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HOLLYWOOD CASINO CORP
Form 10-Q
November 14, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM-10Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 33-48887

HOLLYWOOD CASINO CORPORATION
HWCC-TUNICA, INC.

(Exact name of each Registrant as specified in its charter)

Delaware 75-2352412
Texas 75-2513808

(States or other jurisdictions of incorporation or organization)

(I.R.S. Employer Identification No.'s)

Two Galleria Tower, Suite 2200
13455 Noel Road, LB 48
Dallas, Texas

75240

(Address of principal executive offices)

(Zip Code)

(Registrants' telephone number, including area code)

(972) 392-7777

(Not Applicable)

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether each of the Registrants (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that each of the Registrants was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Registrant	Class	Outstanding at November 13, 2001
Hollywood Casino Corporation	Common Stock, \$.0001 par value	25,048,296 Shares
HWCC-Tunica, Inc.	Common Stock, \$.01 par value	1,000 Shares

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HOLLYWOOD CASINO CORPORATION AND SUBSIDIARIES

Part I: Financial Information

Introductory Notes to Consolidated Financial Statements

Hollywood Casino Corporation ("HCC" or the "Company") develops, owns and operates distinctively themed casino entertainment facilities under the service mark Hollywood Casino(R). Through its subsidiaries, HCC currently owns and operates a riverboat casino and entertainment facility in Aurora, Illinois approximately 35 miles west of downtown Chicago (the "Aurora Casino"); a casino, hotel and entertainment complex in Tunica County, Mississippi located approximately 30 miles south of Memphis, Tennessee (the "Tunica Casino") and a destination gaming resort located in Shreveport, Louisiana, approximately 180 miles east of Dallas, Texas (the "Shreveport Casino"). Each of the Company's facilities features its unique Hollywood theme, which incorporates the excitement and glamour of the motion picture industry by utilizing designs inspired by famous movies, displays of motion picture memorabilia and movie themed gaming, entertainment and dining areas. Approximately 47% of HCC's outstanding common shares are listed and traded on the American Stock Exchange under the symbol "HWD". The remaining outstanding HCC common shares are owned by Jack E. Pratt, Edward T. Pratt, Jr., William D. Pratt, Edward T. Pratt III and by certain general partnerships and trusts controlled by the Pratts and by other family members (collectively, the "Pratt Family").

HCC owns all of the outstanding common stock of Hollywood Casino - Aurora, Inc. ("HCA"), HWCC - Tunica, Inc. ("HCT"), HWCC-Louisiana, Inc. ("HCL") and HWCC-Shreveport, Inc. ("Shreveport Management"). HCA is an Illinois corporation organized by the Pratt family during 1990 which owns and operates the Aurora Casino. HCT is a Texas corporation formed by HCC during 1993 to acquire and complete the Tunica Casino. HCL is a Louisiana corporation formed by HCC in 1993 to pursue gaming opportunities in Louisiana. HCL owns the partnership (the "Shreveport Partnership") which has an effective 100% ownership interest in the Shreveport Casino. HCC's joint venture partner holds a residual interest in the event that the Shreveport Casino is ever sold amounting to 10% plus any capital contributions made by the joint venture partner to the Shreveport Partnership or otherwise credited to their account. The joint venture partner's interest is included in minority interest on the accompanying consolidated balance sheets. Shreveport Management is a Louisiana corporation formed by HCC in 1997 which holds the management contract for the Shreveport Casino.

During May 1999, HCC issued \$310,000,000 of 11.25% Senior Secured Notes due May 1, 2007 and \$50,000,000 of floating rate Senior Secured Notes due May 1, 2006 (collectively, the "Senior Secured Notes"). The Senior Secured Notes are unconditionally guaranteed on a senior secured basis by HCT, Shreveport

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Management and by certain future subsidiaries of HCC. The Senior Secured Notes are secured by, among other things, (1) substantially all of the assets of HCT, (2) a limited lien on substantially all of the assets of HCA and (3) a pledge of the capital stock of certain subsidiaries of HCC including HCA and HCT. Accordingly, the financial statements of HCA and HCT are also included herein. Shreveport Management's only source of revenues is management fees earned from the Shreveport Casino. Shreveport Management has no significant operations, assets or liabilities; accordingly, separate financial statements are not included herein because management has determined that such information is not material to investors. HCL has been designated an "Unrestricted Subsidiary" of HCC and the operations of the Shreveport Casino, other than management fees paid to Shreveport Management, do not provide credit support for the Senior Secured Notes.

Proceeds of the debt offering were used to refinance previously outstanding debt, to fund a portion of HCC's equity investment in the Shreveport Casino and, during October 1999, to purchase and terminate the management and consulting agreements on the Aurora Casino and Tunica Casino. The

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Company also plans to use proceeds from the debt offering for the expansion of the Aurora Casino's operating facilities currently under construction.

During August 1999, the Shreveport Partnership issued \$150,000,000 of 13% First Mortgage Notes, with contingent interest, which are non-recourse to HCC. Because the partnership is effectively owned and controlled by HCL, the financial statements of the partnership, including its debt obligations, are included in the accompanying consolidated financial statements of HCC.

The principal executive offices of HCC are located at Two Galleria Tower, Suite 2200, 13455 Noel Road, Dallas, Texas 75240, telephone (972) 392-7777.

The consolidated financial statements and financial statements as of September 30, 2001 and for the three and nine month periods ended September 30, 2001 and 2000 have been prepared by HCC, HCA and HCT without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, these consolidated financial statements and financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the consolidated financial position of HCC and HCT and the financial position of HCA as of September 30, 2001, the results of their operations for the three and nine month periods ended September 30, 2001 and 2000 and their cash flows for the nine month periods ended September 30, 2001 and 2000.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These financial statements should be read in conjunction with the financial statements and notes thereto included in HCC and HCT's 2000 Annual Report on Form 10-K.

Historically, the Aurora Casino and Tunica Casino have experienced some degree of seasonality and it is likely that the Shreveport Casino will also experience seasonality. Consequently, the results of operations for the nine month period ended September 30, 2001 are not necessarily indicative of the operating results to be reported for the full year.

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INDEPENDENT ACCOUNTANTS' REPORT

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To the Board of Directors and Stockholders of
Hollywood Casino Corporation
Dallas, Texas

We have reviewed the accompanying condensed consolidated balance sheet of Hollywood Casino Corporation and subsidiaries as of September 30, 2001, the related condensed consolidated statements of operations for the three and nine month periods ended September 30, 2001 and 2000 and of cash flows for the nine month periods ended September 30, 2001 and 2000. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Hollywood Casino Corporation and subsidiaries as of December 31, 2000, and the related consolidated statements of operations, shareholders' deficit and cash flows for the year then ended (not presented herein); and in our report dated March 15, 2001, 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 December 31, 2000 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

DELOITTE & TOUCHE LLP
Dallas, Texas
November 2, 2001

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HOLLYWOOD CASINO CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

September 30, 2001 (Unaudited)	December 31, 2000
-----	-----

Current Assets:

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Cash and cash equivalents	\$ 155,856,000	\$ 155,570,000
Receivables, net of allowances of \$3,675,000 and \$2,668,000, respectively	5,691,000	5,552,000
Inventories	3,639,000	3,603,000
Deferred income taxes	2,635,000	3,054,000
Refundable deposits and other current assets	3,622,000	4,153,000
Due from affiliates, net of valuation allowances	6,500,000	6,661,000
	-----	-----
Total current assets	177,943,000	178,593,000
	-----	-----
Property and Equipment:		
Land and land improvements	9,640,000	9,594,000
Buildings and improvements	224,652,000	222,637,000
Riverboats and barges	89,823,000	89,421,000
Operating equipment	140,598,000	134,362,000
Construction in progress	25,235,000	4,849,000
	-----	-----
	489,948,000	460,863,000
Less - accumulated depreciation and amortization	(140,972,000)	(105,406,000)
	-----	-----
Net property and equipment	348,976,000	355,457,000
	-----	-----
Cash restricted for construction projects	-	9,530,000
	-----	-----
Other Assets:		
Deferred financing costs	13,604,000	14,875,000
Land rights	6,690,000	6,843,000
Other assets	12,609,000	12,602,000
	-----	-----
Total other assets	32,903,000	34,320,000
	-----	-----
	\$ 559,822,000	\$ 577,900,000
	=====	=====

The accompanying introductory notes and notes to consolidated financial statements are an integral part of these consolidated balance sheets.

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	2001 (Unaudited)	December 31, 2000
	-----	-----
Current Liabilities:		
Current maturities of long-term debt and capital lease obligations	\$ 4,260,000	\$ 16,493,000
Note payable	-	2,499,000
Accounts payable	16,052,000	22,177,000
Accrued liabilities -		
Salaries and wages	7,239,000	9,657,000
Interest	23,627,000	18,067,000
Gaming and other taxes	10,284,000	3,229,000
Insurance	5,295,000	2,816,000
Other	8,665,000	5,398,000
Federal income taxes payable	1,600,000	3,299,000
Other current liabilities	3,201,000	3,560,000
	-----	-----
Total current liabilities	80,223,000	87,195,000
	-----	-----
Long-Term Debt	551,131,000	510,868,000
	-----	-----
Capital Lease Obligations	17,243,000	37,861,000
	-----	-----
Other Noncurrent Liabilities	5,362,000	5,658,000
	-----	-----
Commitments and Contingencies (Note 9)		
Minority Interest	2,114,000	2,078,000
	-----	-----
Shareholders' Deficit:		
Common Stock -		
Class A common stock, \$.0001 par value per share; 50,000,000 shares authorized; 25,023,000 and 24,997,000 shares issued and outstanding, respectively	3,000	2,000
Class B, non-voting, \$.01 par value per share; 10,000,000 shares authorized; no shares issued	-	-
Additional paid-in capital	217,150,000	217,030,000
Accumulated deficit	(313,404,000)	(282,792,000)
	-----	-----
Total shareholders' deficit	(96,251,000)	(65,760,000)
	-----	-----
	\$ 559,822,000	\$ 577,900,000
	=====	=====

The accompanying introductory notes and notes to consolidated financial statements are an integral part of these consolidated balance sheets.

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(Unaudited)

	Three Months Ended September 30,	
	2001	2000
Revenues:		
Casino	\$122,893,000	\$ 85,305,000
Rooms	5,872,000	2,836,000
Food and beverage	14,772,000	8,383,000
Other	1,969,000	1,309,000
	-----	-----
	145,506,000	97,833,000
Less - promotional allowances	(28,995,000)	(18,689,000)
	-----	-----
Net revenues	116,511,000	79,144,000
	-----	-----
Expenses:		
Casino	77,993,000	50,726,000
Rooms	768,000	353,000
Food and beverage	3,906,000	2,274,000
Other	1,065,000	557,000
General and administrative	8,901,000	4,568,000
Depreciation and amortization	13,641,000	3,252,000
Preopening	-	3,154,000
Development	149,000	293,000
	-----	-----
Total expenses	106,423,000	65,177,000
	-----	-----
Income from operations	10,088,000	13,967,000
	-----	-----
Non-operating income (expense):		
Interest income	1,023,000	2,779,000
Interest expense, net of capitalized interest of \$328,000 and \$3,686,000, respectively	(16,130,000)	(13,005,000)
Equity in losses of unconsolidated affiliates	(43,000)	(23,000)
Gain (loss) on disposal of assets	9,000	(1,000)
Gain on settlement of litigation, net of related expenses	-	7,274,000
	-----	-----
Total non-operating expense, net	(15,141,000)	(2,976,000)
	-----	-----
(Loss) income before income taxes and other item	(5,053,000)	10,991,000
Income tax benefit (provision)	2,513,000	(476,000)
	-----	-----
(Loss) income before other item	(2,540,000)	10,515,000
Minority interest in Hollywood Casino Shreveport (Note 1)	(372,000)	-
	-----	-----
Net (loss) income	\$ (2,912,000)	\$ 10,515,000
	=====	=====
Basic net (loss) income per common share	\$ (.12)	\$.42
	=====	=====
Diluted net (loss) income per common share	\$ (.12)	\$.39

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The accompanying introductory notes and notes to consolidated financial statements are an integral part of these consolidated statements.

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HOLLYWOOD CASINO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Nine Months Ended September 30,	
	2001	2000
	-----	-----
Revenues:		
Casino	\$365,418,000	\$247,864,000
Rooms	17,214,000	7,946,000
Food and beverage	44,224,000	24,535,000
Other	6,546,000	3,602,000
	-----	-----
	433,402,000	283,947,000
Less - promotional allowances	(87,067,000)	(53,267,000)
	-----	-----
Net revenues	346,335,000	230,680,000
	-----	-----
Expenses:		
Casino	243,171,000	148,606,000
Rooms	2,290,000	889,000
Food and beverage	13,351,000	6,731,000
Other	4,434,000	1,380,000
General and administrative	29,767,000	15,180,000
Depreciation and amortization	36,797,000	9,766,000
Preopening	-	4,562,000
Development	459,000	715,000
	-----	-----
Total expenses	330,269,000	187,829,000
	-----	-----
Income from operations	16,066,000	42,851,000
	-----	-----
Non-operating income (expense):		
Interest income	3,969,000	9,038,000
Interest expense, net of capitalized interest of \$466,000 and \$7,504,000, respectively	(50,506,000)	(42,219,000)
Equity in losses of unconsolidated affiliates	(130,000)	(23,000)
(Loss) gain on disposal of assets	(55,000)	191,000
Gain on settlement of litigation, net of related expenses	-	7,274,000
	-----	-----
Total non-operating expense, net	(46,722,000)	(25,739,000)
	-----	-----
(Loss) income before income taxes, extraordinary and other items	(30,656,000)	17,112,000
Income tax benefit (provision)	1,996,000	(1,552,000)

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(Loss) income before extraordinary and other items	(28,660,000)	15,560,000
Minority interest in Hollywood Casino Shreveport (Note 1)	(1,109,000)	-
	-----	-----
(Loss) income before extraordinary item	(29,769,000)	15,560,000
Extraordinary item - loss on early extinguishment of debt	(843,000)	-
	-----	-----
Net (loss) income	\$ (30,612,000)	\$ 15,560,000
	=====	=====
Basic net (loss) income per common share:		
(Loss) income before extraordinary item	\$ (1.19)	\$.62
Extraordinary item	(.03)	-
	-----	-----
Net (loss) income	\$ (1.22)	\$.62
	=====	=====
Diluted net (loss) income per common share:		
(Loss) income before extraordinary item	\$ (1.19)	\$.58
Extraordinary item	(.03)	-
	-----	-----
Net (loss) income	\$ (1.22)	\$.58
	=====	=====

The accompanying introductory notes and notes to consolidated financial statements are an integral part of these consolidated statements.

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HOLLYWOOD CASINO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	----- 2001	2000 -----
OPERATING ACTIVITIES:		
Net (loss) income	\$ (30,612,000)	\$ 15,560,000
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization, including accretion of debt discount and amortization of premium	38,954,000	11,565,000
Extraordinary item	843,000	-
Loss (gain) on disposal of assets	55,000	(191,000)
Minority interest in Hollywood Casino Shreveport	1,109,000	-
Grant of stock options	-	15,000
Equity in losses of unconsolidated affiliates	130,000	23,000
Provision for doubtful accounts	2,197,000	985,000
Deferred income taxes	(489,000)	(291,000)
Increase in accounts receivable	(2,336,000)	(1,889,000)
Increase in accounts payable and accrued expenses	9,818,000	18,876,000
Net change in other current assets and liabilities	(1,402,000)	280,000
Net change in other noncurrent assets and liabilities	679,000	(1,069,000)

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	-----	-----
Net cash provided by operating activities	18,946,000	43,864,000
	-----	-----
INVESTING ACTIVITIES:		
Purchases of property and equipment	(30,278,000)	(105,317,000)
Net change in restricted cash	9,530,000	87,082,000
Proceeds from disposal of assets	62,000	2,414,000
Investments in unconsolidated affiliates	(206,000)	-
	-----	-----
Net cash used in investing activities	(20,892,000)	(15,821,000)
	-----	-----
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	41,251,000	139,000
Payment to Sodak Gaming, Inc.	(2,499,000)	-
Deferred financing costs	(1,691,000)	(1,916,000)
Repayments of long-term debt	(3,388,000)	(2,021,000)
Payments on capital lease obligations	(30,489,000)	(453,000)
Issuance of common stock	121,000	75,000
Limited partner distributions	(1,073,000)	-
	-----	-----
Net cash provided by (used in) financing activities	2,232,000	(4,176,000)
	-----	-----
Net increase in cash and cash equivalents	286,000	23,867,000
Cash and cash equivalents at beginning of period	155,570,000	115,351,000
	-----	-----
Cash and cash equivalents at end of period	\$155,856,000	\$ 139,218,000
	=====	=====

The accompanying introductory notes and notes to consolidated financial statements are an integral part of these consolidated statements.

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HOLLYWOOD CASINO CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Organization, Business and Basis of Presentation

Hollywood Casino Corporation ("HCC" or the "Company"), is a Delaware corporation which was organized and incorporated on November 5, 1990. Approximately 53% of the issued and outstanding stock of HCC is owned by Jack E. Pratt, Edward T. Pratt, Jr. and William D. Pratt (the "Pratt Brothers"), by certain general partnerships and trusts controlled by the Pratt Brothers and by other family members (collectively, the "Pratt Family"). The Pratt Family also owns approximately 35% of the outstanding common stock of Greate Bay Casino Corporation ("GBCC"), a Delaware corporation, which previously held management and consulting contracts with casino properties owned by HCC.

