \$400 million expansion to construct a 400 room hotel and 140,000 sq. ft. convention center.

Together, Resorts World, Empire City, and the other pari-mutuel facilities house over 18,000 video slots in the state of New York. As of September 30, 2016, revenue for New York State was \$2.0 billion, an increase of 4.4%. The casinos have cannibalized not only slot but also table games revenue from both Foxwoods and Mohegan Sun in Connecticut and ignited the argument for further expansion of gaming in the state of New York, which was voted on and approved on November 5, 2013. The legislation that was approved authorizes that 3 casinos will be built in the upstate portion of NY and will operate with a 7-year exclusivity period after which additional licensing will be evaluated. New York requested proposals starting in January 2014 and Governor Cuomo's plan was to issue licenses in the Catskills-Hudson Valley Region, Albany-Saratoga Region and in the Southern Region (region along the northern border of Pennsylvania). On December 17, 2014 the NY State Gaming Commission awarded three upstate licenses. The licenses were awarded to the Montreign Resort in Thompson, NY (Catskills – Hudson Valley Region – Sullivan County), Rivers Casino & Resort in Schenectady, NY (Capital Region – Schenectady County) and Lago Resort & Casino in Tyre, NY (Eastern / Southern Region – Seneca County). On March 23, 2015, the Commission issued a second RFA for an applicant for the fourth authorized gaming facility license. The commission limited applications to the Eastern Southern Tier portion of Region Five, due to a need for economic development. By the July 6, 2015 deadline, the commission received one application. In August 2016, Tioga Downs race track received approval for an expansion of 1,000 slot units and 50 table games. Despite receiving final approval, Tioga Downs will still have to wait for the Gaming Commission to approve regulations governing the four new casinos before it can add table games and slot machines to its existing portfolio of video-lottery terminals.

Gaming expansion also occurred in 2006 in Pennsylvania when the first of the 12 current casinos opened. The casinos, which range from small resort style casinos to more limited gaming-only properties located at racetracks, contain roughly 26,300 slot machines. After their legalization in 2010, all properties incorporated traditional table games, electronic or virtual table games, and poker which have seen continued growth while providing a boost to slot revenues; together the casinos currently have approximately 880 traditional table games and over 225 poker tables with about 25 electronic table games. In addition to their numerous gaming options, some casinos in the Eastern part of the state are posing an increased threat to Foxwoods' New York metropolitan feeder markets through hotel offerings and enhanced amenities. Sands Bethlehem, approximately 225 miles from Foxwoods, opened a 300-room hotel in 2011 and is planning 2 major expansions in the next

year. In August 2016, Sands announced they will be constructing a \$40 million poker room and in September they announced a \$90 million expansion to add 1,000 gaming seats and F&B outlets. The Mohegan Sun operated Pocono Downs, approximately 250 miles from Foxwoods, opened a 238 room hotel on November 15, 2013. Pocono Downs has also undertaken a significant bus program targeted at Asian gamers in New York. In December 2015, the state awarded another casino license in the Philadelphia market to Live! Hotel and Casino, which is a joint venture of Greenwood Racing, Inc. and Cordish Companies. As of September 30, 2016 Pennsylvania slot revenue was \$2.4 billion, an increase of 1.7% and table revenue was \$773 million, an increase of 5.4%.

New Jersey casinos in Atlantic City continue to compete with Foxwoods for gamers in New York, Pennsylvania, and New Jersey though revenue at the 8 casinos has fallen significantly since the introduction of casinos in Pennsylvania. The Atlantic City casinos however benefit from their proximity to the shore and significant amenities in attracting patrons. The casinos currently offer 16,700 slots, 970 table games, 242 poker tables, as well as racebook. As of September 30, 2016 New Jersey slot revenue was \$1.7 billion, a 0.1% decrease and table revenue was \$656 million a 0.1% decrease. Due to the economic downturn and increased competition, the Taj Mahal closed on October 10, 2016. In November 2016, New Jersey voters defeated a referendum allowing two casinos to be built in northern New Jersey. By law, they are required to wait two years before expansion can be voted on.

Gaming in Maine was formerly limited to 1,000 slots in Bangor but approval of table games legislation and a resort-style casino in Oxford altered the landscape in 2012. The two casinos, which are respectively 330 and 235 miles from Foxwoods, contain 1,640 slots and 43 table games. As of September 30, 2016 Maine slot revenue was \$107 million, an increase of 1% and table revenue was \$24.0 million, an increase of 4.9%.

The Massachusetts gaming commission awarded two of the resort licenses and one slot parlor license in 2014. The slot parlor license was awarded to Penn National who converted the Plainridge Park racetrack in Plainville MA to a 1,250 machine slot parlor which opened in June 2015. As of September 30, 2016 slot revenue was \$154.0 million, an increase of 195% due to Plainridge Park only open for 58 days during the prior year. The first resort casino license was awarded to MGM Resorts International; they will be opening a facility with approximately 3,000 slot machines and 75 table games in Springfield MA with an anticipated fall 2018 opening. The second resort casino license was awarded to Wynn Resorts; they will be opening a facility with approximately 3,200 slot machines and 150 table games in Everett MA with an anticipated 2019 opening. The third and final resort casino license slated for the southeastern portion was awarded to the Mashpee Wampanoag Tribe. The tribe, which gained federal recognition in 2007, proposed a \$1 billion resort in Taunton MA and has negotiated their compact with the state. In September 2015, the Tribe was granted approval from the BIA to take land in Taunton (151 acres) and Mashpee (170 acres) into trust for the casino and reservation, respectively. The tribe finalized the deal in November 2015 to buy the land for the casino in Taunton with the owners. Construction on the project began in April 2016. Due to pending legal issues, construction was halted in July and is on hold indefinitely until deemed appropriate. In November 2016, a referendum to add one slots only casino was defeated by voters.

In October 2013, the National Indian Gaming Commission (“NIGC”) issued a ruling that the Aquinnah Wampanoag Tribe located on Martha’s Vineyard is legally entitled to conduct Class II gaming on their reservation lands in Martha’s Vineyard. The Aquinnah Tribe is trying to build a gambling hall on the island although the state continues to argue in a federal lawsuit that the Tribe long ago forfeited their rights to open a gaming facility

New Hampshire and Vermont do not currently have any casino gaming.

Gaming Procedures

We conduct casino gaming activities pursuant to the Final Mashantucket Pequot Gaming Procedures (the “Procedures”), governing the conduct of Class III gaming on the Mashantucket Pequot Reservation, which were issued by the United States Secretary of the Interior in May 1991 under authority of the Indian Gaming Regulatory Act of 1988 (“IGRA”). The Procedures often are popularly referred to as the “Compact.” The State wishes to offer Keno through the State Lottery Corporation and we have advised them that doing so would be inconsistent with the MOU’s. On October 6, 2015 both the Mashantucket Pequot Tribe and Mohegan Tribe

signed an agreement with the State of Connecticut permitting them to offer Keno provided each Tribe receives 12.5% of Gross Revenue.

The Procedures have a perpetual term and are substantively similar to the procedures that govern gaming Operations of the Mohegan Sun Casino in Connecticut and provide, among other things, as follows:

(1) The Procedures authorize the Tribe to conduct Class III Gaming activities. The forms of Class III Gaming authorized under the Procedures include: (a) specific types of games of chance; (b) off-track pari-mutuel betting on animal races; (c) pari-mutuel betting, through simulcasting, on animal races; and (d) certain other types of pari-mutuel betting on games and races conducted at the gaming facility (some types currently are together with off-track pari-mutuel telephone betting on animal races, under a moratorium).

(2) The Tribe operates video facsimiles of games of chance in accordance with a memorandum of understanding with the State of Connecticut initially entered on January 13, 1993 and amended on April 30, 1993 and April 25, 1994.

(3) The Mashantucket Pequot Tribal Gaming Commission has primary responsibility for oversight of gaming operations and has promulgated standards of operations and management for the gaming operations in order to protect the public interest, ensure the fair and honest operation of gaming activities and maintain the integrity of the Class III Gaming activities conducted on tribal lands. The initial standards were set forth in the Procedures as appendices. The Tribal Gaming Commission notifies the State gaming agency when revisions are made to the standards of operations and management.

(4) Criminal law enforcement matters relating to Class II and III Gaming activities are concurrently under Tribal jurisdiction and the jurisdiction of the State of Connecticut.

(5) All gaming employees must obtain and maintain a gaming employee license issued by the State of Connecticut Gaming Agency and a license issued by the Tribal Gaming Commission.

(6) Any enterprise providing gaming services or gaming equipment to the Tribe is required to hold a valid, current gaming services registration issued by the State of Connecticut gaming agency.

(7) The State of Connecticut annually assesses the Tribe for the reasonable and necessary costs of regulating the tribal gaming operations and of conducting law enforcement investigations at the gaming facility pursuant to the Procedures.

(8) Under IGRA and the Gaming Procedures, net revenues from the tribal gaming operations may be used only to fund tribal government operations or programs, to provide for the general welfare of the tribe and its members, to promote tribal economic development, to donate to charitable organizations or to help fund operations of local governmental agencies of the State and its political subdivisions.

(9) Tribal ordinances and regulations governing health and safety standards applicable to the gaming facilities shall be no less rigorous than certain State of Connecticut laws and regulations relating to public facilities with regard to building, sanitary and health standards and fire safety.

(10) Service of alcoholic beverages within any gaming facility is subject to the laws and regulations of the State of Connecticut applicable to sale or distribution of alcoholic beverages.

(11) The Procedures contain a provision stating that the United States District Court for the District of Connecticut has jurisdiction over any cause of action initiated by the State of Connecticut to enjoin a class III gaming activity located on the Reservation and conducted in violation of the Gaming Procedures.

Employee and Labor Relations

As of September 30, 2016, Foxwoods employed approximately 6,300 full and part-time employees.

In November 2007, approximately 1,440 Table Games dealers employed by the Enterprise sought to be represented by the United Auto Workers (“UAW”) and filed a petition with the National Labor Relations Board. The Tribe objected claiming, among other things, that the National Labor Relations Act did not apply to enterprises owned and operated by American Indian tribes. We also pointed out that Tribal Law provided for union and employee protections and this law was available to our employees obviating the need to file with the National Labor Relations Board. After an election was held under Tribal Law, the dealers are now represented by the UAW. The current three year contract expired on December 31, 2019.

In addition, employees of the Foxwoods Engineering Department (approximately 215 members) are represented by the International Union of Operating Engineers. The current contract expires on March 31, 2017.

Our beverage servers (approximately 288 members) voted to be represented by the United Food and Commercial Workers International Union. The current contract expires on March 1, 2017.

In all of these instances an arbitration award or an unfavorable contract may result in increased labor costs which can negatively impact the amount of cash available to meet our financial obligations including our indebtedness.

Item 5. RISK FACTORS

The Tribe’s indebtedness and other obligations are significant.

The Tribe has a substantial amount of indebtedness. As of Sept 30, 2016, our debt totals \$1,823.2 million.

The Tribe’s substantial indebtedness could have significant adverse effects on the operations of the Enterprise. Such adverse effects include, but are not limited to, the following:

- the difficulty in satisfying our debt service obligations or refinancing short-term maturities;
- the Enterprise’s vulnerability to adverse economic, industry and competitive conditions;
- the need to dedicate a substantial portion of our cash flows from Enterprise operations to payments on our indebtedness, thereby reducing the availability of Enterprise cash flows to fund working capital, capital expenditures and other general operating requirements;
- the Enterprise’s ability to plan for, or react to, changes in its business and the gaming industry, which may place it at a disadvantage compared to its competitors with stronger liquidity positions, thereby negatively affecting its results of operations and ability to meet our debt service obligations with respect to our outstanding indebtedness;
- the Enterprise may be restricted from exploring or taking advantage of business opportunities;
- along with financial and other restrictive covenants related to our outstanding indebtedness, the Tribe’s and the Enterprise’s ability to borrow additional funds for working capital, capital expenditures, acquisitions, investments, debt service requirements, execution of the business strategy of the Enterprise or other general operating requirements on satisfactory terms, or at all, may be limited.

Our loan agreements contain restrictive covenants that limit the Enterprise's ability to engage in certain activities. Our failure to comply with these covenants could result in an event of default which, if not cured or waived, could result in the acceleration of the required repayment of some or all of our indebtedness.

We are subject to greater risks than a geographically diverse company.

Our revenues and cash flow are dependent upon the operations of Foxwoods. We currently rely exclusively on cash flow from Foxwoods to service our financial obligations, including our indebtedness. As a result, in addition to our susceptibility to adverse global and domestic economic, political and business conditions, any economic downturn in the region could have a material adverse effect on our operations. An economic downturn would likely cause a decline in the disposable income of consumers in the region, which could result in a decrease in the number of patrons at Foxwoods, the frequency of their visits and the average amount that they would each be willing to spend at the casino. Other risks we face compared to a more geographically diversified gaming or resort operations, including:

- an increase in competition in the northeastern United States, particularly as a result of (i) new legislation in Massachusetts approving casino gaming; (ii) initiatives by Pennsylvania casinos to target the New York Asian market; (iii) promotions offered by northeast casinos (including free slot play offerings); and (v) new casino openings in Atlantic City, New Jersey, Bangor, Maine and Jamaica, New York.
- increased transportation costs resulting in decreased travel by casino patrons; and
- impeded access due to road construction or closures of primary access routes.

Any of the factors outlined above could materially, adversely affect our business, financial condition and results of operations.

A downturn in the United States economy could negatively impact our financial performance.

During periods of economic contraction, our revenues may decrease while some of our costs remain fixed, resulting in decreased earnings. The gaming and other leisure activities that we offer are discretionary expenditures and participation in such activities may decline during economic downturns because consumers have less disposable income. Even an uncertain economic outlook or the perception of weak or weakening economic conditions may adversely affect consumer spending in our gaming operations and related facilities, because consumers spend less in anticipation of a potential economic downturn.

