

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT

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

Date of Report (Date of earliest event reported): August 8, 2000

Penn National Gaming, Inc.

(Exact name of Registrant as specified in its charter)

Pennsylvania 23-2234473

(State or other jurisdiction of (I.R.S. Employer incorporation or organization) Identification No.)

825 Berkshire Blvd, Suite 200

Wyomissing, PA 19610

(Address of principal executive offices) (Zip code)

610-373-2400

(Registrant's telephone number including area code)

Item 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(a) FINANCIAL STATEMENTS OF BUSINESS ACQUIRED. The following financial statements for Mardi Gras Casino Corp. and Mississippi-I-Gaming LP, as of December 31, 1999 and 1998, are filed as part of this Current Report on Form 8-K:

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The following unaudited financial statements for Mardi Gras Casino Corp. and Mississippi-I-Gaming LP, as of June 30, 2000, are filed as part of this Current Report on Form 8-K:

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Combined financial statements

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REPORT OF INDEPENDENT PUBLIC
ACCOUNTANTS

To the Board of Directors of
Mardi Gras Casino Corp.:

We have audited the accompanying balance sheets of Mardi Gras Casino Corp. (a Mississippi corporation and a wholly-owned subsidiary of Pinnacle Entertainment, Inc.) (the "Company") as of December 31, 1999 and 1998, and the related statements of operations, changes in stockholder's equity and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mardi Gras Casino Corp. as of December 31, 1999 and 1998, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999 in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

New Orleans, Louisiana
February 8, 2000

Robert W. Kimbro, being duly sworn deposes and says that he is a partner in the firm of Arthur Andersen LLP and that he has signed the foregoing auditors' report in that capacity.

/s/Robert W. Kimbro
Certified Public Accountant
Mississippi Certificate No. R-2676

MARDI GRAS CASINO CORP.

Balance Sheets - December 31, 1999 and 1998
(in thousands)

	1999	1998
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,642	\$ 4,287
Accounts receivable, net of allowance for doubtful accounts of \$217 in 1999 and \$610 in 1998	587	1,102
Prepaid expenses and other current assets	572	597
Inventories	666	594
Deferred tax assets	285	556

Total current assets	5,752	7,136
Property, plant and equipment, net	71,798	72,820
Investment in affiliate	932	932
Other assets	202	173

	\$ 78,684	\$ 81,061
	=====	
Liabilities and Stockholder's Equity		
Current liabilities:		
Accounts payable	\$ 1,497	\$ 1,669
Accrued expenses	3,016	2,963
Accrued payroll and related benefits	2,829	2,894
Accrued progressive gaming liabilities	1,076	1,192
Notes payable	148	202

Total current liabilities	8,566	8,920
Notes payable	49	196
Due to affiliates	59,409	71,643
Deferred tax liabilities	2,860	2,965
Commitments and contingencies	-	-

Total noncurrent liabilities	62,318	74,804
Stockholder's equity:		
Common stock (\$0.01 par, 3,000 shares issued and outstanding)	-	-
Additional paid-in capital	39,688	39,688
Dividends	(32,807)	(32,807)
Retained earnings (deficit)	919	(9,544)

Total stockholder's equity (deficit)	7,800	(2,663)

	\$ 78,684	\$ 81,061
	=====	

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

MARDI GRAS CASINO CORP.

