

# **Mohegan Tribal Gaming Authority**

**Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations  
For the Quarterly Period ended December 31, 2022**

**INDEPENDENT AUDITOR'S REVIEW REPORT**

Item 1.	<u>Financial Statements</u>	
	<u>Condensed Consolidated Balance Sheets</u> <u>as of December 31, 2022 and September 30, 2022 (unaudited)</u>	<u>4</u>
	<u>Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)</u> <u>for the Three Months Ended December 31, 2022 and 2021 (unaudited)</u>	<u>5</u>
	<u>Condensed Consolidated Statements of Changes in Capital</u> <u>for the Three Months Ended December 31, 2022 and 2021 (unaudited)</u>	<u>6</u>
	<u>Condensed Consolidated Statements of Cash Flows</u> <u>for the Three Months Ended December 31, 2022 and 2021 (unaudited)</u>	<u>7</u>
	<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	<u>9</u>
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>15</u>

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the Management Board of Mohegan Tribal Gaming Authority:

### **Results of Review of Interim Financial Information**

We have reviewed the accompanying condensed consolidated balance sheet of Mohegan Tribal Gaming Authority and subsidiaries (the "Company") as of December 31, 2022, and the related condensed consolidated statements of operations and comprehensive income (loss), changes in capital, and cash flows for the three-month periods ended December 31, 2022 and 2021, and the related notes (collectively referred to as the "interim financial information").

### **Conclusion on Accounting Principles Generally Accepted in the United States of America as Promulgated by the Financial Accounting Standards Board**

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in accordance with accounting principles generally accepted in the United States of America as promulgated by the Financial Accounting Standards Board (FASB).

### **Conclusion on Accounting Principles Generally Accepted in the United States of America for Governmental Entities**

Based on our reviews, material modifications should be made to the accompanying interim financial information for it to be in accordance with accounting principles generally accepted in the United States of America for governmental entities.

### **Basis for Review Results**

We conducted our reviews in accordance with auditing standards generally accepted in the United States of America (GAAS) applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of interim financial information is substantially less in scope than an audit conducted in accordance with GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusions.

As described in Note 1 to the interim financial information, the Company is a governmental entity as defined by the Governmental Accounting Standards Board (GASB). Accordingly, the standards as promulgated by GASB are the appropriate accounting standards for the Company to follow. However, the Company has prepared its interim financial information in accordance with accounting standards as promulgated by the FASB even though the entity meets the "governmental" criteria. The effects on the interim financial information of the variances between the accounting policies described in Note 1 to the interim financial information and generally accepted accounting principles for governmental entities, although not reasonably determinable, are presumed to be material.

### **Responsibilities of Management for the Interim Financial Information**

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

### **Report on Condensed Consolidated Balance Sheet as of September 30, 2022**

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB) and in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of the Company as of September 30, 2022, and the related consolidated statements of income (loss) and comprehensive income (loss), changes in capital, and cash flows for the year then ended (not presented herein); and in our report dated December 20, 2022, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of September 30, 2022, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

[Signature]

February 9, 2023

**Item 1. Financial Statements**

**MOHEGAN TRIBAL GAMING AUTHORITY  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(in thousands)  
(unaudited)**

	December 31, 2022	September 30, 2022
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 179,561	\$ 164,671
Restricted cash and cash equivalents	7,604	8,838
Accounts receivable, net	54,269	45,995
Inventories	20,021	19,662
Due from Ontario Lottery and Gaming Corporation	13,112	8,906
Contract asset	37,428	35,478
Other current assets	40,384	35,551
Total current assets	352,379	319,101
Restricted cash and cash equivalents	342,614	347,005
Property and equipment, net	1,842,566	1,643,790
Right-of-use assets	309,936	305,480
Intangible assets, net	311,461	311,526
Contract asset, net of current portion	43,947	51,979
Notes receivable	2,514	2,514
Other assets, net	68,106	67,522
Total assets	\$ 3,273,523	\$ 3,048,917
<b>LIABILITIES AND CAPITAL</b>		
<b>Current liabilities:</b>		
Current portion of long-term debt	\$ 70,212	\$ 47,402
Current portion of finance lease obligations	4,636	4,491
Current portion of operating lease obligations	6,131	5,473
Trade payables	12,398	16,465
Accrued payroll	44,613	64,332
Construction payables	60,237	61,166
Accrued interest payable	46,956	38,947
Due to Ontario Lottery and Gaming Corporation	3,870	3,582
Other current liabilities	165,058	165,048
Total current liabilities	414,111	406,906
Long-term debt, net of current portion	2,473,505	2,304,551
Finance lease obligations, net of current portion	107,247	107,977
Operating lease obligations, net of current portion	363,979	357,139
Warrants and put option liabilities	56,100	47,300
Other long-term liabilities	37,515	38,943
Total liabilities	3,452,457	3,262,816
<b>Commitments and Contingencies</b>		
<b>Capital:</b>		
Retained deficit	(143,744)	(130,551)
Accumulated other comprehensive loss	(39,988)	(88,146)
Total capital attributable to Mohegan Tribal Gaming Authority	(183,732)	(218,697)
Non-controlling interests	4,798	4,798
Total capital	(178,934)	(213,899)
Total liabilities and capital	\$ 3,273,523	\$ 3,048,917

The accompanying notes are an integral part of these condensed consolidated financial statements.