The last economic recession which began in 2008 negatively impacted consumer confidence and the amount of consumer spending at Foxwoods. Adverse economic conditions such as a prolonged state, regional or national general economic downturn or slow growth period, including periods of increased inflation, rising unemployment levels, tax rates, interest rates, energy and gasoline prices or declining consumer confidence could also further reduce consumer spending. Reduced consumer spending has and may continue to result in an adverse impact on our business, financial condition and operating results. Furthermore, uncertainty and adverse changes in the economy could also increase the cost and reduce the availability of sources of financing, which could have a material adverse impact on our financial condition and operating results. If adverse economic conditions continue or worsen, our business, assets, financial condition and results of operations could continue to be affected adversely.

If we are not able to compete successfully with existing competitors, we may not be able to generate sufficient cash flows.

The Mohegan Sun Casino of the Mohegan Tribe of Indians of Connecticut located on their reservation in Montville, Connecticut, approximately ten miles west of Foxwoods, is the only other Indian casino in our primary market area or within a 200-mile radius. Mohegan Sun is of comparable size and presents significant competition for Foxwoods. Mohegan Sun opened a new 400 room hotel tower on November 10, 2016.

Currently, Resorts World New York and Empire City offer approximately 10,700 video lottery terminals (“VLTs”). Twin River and Newport Grand in Rhode Island offer approximately 4,260 and 1,100 VLTs, respectively. These facilities are located within Foxwoods’ primary market area as well. Given the geographic proximity of Empire City and Resorts World New York to New York City and Twin River to Boston, they may have distinct advantages over Foxwoods in competition for day-trip and other patrons from the New York and Boston metropolitan regions. . In November 2016, the state passed a referendum allowing the Twin River Group to move their license from Newport to Tiverton and build a \$75 million casino, which will include table games, in an effort to compete with casinos slated to open in Massachusetts.

Other racinos in Queens, Batavia, Hamburg, Nichols, Vernon, Monticello, Saratoga Springs and Farmington, New York, reportedly operate an aggregate of approximately 18,000 VLTs and several have reportedly added electronic table gaming in the past year. There are casinos in Atlantic City, New Jersey, and several casinos and gaming facilities located on Indian tribal lands in the State of New York, as well as newly authorized or expanded gaming facilities and gaming offerings in the Northeast and Mid-Atlantic regions.). On December 17, 2014 the NY State Gaming Commission awarded three upstate licenses. The licenses were awarded to the Montreign Resort in Thompson, NY (Catskills – Hudson Valley Region – Sullivan County), Rivers Casino & Resort in Schenectady, NY (Capital Region – Schenectady County) and Lago Resort & Casino in Tyre, NY (Eastern / Southern Region – Seneca County). On March 23, 2015, the Commission issued a second RFA for an applicant for the fourth authorized gaming facility license. The commission limited applications to the Eastern Southern Tier portion of Region Five, due to a need for economic development. By the July 6, 2015 deadline, the commission received one application. In August 2016, Tioga Downs race track received approval for an expansion of 1,000 slot units and 50 table games. Despite receiving final approval, Tioga Downs will still have to wait for the Gaming Commission to approve regulations governing the four new casinos before it can add table games and slot machines to its existing portfolio of video-lottery terminals. We also face existing and future competition in and from the Northeastern Pennsylvania gaming market, both in the immediate market and in marketing to and attracting patrons from the New York City metropolitan region. New or expanded gaming facilities in the states of Delaware, Maryland and West Virginia may also attract patrons from that region. If we are not able to compete successfully with existing competitors, we may not be able to generate sufficient cash flows to satisfy our financial obligations including our indebtedness.

New market entrants in our primary market area could adversely affect our operations and our ability to meet our financial obligations.

The Mohegan Sun Casino of the Mohegan Tribe of Indians of Connecticut located on their reservation in Montville, Connecticut, approximately ten miles west of Foxwoods, is the only other Indian casino in our primary market area or within a 200-mile radius. Mohegan Sun is of comparable size and presents significant competition for Foxwoods. Mohegan Sun opened a new 400 room hotel tower on November 10, 2016.

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Other racinos in Queens, Batavia, Hamburg, Nichols, Vernon, Monticello, Saratoga Springs and Farmington, New York, reportedly operate an aggregate of approximately 18,000 VLTs and several also offer electronic table gaming. There are casinos in Atlantic City, New Jersey, and several casinos and gaming facilities located on Indian tribal lands in the State of New York, as well as newly authorized or expanded gaming facilities and gaming offerings in the Northeast and Mid-Atlantic regions. On December 17, 2014 the

NY State Gaming Commission awarded three upstate licenses. The licenses were awarded to the Montreign Resort in Thompson, NY (Catskills – Hudson Valley Region – Sullivan County), Rivers Casino & Resort in Schenectady, NY (Capital Region – Schenectady County) and Lago Resort & Casino in Tyre, NY (Eastern / Southern Region – Seneca County). On March 23, 2015, the Commission issued a second RFA for an applicant for the fourth authorized gaming facility license. The commission limited applications to the Eastern Southern Tier portion of Region Five, due to a need for economic development. By the July 6, 2015 deadline, the commission received one application. In August 2016, Tioga Downs race track received approval for an expansion of 1,000 slot units and 50 table games. Despite receiving final approval, Tioga Downs will still have to wait for the Gaming Commission to approve regulations governing the four new casinos before it can add table games and slot machines to its existing portfolio of video-lottery terminals. We also face existing and future competition in and from the Northeastern Pennsylvania gaming market, both in the immediate market and in marketing to and attracting patrons from the New York City metropolitan region. New or expanded gaming facilities in the states of Delaware, Maryland and West Virginia may also attract patrons from that region. If we are not able to compete successfully with existing competitors, we may not be able to generate sufficient cash flows to satisfy our financial obligations including our indebtedness.

In November 2011, the governor of Massachusetts signed comprehensive gaming legislation which authorizes up to three casino resort licenses and one facility limited to 1,250 slot machines in Massachusetts to be licensed by a new gaming commission. The Massachusetts gaming commission awarded two of the resort licenses and one slot parlor license in 2014. The slot parlor license was awarded to Penn National who converted the Plainridge Park racetrack in Plainville MA to a 1,250 machine slot parlor and opened in June 2015. The first resort casino license was awarded to MGM Resorts International; they will be opening a facility with approximately 3,000 slot machines and 75 table games in Springfield MA with an anticipated fall 2018 opening. The second resort casino license was awarded to Wynn Resorts; they will be opening a facility with approximately 3,200 slot machines and 150 table games in Everett MA with an anticipated 2019 opening. The third and final resort casino license slated for the southeastern portion was awarded to the Mashpee Wampanoag Tribe, which gained federal recognition in 2007. Construction began in spring 2016 but is on hold indefinitely until deemed appropriate.

In the State of Connecticut, the state lottery has gained approval to begin operating keno as part of an agreement involving the Mashantucket Pequot and Mohegan Tribes where they will both receive 12.5% of the gross revenues. The state lottery anticipates roughly 3,000 retailers will offer keno.

Furthermore, Congress and various states, including New Hampshire and New Jersey, have renewed efforts to pass legislation to license and tax internet poker and other on-line gaming, while state lotteries in New York and Illinois have sought and received a favorable opinion from the U.S. Department of Justice on their ability to conduct certain activities on-line under federal law.

Federal recognition of the Shinnecock Indian Tribe of New York in October 2010 in addition to tribal gaming related provisions of the expanded gaming legislation that has been passed also increases the likelihood that there could be new Indian tribal gaming in the region in the future. Other federally-recognized Indian tribes continue to pursue tribal commercial casinos elsewhere in the region. Other groups seeking federal recognition as Indian tribes with an interest in engaging in commercial casino gaming in the Northeastern United States may continue those efforts. Indian tribal groups from the State of Connecticut whose petitions have been rejected in recent years by the BIA may continue to pursue appeals or reconsiderations of those petitions.

In October 2013, the National Indian Gaming Commission (the “NIGC”) issued a Ruling that the Aquinnah Wampanoag Tribe located on Martha’s Vineyard are legally entitled to conduct Class II gaming on their reservation lands in Martha’s Vineyard. The Aquinnah Tribe is trying to build a gambling hall on the island although the state continues to argue in a federal lawsuit that the Tribe long ago forfeited their rights to open a gaming facility.

If any of the efforts discussed above are successful, they could have an impact on our operations and our ability to meet our financial obligations including our indebtedness.

Negative conditions affecting, and the seasonal nature of, the lodging industry may have an adverse effect on our revenue and cash flows.

We depend on the revenue generated from our hotels, together with the revenue generated from the other portions of Foxwoods, to meet our debt obligations and fund our operations. Revenue generated from the operation of our hotels is subject to conditions affecting the lodging industry in general, and, as a result, our cash flows and financial performance may be affected not only by the conditions in the gaming industry, but also by those in the lodging industry. Some of these conditions are as follows:

- changes in the local, regional or national economic climate;
- changes in local conditions such as an oversupply of hotel properties;
- decreases in the level of demand for hotel rooms and related services;
- the attractiveness of our hotels to consumers and competition from comparable hotels;
- cyclical over-building in the hotel industry;
- changes in travel patterns;
- changes in room rates and increases in operating costs due to inflation and other factors; and
- the periodic need to repair and renovate our hotels.

Changes in these conditions could adversely affect our hotels' profitability and, hence, our financial performance. In addition, the hotel industry is seasonal in nature, which means that our hotels may experience a decrease in the number of guests and amount of revenue during particular periods during the year when there is limited travel. As a result, our hotels' revenues may not be stable throughout the year and may cause our financial performance to be adversely affected during these periods.

Our business could be affected by weather-related factors.

Our results of operations could be adversely affected by weather-related factors, such as the unfavorable winter weather conditions experienced during January and February 2015 and December 2010 through February 2011, as well as the effects of Hurricane Irene and Hurricane Sandy in August and September 2011 and October 2012, respectively. Severe weather conditions may interrupt our operations, damage our properties, discourage potential customers from traveling or may deter or prevent patrons from reaching our facilities. If any of these effects occur, there could be a material adverse effect on our future operating results and ability to meet our debt service obligations.

The operating results of Foxwoods depend in part on the effectiveness of our marketing and advertising programs.

The revenues of Foxwoods are heavily influenced by marketing offers which drive patron volume. Targeted marketing using our database attracts patrons through invitations to special events and entertainment. Enhanced segmentation strategies and predictive analytics attempt to optimize offers in order to drive additional visits and maximize patron spend. However, our marketing and advertising programs may not be successful, which may lead us to fail to attract new customers and retain existing customers. If our marketing and advertising programs are unsuccessful, the results of operations of our gaming facilities could be negatively impacted.

Changes in the membership of the Tribal Council, its policies or our Constitution could adversely affect our operations.

Senior management for the Enterprise is selected by and reports directly to the Tribal Council, which is a seven member legislative body directly elected by the membership of the Tribe to staggered three-year terms. Given the elective nature of the Tribal Council, no assurances can be given as to the future composition of this body, its continued ability to attract, select and retain qualified management for the Enterprise or its continued adherence to the policies and priorities established by the Tribal Council to date.

The Tribe has no significant source of revenues other than those allowed under our loan agreements and, accordingly, relies on these sources of cash flow to fund the expenses of the tribal government.

The interests of the Tribe, the Tribal Council or the members of the Tribe may conflict with the interests of lenders to the Tribe.

The Enterprise is a wholly-owned, unincorporated instrumentality of the Tribe. Circumstances may occur in which the interests of the Tribe, the Tribal Council or members of the Tribe could be in conflict with the interests of lenders to the Tribe. In particular, the Tribe, the Tribal Council or the members of the Tribe may make business or other decisions that may indirectly affect the lenders to the Tribe. The Tribe could decide whether or not to expand Foxwoods, incur more debt, dispose of assets, make additional capital expenditures or enter into other transactions that, in the Tribe's judgment, are in its interest, even though these transactions may involve risks to lenders to the Tribe, including making it more difficult for the Tribe to make payments on its outstanding indebtedness.

The loss of a key management member could have a material adverse effect on Foxwoods.

Our success depends in large part on the continued service of key management personnel. All key members of our management team have operated in highly competitive environments and bring extensive experience and relationships in the gaming industry or in their field of expertise. The loss of the services of one or more of these individuals or other key personnel could have a material adverse effect on our business, operating results and financial condition.

We could face difficulties in attracting and retaining qualified employees, and unionization activity at Foxwoods could increase labor costs.

We have been able to hire experienced gaming industry executives to provide management at Foxwoods and to hire employees with experience and skill in the casino and hospitality industries and to train employees in such skills. In the event of changes in the marketplace or other developments, the continued economic success of Foxwoods may be dependent on our continuing ability to hire, develop, retain and rely on experienced management and sufficient numbers of skilled employees.

Dealers employed at the Enterprise are represented by the United Auto Workers ("UAW") as a result of an election held under Tribal Law. The current contract expires on December 31, 2019.

In addition, the Foxwoods Engineering Department is represented by the International Union of Operating Engineers. The current contract expires on March 31, 2017.

Our beverage servers voted to be represented by the United Food and Commercial Workers International Union. The current contract expires on March 1, 2017.

In all of these instances an arbitration award or an unfavorable contract may result in increased labor costs which can negatively impact the amount of cash available to pay debt service.

Energy price increases may adversely affect our costs of operations and our revenues.

Foxwoods uses significant amounts of electricity and natural gas to operate its facilities. While we have not experienced any shortages of energy to date, any volatility in the cost of energy in our region could negatively impact our operating results. In addition, energy price increases could result in a decline of disposable income of potential customers and a corresponding decrease in visitation to our gaming and hotel facilities, which could negatively affect our revenues.

The risks associated with operating expanded facilities and managing growth could have a material adverse effect on our future performance.

We may expand our facilities from time to time. We can provide no assurance that we will be successful in integrating the new amenities from such expansions into Foxwoods' current operations or in managing the expanded resort. The failure to successfully integrate and manage new services and amenities could have a material adverse effect on our results of operations and our ability to meet our debt service obligations with respect to our outstanding indebtedness.

We rely in part on federal and in part on common law trade name protection to protect certain of our trademarks.

We rely in part on federal and in part on common law trade name protection to protect certain of our trademarks. We may face claims by third parties for alleged trade name infringement. Any resulting claims, if successful, could require us to cease using one or more of the names used in our business or require us to pay to use these names and adversely impact the results of our operations.

Gaming is a highly regulated industry and changes in the law could have a material adverse effect on our ability to conduct gaming, and thus on our ability to meet our debt service obligations.