HCC owns all of the outstanding common stock of Hollywood Casino - Aurora,

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Inc. ("HCA"), HWCC - Tunica, Inc. ("HCT"), HWCC-Louisiana, Inc. ("HCL") and HWCC-Shreveport, Inc. ("Shreveport Management"). HCA is an Illinois corporation organized during 1990 which owns and operates a riverboat gaming operation with approximately 32,000 square feet of gaming space together with docking and other entertainment facilities under the service mark Hollywood Casino(R) in Aurora, Illinois approximately 35 miles west of downtown Chicago (the "Aurora Casino"). HCT is a Texas corporation formed by HCC during 1993 which owns and operates a 54,000 square foot gaming facility, adjacent support facilities and a 506-room hotel complex under the service mark Hollywood Casino(R) in northern Tunica County, Mississippi approximately 30 miles south of Memphis, Tennessee (the "Tunica Casino"). HCL is a Louisiana corporation formed by HCC in 1993 which owns and operates a 59,000 square foot dockside gaming facility, adjacent support facilities, and a 403-room, all suite, art deco style hotel in Shreveport, Louisiana approximately 180 miles east of Dallas, Texas (the "Shreveport Casino"). Shreveport Management is a Louisiana corporation formed by HCC in 1997 which holds the management contract for the Shreveport Casino. The Aurora Casino, the Tunica Casino and the Shreveport Casino commenced operations in June 1993, August 1994 and December 2000, respectively.

The Company believes that its three gaming facilities derive a significant amount of their gaming revenues from patrons living in the surrounding areas. Competition within the Company's gaming markets is intense and management believes that this competition will continue or intensify in the future.

In September 1998, a joint venture in which HCL was a partner (the "Shreveport Partnership") received approval to develop, own and operate the Shreveport Casino. HCL originally planned to develop the Shreveport Casino with two partners in a joint venture in which it would have had an interest of approximately 50%. On March 31, 1999, HCL entered into a definitive agreement with one of the joint venture partners to acquire its interest in the Shreveport Partnership. As a result, HCL obtained an effective 100% ownership interest in the Shreveport Casino with the remaining joint venture partner holding a residual interest in the event the project is ever sold amounting to 10% plus any capital contributions made by the joint venture partner to the Shreveport Partnership or otherwise credited to their account. Accordingly, the Shreveport Partnership is included in the consolidated financial statements of HCC. The remaining joint venture partner's interest is reflected as minority interest on the accompanying consolidated balance sheets at September 30, 2001 and December 31, 2000.

The accompanying consolidated financial statements also reflect HCT's one-third investment in Tunica Golf Course LLC and the Shreveport Casino's 50% interest in Shreveport Golf Company under the equity method of accounting. Tunica Golf Course LLC was organized in 1996 to develop and operate a golf course to be used by patrons of the Tunica Casino and other participating casino/hotel properties. The golf course was completed and opened for play in November 1998. Shreveport Golf

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HOLLYWOOD CASINO CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Unaudited)

Company was organized in 2000 to develop and operate a golf course to be used by patrons of the Shreveport Casino.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires

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management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The consolidated financial statements as of September 30, 2001 and for the three and nine month periods ended September 30, 2001 and 2000 have been prepared by HCC without audit. In the opinion of management these consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the consolidated financial position of HCC as of September 30, 2001, the results of its operations for the three and nine month periods ended September 30, 2001 and 2000 and its cash flows for the nine month periods ended September 30, 2001 and 2000.

During January and April 2001, the Emerging Issues Task Force ("EITF") of the Financial Accounting Standards Board reached consensus requiring that the "cash-back" feature of customer loyalty programs should be reported as a reduction in net revenues rather than as an expense. The new presentation requirements have been adopted by the Company effective with the first quarter of 2001. Accordingly, all such costs for the current and prior year periods are now included in the accompanying consolidated statements of operations as promotional allowances instead of casino expenses. The changes result only in a reclassification within the consolidated statements of operations and do not affect consolidated (loss) income from operations or net (loss) income.

In July 2001, the Financial Accounting Standards Board issued Statement No. 141, "Business Combinations" ("SFAS 141") and Statement No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 141 requires the use of the purchase method of accounting for all business combinations initiated after June 30, 2001. SFAS 142 establishes new standards for goodwill acquired in a business combination and requires that goodwill and other intangible assets be periodically reviewed for impairment rather than being amortized. SFAS 142 is effective for fiscal years beginning after December 15, 2001 with earlier application permitted. The Company is currently evaluating the impact of the adoption of SFAS 142; however, it does not expect the adoption to have a material effect on its consolidated financial statements.

The Financial Accounting Standards Board issued Statement No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143") in August 2001 and Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144") in October 2001. SFAS 143 addresses reporting for obligations associated with the retirement of tangible long-lived assets and the related asset retirement costs. SFAS 143 is effective for fiscal years beginning after June 15, 2002 with earlier application permitted. SFAS 144 supersedes earlier guidance with respect to such accounting and is effective for fiscal years beginning after December 15, 2001. The Company does not expect the adoption of SFAS 143 and SFAS 144 to have a material effect on its consolidated financial statements.

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HOLLYWOOD CASINO CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Unaudited)

(2) Earnings per Common Share

Basic earnings per common share is calculated by dividing the net (loss)

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income by the weighted average number of shares of common stock outstanding. Diluted earnings per common share is calculated for periods in which income from continuing operations was earned by dividing the components of net (loss) income by the weighted average number of shares of common stock and potential common shares outstanding.

The weighted average number of shares of common stock and potential common shares outstanding used for the calculation of earnings per share is as follows:

Three Months Ended September 30,		Nine Months Ended September 30,	
2001	2000	2001	2000

Shares used in the calculation of:

Basic net (loss) income per share	25,002,550	24,965,574	24,998,912	24,956,728
Diluted net (loss) income per share	25,002,550	26,912,206	24,998,912	26,615,837

No potential common shares or options are included in the calculation of diluted earnings per share for the three and nine month periods ended September 30, 2001 as the inclusion of such shares would be antidilutive due to the net losses incurred during those periods. The weighted average number of potential common shares and options excluded from the diluted earnings per share calculations for the three and nine month periods ended September 30, 2001 was 1,836,324 and 1,976,031, respectively. In addition, options to purchase a weighted average of 67,300 shares and 41,432 shares during the three and nine month periods ended September 30, 2001 were excluded from the diluted earnings per share calculations because the exercise price was greater than the average market price of the common shares. The number of shares used in the calculation of diluted earnings per share for the three and nine month periods ended September 30, 2000 has been adjusted to include all potential common shares and stock options held by employees and directors.

(3) Change in Depreciable Lives

On February 26, 2001, the Company announced the commencement of a major expansion of the Aurora Casino, highlighted by the construction of a new dockside facility to replace the Aurora Casino's two riverboats. The Aurora Casino expansion, as currently planned, is projected to cost approximately \$70,000,000 and is expected to be completed and opened during the summer of 2002. HCA received regulatory approval for its planned dockside casino from the Illinois Gaming Board in April 2000 and construction began in March 2001. Up to \$40,000,000 of the estimated project costs for the proposed Aurora Casino expansion may be obtained from HCC's issuance of the Senior Secured Notes (see Note 4(a)) with the remainder to come from cash on hand and cash available from operations.

As a result of such plans, management conducted a review of its long-lived assets for possible impairment. Based on the undiscounted cash flows anticipated to be earned during the construction period, management concluded that no impairment of the Aurora Casino's assets exists and no write down of its assets is required. The Aurora Casino has prospectively adjusted the remaining useful lives

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HOLLYWOOD CASINO CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Unaudited)

of its existing riverboats and other fixed assets being replaced to reduce the recorded net book value of such assets (\$17,298,000 at September 30, 2001) to their estimated net realizable value at the time they are expected to be removed from service. Consequently, depreciation expense during the three and nine month periods ended September 30, 2001 subsequent to the announcement of the expansion project increased by \$6,428,000 and \$15,002,000, respectively; such additional depreciation is expected to amount to approximately \$6.4 million during the remainder of 2001.

(4) Long-Term Debt and Pledge of Assets

Substantially all of HCC's assets are pledged in connection with its long-term indebtedness. The obligations of HCL and its subsidiaries are non-recourse to HCC.

	September 30, 2001	December 31, 2000
	-----	-----
Indebtedness of HCC:		
11.25% Senior Secured Notes, due 2007 (a)	\$310,000,000	\$310,000,000
Floating rate Senior Secured Notes, due 2006 (a)	50,000,000	50,000,000
Promissory note due to affiliate (Note 8)	1,893,000	1,893,000
	-----	-----
	361,893,000	361,893,000
	-----	-----
Indebtedness of HCA:		
Promissory notes to bank (b)	435,000	1,145,000
	-----	-----
Indebtedness of HCT:		
Equipment loans (c)	452,000	1,188,000
Bank credit facility (d)	1,032,000	89,000
	-----	-----
	1,484,000	1,277,000
	-----	-----
Indebtedness of HCL which is non-recourse to HCC:		
13% Shreveport First Mortgage Notes, with contingent interest, due 2006 (e)	150,000,000	150,000,000
13% Shreveport Senior Secured Notes, with contingent interest, due 2006, including premium of \$1,121,000 (f)	40,121,000	-
Note payable, net of discount of \$87,000 at December 31, 2000 (g)	200,000	1,913,000
Other	29,000	33,000
	-----	-----
	190,350,000	151,946,000
	-----	-----
Total indebtedness	554,162,000	516,261,000
Less - current maturities	(3,031,000)	(5,393,000)
	-----	-----

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Total long-term debt	\$551,131,000	\$510,868,000
	=====	=====

-
- (a) During May 1999, HCC refinanced its outstanding 12.75% senior secured notes through a debt offering of \$310,000,000 of 11.25% Senior Secured Notes due May 1, 2007 and \$50,000,000 of floating rate Senior Secured Notes due May 1, 2006 (collectively, the "Senior Secured Notes"). Interest on the floating rate notes is equal to the six-month LIBOR rate plus 6.28% and is reset

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HOLLYWOOD CASINO CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

semiannually. Interest on the floating rate notes has been adjusted from 12.41% per annum effective November 1, 1999, to 12.89% effective May 1, 2000, to 13% effective November 1, 2000, to 10.51% effective May 1, 2001 and to 8.45% effective November 1, 2001. In addition to refinancing existing debt, the Company used proceeds from the debt offering to fund a portion of its equity investment in the Shreveport Casino and, during October 1999, to acquire and terminate management and consulting contracts on the Aurora Casino and Tunica Casino. The Company also plans to use proceeds from the debt offering to partially finance construction of a new, dockside gaming facility at the Aurora Casino (see Note 3). Interest on the Senior Secured Notes is payable each May 1 and November 1. The Senior Secured Notes are unconditionally guaranteed on a senior secured basis by HCT and Shreveport Management and may be guaranteed by certain future subsidiaries of HCC. Neither HCA nor HCL are guarantors. The Senior Secured Notes and related guarantees are secured by, among other things, (1) substantially all of the assets of HCT and future guarantors, (2) a lien not to exceed approximately \$108,000,000 on substantially all of the assets of HCA, (3) a pledge of the capital stock of certain subsidiaries of HCC, including HCA and HCT, and (4) the collateral assignment of the management contract for the Shreveport Casino. The amount of the lien described in (2) above is currently \$66,007,000.

The fixed rate Senior Secured Notes are redeemable at the option of HCC any time on or after May 1, 2003 at 107% of the then outstanding principal amount, decreasing to 104.666%, 102.333% and 100%, respectively, on May 1, 2004, 2005 and 2006. The Company may also redeem up to 35% of the fixed rate Senior Secured Notes at a redemption price of 111.25% plus accrued interest at any time prior to May 1, 2002 with the proceeds from an offering of HCC's common stock if net proceeds to the Company from any such offering are at least \$20,000,000.

The floating rate Senior Secured Notes may be redeemed at the option of HCC at any time at an initial redemption price of 105% plus accrued interest with the redemption premium decreasing by 1% on May 1 of each year beginning May 1, 2000.

The indenture for the Senior Secured Notes contains various provisions limiting the ability of HCC and certain defined subsidiaries to, among other things, pay dividends or make other restricted payments; incur additional indebtedness or issue preferred stock, create liens, create

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dividend or other payment restrictions affecting certain defined subsidiaries; enter into mergers or consolidations or make sales of all or substantially all assets of HCC, HCT, Shreveport Management or any future guarantor; or enter into certain transactions with affiliates. The indenture also requires certain financial reporting information (see Note 10).

- (b) During September 1998, HCA entered into a bank loan agreement to borrow up to \$2,000,000 on an unsecured basis. Borrowings under the agreement were payable in 36 monthly installments of \$62,000 including interest at the rate of 7.5% per annum. The outstanding borrowings were repaid in 2001.

During May 1999, HCA borrowed an additional \$750,000 from the bank on an unsecured basis. The loan is payable in 60 monthly installments of \$15,000 including interest at the rate of 7.5% per annum.

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HOLLYWOOD CASINO CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Unaudited)

- (c) The equipment loans are payable monthly including interest at effective rates ranging from 8.5% to 11.3% per annum and mature at various dates between 2001 and 2003.
- (d) HCT had a bank credit facility in the amount of \$1,300,000 available to borrow against through September 30, 1998. HCT borrowed \$541,000 under the credit facility during 1998 at the rate of 8.875% per annum. Borrowings under the credit facility were collateralized by equipment purchased with the loan proceeds and were repaid in 2001. The credit facility was not renewed by HCT.

In June 2001, HCT entered into a bank credit facility in the amount of \$3,000,000 available through June 30, 2002. Borrowings under the line of credit are payable over a 36 month period and accrue interest at the bank's prime lending rate plus .75% per annum on either a fixed or floating rate basis. Borrowings under the line of credit are collateralized by equipment purchased with the loan proceeds. The line of credit agreement requires the provision of certain financial reports. During June 2001, HCT borrowed \$731,000 under the credit facility at an interest rate of 7.5% per annum. HCT made additional borrowings of \$130,000 at the rate of 7.5% per annum in July 2001 and \$220,000 at the rate of 7.25% per annum in August 2001.

- (e) During August 1999, the Shreveport Partnership issued \$150,000,000 of 13% First Mortgage Notes, with contingent interest (the "Shreveport First Mortgage Notes"), which are non-recourse to HCC.

Fixed interest on the Shreveport First Mortgage Notes is payable on each February 1 and August 1. In addition, contingent interest accrues and is payable on each interest payment date subsequent to the opening of the Shreveport Casino. The amount of the contingent interest is equal to 5% of the Shreveport Casino's cash flow, as defined, for the prior two fiscal quarters up to a maximum of \$5,000,000 for any four consecutive fiscal quarters. Contingent interest amounting to \$130,000 was incurred during the three and nine month periods ended September 30, 2001. Accrued contingent interest amounted to \$207,000 and \$77,000 at September 30, 2001 and December 31, 2000, respectively. Payment of contingent interest may be deferred to the extent that payment would result in certain financial

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coverage ratios not being met. The notes are collateralized by a first priority secured interest in substantially all of the Shreveport Partnership's existing and future assets other than assets secured by the Shreveport Senior Secured Notes (see 4(f)) and up to \$6,000,000 in assets that may be acquired with future equipment financing as well as by a pledge of the common stock of the HCC subsidiaries which hold the partnership interests.

The Shreveport First Mortgage Notes are redeemable at the option of the Shreveport Partnership at any time on or after August 1, 2003 at 106.5% of the then outstanding principal amount, decreasing to 103.25% on August 1, 2004 and 100% on or after August 1, 2005. Up to 35% of the original aggregate amount of the Shreveport First Mortgage Notes may also be redeemed at a price of 113% plus accrued interest at any time prior to August 1, 2002 with proceeds of contributions to the Shreveport Partnership made by HCC from certain offerings of equity securities by HCC.

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HOLLYWOOD CASINO CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Unaudited)

The indenture for the Shreveport First Mortgage Notes contains various provisions limiting the ability of the Shreveport Partnership to borrow money, pay dividends, make investments, pledge or sell its assets or enter into mergers or consolidations. The indenture also limits the ability of certain HCC subsidiaries which guarantee the debt to acquire additional assets, become liable for additional obligations or engage in any business activities other than holding partnership interests or acting as managing general partner.

- (f) In June 2001, the Shreveport Partnership issued \$39,000,000 of 13% Senior Secured Notes, with contingent interest, due August 2006 (the "Shreveport Senior Secured Notes"). The Shreveport Senior Secured Notes were issued at an initial premium of \$1,170,000 to yield interest at an effective rate of 12.21% per annum. Fixed interest on the Shreveport Senior Secured Notes at the annual rate of 13% is payable on each February 1 and August 1. In addition, contingent interest accrues and is payable on each interest payment date. The amount of contingent interest is equal to 1.3% of the consolidated cash flow of the Shreveport Partnership for the applicable period subject to a maximum contingent interest of \$1,300,000 for any four consecutive fiscal quarters. Contingent interest amounting to \$33,000 was incurred during the three and nine month periods ended September 30, 2001. Accrued contingent interest amounted to \$33,000 at September 30, 2001. Payment of contingent interest may be deferred to the extent that payment would result in certain financial coverage ratios not being met. Proceeds from the Shreveport Senior Secured Notes were used, in part, to retire the Shreveport Partnership's capital lease obligations (see Note 5) with the remainder available for working capital purposes.

Under the terms of certain intercreditor collateral agreements, the Shreveport Senior Secured Notes are secured by, among other things, (1) a security interest in certain furniture, fixtures and equipment acquired prior to the opening of the Shreveport Casino for \$30,000,000 and (2) a security interest on an equal basis in up to \$10,000,000 of the collateral which secures the Shreveport First Mortgage Notes (see (4e)). The furniture, fixtures and equipment in (1) above were obtained with the proceeds from the capital lease obligation retired with a portion of the

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proceeds from the Shreveport Senior Secured Notes.