**MOHEGAN TRIBAL GAMING AUTHORITY**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
**(in thousands)**  
**(unaudited)**

	Three Months Ended	
	December 31, 2022	December 31, 2021
<b>Revenues:</b>		
Gaming	\$ 280,889	\$ 285,729
Food and beverage	38,413	31,619
Hotel	29,553	29,873
Retail, entertainment and other	57,766	54,742
Net revenues	406,621	401,963
<b>Operating costs and expenses:</b>		
Gaming, including related party transactions of \$901 and \$809, respectively	143,317	147,783
Food and beverage	32,490	26,335
Hotel, including related party transactions of \$2,161 and \$2,161, respectively	12,678	11,189
Retail, entertainment and other	23,005	22,008
Advertising, general and administrative, including related party transactions of \$12,368 and \$11,326, respectively	80,078	75,789
Corporate, including related party transactions of \$1,937 and \$1,716, respectively	13,998	21,404
Depreciation and amortization	25,020	25,423
Impairment of tangible assets	—	17,679
Impairment of intangible assets	—	12,869
Other, net	5,806	6,289
Total operating costs and expenses	336,392	366,768
Income from operations	70,229	35,195
<b>Other income (expense):</b>		
Interest income	392	113
Interest expense, net	(56,404)	(44,831)
Loss on modification and early extinguishment of debt	(2,633)	—
Loss on fair value adjustment	(8,800)	—
Other, net	(605)	(791)
Total other expense	(68,050)	(45,509)
Income (loss) before income tax	2,179	(10,314)
Income tax provision	(1,372)	(1,295)
Net income (loss)	807	(11,609)
Income attributable to non-controlling interests	—	(71)
Income (loss) attributable to Mohegan Tribal Gaming Authority	807	(11,680)
<b>Comprehensive income (loss):</b>		
Foreign currency translation adjustment	48,158	(4,976)
Other comprehensive income (loss)	48,158	(4,976)
Other comprehensive income (loss) attributable to Mohegan Tribal Gaming Authority	48,158	(4,976)
Comprehensive income (loss) attributable to Mohegan Tribal Gaming Authority	\$ 48,965	\$ (16,656)

The accompanying notes are an integral part of these condensed consolidated financial statements.

**MOHEGAN TRIBAL GAMING AUTHORITY**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL**  
**(in thousands)**  
**(unaudited)**

	Retained Deficit	Accumulated Other Comprehensive Loss	Total Capital Attributable to Mohegan Tribal Gaming Authority	Non-controlling Interests	Total Capital
<b>Balance, September 30, 2022</b>	\$ (130,551)	\$ (88,146)	\$ (218,697)	\$ 4,798	\$ (213,899)
Net income	807	—	807	—	807
Foreign currency translation adjustment	—	48,158	48,158	—	48,158
Distributions to Mohegan Tribe	(14,000)	—	(14,000)	—	(14,000)
<b>Balance, December 31, 2022</b>	<u>\$ (143,744)</u>	<u>\$ (39,988)</u>	<u>\$ (183,732)</u>	<u>\$ 4,798</u>	<u>\$ (178,934)</u>
<b>Balance, September 30, 2021</b>	\$ (133,087)	\$ (2,065)	\$ (135,152)	\$ 1,910	\$ (133,242)
Net income (loss)	(11,680)	—	(11,680)	71	(11,609)
Foreign currency translation adjustment	—	(4,976)	(4,976)	—	(4,976)
Distributions to Mohegan Tribe	(14,000)	—	(14,000)	—	(14,000)
Distributions to Salishan Company, LLC	(340)	—	(340)	—	(340)
<b>Balance, December 31, 2021</b>	<u>\$ (159,107)</u>	<u>\$ (7,041)</u>	<u>\$ (166,148)</u>	<u>\$ 1,981</u>	<u>\$ (164,167)</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**MOHEGAN TRIBAL GAMING AUTHORITY**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)  
(unaudited)

	Three Months Ended	
	December 31, 2022	December 31, 2021
<b>Cash flows provided by operating activities:</b>		
Net income (loss)	\$ 807	\$ (11,609)
Adjustments to reconcile net income (loss) to net cash flows provided by operating activities:		
Depreciation and amortization	25,020	25,423
Non-cash operating lease expense	1,908	2,348
Accretion of discounts	400	786
Amortization of discounts and debt issuance costs	5,334	3,859
Paid-in-kind interest	10,856	—
Loss on fair value adjustment	8,800	—
(Recovery) provision for losses on receivables	(147)	1,798
Deferred income taxes	1,473	1,214
Impairment charges	—	30,548
Other, net	141	43
Changes in operating assets and liabilities:		
Accounts receivable, net	(6,009)	(5,793)
Inventories	(323)	(775)
Due from Ontario Lottery and Gaming Corporation	(4,085)	6,228
Contract asset	7,301	6,381
Other assets	(5,907)	4,152
Trade payables	(4,146)	(8,222)
Accrued interest payable	7,880	10,769
Due to Ontario Lottery and Gaming Corporation	298	(827)
Operating lease obligations	(714)	(2,337)
Other liabilities	(23,837)	11,398
Net cash flows provided by operating activities	<u>25,050</u>	<u>75,384</u>
<b>Cash flows used in investing activities:</b>		
Purchases of property and equipment	(167,155)	(127,750)
Investments related to the Inspire Korea project	—	(5,611)
Other, net	(1,594)	(2,785)
Net cash flows used in investing activities	<u>(168,749)</u>	<u>(136,146)</u>
<b>Cash flows provided by financing activities:</b>		
Proceeds from revolving credit facilities	223,152	341,075
Repayments on revolving credit facilities	(209,049)	(361,089)
Proceeds from issuance of long-term debt	115,503	450,623
Repayments of long-term debt	(7,366)	(8,120)
Payments on finance lease obligations	(934)	(1,937)
Distributions to affiliates	(14,000)	(14,340)
Payments of financing fees	(200)	(65,050)
Other, net	(813)	(2,267)
Net cash flows provided by financing activities	<u>106,293</u>	<u>338,895</u>
Net increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents	(37,406)	278,133
Effect of exchange rate on cash, cash equivalents, restricted cash and restricted cash equivalents	46,671	(3,248)
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of period	520,514	164,697
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	<u>\$ 529,779</u>	<u>\$ 439,582</u>