The Indian Gaming Regulatory Act of 1988 ("IGRA") governs the conduct of all gaming on Indian reservations. Under IGRA, "Class I" gaming is confined to non-commercial traditional social games, "Class II" gaming, consisting of bingo, non-banked card games and similar games, may be conducted free of state regulations so long as any form of such game is permitted under state law in the surrounding state and "Class III" gaming, consisting of most casino games, lotteries and pari-mutuel betting, is permitted only under a compact between a tribe and a state, or procedures promulgated by the Secretary of the Interior. The Secretary of the Interior issued the Final Mashantucket Pequot Gaming Procedures (the "Procedures"), governing the conduct of Class III gaming on our Reservation, in 1991. The Procedures cannot be amended by the State of Connecticut absent our consent. Gaming on our Reservation is extensively regulated by federal, state and tribal regulatory bodies, including the National Indian Gaming Commission, our Tribal Gaming Commission and agencies of the State of Connecticut including the Department of Consumer Protection and the State Police. As is the case with any casino, changes in applicable laws and regulations could limit or materially affect the types of gaming that may be conducted by us and the revenues realized therefrom. On October 6, 2015 both the Mashantucket Pequot Tribe and Mohegan Tribe signed an agreement with the State of Connecticut permitting them to offer Keno provided each Tribe receives 12.5% of Gross Revenue.

In addition, under federal law, gaming on Indian land is dependent on the permissibility under state law of specific forms of gaming or similar activities. If the State of Connecticut were to make various forms of gaming illegal or against public policy, it is conceivable that the State could attempt to argue that such action should limit the scope of gaming Foxwoods could offer. We believe that such arguments would be futile but note that any limitation on the scope of gaming offered by Foxwoods could have an adverse effect on Foxwoods' revenues. In January 2003, in an effort to limit its obligation to negotiate gaming compacts with subsequently recognized tribes, the State of Connecticut repealed its existing charitable Las Vegas nights statute. The State Attorney General has opined that this repeal should remove the legal basis for requiring any newly recognized tribe in Connecticut to claim a right under IGRA to conduct casino gaming, but did not suggest that this repeal would have any effect on the Procedures or the compact between the State and the Mohegan Tribe. We note that

Connecticut currently permits, among other things, a state lottery, jai alai fronton betting, greyhound racing and off-track betting parlors.

Possible Amendments to IGRA. Congress has plenary authority over Indian affairs, and hence retains authority to change the terms upon which Indian tribes may conduct gaming. For the past several years, legislation has been introduced in Congress with the intent of modifying IGRA to address a variety of perceived problems. Most of the proposals that have been given serious consideration would be prospective in effect and would grandfather existing Indian gaming operations such as Foxwoods. However, certain legislative proposals have called for the repeal of significant portions of IGRA and for prohibition of the continued operation of Class III gaming on certain Indian reservations in states where such gaming is not otherwise allowed on a commercial basis. While none of these proposals have been passed by either house of Congress, we cannot predict the success of any future legislative proposals. Changes in applicable laws and regulations could limit or materially affect the types of gaming that we may offer and the revenues that our gaming operations generate. In the event that Congress passed prohibitory legislation that did not include any grandfathering exemption for existing tribal gaming operations, and if such legislation were sustained in the courts against tribal challenge, our ability to meet our obligations to creditors would be doubtful.

Failure to maintain the integrity of internal customer information could result in damage of reputation and/or subject us to fines, payment of damages, lawsuits or restrictions on our use or transfer of data.

We collect information relating to our guests for various business purposes, including marketing and promotional purposes. The collection and use of personal data are governed by privacy laws and regulations enacted in the United States. Privacy regulations continue to evolve and compliance with applicable privacy regulations may increase our operating costs and/or adversely impact our ability to market our products, properties and services to our guests. In addition, non-compliance with applicable privacy regulations by us (or in some circumstances noncompliance by third parties engaged by us) or a breach of security on systems storing our data may result in damage of reputation and/or subject us to fines, payment of damages, lawsuits or restrictions on our use or transfer of data. Failure to maintain the integrity of internal customer information could result in damage of reputation and/or subject us to fines, payment of damages, lawsuits or restrictions on our use or transfer of data.

A change in our current tax-exempt status could have a material adverse effect on our cash flow and our ability to satisfy our debt service obligations.

Federal Taxation. Based on current federal tax laws, we are not a taxable entity for purposes of U.S. federal income taxation, and as an instrumentality of the tribal government, the Enterprise is not subject to U.S. federal income taxation. If the applicable tax law changes in this regard, our cash flow and ability to service our financial obligations may be adversely affected.

There can be no assurance that the U.S. Congress will not reverse or modify the exemption for Indian tribes from U.S. federal income taxation. Past efforts have been made in Congress to amend the Internal Revenue Code to provide for taxation of some of the net income of tribal business entities, the most recent effort being made in the late 1990s. Although such legislation has not been enacted, similar legislation could be enacted in the future. No representations are made as to the likelihood of bills being proposed or enacted in the future and no assurances can be given that future proposals or amendments will not materially or adversely affect our ability to satisfy our financial obligations, including our debt obligations.

State Taxation. In general, the State of Connecticut has no jurisdiction to impose any income or other tax with respect to our activities on our reservation absent clear Congressional authorization. Under certain circumstances, however, state sales taxes may be assessed with respect to the sale on the reservation of retail products to non-tribal members. We currently collect and remit to the State of Connecticut sales tax on retail goods sold at Foxwoods. No state tax is collected on any gaming activities or on the sale of entertainment, food or nonalcoholic beverages at Foxwoods, nor is any state hotel occupancy tax collected. We impose a tribal sales tax on the sale of certain goods and services provided at the Enterprise.

Other Tax Risk. In addition to the risks described above, it is possible that the Enterprise could become subject to U.S. federal income tax (and potentially state income tax) as a result of our debt restructuring on July 1, 2013. Due to material differences in the terms, the debt or non-debt status of these new obligations, for purposes of U.S. federal income tax, must be determined. If any of the new debt instruments were to be treated (in whole or in part) as equity of the Enterprise, for U.S. federal income tax purposes, the Enterprise could be regarded as a partnership, or possibly an entity taxable as a corporation, for U.S. federal income tax purposes (and, potentially, state income tax purposes).

The ability of lenders to enforce rights against us may be limited by our sovereign immunity.

Indian tribes enjoy sovereign immunity from unconsented suit similar to that of the states and the United States. In order to be subject to suit, an Indian tribe must have effectively waived its sovereign immunity with respect to the matter in dispute. We, and we on behalf of the Enterprise, have expressly waived sovereign immunity and consented to the jurisdiction of the courts of the United States, the courts of the State of Connecticut or the courts of the State of New York and the courts of any other state that may have jurisdiction over our property or subject matter jurisdiction for the purpose of providing for the payment and performance of our indebtedness and the enforcement of remedies relating thereto. We also have prohibited our tribal court from exercising jurisdiction over such matters (except for agreements to arbitrate or arbitration awards as described below) and have waived any claim or right that we may possess to the exercise of jurisdiction and the exhaustion of remedies in our tribal court.

Further, in most commercial disputes with Indian tribes, the jurisdiction of the federal courts, which are courts of limited jurisdiction, may be difficult or impossible to obtain. A commercial dispute is unlikely to present a federal question, and it is generally held that an Indian tribe is not a citizen of any state for purposes of establishing diversity jurisdiction in the federal courts. The remedies available against an Indian tribe also depend, at least in part, upon the rules of comity requiring initial exhaustion of remedies of tribal tribunals and, as to some judicial remedies, the tribe's consent to jurisdictional provisions contained in the disputed agreements. The Supreme Court of the United States has held that where a tribal court exists, the question of jurisdiction in that forum generally must first be determined by the tribal court before any dispute can be properly heard by a federal court. Once the issue of jurisdiction is finally determined by the tribal court system, a federal court can review that determination. If a federal court subsequently determines that the tribal court exceeded its jurisdiction, the federal court can then hear the dispute and relitigate the merits if previously adjudicated in tribal court. On the other hand, if the tribal court's jurisdiction over the dispute is upheld by a federal court, the tribal court's determination on the merits will not be reviewed. In addition, the Court of Appeals for the Second Circuit, of which Connecticut is a member state, also has found that the exhaustion doctrine does not apply where there is no pending tribal court action and the case involves state and federal claims. We have provided a waiver of our right to the exhaustion of tribal remedies but the enforcement of such waiver is untested. The Connecticut Supreme Court has concluded that the federal doctrine also applies with respect to the jurisdiction of the Connecticut state courts in circumstances in which an action is pending in tribal court.

Item 6. SELECTED FINANCIAL DATA

The selected historical financial data for the Enterprise for the fiscal years ended September 30, 2012, 2013, 2014, 2015 and 2016 have been derived from audited financial statements of the Enterprise. You should read this table in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the audited historical financial statements of the Enterprise and the notes thereto included elsewhere in this annual report and other information included herein.

Years Ended September 30,	2016	2015	2014	2013	2012
	(dollars in thousands)				
Operating Results:					
Gross revenue	\$ 940,866	\$ 935,017	\$ 969,575	\$ 1,052,923	\$ 1,164,605
Promotional allowances	(82,669)	(89,857)	(87,518)	(90,416)	(111,242)
Net operating revenues	<u>\$ 858,197</u>	<u>\$ 845,160</u>	<u>\$ 882,057</u>	<u>\$ 962,507</u>	<u>\$ 1,053,363</u>
Income from operations	\$ 64,000	\$ 38,994	\$ 25,867	\$ 45,163	\$ 60,342
Nonoperating Expense:					
Net Interest expense	-	(1,484)	(1,971)	(2,599)	(9,947)
	<u>-</u>	<u>(1,484)</u>	<u>(1,971)</u>	<u>(2,599)</u>	<u>(9,947)</u>
Net Income	<u>\$ 64,000</u>	<u>\$ 37,510</u>	<u>\$ 23,896</u>	<u>\$ 42,564</u>	<u>\$ 50,395</u>
Retained Earnings					
Beginning of the period	\$ -	\$ -	\$ -	\$ 2,519	\$101,492
Transfers to General Fund of the Tribe	(134,483)	(88,432)	(130,748)	(132,081)	(149,368)
Reclassification to Contributed Capital	70,483	50,922	106,852	86,998	-
Net Income	<u>64,000</u>	<u>37,510</u>	<u>23,896</u>	<u>42,564</u>	<u>50,395</u>
Retained Earnings					
End of the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,519</u>
Other Financial Data:					
Net cash provided by operating activities	\$ 160,061	\$ 132,413	\$ 142,687	\$ 170,421	\$ 177,058
Capital expenditures	21,706	18,567	26,126	30,889	39,534
Enterprise Balance Sheet Data (end of period)					
Cash and cash equivalents	\$ 52,470	\$ 48,582	\$ 40,876	\$ 55,227	\$ 49,440
Total assets	824,983	905,001	972,314	1,073,261	1,151,492
Total liabilities	114,250	124,234	141,731	137,527	128,994
Total equity	710,733	780,767	830,583	935,734	1,022,498

Years Ended September 30,	2016	2015	2014	2013	2012
	(dollars in thousands)				
Net Income	\$ 64,000	\$ 37,510	\$ 23,896	\$ 42,564	\$ 50,395
Interest expense - Kien Huat I and II (1)	-	-	-	2,102	9,947
Interest expense - Credit Facility	-	1,484	1,971	497	-
Advisory fees	990	3,588	2,078	25,818	24,929
Depreciation and amortization	90,841	103,452	108,596	118,871	131,750
(Gain)/loss on disposal of assets	854	1,373	4,171	2,492	(471)
Severance	799	2,542	6,733	12,476	5,929
EBITDA (2)	<u>\$ 157,484</u>	<u>\$ 149,949</u>	<u>\$ 147,445</u>	<u>\$ 204,820</u>	<u>\$ 222,479</u>

- (1) Kien Huat I and II interest expense includes both variable rate interest on outstanding principal amounts and contingent interest.
- (2) "EBITDA" means, for any period, (a) net income of the Enterprise for that period (including the deduction of the amounts owed to the State of Connecticut in respect of slot machine revenues) excluding extraordinary or non-recurring items (which for the relevant periods included restructuring fees, gain/loss on disposal of assets and severance), *plus* (b) Interest Charges of the Enterprise, as defined, for that period, *plus* (c) (without duplication) the aggregate amount of Federal and state taxes on or measured by income of the Enterprise for that period (whether or not payable during that period), if any, *plus* (d) depreciation, amortization and all other non-cash expenses of the Enterprise for that period, in each case as determined in accordance with GAAP plus certain fees and expenses incurred in connection with required reviews and reports.

EBITDA is presented to provide additional information that our management uses to assess our business operations and compliance with lending agreements as well as we believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. However, other companies in our industry may calculate EBITDA differently than we do. EBITDA is not a measurement of financial condition or profitability under GAAP and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net income as indicators of our operating performance or any other measures of performance derived in accordance with generally accepted accounting principles.

Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and the related notes beginning on page 5. This discussion contains forward looking statements and involves numerous risks and uncertainties. See “Cautionary Note Regarding Forward Looking Statements.”