Statements of Operations

For the Years Ended December 31, 1999, 1998 and 1997
(in thousands)

	1999	1998	1997
Revenues:			
Gaming	\$ 80,349	\$ 81,890	\$ 81,103
Food and beverage	3,821	3,681	3,258
Hotel and recreational vehicle park	1,797	1,800	1,721
Golf	1,694	1,617	1,412
Other income	1,234	1,216	920
	-----	-----	-----
	88,895	90,204	88,414
	-----	-----	-----
Expenses:			
Gaming	47,446	48,174	47,268
Food and beverage	3,723	3,426	3,250
Hotel and recreational vehicle park	893	923	804
Golf	1,576	1,477	1,602
General and administrative	12,291	12,789	11,356
Other	1,043	1,143	989
Depreciation and amortization	5,949	6,354	6,657
	-----	-----	-----
	72,921	74,286	71,926
	-----	-----	-----
Income from operations	15,974	15,918	16,488
Other (income) expense:			
Interest expense, net of interest capitalized	31	6,247	7,648
Interest income	(110)	(38)	(46)
(Gain) loss from disposal of assets	(66)	1,872	3
Equity in losses of affiliate	-	2,867	403
	-----	-----	-----
	(145)	10,948	8,008
	-----	-----	-----
Income before income taxes	16,119	4,970	8,480
Income tax expense	5,656	1,922	3,217
	-----	-----	-----
Net Income before Extraordinary Item	\$ 10,463	\$ 3,048	\$ 5,263
Extraordinary item - debt redemption costs associated with early extinguishment of debt, net of tax	-	2,116	-
	-----	-----	-----
Net income	\$ 10,463	\$ 932	\$ 5,263
	=====	=====	=====

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

MARDI GRAS CASINO CORP.

Statements of Changes in Stockholder's Equity
 For the Years Ended December 31, 1999, 1998 and 1997
 (in thousands)

	Common stock	Additional paid-in capital	Dividends	(deficit) Retained earnings	Total
Balances, December 31, 1996	\$ -	\$ 31,858	\$ -	\$ (15,739)	\$ 16,119
Net income	-	-	-	5,263	5,263
Capital contribution from equity affiliate	-	7,830	-	-	7,830
Dividends declared	-	-	(14,591)	-	(14,591)
	-----	-----	-----	-----	-----
Balances, December 31, 1997	-	39,688	(14,591)	(10,476)	14,621
Net income	-	-	-	932	932
Dividends declared	-	-	(18,216)	-	(18,216)
	-----	-----	-----	-----	-----
Balances, December 31, 1998	-	39,688	(32,807)	(9,544)	(2,663)
Net income	-	-	-	10,463	10,463
	-----	-----	-----	-----	-----
Balances, December 31, 1999	\$ - =====	\$ 39,688 =====	\$ (32,807) =====	\$ 919 =====	\$ 7,800 =====

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

MARDI GRAS CASINO CORP.

Statements of Cash Flows

For the Years Ended December 31, 1999, 1998 and 1997
(in thousands)

	1999	1998	1997
Cash flows from operating activities:			
Net income	\$ 10,463	\$ 932	\$ 5,263
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	5,949	6,354	6,657
Loss (gain) on disposal of property and equipment	(66)	1,872	3
Equity in losses of affiliate	-	2,867	403
(Increase) decrease in accounts receivable	515	219	(394)
(Increase) decrease in prepaid expenses	25	386	(144)
Increase in inventories	(72)	(107)	(60)
Increase (decrease) in deferred taxes, net	166	(554)	(30)
Increase (decrease) in accounts payable	(172)	(673)	(1,449)
Increase in accrued expenses	53	949	1,226
Increase (decrease) in accrued payroll and related benefits	(65)	552	(970)
Increase (decrease) in accrued gaming liabilities	(116)	278	(626)
Increase (decrease) in due to affiliates, net	(12,234)	8,474	7,588
	-----	-----	-----
Net cash provided by operating activities	4,446	21,549	17,467
	-----	-----	-----
Cash flows from investing activities:			
Proceeds from sale of property and equipment	137	142	7
Acquisitions of property and equipment	(4,998)	(2,372)	(5,435)
(Increase) decrease in deposits and other long-term assets	(29)	35	(10)
	-----	-----	-----
Net cash used in investing activities	(4,890)	(2,195)	(5,438)
	-----	-----	-----
Cash flows from financing activities:			
Dividends declared	-	(18,216)	(14,591)
Principal payments on notes payable	(201)	(415)	(304)
Additional debt incurred			358
	-----	-----	-----
Net cash used in financing activities	(201)	(18,631)	(14,537)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	(645)	723	(2,508)
Cash and cash equivalents, beginning of year	4,287	3,564	6,072
	-----	-----	-----
Cash and cash equivalents, end of year	\$ 3,642	\$ 4,287	\$ 3,564
	=====	=====	=====

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

MARDI GRAS CASINO CORP.