The Shreveport Senior Secured Notes may be redeemed on the same terms and conditions as the Shreveport First Mortgage Notes (see (4e)). The indenture to the Shreveport Senior Secured Notes also carries substantially the same limitations, covenants and restrictions as those included in the indenture to the Shreveport First Mortgage Notes (see (4e)).

- (g) In September 1998, HCC and its partners acquired their interests in the Shreveport Partnership from its former partners who, prior to October 1997, conducted riverboat gaming operations in New Orleans. In connection with moving the licensed site to Shreveport, the current and former partners negotiated a settlement with the City of New Orleans which, among other things, required that one of the former partners pay \$5,000,000 to the City. The current partners agreed that the Shreveport Casino would pay the City an additional \$5,000,000 upon securing financing for construction of the project (the Shreveport Casino); such payment was made in August 1999. In addition, the current partners agreed that the Shreveport Casino would, contingent on securing financing, reimburse the former partner \$2,000,000 of the amount it paid to the City; such repayment is being made in monthly installments of \$200,000, without interest, commencing with the opening of the Shreveport Casino. The \$2,000,000 liability, net of a discount in the

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HOLLYWOOD CASINO CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Unaudited)

original amount of \$308,000, and the associated project costs were recorded upon the issuance of the Shreveport First Mortgage Notes in August 1999. The obligation was repaid in October 2001.

Scheduled payments of long-term debt as of September 30, 2001 are set forth below:

2001 (three months)	\$ 2,222,000
2002	946,000
2003	549,000
2004	318,000
2005	6,000
Thereafter	549,000,000

Total	\$553,041,000
	=====

Interest paid, net of amounts capitalized, amounted to \$42,789,000 and \$41,188,000, respectively, during the nine month periods ended September 30, 2001 and 2000.

(5) Capital Leases

HCA leases two parking garages under capital lease agreements. The first lease has an initial 30-year term ending in June 2023 with the right to extend the term under renewal options for an additional 67 years. Rental payments

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through June 2012 equal the City of Aurora's financing costs related to its general obligation bond issue used to finance the construction of the parking garage. The general obligation bond issue includes interest at rates between 7% and 7.625% per annum. The second lease has an initial term ending in September 2026 with the right to extend the lease for up to 20 additional years. Rental payments during the first 15 years equal the lessor's debt service costs related to the industrial revenue bond issue used to finance a portion of the construction costs of the parking garage. The remaining construction costs were funded by HCA. In addition, HCA pays base rent equal to \$15,000 per month, subject to a credit of \$10,000 per month which expired in October 2001, for improvements made to the lessor's North Island Center banquet and meeting facilities. HCA is also responsible for additional rent, consisting of costs such as maintenance costs, insurance premiums and utilities arising out of its operation of both parking garages.

The Tunica Casino and Aurora Casino previously leased certain gaming and other equipment under capital lease agreements which have expired. No future payment obligations exist with respect to these capital leases although the equipment remains in use.

The Shreveport Partnership entered into a financing lease agreement with third party lessors for \$30,000,000 to acquire furniture, fixtures and equipment for the Shreveport Casino. During the construction period, the Shreveport Partnership paid only interest on outstanding borrowings together with a fee of .5% per annum on the undrawn portion of the \$30,000,000. Effective with the opening of the Shreveport Casino, the outstanding borrowings became payable in twelve equal quarterly installments plus interest at LIBOR plus 4%. The lease was treated as a capital lease for financial reporting purposes. Borrowings under the lease were collateralized by the furniture, fixtures and equipment purchased. The

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HOLLYWOOD CASINO CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

lease was retired in June 2001 with a portion of the proceeds from the Shreveport Senior Secured Notes (see Note 4(f)).

The \$30,000,000 original cost of the assets acquired under the capital lease agreement by the Shreveport Partnership was included in furniture and equipment on the accompanying consolidated balance sheet at December 31, 2000. Accumulated amortization at December 31, 2000 with respect to these assets amounted to \$172,000. No revisions were made to the carrying value or the estimated useful lives of the assets as a result of the satisfaction and discharge of the capital lease obligation; however, operating equipment under capital leases of \$30,000,000 and the accumulated amortization thereon of \$2,610,000 as of the June 15, 2001 lease termination date have been removed from the table below. Assets under capital leases and the related accumulated amortization are included on the accompanying consolidated balance sheets as follows:

September 30, 2001	December 31, 2000
-----	-----

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Buildings	\$ 27,358,000	\$ 27,358,000
Operating equipment	6,219,000	36,219,000
	-----	-----
	33,577,000	63,577,000
Less - accumulated amortization	(12,088,000)	(11,579,000)
	-----	-----
	\$ 21,489,000	\$ 51,998,000
	=====	=====

Amortization expense with respect to assets under capital leases amounted to \$227,000 and \$3,119,000, respectively, during the three and nine month periods ended September 30, 2001 (including \$2,438,000 for the Shreveport Casino's leased assets prior to the June 15, 2001 lease termination date) and \$227,000 and \$681,000, respectively, for the three and nine month periods ended September 30, 2000.

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HOLLYWOOD CASINO CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Future minimum lease payments under capital lease obligations as of September 30, 2001 are as follows:

2001 (three months)	\$ 1,122,000
2002	2,643,000
2003	2,660,000
2004	2,677,000
2005	2,477,000
Thereafter	16,262,000

Total minimum lease payments	27,841,000
Less amount representing interest	(9,369,000)

Present value of future minimum lease payments	18,472,000
Current capital lease obligation	(1,229,000)

Long-term capital lease obligation	\$17,243,000
	=====

(6) Cash Restricted for Construction Project

Cash restricted for construction project consisted of investments in government securities which were to be used for specified purposes and which were purchased with net proceeds from the Shreveport First Mortgage Notes (see Note 4(e)) as required by the indenture for the Shreveport First Mortgage Notes.

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Restricted cash at December 31, 2000 was comprised of an account with the remaining funds set aside to make interest payments with respect to the Shreveport First Mortgage Notes; the restrictions on such account were removed on the February 1, 2001 interest payment date. Interest earned, but not yet received, on restricted cash investments was included in interest receivable on the accompanying consolidated balance sheet at December 31, 2000.

(7) Income Taxes

Components of HCC's benefit (provision) for income taxes consist of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Current:				
Federal	\$ 1,699,000	\$ (318,000)	\$ 1,699,000	\$ (318,000)
State	632,000	(464,000)	(192,000)	(1,525,000)
Deferred:				
Federal	1,595,000	(3,427,000)	10,444,000	(5,171,000)
State	739,000	(12,000)	3,570,000	(27,000)
Change in valuation allowance	(2,152,000)	3,745,000	(13,525,000)	5,489,000
	-----	-----	-----	-----
	\$2,513,000	\$ (476,000)	\$ 1,996,000	\$ (1,522,000)
	=====	=====	=====	=====

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HOLLYWOOD CASINO CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Unaudited)

No federal income tax payments were made during the nine month period ended September 30, 2001; federal tax payments of \$35,000 were made during the nine month period ended September 30, 2000. The current federal income tax benefit for the three and nine month periods ended September 30, 2001 consists of an adjustment to management's estimate of the federal taxes payable with respect to an examination by the Internal Revenue Service (see below). Current federal income taxes for the three and nine month periods ended September 30, 2000 were offset through the use of available tax net operating loss carryforwards ("NOL's"). State income tax payments of \$11,000 and \$1,705,000, respectively, were made during the nine month periods ended September 30, 2001 and 2000.

At September 30, 2001, HCC and its subsidiaries have NOL's for federal income tax purposes totaling approximately \$67,264,000, none of which begin to expire until the year 2019. Additionally, HCC and its subsidiaries have alternative minimum and other tax credits available totaling \$5,018,000 and \$749,000, respectively. Alternative minimum tax credits do not expire and none of the other tax credits begin to expire until the year 2010. Existing accounting pronouncements require that the tax benefit of such NOL's and credit carryforwards, together with the tax benefit of deferred tax assets resulting from temporary differences, be recorded as an asset and, to the extent that

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management can not assess that the utilization of all or a portion of such NOL's and deferred tax assets is more likely than not, a valuation allowance should be recorded. Management believes that it is more likely than not that future consolidated taxable income of HCC will be sufficient to utilize a portion of the net deferred tax assets. Accordingly, valuation allowances have been established which result in net deferred tax assets of \$6,021,000 and \$5,532,000 at September 30, 2001 and December 31, 2000, respectively.

The Internal Revenue Service has substantially completed its examination of the consolidated federal income tax returns of HCC for the years 1993 through 1998, pending receipt of the final Revenue Agent Report. Management's estimate of the current federal income tax obligation resulting from such examination is included in current federal income taxes payable on the accompanying consolidated balance sheets at September 30, 2001 and December 31, 2000. HCC's consolidated net deferred tax asset has also been adjusted to reflect the projected results of the tax audit.

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HOLLYWOOD CASINO CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Unaudited)

(8) Transactions with Related Parties

As partial consideration for its April 1, 1997 acquisition of the general partnership interest in the entity which held the management contract for the Aurora Casino, HCC issued a five-year note in the original amount of \$3,800,000 to PPI Corporation, a wholly owned subsidiary of GBCC. The note payable to PPI Corporation was amended as of October 1999 to provide for monthly installments of \$83,000 including interest and additional quarterly principal payments of \$21,000 beginning January 1, 2000. HCC and PPI Corporation have entered into agreements to defer all payments of principal and interest on the note otherwise due during the period from March 1, 2000 through November 1, 2001 while negotiations continue between GBCC and HCC to restructure certain indebtedness owed by GBCC to HCC. These deferrals do not extend the final maturity of the note or represent a forgiveness of either principal or interest as all past due amounts, if not otherwise restructured, will become due and payable on the extended payment due date of December 1, 2001. The indebtedness owed by GBCC to HCC includes, among other things, demand notes with an outstanding principal balance of \$5,704,000 at September 30, 2001 and other deferred interest notes with a final maturity value of \$47,603,000. The deferred interest notes have been fully reserved by HCC.

(9) Commitments and Contingencies

On August 10, 2001, three executive officers of the Company were not re-elected to their positions. These individuals continue to serve on the Company's Board of Directors and are all subject to employment agreements. The Compensation Committee of the Board annually reviews and sets compensation for these individuals, subject to a minimum level of compensation. Under the terms of the agreements, (1) the employment period (terminating December 31, 2002 for two executives and December 31, 2003 for the third) will be followed immediately by a four-year period consulting arrangement, (2) upon expiration of the consulting arrangement, each individual will be entitled to receive a lifetime pension benefit, (3) upon the death of any of the executives, their designated beneficiary will receive an annual death benefit for a period of ten years and (4) aggregate annual compensation during the employment periods is currently \$1,380,000 for 2002 and \$710,000 for 2003. All these employment agreements

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contain non-compete clauses. The individuals, at their option, may elect to terminate their respective employment agreements. Such a termination may result in the Company being required to make certain payments in amounts that cannot be reasonably estimated at this time.

The Company is continuing to evaluate these agreements. Such evaluation is expected to be completed in the near future. The pension and death benefits as provided for under these agreements have been accrued. At September 30, 2001 and December 31, 2000, retirement benefits accrued under the employment agreements were \$5,073,000 and \$4,965,000, respectively. Such obligations are included in other noncurrent liabilities on the accompanying consolidated balance sheets.

On April 23, 2000, the construction site for the Shreveport Casino suffered tornado damage which contributed to the delay in opening the facility. Management filed damage claims and received reimbursements from its insurance carrier during 2000 in the amount of approximately \$1,700,000 to cover substantially all of the cost of repairing the damage incurred. Management is also pursuing delayed opening claims with its carriers. To the extent the delay in the facility's opening was the responsibility of contractors, management is also seeking to recover damages from those entities. For this and other reasons, the Shreveport Partnership has withheld payment of approximately \$2.6 million which the general contractor is currently seeking and which is included in accounts payable on the accompanying consolidated balance sheet at September 30, 2001. Both the recovery of any amounts by the Shreveport Partnership from either its insurance companies or the contractors and the need to pay the general contractor the amounts being withheld are currently subject to litigation and management is unable to determine the amounts, if any, that will ultimately be received or paid.

The Shreveport Partnership has agreed to reimburse up to \$579,000 of construction finish out costs to be incurred by an outside lessee with respect to approximately 42,000 square feet of restaurant and entertainment facilities to be operated on property leased from the Shreveport Casino. No liability for such reimbursement has been reflected on the accompanying consolidated balance sheets at September 30, 2001 or December 31, 2000 as the underlying construction work has not been performed. Once the rental period commences, the Shreveport Casino is to receive \$6 per square foot annually, payable on a monthly basis, together with percentage rentals as specified in the lease agreement. The lessee is a limited liability company in which certain relatives of a principal stockholder and director of HCC hold directly or indirectly a 22.5% interest.

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HOLLYWOOD CASINO CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Unaudited)

(10) Unrestricted Subsidiaries

Under the terms of the indenture to the Senior Secured Notes (see Note 4(a)), certain subsidiaries and investees of HCC have been designated as "Unrestricted Subsidiaries." Unrestricted Subsidiaries generally do not provide credit support for the Senior Secured Notes and obligations of Unrestricted Subsidiaries are non-recourse to HCC. Unrestricted Subsidiaries of HCC presently consist of HCL and its subsidiaries, HWCC-Holdings, Inc. and HWCC-Golf Course Partners, Inc. The following presentation summarizes the financial position and results of operations of the Company reflecting its Unrestricted Subsidiaries under the equity method of accounting. Such information is not

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intended to be a presentation in conformity with generally accepted accounting principles and is included for purposes of complying with certain reporting requirements contained in the indenture to the Senior Secured Notes.

Condensed Balance Sheet
Equity Method for Investment in Unrestricted Subsidiaries
September 30, 2001
(amounts in thousands)

<p>Current Assets:</p> <p>Cash and cash items</p> <p>Accounts receivable, net of allowance of \$2,615</p> <p>Inventories</p> <p>Prepaid expenses and other current assets</p> <p>Due from affiliates</p>	<p>\$129,414</p> <p>3,787</p> <p>1,401</p> <p>5,147</p> <p>6,500</p> <p>-----</p> <p>146,249</p> <p>-----</p> <p>8,730</p> <p>-----</p> <p>165,166</p> <p>-----</p> <p>7,824</p> <p>15,721</p> <p>-----</p> <p>23,545</p> <p>-----</p> <p>\$343,690</p> <p>=====</p>	<p>Current Liabilities:</p> <p>Current maturities of long-term debt and capital leases</p> <p>Accounts payable and accrued liabilities</p> <p>Other current liabilities</p> <p>Long-term debt</p> <p>Capital lease obligations</p> <p>Other noncurrent liabilities</p> <p>Shareholders' deficit:</p> <p>Common stock</p> <p>Additional paid-in capital</p> <p>Accumulated deficit</p>
<p>Investment in and advances to Unrestricted Subsidiaries</p> <p>Property and equipment, net of accumulated depreciation and amortization of \$128,576</p> <p>Other Assets:</p> <p>Deferred finance costs</p> <p>Other assets</p>		

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HOLLYWOOD CASINO CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Condensed Statements of Operations
Equity Method for Investment in Unrestricted Subsidiaries
Three and Nine Month Periods Ended September 30, 2001
(amounts in thousands)

Three Months Ended Nine Months Ended

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	September 30, 2001	September 30, 2001
	-----	-----
Net revenues	\$80,081	\$237,639
	-----	-----
Expenses:		
Departmental expenses	54,295	160,950
General and administrative	4,821	15,666
Depreciation and amortization	9,650	24,913
Development	149	459
	-----	-----
Total expenses	68,915	201,988
	-----	-----
Income from operations	11,166	35,651
Non-operating expense, net	(8,715)	(28,576)
	-----	-----
Income before taxes and other item	2,451	7,075
Income tax benefit	2,513	1,996
	-----	-----
Income before other item	4,964	9,071
Equity in losses of unrestricted subsidiaries	(7,876)	(39,683)
	-----	-----
Net loss	\$ (2,912)	\$ (30,612)
	=====	=====

(11) Supplemental Cash Flow Information

During the first nine months of 2000, the Shreveport Partnership obtained proceeds under capital lease obligations amounting to \$19,025,000 used to purchase fixed assets during the construction period (see Note 5).

A contingent liability in the amount of \$2,499,000 with respect to HCL's acquisition of its partner's interest in the Shreveport Partnership was converted to a note payable and has been excluded from the accompanying consolidated statement of cash flows for the nine month period ended September 30, 2000 as a noncash transaction.

(12) Gain on Settlement of Litigation

On October 8, 1998, the Company filed a complaint against its former independent accountants and tax advisors in the District Court of Dallas County, Texas. On September 8, 2000, a mutually acceptable agreement was reached concluding the dispute and resulting in the dismissal of the lawsuit. Terms of the settlement are confidential; however, the Company recognized a pretax gain on the settlement, net of

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related legal fees and other expenses, amounting to \$7,274,000, which is included in non-operating income on the accompanying consolidated statements of operations for the three and nine month periods ended September 30, 2000.

(13) Reclassifications

Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the 2001 consolidated financial statement presentation.