Results of Operations – Fiscal Years 2016, 2015 and 2014

Summary Operating Results (in thousands):

	For the Twelve Months Ended September 30,						
	2016	2015	2014	Variance		Percentage Variance	
				16 vs. 15	15 vs. 14	16 vs. 15	15 vs. 14
Gaming revenues	726,494	717,451	767,872	9,043	(50,421)	1.3%	(6.6%)
Non-gaming revenues	214,372	217,566	201,703	(3,194)	15,863	(1.5%)	7.9%
Net revenues	858,197	845,160	882,057	13,037	(36,897)	1.5%	(4.2%)
Total operating expenses	700,713	695,211	734,612	5,502	(39,401)	0.8%	(5.4%)
EBITDA ⁽¹⁾	157,484	149,949	147,445	7,535	2,504	5.0%	1.7%

(1) Refer to page 41 for the definition of EBITDA

Highlights

- EBITDA of \$157.5 million for the twelve months ended September 30, 2016, a 5.0% increase
- EBITDA of \$149.9 million for the twelve months ended September 30, 2015, a 1.7% increase
- Gaming revenues of \$726.5 million for the twelve months ended September 30, 2016, a 1.3% increase
- Gaming revenues of \$717.5 million for the twelve months ended September 30, 2015, a 6.6% decline
- Total operating expenses of \$700.7 million for the twelve months ended September 30, 2016, a 0.8% increase
- Total operating expenses of \$695.2 million for the twelve months ended September 30, 2015, a 5.4% decline
- EBITDA margin of 18.4% for the twelve months ended September 30, 2016 versus 17.7% for the twelve months ended September 30, 2015
- EBITDA margin of 17.7% for the twelve months ended September 30, 2015 versus 16.7% for the twelve months ended September 30, 2014

Contributing Factors to our financial performance

EBITDA for the fiscal year ended September 30, 2016 was \$157.5 million, which was \$7.5 million or 5.0% higher than prior year due to higher Net Revenues of \$13.0 million which were partially offset by higher operating expenses of \$5.5 million or 0.8%. EBITDA margin for the fiscal year ended September 30, 2016 was 18.4% versus 17.7% in the prior year. For the year, we estimate the impact on EBITDA from inclement weather to be \$3.6 million. We experienced a higher than average table games hold of 19.8% versus 17.2% in the prior year which increased our table games revenue by \$28.7 million which was partially offset by lower gaming volumes year over year.

EBITDA for the fiscal year ended September 30, 2015 was \$149.9 million, which was \$2.5 million or 1.7% higher than prior year due to lower operating expenses of \$39.4 million or 4.8% which was partially offset by lower Net Revenues of \$36.9 million or 4.2%. EBITDA margin for the fiscal year ended September 30, 2015 was 17.7% versus 16.7% in the prior year. For the year, we estimate the impact on EBITDA from inclement weather to be \$7.7 million along with a lower than average table hold of 17.2% versus 18.4% in the prior year which negatively impacted our table games revenue by \$14.4 million.

For the fiscal year ended September 30, 2016, we were able to grow our Net Revenue by \$13.0 million or 1.5% due to the aforementioned higher table games hold along with the continued increases in our Non-Gaming cash revenues. Total operating expenses were \$5.5 million, or 0.8%, higher than prior and our EBITDA grew by \$7.5 million or 5.0% for the twelve months ended September 30, 2016.

For the fiscal year ended September 30, 2015, we were able to offset the Net Revenue erosion due to continued increases in our Non-Gaming cash revenues, staffing reductions and lower state slot contribution associated with our lower slot volumes year over year. Total operating expenses were \$39.4 million, or 5.4%, lower for the twelve months ended September 30, 2015 and EBITDA was higher than prior year by \$2.5 million, or 1.7%.

- Payroll costs were higher than prior year by \$3.6 million, or 1.2%, for the twelve months ended September 30, 2016. The increased payroll costs year over were primarily driven by higher benefit costs as our Total Full Time Equivalents (“FTEs”) of approximately 4,950 were 1.3% less than the same period in the prior year. Total FTEs for the twelve months ended September 30, 2015 of approximately 5,000 were 11.5% less than the same period in the prior year.
- Our Non-Gaming cash revenues were higher by \$4.0 million or 3.1% for the twelve months ended September 30, 2016. The year over year increase in our cash revenues were primarily driven by higher cash sales in Hotel, Food & Beverage, and Entertainment along with increases in our ATM and Debit card commissions.
- Based on lower slot revenues, state slot contribution was lower by \$3.3 million, or 2.8% and \$6.9 million, or 5.4%, for the twelve months ended September 30, 2016 and 2015, respectively.
- Other operating expenses were higher by approximately \$5.3 million or 1.9% and lower by approximately \$3.6 million, or 1.0%, for the fiscal years ended September 30, 2016 and 2015, respectively. The year over year increases in operating expenses for Fiscal 2016 were primarily due to point redemptions at the Tanger Outlet Mall, headliner fees, outside services, operating supplies and slot participation fees. These increases were partially offset by lower cost of goods sold, point redemptions at our tenant outlets other than Tanger, lower accruals related to our patron loyalty points program, utility costs, advertising expense, cash back expense and costs associated with our bus program. The year over year decreases in operating expenses for Fiscal 2015 were primarily due to lower utility and repairs and maintenance costs along with the discontinuation of certain development projects and a fewer number of marketing events. These decreases were partially offset by point redemptions at the Tanger Outlet Mall and higher headliner fees.

Gross Revenues

Gross Revenues consisted of the following (in thousands):

	For the Twelve Months Ended September 30,						Percentage Variance	
	2016	2015	2014	Variance		16 vs. 15	15 vs 14	
				16 vs. 15	15 vs 14			
Gaming	\$726,494	\$717,451	\$767,872	\$ 9,043	\$ (50,421)	1.3%	(6.6%)	
Food and Beverage	74,847	74,180	71,280	667	2,900	0.9%	4.1%	
Hotel	68,715	67,825	63,076	890	4,749	1.3%	7.5%	
Retail, entertainment & other	70,810	75,561	67,347	(4,751)	8,214	(6.3%)	12.2%	
Total Non-Gaming	214,372	217,566	201,703	(3,194)	15,863	(1.5%)	7.9%	
Total	\$ 940,866	\$ 935,017	\$ 969,575	\$ 5,849	\$ (34,558)	0.6%	(3.6%)	

The table below summarizes the percentage of gross revenue from each of the four revenue sources:

	For the Twelve Months Ended September 30,		
	2016	2015	2014
Gaming	77.2%	76.7%	79.2%
Food and Beverage	8.0%	7.9%	7.4%
Hotel	7.3%	7.3%	6.5%
Retail, entertainment & other	7.5%	8.1%	6.9%
Total Non-Gaming	22.8%	23.3%	20.8%
Total	100.0%	100.0%	100.0%

Gaming Revenues

The following table presents data related to gaming revenues (in thousands, except where noted):

	For the Twelve Months Ended September 30,						
	2016	2015	2014	Variance		Percentage Variance	
				16 vs. 15	15 vs. 14	16 vs. 15	15 vs. 14
Slot Information							
Handle	\$5,747,612	\$5,756,447	\$5,972,845	\$ (8,835)	\$ (216,398)	(0.2%)	(3.6%)
Slot revenues	\$ 462,620	\$ 464,583	\$ 493,162	\$ (1,963)	\$ (28,579)	(0.4%)	(5.8%)
Free promotional slot plays (1)	\$ 59,401	\$ 71,037	\$ 70,758	\$ (11,636)	\$ 279	(16.4%)	0.4%
Weighted average number of slot							
machines (in units)	4,538	4,904	5,809	(366)	(905)	(7.5%)	(15.6%)
Slot hold percentage	8.05%	8.07%	8.26%	(0.02%)	(0.19%)	(0.3%)	(2.3%)
Win per unit per day (in dollars)	\$ 279	\$ 260	\$ 233	\$ 19	\$ 27	7.3%	11.6%
Table Game Information							
Table games drop	\$1,129,878	\$1,225,796	\$1,256,971	\$ (95,918)	\$ (31,175)	(7.8%)	(2.5%)
Table games revenues	\$ 223,424	\$ 211,284	\$ 231,379	\$ 12,140	\$ (20,095)	5.7%	(8.7%)
Weighted average number of							
table games (in units)	244	260	339	(16)	(79)	(6.2%)	(23.3%)
Table games hold percentage	19.77%	17.24%	18.41%	2.54%	(1.17%)	14.7%	(6.4%)
Win per unit per day (in dollars)	\$ 2,502	\$ 2,226	\$ 1,870	\$ 275	\$ 356	12.4%	19.1%
Poker Information							
Poker revenue	\$ 21,712	\$ 23,112	\$ 24,593	\$ (1,400)	\$ (1,481)	(6.1%)	(6.0%)
Weighted average number of poker							
tables (in units)	94	94	94	-	-	0.0%	0.0%
Revenue per unit per day							
(in dollars)	\$ 631	\$ 674	\$ 717	\$ (43)	\$ (43)	(6.3%)	(6.0%)

(1) Free promotional slot plays are included in slot handle, but not reflected in slot revenues.

Gaming revenues increased \$9.0 million, or 1.3%, for the twelve months ended September 30, 2016. Slot revenues decreased \$2.0 million, or 0.4%, for the twelve months ended September 30, 2016. Table Games revenues increased \$12.1 million, or 5.7%, for the twelve months ended September 30, 2016. As previously mentioned, we experienced a higher than average table hold of 19.8% versus 17.2% in the prior year which increased our table games revenue by \$28.7 million.

Gaming revenues decreased \$50.4 million, or 6.6%, for the twelve months ended September 30, 2015. Slot revenues decreased \$28.6 million, or 5.8%, for the twelve months ended September 30, 2015. Table Games revenues decreased \$20.1 million, or 8.7%, for the twelve months ended September 30, 2015. As previously mentioned, a lower than average table hold of 17.2% versus 18.4% in the prior year negatively impacted our table games revenue by \$14.4 million.

Table games revenue increased \$12.1 million, or 5.7%, for the twelve months ended September 30, 2016. The increase in table games revenue for the fiscal year ended September 30, 2016 was the result of a higher than average table hold of 19.8% versus 17.2% in the prior year which increased table games revenue by \$28.7 million and was partially offset by a 7.8% decline in drop which decreased revenue by \$16.6 million year over year.

Table games revenue decreased \$20.1 million, or 8.7%, for the twelve months ended September 30, 2015. The decrease in table games for the fiscal year ended September 30, 2015 was the result of a 2.5% decline in drop along with a lower hold percentage of 17.24% versus 18.41% in the prior year.

Poker revenues decreased by \$1.4 million, or 6.1% and \$1.5 million, or 6.0%, for the twelve months ended September 30, 2016 and 2015, respectively.

Non-Gaming Revenues

The increase in Room revenues for the twelve months ended September 30, 2016 relates to both higher cash sales which has increased \$0.8 million, or 2.0% along with higher Foxwoods Reward promotional and complimentary activity of \$0.1 million or 0.3%. The increase in Room revenues for the twelve months ended September 30, 2015 relates to both higher cash sales which has increased \$3.9 million, or 10.8% along with higher Foxwoods Reward promotional and complimentary activity of \$0.8 million or 3.1%.

The following table presents data related to hotel revenues:

	For the Twelve Months Ended September							
	2016	2015	2014	Variance		Percentage Variance		
				16 vs. 15	15 vs. 14	16 vs. 15	15 vs. 14	
Hotel Revenue	\$ 68,714	\$ 67,825	\$ 63,076	\$ 889	\$ 4,749	1.3%	7.5%	
Rooms occupied	657,910	656,890	656,196	1,020	694	0.2%	0.1%	
Average daily room rate (ADR)	\$100	\$99	\$93	\$1	\$6	1.0%	6.5%	
Occupancy rate	92.2%	92.3%	92.2%	(0.1%)	0.1%	(0.1%)	0.1%	
Revenue per available room (REVPAR)	\$92	\$91	\$86	\$1	\$6	0.9%	6.6%	

The increase in Food and Beverage revenues for the twelve months ended September 30, 2016 relates to higher cash sales which have increased \$2.4 million, or 5.5% partially offset by lower Foxwoods Reward promotional and complimentary activity of \$1.7 million or 5.5%.

The increase in Food and Beverage revenues for the twelve months ended September 30, 2015 relates to higher cash sales which have increased \$3.5 million, or 8.8% partially offset by lower Foxwoods Reward promotional and complimentary activity of \$0.6 million or 1.9%.

The following table presents data related to food and beverage revenues:

Food & Beverage	For the Twelve Months Ended September						
	2016	2015	2014	Variance		Percentage Variance	
				16 vs. 15	15 vs. 14	16 vs. 15	15 vs. 14
Revenues	\$ 74,847	\$ 74,180	\$ 71,280	\$ 667	\$ 2,900	0.9%	4.1%
Covers	3,171	3,261	3,283	(90)	(22)	(2.8%)	(0.7%)
Average cover price	\$ 23.60	\$ 22.75	\$ 21.71	\$ 0.86	\$ 1.04	3.8%	4.8%

Retail, entertainment and other revenue for the twelve months ended September 30, 2016 decreased \$4.8 million, or 6.3%. The decrease in retail revenue for the twelve months ended September 30, 2016 relates primarily to lower Foxwoods Reward promotional and complimentary activity which has decreased \$5.6 million, or 24.7%. The increase in entertainment revenue for the twelve months ended September 30, 2016 relates to both higher cash sales of \$0.7 million, or 6.5% and Foxwoods Reward promotional and complimentary activity which has increased \$0.2 million, or 3.3%. Other Revenue increased \$1.1 million or 3.8% for the twelve months ended September 30, 2016 primarily due to ATM and Debit Card Commissions along with sponsorship income.

Retail, entertainment and other revenue for the twelve months ended September 30, 2015 increased \$8.2 million, or 12.2%. The decrease in retail revenue for the twelve months ended September 30, 2015 relates primarily to lower Foxwoods Reward promotional and complimentary activity which has decreased \$1.2 million, or 5.2%. The increase in entertainment revenue for the twelve months ended September 30, 2015 relates to both higher cash sales of \$2.9 million, or 40.3% and Foxwoods Reward promotional and complimentary activity which has increased \$3.1 million, or 102.6%. Other Revenue increased \$3.7 million or 14.2% for the twelve months ended September 30, 2015 primarily due to our Play for Fun site and ATM Commissions.