	<b>Three Months Ended</b>	
	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Reconciliation of cash, cash equivalents, restricted cash and restricted cash equivalents to the condensed consolidated balance sheets:</b>		
Cash and cash equivalents	\$ 179,561	\$ 154,855
Restricted cash and cash equivalents, current	7,604	3,526
Restricted cash and cash equivalents, non-current	342,614	281,201
Cash, cash equivalents, restricted cash and restricted cash equivalents	<u>\$ 529,779</u>	<u>\$ 439,582</u>
<b>Supplemental disclosures:</b>		
Cash paid for interest	\$ 40,658	\$ 26,485
Non-cash transactions:		
Paid-in-kind interest capitalized	\$ 2,931	\$ —
Paid-in-kind interest converted to debt	\$ 13,701	\$ —

The accompanying notes are an integral part of these condensed consolidated financial statements.



**MOHEGAN TRIBAL GAMING AUTHORITY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(unaudited)**

**Note 1 — Organization and Basis of Presentation**

***Organization***

The Mohegan Tribal Gaming Authority (the “Company,” “we,” “us” or “our”) was established by the Mohegan Tribe of Indians of Connecticut (the “Mohegan Tribe”) in July 1995. We have the exclusive authority to conduct and regulate gaming activities for the Mohegan Tribe on tribal lands and the non-exclusive authority to conduct such activities elsewhere.

We are primarily engaged in the ownership, operation and development of integrated entertainment facilities. We currently own two facilities in the United States and operate or manage five other facilities in the United States and Canada. We are also currently developing a facility in South Korea, the Inspire Entertainment Resort located adjacent to the Incheon International Airport (“Inspire Korea”).

***Basis of Presentation***

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) for interim financial information. The accompanying unaudited condensed consolidated financial statements do not include all of the information and footnotes required by US GAAP for complete consolidated financial statements. The accompanying year-end condensed consolidated balance sheet was derived from audited financial statements, but does not include all disclosures required by US GAAP. All adjustments, including normal recurring accruals and adjustments, necessary for a fair statement of our operating results for the interim period have been included.

Our results for the three months ended December 31, 2022 are not indicative of operating results expected for the entire fiscal year.

The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our annual report for the fiscal year ended September 30, 2022. The preparation of financial statements in conformity with US GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures of contingent assets and liabilities.

***Financial Accounting Standards Board versus Governmental Accounting Standards Board Reporting***

The Mohegan Tribe prepares its combined financial statements, including the accounts of the Company, in accordance with pronouncements issued by the Governmental Accounting Standards Board (“GASB”). As a separate instrumentality of the Mohegan Tribe, we are a governmental entity as defined by GASB. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with pronouncements issued by the Financial Accounting Standards Board (the “FASB”). We believe primary differences between the FASB and GASB pronouncements, as they relate to us, are the accounting for revenues, leases and asset impairments, the presentation of cash flow activities and certain additional disclosures of fixed assets.

***Warrant and Put Option***

Our warrants and put option related to Inspire Korea are classified as long-term liabilities and are re-measured at their estimated fair values at each reporting date. The estimated fair value of the warrants and put option was determined by utilizing the income approach (discounted cash flow method) and a binomial lattice model. This valuation approach utilized Level 3 inputs. The primary unobservable inputs utilized were the discount rate, which was 12.0%, and the expected volatility of the underlying stock price, which was 55.0%. In addition, projected cash flows are utilized in this valuation approach.

***Warrants and Put Option***

*(in thousands)*

<b>Balance, September 30, 2022</b>	\$	47,300
Unrealized loss		8,800
<b>Balance, December 31, 2022</b>	<b>\$</b>	<b>56,100</b>

***Income Taxes***

On December 23, 2022, the government of South Korea passed tax legislation adopting the Pillar Two framework of the Organization for Economic Co-operation and Development. This framework establishes a global minimum corporate tax rate

**MOHEGAN TRIBAL GAMING AUTHORITY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**  
**(unaudited)**

and is effective for tax years beginning on or after January 1, 2024. We are currently assessing whether, or to what extent, this legislation will impact us.

***Recently Issued Accounting Pronouncements***

*ASU 2021-10*

In November 2021, the FASB issued ASU 2021-10, “Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance” (“ASU 2021-10”), which requires business entities to provide certain disclosures about government transactions that are accounted for by applying a grant or contribution accounting model by analogy to other accounting guidance. ASU 2021-10 was effective for annual reporting periods beginning after December 15, 2021. There was no effect on the Company’s disclosures from adopting this new standard.

**Note 2 — Long-Term Debt**

<i>(in thousands)</i>	December 31, 2022			September 30, 2022
	Final Maturity	Face Value	Book Value	Book Value
Senior Secured Credit Facility	2024	\$ 13,000	\$ 13,000	\$ —
Line of Credit	2024	19,103	19,103	18,000
2021 8% Senior Secured Notes	2026	1,175,000	1,162,076	1,161,164
2022 13.25% Senior Unsecured Notes	2027	502,457	473,440	—
2016 7.875% Senior Unsecured Notes	2024	22,658	22,544	495,531
Niagara Term Loan Facility	2024	60,885	60,461	60,453
Niagara Convertible Debenture	2040	29,520	29,520	29,108
Korea Credit Facility	2025	494,696	443,189	315,475
Korea Term Loan	2027	325,699	225,330	211,425
Korea Convertible Bonds	2032	66,790	39,670	—
Guaranteed Credit Facility	2023	24,500	24,291	24,875
Redemption Note Payable	2024	33,140	30,479	35,261
Other	Varies	614	614	661
Long-term debt		2,768,062	2,543,717	2,351,953
Current portion of long-term debt		(70,421)	(70,212)	(47,402)
Long-term debt, net of current portion		\$ 2,697,641	\$ 2,473,505	\$ 2,304,551
Fair value		\$ 2,499,329		
Unamortized discounts and debt issuance costs			\$ 224,345	\$ 170,250

