

Mohegan Tribal Gaming Authority

**Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations
For the Quarterly Period ended June 30, 2023**

INDEPENDENT AUDITOR'S REVIEW REPORT

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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 June 30, 2023, and the related condensed consolidated statements of operations and comprehensive income, changes in capital, and cash flows for the three-month and nine-month periods ended June 30, 2023 and 2022, 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.

Deloitte & Touche LLP

August 10, 2023

Item 1. Financial Statements

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

	June 30, 2023	September 30, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 188,163	\$ 164,671
Restricted cash and cash equivalents	5,899	8,838
Accounts receivable, net	69,483	45,995
Inventories	20,261	19,662
Due from Ontario Lottery and Gaming Corporation	15,188	8,906
Contract asset	40,214	35,478
Other current assets	39,592	35,551
Total current assets	378,800	319,101
Restricted cash and cash equivalents	357,888	347,005
Property and equipment, net	2,167,596	1,643,790
Right-of-use assets	310,334	305,480
Intangible assets, net	311,229	311,526
Contract asset, net of current portion	24,915	51,979
Notes receivable	2,514	2,514
Other assets, net	55,188	67,522
Total assets	\$ 3,608,464	\$ 3,048,917
LIABILITIES AND CAPITAL		
Current liabilities:		
Current portion of long-term debt	\$ 40,407	\$ 47,402
Current portion of finance lease obligations	4,536	4,491
Current portion of operating lease obligations	6,437	5,473
Trade payables	19,876	16,465
Accrued payroll	62,039	64,332
Construction payables	171,427	61,166
Accrued interest payable	47,685	38,947
Due to Ontario Lottery and Gaming Corporation	14	3,582
Other current liabilities	177,316	165,048
Total current liabilities	529,737	406,906
Long-term debt, net of current portion	2,716,184	2,304,551
Finance lease obligations, net of current portion	105,902	107,977
Operating lease obligations, net of current portion	366,772	357,139
Warrants and put option liabilities	40,300	47,300
Other long-term liabilities	35,388	38,943
Total liabilities	3,794,283	3,262,816
Commitments and Contingencies		
Capital:		
Retained deficit	(134,941)	(130,551)
Accumulated other comprehensive loss	(55,732)	(88,146)
Total capital attributable to Mohegan Tribal Gaming Authority	(190,673)	(218,697)
Non-controlling interests	4,854	4,798
Total capital	(185,819)	(213,899)
Total liabilities and capital	\$ 3,608,464	\$ 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
(in thousands)
(unaudited)

	Three Months Ended		Nine Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Revenues:				
Gaming	\$ 281,932	\$ 293,973	\$ 848,279	\$ 841,196
Food and beverage	40,098	35,622	116,003	96,157
Hotel	30,385	30,256	87,755	84,989
Retail, entertainment and other	62,979	57,227	175,825	155,175
Net revenues	415,394	417,078	1,227,862	1,177,517
Operating costs and expenses:				
Gaming, including related party transactions of \$901, \$808, \$2,704 and \$2,426, respectively	140,519	139,760	426,845	424,787
Food and beverage	32,007	29,521	96,595	79,724
Hotel, including related party transactions of \$2,161, \$2,161, \$6,483 and \$6,483, respectively	12,504	12,354	37,703	34,792
Retail, entertainment and other	23,744	20,571	67,208	56,357
Advertising, general and administrative, including related party transactions of \$9,128, \$11,600, \$33,324 and \$36,162, respectively	83,264	79,377	242,915	226,770
Corporate, including related party transactions of \$2,135, \$1,726, \$6,210 and \$5,746, respectively	14,622	15,278	44,670	50,380
Depreciation and amortization	25,266	26,085	75,769	77,653
Impairment of tangible assets	—	—	—	17,679
Impairment of intangible assets	—	—	—	12,869
Other, net	1,075	4,006	19,718	13,735
Total operating costs and expenses	333,001	326,952	1,011,423	994,746
Income from operations	82,393	90,126	216,439	182,771
Other income (expense):				
Interest income	583	64	1,549	313
Interest expense, net	(59,277)	(53,969)	(175,724)	(151,055)
Loss on modification and early extinguishment of debt	(54)	(3)	(3,417)	(3)
Gain on fair value adjustment	29,250	26,796	7,000	20,635
Other, net	(49)	83	(740)	(2,595)
Total other expense	(29,547)	(27,029)	(171,332)	(132,705)
Income before income tax	52,846	63,097	45,107	50,066
Income tax provision	(2,225)	(3,534)	(3,321)	(4,553)
Net income	50,621	59,563	41,786	45,513
Income attributable to non-controlling interests	(64)	(199)	(56)	(612)
Net income attributable to Mohegan Tribal Gaming Authority	50,557	59,364	41,730	44,901
Comprehensive income:				
Foreign currency translation adjustment	(1,309)	(29,723)	32,414	(43,139)
Other comprehensive income (loss)	(1,309)	(29,723)	32,414	(43,139)
Other comprehensive income (loss) attributable to Mohegan Tribal Gaming Authority	(1,309)	(29,723)	32,414	(43,139)
Comprehensive income attributable to Mohegan Tribal Gaming Authority	\$ 49,248	\$ 29,641	\$ 74,144	\$ 1,762