Notes to Financial Statements
December 31, 1999

1. Summary of Significant Accounting Policies

General

Mardi Gras Casino Corp. (the "Company" or "Mardi Gras") is a Mississippi Corporation and a wholly owned subsidiary of Casino Magic Corp., which as a result of a merger on October 15, 1998 (the "Merger") is a wholly owned subsidiary of Pinnacle Entertainment, Inc. ("Pinnacle Entertainment"), (formerly known as Hollywood Park, Inc.). The Company operates Casino Magic Bay St. Louis in Bay St. Louis, Mississippi.

Gaming revenues and promotional allowances

In accordance with common industry practice, casino revenues are the net of gaming wins less losses. Revenues exclude the retail value of complimentary rooms, food and beverage furnished gratuitously to customers. The estimated cost of providing these promotional allowances (which are included in gaming expenses) during the years ended December 31, 1999, 1998 and 1997, was \$8,415,144, \$9,005,589 and \$9,132,420, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, certificates of deposit and short term investments with original maturities of 90 days or less.

Capitalized Interest

Interest expense of \$206,497 was capitalized during the year ended December 31, 1997. No capitalized interest was recorded during the years ended December 31, 1999 and 1998.

Property, Plant and Equipment

Property, plant and equipment are stated at cost and depreciated using the straight line method over estimated useful lives of 15 to 31.5 years for barges and buildings, the term of the leases for leasehold improvements, and 5 to 7 years for furniture and equipment. Normal repairs and maintenance are charged to expense as incurred. Expenditures which materially extend the useful lives of capital assets are capitalized.

Investments

The Company has a 50 percent investment in Casino Magic Finance Corp. and accounts for its investment in this affiliate using the equity method.

Fair Value of Financial Instruments

Due to the short-term maturity of financial instruments classified as current assets and liabilities, the fair value approximates the carrying value.

Income Taxes

The Company accounts for income taxes under Statement of Financial Accounting Standards ("SFAS") 109, Accounting for Income Taxes, whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial

statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under SFAS No. 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that included the enactment date.

Long-Lived Assets

The Company periodically reviews the propriety of the carrying amount of long-lived assets and any related intangible assets as well as the related amortization period to determine whether current events or circumstances warrant adjustments to the carrying value and/or estimates of useful lives. This evaluation consists of comparing asset carrying values to the company's projection of the undiscounted cash flows over the remaining lives of the assets, in accordance with Statement of Financial Accounting Standards No. 121 Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to Be Disposed Of ("SFAS No. 121"). Based on its review, the Company believes that as of December 31, 1999, there were no significant impairments of its long-lived assets or intangible assets.

Certain significant risks and uncertainties:

Gaming Regulation Licensing

The Company conducts gaming operations in the State of Mississippi that depends on the continued licensability or qualification of the Company. Such licensing and qualifications are reviewed periodically by the Mississippi Gaming Commission.

Competition

The gaming industry is extremely competitive and the Company faces competition from new developments in the United States, specifically in Mississippi and Louisiana.

Severe Weather

The Mississippi Gulf Coast is subject to severe weather, including hurricanes. Severe weather could cause damage to the Company's casino facility. The Company maintains insurance against casualty losses resulting from severe weather and against business interruption. Such insurance may not adequately compensate the Company for loss of profits resulting from severe weather.