***Refinancing Transactions***

*2022 13.25% Senior Unsecured Notes*

We entered into an exchange agreement and a related amendment on November 29, 2022 and December 9, 2022, respectively, (the “Exchange Agreement”) with certain holders of our 2016 7.875% Senior Unsecured Notes (the “2016 Senior Unsecured Notes”). The Exchange Agreement provided for the exchange of the holders’ approximately \$475 million 2016 Senior Unsecured Notes for newly issued senior unsecured notes with interest at 13.25% per annum (the “2022 Senior Unsecured Notes”). The 2022 Senior Unsecured Notes were issued at a ratio of \$1,052.63 in principal amount for each \$1,000 aggregate principal amount of 2016 Senior Unsecured Notes. We completed a series of settlements under the Exchange Agreement on December 9, 2022, December 14, 2022 and December 19, 2022, whereby we issued \$502.5 million in aggregate principal amount of 2022 Senior Unsecured Notes, under an indenture dated as of December 9, 2022, and cancelled \$477.3 million in aggregate principal amount of 2016 Senior Unsecured Notes. The incremental \$25.2 million in 2022 Senior Unsecured Notes issued was reflected as a debt discount, which will be amortized over the term of the 2022 Senior Unsecured Notes using the effective interest method.

The 2022 Senior Unsecured Notes mature on December 15, 2027. Interest on the 2022 Senior Unsecured Notes is payable semi-annually in arrears on June 15 and December 15, commencing on June 15, 2023.

The 2022 Senior Unsecured Notes are redeemable by us at a price equal to 100% of the principal amount through June 15, 2024, and at specified, fixed premiums thereafter, in each case plus accrued interest. The 2022 Senior Unsecured Notes are unsecured, unsubordinated obligations and are guaranteed by certain of our restricted subsidiaries, as well as certain future restricted subsidiaries that guarantee more than \$25.0 million in debt.

**MOHEGAN TRIBAL GAMING AUTHORITY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**  
**(unaudited)**

2016 7.875% Senior Unsecured Notes

In connection with the Exchange Agreement, we cancelled \$477.3 million in aggregate principal amount of 2016 Senior Unsecured Notes. Following the settlements, \$22.7 million in aggregate principal amount of 2016 Senior Unsecured Notes remain outstanding.

We also entered into a supplemental indenture to the existing indenture governing the 2016 Senior Unsecured Notes. The supplemental indenture now removes substantially all of the restrictive covenants contained in the existing indenture governing the 2016 Senior Unsecured Notes, including, but not limited to, covenants limiting our and our restricted subsidiaries ability to incur additional debt, pay dividends or distributions, make certain investments, create liens on assets, enter into transactions with affiliates or sell assets.

Financing Fees

We incurred \$2.8 million in new costs in connection with these refinancing transactions. New transaction costs totaling \$2.6 million were recorded as a loss on modification and early extinguishment of debt. The remaining costs totaling \$0.2 million were reflected as a debt discount and are being amortized over the term of the 2022 Senior Unsecured Notes using the effective interest method.

***Korea Convertible Bonds***

On December 27, 2022, Inspire Integrated Resort Co., Ltd. (“Inspire Integrated Resort”), a wholly-owned subsidiary, and a third-party investor executed a junior convertible bonds subscription agreement (the “Korea Convertible Bonds Subscription Agreement”) pursuant to which Inspire Integrated Resort agreed to issue non-registered, non-guaranteed junior convertible bonds (the “Korea Convertible Bonds”) in the amount of 100.0 billion Korean won (approximately \$80 million as of December 31, 2022). The first tranche of 50.0 billion Korean won (approximately \$40 million as of December 31, 2022) was funded on December 30, 2022. Under the terms of the Korea Convertible Bonds Subscription Agreement, the second tranche in the amount of 50.0 billion Korean won must be funded on or before March 30, 2023.

The Korea Convertible Bonds accrue interest at a fixed rate of 5.5% per annum and mature on December 30, 2032. Interest on the Korea Convertible Bonds is payable every three months, commencing on the date that is three months after the funding of each respective tranche. At maturity, Inspire Integrated Resort is required to pay a redemption amount equal to a yield-to-maturity rate of 10% per annum, compounding annually, applicable to the principal amount of any Korea Convertible Bonds then outstanding, less the amount of interest paid on such principal as of the maturity date (the “YTM Amount”). This redemption amount totaling \$27.2 million was reflected as an increase to the face value of the Korea Convertible Bonds as of the first funding date, offset by a corresponding debt discount which will be amortized over the term of the Korea Convertible Bonds using the effective interest method.

Commencing on the 36-month anniversary of the funding of each respective tranche, Inspire Integrated Resort may pay prior to maturity an amount not to exceed 70% of the aggregate face value of the Korea Convertible Bonds at a redemption price equal to 100% of the principal amount of the Korea Convertible Bonds redeemed, plus an amount equal to the YTM Amount.

Commencing on the 60-month anniversary of the funding of each respective tranche, the third-party investor is entitled to require Inspire Integrated Resort to prepay before maturity all or part of the outstanding principal of the Korea Convertible Bonds at a redemption price equal to 100% of the principal amount of the Korea Convertible Bonds redeemed, plus accrued interest.

In addition, commencing on the 60-month anniversary of the funding of each respective tranche, the third-party investor shall have the right to convert the Korea Convertible Bonds into common shares of Inspire Integrated Resort, not to exceed 5% of the total number of outstanding shares of Inspire Integrated Resort, at an initial conversion price equal to 99,960 Korean won per share (the “Conversion Price”). The Conversion Price is subject to adjustment from time to time upon certain events as defined under the Korea Convertible Bonds Subscription Agreement.