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	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Total Capital Attributable to Mohegan Tribal Gaming Authority	Non-controlling Interests	Total Capital
Balance, March 31, 2023	\$ (167,848)	\$ —	\$ (54,423)	\$ (222,271)	\$ 4,790	\$ (217,481)
Net income	50,557	—	—	50,557	64	50,621
Foreign currency translation adjustment	—	—	(1,309)	(1,309)	—	(1,309)
Distributions to Mohegan Tribe	(17,500)	—	—	(17,500)	—	(17,500)
Distributions to Salishan Company, LLC	(150)	—	—	(150)	—	(150)
Balance, June 30, 2023	<u>\$ (134,941)</u>	<u>\$ —</u>	<u>\$ (55,732)</u>	<u>\$ (190,673)</u>	<u>\$ 4,854</u>	<u>\$ (185,819)</u>
Balance, September 30, 2022	\$ (130,551)	\$ —	\$ (88,146)	\$ (218,697)	\$ 4,798	\$ (213,899)
Net income	41,730	—	—	41,730	56	41,786
Foreign currency translation adjustment	—	—	32,414	32,414	—	32,414
Distributions to Mohegan Tribe	(45,500)	—	—	(45,500)	—	(45,500)
Distributions to Salishan Company, LLC	(620)	—	—	(620)	—	(620)
Balance, June 30, 2023	<u>\$ (134,941)</u>	<u>\$ —</u>	<u>\$ (55,732)</u>	<u>\$ (190,673)</u>	<u>\$ 4,854</u>	<u>\$ (185,819)</u>
Balance, March 31, 2022	\$ (175,787)	\$ —	\$ (15,481)	\$ (191,268)	\$ 2,323	\$ (188,945)
Net income	59,364	—	—	59,364	199	59,563
Foreign currency translation adjustment	—	—	(29,723)	(29,723)	—	(29,723)
Distributions to Mohegan Tribe	(17,500)	—	—	(17,500)	—	(17,500)
Distributions to Salishan Company, LLC	(78)	—	—	(78)	—	(78)
Balance, June 30, 2022	<u>\$ (134,001)</u>	<u>\$ —</u>	<u>\$ (45,204)</u>	<u>\$ (179,205)</u>	<u>\$ 2,522</u>	<u>\$ (176,683)</u>
Balance, September 30, 2021	\$ (133,087)	\$ —	\$ (2,065)	\$ (135,152)	\$ 1,910	\$ (133,242)
Net income	44,901	—	—	44,901	612	45,513
Foreign currency translation adjustment	—	—	(43,139)	(43,139)	—	(43,139)
Contributions from Mohegan Tribe	—	325	—	325	—	325
Distributions to Mohegan Tribe	(45,175)	(325)	—	(45,500)	—	(45,500)
Distributions to Salishan Company, LLC	(640)	—	—	(640)	—	(640)
Balance, June 30, 2022	<u>\$ (134,001)</u>	<u>\$ —</u>	<u>\$ (45,204)</u>	<u>\$ (179,205)</u>	<u>\$ 2,522</u>	<u>\$ (176,683)</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)

	Nine Months Ended	
	June 30, 2023	June 30, 2022
Cash flows provided by operating activities:		
Net income	\$ 41,786	\$ 45,513
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	75,769	77,653
Non-cash operating lease expense	5,977	6,371
Accretion of discounts	1,069	1,582
Amortization of discounts and debt issuance costs	20,148	11,548
Paid-in-kind interest	28,266	22,065
Gain on fair value adjustment	(7,000)	(20,635)
(Recovery) provision for losses on receivables	(192)	3,902
Deferred income taxes	3,059	4,634
Impairment charges	—	30,548
Other, net	464	2,839
Changes in operating assets and liabilities:		
Accounts receivable, net	(22,490)	(13,392)
Inventories	(500)	(1,858)
Due from Ontario Lottery and Gaming Corporation	(5,950)	3,205
Contract asset	25,590	16,495
Other assets	5,307	25,490
Trade payables	3,259	(12,178)
Accrued interest payable	8,512	14,607
Due to Ontario Lottery and Gaming Corporation	(3,702)	(19,667)
Operating lease obligations	(2,527)	(3,600)
Other liabilities	5,240	33,375
Net cash flows provided by operating activities	<u>182,085</u>	<u>228,497</u>
Cash flows used in investing activities:		
Purchases of property and equipment	(442,693)	(201,549)
Investments related to the Inspire Korea project	—	(5,611)
Other, net	1,205	(2,029)
Net cash flows used in investing activities	<u>(441,488)</u>	<u>(209,189)</u>
Cash flows provided by financing activities:		
Proceeds from revolving credit facilities	606,725	797,091
Repayments on revolving credit facilities	(592,471)	(861,836)
Proceeds from issuance of long-term debt	321,416	619,570
Repayments of long-term debt	(22,151)	(48,502)
Payments on finance lease obligations	(3,221)	(4,614)
Contributions from affiliates	—	325
Distributions to affiliates	(46,120)	(46,140)
Payments of financing fees	(2,285)	(66,911)
Other, net	(1,418)	(1,607)
Net cash flows provided by financing activities	<u>260,475</u>	<u>387,376</u>
Net increase in cash, cash equivalents, restricted cash and restricted cash equivalents	1,072	406,684
Effect of exchange rate on cash, cash equivalents, restricted cash and restricted cash equivalents	30,364	(33,821)
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>\$ 551,950</u>	<u>\$ 537,560</u>