Use of Estimates

Financial statements prepared in accordance with generally accepted accounting principles require the use of management estimates, including estimates used to evaluate the recoverability of property, plant and equipment, to determine the fair value of financial instruments, and to determine litigation related obligations. Actual results could differ from estimates.

Reclassifications

Certain reclassifications have been made to the 1998 and 1997 balances to be consistent with the 1999 financial statement presentation.

2. Supplemental Disclosure of Cash Flow Information

Cash paid for interest during the years ended December 31, 1999, 1998, and 1997 was \$3,789, \$102,221 and \$101,404, respectively.

3. Property, Plant and Equipment

Property, plant and equipment as of December 31, 1999 and 1998 consisted of the following:

(in thousands)

	December 31,	
	1999	1998
Land and improvements	\$ 37,888	\$ 37,890
Buildings and improvements	25,119	24,894
Barges and improvements	11,685	11,631
Furniture and equipment	31,748	28,874
Construction in progress	1,456	764
	-----	-----
	107,896	104,053
	-----	-----
Less accumulated depreciation	(36,098)	(31,233)
	-----	-----
	\$ 71,798	\$ 72,820
	=====	=====

4. Notes Payable and Extraordinary Item

Notes payable as of December 31, 1999 and 1998 consisted of the following:

(in thousands)

	1999	1998
Secured note payable	\$ 61	\$ 73
Capital lease obligations	136	325
	-----	-----
	197	398
Less current maturities	(148)	(202)
	-----	-----
	\$ 49	\$ 196
	=====	=====

The secured note is payable to an individual secured by a parcel of land. The original balance of the note was \$128,621, payable in ten annual installments of \$20,000, including interest at 11.5% through March 2003.

Maturities of the Company's long-term debt, including capital lease obligations, as of December 31, 1999 are as follows:

(in thousands)

Year ended	
December 31, 2000	\$ 148
December 31, 2001	14
December 31, 2002	16
December 31, 2003	19

	\$ 197
	=====

The carrying amounts and fair values of notes payable and current maturities of long-term debt as of December 31, 1999 and 1998 approximate the carrying values.

On October 14, 1993, the 50% owned affiliate of the Company, Casino Magic Finance Corp. ("Finance Corp."), sold \$135,000,000 in aggregate principal amount of 11-1/2% First Mortgage Notes due 2001 (the "Finance Notes") and warrants to purchase 810,000 shares of Casino Magic Corp. common stock. Finance Corp. is a special purpose finance subsidiary formed specifically to issue the Finance Notes. The Finance Notes were governed by an Indenture (the "Indenture") entered into on the same date between Finance Corp., the Company and IBJ Schroder Bank & Trust Company as the Trustee.

The Finance Notes were secured by a pledge of the stock of Finance Corp., Mardi Gras Casino Corp. and Biloxi Casino Corp., an affiliate of the Company, along with the accounts receivable, inventories, property and equipment, property held for development and deposits of the Company and Casino Magic-Biloxi.

In connection with the Merger, Pinnacle Entertainment elected to redeem the Finance Notes for the redemption amount of 103.833% in accordance with the Indenture. On October 15, 1998, Pinnacle Entertainment deposited the amount required to redeem the Finance Notes with the Trustee and the Trustee discharged the debt and released the collateral on that date. Accordingly, the Company's proportionate share of redemption costs of \$2,116,213, net of related tax benefit, were recorded in the period ended December 31, 1998 and are reflected as an extraordinary item on the accompanying Statement of Operations. These costs primarily include the redemption premium.

5. Income Taxes

The Company is included in the consolidated federal tax return of Pinnacle Entertainment and allocated income tax expense as if it were a separate taxpayer.