All obligations of Inspire Integrated Resort are secured, on a class 3 beneficiary basis, by liens on substantially all assets of, and the equity interests in, Inspire Integrated Resort as of the execution date or acquired thereafter and certain assets related thereto, in each case, subject to certain exceptions and limitations.

The Korea Convertible Bonds are junior in priority to borrowings under the Korea Credit Facility and Korea Term Loan and no amounts other than interest may be paid to the third-party investor under the Korea Convertible Bonds Subscription Agreement until Inspire Integrated Resort has repaid any amounts due to its senior lenders, unless otherwise agreed by the senior lenders. Accordingly, the third-party investor may not, among other things, accelerate payment of the Korea Convertible Bonds or foreclose on any security prior to the repayment of any amounts due to the senior lenders.

**MOHEGAN TRIBAL GAMING AUTHORITY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**  
**(unaudited)**

**Note 3 — Revenue Recognition**

***Revenue Disaggregation***

We are primarily engaged in the ownership, operation, management and development of integrated entertainment facilities both domestically and internationally. Our current wholly-owned operations are primarily focused within Connecticut and Pennsylvania. We also currently operate and manage other gaming facilities elsewhere within the United States and Canada. We generate revenues by providing the following types of goods and services: gaming, food and beverage, hotel and retail, entertainment and other, which includes management and development fees earned.

***Revenue Disaggregation by Geographic Location***

<i>(in thousands)</i>	<b>Three Months Ended December 31, 2022</b>				
	<b>Connecticut</b>	<b>Pennsylvania</b>	<b>Canada</b>	<b>Other</b>	<b>Total</b>
Gaming	\$ 157,784	\$ 52,735	\$ 52,571	\$ 17,799	\$ 280,889
Food and beverage	24,658	4,236	8,287	1,232	38,413
Hotel	24,355	1,317	3,883	(2)	29,553
Retail, entertainment and other	32,606	1,490	9,279	14,391	57,766
Net revenues	<u>\$ 239,403</u>	<u>\$ 59,778</u>	<u>\$ 74,020</u>	<u>\$ 33,420</u>	<u>\$ 406,621</u>

<i>(in thousands)</i>	<b>Three Months Ended December 31, 2021</b>				
	<b>Connecticut</b>	<b>Pennsylvania</b>	<b>Canada</b>	<b>Other</b>	<b>Total</b>
Gaming	\$ 169,341	\$ 57,475	\$ 50,248	\$ 8,665	\$ 285,729
Food and beverage	22,777	3,638	4,088	1,116	31,619
Hotel	24,891	1,563	3,421	(2)	29,873
Retail, entertainment and other	34,563	1,539	5,075	13,565	54,742
Net revenues	<u>\$ 251,572</u>	<u>\$ 64,215</u>	<u>\$ 62,832</u>	<u>\$ 23,344</u>	<u>\$ 401,963</u>

***Lease Revenue***

<i>(in thousands)</i>	<b>Three Months Ended</b>			
	<b>December 31, 2022</b>		<b>December 31, 2021</b>	
	<b>Hotel</b>	<b>Retail, Entertainment and Other</b>	<b>Hotel</b>	<b>Retail, Entertainment and Other</b>
Fixed rent	\$ 16,642	\$ 1,753	\$ 17,566	\$ 1,828
Variable rent	—	2,658	—	2,120
Total	<u>\$ 16,642</u>	<u>\$ 4,411</u>	<u>\$ 17,566</u>	<u>\$ 3,948</u>

***Contract and Contract-related Assets***

***Accounts Receivable***

<i>(in thousands)</i>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Gaming	\$ 38,498	\$ 40,385
Food and beverage	31	18
Hotel	3,890	5,601
Retail, entertainment and other	35,697	24,009
Accounts receivable	78,116	70,013
Allowance for doubtful accounts	(23,847)	(24,018)
Accounts receivable, net	<u>\$ 54,269</u>	<u>\$ 45,995</u>

As of December 31, 2022 and September 30, 2022, contract assets related to the Niagara Resorts Casino Operating and Services Agreement with the Ontario Lottery and Gaming Corporation totaled \$81.4 million and \$87.5 million, respectively.

**MOHEGAN TRIBAL GAMING AUTHORITY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**  
**(unaudited)**

***Contract and Contract-related Liabilities***

A difference may exist between the timing of cash receipts from customers and the recognition of revenues, resulting in a contract or contract-related liability. In general, we have three types of such liabilities: (1) outstanding gaming chips and slot tickets liability, which represents amounts owed in exchange for outstanding gaming chips and slot tickets held by customers, (2) loyalty points deferred revenue liability and (3) customer advances and other liability, which primarily represents funds deposited in advance by customers for gaming and advance payments by customers for goods and services such as advance ticket sales, deposits on rooms and convention space and gift card purchases. These liabilities are generally expected to be recognized as revenues within one year and are recorded within other current liabilities.

<i>(in thousands)</i>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Outstanding gaming chips and slot tickets liability	\$ 11,114	\$ 9,743
Loyalty points deferred revenue liability	40,305	40,873
Customer advances and other liability	29,900	30,528
Total	<u>\$ 81,319</u>	<u>\$ 81,144</u>

As of December 31, 2022 and September 30, 2022, customer contract liabilities related to Mohegan Pennsylvania’s revenue sharing agreement with Unibet Interactive Inc. totaled \$14.1 million and \$14.4 million, respectively, and were primarily recorded within other long-term liabilities.

**Note 4 — Segment Reporting**

We, either directly or through subsidiaries, operate Mohegan Sun, along with our other Connecticut operations (the “Connecticut Facilities”), Mohegan Pennsylvania, along with our other Pennsylvania operations (the “Pennsylvania Facilities”) and the Niagara Resorts. Certain other properties that are managed or under development are identified as the management, development and other reportable segment.