	Nine Months Ended	
	June 30, 2023	June 30, 2022
Reconciliation of cash, cash equivalents, restricted cash and restricted cash equivalents to the condensed consolidated balance sheets:		
Cash and cash equivalents	\$ 188,163	\$ 156,907
Restricted cash and cash equivalents, current	5,899	4,666
Restricted cash and cash equivalents, non-current	357,888	375,987
Cash, cash equivalents, restricted cash and restricted cash equivalents	<u>\$ 551,950</u>	<u>\$ 537,560</u>
Supplemental disclosures:		
Cash paid for interest	\$ 150,456	\$ 107,801
Non-cash transactions:		
Right-of-use assets and obligations reductions	\$ —	\$ 27,363
Paid-in-kind interest capitalized	\$ 14,415	\$ 7,029
Paid-in-kind interest converted to debt	\$ 42,936	\$ 23,872
Increase in construction payables	\$ 110,261	\$ —

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 also conduct online casino gaming and sports wagering operations in the United States and Canada. In addition, we are 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 of operations for interim periods are not necessarily indicative of operating results for other quarters, a full fiscal year or any other period.

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 60.0%. In addition, projected cash flows are utilized in this valuation approach.

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

Warrants and Put Option

(in thousands)

Balance, March 31, 2023	\$	69,550
Unrealized gain		(29,250)
Balance, June 30, 2023	\$	40,300
Balance, September 30, 2022	\$	47,300
Unrealized gain		(7,000)
Balance, June 30, 2023	\$	40,300

Income Taxes

In December 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 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

(in thousands)	Final Maturity	June 30, 2023		September 30, 2022
		Face Value	Book Value	Book Value
Senior Secured Credit Facility	2025	\$ 20,000	\$ 20,000	\$ —
Line of Credit (1)	2023	12,254	12,254	18,000
2021 8% Senior Secured Notes	2026	1,175,000	1,163,928	1,161,164
2022 13.25% Senior Unsecured Notes	2027	502,457	475,497	—
2016 7.875% Senior Unsecured Notes	2024	22,658	22,574	495,531
Niagara Term Loan (1)	2024	60,387	60,103	60,453
Niagara Convertible Debenture (1)	2040	30,194	30,194	29,108
Korea Credit Facility	2025	639,126	595,156	315,475
Korea Term Loan	2027	354,934	256,135	211,425
Korea Convertible Bonds	2032	126,856	76,893	—
Guaranteed Credit Facility	2025	23,187	22,855	24,875
Redemption Note Payable	2024	21,660	20,474	35,261
Other	Varies	528	528	661
Long-term debt		2,989,241	2,756,591	2,351,953
Current portion of long-term debt		(40,407)	(40,407)	(47,402)
Long-term debt, net of current portion		<u>\$ 2,948,834</u>	<u>\$ 2,716,184</u>	<u>\$ 2,304,551</u>
Fair value		\$ 2,762,496		
Unamortized discounts and debt issuance costs			\$ 232,650	\$ 170,250

(1) Refer to Note 6.

Senior Secured Credit Facility

On February 14, 2023, we entered into an amendment to our senior secured revolving credit facility (the “Senior Secured Credit Facility”). Among other things, the amendment extended the maturity date of the Senior Secured Credit Facility from April 12, 2024 to November 1, 2025, reduced the borrowing capacity from \$262.875 million to \$233.5 million, effective April 12, 2024,

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

and modified our financial maintenance covenants pertaining to total leverage and secured leverage. We incurred \$1.9 million in new costs in connection with this transaction. These costs were capitalized as an asset and are being amortized over the term of the Senior Secured Credit Facility using the effective interest method.

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.

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 \$77 million). The Korea Convertible Bonds were funded on December 30, 2022 and March 30, 2023 in two equal tranches of 50.0 billion Korean won.

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 \$50.4 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.

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

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.

Guaranteed Credit Facility

On April 24, 2023, we entered into an amendment to certain loan agreements under the Indian Loan Guaranty, Insurance and Interest Subsidy Program (the “Guaranteed Credit Facility”). Among other things, the amendment extended the maturity date of the Guaranteed Credit Facility from October 1, 2023 to October 1, 2025, replaced the interest rate based on the London Interbank Offered Rate with an interest rate based on a Secured Overnight Financing Rate and modified our financial maintenance covenants.

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. We, either directly or through subsidiaries, operate Mohegan Sun, along with our other Connecticut operations, Mohegan Pennsylvania, along with our other Pennsylvania operations, the Niagara Resorts, along with our other Niagara operations, and Mohegan Digital, which includes our online casino gaming and sports wagering operations. 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.