Provision (benefit) for income taxes for the years ended December 31, 1999, 1998 and 1997 are as follows (including a current tax benefit of \$1,139,499 associated with an extraordinary item in 1998):

(in thousands)

	Current	Deferred	Total
Year ended December 31, 1999:			
U.S. Federal	\$ 5,488	\$ 166	\$ 5,654
State	2	-	2
	-----	-----	-----
	5,490	166	5,656
	-----	-----	-----
Year ended December 31, 1998:			
U.S. Federal	2,091	(1,308)	783
State	-	-	-
	-----	-----	-----
	2,091	(1,308)	783
	-----	-----	-----
Year ended December 31, 1997:			
U.S. Federal	3,247	(30)	3,217
State	-	-	-
	-----	-----	-----
	\$ 3,247	\$ (30)	\$ 3,217
	=====	=====	=====

The following table reconciles the Company's income tax expense (based on its effective tax rate) to the federal statutory tax rate of 35% (including a current tax benefit of \$1,139,499 associated with an extraordinary item in 1998):

(in thousands)

	For the Years Ended December 31,		
	1999	1998	1997
Income before income tax expense, at the statutory rate	\$ 5,642	\$ 600	\$ 2,968
Expenses which were non-deductible for tax purposes	12	183	129
State income taxes, net of federal tax benefits	2	-	-
Other	-	-	120
Income tax expense	<u>\$ 5,656</u>	<u>\$ 783</u>	<u>\$ 3,217</u>

At December 31, 1999, and 1998, the tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

(in thousands)

	1999	1998
Current deferred tax assets:		
Vacation and sick pay accrual	\$ 211	\$ 224
Bad debt allowance	119	257
Reserve for medical claims	-	277
Other	4	4
Current deferred tax assets	<u>334</u>	<u>762</u>
Current deferred tax liabilities:		
Accrued bonus	(49)	(64)
Other	-	(142)
Net current deferred tax assets	<u>\$ 285</u>	<u>\$ 556</u>

	1999	1998
Non-current deferred tax assets:		
Net operating loss carry forwards	\$ 126	\$ 126
Reserve for liability claims	80	80
Other	72	72
Non-current deferred tax assets	<u>278</u>	<u>278</u>
Non-current deferred tax Liabilities:		
Depreciation	(3,138)	(3,243)
Net non-current deferred tax liabilities	<u>\$ 2,860</u>	<u>\$ 2,965</u>

6. Employee Benefits

Pinnacle Entertainment offers a 401(k) Investment Plan (the "401(k) Plan") which is subject to the provisions of the Employee Retirement Income Security Act of 1994. The 401(k) Plan is open to all employees of the Partnership who have completed a minimum of 500 hours of service. Employees may contribute up to 18% of pretax income (subject to the legal limitation of \$10,000 for 1999). The Partnership offers discretionary matching, and for the years ended December 31, 1999, 1998 and 1997 matching contributions to the 401(k) Plan totaled \$257,732, \$106,351 and \$97,597, respectively.

7. Commitments and Contingencies

Debt Guarantees

On August 6, 1997, Pinnacle Entertainment issued \$125,000,000 of Series A 9.5% Senior Subordinated Notes due 2007 (the "9.5% Notes"). In February of 1999, Pinnacle Entertainment issued \$350,000,000 of 9.25% Senior Subordinating Notes due 2007 (the "9.25% Notes").

Both the 9.25% and 9.5% Notes are unsecured obligations of Pinnacle Entertainment, Inc. guaranteed by all material restricted subsidiaries of the Company, as defined in the indentures, including the Mardi Gras Casino Corp. The indentures governing both the 9.25% and 9.5% Notes contain certain covenants limiting the ability of Pinnacle Entertainment and its restricted subsidiaries to incur additional indebtedness, issue preferred stock, pay dividends or make certain distributions, repurchase equity interests or subordinated indebtedness, create certain liens, enter into certain transactions with affiliates, sell assets, issue or sell equity interests in its subsidiaries, or enter into certain mergers and consolidations.