Our chief operating decision makers currently review and assess the performance and operating results and determine the proper allocation of resources to the Connecticut Facilities, the Pennsylvania Facilities, the Niagara Resorts and the properties managed or under development on a separate basis. Accordingly, we have four separate reportable segments: (i) Mohegan Sun, which includes the operations of the Connecticut Facilities, (ii) Mohegan Pennsylvania, which includes the operations of the Pennsylvania Facilities, (iii) the Niagara Resorts and (iv) management, development and other. Certain other gaming and entertainment operations (“all other”), which are not individually reportable segments, our corporate functions and inter-segment activities are each disclosed separately in the following segment disclosures to reconcile to consolidated results.

***Net Revenues***

<i>(in thousands)</i>	<b>Three Months Ended</b>	
	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Mohegan Sun	\$ 239,403	\$ 251,572
Mohegan Pennsylvania	59,778	64,215
Niagara Resorts	74,020	62,832
Management, development and other	14,845	13,890
All other	19,617	10,165
Corporate	159	145
Inter-segment	(1,201)	(856)
Net revenues	<u>\$ 406,621</u>	<u>\$ 401,963</u>

**MOHEGAN TRIBAL GAMING AUTHORITY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**  
**(unaudited)**

***Income (Loss) from Operations***

<i>(in thousands)</i>	<b>Three Months Ended</b>	
	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Mohegan Sun	\$ 51,339	\$ 61,694
Mohegan Pennsylvania	9,208	11,489
Niagara Resorts	7,966	6,869
Management, development and other	5,124	(33,971)
All other	6,516	(393)
Corporate	(10,054)	(10,502)
Inter-segment	130	9
Income from operations	<u>\$ 70,229</u>	<u>\$ 35,195</u>

***Capital Expenditures Incurred***

<i>(in thousands)</i>	<b>Three Months Ended</b>	
	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Mohegan Sun	\$ 4,352	\$ 7,808
Mohegan Pennsylvania	2,000	791
Niagara Resorts	4,019	2,719
Management, development and other	147,999	83,773
All other	440	13
Corporate	189	7
Capital expenditures incurred	<u>\$ 158,999</u>	<u>\$ 95,111</u>

***Total Assets***

<i>(in thousands)</i>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
	Mohegan Sun	\$ 1,225,347
Mohegan Pennsylvania	407,249	405,455
Niagara Resorts	478,169	474,281
Management, development and other	1,089,672	869,117
All other	99,598	98,947
Corporate	1,014,856	1,010,984
Inter-segment	(1,041,368)	(1,036,556)
Total assets	<u>\$ 3,273,523</u>	<u>\$ 3,048,917</u>

**Note 5 — Commitments and Contingencies**

We are a defendant in various claims and legal actions resulting from our normal course of business, primarily relating to personal injuries to customers and damages to customers' personal assets. We estimate litigation claims expense and accrue for such liabilities based upon historical experience. In management's opinion, the aggregate liability, if any, arising from such legal actions will not have a material impact on our financial position, results of operations or cash flows.

**Note 6 — Subsequent Events**

We have evaluated events subsequent to December 31, 2022 through the issuance of the accompanying unaudited condensed consolidated financial statements on February 9, 2023, and have not identified any additional events for disclosure.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The statements in this discussion regarding our expectations related to our future performance, liquidity and capital resources, and other non-historical statements are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties. Our actual results may differ materially from those contained in or implied by any forward-looking statements. See “Cautionary Statements Regarding Forward-Looking Information” within this quarterly report.

The following discussion and analysis of our financial condition and results of operations for the three months ended December 31, 2022 should be read in conjunction with our financial statements and the notes thereto and other financial information included elsewhere within this quarterly report.

For a discussion of our net income before interest, income taxes, depreciation and amortization, adjusted to exclude certain non-cash and other items (“Adjusted EBITDA”), refer to our quarterly operating results press releases on our website at [www.mohegangaming.com](http://www.mohegangaming.com), under the “Investor Relations/Financial Updates” section.

### Discussion of Consolidated Operating Results

The most significant factors and trends that impacted our operating performance were as follows:

- lower overall gaming volumes at Mohegan Sun and Mohegan Pennsylvania; and
- a return to normal operating conditions at the Niagara Resorts.

#### Consolidated Operating Results

(in thousands)	Three Months Ended December 31,		Variance	
	2022	2021	\$	%
<b>Net revenues:</b>				
Gaming	\$ 280,889	\$ 285,729	\$ (4,840)	(1.7)%
Food and beverage	38,413	31,619	6,794	21.5 %
Hotel	29,553	29,873	(320)	(1.1)%
Retail, entertainment and other	57,766	54,742	3,024	5.5 %
Net revenues	<u>\$ 406,621</u>	<u>\$ 401,963</u>	4,658	1.2 %
<b>Operating costs and expenses:</b>				
Gaming	\$ 143,317	\$ 147,783	\$ (4,466)	(3.0)%
Food and beverage	32,490	26,335	6,155	23.4 %
Hotel	12,678	11,189	1,489	13.3 %
Retail, entertainment and other	23,005	22,008	997	4.5 %
Advertising, general and administrative	80,078	75,789	4,289	5.7 %
Corporate	13,998	21,404	(7,406)	(34.6)%
Depreciation and amortization	25,020	25,423	(403)	(1.6)%
Impairment of tangible assets	—	17,679	(17,679)	(100.0)%
Impairment of intangible assets	—	12,869	(12,869)	(100.0)%
Other, net	5,806	6,289	(483)	(7.7)%
Total operating costs and expenses	<u>\$ 336,392</u>	<u>\$ 366,768</u>	(30,376)	(8.3)%