The following table presents data related to retail, entertainment and other revenues:

	For the Twelve Months Ended September 30,						
	2016	2015	2014	Variance		Percentage Variance	
				16 vs. 15	15 vs. 14	16 vs. 15	15 vs. 14
Retail Revenue	\$ 23,124	\$ 29,870	\$ 31,364	\$ (6,746)	\$ (1,494)	(22.6%)	(4.8%)
Entertainment Revenue	17,230	16,363	10,305	867	6,058	5.3%	58.8%
Other Revenue	30,456	29,328	25,678	1,128	3,650	3.8%	14.2%
Total	\$ 70,810	\$ 75,561	\$ 67,347	\$ (4,751)	\$ 8,214	(6.3%)	12.2%

Promotional Allowances

The retail value of providing promotional allowances is included in non-gaming revenues as follows (in thousands):

	For the Twelve Months Ended September							
	2016	2015	2014	Variance		Percentage Variance		
				16 vs. 15	15 vs. 14	16 vs. 15	15 vs. 14	
Food and Beverage	\$ 29,345	\$ 31,039	\$ 31,626	\$ (1,694)	\$ (587)	(5.5%)	(1.9%)	
Hotel	27,703	27,608	26,779	95	829	0.3%	3.1%	
Retail	17,067	22,664	23,912	(5,597)	(1,248)	(24.7%)	(5.2%)	
Entertainment & other	8,554	8,546	5,201	8	3,345	0.1%	64.3%	
Total	\$ 82,669	\$ 89,857	\$ 87,518	\$ (7,188)	\$ 2,339	(8.0%)	2.7%	

Non-gaming promotional allowances as a percentage of Gaming Revenues decreased from 12.5% to 11.4% for the fiscal year ended September 30, 2016 and increased from 11.4% to 12.5% for the twelve months ended September 30, 2015.

The estimated cost of providing promotional allowances is included in operating expenses, primarily gaming, as follows (in thousands):

	For the Twelve Months Ended September 30,							
	2016	2015	2014	Variance		Percentage Variance		
				16 vs. 15	15 vs. 14	16 vs. 15	15 vs. 14	
Food and Beverage	\$ 23,844	\$ 24,316	\$ 25,398	\$ (472)	\$ (1,082)	(1.9%)	(4.3%)	
Hotel	13,191	13,084	14,128	107	(1,044)	0.8%	(7.4%)	
Retail	14,030	18,201	19,184	(4,171)	(983)	(22.9%)	(5.1%)	
Entertainment & other	11,252	10,407	7,204	845	3,203	8.1%	44.5%	
Total	\$ 62,317	\$ 66,008	\$ 65,914	\$ (3,691)	\$ 94	(5.6%)	0.1%	
As a % of retail value	75.4%	73.5%	75.3%	1.9%	(1.8%)	2.6%	(2.4%)	

Operating Costs and Expenses

Operating costs and expenses consisted of the following (in thousands):

	For the Twelve Months Ended September 30,							
	2016	2015	2014	Variance		Percentage Variance		
				16 vs. 15	15 vs. 14	16 vs. 15	15 vs. 14	
Gaming	\$ 366,118	\$ 364,603	\$ 386,279	\$ 1,515	\$ (21,676)	0.4%	(5.6%)	
Food and Beverage	60,609	57,904	57,083	2,705	821	4.7%	1.4%	
Hotel	31,403	30,752	32,039	651	(1,287)	2.1%	(4.0%)	
Retail, entertainment and other	56,318	57,597	53,272	(1,279)	4,325	(2.2%)	8.1%	
Bad Debt	4,330	4,415	3,350	(85)	1,065	(1.9%)	31.8%	
Advertising	19,649	20,774	19,885	(1,125)	889	(5.4%)	4.5%	
General, administrative & other	162,286	159,166	182,704	3,120	(23,538)	2.0%	(12.9%)	
Total Operating Expenses	700,713	695,211	734,612	5,502	(39,401)	0.8%	(5.4%)	
Severance	799	2,542	6,733	(1,743)	(4,191)	(68.6%)	(62.2%)	
Advisory Fees	990	3,588	2,078	(2,598)	1,510	(72.4%)	72.7%	
Depreciation & amortization	90,841	103,452	108,596	(12,611)	(5,144)	(12.2%)	(4.7%)	
Loss on disposal of assets	854	1,373	4,171	(519)	(2,798)	(37.8%)	(67.1%)	
Total Expenses	\$ 794,197	\$ 806,166	\$ 856,190	\$ (11,969)	\$ (50,024)	(1.5%)	(5.8%)	

Gaming expenses for the twelve months ended September 30, 2016 increased primarily due to point redemptions at the Tanger Outlet Mall, slot participation fees and higher employee benefit costs which were partially offset by lower accruals related to our patron loyalty points program, cash back expense, point redemptions at our tenant outlets other than Tanger, costs associated with our bus program and lower state slot contribution associated with decreased slot revenue.

Gaming expenses for the twelve months ended September 30, 2015 decreased primarily due to lower payroll expenses, fewer special events and lower state slot contribution associated with decreased slot revenues partially offset by higher slot participation fees, patron travel reimbursements, point redemptions at the Tanger Outlet Mall and accruals related to our patron loyalty points program.

Food and beverage expenses for the twelve months ended September 30, 2016 increased primarily due to higher payroll expenses and operating supplies.

Food and beverage expenses for the twelve months ended September 30, 2015 increased primarily due to higher cost of goods sold from increased sales partially offset by lower payroll expenses.

Hotel expenses for the twelve months ended September 30, 2016 increased primarily due to higher operating expenses related to the increase in occupied rooms year over year.

Hotel expenses decreased for the fiscal year ending September 30, 2015 primarily due to lower payroll expenses related to the outsourcing of our housekeeping department at the Fox Tower.

Retail, entertainment and other expenses decreased for the twelve months ended September 30, 2016 primarily due to lower cost of goods sold from decreased retail sales and lower payroll expenses partially offset by higher headliner fees, outside services and expenses related to our Foxwoods Online Site.

Retail, entertainment and other expenses increased for the twelve months ended September 30, 2015 primarily due to higher headliner fees and expenses related to our Foxwoods Online Site partially offset by lower cost of goods sold from decreased retail sales and lower payroll expenses.

Advertising expenses for the twelve months ended September 30, 2016 have decreased due to lower radio placement and television production costs year over year.

Advertising expenses for the twelve months ended September 30, 2015 have increased due to higher television production costs related to our new brand campaign along with higher design services and agency fees.

General and Administrative expenses increased for the twelve months ended September 30, 2016 primarily due to higher payroll expenses, development costs related to our master plan and Biloxi Pointe projects along with higher legal expenses.

General and Administrative expenses decreased for the twelve months ended September 30, 2015 primarily due to lower payroll expenses, repairs and maintenance, utility costs, expenses related to new business activities and technical services fees related to the MGM agreement.

Seasonality

The gaming market in the Northeastern United States is seasonal in nature, with peak gaming activities often occurring during the months of May through August and possibly at other times of the year. Accordingly, our results of operations for the twelve months ended September 30, 2016 may not necessarily be indicative of operating results for other interim periods or an entire fiscal year.

Critical Accounting Policies and Estimates

Gaming Revenues and Promotional Allowances — The Enterprise recognizes as gaming revenues the net win from gaming activities, which is the difference between gaming wins and losses. Promotional allowances in the accompanying statements of income represent the retail value of rooms, food, beverage, retail, entertainment, and other promotional allowances on a year-to-date basis, and are reflected as a reduction of revenues, as follows:

	For the Fiscal Years Ended		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Food and Beverage	\$ 29,345	\$ 31,039	\$ 31,626
Hotel	27,703	27,608	26,779
Retail	17,066	22,664	23,912
Entertainment and Other	<u>8,555</u>	<u>8,546</u>	<u>5,201</u>
Total	<u>\$ 82,669</u>	<u>\$ 89,857</u>	<u>\$ 87,518</u>

The costs of providing these promotional allowances have been reflected as operating expenses in the respective departments, primarily gaming, and totaled \$62.3 million, \$66.0 million and \$65.9 million for the twelve months ended September 30, 2016, 2015 and 2014, respectively.

Impact of Inflation

Absent changes in competitive and economic conditions or in specific prices affecting the hospitality and gaming industry, we do not expect that the general rate of inflation will have a significant impact on our operations. Changes in specific prices, such as utilities and health care costs, relative to the general rate of inflation may have a material adverse effect on our operations.

Item 8. LIQUIDITY AND INDEBTEDNESS OF THE TRIBE

Reconciliation of Net Transfers to the debt service fund of the Tribe

The purpose of this schedule is to reconcile EBITDA to the required transfer of those earnings to the debt service fund of the Tribe through the Collection Account pursuant to certain debt agreements.

	Twelve Months Ended September 30 (dollars in thousands)	
	2016	2015
EBITDA	\$ 157,484	\$ 149,949
Severance expense	(799)	(2,542)
Advisory fees	(990)	(3,588)
Interest expense	-	(1,484)
Term Loan C Repayment ⁽¹⁾	-	(18,650)
Capital Spending	(21,706)	(18,567)
Change in MPGE working capital ⁽²⁾	4,113	(11,103)
Free Cash Flow earned	138,102	94,015
Timing differences of Free Cash Flow transferred to the Tribe ⁽³⁾	(3,619)	(5,583)
Net Transfers to debt service fund of the Tribe from MPGE	\$ 134,483	\$ 88,432

Notes to Reconciliation:

- (1) The Term Loan C facility was repaid by the Enterprise in full as of August 2015 in advance of the maturity date of January 1, 2016.
- (2) The change in MPGE working capital is driven primarily by the following factors (a) the timing of payments for the outstanding accounts payable liability at fiscal year-end and (b) the timing of billings and related payments for Tribal services charged to the Enterprise.
- (3) MPGE is required to transfer to the Collection Account its monthly Free Cash Flow, as defined in certain debt agreements, no later than five business days before the end of the month following the month in which it was earned. Therefore, there will be a timing difference at the beginning and end of the respective fiscal periods.

Liquidity and Capital Resources

MPGE's cash flows consisted of the following (dollars in thousands):

	For the Twelve Months Ended September 30,			
	2016	2015	Variance	
			Amount	Percent
Net cash provided by operating activities	\$ 160,061	\$ 132,413	\$ 27,648	20.9%
Net cash used in investing activities	\$ (21,690)	\$ (18,300)	\$ (3,390)	18.5%
Net cash used in financing activities	\$ (134,483)	\$ (106,407)	\$ (28,076)	26.4%
Net increase (decrease) in cash and cash equivalents	\$3,888	\$7,706	(3,818)	(49.5%)

As of September 30, 2016 and 2015, MPGE held cash and cash equivalents of \$52.5 million and \$48.6 million, respectively. As a result of the cash based nature of our business, operating cash flow levels tend to follow trends in our operating income, excluding the effects of non-cash charges, such as depreciation and amortization.

Operating activities are a significant source of MPGE's cash flows and are utilized for changes in MPGE's working capital, capital expenditures, severance expenses, restructuring fees, principal and interest payments and the transfer to the Tribe of MPGE's Free Cash Flow, as defined in certain loan agreements. There are numerous potential factors which may cause a substantial reduction in the amount of MPGE's cash flows, including, but not limited to those identified under the "Cautionary Note Regarding Forward Looking Statements" on page 3.

Capital Spending and MPTN Government Funding

For the twelve months ended September 30, 2016, MPGE spent approximately \$21.7 million for project and maintenance related capital, primarily for new slot machines, the redesign of our center and atrium bars, the continuation of our power redundancy, surveillance and IT upgrades along with general property maintenance projects versus \$18.6 million for the same period in 2015.

Funding from the Collection Account for MPTN government operations, which includes the Tribe's non-gaming enterprises and capital related expenditures, was \$35.0 million for the twelve months ended September 30, 2016 versus \$40.0 million for the same period in 2015.

Tribal governmental operations and programs include tribal governance, administration and regulatory activities, the judicial system, public safety such as police and fire, operation of water and waste water treatment plants, housing, provision of health care, educational and financial support programs for the benefit of Tribal Members, cultural programs and services including the Museum and Research Center as well as maintenance and operation of our public facilities and tribal roads.

Contractual Obligations and Commitments

The following table presents estimated payment obligations related to certain material contractual obligations and the timing of those payments as of September 30, 2016. The calculation of estimated future payments related to some of these contractual commitments are based, in large part, on revenue projections over an extended period of time, as well as other factors. Given the high level of estimate and judgment utilized in the calculation of these liabilities, future events that affect such estimates and judgments may cause actual payments to materially differ from current estimates.

	Total	Less than 1 year (1)	1-3 years	3-5 years	More than 5 years
<u>Contractual Obligations</u>					
State of Connecticut Slot Contribution (2)	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Leases	2,525	2,413	112	-	-
Procurement	66,946	14,258	23,591	20,184	8,913
Construction	2,133	2,133	-	-	-
Total	\$71,604	\$18,804	\$23,703	\$20,184	\$8,913

- (1) Represents payment obligations from October 1, 2016 to September 30, 2017.
- (2) Slot win contribution payments to the State of Connecticut are the lesser of (i) 30% of gross operating revenues derived from video facsimiles during the State's fiscal year, or (ii) the greater of 25% of gross operating revenues from such devices during the State's fiscal year or \$80.0 million. Free promotional play contribution payments are 25% of the face amount of free promotional plays in excess of 11% of monthly gross revenues from slot machines at MPGE. At this time these amounts are not able to be reasonably estimated.

External Sources of Liquidity

On July 1, 2013, the Tribe consummated its offers to exchange its entire \$2.3 billion of outstanding debt for new debt in the amount of \$1.7 billion. This consensual restructuring represents the resolution of 100% of creditor claims resulting from our default in 2009.

In July 2013, a new undrawn \$5 million revolving credit facility was made available to the Enterprise to meet working capital needs. The revolver matured on January 1, 2016 and was not renewed. The Tribe has no external sources of liquidity.

Indebtedness of the Tribe

As a result of increased competition the deterioration of the general economic environment and other factors mentioned above, the Tribe defaulted on its debt in 2009. Thereafter, the Tribe operated under a series of forbearance agreements with its senior lenders until a settlement was reached with all of the lenders. On July 1, 2013, the Tribe consummated its offers to exchange the entire \$2.2 billion of outstanding debt for new debt instruments totaling \$1.7 billion. Pre-restructuring debt as of June 30, 2013 consisted of:

Interim Kien Huat I and Kien Huat II loans	\$ 20.0
Syndicate Facility	522.7
Special Revenue Obligations	633.5
Subordinated Special Revenue Obligations	429.8
8.5% Notes	<u>633.4</u>
Total	<u>\$2,239.4</u>

On August 14, 2014 the Tribe acknowledged to the lenders under the Credit Facility (the “Credit Facility Lenders”) that it was not in compliance with certain financial covenants in the Loan Agreement as of June 30, 2014.