Bus Litigation

On May 9, 1999, a bus owned and operated by Custom Bus Charters, Inc. was involved in an accident in New Orleans, Louisiana while en route to the Company's Casino in Bay St. Louis, Mississippi. To date multiple deaths and numerous injuries are attributed to this accident and Mardi Gras, together with several other defendants, has been named in thirty-eight (38) lawsuits, each seeking unspecified damages due to the deaths and injuries sustained in this accident. While the Company cannot predict the outcome of the litigation, the Company believes it is not liable for any damages arising from this accident and the Company and its insurers intend to vigorously defend these actions.

Mardi Gras is party to a number of other pending legal proceedings, though management does not expect that the outcome of such proceedings, either individually or in the aggregate, will have a material effect on the Company's financial results.

8. Lease Obligations

The following is a schedule of future minimum lease payments for capital and operating leases (with initial or remaining terms in excess of one year) as of December 31, 1999:

(in thousands)

	Capital Leases	Operating Leases
2000	\$ 141	\$ 203
2001	-	177
2002	-	118
2003	-	101
	-----	-----
Total minimum lease payments	141	\$ 599
Less amount representing Interest (9%)	6	=====

Present value of net minimum capital lease payments	\$ 135	
	=====	

Rent expense for the years ended December 31, 1999, 1998, and 1997 was \$189,508, \$139,500 and \$127,887, respectively.

9. Pending Sale

On December 10, 1999, Pinnacle Entertainment announced it had entered into a definitive agreement with Penn National Gaming, Inc. ("Penn National") to sell for cash Mardi Gras Casino Corp.'s casino operations for \$120 million. Penn National will purchase all of the property, plant and equipment and will assume certain liabilities. The transaction is subject to certain closing conditions, including approval by the Mississippi Gaming Commission, the purchaser completing the necessary financing, and termination of the Hart-Scott-Rodino waiting period. Pinnacle Entertainment estimates the transaction will close in the second quarter of 2000.

REPORT OF INDEPENDENT PUBLIC
ACCOUNTANTS

To the Board of Directors of Mississippi-I-Gaming LP:

We have audited the accompanying balance sheets of Mississippi-I-Gaming LP (the "Partnership") as of December 31, 1999 and 1998, and the related statements of operations, changes in stockholder's equity and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mississippi-I-Gaming LP as of December 31, 1999 and 1998, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999 in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

New Orleans, Louisiana
February 8, 2000

Robert W. Kimbro, being duly sworn deposes and says that he is a partner in the Firm of Arthur Andersen LLP and that he has signed the foregoing auditors' report in that capacity.

/s/Robert W. Kimbro
Certified Public Accountant
Mississippi Certificate No. R-2676

MISSISSIPPI-I GAMING, L.P.

Balance Sheets - December 31, 1999 and 1998

(in thousands)
Assets

	1999	1998
Current Assets:		
Cash and cash equivalents	\$ 2,974	\$ 4,555
Receivables, net of allowance for doubtful accounts of \$59 and \$73	969	139
Prepaid expenses and other current assets	1,414	1,874
Inventories	527	542
	-----	-----
Total current assets	5,884	7,110
Property, plant and equipment, net	43,934	44,442
Other assets	2,059	2,060
	-----	-----
	\$ 51,877	\$ 53,612
	=====	=====
Liabilities and Partners' Capital		
Current Liabilities:		
Accounts payable	\$ 551	\$ 636
Accrued compensation	1,225	968
Other accrued liabilities	4,445	4,230
Accrued interest payable, Boomtown, Inc.	-	1,442
Current portion of notes payable, Boomtown, Inc.	36,259	44,971
Current portion of notes payable, other	1,250	1,254
	-----	-----
	43,730	53,501
Notes Payable, other	-	1,250
Commitments and Contingencies		
Partner's Capital (Deficit):		
General partner	453	37
Limited partners	7,694	(1,176)
	-----	-----
Total partners' capital (deficit)	8,147	(1,139)
	-----	-----
	\$ 51,877	\$ 53,612
	=====	=====

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

MISSISSIPPI-I GAMING, L.P.