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INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors and Stockholders of
Hollywood Casino Corporation
Dallas, Texas

We have reviewed the accompanying condensed balance sheet of Hollywood Casino-Aurora, Inc. as of September 30, 2001, the related condensed statements of operations for the three and nine month periods ended September 30, 2001 and 2000 and of cash flows for the nine month periods ended September 30, 2001 and 2000. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of Hollywood Casino-Aurora, Inc. as of December 31, 2000, and the related statements of operations, shareholder's equity and cash flows for the year then ended (not presented herein); and in our report dated March 15, 2001, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed balance sheet as of December 31, 2000 is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

DELOITTE & TOUCHE LLP
Dallas, Texas
November 2, 2001

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HOLLYWOOD CASINO - AURORA, INC.
(wholly owned by Hollywood Casino Corporation)

BALANCE SHEETS

ASSETS

	September 30, 2001 (Unaudited)	December 31, 2000
	-----	-----
Current Assets:		
Cash and cash equivalents	\$ 29,295,000	\$ 21,164,000
Accounts receivable, net of allowances of \$822,000 and \$942,000, respectively	1,175,000	1,188,000
Inventories	794,000	997,000
Deferred income taxes	1,967,000	1,958,000
Due from affiliates	119,000	129,000
Prepaid expenses and other current assets	1,154,000	1,033,000
	-----	-----
Total current assets	34,504,000	26,469,000
	-----	-----
Property and Equipment:		
Land improvements	3,167,000	3,167,000
Buildings and improvements	46,205,000	46,205,000
Riverboats and barge	42,365,000	42,377,000
Operating equipment	43,431,000	42,996,000
Construction in progress	22,620,000	2,137,000
	-----	-----
	157,788,000	136,882,000
Less - accumulated depreciation and amortization	(74,271,000)	(54,782,000)
	-----	-----
Net property and equipment	83,517,000	82,100,000
	-----	-----
Other Assets	2,253,000	2,213,000
	-----	-----
	\$120,274,000	\$110,782,000
	=====	=====

The accompanying introductory notes and notes to financial statements are an integral part of these balance sheets.

HOLLYWOOD CASINO - AURORA, INC.
(wholly owned by Hollywood Casino Corporation)

BALANCE SHEETS

LIABILITIES AND SHAREHOLDER'S EQUITY

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	September 30, 2001 (Unaudited)	December 31, 2000
	-----	-----
Current Liabilities:		
Current maturities of long-term debt and capital lease obligations	\$ 1,382,000	\$ 1,847,000
Accounts payable	7,651,000	1,659,000
Accrued liabilities -		
Salaries and wages	2,121,000	2,819,000
Interest	3,755,000	1,756,000
Gaming and other taxes	4,528,000	1,573,000
Insurance	572,000	746,000
Other	2,476,000	1,865,000
Due to affiliates	5,971,000	482,000
Other current liabilities	1,158,000	1,361,000
	-----	-----
Total current liabilities	29,614,000	14,108,000
	-----	-----
Long-Term Debt	66,289,000	66,405,000
	-----	-----
Capital Lease Obligations	17,243,000	17,861,000
	-----	-----
Deferred Income Taxes	1,188,000	6,218,000
	-----	-----
Commitments and Contingencies		
Shareholder's Equity:		
Common stock, \$.01 par value per share; 2,000,000 shares authorized; 1,501,000 shares issued and outstanding	15,000	15,000
Additional paid-in capital	25,541,000	25,541,000
Accumulated deficit	(19,616,000)	(19,366,000)
	-----	-----
Total shareholder's equity	5,940,000	6,190,000
	-----	-----
	\$120,274,000	\$110,782,000
	=====	=====

The accompanying introductory notes and notes to financial statements are an integral part of these balance sheets.

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	Three Months Ended September 30,	
	2001	2000
Revenues:		
Casino	\$58,444,000	\$56,593,000
Food and beverage	3,507,000	4,062,000
Other	779,000	949,000
	-----	-----
	62,730,000	61,604,000
Less - promotional allowances	(8,430,000)	(8,808,000)
	-----	-----
Net revenues	54,300,000	52,796,000
	-----	-----
Expenses:		
Casino	33,018,000	32,585,000
Food and beverage	1,308,000	1,229,000
Other	262,000	310,000
General and administrative	1,312,000	1,329,000
Depreciation and amortization	8,181,000	1,768,000
	-----	-----
Total expenses	44,081,000	37,221,000
	-----	-----
Income from operations	10,219,000	15,575,000
	-----	-----
Non-operating income (expense):		
Interest income	155,000	301,000
Interest expense, net of capitalized interest of \$328,000 in 2001	(1,894,000)	(2,255,000)
Gain (loss) on disposal of assets	1,000	(8,000)
	-----	-----
Total non-operating expense, net	(1,738,000)	(1,962,000)
	-----	-----
Income before income taxes	8,481,000	13,613,000
Income tax provision	(2,903,000)	(4,926,000)
	-----	-----
Net income	\$ 5,578,000	\$ 8,687,000
	=====	=====

The accompanying introductory notes and notes to financial statements are an integral part of these statements.

HOLLYWOOD CASINO - AURORA, INC.
(wholly owned by Hollywood Casino Corporation)

STATEMENTS OF OPERATIONS
(Unaudited)

	Nine Months Ended September 30,	
	2001	2000
	-----	-----
Revenues:		
Casino	\$171,925,000	\$165,642,000
Food and beverage	10,905,000	11,892,000
Other	2,329,000	2,538,000
	-----	-----
	185,159,000	180,072,000
Less - promotional allowances	(24,982,000)	(25,065,000)
	-----	-----
Net revenues	160,177,000	155,007,000
	-----	-----
Expenses:		
Casino	97,988,000	96,238,000
Food and beverage	4,084,000	3,699,000
Other	710,000	800,000
General and administrative	3,842,000	4,080,000
Depreciation and amortization	20,340,000	5,260,000
	-----	-----
Total expenses	126,964,000	110,077,000
	-----	-----
Income from operations	33,213,000	44,930,000
	-----	-----
Non-operating income (expense):		
Interest income	604,000	897,000
Interest expense, net of capitalized interest of \$466,000 in 2001	(6,217,000)	(6,786,000)
Loss on disposal of assets	(65,000)	(7,000)
	-----	-----
Total non-operating expense, net	(5,678,000)	(5,896,000)
	-----	-----
Income before income taxes	27,535,000	39,034,000
Income tax provision	(9,742,000)	(14,322,000)
	-----	-----
Net income	\$ 17,793,000	\$ 24,712,000
	=====	=====

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The accompanying introductory notes and notes to financial statements are an integral part of these statements.

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HOLLYWOOD CASINO - AURORA, INC.
(wholly owned by Hollywood Casino Corporation)

STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2001	2000
OPERATING ACTIVITIES:		
Net income	\$ 17,793,000	\$ 24,712,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	20,340,000	5,260,000
Provision for doubtful accounts	135,000	135,000
Loss on disposal of assets	65,000	7,000
Deferred income tax (benefit) provision	(5,039,000)	316,000
Increase in receivables	(122,000)	(388,000)
Increase in accounts payable and accrued liabilities	10,685,000	4,026,000
Net change in affiliate accounts	5,499,000	3,916,000
Net change in other current assets and liabilities	(121,000)	(623,000)
Net change in other assets and liabilities	(40,000)	(40,000)
	-----	-----
Net cash provided by operating activities	49,195,000	37,321,000
	-----	-----
INVESTING ACTIVITIES:		
Purchases of property and equipment	(21,872,000)	(6,859,000)
Proceeds from sale of assets	50,000	7,000
	-----	-----
Net cash used in investing activities	(21,822,000)	(6,852,000)
	-----	-----
FINANCING ACTIVITIES:		
Repayments of debt	(710,000)	(600,000)
Payments on capital lease obligations	(489,000)	(453,000)
Dividends	(18,043,000)	(23,803,000)
	-----	-----
Net cash used in financing activities	(19,242,000)	(24,856,000)
	-----	-----
Net increase in cash and cash equivalents	8,131,000	5,613,000
Cash and cash equivalents at beginning of period	21,164,000	22,148,000
	-----	-----

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Cash and cash equivalents at end of period	\$ 29,295,000	\$ 27,761,000
	=====	=====

The accompanying introductory notes and notes to financial statements are an integral part of these statements.

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HOLLYWOOD CASINO - AURORA, INC.
(wholly owned by Hollywood Casino Corporation)

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

(1) Organization, Business and Basis of Presentation

Hollywood Casino - Aurora, Inc. ("HCA") is an Illinois corporation and a wholly owned subsidiary of Hollywood Casino Corporation ("HCC"), a Delaware corporation. HCA was organized and incorporated during December 1990 by certain relatives of Jack E. Pratt, Edward T. Pratt, Jr. and William D. Pratt (collectively, the "Pratt Family") for the purpose of developing and holding the ownership interest in a riverboat gaming operation located in Aurora, Illinois (the "Aurora Casino"). In May 1992, HCC, which was then wholly owned by members of the Pratt Family or by certain general partnerships and trusts controlled by the Pratt Family, acquired all of the outstanding stock of HCA through the issuance of HCC stock.

The Aurora Casino consists of two, four-level riverboats having a combined casino space of approximately 32,000 square feet and a four-level pavilion and docking facility which houses ticketing, food service, passenger waiting, and various administrative functions. The Aurora Casino also includes two parking structures with approximately 1,340 parking spaces. HCA was responsible for the design and construction of the parking garages; however, it leases the facilities under long-term lease agreements. The leases are treated as capital leases for financial reporting purposes.

The Aurora Casino commenced operations on June 17, 1993. HCA's current Owner's License was renewed by the Illinois Gaming Board in December 2000 for a period of four years to December 2004. Gaming taxes imposed by the state of Illinois are determined using a graduated tax rate applied to the licensee's gaming revenues. HCA expenses such gaming taxes based on its anticipated annual effective tax rate.

HCA estimates that a significant amount of the Aurora Casino's revenues are derived from patrons living in the Chicago area and surrounding northern and western suburbs. The Aurora Casino faces intense competition from other riverboat gaming operations in Illinois and Indiana which serve the Chicago area and management believes that this competition will continue in the future.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those

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estimates.

The financial statements as of September 30, 2001 and for the three and nine month periods ended September 30, 2001 and 2000 have been prepared by HCA without audit. In the opinion of management, these financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position of HCA as of September 30, 2001, the results of its operations for the three and nine month periods ended September 30, 2001 and 2000 and its cash flows for the nine month periods ended September 30, 2001 and 2000.

During January and April 2001, the Emerging Issues Task Force ("EITF") of the Financial Accounting Standards Board reached consensus requiring that the "cash-back" feature of customer loyalty programs should be reported as a reduction in net revenues rather than as an expense. The new

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HOLLYWOOD CASINO - AURORA, INC.
(wholly owned by Hollywood Casino Corporation)

NOTES TO FINANCIAL STATEMENTS (Continued)
(Unaudited)

presentation requirements have been adopted by HCA effective with the first quarter of 2001. Accordingly, all such costs for the current and prior year periods are now included in the accompanying statements of operations as promotional allowances instead of casino expenses. The changes result only in a reclassification within the statements of operations and do not affect income from operations or net income.

In July 2001, the Financial Accounting Standards Board issued Statement No. 141, "Business Combinations" ("SFAS 141") and Statement No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 141 requires the use of the purchase method of accounting for all business combinations initiated after June 30, 2001. SFAS 142 establishes new standards for goodwill acquired in a business combination and requires that goodwill and other intangible assets be periodically reviewed for impairment rather than being amortized. SFAS 142 is effective for fiscal years beginning after December 15, 2001 with earlier application permitted. HCA is currently evaluating the impact of the adoption of SFAS 142; however, it does not expect the adoption to have a material effect on its financial statements.

The Financial Accounting Standards Board issued Statement No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143") in August 2001 and Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144") in October 2001. SFAS 143 addresses reporting for obligations associated with the retirement of tangible long-lived assets and the related asset retirement costs. SFAS 143 is effective for fiscal years beginning after June 15, 2002 with earlier application permitted. SFAS 144 supercedes earlier guidance with respect to such accounting and is effective for fiscal years beginning after December 15, 2001. HCA does not expect the adoption of SFAS 143 and SFAS 144 to have a material effect on its financial statements.

(2) Change in Depreciable Lives

On February 26, 2001, HCA announced the commencement of a major expansion of the Aurora Casino, highlighted by the construction of a new dockside facility to replace the Aurora Casino's two riverboats. The Aurora Casino expansion, as

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currently planned, is projected to cost approximately \$70,000,000 and is expected to be completed and opened during the summer of 2002. HCA received regulatory approval for its planned dockside casino from the Illinois Gaming Board in April 2000 and construction began in March 2001. Up to \$40,000,000 of the estimated project costs for the proposed Aurora Casino expansion may be obtained under HCA's available intercompany borrowings from HCC (see Note 3(a)) with the remainder to come from cash on hand and cash available from operations.

As a result of such plans, management conducted a review of its long-lived assets for possible impairment. Based on the undiscounted cash flows anticipated to be earned during the construction period, management concluded that no impairment of the Aurora Casino's assets exists and no write down of its assets is required. The Aurora Casino has prospectively adjusted the remaining useful lives of its existing riverboats and other fixed assets being replaced to reduce the recorded net book value of such assets (\$17,298,000 at September 30, 2001) to their estimated net realizable value at the time they are expected to be removed from service. Consequently, depreciation expense during the three and nine month periods ended September 30, 2001 subsequent to the announcement of the expansion project increased by \$6,428,000 and \$15,002,000, respectively; such additional depreciation is expected to amount to approximately \$6.4 million during the remainder of 2001.

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HOLLYWOOD CASINO - AURORA, INC.
(wholly owned by Hollywood Casino Corporation)

NOTES TO FINANCIAL STATEMENTS (Continued)
(Unaudited)

(3) Long-Term Debt and Pledge of Assets

HCA's long-term indebtedness consists of the following:

	September 30, 2001	December 31, 2000
	-----	-----
11.25% Promissory note to HCC, due on May 1, 2007 (a)	\$66,007,000	\$66,007,000
Promissory notes to bank (b)	435,000	1,145,000
	-----	-----
Total indebtedness	66,442,000	67,152,000
Less - current maturities	(153,000)	(747,000)
	-----	-----
Total long-term debt	\$66,289,000	\$66,405,000
	=====	=====

(a) The intercompany note was issued as of May 19, 1999 and accrues interest at the rate of 11.25% per annum. The initial borrowing on the note in the amount of \$29,007,000 replaced a previous intercompany note with HCC which accrued interest at the rate of 12.75%. During October 1999, HCA borrowed an additional \$37,000,000 from HCC under the note agreement to acquire and

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terminate its management contract. HCA may borrow up to a total of \$108,000,000 under the intercompany note agreement. Interest on advances is payable each October 15 and April 15. The intercompany note is pledged as security with respect to HCC's \$360,000,000 Senior Secured Notes due in 2006 and 2007. HCA is not a guarantor of HCC's indebtedness; however, the indebtedness is secured, in part, by a lien on substantially all of the assets of HCA and by a pledge of the capital stock of HCA. The lien is limited to the outstanding principal amount on the intercompany note to HCC.

- (b) During September 1998, HCA entered into a bank loan agreement to borrow up to \$2,000,000 on an unsecured basis. Borrowings under the agreement were payable in 36 monthly installments of \$62,000 including interest at the rate of 7.5% per annum. The outstanding borrowings were repaid in 2001.

During May 1999, HCA borrowed an additional \$750,000 from the bank on an unsecured basis. The loan is payable in 60 monthly installments of \$15,000 including interest at the rate of 7.5% per annum.

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HOLLYWOOD CASINO - AURORA, INC.
(wholly owned by Hollywood Casino Corporation)

NOTES TO FINANCIAL STATEMENTS (Continued)
(Unaudited)

As of September 30, 2001, future maturities of long-term debt are as follows:

2001 (three months)	\$	37,000
2002		156,000
2003		168,000
2004		74,000
2005		-
Thereafter		66,007,000

		\$66,442,000
		=====

Interest paid for the nine month periods ended September 30, 2001 (net of capitalized interest) and 2000 amounted to \$4,218,000 and \$4,780,000, respectively.

(4) Capital Leases

HCA leases two parking garages under capital lease agreements. The first lease has an initial 30-year term ending in June 2023 with the right to extend the term under renewal options for an additional 67 years. Rental payments through June 2012 equal the City of Aurora's financing costs related to its general obligation bond issue used to finance the construction of the parking garage. The general obligation bond issue includes interest at rates between 7% and 7.625% per annum. The second lease has an initial term ending in September 2026 with the right to extend the lease for up to 20 additional years. Rental payments during the first 15 years equal the lessor's debt service costs related to the industrial revenue bond issue used to finance a portion of the construction costs of the parking garage. The remaining construction costs were

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funded by HCA. In addition, HCA pays base rent equal to \$15,000 per month, subject to a credit of \$10,000 per month which expired in October 2001, for improvements made to the lessor's North Island Center banquet and meeting facilities. HCA is also responsible for additional rent, consisting of costs such as maintenance costs, insurance premiums and utilities arising out of its operation of both parking garages.

The original cost of HCA's parking garages is included in buildings and improvements on the accompanying balance sheets at both September 30, 2001 and December 31, 2000 in the amount of \$27,358,000. Amortization expense with respect to these assets amounted to \$227,000 and \$681,000, respectively, during each of the three and nine month periods ended September 30, 2001 and 2000. Accumulated amortization at September 30, 2001 and December 31, 2000 with respect to these assets amounted to \$8,315,000 and \$7,634,000, respectively.