On September 16, 2014 the Credit Facility Lenders delivered a specified default notice to the Collateral Trustee and the trustees for the SROs, SSROs and Notes. The effect of this notice is to block all cash payments of interest from the Collection Account to the Junior Obligations. The Credit Facility Lenders have the right, in accordance with the CTSISA, to direct the application of any excess amounts on deposit in the Collection Account, if any.

On September 25, 2014, the Tribe and the Credit Facility Lenders entered into a forbearance agreement which was extended through December 31, 2015, and was subsequently extended through December 31, 2016 (the “Forbearance Agreement”). Among other things, the Forbearance Agreement provides for a waiver of default interest from the period beginning on June 30, 2014 through the date that the Tribe receives a Default Rate Notice that the Credit Facility Lenders will begin to charge default interest. The Default Rate Notice will specify the date that default interest will commence which shall be on or after the date of the Default Rate Notice. Also under the terms of the Forbearance Agreement, the Credit Facility Lenders agreed to forbear from exercising certain default related remedies available to them and the Tribe agreed to a new financial test that the Enterprise must meet. If the Forbearance Agreement is not renewed upon its expiration and the Credit Facility Lenders were to exercise certain default related remedies, those circumstances might negatively impact the operations of the Enterprise. From 2009 until the debt restructuring on July 1, 2013, the Tribe and the senior lenders had entered into a series of forbearance agreements which provided the time for the Tribe to negotiate the restructuring of its entire debt outstanding. While management believes that the current Forbearance Agreement will be extended at or prior to its expiration, no assurances can be made at this time.

The Enterprise continues to invest in its business and to reduce operating costs to potentially improve its financial performance. Absent an extension of the Forbearance Agreement, refinancing or restructuring of the Tribe’s debt obligations, present cash flows of the Enterprise, while positive, plus available cash balances are not sufficient to meet all of the Tribe’s debt service obligations.

As of September 30, 2016 and September 30, 2015, the Tribe had the following debt:

	<u>September 30, 2016</u>	<u>September 30, 2015</u>
Principal	\$ 1,709,955	\$ 1,709,531
Accrued Interest	113,217	62,721
Total debt outstanding	<u>\$ 1,823,172</u>	<u>\$ 1,772,252</u>

	<u>Maturity</u>	<u>September 30, 2016</u>	
		<u>Principal</u>	<u>Accrued Interest</u>
<u>Credit Facility</u>			
Term Loan A	2018	\$ 174,946	\$ -
Term Loan B	2020	266,225	-
Total Credit Facility		441,171	-
<u>Junior Obligations</u>			
SRO Notes	2026	671,752	105,059
SSRO Notes	2031	351,841	6,965
Notes	2036	245,191	1,193
Total Junior Obligations		1,268,784	113,217
Total		<u>\$ 1,709,955</u>	<u>\$ 113,217</u>

Notes to Schedule:

- The financial statements of the Tribe reflect the accounting impacts for troubled debt restructurings in accordance with Government Accounting Standards Board No. 62.
- Interest is added to principal or accrues on March 31 and September 30 of each year consistent with the loan agreements.

Collateral Trust, Security, Intercreditor and Subordination Agreement

On July 1, 2013, the Tribe, the Collateral Trustee, the Administrative Agent for the Credit Facility and the trustees for each of the SRO Notes, the SSRO Notes and the Notes entered into the Collateral Trust, Security, Intercreditor and Subordination Agreement (“CTSISA”) which sets forth the respective rights and remedies of the Credit Facility lenders and the various holders of the SRO Notes, the SSRO Notes and the Notes (the “Junior Obligations”) with respect to common collateral and the priority of payments. Pursuant to the terms of the CTSISA, the payment of the principal and interest on any of the Junior Obligations will be subordinate and subject in right to the prior payment in full of the Credit Facility.

Under the CTSISA, the Tribe is required to deposit Free Cash Flow, as defined by the CTSISA, on a monthly basis into a trust account maintained by the collateral trustee (the “Collection Account”). The Collection Account is recorded in the debt service fund of the Tribe. Amounts in the Collection Account will be applied to pay, among other things, scheduled principal and interest, a monthly fixed distribution to the Tribe and the distribution of Excess Cash Flow generated. The monthly fixed distribution to the Tribe is initially equal to \$42.5 million per annum, declines to \$40.0 million in the second year and then to \$35.0 million per annum beginning in October 2015 and remains constant at that rate thereafter until full repayment of the Notes, subject to certain events of default (the “Fixed Distribution”). Excess Cash Flow equals Free Cash Flow deposited into the Collection Account, minus the fixed distribution to the Tribe, minus scheduled principal and interest, and minus certain other fees and expenses (“Excess Cash Flow”). Excess Cash Flow, if any, is required to be distributed to the Credit Facility lenders, the various holders of Junior Obligations and the Tribe twice each year in January and May.

Credit Facility

On July 1, 2013, the Tribe entered into a Loan Agreement among the Tribe and Bank of America, N.A. as Administrative Agent, Swing Line Lender and L/C Issuer (the "Loan Agreement"). The Loan Agreement provides for loans under four credit facilities; the Term Loan A Facility, the Term Loan B Facility, the Term Loan C Facility and a Revolving Credit Facility (collectively the "Credit Facility"). The Term Loan A Facility and Term Loan B Facility may be repaid by a combination of fixed amortization plus mandatory and voluntary prepayments, if any. The Term Loan C and Revolving Credit Facility have no fixed amortization.

The Credit Facility will receive all Excess Cash Flow, if any, as defined by the Loan Agreement during a Specified Bank Default. Payments of Excess Cash Flow, if any, will be applied first to the Term Loan A until paid in full, second to the Term Loan C until paid in full, third to the Term Loan B until paid in full and then to prepay the Revolving Credit Facility and cash collateralize outstanding Letters of Credit.

The Tribe may voluntarily prepay the outstanding Credit Facility loans at any time without premium or penalty. Optional prepayments of term loans will be applied first to the Term Loan C until paid in full, second to the Term Loan A until paid in full and third to the Term Loan B.

The Tribe will also be required to prepay Credit Facility loans in an amount equal to 100% of the net cash proceeds received (i) as a result of the State of Connecticut, Department of Public Utility Control's Capital Grant for Customer-Side Distributed Generation Resources in respect of the Tribe's cogeneration plant and (ii) with the proceeds of certain asset sales and casualty events, subject to reinvestment rights and certain exceptions. Mandatory prepayments (other than with respect to excess cash flow) will be applied first to the Term Loan C until paid in full, second to the Term Loan A until paid in full, third to the Term Loan B until paid in full and then to prepay the Revolving Credit Facility and cash collateralize outstanding letters of credit. Any portion of the Term Loan A Facility, Term Loan B Facility or Term Loan C Facility repaid or prepaid may not be reborrowed.

A security interest has been granted in certain personal property and certain revenues from Enterprise property to the collateral trustee stipulated under the CTSISA, for the benefit of the administrative agent, the Credit Facility lenders and certain providers of cash management and hedging services to the Tribe or the Enterprise. In addition, the Collateral Trustee has been granted a mortgage on the real property at Two Trees Inn and Lake of Isles and, upon the occurrence of an event of default and acceleration under the Loan Agreement, a lien on the cash flow of Two Trees Inn and Lake of Isles.

The Loan Agreement contains certain covenants which, among other things, (i) require compliance with certain interest coverage ratios and leverage ratios, (ii) require the maintenance, preservation and protection of all Enterprise property in good order and condition, and (iii) limit the incurrence of indebtedness, the disposition of property, capital expenditures, investments and acquisitions and certain transactions with affiliates.

The Loan Agreement contains customary events of default, including, without limitation, payment defaults, breaches of representations and warranties, covenant defaults, cross defaults to certain other indebtedness, certain events of insolvency and subordination and change of control provisions.

Although the obligations under the Loan Agreement are initially non-recourse to the Tribe, the agreement contains several recourse triggers including, but not limited to, (i) the failure of the Tribe to deposit Free Cash Flow into the Collection Account, (ii) the imposition of certain new taxes on the operations of the Enterprise, any Related Subsidiary, or certain Enterprise property, (iii) the modification of any tribal law impairing any contractual obligation of the Tribe, the Enterprise or any Related Subsidiary under the loan documentation, (iv) the incurrence of additional debt with recourse to, or liens upon, Enterprise property, (v) the commingling of Enterprise property with other assets of the Tribe or (vi) the termination of the gaming operations of the Enterprise.

Term Loan A Facility – The maturity date of this facility is July 1, 2018. The Tribe may choose to price loans using either Eurodollar (LIBOR) or Base Rate indices plus a spread. The Eurodollar Rate is subject to a floor of 1.00% and the Base Rate is subject to a floor of 2.00%. The current spread for Eurodollar loans is 4.00% and for Base Rate loans is 3.00%. The spread may decrease over time based upon the senior leverage ratio set forth

in the most recent compliance certificate. At September 30, 2016, the interest rate was 5.00%. The Term Loan A Facility will amortize at a rate of \$27.3 million per year. In addition, the Term Loan A will be repaid from a portion of Excess Cash Flow plus mandatory or optional voluntary prepayments by the borrower as described above.

Term Loan B Facility – The maturity date of this facility is June 30, 2020. The Tribe may choose to price loans using either Eurodollar (LIBOR) or Base Rate indices plus a spread. The Eurodollar Rate is subject to a floor of 1.25% and the Base Rate is subject to a floor of 2.25%. The fixed spread for Eurodollar loans is 8.125% and for Base Rate loans is 7.125%. At September 30, 2016, the interest rate was 9.375%. The Term Loan B Facility will amortize at a rate of \$2.7 million per year. In addition, the Term Loan B will be repaid from a portion of Excess Cash Flow plus mandatory or optional voluntary prepayments by the borrower as described above.

Term Loan C Facility – The Term Loan C Facility was repaid in full as of August 28, 2015 in advance of the maturity date of January 1, 2016.

Revolving Credit Facility – The facility matured on January 1, 2016 and was not renewed.

SRO Notes

On July 1, 2013, the Tribe issued \$650.3 million of SRO Notes (“SROs”). The maturity date of the SROs is July 1, 2026. The SROs bear interest at a rate per annum of 7.35% provided that (i) from the issue date until and including the earlier of (x) the 6th anniversary of the date issuance and (y) when the aggregate principal amount under the Credit Facility is less than or equal to \$450.0 million (such earlier date, the “SRO PIK Toggle Date”), such interest in an amount equal to 6.35% per annum shall be payable in cash and 1.00% per annum shall be payable in kind by increasing the principal amount of the SROs and (ii) after the SRO PIK Toggle Date, all of such interest shall be payable in cash. Interest is payable each March 31 and September 30 and on the maturity date. There is no scheduled fixed amortization prior to maturity. The Tribe is to redeem outstanding SROs in an aggregate principal amount along with accrued and unpaid interest thereon equal to the amount of Excess Cash Flow distributed to the SROs.

Pursuant to the CTSISA, the SROs are contractually subordinated in right of payment to the Tribe’s obligations under the Credit Facility and are secured on a second priority lien basis by all assets that secure the Credit Facility, subject to certain exceptions.

As of the date of the delivery of the specified default notice by the Credit Facility Lenders, interest accrues on the SROs in accordance with the SRO indenture.

The SRO indenture contains certain affirmative and negative covenants limiting the Tribe’s ability to incur additional debt, make dispositions of Enterprise property, make investments or acquisitions using Enterprise property, make distributions or payments, including distributions from the Enterprise to the Tribe, incur liens and engage in transactions with affiliates.

SSRO Notes

On July 1, 2013, the Tribe issued \$304.5 million of SSRO Notes (“SSROs”). The maturity date of the SSROs is July 1, 2031 (the “Initial Maturity Date”). The SSROs bear interest (i) at a rate per annum of 6.05% (the “Fixed Component”) and (ii) for the first three years following the issue date, an additional amount equal to the product of 1.0256% per annum and the aggregate principal amount of SSRO Notes outstanding as of the issue date (the “Additional Component”); provided that from the issue date until and including the 7th anniversary of the issue date (the “SSRO PIK Toggle Date”), the Fixed Component in an amount equal to 4.00% per annum shall be payable in cash and 2.05% per annum shall be payable in kind by increasing the principal amount of the SSROs and (ii) after the SSRO PIK Toggle Date, all of such interest shall be payable in cash. Interest is payable each March 31 and September 30 and on the maturity date. The Additional Component of interest was fully funded in cash at the time of issuance and is being held in an account with the SSRO trustee. The Additional Component of interest was required to be paid in installments and will be fully repaid in fiscal 2016. In addition to the amounts described above, the SSROs will be entitled to receive contingent interest either at maturity or during the period from the Initial Maturity Date to July 1, 2048 (the “Final Maturity Date”). The amount of

contingent interest, if any, is dependent upon a projection made at the Initial Maturity Date of Excess Cash Flows allocated to the SSROs during the period from the Initial Maturity Date to the Final Maturity Date subject to a formula cap. There is no scheduled fixed amortization prior to maturity. Subject to certain exceptions, the Tribe is to use the amount of Excess Cash Flow distributed to the SSROs to either (i) make open market purchases of outstanding SSROs at a price determined by the Tribe or (ii) make optional redemptions of outstanding Notes or (iii) make open market purchases of outstanding Notes at a price to be determined by the Tribe, the allocation between (i), (ii) and (iii) to be at the Tribe's discretion.

Pursuant to the CTSISA, the SSROs are contractually subordinated in right of payment to the Tribe's obligations under the Credit Facility and the SROs, and are secured on a third priority lien basis by all assets that secure the Credit Facility, subject to certain exceptions.

As of the date of the delivery of the specified default notice by the Credit Facility Lenders, interest accrues or is paid in kind on the SSROs in accordance with the SSRO indenture.

The SSRO indenture contains certain affirmative and negative covenants limiting the Tribe's ability to incur additional debt, make dispositions of Enterprise property, make investments or acquisitions using Enterprise property, make distributions or payments, including distributions from the Enterprise to the Tribe, incur liens and engage in transactions with affiliates.