## Segment Operating Results

(in thousands)	Three Months Ended December 31,		Variance	
	2022	2021	\$	%
<b>Net revenues:</b>				
Mohegan Sun	\$ 239,403	\$ 251,572	\$ (12,169)	(4.8)%
Mohegan Pennsylvania	59,778	64,215	(4,437)	(6.9)%
Niagara Resorts	74,020	62,832	11,188	17.8 %
Management, development and other	14,845	13,890	955	6.9 %
All other	19,617	10,165	9,452	93.0 %
Corporate	159	145	14	9.7 %
Inter-segment	(1,201)	(856)	(345)	(40.3)%
Net revenues	<u>\$ 406,621</u>	<u>\$ 401,963</u>	4,658	1.2 %
<b>Operating costs and expenses:</b>				
Mohegan Sun	\$ 188,064	\$ 189,878	\$ (1,814)	(1.0)%
Mohegan Pennsylvania	50,570	52,726	(2,156)	(4.1)%
Niagara Resorts	66,054	55,963	10,091	18.0 %
Management, development and other	9,721	47,861	(38,140)	(79.7)%
All other	13,101	10,558	2,543	24.1 %
Corporate	10,213	10,647	(434)	(4.1)%
Inter-segment	(1,331)	(865)	(466)	(53.9)%
Total operating costs and expenses	<u>\$ 336,392</u>	<u>\$ 366,768</u>	(30,376)	(8.3)%

### Mohegan Sun

#### Revenues

Net revenues decreased \$12.2 million, or 4.8%, for the three months ended December 31, 2022 compared with the same period in the prior year. This decrease was primarily due to declines in both slot and table game revenues driven by lower overall gaming volumes and hold percentages. Net revenues for the three months ended December 31, 2022 also reflect higher food and beverage revenues primarily driven by an increase in meals served, partially offset by lower entertainment revenues due, in part, to a weaker overall entertainment calendar featuring fewer headliner shows.

#### Operating Costs and Expenses

Operating costs and expenses decreased \$1.8 million, or 1.0%, for the three months ended December 31, 2022 compared with the same period in the prior year. This decrease primarily reflected lower slot win contribution and direct entertainment expenses commensurate with the declines in slot and entertainment revenues, combined with lower casino marketing and promotional expenses and a reduction in bad debt expense.

### Mohegan Pennsylvania

#### Revenues

Net revenues decreased \$4.4 million, or 6.9%, for the three months ended December 31, 2022 compared with the same period in the prior year. This decrease was primarily due to declines in both slot and table game revenues driven by lower overall gaming volumes and hold percentages. Net revenues for the three months ended December 31, 2022 also reflect higher food and beverage revenues primarily driven by an increase in meals served.

#### Operating Costs and Expenses

Operating costs and expenses decreased \$2.2 million, or 4.1%, for the three months ended December 31, 2022 compared with the same period in the prior year. This decrease primarily reflected lower Pennsylvania slot machine and table game tax expenses commensurate with the declines in slot and table games revenues.

### Niagara Resorts

#### Revenues

Net revenues increased \$11.2 million, or 17.8%, for the three months ended December 31, 2022 compared with the same period in the prior year. The growth in net revenues was due to increases in both slot and table game revenues, as well as higher non-gaming revenues. In general, these results were driven by strong overall business volumes reflecting a return to normal operating conditions compared to the same period in the prior year, which was negatively impacted by various COVID-19



related restrictions. Net revenues for the three months ended December 31, 2022 also benefited from the opening of our 5,000-seat entertainment center, the OLG Stage at Fallsview Casino, in October 2022.

Operating Costs and Expenses

Operating costs and expenses increased \$10.1 million, or 18.0%, for the three months ended December 31, 2022 compared with the same period in the prior year. This increase primarily reflected higher operating costs and expenses commensurate with the growth in net revenues, combined with higher overall costs and expenses associated with normal operating conditions.

**Management, Development and Other**

Revenues

Net revenues increased \$1.0 million, or 6.9%, for the three months ended December 31, 2022 compared with the same period in the prior year. This increase was primarily driven by higher management fees from ilani Casino Resort.

Operating Costs and Expenses

Operating costs and expenses decreased \$38.1 million, or 79.7%, for the three months ended December 31, 2022 compared with the same period in the prior year. This decrease primarily reflected the impact of \$30.5 million in non-recurring impairment charges related to Inspire Korea in the same period in the prior year.

**All Other**

Revenues

Net revenues increased \$9.5 million, or 93.0%, for the three months ended December 31, 2022 compared with the same period in the prior year. This increase was primarily driven by the continued ramp up of our online casino gaming and sports wagering operations in Connecticut, combined with incremental revenues generated by our new digital gaming platform in the Province of Ontario, Canada, which launched in August 2022.

Operating Costs and Expenses

Operating costs and expenses increased \$2.5 million, or 24.1%, for the three months ended December 31, 2022 compared with the same period in the prior year. These results primarily reflect incremental operating costs and expenses associated with our online casino gaming and sports wagering operations in Connecticut and our new digital gaming platform in the Province of Ontario, Canada.

**Corporate**

Revenues

Net revenues increased \$14.0 thousand, or 9.7%, for the three months ended December 31, 2022 compared with the same period in the prior year.

Operating Costs and Expenses

Operating costs and expenses decreased \$0.4 million, or 4.1%, for the three months ended December 31, 2022 compared with the same period in the prior year. This decrease was primarily driven by lower costs related to payroll and certain other professional services.