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Future minimum lease payments under capital lease obligations as of September 30, 2001 are as follows:

2001 (three months)	\$ 1,122,000
2002	2,643,000
2003	2,660,000
2004	2,677,000
2005	2,477,000
Thereafter	16,262,000

Total minimum lease payments	27,841,000
Less amount representing interest	(9,369,000)

Present value of future minimum lease payments	18,472,000
Current capital lease obligation	(1,229,000)

Long-term capital lease obligation	\$ 17,243,000

(5) Income Taxes

HCA's provision for income taxes consists of the following:

	Three Months Ended September 30,	
	2001	2000
	-----	-----
Current (provision) benefit:		
Federal	\$ (5,401,000)	\$ (4,318,000)
State	647,000	(463,000)
Deferred benefit (provision):		
Federal	1,669,000	(133,000)
State	182,000	(12,000)
	-----	-----
	\$ (2,903,000)	\$ (4,926,000)
	=====	=====

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HCA is included in HCC's consolidated federal income tax return. Pursuant to agreements between HCC and HCA, HCA's current provision for federal income taxes is based on the amount of tax which would be provided if a separate federal income tax return were filed. HCA paid federal income taxes amounting to \$8,640,000 and \$9,020,000, respectively, during the nine month periods ended September 30, 2001 and 2000 and state income taxes of \$9,000 and \$1,705,000, respectively, during the nine month periods ended September 30, 2001 and 2000.

The Internal Revenue Service has substantially completed its examination of the consolidated federal income tax returns of HCC for the years 1993 through 1998, pending receipt of the final Revenue Agent Report, as they pertain to HCA. The intercompany tax obligation under the tax sharing agreement and the net deferred tax liability have been adjusted to reflect the projected results of such examination.

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HOLLYWOOD CASINO - AURORA, INC.
(wholly owned by Hollywood Casino Corporation)

NOTES TO FINANCIAL STATEMENTS (Continued)
(Unaudited)

(6) Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to the 2001 financial statement presentation.

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INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors and Stockholders of
Hollywood Casino Corporation
Dallas, Texas

We have reviewed the accompanying condensed consolidated balance sheet of HWCC-Tunica, Inc. and subsidiary as of September 30, 2001, the related condensed consolidated statements of operations for the three and nine month periods ended September 30, 2001 and 2000 and of cash flows for the nine month periods ended September 30, 2001 and 2000. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of

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America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of HWCC-Tunica, Inc. and subsidiary as of December 31, 2000, and the related consolidated statements of operations, shareholder's equity and cash flows for the year then ended (not presented herein); and in our report dated March 15, 2001, 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 December 31, 2000 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

DELOITTE & TOUCHE LLP
 Dallas, Texas
 November 2, 2001

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HWCC - TUNICA, INC. AND SUBSIDIARY
 (wholly owned by Hollywood Casino Corporation)

CONSOLIDATED BALANCE SHEETS

ASSETS

	September 30, 2001 (Unaudited)	December 31, 2000
	-----	-----
Current Assets:		
Cash and cash equivalents	\$ 19,582,000	\$ 16,038,000
Accounts receivable, net of allowances of \$1,793,000 and \$1,636,000, respectively	2,533,000	3,295,000
Inventories	607,000	780,000
Deferred income taxes	1,717,000	1,403,000
Prepaid expenses and other current assets	1,124,000	1,182,000
Due from affiliates	310,000	163,000
	-----	-----
Total current assets	25,873,000	22,861,000
	-----	-----
Property and Equipment:		
Land and improvements	4,808,000	4,808,000
Buildings	76,701,000	76,701,000
Barges	2,524,000	2,524,000
Operating equipment	48,545,000	47,019,000
Construction in progress	1,853,000	91,000
	-----	-----
	134,431,000	131,143,000
Less - accumulated depreciation and amortization	(53,521,000)	(49,408,000)
	-----	-----
Net property and equipment	80,910,000	81,735,000
	-----	-----
Other Assets:		
Land rights	6,690,000	6,843,000

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Other assets	4,267,000	4,667,000
	-----	-----
Total other assets	10,957,000	11,510,000
	-----	-----
	\$117,740,000	\$116,106,000
	=====	=====

The accompanying introductory notes and notes to consolidated financial statements are an integral part of these consolidated balance sheets.

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HWCC - TUNICA, INC. AND SUBSIDIARY
(wholly owned by Hollywood Casino Corporation)

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND SHAREHOLDER'S EQUITY

	September 30, 2001 (Unaudited)	December 31, 2000
	-----	-----
Current Liabilities:		
Current maturities of long-term debt and capital lease obligations	\$ 779,000	\$ 1,032,000
Accounts payable	1,421,000	1,890,000
Accrued liabilities -		
Salaries and wages	2,357,000	1,792,000
Interest	437,000	437,000
Gaming and other taxes	1,170,000	1,473,000
Insurance	2,407,000	1,986,000
Other	3,677,000	2,856,000
Other current liabilities	1,158,000	1,375,000
	-----	-----
Total current liabilities	13,406,000	12,841,000
	-----	-----
Long-Term Debt	88,079,000	87,619,000
	-----	-----
Commitments and Contingencies		
Shareholder's Equity:		
Common stock, \$.01 par value per share; 100,000 shares authorized; 1,000 shares issued and outstanding	-	-
Additional paid-in capital	22,637,000	22,637,000
Accumulated deficit	(6,382,000)	(6,991,000)
	-----	-----
Total shareholder's equity	16,255,000	15,646,000
	-----	-----
	\$117,740,000	\$116,106,000
	=====	=====

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The accompanying introductory notes and notes to consolidated financial statements are an integral part of these consolidated balance sheets.

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HWCC - TUNICA, INC. AND SUBSIDIARY
(wholly owned by Hollywood Casino Corporation)

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,	
	2001	2000
Revenues:		
Casino	\$ 27,576,000	\$28,712,000
Rooms	3,446,000	2,836,000
Food and beverage	4,496,000	4,321,000
Other	469,000	360,000
	35,987,000	36,229,000
Less - promotional allowances	(10,952,000)	(9,881,000)
Net revenues	25,035,000	26,348,000
Expenses:		
Casino	18,361,000	18,141,000
Rooms	233,000	353,000
Food and beverage	884,000	1,045,000
Other	229,000	247,000
General and administrative	1,231,000	1,218,000
Depreciation and amortization	1,415,000	1,417,000
Total expenses	22,353,000	22,421,000
Income from operations	2,682,000	3,927,000
Non-operating income (expenses):		
Interest income	74,000	66,000
Interest expense	(2,484,000)	(2,499,000)
Equity in losses of unconsolidated affiliate	(43,000)	(23,000)
Gain on disposal of assets	10,000	7,000
Total non-operating expenses, net	(2,443,000)	(2,449,000)
Income before income taxes	239,000	1,478,000
Income tax provision	(121,000)	(148,000)
Net income	\$ 118,000	\$ 1,330,000

The accompanying introductory notes and notes to consolidated financial statements are an integral part of these consolidated statements.

HWCC - TUNICA, INC. AND SUBSIDIARY
(wholly owned by Hollywood Casino Corporation)

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Nine Months Ended September 30,	
	2001	2000
Revenues:		
Casino	\$ 81,974,000	\$ 82,222,000
Rooms	9,619,000	7,946,000
Food and beverage	13,094,000	12,643,000
Other	1,356,000	1,064,000
	-----	-----
	106,043,000	103,875,000
Less - promotional allowances	(30,800,000)	(28,202,000)
	-----	-----
Net revenues	75,243,000	75,673,000
	-----	-----
Expenses:		
Casino	54,170,000	52,368,000
Rooms	721,000	889,000
Food and beverage	2,597,000	3,032,000
Other	680,000	580,000
General and administrative	4,524,000	3,734,000
Depreciation and amortization	4,407,000	4,356,000
	-----	-----
Total expenses	67,099,000	64,959,000
	-----	-----
Income from operations	8,144,000	10,714,000
	-----	-----
Non-operating income (expenses):		
Interest income	250,000	163,000
Interest expense	(7,446,000)	(7,528,000)
Equity in losses of unconsolidated affiliate	(130,000)	(23,000)
Gain on disposal of assets	12,000	7,000
	-----	-----
Total non-operating expenses, net	(7,314,000)	(7,381,000)
	-----	-----
Income before income taxes	830,000	3,333,000
Income tax provision	(221,000)	(491,000)
	-----	-----
Net income	\$ 609,000	\$ 2,842,000
	=====	=====

The accompanying introductory notes and notes to consolidated financial statements are an integral part of these consolidated statements.

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HWCC - TUNICA, INC. AND SUBSIDIARY
(wholly owned by Hollywood Casino Corporation)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2001	2000
OPERATING ACTIVITIES:		
Net income	\$ 609,000	\$ 2,842,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,407,000	4,356,000
Gain on disposal of assets	(12,000)	(7,000)
Provision for doubtful accounts	1,092,000	850,000
Deferred income tax provision	10,000	-
Equity in losses of unconsolidated affiliate	130,000	23,000
Increase in accounts receivable	(330,000)	(1,615,000)
Increase in accounts payable and accrued expenses	1,035,000	1,090,000
Net change in other current assets and liabilities	(133,000)	464,000
Net change in other noncurrent assets and liabilities	(45,000)	(5,000)
Net cash provided by operating activities	6,763,000	7,998,000
INVESTING ACTIVITIES:		
Purchases of property and equipment	(3,428,000)	(2,634,000)
Proceeds from sale of assets	12,000	-
Investment in unconsolidated affiliate	(10,000)	-
Net cash used in investing activities	(3,426,000)	(2,634,000)
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	1,081,000	104,000
Repayments of long-term debt	(874,000)	(1,280,000)
Net cash provided by (used in) financing activities	207,000	(1,176,000)
Net increase in cash and cash equivalents	3,544,000	4,188,000
Cash and cash equivalents at beginning of period	16,038,000	10,339,000
Cash and cash equivalents at end of period	\$19,582,000	\$14,527,000

The accompanying introductory notes and notes to consolidated financial statements are an integral part of these consolidated statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(1) Organization, Business and Basis of Presentation

HWCC - Tunica, Inc. ("HCT") is a Texas corporation and a wholly owned subsidiary of Hollywood Casino Corporation ("HCC"), a Delaware corporation. HCT was incorporated in December 1993 for the purpose of acquiring and completing a gaming facility in northern Tunica County, Mississippi approximately 30 miles southwest of Memphis, Tennessee. The facility (the "Tunica Casino") was completed and commenced operations on August 8, 1994 under the service mark Hollywood Casino(R). The Tunica Casino currently includes a casino with 54,000 square feet of gaming space, 506 hotel rooms and suites, a 123-space recreational vehicle park and related amenities. HCT's gaming license has been renewed by the Mississippi Gaming Commission through October 20, 2004.

The accompanying consolidated financial statements include the accounts of HCT and its wholly owned subsidiary, HWCC-Golf Course Partners, Inc. ("Golf"). All significant intercompany balances have been eliminated in consolidation. Golf, a Delaware corporation, was formed in 1996 to own an initial one-third interest in Tunica Golf Course LLC, a limited liability company organized to develop and operate a golf course to be used by patrons of the Tunica Casino and other participating casino/hotel properties. The golf course opened for business in November 1998. Golf's investment in Tunica Golf Course, LLC is accounted for under the equity method of accounting and is included in other noncurrent assets on the accompanying consolidated balance sheets at September 30, 2001 and December 31, 2000.

HCT estimates that a significant amount of the Tunica Casino's revenues are derived from patrons living in the Memphis, Tennessee area, northern Mississippi and Arkansas. The Tunica Casino faces intense competition from other casinos operating in northern Tunica County and management believes that this competition will continue in the future.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The consolidated financial statements as of September 30, 2001 and for the three and nine month periods ended September 30, 2001 and 2000 have been prepared by HCT without audit. In the opinion of management, these consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the consolidated financial position of HCT as of September 30, 2001, the results of its operations for the three and nine month periods ended September 30, 2001 and 2000 and its cash flows for the nine month periods ended September 30, 2001 and 2000.

During January and April 2001, the Emerging Issues Task Force ("EITF") of the Financial Accounting Standards Board reached consensus requiring that the "cash-back" feature of customer loyalty programs should be reported as a reduction in net revenues rather than as an expense. The new presentation requirements have been adopted by HCT effective with the first quarter of 2001. Accordingly, all such costs for the current and prior year periods are now included in the accompanying consolidated statements of operations as promotional allowances instead of casino expenses. The changes result only in a reclassification within the consolidated statements of operations and do not

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affect consolidated income from operations or net income.

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HWCC - TUNICA, INC. AND SUBSIDIARY
(wholly owned by Hollywood Casino Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

In July 2001, the Financial Accounting Standards Board issued Statement No. 141, "Business Combinations" ("SFAS 141") and Statement No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 141 requires the use of the purchase method of accounting for all business combinations initiated after June 30, 2001. SFAS 142 establishes new standards for goodwill acquired in a business combination and requires that goodwill and other intangible assets be periodically reviewed for impairment rather than being amortized. SFAS 142 is effective for fiscal years beginning after December 15, 2001 with earlier application permitted. HCT is currently evaluating the impact of the adoption of SFAS 142; however, it does not expect the adoption to have a material effect on its consolidated financial statements.

The Financial Accounting Standards Board issued Statement No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143") in August 2001 and Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144") in October 2001. SFAS 143 addresses reporting for obligations associated with the retirement of tangible long-lived assets and the related asset retirement costs. SFAS 143 is effective for fiscal years beginning after June 15, 2002 with earlier application permitted. SFAS 144 supercedes earlier guidance with respect to such accounting and is effective for fiscal years beginning after December 15, 2001. HCT does not expect the adoption of SFAS 143 and SFAS 144 to have a material effect on its consolidated financial statements.

(2) Long-Term Debt and Pledge of Assets

Substantially all of HCT's assets are pledged in connection with its long-term indebtedness. Long-term debt consists of the following:

	September 30, 2001	December 31, 2000
	-----	-----
11.25% Promissory note to HCC due May 1, 2007 (a)	\$87,045,000	\$87,045,000
Note payable to HCC (a)	329,000	329,000
Equipment loans (b)	452,000	1,188,000
Bank credit facility (c)	1,032,000	89,000
	-----	-----
Total indebtedness	88,858,000	88,651,000
Less - current maturities	(779,000)	(1,032,000)
	-----	-----
Total long-term debt	\$88,079,000	\$87,619,000
	=====	=====

(a) The intercompany note was issued as of May 19, 1999 and accrues interest at the rate of 11.25% per annum. The initial borrowing on the note in the amount of \$84,045,000 replaced previous intercompany notes with HCC which accrued interest at the rate of 12.75%. During October 1999, HCT borrowed the additional \$3,000,000 available under the intercompany note as well as an additional \$329,000 under a new note agreement with HCC to acquire and terminate its consulting agreement. No additional borrowings are available under the 11.25% intercompany note agreement. Interest on advances is

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payable each April 15 and October 15. The intercompany note is pledged as security with respect to HCC's \$360,000,000 Senior Secured

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HWCC - TUNICA, INC. AND SUBSIDIARY
(wholly owned by Hollywood Casino Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Notes due in 2006 and 2007 which are unconditionally guaranteed on a senior secured basis by HCT and by certain other current and future subsidiaries of HCC. HCC's Senior Secured Notes and related guarantees are secured by, among other things, (1) substantially all of the assets of HCT and other future guarantors, (2) a limited lien on substantially all of the assets of another gaming facility operated by a wholly owned subsidiary of HCC, (3) a pledge of the capital stock of HCT and certain other subsidiaries of HCC and (4) the collateral assignment of any future management contracts entered into by HCC. The amount of the lien described in (2) is currently \$66,007,000 and may be increased as a result of additional borrowings up to a maximum of \$108,000,000.

The indenture for HCC's Senior Secured Notes contains various provisions limiting the ability of HCC, HCT and certain defined subsidiaries to, among other things, pay dividends or make other restricted payments; incur additional indebtedness or issue preferred stock; create liens; create dividend or other payment restrictions affecting certain defined subsidiaries; enter into mergers or consolidations or make sales of all or substantially all assets of HCC, HCT or any future guarantor; or enter into certain transactions with affiliates. Dividend payments by HCT to HCC are not restricted under the terms of the indenture.

- (b) The equipment loans are payable monthly including interest at effective rates ranging from 8.5% to 11.3% per annum and mature at various dates between 2001 and 2003.
- (c) HCT had a bank credit facility in the amount of \$1,300,000 available to borrow against until September 30, 1998. HCT borrowed \$541,000 under the credit facility during 1998 at the rate of 8.875% per annum. Borrowings under the credit facility were collateralized by equipment purchased with the loan proceeds and were repaid in 2001. The credit facility was not renewed by HCT.

In June 2001, HCT entered into a bank credit facility in the amount of \$3,000,000 available through June 30, 2002. Borrowings under the line of credit are payable over a 36 month period and accrue interest at the bank's prime lending rate plus .75% per annum on either a fixed or floating rate basis. Borrowings under the line of credit are collateralized by equipment purchased with the loan proceeds. The line of credit agreement requires the provision of certain financial reports. During June 2001, HCT borrowed \$731,000 under the credit facility at an interest rate of 7.5% per annum. HCT made additional borrowings of \$130,000 at the rate of 7.5% per annum in July 2001 and \$220,000 at the rate of 7.25% per annum in August 2001.

Scheduled payments of long-term debt as of September 30, 2001 are set forth below:

2001 (three months)	\$	288,000
2002		586,000
2003		374,000

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2004	236,000
2005	-
Thereafter	87,374,000

Total	\$88,858,000
	=====

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HWCC - TUNICA, INC. AND SUBSIDIARY
(wholly owned by Hollywood Casino Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Interest paid amounted to \$7,446,000 and \$7,528,000, respectively, during the nine month periods ended September 30, 2001 and 2000.