Notes

On July 1, 2013, the Tribe issued \$201.7 million of Notes ("Notes"). The maturity date of the Notes is July 1, 2036 (the "Initial Maturity Date"). The Notes bear interest at a rate per annum of 6.5% provided that (i) from the issue date until the later of (x) the 8th anniversary of the date of issuance and (y) the first date upon which the ratio of (a) the sum of the outstanding principal amount of loans under the Credit Facility and the Junior Obligations to (b) Enterprise EBITDA less the Fixed Distribution for the four consecutive fiscal quarters is less than 6.25 to 1.0 (such later date, the "Notes PIK Toggle Date"), such interest in an amount equal to 1.00% per annum shall be payable in cash and 5.5% per annum shall be payable in kind by increasing the principal amount of the Notes and (ii) after the Notes PIK Toggle Date, all of such interest shall be payable in cash. Interest is payable each March 31 and September 30 and on the maturity date. In addition to the amounts described above, the Notes will be entitled to receive contingent interest either at maturity or during the period from the Initial Maturity Date to July 1, 2048 (the "Final Maturity Date"). The amount of contingent interest, if any, is dependent upon a projection made at the Initial Maturity Date of Excess Cash Flows allocated to the Notes during the period from the Initial Maturity Date to the Final Maturity Date subject to a formula cap. There is no scheduled fixed amortization prior to maturity. The Tribe is to redeem outstanding Notes in an aggregate principal amount along with accrued and unpaid interest thereon equal to the amount of Excess Cash Flow distributed to the Notes.

Pursuant to the CTSISA, the Notes are contractually subordinated in right of payment to the Tribe's obligations under the Credit Facility, the SROs and the SSROs, and are secured on a fourth priority lien basis by all assets that secure the Credit Facility, subject to certain exceptions.

As of the date of the delivery of the specified default notice by the Credit Facility Lenders, interest accrues or is paid in kind on the Notes in accordance with the Notes indenture.

The Notes indenture contains certain affirmative and negative covenants limiting the Tribe's ability to incur additional debt, make dispositions of Enterprise property, make investments or acquisitions using Enterprise property, make distributions or payments, including distributions from the Enterprise to the Tribe, incur liens and engage in transactions with affiliates.

On August 14, 2014 the Tribe acknowledged to the lenders under the Credit Facility (the "Credit Facility Lenders") that it was not in compliance with certain financial covenants in the Loan Agreement as of June 30, 2014. The Tribe and the Credit Facility Lenders subsequently entered into two forbearance agreements which, among other things, provides for a waiver of default interest from the period beginning on June 30, 2014 through the date that the Tribe receives a Default Rate Notice that the Credit Facility Lenders will begin to charge default interest. The Default Rate Notice will specify the date that default interest will commence which shall be on or after the date of the Default Rate Notice. On September 16, 2014 the Credit Facility Lenders

delivered a specified default notice to the Collateral Trustee and the trustees for the SROs, SSROs and Notes. The effect of this notice is to block all cash payments of interest from the Collection Account to the Junior Obligations. The Credit Facility Lenders have the right, in accordance with the CTSISA, to direct the application of any excess amounts on deposit in the Collection Account, if any.

Item 9. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Interest Rate Risk

Our primary exposure to market risk for changes in interest rates relates to certain of our outstanding debt obligations. As of September 30, 2016, we had \$1.8 billion of debt, of which \$1.3 billion bears interest at a fixed rate. Accordingly, our exposure to interest rates is limited to variable rate debt of approximately \$0.5 billion outstanding as of September 30, 2016. The effect of an immediate 10% change in interest rates would not have a significant impact on our results of operations.

Factors That May Affect Future Results

For a discussion of factors that may affect future results, see “Risk Factors.”

Item 10. ENTERPRISE MANAGEMENT AND GOVERNANCE

Mashantucket Pequot Gaming Enterprise

All gaming on our Reservation is conducted by the Mashantucket Pequot Gaming Enterprise, which does business as Foxwoods Resort Casino. The Enterprise was established as an unincorporated instrumentality of the Tribe by a resolution of the Tribal Council in February 1991. This resolution, which constitutes the charter of the Enterprise, authorizes the Enterprise to operate our casinos and high-stakes bingo operations and certain related resort activities. The charter delegates authority to the Enterprise to enable it to engage in normal business transactions. Currently, the Chief Executive Officer of the Enterprise reports directly to the Tribal Council.

The Enterprise includes all of our gaming operations and all hotel, resort and related operations conducted on our Reservation. The Mashantucket Pequot Museum and Research Center is not part of the Enterprise, nor are facilities located contiguous to or away from our Reservation such as the Lake of Isles golf resort, Two Trees Inn and Norwich Inn & Spa.

The charter of the Enterprise provides for the appointment by the Tribal Council of a President and Chief Executive Officer of the Enterprise. The charter gives the Chief Executive Officer responsibility for day-to-day operations of the Enterprise and empowers him to appoint other management personnel and oversee selection of all Enterprise employees. All employees of Foxwoods, including the Chief Executive Officer and all managers, are our employees. The Tribal Council retains authority to remove the Chief Executive Officer or other management personnel, subject to satisfying any financial obligations to the individual management employees.

The Enterprise's Executive Management Team

The following table sets forth information regarding the executive management team of the Enterprise as of September 30, 2016:

Officers	Age	Position
Felix Rappaport	63	President & Chief Executive Officer
Karen Lanigan	48	Senior Vice President of Finance
Scott Rider	52	Vice President of Player Development & Casino Marketing
Paul LaRocca	59	Vice President of Brand Marketing
Adam Odegard	55	Vice President of Food & Beverage
Christopher O'Connell	50	Vice President of Development and Resort Services
Jason Guyot	37	Vice President of Resort Operations and Development
Annette DeBois	51	Vice President of Retail Development and Operations
Brian Charette	47	Vice President of Information Systems
Dale Patricia Merrill	41	Vice President of Human Resources

Felix Rappaport. Mr. Rappaport, 63, was appointed President & Chief Executive on November 18, 2014 and served as Chief Operating Officer of the Enterprise since January 2014. Prior to this, Mr. Rappaport worked in the gaming and hospitality industry as the President and Chief Operating Officer of The Mirage Hotel and Casino from September 2010 to December 2012. Mr. Rappaport served as President and Chief Operating Officer at Luxor Hotel and Casino from April 2005 to September 2010, with the Excalibur Hotel and Casino added to his responsibilities in 2009. He also served as President and Chief Operating Officer at New York – New York Hotel & Casino from September 2000 to April 2005 and Executive Vice President of Operations and Senior Vice President of Hotel Operations at MGM Grand Hotel & Casino from November 1998 to September 2000 and the Vice President and General Manager of Boulder Station Hotel & Casino from July 1996 to November 1998. He also served as Vice President of Hotel Operations at Treasure Island Las Vegas from June 1993 to July 1996 and The Mirage from September 1991 to June of 1993. Mr. Rappaport was the President and General Manager of the Philadelphia Radisson Hotel from 1990 to 1991. He was the General Manager at The Hershey Philadelphia Hotel from 1988 to 1990 and Assistant General Manager from 1986 to 1988. He holds a Bachelor of Arts from the University of Philadelphia.

Karen Lanigan. Ms. Lanigan, 48, has served as Senior Vice President of Finance since 2013. Ms. Lanigan began her career with the Enterprise in March 1992 and has held various management positions in Finance since then including Vice President of Finance and Financial Controller with oversight of general accounting, casino accounting, warehouse operations and purchasing. Ms. Lanigan is a Certified Public Accountant and served as an Audit Supervisor for Coopers & Lybrand from 1989 to 1992. Ms. Lanigan holds a M.S. in Management from Albertus Magnus College and a B.S. in Accounting from Western New England College.

Scott Rider. Mr. Rider, 52, was appointed Vice President of Player Development and Casino Marketing on March 29, 2015. Scott began his career at the Regency Hotel in Boston and The Stardust in Las Vegas. He joined the Enterprise in 1992 as an Assistant Beverage Manager and later moved into the roles of Director of Casino Hosts and Vice President of Player Development.

Paul LaRocca. Mr. LaRocca 59, joined the enterprise in February, 2015 as the Vice President of Brand Marketing. Prior to this, Mr. LaRocca has held senior branding and integrated marketing positions at leading New York broadcast media and entertainment companies like Viacom's MTV Networks, CBS Television, Comedy Central and Time Warner. In publishing and digital media, he's held similar positions at Rolling Stone, Maxim and Vibe as well as several interactive gaming start-ups out of Boston. Additionally he was the General Manager and CMO at the Greenspun Media Group, a leading multi-platform media company headquartered in Las Vegas. He holds a B.S. in Communications from Utica College of Syracuse University.

Adam Odegard. Mr. Odegard, 55, has served as the Vice President of Food & Beverage for the Enterprise since April 2015. Before joining Foxwoods since 2012, Mr. Odegard served as President of a hospitality consulting company. From 1999 to 2011 Mr. Odegard was with MGM Resorts International as Vice President of Food & Beverage at Treasure Island and Mandalay Bay. Mr. Odegard's career took him from Jerusalem Israel with Hilton International; Melbourne, Australia at the highly rated The Willow's Restaurant to New York City as Executive Chef at the Ritz Carlton and Peninsula Hotels. Classically trained as a Chef, Mr. Odegard holds a Grandé Diplome Culinaires Degree from La Varenne in Paris, France.

Christopher O'Connell. Mr. O'Connell, 50, joined the Enterprise in February 1993 and has served as Vice President of Development and Resort Services since December 2012. Prior to this, Mr. O'Connell served as Vice President of Hotel Operations at Foxwoods Resort Casino from 2011 to 2012, Executive Director of Hotel Operations at Foxwoods Resort and Casino from 2009 to 2011, Director of Hotel Operations for MGM Grand at Foxwoods from 2007 to 2009, and Director of Hotel Operations for the Two Trees Inn from 2001 to 2007. Prior to this, Mr. O'Connell held various hotel operations positions for the Enterprise. Mr. O'Connell holds a B.S. in Hotel & Institutional Management from Bryant University.

Jason Guyot. Mr. Guyot, 37, joined the Enterprise in June 2003 and has served as the Vice President of Hotel Operations since December 2012. Prior to this, Mr. Guyot served as Vice President of Hotel Operations at MGM Grand at Foxwoods from 2011 to 2012, Executive Director of Hotel Operations & Shared Services at MGM Grand at Foxwoods from 2009 to 2011, Director of Operations & Shared Services from 2008 to 2009, Director of Employment & Diversity at Foxwoods Resort Casino from 2004 to 2008 and Manager of Indian Preference & Diversity at Foxwoods Resort Casino from 2003 to 2004. Mr. Guyot also previously served on the Board of Managers for Foxwoods Development Company. Mr. Guyot holds a B.A. in Behavioral Sciences, an A.S. in Human Services from Mitchell College and completed the General Managers Program at the Cornell University School of Hotel Administration. Mr. Guyot is an enrolled member of the Tribe.

Annette DeBois. Ms. DeBois, 51, joined the Enterprise in September 2011 as the Executive Director of Retail and was promoted to the Vice President of Retail Development and Operations in August 2012. Prior to this, Ms. DeBois served as the Director of Retail of The Cosmopolitan Resort Casino from October 2010 to September 2011. She held the positions of Retail Buyer and then Divisional Merchandise Manager at Wynn Resorts, Limited from April 2004 to November 2009. Ms. DeBois has worked in the retail fashion industry for both Bergdorf Goodman and Escada (USA) Inc. Ms. DeBois holds a B.A. from William Smith College.

Brian Charette. Mr. Charette, 47, joined the Enterprise in June 1994 and currently serves as the Vice President Information Systems since 2006. Prior to this, Mr. Charette was named Director of Gaming Systems in 1998 and Executive Director of Resort Systems in 2005. Mr. Charette left the Enterprise from 1996 to 1997 to found a technology company pioneering in next generation in-room interactive entertainment systems. Mr. Charette also served as a Software Consultant for KPMG Peat Marwick from 1990 to 1994. Mr. Charette is currently an advisory board member of Gaming & Leisure Magazine and previously served on the Board of the Connecticut Technology Council. Mr. Charette holds a B.S. in Computer Science from Southern Connecticut State University.

Dale Patricia Merrill. Ms. Merrill, 41, joined the Enterprise in April 1999 and was promoted to the position of Vice President of Human Resources & Administration in December 2013. Prior to this, Ms. Merrill has served as the Executive Director of Human Resources from 2012 to 2013, Executive Director of Talent Management & Culture from 2010 to 2012, as Director of Employment & Diversity from 2008 to 2010 and Internal Communications Manager from 2006 to 2008. Ms. Merrill also has served in various positions within the MPTN's Government from 1999 to 2006 including in Creative Arts, Public Relations and Tribal Council offices. Ms. Merrill holds a M.S. in Human Resource Development from Villanova University and a Bachelor of General Studies from the University of Connecticut. Ms. Merrill has been certified as a Professional in Human Resources from Human Resource Certification Institute. In addition, she is a certified mediator from the Pulse Institute. Ms. Merrill is an enrolled member of the Tribe.

Tribal Audit Authority

The Tribe has established a separately-designated Tribal Audit Authority. The Tribal Audit Authority works under the direction of the Tribal Council and supervises the Internal Audit Department on policy matters including the formulation of the annual audit plan. The Tribal Audit Authority currently consists of John Guevremont, a Tribal Member and retired Chief of Staff of the Tribal Council who currently serves as the Interim Chairman together with Tribal Audit Authority Member Mr. William Sherlock, retired President/CEO of Foxwoods.

Code of Ethics

We have adopted a code of ethics entitled Code of Business Conduct, Ethics, and Conflict of Interest Policy.

PART III

Item 11. LEGAL PROCEEDINGS

We are engaged from time to time in matters of routine litigation regarding the Mashantucket Pequot Gaming Enterprise including claims with patrons, routine personal injury claims and various labor and employment matters.

Item 12. GOVERNMENT REGULATIONS

General

We are subject to special federal, state and tribal laws applicable to commercial relationships with Indians, Indian gaming and the management and financing of casinos owned by an Indian tribe. In addition, we are regulated by federal laws applicable to the gaming industry, generally. The following description of the regulatory environment in which Indian gaming takes place and in which we operate is only a summary and not a complete recitation of all applicable law. Moreover, since this regulatory environment is susceptible to changes in public policy considerations, we cannot predict how certain provisions of our regulatory environment will be interpreted from time to time or whether they will remain intact. Changes in these laws could have a material adverse impact on our operations. See "Risk Factors".