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

Revenue Disaggregation

	Three Months Ended June 30, 2023					
<i>(in thousands)</i>	Mohegan Sun	Mohegan Pennsylvania	Niagara Resorts	Mohegan Digital	Other	Total
Gaming	\$ 148,429	\$ 57,052	\$ 54,025	\$ 16,676	\$ 5,750	\$ 281,932
Food and beverage	24,863	4,584	9,593	(14)	1,072	40,098
Hotel	24,406	1,900	4,080	—	(1)	30,385
Retail, entertainment and other	32,970	1,712	13,388	(1)	14,910	62,979
Net revenues	<u>\$ 230,668</u>	<u>\$ 65,248</u>	<u>\$ 81,086</u>	<u>\$ 16,661</u>	<u>\$ 21,731</u>	<u>\$ 415,394</u>

	Three Months Ended June 30, 2022					
<i>(in thousands)</i>	Mohegan Sun	Mohegan Pennsylvania	Niagara Resorts	Mohegan Digital	Other	Total
Gaming	\$ 157,933	\$ 59,291	\$ 59,244	\$ 10,665	\$ 6,840	\$ 293,973
Food and beverage	23,120	4,251	7,235	(27)	1,043	35,622
Hotel	24,025	1,631	4,601	—	(1)	30,256
Retail, entertainment and other	31,387	1,610	8,547	—	15,683	57,227
Net revenues	<u>\$ 236,465</u>	<u>\$ 66,783</u>	<u>\$ 79,627</u>	<u>\$ 10,638</u>	<u>\$ 23,565</u>	<u>\$ 417,078</u>

	Nine Months Ended June 30, 2023					
<i>(in thousands)</i>	Mohegan Sun	Mohegan Pennsylvania	Niagara Resorts	Mohegan Digital	Other	Total
Gaming	\$ 461,940	\$ 165,489	\$ 152,467	\$ 49,708	\$ 18,675	\$ 848,279
Food and beverage	73,284	13,109	26,101	(52)	3,561	116,003
Hotel	71,089	4,737	11,935	—	(6)	87,755
Retail, entertainment and other	89,681	4,939	35,353	879	44,973	175,825
Net revenues	<u>\$ 695,994</u>	<u>\$ 188,274</u>	<u>\$ 225,856</u>	<u>\$ 50,535</u>	<u>\$ 67,203</u>	<u>\$ 1,227,862</u>

	Nine Months Ended June 30, 2022					
<i>(in thousands)</i>	Mohegan Sun	Mohegan Pennsylvania	Niagara Resorts	Mohegan Digital	Other	Total
Gaming	\$ 479,297	\$ 172,570	\$ 151,254	\$ 17,876	\$ 20,199	\$ 841,196
Food and beverage	66,774	11,265	14,957	(27)	3,188	96,157
Hotel	69,469	4,561	10,963	—	(4)	84,989
Retail, entertainment and other	87,981	4,766	17,545	(4)	44,887	155,175
Net revenues	<u>\$ 703,521</u>	<u>\$ 193,162</u>	<u>\$ 194,719</u>	<u>\$ 17,845</u>	<u>\$ 68,270</u>	<u>\$ 1,177,517</u>

Lease Revenue

	Three Months Ended					
	June 30, 2023			June 30, 2022		
<i>(in thousands)</i>	Hotel	Retail, Entertainment and Other		Hotel	Retail, Entertainment and Other	
Fixed rent	\$ 17,104	\$ 17,104	\$ 1,815	\$ 16,918	\$ 16,918	\$ 1,670
Variable rent	—	—	3,585	—	—	3,169
Total	<u>\$ 17,104</u>	<u>\$ 17,104</u>	<u>\$ 5,400</u>	<u>\$ 16,918</u>	<u>\$ 16,918</u>	<u>\$ 4,839</u>

	Nine Months Ended					
	June 30, 2023			June 30, 2022		
<i>(in thousands)</i>	Hotel	Retail, Entertainment and Other		Hotel	Retail, Entertainment and Other	
Fixed rent	\$ 49,308	\$ 49,308	\$ 5,661	\$ 48,932	\$ 48,932	\$ 5,113
Variable rent	—	—	9,163	—	—	7,843
Total	<u>\$ 49,308</u>	<u>\$ 49,308</u>	<u>\$ 14,824</u>	<u>\$ 48,932</u>	<u>\$ 48,932</u>	<u>\$ 12,956</u>

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

Contract and Contract-related Assets

Accounts Receivable

<i>(in thousands)</i>	June 30, 2023	September 30, 2022
Gaming	\$ 59,516	\$ 40,385
Food and beverage	19	18
Hotel	5,930	5,601
Retail, entertainment and other	26,568	24,009
Accounts receivable	92,033	70,013
Allowance for doubtful accounts	(22,550)	(24,018)
Accounts receivable, net	<u>\$ 69,483</u>	<u>\$ 45,995</u>

As of June 30, 2023 and September 30, 2022, contract assets related to the Niagara Resorts Casino Operating and Services Agreement with the Ontario Lottery and Gaming Corporation totaled \$65.1 million and \$87.5 million, respectively.