(3) Income Taxes

HCT's provision for income taxes consists of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Provision for current federal income taxes	\$ (153,000)	\$ (148,000)	\$ (211,000)	\$ (491,000)
Deferred federal income tax benefit (provision)	61,000	(388,000)	(128,000)	(682,000)
Change in valuation allowance	(29,000)	388,000	118,000	682,000
	-----	-----	-----	-----
	\$ (121,000)	\$ (148,000)	\$ (221,000)	\$ (491,000)
	=====	=====	=====	=====

State income taxes have not been provided for since a credit for state gaming taxes based on gross revenues is allowed to offset income taxes incurred. The credit is the lesser of total gaming taxes paid or the state income tax, with no credit carryforward permitted.

HCT is included in HCC's consolidated federal income tax return. HCT's provision for federal income taxes is based on the amount of tax which would be provided if a separate federal income tax return were filed. HCT paid federal income taxes of \$319,000 and \$33,000, respectively, during the nine month periods ended September 30, 2001 and 2000. HCT paid no state income taxes during either of the nine month periods ended September 30, 2001 or 2000.

At September 30, 2001, HCT had net operating loss carryforwards ("NOL's") totaling approximately \$2,358,000, which do not expire until the year 2019. Additionally, HCT has alternative minimum and other tax credits available totaling \$1,196,000 and \$385,000, respectively. Alternative minimum tax credits do not expire and none of the other tax credits begin to expire before the year 2009. Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes", requires that the tax benefit of such NOL's and credit carryforwards, together with the tax benefit of deferred tax assets resulting

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from temporary differences, be recorded as an asset and, to the extent that management can not assess that the utilization of all or a portion of such deferred tax assets is more likely than not, a valuation allowance should be recorded. Based on the taxable income earned by HCT during 2000 and the expectation of future taxable income, management believes that it is more likely than not that a portion of the NOL's and deferred tax assets will be utilized. Accordingly, valuation allowances have been established which have resulted in the recording of net deferred tax assets of \$2,115,000 and \$2,125,000, respectively, at September 30, 2001 and December 31, 2000.

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HWCC - TUNICA, INC. AND SUBSIDIARY
(wholly owned by Hollywood Casino Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

The Internal Revenue Service has substantially completed its examination of the consolidated federal income tax returns of HCC for the years 1993 through 1998, pending receipt of the final Revenue Agent Report, as they pertain to HCT. The intercompany tax receivable under the tax sharing agreement and the net deferred tax asset have been adjusted to reflect the projected results of such examination.

(4) Reclassifications

Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the 2001 consolidated financial statement presentation.

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HOLLYWOOD CASINO CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q contains forward-looking statements about the business, operating results, cash flows, financial condition, construction and development activities, expansion projects, impact from the recent terrorist attack and prospects of the Company. The actual results could differ materially from those indicated by the forward-looking statements because of various risks and uncertainties including, among other things, changes in competition, economic conditions, tax regulations, state regulations or legislation applicable to the gaming industry in general or the Company in particular, decisions of courts and other risks indicated in the Company's filings with the Securities and Exchange Commission. Such risks and uncertainties are beyond management's ability to control and, in many cases, can not be predicted by management. When used in this Quarterly Report on Form 10-Q, the words "believes", "estimates", "expects", "anticipates" and similar expressions as they relate to the Company or its management are intended to identify forward-looking statements. Similarly, statements herein that describe the Company's business strategy, outlook, earnings forecasts, objectives, plans, intentions or goals are also forward-looking statements.

Events of September 11, 2001

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Entertainment-related companies, already suffering from the general economic downturn, experienced an additional setback from the tragic events of September 11, 2001. While difficult to measure with any degree of precision, management believes the Company's operating results for the third quarter were negatively impacted by the difficult operating environment triggered by the tragic September events. At the request of the Illinois Gaming Board all Illinois casinos closed at 4:00 p.m. on September 11, resulting in an estimated loss of approximately \$400,000 in revenues at the Aurora Casino. Management analyzed the operating revenues and gaming activity for its three facilities relative to their internal budgets for the period from September 1 through September 10 and for the period from September 11 through the end of the month. By comparing the operating trends for these two periods, management has estimated that the Company's revenues for the month of September were reduced by approximately \$2.5 million (5.7%) as a result of the terrorist attacks.

October revenues have continued to underperform budgeted amounts at the Tunica Casino and Shreveport Casino. There is no way for management to determine when gaming levels at these facilities might return to their pre-September 11 levels. The Aurora Casino has regained its budgeted levels in spite of the opening of a new, larger facility by Harrah's in Joliet on September 24, 2001. October casino win for the four casinos in the Chicago market increased by 4.8% over October 2000, which management believes indicates that the market remains under served.

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HOLLYWOOD CASINO CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following table summarizes HCC's consolidated income from operations reflecting departmental operations at each of its casino properties. Departmental operations include, as applicable, casino, rooms, food and beverage and other. Accordingly, departmental profit, as used in the discussion which follows, consists of departmental revenues less departmental expenses and represents income from operations before general and administrative expenses, depreciation and amortization.

	Three Months Ended September 30,	
	2001	2000
Revenues:		
Aurora Casino	\$ 54,300,000	\$52,796,000
Tunica Casino	25,035,000	26,348,000
Shreveport Casino	37,176,000	-
Net revenues	116,511,000	79,144,000
Departmental Expenses:		
Aurora Casino	34,588,000	34,124,000
Tunica Casino	19,707,000	19,786,000
Shreveport Casino	29,437,000	-

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Total departmental expenses	83,732,000	53,910,000
Departmental profit	32,779,000	25,234,000
Other Operating Expenses:		
General and administrative	8,901,000	4,568,000
Depreciation and amortization	13,641,000	3,252,000
Preopening	-	3,154,000
Development	149,000	293,000
Total other operating expenses	22,691,000	11,267,000
Income from operations	\$ 10,088,000	\$13,967,000

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HOLLYWOOD CASINO CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

Aurora Casino

Departmental profit from operations at the Aurora Casino is summarized in the following table:

	Three Months Ended September 30,	
	2001	2000
Revenues:		
Casino	\$ 58,444,000	\$56,593,000
Food and beverage	3,507,000	4,062,000
Other	779,000	949,000
Promotional allowances	(8,430,000)	(8,808,000)
Net revenues	54,300,000	52,796,000
Departmental Expenses:		
Casino	33,018,000	32,585,000
Food and beverage	1,308,000	1,229,000
Other	262,000	310,000
Total departmental expenses	34,588,000	34,124,000
Departmental profit	\$ 19,712,000	\$18,672,000
Departmental profit margin	36.3%	35.4%

Revenues

Total gross wagering at the Aurora Casino, as measured by the total value of

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chips purchased for table games ("drop") and the total amount of coins wagered in slot machines ("handle"), increased slightly during both the three and nine month periods ended September 30, 2001. During the latter part of 2000, the Aurora Casino reconfigured its gaming mix to remove ten table games, which are more labor intensive, and replace them with 61 slot machines. Despite this reduction of nearly 20% in the number of table games, table game drop did not change appreciably during the 2001 periods compared to the same periods in 2000. Slot machine handle was also relatively unchanged during the 2001 periods compared to the prior year periods.

Casino revenues consist of the portion of gross wagering retained by the casino and, as a percentage of gross wagering, is referred to as the "hold percentage." The third quarter and year to date increases in casino revenues primarily reflect higher slot machine revenues of 7.3% and 7%, respectively, resulting from higher slot machine hold percentages. These increases were partially offset by third quarter and year to date declines in table game revenues of approximately 10.8% and 7.6%, respectively. The decreases in table game revenues resulted from declines in the table game hold percentages to 15.6% and 15.7%, respectively, in the 2001 three and nine periods from 17.4% and 17.0%, respectively, in the 2000 periods. Poker revenues decreased by 11.8% during the 2001 third quarter period resulting in a nine month period decrease of 4% compared to the prior year period. As a result of the closing of a competitor's poker room in August 2000, the Aurora Casino is now the sole Illinois provider of poker in Chicago-area casinos.

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HOLLYWOOD CASINO CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Aurora Casino presently conducts gaming operations on two riverboats connected by a link barge. The smaller of the two riverboats contains slightly more than one-third of the total gaming positions, but generates less than 25% of total gaming revenues. As more fully described under "Liquidity and Capital Resources -- Capital Expenditures and Other Investing Activities," the Aurora Casino began a major expansion in 2001. In order to take better advantage of dockside gaming legislation passed in 1999 and improve its gaming amenities, a new dockside facility is being constructed to replace the Aurora Casino's two existing riverboats. Management believes the new dockside facility will significantly increase passenger capacity and provide a premier gaming and entertainment facility for the Aurora Casino's patrons. The expansion, as currently planned, is projected to cost approximately \$70 million and is expected to be completed and opened in two stages, with the entire project to be completed during the summer of 2002.

Food and beverage revenues decreased by 13.7% and 8.3%, respectively, during the three and nine month periods ended September 30, 2001 compared to the 2000 periods primarily due to a reduction in the amount of complimentary food revenues. The estimated value of such complementaries is reflected as revenues with a corresponding amount deducted as promotional allowances. Other revenues decreased 17.9% and 8.2%, respectively, during the third quarter and first nine months of 2001 compared to the same periods in 2000 due primarily to reductions in theater revenues and retail store sales in the 2001 periods.

Promotional allowances include the estimated value of goods and services provided free of charge to casino customers under various marketing programs, the cost of certain cash incentive programs and the estimated cost of the "cash back" award feature of the casino's customer loyalty program. Promotional allowances decreased 4.3% during the third quarter of 2001 compared to the prior

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year period bringing the 2001 nine month allowances in line with the corresponding period in 2000. Increases in both cash incentive programs and customer loyalty program awards were substantially offset by reductions in food complimentaries as described above.

Departmental Expenses

Casino expenses did not change significantly during the third quarter or first nine months of 2001 compared to the prior year periods. Gaming taxes and payroll and benefit costs increased slightly during the three and nine month periods in 2001 compared to the prior year periods; however, such increases were substantially offset by decreases in marketing expenses and admission taxes.

Food and beverage expenses increased by 6.4% and 10.4%, respectively, during the three and nine month periods ended September 30, 2001 compared to the 2000 periods. Such increases reflect higher food costs due to, among other things, efforts to upgrade the food quality. Other expenses decreased 15.5% and 11.3%, respectively, during the 2001 periods compared to the same periods in 2000 consistent with the decreases in the related revenue accounts.

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HOLLYWOOD CASINO CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Tunica Casino

Departmental profit from operations at the Tunica Casino is summarized in the following table:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Revenues:				
Casino	\$ 27,576,000	\$28,712,000	\$ 81,974,000	\$ 82,222,000
Rooms	3,446,000	2,836,000	9,619,000	7,946,000
Food and beverage	4,496,000	4,321,000	13,094,000	12,643,000
Other	469,000	360,000	1,356,000	1,064,000
Promotional allowances	(10,952,000)	(9,881,000)	(30,800,000)	(28,202,000)
Net revenues	25,035,000	26,348,000	75,243,000	75,673,000
Departmental Expenses:				
Casino	18,361,000	18,141,000	54,170,000	52,368,000
Rooms	233,000	353,000	721,000	889,000
Food and beverage	884,000	1,045,000	2,597,000	3,032,000
Other	229,000	247,000	680,000	580,000
Total departmental expenses	19,707,000	19,786,000	58,168,000	56,869,000
Departmental profit	\$ 5,328,000	\$ 6,562,000	\$ 17,075,000	\$ 18,804,000

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Departmental profit margin	21.3%	24.9%	22.7%
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Revenues

Total gross wagering at the Tunica Casino decreased 4.6% and 1.9%, respectively, during the three and nine month periods ended September 30, 2001 compared to the same periods in 2000. Slot machine gross wagering ("handle") at the Tunica Casino decreased by 4.6% and 1.5%, respectively, while gross wagering on table games ("drop") declined 6.1% and 8.4%, respectively, during the third quarter and first nine months of 2001 compared to the same periods in 2000. Management believes the decreases in gross wagering during 2001 reflect a softening in the Tunica gaming market attributable to the economic downturn.

Casino revenues consist of the portion of gross wagering retained by the casino and, as a percentage of gross wagering, is referred to as the "hold percentage." The third quarter and year to date decreases in casino revenues as set forth in the table above primarily reflect the aforementioned declines in gross wagering, partially offset by increases in the slot machine hold percentages. Table game hold percentages decreased to 11.8% and 15.3%, respectively, for the three and nine month periods ended September 30, 2001 from 14% and 15.8%, respectively, during the same periods in 2000.

Room revenues increased 21.5% and 21.1%, respectively, during the 2001 periods compared to 2000. Hotel occupancy rates increased to 91.9% and 89.1%, respectively, during the 2001 periods from

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85.6% and 84.6%, respectively, during the same periods in 2000 and the average daily room rate increased to \$77 and \$75, respectively, in 2001 from \$68 and \$64, respectively, in 2000.

Food and beverage revenues did not change significantly during the third quarter and first nine months of 2001 compared to the prior year periods. Other revenues increased 30.3% and 27.4%, respectively, during the three and nine month periods ended September 30, 2001 compared to the same periods in 2000 due to rebates and commission receipts as well as to increases in retail promotional activities. The estimated value of retail items provided to customers without charge is included in other revenues and a corresponding amount is deducted as a promotional allowance (see below).

Promotional allowances include the estimated value of goods and services provided free of charge to casino customers under various marketing programs, the cost of certain cash incentive programs and the estimated cost of the "cash back" award feature of the casino's customer loyalty program. Promotional allowances increased by 10.8% and 9.2%, respectively, during the third quarter and first nine months of 2001 compared to the same periods in 2000. Goods and services provided to patrons without charge increased as a percentage of the associated revenues to 79.1% and 78.3%, respectively, during the 2001 three and nine month periods from 73% and 72.4%, respectively, during the 2000 periods. Such increases reflect the expansion of the Tunica Casino's marketing programs, primarily in food and beverage complimentaries, in order to compete for overnight guests. Such increases were partially offset by decreases in cash incentive and customer loyalty program awards during the third quarter and first nine months of 2001 compared to the prior year periods.

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Departmental Expenses

Casino expenses increased slightly during the third quarter and first nine months of 2001 compared to the same periods in 2000 primarily as a result of increased marketing efforts, including the allocation of additional costs from other operating departments to the casino department. Marketing efforts have been increased in response to a highly competitive Tunica gaming market environment.

The 34% and 18.9% decreases in rooms expense during the third quarter and first nine months of 2001, respectively, compared to the prior year periods reflect the increases in room complimentarys previously discussed which result in additional allocations of room department expenses to the casino department.

The 15.4% and 14.3% decreases in food and beverage expenses during the third quarter and first nine months of 2001, respectively, compared to the same periods in 2000 reflect increased allocations to the casino department as a result of the Tunica Casino's marketing efforts. A decrease of 7.3% in other departmental expenses during the 2001 third quarter period reduced the nine month increase to 17.2%. The nine month increase compared to the prior year period reflects higher costs in the retail sales department.

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Shreveport Casino

The Shreveport Casino commenced operations on December 20, 2000; all activities prior to that date relate to its development and construction. Due to the lack of comparable period historical operations, the discussion of departmental operations which follows will be based on comparisons between the second and third quarters of 2001. The following table presents departmental operating results for each of the second and third quarters of 2001 together with percentages of departmental revenues to total net revenues and of departmental expenses as a percentage of the associated revenues for such periods.

	Three Months Ended September 30, 2001		Thr
Revenues:			
Casino	\$36,873,000	99.2%	\$37,927,
Rooms	2,426,000	6.5	2,737,
Food and beverage	6,769,000	18.2	6,748,
Other	721,000	1.9	880,
Promotional allowances	(9,613,000)	(25.8)	(12,300,
	37,176,000	100.0	35,992,
Departmental Expenses:			
Casino	26,614,000	72.2	30,399,

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Rooms	535,000	22.1	421,
Food and beverage	1,714,000	25.3	1,924,
Other	574,000	79.6	1,167,
	-----	-----	-----
Total departmental expenses	29,437,000	79.2	33,911,
	-----	-----	-----
Departmental profit	\$ 7,739,000	20.8%	\$ 2,081,
	=====	=====	=====

The opening of the Shreveport Casino increased gaming capacity in the Shreveport/Bossier City market by approximately 32%. However, the market has not yet been able to fully absorb the increase in capacity, growing by only 19% during the third quarter of 2001 and by only 15.1% during the second quarter of 2001 compared to the corresponding periods in 2000. The revenue growth experienced in the market during 2001 also reflects heavy promotional activity associated with the opening of the Shreveport Casino and the opening of a competitor's hotel; accordingly, management believes that the real market growth is somewhat less than the calculated amounts above. In addition, management believes the lack of market growth reflects the current economic slowdown which has negatively affected the Shreveport market during the first nine months of 2001.

The Shreveport Casino experienced the typical operating inefficiencies associated with the opening of a new, major resort. In addition, management sought to open the Shreveport Casino during December 2000 in order to capitalize on one of the busiest times of the year. Construction delays resulted in a severe reduction in the time available to finalize preparations to open the facility and to train personnel. This lack of adequate preparation and training time, combined with a difficult labor market in Shreveport and the large volume of business generated by the property during its first 12 days of operations in 2000, exacerbated the operating inefficiencies. As a result, management concentrated its efforts in January and early February 2001 on fully implementing operating and training programs to ensure that customers were provided with a superior level of service. With these programs completed, the Shreveport Casino launched major marketing programs in late February and March. Delays in commencing its marketing efforts, together with inclement weather and increased competitive pressures in the Shreveport market,

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resulted in lower gaming activity at the Shreveport Casino in January and February 2001 than management originally anticipated. With the implementation of its marketing programs, the Shreveport Casino experienced a favorable trend in its gaming revenues with significant increases in February and March compared to the prior month periods. Revenues continued to show improvement in April and May; however, these increases remained below management expectations, primarily due to the economic slowdown. The Shreveport Partnership is continuing to fine-tune its marketing efforts to maximize the effectiveness of its marketing programs while minimizing their costs. To this end, the Shreveport Partnership terminated certain marketing programs that targeted less profitable market segments which resulted in a reduction of the Shreveport Casino's gaming revenues in June. However, as a result of the elimination of the marketing programs and other cost cutting efforts, the Shreveport Casino generated positive earnings before interest, taxes, depreciation, amortization, management fees, land lease and non-recurring items in every month from June through

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October.