**Other Income (Expense)**

<i>(in thousands)</i>	Three Months Ended December 31,		Variance	
	2022	2021	\$	%
Interest income	\$ 392	\$ 113	\$ 279	246.9 %
Interest expense, net	(56,404)	(44,831)	(11,573)	(25.8)%
Loss on modification and early extinguishment of debt	(2,633)	—	(2,633)	N.M.
Loss on fair value adjustment	(8,800)	—	(8,800)	N.M.
Other, net	(605)	(791)	186	23.5 %
Income tax provision	(1,372)	(1,295)	(77)	(5.9)%

N.M. - Not Meaningful.

Interest Expense

Interest expense increased \$11.6 million, or 25.8%, for the three months ended December 31, 2022 compared with the same period in the prior year. The increase in interest expense was due to higher weighted average interest rate and weighted average

outstanding debt. Refer to Note 2 for additional information. Capitalized interest related to Inspire Korea totaled \$10.9 million and \$4.0 million during the three months ended December 31, 2022 and 2021, respectively.

#### Modification and Early Extinguishment of Debt

Loss on modification and early extinguishment of debt primarily represented transaction costs expensed in connection with our December 2022 refinancing transactions. Refer to Note 2 for additional information.

#### Fair Value Adjustment

Loss on fair value adjustment was driven by changes in the estimated fair value of the warrants and put option related to Inspire Korea. Refer to Note 1 for additional information.

#### Income Tax

Income tax provisions were primarily driven by taxable income generated by the Niagara Resorts.

#### **Seasonality**

The gaming markets in the Northeastern United States and Niagara Falls, Canada, are seasonal in nature, with peak gaming activities often occurring during the months of May through August. Accordingly, our operating results for the three months ended December 31, 2022 are not necessarily indicative of operating results for other interim periods or an entire fiscal year.

#### **Liquidity and Capital Resources**

##### **Liquidity**

As of December 31, 2022 and September 30, 2022, we held cash and cash equivalents of \$179.6 million and \$164.7 million, respectively, of which the Niagara Resorts held \$38.4 million and \$37.5 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 and impairment charges. Inclusive of letters of credit, which reduce borrowing availability, we had \$228.9 million of borrowing capacity under our senior secured credit facility and line of credit as of December 31, 2022. In addition, inclusive of letters of credit, which reduce borrowing availability, the Niagara Resorts had \$121.8 million of borrowing capacity under the Niagara revolving facility and Niagara swingline facility as of December 31, 2022.

Cash provided by operating activities decreased \$50.3 million, or 66.8%, to \$25.1 million for the three months ended December 31, 2022 compared with \$75.4 million in the same period in the prior year. The decline in cash provided by operating activities was primarily driven by higher working capital requirements due, in part, to a return to normal operating conditions at all of our properties. Refer to “Discussion of Consolidated Operating Results” for additional information.

Cash used in investing activities increased \$32.6 million, or 23.9%, to \$168.7 million for the three months ended December 31, 2022 compared with \$136.1 million in the same period in the prior year. The increase in cash used in investing activities was primarily driven by higher capital expenditures related to Inspire Korea.

Cash provided by financing activities decreased \$232.6 million, or 68.6%, to \$106.3 million for the three months ended December 31, 2022 compared with \$338.9 million in the same period in the prior year. The decrease in cash provided by financing activities was primarily driven by lower borrowings related to Inspire Korea.

##### **Sufficiency of Resources**

We believe that existing cash balances, financing arrangements and operating cash flows will provide us with sufficient resources to meet our existing debt obligations, finance and operating lease obligations, distributions to the Mohegan Tribe, capital expenditures and working capital requirements for the next twelve months; however, we can provide no assurance in this regard.

## Cautionary Statements Regarding Forward-Looking Information

Some information included within this quarterly report contains forward-looking statements. Such statements include information relating to business development activities, as well as capital spending, financing sources, the effects of regulation, including gaming and tax regulation, and increased competition. These statements can sometimes be identified by our use of forward-looking words such as “may,” “will,” “anticipate,” “estimate,” “expect” or “intend” and similar expressions. Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated future results and, accordingly, such results may differ materially from those expressed in any forward-looking statements made by us or on our behalf. These risks and uncertainties include, but are not limited to, those relating to the following:

- the COVID-19 pandemic and the related social and economic disruptions;
- the financial performance of our various operations;
- the local, regional, national or global economic climate;
- increased competition, including the expansion of gaming in jurisdictions in which we own or operate gaming facilities;
- our leverage and ability to meet our debt service obligations and maintain compliance with financial debt covenants;
- the continued availability of financing;
- our dependence on existing management;
- our ability to integrate new amenities from expansions to our facilities into our current operations and manage the expanded facilities;
- changes in federal, state or international tax laws or the administration of such laws;
- changes in gaming laws or regulations, including the limitation, denial or suspension of licenses required under gaming laws and regulations;
- cyber security risks relating to our information technology and other systems or that of our partners or vendors, including misappropriation of customer information or other breaches of information security;
- changes in applicable laws pertaining to the service of alcohol, smoking or other amenities offered at our facilities;
- our ability to successfully implement our diversification strategy;
- an act of terrorism;
- our customers' access to inexpensive transportation to our facilities and changes in oil, fuel or other transportation-related expenses;
- a variety of uncontrollable events that could impact our operations, such as health concerns, adverse weather and climate conditions, catastrophic events or natural disasters or international, political or military developments, including social unrest;
- risks associated with operations in foreign jurisdictions such as Canada or South Korea;
- failure by our employees, agents, affiliates, vendors or businesses to comply with applicable laws, rules and regulations, including state gaming laws and regulations and anti-bribery laws such as the United States Foreign Corrupt Practices Act, and similar anti-bribery laws in other jurisdictions; and
- fluctuations in foreign currency exchange rates.

The forward-looking statements included within this quarterly report are made only as of the date of this report. We do not undertake any obligation to update or supplement any forward-looking statements to reflect subsequent events or circumstances. We cannot assure you that projected results or events will be achieved or will occur.