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>	June 30, 2023	September 30, 2022
Outstanding gaming chips and slot tickets liability	\$ 10,464	\$ 9,743
Loyalty points deferred revenue liability	40,911	40,873
Customer advances and other liability	41,931	30,528
Total	<u>\$ 93,306</u>	<u>\$ 81,144</u>

As of June 30, 2023 and September 30, 2022, customer contract liabilities related to Mohegan Pennsylvania’s revenue sharing agreement with Unibet Interactive Inc. totaled \$13.5 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, Mohegan Pennsylvania, along with our other Pennsylvania operations, the Niagara Resorts, along with our other Niagara operations, and Mohegan Digital, which includes our online casino gaming and sports wagering operations. 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 Mohegan Sun, Mohegan Pennsylvania, the Niagara Resorts, Mohegan Digital and the properties managed or under development on a separate basis. Accordingly, we have five separate reportable segments: (i) Mohegan Sun, (ii) Mohegan Pennsylvania, (iii) the Niagara Resorts, (iv) Mohegan Digital and (v) 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.

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

Net Revenues

<i>(in thousands)</i>	Three Months Ended		Nine Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Mohegan Sun	\$ 230,668	\$ 236,465	\$ 695,994	\$ 703,521
Mohegan Pennsylvania	65,248	66,783	188,274	193,162
Niagara Resorts	81,086	79,627	225,856	194,719
Mohegan Digital	16,661	10,638	50,535	17,845
Management, development and other	15,505	16,817	45,850	46,334
All other	6,813	8,138	23,434	24,386
Corporate	9	85	311	471
Inter-segment	(596)	(1,475)	(2,392)	(2,921)
Net revenues	<u>\$ 415,394</u>	<u>\$ 417,078</u>	<u>\$ 1,227,862</u>	<u>\$ 1,177,517</u>

Income (Loss) from Operations

<i>(in thousands)</i>	Three Months Ended		Nine Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Mohegan Sun	\$ 52,070	\$ 58,744	\$ 148,902	\$ 165,088
Mohegan Pennsylvania	11,028	11,917	30,604	33,641
Niagara Resorts	9,672	14,962	17,507	24,566
Mohegan Digital	11,473	7,603	36,396	9,570
Management, development and other	10,369	8,269	18,305	(16,945)
All other	(1,214)	(805)	(2,602)	(3,030)
Corporate	(10,492)	(10,634)	(32,673)	(30,175)
Inter-segment	(513)	70	—	56
Income from operations	<u>\$ 82,393</u>	<u>\$ 90,126</u>	<u>\$ 216,439</u>	<u>\$ 182,771</u>

Capital Expenditures Incurred

<i>(in thousands)</i>	Nine Months Ended	
	June 30, 2023	June 30, 2022
Mohegan Sun	\$ 19,609	\$ 19,253
Mohegan Pennsylvania	5,199	6,750
Niagara Resorts	13,639	11,176
Mohegan Digital	—	—
Management, development and other	523,938	154,041
All other	468	(231)
Corporate	417	304
Capital expenditures incurred	<u>\$ 563,270</u>	<u>\$ 191,293</u>

Total Assets

<i>(in thousands)</i>	June 30, 2023	September 30, 2022
	Mohegan Sun	\$ 1,187,238
Mohegan Pennsylvania	402,299	405,455
Niagara Resorts	490,792	474,281
Mohegan Digital	35,423	11,203
Management, development and other	1,484,985	869,117
All other	83,902	87,744
Corporate	1,062,511	1,010,984
Inter-segment	(1,138,686)	(1,036,556)
Total assets	<u>\$ 3,608,464</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

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

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

Line of Credit

Effective July 17, 2023, our \$25.0 million revolving credit facility (the “Line of Credit”) was terminated. All amounts outstanding under the Line of Credit were repaid on July 18, 2023.

Niagara Credit Facilities

On August 8, 2023, MGE Niagara Entertainment Inc. (“MGE Niagara”) entered into a second amended and restated credit agreement (the “Niagara Amended Credit Agreement”) providing for senior secured credit facilities in the aggregate principal amount of 265.0 million Canadian dollars (the “Niagara Credit Facilities”).

The Niagara Credit Facilities are comprised of a revolving credit facility in the amount of 85.0 million Canadian dollars (the “Niagara Revolving Facility”), a term loan facility in the amount of 80.0 million Canadian dollars (the “Niagara Term Loan Facility”) and a return of capital facility in the amount of 100.0 million Canadian dollars (the “Niagara Capital Facility”).

The Niagara Revolving Facility will be used for general corporate purposes. The proceeds from the Niagara Term Loan Facility were used to refinance outstanding term loans under MGE Niagara’s prior amended and restated credit agreement. The proceeds from the Niagara Capital Facility were used to make return of capital payments to shareholders of MGE Niagara as further described below.

The Niagara Credit Facilities mature on August 8, 2028. The Niagara Term Loan Facility is repayable in quarterly installments of 1.25 million Canadian dollars and the Niagara Capital Facility is repayable in quarterly installments of 1.56 million Canadian dollars, commencing September 29, 2023.