Gaming Operations

Total gross wagering at the Shreveport Casino as measured by table game drop and slot machine handle amounted to \$436.1 million during the third quarter and \$466.6 million during the second quarter of 2001. The third quarter decline compared to the second quarter reflects a 7.8% decrease in slot machine wagering partially offset by a 3.2% increase in table game wagering. As previously noted, management is continuing to refine its marketing strategies to most effectively and efficiently reach its targeted patrons.

Revenues

Casino revenues totaled \$36.9 million during the third quarter and \$37.9 million during the second quarter of 2001. During the third quarter of 2001, slot machine and table games revenues accounted for 73.5% and 26.5% , respectively, of total casino revenues. During the second quarter, slot machine and table game revenues accounted for 74.3% and 25.7%, respectively, of total casino revenues. The third quarter decline in casino revenues reflects the decrease in slot machine wagering previously noted partially offset by a slight increase in the slot machine hold percentage. Table games experienced a decline in hold percentage to 17.6% during the third quarter of 2001 compared to 18.1% during the second quarter. A casino's hold percentage is the percentage of money that it retains as revenue out of the total amount wagered.

Room revenues decreased to \$2.4 million during the third quarter from \$2.7 million during the second quarter of 2001 reflecting hotel occupancy rates of 93.1% and 88.4%, respectively, and average daily rates of \$70 and \$84, respectively. Room rates have been lowered to meet competitive pressures in the Shreveport/Bossier City marketplace; however, such reductions have been partially offset by the improvement in hotel occupancy.

Food and beverage revenues did not change significantly between the second and third quarters of 2001. Other revenues declined to \$721,000 in the third quarter from \$880,000 in the second quarter reflecting declines in retail sales and commission revenues.

Promotional allowances include the estimated value of goods and services provided free of charge to casino customers under various marketing programs, the cost of certain cash incentive programs and the estimated cost of the "cash back" award feature of the casino's customer loyalty programs. Such allowances decreased as a percent of revenues to 25.8% during the third quarter of 2001 compared to 34.2% during the second quarter. Promotional allowances representing the value of free goods and services were virtually unchanged as a percentage of the associated revenues during the third quarter of 2001 while cash incentive programs and the cost of customer loyalty programs decreased significantly as

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the marketing programs implemented during the second quarter were scaled back to better focus on targeted patrons.

Departmental Expenses

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The Shreveport Casino was designed to be a major destination resort. Accordingly, its cost structure is based on the facility generating a significant level of gaming revenues. As noted previously, management concentrated its efforts in January and early February 2001 on fully implementing operating and training programs to ensure that customers were provided with a superior level of service. Because the Shreveport Casino was in a longer start up phase, departmental expense ratios during the second quarter of 2001 were higher than those experienced by other HCC operated gaming facilities during their initial periods. As reflected in the above table, casino and food and beverage costs as a percentage of the associated revenues all showed significant declines during the third quarter of 2001 compared to the second quarter. As cost savings initiatives implemented by management are completed and the volume of business continues to grow, management anticipates such cost ratios should continue to improve. Room costs increased as a percentage of room revenues during the third quarter, reflecting both the decline in revenues due to a lower average daily rate as well as additional costs associated with higher occupancy rates.

In March 2001, the Louisiana legislature approved an increase in the gaming tax on riverboat casinos to 21.5% of net gaming proceeds from 18.5%. The tax increase is being phased in over a 25-month period for all riverboats in the Shreveport/Bossier City area; accordingly, the gaming tax imposed on the Shreveport Casino increased to 19.5% effective April 1, 2001, with additional 1% increases scheduled for April 1, 2002 and April 1, 2003. Had the entire 3% gaming tax increase been in effect during 2001, the Shreveport Casino's operating expenses would have increased by \$625,000 during the third quarter and by \$772,000 during the second quarter.

Other Consolidated Items

Other operating expenses of HCC and its subsidiaries, exclusive of property departmental expenses, consist primarily of general and administrative expenses, depreciation and amortization, and development expenses incurred in connection with the pursuit of additional gaming venues.

General and Administrative

General and administrative expenses increased by \$4.3 million (94.9%) and \$14.6 million (96.1%), respectively, during the third quarter and first nine months of 2001 compared to the prior year periods. Such expenses at the Aurora Casino decreased slightly during the third quarter of 2001 resulting in an overall decrease of \$238,000 (5.8%) during the 2001 nine month period. Such fluctuations primarily result from variations in the allocation of administrative costs to operating departments. As a result of management initiatives to control such costs at the Tunica Casino, general and administrative expenses were virtually unchanged from the prior year period during the third quarter of 2001. The resulting nine month period increase of \$790,000 (21.2%) compared to the prior year periods primarily reflects increases in personnel costs, utilities and insurance costs. During the third quarter and first nine months of 2001, the Shreveport Casino incurred general and administrative expenses of \$4 million and \$14 million, respectively, exclusive of management fees payable to a subsidiary of HCC. The remaining third quarter 2001 increase in corporate general and administrative expenses was 14.6%, which brought the nine month period increase to 1.1%. The three month 2001 increase results from a credit realized during the corresponding prior year period with respect to litigation costs.

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Depreciation and Amortization

Depreciation and amortization expense increased by \$10.4 million (319.5%) and \$27 million (276.8%), respectively, during the third quarter and first nine months of 2001 compared to the prior year periods. Substantially all of the increases result from (1) the Shreveport Casino's fixed assets being placed in service in December 2000 resulting in depreciation expense of \$4 million and \$11.9 million, respectively, and (2) additional depreciation expense recorded by the Aurora Casino of \$6.4 million and \$15 million, respectively, as a result of its announced expansion and the resulting acceleration of depreciation on the assets to be replaced (see "Liquidity and Capital Resources-Capital Expenditures and Investing Activities-Aurora Casino" below).

Development Expenses

Development expenses represent costs incurred in connection with HCC's pursuit of potential gaming opportunities in jurisdictions where gaming has not been legalized. Such costs decreased by 49.1% and 35.8%, respectively, during the third quarter and first nine months of 2001 compared to the prior year periods due to fewer potential jurisdictions contemplating the legalization of gaming.

Preopening Costs

Preopening costs represent the start up costs associated with the development of the Shreveport Casino which, in accordance with existing accounting pronouncements, were required to be expensed as incurred. Such costs included, among other things, organizational costs, marketing and promotional costs, hiring and training of new employees and other operating costs incurred prior to the opening of the project. Preopening costs amounted to \$3.2 million and \$4.6 million, respectively, during the third quarter and first nine months of 2000.

Non-operating Income (Expenses)

Interest Income

Interest income decreased 63.2% and 56.1%, respectively, during the three and nine month periods ended September 30, 2001 compared to the prior year periods as unexpended cash proceeds of HCC's issue of Senior Secured Notes on May 19, 1999 and Hollywood Casino Shreveport's debt issue on August 10, 1999 (see "Liquidity and Capital Resources - Financing Activities") were spent in connection with the construction of the Shreveport Casino.

Interest Expense

Interest expense increased by \$3.1 million (24%) and \$8.3 million (19.6%), respectively, during the three and nine month periods ended September 30, 2001 compared to the prior year periods due primarily to significant reductions in the amount of construction period interest being capitalized and to an increase in HCC's long-term indebtedness. Interest capitalized on the Shreveport First Mortgage Notes during the third quarter and first nine months of 2000 amounted to \$3.7 million and \$7.5 million, respectively, compared to interest capitalized with respect to the Aurora Casino expansion of \$328,000 and \$466,000, respectively, during the corresponding periods in 2001. The Shreveport Casino entered into a \$30 million lease financing arrangement prior to opening. In June 2001, the \$27.5 million outstanding principal amount of the lease financing was retired with a portion of the proceeds from the issue of \$39 million of

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Shreveport Senior Secured Notes, which also provided the Shreveport Casino with additional working capital. The increase in overall borrowings, coupled with a higher interest rate (an

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effective rate of 12.21% on the Shreveport Senior Secured Notes versus a floating rate on the lease financing of 8.9% at the time of their retirement), also contributed to additional interest expense in the 2001 periods. The 2001 increases in interest expense were partially offset by a third quarter adjustment in the amount of \$953,000 to the accrual of interest on federal income taxes payable.

Gain on Settlement of Litigation

On October 8, 1998, the Company filed a complaint against its former accountants and tax advisors in the District Court of Dallas County, Texas. On September 8, 2000, a mutually acceptable agreement was reached concluding the dispute and resulting in the dismissal of the lawsuit. Terms of the settlement are confidential; however, the Company recognized a pretax gain on the settlement, net of related legal fees and other expenses, amounting to \$7.3 million.

Income Taxes

Management believes that it is more likely than not that future consolidated taxable income of HCC will be sufficient to utilize at least a portion of the NOL's, tax credits and other deferred tax assets resulting from temporary differences. Accordingly, under the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes", the consolidated balance sheet reflects a net deferred tax asset of \$6 million as of September 30, 2001.

The Company recognized a benefit for income taxes during the 2001 three and nine month periods resulting from (1) an adjustment in the amount of \$1.7 million to the estimated federal taxes payable with respect to an examination by the Internal Revenue Service and (2) an adjustment to the effective state tax rate utilized by the Aurora Casino, which prepares its Illinois tax return on a unitary basis.

Sales by HCC or existing stockholders of common stock, or securities convertible into common stock, can cause a "change of control", as defined in Section 382 of the Internal Revenue Code of 1986, as amended, which would limit the ability of HCC or its subsidiaries to utilize these loss carryforwards in later tax periods. Should such a change of control occur, the amount of loss carryforwards available for use in any one year would most likely be substantially reduced. Future treasury regulations, administrative rulings or court decisions may also affect HCC's future utilization of its loss carryforwards.

Minority Interest in Hollywood Casino Shreveport

In accordance with the terms of its joint venture agreement, HCC's joint venture partner is to receive, among other things, an amount equal to 1% of "complex net revenues," as defined, earned by the Shreveport Casino. The allocation of this interest is reflected by HCC as minority interest in

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Hollywood Casino Shreveport. Such interest, which commenced upon the opening of the Shreveport Casino, amounted to \$372,000 and \$1.1 million, respectively, during the three and nine month periods ended September 30, 2001.

Extraordinary Item - Loss on Early Extinguishment of Debt

During June 2001, the Shreveport Partnership retired its outstanding capital lease financing with a portion of the proceeds from the Shreveport Senior Secured Notes. The extraordinary loss from early retirement of debt consists of the write off of unamortized deferred finance costs associated with the lease financing.

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Other Items

Inflation

Management believes that in the near term, modest inflation, together with increased competition within the gaming industry for qualified and experienced personnel, will continue to cause increases in operating expenses, particularly labor and employee benefits costs.

Market Risk

The Company has \$50 million of floating rate Senior Secured Notes outstanding (see "Liquidity and Capital Resources - Financing Activities" below). Interest on the floating rate notes is at the LIBOR rate plus 6.28% and is reset semiannually. Accordingly, an increase in the LIBOR rate of 1% would increase interest expense by \$500,000 per year.

The floating rate loan was entered into for non-trading purposes as a source of funding for the Company and management believes that this financing has no other material market risk other than interest rate risk. Such interest rate risk is beyond management's control; however, the obligation could be prepaid should increases in the underlying interest rate result in an excessive financing cost; however, prepayment would require a premium in the amount of 3% as of May 1, 2001, decreasing by 1% each subsequent May 1.

Both the Shreveport First Mortgage Notes issued to finance construction of the Shreveport Casino and the Shreveport Senior Secured Notes issued to retire lease financing and provide working capital include interest at the rate of 13% payable semiannually as well as contingent interest. Contingent interest under the indentures to the Shreveport First Mortgage Notes and the Shreveport Senior Secured Notes is equal to 5% and 1.3%, respectively of consolidated cash flow for the applicable period subject to maximum contingent interest of \$5 million and \$1.3 million, respectively, for any four consecutive fiscal quarters. Accordingly, the maximum potential interest with respect to the Shreveport First Mortgage Notes for a fiscal year could be \$24.5 million, resulting in an effective annual interest rate of 16.33% and the maximum potential interest with respect to the Shreveport Senior Secured Notes for a fiscal year could be \$6.4 million, resulting in an effective annual interest rate of 15.5%. These maximums would assume an annual consolidated cash flow for the Shreveport Casino of at least \$100 million. The contingent component of interest under the Shreveport First Mortgage Notes and the Shreveport Senior Secured Notes was

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negotiated with the lenders as part of determining the fixed rate component of interest. Management believes that because the contingent interest component is determined by the cash flows and can only be paid if certain coverage ratios are met, liquidity and capital resources of the Shreveport Partnership will not be comprised by the payment, if any, of contingent interest.

Changes in the market interest rate would also impact the fair market value of the Company's outstanding fixed rate debt instruments. Management estimates that an increase of 1% in the market interest rate would result in a decrease in the fair market value of HCC's debt securities of approximately \$23.7 million.

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Seasonality and Other Fluctuations

Historically, the Aurora Casino's operations have experienced some seasonality due to severe winter weather. Consequently, the results of HCC's operations for the first and fourth quarters have traditionally been less profitable than the other quarters of the fiscal year. Furthermore, management believes that seasonality may also cause fluctuations in reported results at the Tunica Casino and the Shreveport Casino. In addition, the operations of HCC's casinos may fluctuate significantly due to a number of factors, including chance. Such seasonality and fluctuations may materially affect HCC's casino revenues and overall profitability.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

During the first nine months of 2001, HCC generated cash flow from operations of \$18.9 million. During this period, the operations of the Aurora Casino and Tunica Casino continued to be HCC's primary sources of liquidity and capital resources. The Aurora Casino contributed approximately \$49.2 million of cash flow from operations during the first nine months of 2001 while the Tunica Casino provided \$6.8 million of cash from operations. The Shreveport Casino experienced negative cash flow from operations during the first nine months of 2001 amounting to \$30.4 million. Management believes that the Shreveport Casino will, in time, become a positive source of operating cash flow. HCC's other primary source of funds consists of interest income earned on temporary investments (\$2.5 million). In addition to operating expenses at its three casino facilities, other uses of operating cash by HCC during the first nine months of 2001 included costs to pursue development opportunities (\$459,000) and corporate overhead costs (\$7.6 million).

The Internal Revenue Service has completed its examination of the consolidated federal income tax returns of HCC for the years 1993 through 1998 pending receipt of the final Revenue Agent Report. Management's estimate of the current federal income tax obligation resulting from such examination is included in current federal income taxes payable on the accompanying consolidated balance sheets at September 30, 2001 and December 31, 2000. HCC's consolidated net deferred tax asset has also been adjusted to reflect the results of the tax audit.

Financing Activities

Senior Secured Notes -

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During May 1999, HCC completed the refinancing of its outstanding 12.75% Senior Secured Notes through a debt offering of \$310 million of 11.25% Senior Secured Notes due May 1, 2007 and \$50 million of floating rate Senior Secured Notes due May 1, 2006 (collectively, the "Senior Secured Notes"). Interest on the floating rate notes is equal to the six-month LIBOR rate plus 6.28% and is reset semiannually. Effective November 1, 2000, the interest rate increased to 13%; on May 1, 2001, the interest rate dropped to 10.51%; and on November 1, 2001, the interest rate changed to 8.45%. In addition to refinancing existing debt, the Company used proceeds from the debt offering to fund a portion of the Company's equity investment in the Shreveport Casino and, during October 1999, to acquire the management and consulting contracts on the Aurora Casino and Tunica Casino. The Company also plans to use up to \$40 million of the proceeds from the debt offering to partially finance construction of a new, dockside gaming facility at the Aurora Casino (see "Liquidity and Capital Resources - Capital Expenditures and Other Investing Activities"). Interest on the Senior Secured Notes is payable semiannually each May 1 and November 1. The Senior Secured Notes are unconditionally guaranteed on

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a senior secured basis by HCT and Shreveport Management and may be guaranteed by certain future subsidiaries of HCC. Neither HCA nor HCL are guarantors. The Senior Secured Notes and related guarantees are secured by, among other things, (1) substantially all of the assets of HCT and future guarantors, (2) a lien not to exceed approximately \$108 million on substantially all of the assets of HCA, (3) a pledge of the capital stock of certain subsidiaries of HCC, including HCA and HCT, and (4) the collateral assignment of the management contract for the Shreveport Casino. The current amount of the lien described in (2) above is approximately \$66 million.

The fixed rate Senior Secured Notes are redeemable at the option of HCC any time on or after May 1, 2003 at 107% of the then outstanding principal amount, decreasing to 104.666%, 102.333% and 100%, respectively, on May 1, 2004, 2005 and 2006. The Company may also redeem up to 35% of the fixed rate Senior Secured Notes at a redemption price of 111.25% plus accrued interest at any time prior to May 1, 2002 with the proceeds from an offering of HCC's common stock if net proceeds to the Company from any such offering are at least \$20 million.

The floating rate Senior Secured Notes may be redeemed at the option of HCC at any time at an initial redemption price of 105% plus accrued interest with the redemption premium decreasing by 1% on May 1 of each year beginning May 1, 2000.