Tribal Law and Legal Systems

Applicability of State and Federal Law

Federally-recognized Indian tribes are independent governments, subordinate to the United States, with sovereign powers, except as those powers may have been limited by treaty, Congress or judicial interpretation. The power of Indian tribes to enact their own laws to regulate gaming devices from the exercise of tribal sovereignty is subject to federal law. Indian tribes maintain their own governmental systems and often their own judicial systems. Indian tribes have the right to tax persons and enterprises conducting business on Indian lands and also have the right to require licenses and to impose other forms of regulations and regulatory fees on persons and businesses operating on their lands.

Absent our consent or action of Congress, most laws of the State of Connecticut do not apply to us. The federal law that settled our land claims in 1983 has extended civil adjudicatory jurisdiction over matters arising within the Tribe's reservation and has been held to have extended State criminal jurisdiction over the Tribe's reservation.

Waiver of Sovereign Immunity; Jurisdiction; Exhaustion of Tribal Remedies

Indian tribes enjoy sovereign immunity from unconsented suit similar to that of the states and the United States. In order to sue an Indian tribe (or an agency or instrumentality of an Indian tribe, such as us), it must have effectively waived its sovereign immunity with respect to the matter in dispute. Further, in most commercial disputes with Indian tribes, the jurisdiction of the federal courts, which are courts of limited jurisdiction, may be difficult or impossible to obtain. A commercial dispute is unlikely to present a federal question, and some courts have ruled that an Indian tribe as a party is not a citizen of any state for purposes of establishing diversity jurisdiction in the federal courts. State courts also may lack jurisdiction over suits brought by non-Indians against Indian tribes in Connecticut. The remedies available against an Indian tribe also depend, at least in part, upon the rules of comity requiring initial exhaustion of remedies in tribal tribunals and, as to some judicial remedies, the tribe's consent to jurisdictional provisions contained in the disputed agreements. The U.S. Supreme Court has held that jurisdiction in the Tribal forum first must be exhausted before any dispute can be heard properly by federal courts which otherwise would have jurisdiction. Where a dispute as to the jurisdiction of the tribal forum exists, the tribal court first must rule as to the limits of its own jurisdiction. Tribes may waive any right to the exhaustion of tribal court remedies, but the enforceability of such waiver remains untested.

In connection with some of our contractual arrangements, including substantially all of our outstanding indebtedness, we and the Enterprise have agreed to waive any right to the exhaustion of tribal remedies and to waive our and their respective sovereign immunity from unconsented suit and to permit any court of competent jurisdiction to: (1) enforce and interpret the terms of our applicable outstanding indebtedness, and award and enforce the award of damages owing as a consequence of a breach thereof, whether such award is the product of litigation, administrative proceedings, or arbitration; (2) determine whether we have improperly granted or withheld unreasonably any consent or approval; and (3) enforce any judgment prohibiting us from taking any action, or mandating or obligating us to take any action, including a judgment compelling us to submit to binding arbitration.

The Indian Gaming Regulatory Act of 1988

Regulatory Authority

The operation of casinos and of all Class II and III gaming on Indian land is subject to the Indian Gaming Regulatory Act of 1988, as amended ("IGRA"). IGRA is administered by the National Indian Gaming Commission (the "NIGC"), an independent agency within the U.S. Department of the Interior which exercises primary federal regulatory responsibility over Indian gaming. The NIGC has exclusive federal authority to issue regulations governing tribal gaming activities, approve tribal ordinances for regulating Class II and Class III Gaming (as described below), approve management agreements for gaming facilities, conduct investigations and generally monitor tribal gaming. The Bureau of Indian Affairs, which is a bureau of the DOI, retains certain responsibilities under IGRA (such as the approval of gaming compacts, per capita distribution plans to tribal members and the approval of transfers of lands into trust status for gaming. The BIA also has responsibility to review and approve certain land leases and other agreements relating to Indian lands. In accordance with federal law, criminal enforcement is a shared responsibility of the U.S. Department of Justice, the state in which the tribe is located and the tribe.

For class II gaming, the NIGC is empowered to monitor gaming conducted on Indian lands on a continuing basis, inspect and audit all Indian gaming facilities on which class II gaming is conducted. It may conduct background checks on all persons associated with Indian gaming, to hold hearings, issue subpoenas, take depositions, adopt regulations, assess fees and impose civil penalties for violations of IGRA. IGRA also provides for federal criminal penalties for illegal gaming on Indian land and for theft from Indian gaming facilities. The NIGC has adopted rules implementing certain provisions of IGRA. The rules govern, among other things, the submission and approval of tribal gaming ordinances or resolutions and require an Indian tribe to have the sole proprietary interest in and responsibility for the conduct of any gaming. Tribes are required to issue gaming licenses only under articulated standards, to conduct or commission financial audits of their gaming enterprises, to perform or commission background investigations for primary management officials and

key employees and to maintain their facilities in a manner that adequately protects the environment and the public health and safety. These rules also set out review and reporting procedures for tribal licensing of gaming operation employees, tribal gaming facilities and certain vendors and supplies.

Tribal Ordinances

Under IGRA, any class II gaming on Indian lands shall continue to be within the jurisdiction of the Indian tribes, but shall be subject to provisions of IGRA ,except to the extent otherwise provided in a tribal-state compact, Indian tribal governments have primary regulatory authority over Class III gaming on land within a tribe's jurisdiction. Therefore, our gaming operations, and persons engaged in gaming activities, are guided by and subject to the provisions of our ordinances and regulations regarding gaming, in addition to the provisions of the Procedures.

IGRA requires that the NIGC review tribal gaming ordinances and authorizes the NIGC to approve these ordinances only if they meet certain requirements relating to: (1) the ownership, security, personnel background, recordkeeping and auditing of a tribe's gaming enterprises; (2) the use of the revenues from such gaming; and (3) the protection of the environment and the public health and safety.

Classes of Gaming

IGRA classifies games that may be conducted on Indian lands into three categories. "Class I Gaming" includes social games solely for prizes of minimal value or traditional forms of Indian gaming engaged in by individuals as part of, or in connection with, tribal ceremonies or celebrations. "Class II Gaming" includes bingo, pulltabs, lotto, punch boards, certain non-banked card games (if such games are played legally elsewhere in the state), tip jars, instant bingo and other games similar to bingo, if those games are played at the same location as where bingo is played. "Class III Gaming" includes all other forms of gaming, such as slot machines, video casino games (e.g., video blackjack and video poker), so-called banked table games (e.g., blackjack, craps and roulette) and other commercial gaming (e.g., sports betting and pari-mutuel wagering).

Class I Gaming on Indian lands is within the exclusive jurisdiction of the Indian tribes and is not subject to IGRA. Class II Gaming is permitted on Indian lands if: (1) the state in which the Indian lands lie permits such gaming for any purpose by any person, organization or entity; (2) the gaming is not otherwise specifically prohibited on Indian lands by federal law; (3) the gaming is conducted in accordance with a tribal ordinance or resolution which has been approved by the NIGC; (4) an Indian tribe has sole proprietary interest and responsibility for the conduct of gaming; (5) the primary management officials and key employees are tribally licensed; and (6) several other requirements are met. Class III Gaming is permitted on Indian lands if the conditions applicable to Class II Gaming are met, and in addition, the gaming is conducted in conformity with the terms of a tribal-state compact or in our case, the Procedures.

With the growth of the Internet and other modern advances, computers and other technology aids are increasingly used to conduct specific kinds of gaming, such as poker or wagering on horse racing. Congress has adopted and continues to consider legislation to limit or otherwise regulate on-line wagering by U.S. residents. Individual states are also considering legislation to license and regulate Internet gaming on an intrastate basis under safe harbor provisions of the Unlawful Internet Gambling Enforcement Act of 2006, or the UIGEA, adopted in October 2006. Congress has considered but, to date, not passed amendments to the UIGEA or new legislation to establish a licensing, taxing and enforcement framework for Internet gaming. The U.S. Department of Justice has brought indictments against various operators and payment processors involved in offshore on-line gaming transactions with persons located in the United States and also authored an opinion clarifying the department's view of permissible on-line activities by state lotteries under federal law.

Tribal-State Compacts

IGRA requires states to negotiate in good faith with Indian tribes that seek to enter into tribal-state compacts for the conduct of Class III Gaming. Such tribal-state compacts may include provisions for the allocation of criminal and civil jurisdiction between the state and the Indian tribe necessary for the enforcement of such laws and regulations, taxation by the Indian tribe of the Class III Gaming activity in amounts comparable to those amounts assessed by the state for comparable activities, remedies for breach of compacts, standards for the

operation of gaming and maintenance of the gaming facility, including licensing and any other subjects that are directly related to the operation of gaming activities. While the terms of tribal-state compacts vary from state to state, compacts within one state tend to be substantially similar. Tribal-state compacts may specify the types of permitted games, establish technical standards for gaming devices, set maximum and minimum machine payout percentages entitle the state to inspect casinos, require background investigations and licensing of casino employees and may require the tribe to pay a portion of the state's expenses for establishing and maintaining regulatory agencies. Some tribal state compacts are for set terms, while others, including ours, are of indefinite duration.

IGRA provides that if an Indian tribe and state fail to successfully negotiate a tribal-state compact, the United States Department of the Interior may approve gaming procedures pursuant to which Class III Gaming may be conducted on Indian lands. Gaming compacts or approved gaming procedures take effect upon notice of approval by the Secretary of the Interior published in the Federal Register. The Procedures, approved by the United States Secretary of the Interior in 1991, do not have a specific term and will remain in effect until terminated by written agreement of both parties, or the provisions are modified as a result of a change in applicable law. Our gaming operations are subject to the requirements and restrictions contained in the Procedures, which authorize us to conduct most forms of Class III Gaming.

In our case the State of Connecticut refused to negotiate a compact. We initiated suit and as a result and pursuant to a final federal court decision the Secretary issued the Procedures (*Mashantucket Pequot Tribe v. Connecticut*, 913 F.2d 1024 (1990)).

Possible Changes in Federal Law

Bills have been introduced in Congress from time to time which would amend IGRA. While there have been a number of technical amendments to the law, to date there have been no material changes to IGRA. Any amendment of IGRA could change the governmental structure and requirements within which we could conduct gaming, and may have an adverse effect on our results of operations or impose additional regulatory or operational burdens.

Item 13. ENVIRONMENTAL MATTERS

The Gaming Enterprise site was largely undeveloped as of the Tribe's acquisition in the 1980s. There had existed the Norwich, CT to Westerly, RI electric trolley line with its road bed, track and electric wires essentially bisecting the property parallel to Route 2. That line was discontinued in the very early 20th century and the tracks and other improvements, other than the electric lines, were removed. The road bed came under the ownership of an electric utility which maintained electric transmission lines along the property until the Tribe acquired that parcel approximately 20 years ago. As part of that acquisition the electric lines were removed.

Adjoining the property was a restaurant built approximately 40 years ago with no known environmental issues. The only other known use of the property had been as woodland and farmland dated to a period well before the Tribe took ownership.

As part of the land going into trust the BIA conducted a routine environmental survey which revealed no known problems.

Item 14. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED MATTERS

We have no outstanding equity securities.

Item 15. RELATED PARTY TRANSACTIONS

Certain services are provided by the Tribe's Government to the Enterprise. In connection therewith, the Tribe allocates to the Enterprise its share of the operating costs for these centralized departments based on various allocation methods. The cost of such services for the twelve months ended September 30, 2016, 2015 and 2014 was as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Health Benefit program	\$ 66,518	\$ 64,486	\$ 69,213
Reservation infrastructure	21,526	22,442	28,901
Oversight and regulatory	8,601	8,623	9,071
Support Services	8,756	8,264	8,857
Workers' Compensation program	<u>3,810</u>	<u>3,115</u>	<u>4,047</u>
Total	<u>\$ 109,211</u>	<u>\$ 106,930</u>	<u>\$ 120,089</u>

For the twelve months ended September 30, 2016, 2015 and 2014, the Enterprise recorded charges of \$109.2 million, \$106.9 million and \$120.1 million, respectively, as part of its costs of operations for the above mentioned services. As of September 30, 2016 and September 30, 2015, the Enterprise had net liabilities of \$4.9 million and \$14.2 million included in due to related parties in the accompanying balance sheets, respectively.

At September 30, 2016 and September 30, 2015, the Enterprise had accrued liabilities of \$14.5 million and \$15.2 million, respectively, specifically to cover its estimated workers' compensation liability, which is included in accrued expenses in the accompanying balance sheets.

The Enterprise is responsible for departments that provide certain services to the Tribe's government and non-gaming enterprises. These departments consist of Mashantucket Information Systems, Procurement, Environmental Services, Human Resources and certain other services. For the twelve months ended September 30, 2016, 2015 and 2014, the Enterprise charged costs of \$ 2.4 million, \$2.3 million and \$2.5 million, respectively, for each period to the Tribe's government and non-gaming enterprises for services provided by these departments.

The Enterprise reimbursed certain other non-gaming enterprises of the Tribe for goods or services purchased by patrons with points earned from the promotional programs of the Enterprise which totaled approximately \$6.8 million, \$7.0 million and \$7.3 million for the twelve months ended September 30, 2016, 2015 and 2014, respectively.

The Enterprise purchased goods and services totaling approximately \$4.6 million, \$4.9 million and \$4.4 million from entities controlled by members of the Tribe during the twelve months ended September 30, 2016, 2015 and 2014, respectively.

Item 16. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table presents the aggregate fees paid or accrued for professional services rendered:

	<u>2016</u>	<u>2015</u>
Audit fees	\$ 594	\$ 642
Audit-related fees	8	8
All other fees	<u>128</u>	<u>100</u>
Total	<u>\$ 730</u>	<u>\$ 750</u>

Audit fees include fees for our annual audit, quarterly reviews if any and services rendered in connection with lender filings. Audit-related fees include actuarial reports required for our annual audit. All other fees include fees for information technology related risk assessment and testing system controls.

All above services were pre-approved by the Tribal Audit Authority which concluded that the provision of such services were compatible with the maintenance of that firm's independence in the conduct of its auditing functions. The Tribal Audit Authority's outside auditor independence policy provides for pre-approval of all services performed by outside auditors.