Borrowings under the Niagara Credit Facilities accrue interest at a base rate plus a leverage-based spread. MGE Niagara is also required to pay a leverage-based undrawn fee under the Niagara Revolving Facility.

Among other things, the Niagara Amended Credit Agreement also provided for the replacement of the interest rate based on the London Interbank Offered Rate with an interest rate based on a Secured Overnight Financing Rate, the transition from an interest rate based on the Canadian Dollar Offered Rate to an interest rate based on the Canadian Overnight Repo Rate Average following the cessation of the Canadian Dollar Offered Rate and the modification of certain financial maintenance covenants.

Simultaneously with the execution of the Niagara Amended Credit Agreement and pursuant to the terms of the Niagara Convertible Debenture, the Niagara Convertible Debenture holder exercised their conversion option to convert the Niagara Convertible Debenture into Class B Special shares representing 40% of the capital of MGE Niagara. In connection with this transaction, the Company and the Niagara Convertible Debenture holder received 60.0 million Canadian dollars and 40.0 million Canadian dollars, respectively, from proceeds from the Niagara Capital Facility. The Company intends to use its proceeds for general corporate purposes.

We have evaluated events subsequent to June 30, 2023 through the issuance of the accompanying unaudited condensed consolidated financial statements on August 10, 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 and nine months ended June 30, 2023 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, under the “Investor Relations/Financial Updates” section.

Discussion of Consolidated Operating Results

Consolidated Operating Results

(in thousands)	Three Months Ended June 30,		Variance		Nine Months Ended June 30,		Variance	
	2023	2022	\$	%	2023	2022	\$	%
Net revenues:								
Gaming	\$ 281,932	\$ 293,973	\$ (12,041)	(4.1)%	\$ 848,279	\$ 841,196	\$ 7,083	0.8 %
Food and beverage	40,098	35,622	4,476	12.6 %	116,003	96,157	19,846	20.6 %
Hotel	30,385	30,256	129	0.4 %	87,755	84,989	2,766	3.3 %
Retail, entertainment and other	62,979	57,227	5,752	10.1 %	175,825	155,175	20,650	13.3 %
Net revenues	<u>\$ 415,394</u>	<u>\$ 417,078</u>	(1,684)	(0.4)%	<u>\$ 1,227,862</u>	<u>\$ 1,177,517</u>	50,345	4.3 %
Operating costs and expenses:								
Gaming	\$ 140,519	\$ 139,760	\$ 759	0.5 %	\$ 426,845	\$ 424,787	\$ 2,058	0.5 %
Food and beverage	32,007	29,521	2,486	8.4 %	96,595	79,724	16,871	21.2 %
Hotel	12,504	12,354	150	1.2 %	37,703	34,792	2,911	8.4 %
Retail, entertainment and other	23,744	20,571	3,173	15.4 %	67,208	56,357	10,851	19.3 %
Advertising, general and administrative	83,264	79,377	3,887	4.9 %	242,915	226,770	16,145	7.1 %
Corporate	14,622	15,278	(656)	(4.3)%	44,670	50,380	(5,710)	(11.3)%
Depreciation and amortization	25,266	26,085	(819)	(3.1)%	75,769	77,653	(1,884)	(2.4)%
Impairment of tangible assets	—	—	—	—	—	17,679	(17,679)	(100.0)%
Impairment of intangible assets	—	—	—	—	—	12,869	(12,869)	(100.0)%
Other, net	1,075	4,006	(2,931)	(73.2)%	19,718	13,735	5,983	43.6 %
Total operating costs and expenses	<u>\$ 333,001</u>	<u>\$ 326,952</u>	6,049	1.9 %	<u>\$ 1,011,423</u>	<u>\$ 994,746</u>	16,677	1.7 %