The indenture for the Senior Secured Notes contains various provisions limiting the ability of HCC and certain defined subsidiaries to, among other things, pay dividends or make other restricted payments; incur additional indebtedness or issue preferred stock, create liens, create dividend or other payment restrictions affecting certain defined subsidiaries; enter into mergers or consolidations or make sales of all or substantially all assets of HCC, HCT, Shreveport Management or any future guarantor; or enter into certain transactions with affiliates.

Shreveport Obligations -

On August 10, 1999 the Shreveport Partnership issued \$150 million of 13%

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First Mortgage Notes, with contingent interest, due 2006 (the "Shreveport First Mortgage Notes"), which are non-recourse to HCC. Fixed interest on the Shreveport First Mortgage Notes is payable semiannually on each February 1 and August 1. In addition, contingent interest accrues and is payable on each interest payment date after the Shreveport Casino begins operations. The amount of the contingent interest is equal to 5% of the Shreveport Casino's cash flow, as defined, for the prior two fiscal quarters up to a maximum of \$5 million for any four consecutive fiscal quarters. Contingent interest amounting to \$130,000 was incurred during the nine month period ended September 30, 2001. Total accrued contingent interest amounted to \$207,000 at September 30, 2001. Payment of contingent interest may be deferred to the extent that payment would result in certain financial coverage ratios not being met. The notes are collateralized by a first priority security interest in substantially all of the Shreveport Partnership's existing and future assets other than assets secured by the Shreveport Senior Secured Notes (see below) and up to \$6 million in assets that may be acquired with future equipment financing as well as by a pledge of the common stock of the HCC subsidiaries which hold the partnership interests.

In June 2001, the Shreveport Partnership issued \$39 million of 13% Senior Secured Notes, with contingent interest, due August 2006 (the "Shreveport Senior Secured Notes"). The Shreveport Senior Secured Notes were issued with a premium to yield interest at an effective annual rate of 12.21% per annum. Fixed interest on the Shreveport Senior Secured Notes at an annual rate of 13% is payable on each February 1 and August 1. In addition, contingent interest accrues and is payable on each interest payment date. The amount of contingent interest is equal to 1.3% of the consolidated cash flow of the Shreveport Partnership for the applicable period subject to a maximum contingent interest of \$1.3 million

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for any four consecutive fiscal quarters. Contingent interest amounting to \$33,000 was incurred during the nine month period ended September 30, 2001. Payment of contingent interest may be deferred to the extent that payment would result in certain financial coverage ratios not being met. Proceeds from the Shreveport Senior Secured Notes were used, in part, to retire the Shreveport Partnership's capital lease obligations with the remainder available for working capital purposes.

Under the terms of certain intercreditor collateral agreements, the Shreveport Senior Secured Notes are secured by, among other things, (1) a security interest in certain furniture, fixtures and equipment acquired prior to the opening of the Shreveport Casino for \$30 million and (2) a security interest on an equal basis in up to \$10 million of the collateral which secures the Shreveport First Mortgage Notes.

The Shreveport First Mortgage Notes and Shreveport Senior Secured Notes are redeemable at the option of the Shreveport Partnership at any time on or after August 1, 2003 at 106.5% of the then outstanding principal amount, decreasing to 103.25% on August 1, 2004 and 100% on or after August 1, 2005. Up to 35% of the original aggregate amount of the Shreveport First Mortgage Notes and Shreveport Senior Secured Notes may also be redeemed at a price of 113% plus accrued interest at any time prior to August 1, 2002 with proceeds of contributions to the Shreveport Partnership made by HCC from certain offerings of equity securities by HCC.

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The indentures for the Shreveport First Mortgage Notes and the Shreveport Senior Secured Notes contain various provisions limiting the ability the Shreveport Partnership to borrow money, pay dividends, make investments, pledge or sell its assets or enter into mergers or consolidations. The indenture to the Shreveport First Mortgage Notes also limit the ability of certain HCC subsidiaries which guarantee the debt to acquire additional assets, become liable for additional obligations or engage in any business activities other than holding the partnership interests or acting as managing general partner of the Shreveport Partnership.

Other -

Prior to October 14, 1999, HCC was the general partner in the limited partnership which held the Aurora management agreement, having acquired such interest in April 1997. HCC's original acquisition price for the general partnership interest included a note in the amount of \$3.8 million and the assignment of \$13.8 million undiscounted principal amount of PPI Funding Notes and \$350,000 accrued interest due from GBCC to PPI Corporation a subsidiary of GBCC. Annual principal and interest payments by HCC on the \$3.8 million note approximated the general partner's share of partnership distributions which were made to HCC prior to the liquidation of the general partnership in October 1999. Effective November 1, 1999, HCC began making monthly payments of principal and interest totaling \$83,000 which, together with additional quarterly principal payments of \$21,000 beginning in January 2000, approximated HCC's payment obligations while the management contract was in effect.

HCC and PPI Corporation have entered into agreements to defer all payments of principal and interest on the note otherwise due during the period from March 1, 2000 through November 1, 2001 while negotiations continue between GBCC and HCC to restructure certain indebtedness owed by GBCC to HCC. These deferrals do not extend the final maturity of the note or represent a forgiveness of either principal or interest as all past due amounts, if not otherwise restructured, will become due and payable on the extended payment due date of December 1, 2001. During October 2000, HCC received \$900,000 of the outstanding principal balance from GBCC and entered into an agreement to offset an additional \$146,000 of principal against other payables due to GBCC while negotiations to restructure the debt continued.

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HOLLYWOOD CASINO CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

During September 1998, HCA entered into a bank loan agreement to borrow up to \$2 million on an unsecured basis. Borrowings under the agreement were payable in 36 monthly installments of \$62,000 including interest at the rate of 7.5% per annum. The outstanding borrowings were repaid in 2001. During May 1999, HCA borrowed an additional \$750,000 from the bank at the rate of 7.5% per annum on an unsecured basis to be repaid over 60 months.

In June 2001, HCT entered into a bank credit facility in the amount of \$3 million available through June 30, 2002. Borrowings under the line of credit are payable over a 36 month period and accrue interest at the bank's prime lending rate plus .75% per annum, on either a fixed or floating rate basis. During June 2001, HCT borrowed \$731,000 under the credit facility at an interest rate of 7.5% per annum. HCT made additional borrowings of \$130,000 at the rate of 7.5% per annum in July 2001 and \$220,000 at the rate of 7.25% per annum in August 2001.

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The Shreveport Partnership entered into a ground lease with the city of Shreveport for the land on which the Shreveport Casino was built. The lease has an initial term of ten years from the date the Shreveport Casino opened with subsequent renewals for up to an additional 40 years. Base rental payments under the lease began when construction commenced and were \$10,000 per month during the construction period. The base rental amount increased to \$450,000 per year upon opening and continuing at that amount for the remainder of the initial ten-year lease term. In addition to the base rent, the Shreveport Partnership pays monthly percentage rent equal to the greater of (1) \$500,000 per year or (2) the sum of 1% of adjusted gross revenues of the Shreveport Casino and the amount by which 50% of the net income from the parking facilities exceeds a specified parking income credit. Ground lease rentals amounted to \$1.5 million during the nine month period ended September 30, 2001, including percentage rentals amounting to \$1.1 million. In addition, the ground lease agreement also calls for payments in lieu of admission fees to the City of Shreveport and payments to the local school board amounting to 3.225% and .5375% of Net Gaming Proceeds (as defined in the agreement), respectively. These additional charges amounted to \$4.3 million during the nine month period ended September 30, 2001.

It was originally anticipated that the Shreveport Partnership would develop the Shreveport Casino with each of HCL and Sodak Louisiana, L.L.C. ("Sodak"), a former partner, having a 50% interest in the development and subsequent operations. On March 31, 1999, HCL entered into a definitive agreement with Sodak's parent to acquire Sodak for the \$2.5 million Sodak had contributed to the Shreveport Partnership, with \$1,000 to be paid at closing and the remainder paid by HCL in June 2001. Such obligation was paid in June 2001. The revised structure of the joint venture received approval by the Louisiana Gaming Control Board on April 20, 1999. As a result, effective as of April 23, 1999, HCL has an effective 100% ownership interest in the Shreveport Casino with the remaining joint venture partner holding a 10% residual interest in the event the project is sold.

When HCL acquired its interest in the Shreveport Partnership, it agreed to contingently reimburse \$2 million to one of the Shreveport Partnership's former partners. The reimbursement was payable in monthly installments of \$200,000, without interest, commencing with the opening of the Shreveport Casino and was repaid in October 2001.

As of September 30, 2001, HCC's scheduled maturities of long-term debt and payments under capital leases during the remainder of 2001 are approximately \$2.2 million and \$1.1 million, respectively.

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HOLLYWOOD CASINO CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Capital Expenditures and Other Investing Activities

Aurora Casino -

Capital expenditures at the Aurora Casino during the nine month period ended September 30, 2001 (exclusive of expansion project costs-see below) were \$1.1 million; management anticipates spending less than \$1 million during the remainder of 2001 toward its ongoing capital improvements program. Significant projects planned for 2001 include new slot machines, renovations to restaurants and other departmental expenditures. In addition, the Company has commenced a major expansion of the Aurora Casino, highlighted by the construction of a new

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dockside facility to replace the Aurora Casino's two riverboats. The new dockside facility should significantly increase passenger capacity and provide a premier gaming and entertainment facility for the Aurora Casino's patrons. The Aurora Casino expansion, as currently planned, is projected to cost approximately \$70 million and is expected to be completed and opened during the summer of 2002. The Company received regulatory approval for its planned dockside casino from the Illinois Gaming Board in April 2000 and construction began in March 2001. Up to \$40 million of the estimated project costs for the proposed Aurora Casino expansion may be obtained from proceeds from HCC's debt offering completed in May 1999 with the remainder to come from cash on hand and cash available from operations. Costs incurred during the nine month period ended September 30, 2001 with respect to the expansion project have totaled approximately \$20.8 million.

The commencement of construction of the new dockside facility had previously been delayed as a result of a complaint filed in late 1999 in an Illinois state court concerning the constitutionality of a portion of the legislation that enabled dockside gaming in Illinois. Although the constitutional challenge centers on the relocation of one of the existing gaming licenses, a finding that such portion of the legislation is unconstitutional could result in a finding that all or a portion of the legislation, including dockside gaming, is invalid. In January 2001, the presiding judge dismissed the complaint because the plaintiffs lacked standing and failed to exhaust their administrative remedies. The plaintiffs have filed an appeal of the ruling. If an appellate court overturns the trial court's original ruling and the state court rules that all or a portion of the legislation is invalid, management believes that it may be able to continue to operate its existing riverboats on a dockside basis pending a final resolution of the litigation. In the unlikely event that the provisions in question are found to be unconstitutional after all appeals, and the entire legislation is invalidated so that dockside gaming is not permitted, the Company will be able to use its two riverboats to conduct gaming.

The Company plans to build the new dockside casino in two halves, which will be connected to form a single dockside casino. The first half of the dockside casino will be towed into place and opened several months earlier than the second half. It is anticipated that this strategy will minimize disruption of the Aurora Casino's operations during the construction period. The Aurora Casino prospectively adjusted the remaining useful lives of its existing riverboats and other fixed assets being replaced to reduce the recorded net book value of such assets (approximately \$17.3 million at September 30, 2001) to their estimated net realizable value at the time they are expected to be removed from service. Consequently, depreciation expense during the first nine months of 2001 subsequent to the announcement of the expansion project increased by \$15 million; such additional depreciation is expected to amount to approximately \$6.4 million during the remainder of 2001.

Tunica Casino -

Capital expenditures at the Tunica Casino during the first nine months of 2001 amounted to \$3.4 million; management anticipates spending \$1.2 million during the remainder of the year.

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HOLLYWOOD CASINO CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

Expenditures planned for 2001 consist primarily of updating existing and acquiring new slot machines, replacing the casino carpeting and other

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departmental expenditures.

Shreveport Casino -

Funding for the Shreveport Casino's construction and preopening costs was provided by the Shreveport First Mortgage Notes which are non-recourse to HCC (see "Liquidity and Capital Resources - Financing Activities"), by approximately \$56.3 million of equity investments (\$55.3 million by HCC and \$1 million by its joint venture partner made with the proceeds of a loan from HCL) and by \$30 million of furniture, fixture and equipment financing. During May 2001, HCC made an additional capital contribution of \$8.7 million to the Shreveport Partnership.

On April 23, 2000, the construction site for the Shreveport Casino suffered tornado damage which contributed to the delay in opening the facility. Management filed damage claims and received reimbursements from its insurance carrier during 2000 in the amount of approximately \$1.7 million to cover substantially all of the cost of repairing the damage incurred. Management is also pursuing delayed opening claims with its carriers. To the extent the delay in the facility's opening was the responsibility of contractors, management is also seeking to recover damages from those entities. For this and other reasons, the Shreveport Partnership has withheld payment of approximately \$2.6 million which the general contractor is currently seeking. Both the recovery of any amounts by the Shreveport Partnership from either its insurance companies or the contractors and the need to pay the general contractor the amounts being withheld are currently subject to litigation and management is unable to determine the amounts, if any, that will ultimately be received or paid.

Capital expenditures at the Shreveport Casino during the first nine months of 2001 amounted to \$4.9 million, primarily for the completion of certain hotel suites and a health spa facility. Management anticipates minimal expenditures during the remainder of 2001 toward the Shreveport Casino's ongoing program of capital improvements.

The Shreveport Partnership entered into an agreement with a third party during 2000 providing for the joint construction and ownership of a golf course. Contributions by the Shreveport Partnership to the limited liability corporation formed to develop and operate the golf course through the first nine months of 2001 amounted to \$244,000 (including \$196,000 during 2001). Given the difficult market conditions, the partners in the golf course are currently reviewing the economic feasibility of proceeding with the golf course at this time. In addition, the partners are awaiting certain material permits and approvals required to initiate construction of the golf course. If the partners do proceed, the Shreveport Partnership will be required to make approximately \$2.4 million in additional capital contributions to complete construction.

The Shreveport Partnership has agreed to reimburse up to \$579,000 of construction finish out costs to be incurred by an outside lessee with respect to approximately 42,000 square feet of restaurant and entertainment facilities to be operated on property leased from the Shreveport Casino. Once the rental period commences, the Shreveport Casino is to receive \$6 per square foot annually, payable on a monthly basis, together with percentage rentals as specified in the lease agreement. The lessee is a limited liability company in which certain relatives of a principal stockholder and director of HCC hold directly or indirectly a 22.5% interest.

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AND RESULTS OF OPERATIONS

Other -

HCC continues to pursue several additional potential gaming opportunities. HCC intends to finance any future ventures with cash flow from operations, together with third party financing, including non-recourse project financing.

Conclusion

The Company has the ability under its existing loan agreements to make approximately \$1 million in additional capital contributions to the Shreveport Partnership. To the extent the Company desires to make additional contributions to the Shreveport Partnership in excess of the \$1 million amount, the Company would currently be required to obtain a waiver from a majority of the holders of its \$360 million in outstanding Senior Secured Notes. Management also hopes to receive payments on the Company's outstanding receivables from GBCC which would provide the Company with additional flexibility to make future capital contributions to the Shreveport Partnership. The Company is currently negotiating with GBCC to restructure its outstanding obligations to the Company. Other than trade payables, the Company is GBCC's sole creditor. Because the fair market value of GBCC's assets is less than its obligations to the Company, the Company will receive any proceeds realized from the restructuring, sale or liquidation of GBCC or its assets. Proceeds received by the Company from the restructuring of GBCC will not be restricted by the terms of the Company's loan agreements and, therefore, would be available for any corporate purpose, including making additional capital contributions to the Shreveport Partnership. While management continues to aggressively pursue a prompt restructuring of GBCC's obligations to the Company, it is uncertain when such restructuring will ultimately be consummated. It is also likely that a restructuring of GBCC will require that GBCC file for bankruptcy protection pursuant to a pre-packaged plan of reorganization.

Management anticipates that HCC's funding requirements for its operating activities will continue to be satisfied by existing cash and cash generated by the Aurora Casino and the Tunica Casino. Management believes that the Shreveport Casino's existing cash together with cash from its operations and additional capital contributions from HCC as described above, will be sufficient to meet its liquidity and capital resource needs for the next 24 months.

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PART II: OTHER INFORMATION

Item 6.(a). - Exhibits

9.1 Voting Trust Agreement dated as of May 17, 2000 by and among William D. Pratt, Sr., Linda M. Pratt, William D. Pratt, Jr., Shawn Denise Bradshaw and Michael Shannan Pratt and William D. Pratt, Sr., Michael Shannon Pratt and Jack E. Pratt, Sr. as amended by the First Amendment to Hollywood Casino Corporation Voting Trust Agreement.

10.1 First Amendment to Employment Agreement dated as of May 1, 2001 between Hollywood Casino - Aurora, Inc. and George Patt Medchill.

#10.2 Employment Agreement by and between Hollywood Casino Shreveport and Gary A. Gregg. (Exhibit 10.20).

Incorporated by reference from the exhibit shown in parenthesis filed in Amendment No. 1 to Form S-4 Registration Statement No. 333-68380 of Hollywood

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Casino Shreveport and Shreveport Capital Corporation on October 1, 2001.

Item 6.(b). - Reports on Form 8-K

The Registrants filed reports on Forms 8-K on August 13, 2001 and October 22, 2001 to report certain changes in management.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each of the Registrants has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HOLLYWOOD CASINO CORPORATION

Date: November 13, 2001 By: /s/ Paul C. Yates

Paul C. Yates
Treasurer, Executive Vice
President and Chief Financial
Officer

HWCC - TUNICA, INC.

Date: November 13, 2001 By: /s/ Paul C. Yates

Paul C. Yates
Executive Vice President and
Chief Financial Officer

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