Segment Operating Results

(in thousands)	Three Months Ended June 30,		Variance		Nine Months Ended June 30,		Variance	
	2023	2022	\$	%	2023	2022	\$	%
Net revenues:								
Mohegan Sun	\$ 230,668	\$ 236,465	\$ (5,797)	(2.5)%	\$ 695,994	\$ 703,521	\$ (7,527)	(1.1)%
Mohegan Pennsylvania	65,248	66,783	(1,535)	(2.3)%	188,274	193,162	(4,888)	(2.5)%
Niagara Resorts	81,086	79,627	1,459	1.8 %	225,856	194,719	31,137	16.0 %
Mohegan Digital	16,661	10,638	6,023	56.6 %	50,535	17,845	32,690	183.2 %
Management, development and other	15,505	16,817	(1,312)	(7.8)%	45,850	46,334	(484)	(1.0)%
All other	6,813	8,138	(1,325)	(16.3)%	23,434	24,386	(952)	(3.9)%
Corporate	9	85	(76)	(89.4)%	311	471	(160)	(34.0)%
Inter-segment	(596)	(1,475)	879	59.6 %	(2,392)	(2,921)	529	18.1 %
Net revenues	<u>\$ 415,394</u>	<u>\$ 417,078</u>	(1,684)	(0.4)%	<u>\$ 1,227,862</u>	<u>\$ 1,177,517</u>	50,345	4.3 %
Operating costs and expenses:								
Mohegan Sun	\$ 178,598	\$ 177,721	\$ 877	0.5 %	\$ 547,092	\$ 538,433	\$ 8,659	1.6 %
Mohegan Pennsylvania	54,220	54,866	(646)	(1.2)%	157,670	159,521	(1,851)	(1.2)%
Niagara Resorts	71,414	64,665	6,749	10.4 %	208,349	170,153	38,196	22.4 %
Mohegan Digital	5,188	3,035	2,153	70.9 %	14,139	8,275	5,864	70.9 %
Management, development and other	5,136	8,548	(3,412)	(39.9)%	27,545	63,279	(35,734)	(56.5)%
All other	8,027	8,943	(916)	(10.2)%	26,036	27,416	(1,380)	(5.0)%
Corporate	10,501	10,719	(218)	(2.0)%	32,984	30,646	2,338	7.6 %
Inter-segment	(83)	(1,545)	1,462	94.6 %	(2,392)	(2,977)	585	19.7 %
Total operating costs and expenses	<u>\$ 333,001</u>	<u>\$ 326,952</u>	6,049	1.9 %	<u>\$ 1,011,423</u>	<u>\$ 994,746</u>	16,677	1.7 %

Mohegan Sun

Revenues

Net revenues decreased \$5.8 million, or 2.5%, for the three months ended June 30, 2023 compared with the same period in the prior year. Net revenues decreased \$7.5 million, or 1.1%, for the nine months ended June 30, 2023 compared with the same period in the prior year. These decreases were primarily due to declines in both slot and table game revenues. The declines in slot revenues for the three and nine months ended June 30, 2023 primarily reflected lower slot volumes and hold percentage, respectively, while table game revenues were negatively impacted by lower table game volumes and hold percentage. These results were partially offset by higher food and beverage and hotel revenues, which benefited from strong hotel group business.

Operating Costs and Expenses

Operating costs and expenses increased \$0.9 million, or 0.5%, for the three months ended June 30, 2023 compared with the same period in the prior year. Operating costs and expenses increased \$8.7 million, or 1.6%, for the nine months ended June 30, 2023 compared with the same period in the prior year. These increases were primarily driven by higher payroll costs and food and beverage related costs of goods sold.

Mohegan Pennsylvania

Revenues

Net revenues decreased \$1.5 million, or 2.3%, for the three months ended June 30, 2023 compared with the same period in the prior year. Net revenues decreased \$4.9 million, or 2.5%, for the nine months ended June 30, 2023 compared with the same period in the prior year. These decreases were primarily due to declines in both slot and table game revenues driven by lower overall gaming volumes.

Operating Costs and Expenses

Operating costs and expenses decreased \$0.6 million, or 1.2%, for the three months ended June 30, 2023 compared with the same period in the prior year. Operating costs and expenses decreased \$1.9 million, or 1.2%, for the nine months ended

June 30, 2023 compared with the same period in the prior year. These declines primarily reflected lower Pennsylvania slot machine and table game tax expenses, combined with reduced workers' compensation insurance related costs.

Niagara Resorts

Revenues

Net revenues increased \$1.5 million, or 1.8%, for the three months ended June 30, 2023 compared with the same period in the prior year. These results reflect higher non-gaming revenues, partially offset by declines in slot and table game revenues primarily driven by lower hold percentages. Net revenues increased \$31.1 million, or 16.0%, for the nine months ended June 30, 2023 compared with the same period in the prior year. These results primarily reflect higher non-gaming revenues. In general, non-gaming revenues benefited from strong overall business volumes reflecting a return to normal operating conditions compared with the same periods in the prior year, which were negatively impacted by various COVID-19 related restrictions. Net revenues for the three and nine months ended June 30, 2023 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 \$6.7 million, or 10.4%, for the three months ended June 30, 2023 compared with the same period in the prior year. Operating costs and expenses increased \$38.2 million, or 22.4%, for the nine months ended June 30, 2023 compared with the same period in the prior year. In general, these results reflect higher overall costs and expenses associated with normal operating conditions, combined with additional costs and expenses associated with operating the OLG Stage at Fallsview Casino.

Mohegan Digital

Revenues

Net revenues increased \$6.0 million, or 56.6%, for the three months ended June 30, 2023 compared with the same period in the prior year. Net revenues increased \$32.7 million, or 183.2%, for the nine months ended June 30, 2023 compared with the same period in the prior year. These increases were 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 online casino gaming operations in the Province of Ontario, Canada, which launched in August 2022.

Operating Costs and Expenses

Operating costs and expenses increased \$2.2 million, or 70.9%, for the three months ended June 30, 2023 compared with the same period in the prior year. Operating costs and expenses increased \$5.9 million, or 70.9%, for the nine months ended June 30, 2023 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 online casino gaming operations in the Province of Ontario, Canada.

Management, Development and Other

Revenues

Net revenues decreased \$1.3 million, or 7.8%, for the three months ended June 30, 2023 compared with the same period in the prior year. Net revenues decreased \$0.5 million, or 1.0%, for the nine months ended June 30, 2023 compared with the same period in the prior year. These declines were primarily driven by lower management and development fees from ilani Casino Resort.

Operating Costs and Expenses

Operating costs and expenses decreased \$3.4 million, or 39.9%, for the three months ended June 30, 2023 compared with the same period in the prior year. This decrease was primarily driven by lower pre-opening costs and expenses related to Inspire Korea. Operating costs and expenses decreased \$35.7 million, or 56.5%, for the nine months ended June 30, 2023 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 decreased \$1.3 million, or 16.3%, for the three months ended June 30, 2023 compared with the same period in the prior year. Net revenues decreased \$1.0 million, or 3.9%, for the nine months ended June 30, 2023 compared with the same period in the prior year. These results reflect lower slot and table game revenues generated by Mohegan Casino Las Vegas primarily driven by lower hold percentages.

Operating Costs and Expenses

Operating costs and expenses decreased \$0.9 million, or 10.2%, for the three months ended June 30, 2023 compared with the same period in the prior year. Operating costs and expenses decreased \$1.4 million, or 5.0%, for the nine months ended

June 30, 2023 compared with the same period in the prior year. These decreases primarily reflected lower operating costs and expenses commensurate with the declines in net revenues.

Corporate

Revenues

Net revenues decreased \$0.1 million, or 89.4%, for the three months ended June 30, 2023 compared with the same period in the prior year. Net revenues decreased \$0.2 million, or 34.0%, for the nine months ended June 30, 2023 compared with the same period in the prior year. These results reflect revenues generated by our corporate functions and are relatively de minimis to our overall operating performance.

Operating Costs and Expenses

Operating costs and expenses decreased \$0.2 million, or 2.0%, for the three months ended June 30, 2023 compared with the same period in the prior year. This decrease was primarily driven by lower payroll costs. Operating costs and expenses increased \$2.3 million, or 7.6%, for the nine months ended June 30, 2023 compared with the same period in the prior year. This increase was primarily due to higher costs related to consulting services.

Other Income (Expense)

<i>(in thousands)</i>	Three Months Ended June 30,		Variance		Nine Months Ended June 30,		Variance	
	2023	2022	\$	%	2023	2022	\$	%
Interest income	\$ 583	\$ 64	\$ 519	810.9 %	\$ 1,549	\$ 313	\$ 1,236	394.9 %
Interest expense, net	(59,277)	(53,969)	(5,308)	(9.8)%	(175,724)	(151,055)	(24,669)	(16.3)%
Loss on modification and early extinguishment of debt	(54)	(3)	(51)	N.M.	(3,417)	(3)	(3,414)	N.M.
Gain on fair value adjustment	29,250	26,796	2,454	9.2 %	7,000	20,635	(13,635)	(66.1)%
Other, net	(49)	83	(132)	N.M.	(740)	(2,595)	1,855	71.5 %
Income tax provision	(2,225)	(3,534)	1,309	37.0 %	(3,321)	(4,553)	1,232	27.1 %

N.M. - Not Meaningful.

Interest Expense

Interest expense increased \$5.3 million, or 9.8%, for the three months ended June 30, 2023 compared with the same period in the prior year. Interest expense increased \$24.7 million, or 16.3%, for the nine months ended June 30, 2023 compared with the same period in the prior year. The increases in interest expense were 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 \$19.0 million and \$6.0 million for the three months ended June 30, 2023 and 2022, respectively. Capitalized interest related to Inspire Korea totaled \$44.9 million and \$15.7 million for the nine months ended June 30, 2023 and 2022, 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

Gain or loss on fair value adjustment represented 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 benefit or provision was primarily driven by taxable losses incurred or 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 and nine months ended June 30, 2023 are not necessarily indicative of operating results for other interim periods or an entire fiscal year.

Liquidity and Capital Resources

Liquidity

As of June 30, 2023 and September 30, 2022, we held cash and cash equivalents of \$188.2 million and \$164.7 million, respectively, of which the Niagara Resorts held \$65.4 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 \$227.8 million of borrowing capacity under our senior secured credit facility and existing line of credit as of June 30, 2023. In addition, inclusive of letters of credit, which reduce borrowing availability, the Niagara Resorts had \$124.5 million of borrowing capacity under their existing revolving and swingline facilities as of June 30, 2023.

In connection with Inspire Korea, we have agreed to make additional investments of up to 155 billion Korean won to fund costs to complete the project, of which approximately 66 billion Korean won (approximately \$51 million) was contributed as of June 30, 2023.

Cash provided by operating activities decreased \$46.4 million, or 20.3%, to \$182.1 million for the nine months ended June 30, 2023 compared with \$228.5 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, combined with lower net income, after factoring in non-cash items. Refer to “Discussion of Consolidated Operating Results” for additional information.

Cash used in investing activities increased \$232.3 million, or 111.0%, to \$441.5 million for the nine months ended June 30, 2023 compared with \$209.2 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 \$126.9 million, or 32.8%, to \$260.5 million for the nine months ended June 30, 2023 compared with \$387.4 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.