Statements of Operations

For the Years Ended December 31, 1999, 1998, 1997

(in thousands)

	1999	1998	1997
Revenues:			
Gaming	\$ 58,191	\$ 57,054	\$ 52,022
Food and beverage	6,270	5,097	3,302
Other	3,365	2,933	2,862
	-----	-----	-----
	67,826	65,084	58,186
Costs and Expenses:			
Gaming	29,366	29,598	28,391
Food and beverage	7,555	6,380	4,260
Administrative	15,954	16,088	15,012
Other	1,669	1,603	1,509
Depreciation and amortization	3,846	3,667	3,491
	-----	-----	-----
	58,390	57,336	52,663
Income from Operations	-----	-----	-----
	9,436	7,748	5,523
Other (Income) Expense:			
Interest Expense	150	4,319	5,354
Net Income	-----	-----	-----
	\$ 9,286	\$ 3,429	\$ 169
	=====	=====	=====
Net Income Allocated to Partners:			
General partner	\$ 416	\$ 26	\$ 9
Limited partners	8,870	3,403	160
	-----	-----	-----
	\$ 9,286	\$ 3,429	\$ 169
	=====	=====	=====

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

MISSISSIPPI-I GAMING, L.P.

Statements of Changes in Partners' Capital (Deficit)
For the Years Ended December 31, 1999, 1998, 1997

(in thousands)

	General Partner	Limited Partners		Total Partners' Capital (Deficit)
		Boomtown, Inc.	Other	
Balances, December 31, 1996	\$ -	\$ (3,991)	\$ (748)	\$ (4,739)
Capital contributions	2	-	-	2
Net Income	9	135	25	169
Balances, December 31, 1997	11	(3,856)	(723)	(4,568)
Transfer of partnership interest	-	(601)	601	-
Net income	26	3,281	122	3,429
Balances, December 31, 1998	37	(1,176)	-	(1,139)
Net income	416	8,870	-	9,286
Balances, December 31, 1999	\$ 453	\$ 7,694	\$ -	\$ 8,147

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

MISSISSIPPI-I GAMING, L.P.

Statements of Cash Flows

For the Years Ended December 31, 1999, 1998, 1997

(in thousands)

	1999	1998	1997
Cash Flows from Operating Activities:			
Net income	\$ 9,286	\$ 3,429	\$ 169
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	3,846	3,667	3,491
Loss on disposal of property and equipment	327	94	169
Decrease in other receivables, net	(830)	(26)	(39)
Decrease (increase) in prepaid expenses and other assets	475	(802)	103
Decrease in other assets	1	8	73
(Decrease) increase in accounts payable	(85)	(34)	59
Increase (decrease) in accrued compensation	257	45	(112)
Increase in accrued liabilities	215	980	191
(Decrease) increase in accrued interest payable, Boomtown, Inc.	(1,442)	(3,547)	2,015
Net cash provided by operating activities	12,050	3,814	6,119
Cash Flows from Investing Activities:			
Additions to property, plant and equipment	(3,669)	(2,980)	(3,574)
Proceeds from sale of property and equipment	4	353	34
Net cash used in investing activities	(3,665)	(2,627)	(3,540)
Cash Flows from Financing Activities:			
(Payment of) proceeds from note payable, Boomtown, Inc., net	(8,712)	517	2,732
Payment of notes payable, other	(1,254)	(1,292)	(4,505)
Net cash used in financing activities	(9,966)	(775)	(1,773)
Increase (Decrease) in Cash and Cash			
Equivalents	(1,581)	412	806
Cash and Cash Equivalents, at the beginning of the year	4,555	4,143	3,337
Cash and Cash Equivalents, at the end of the year	\$ 2,974	\$ 4,555	\$ 4,143
	=====	=====	=====

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

MISSISSIPPI-I GAMING, L.P.

Notes to Financial Statements

December 31, 1999

1. Summary of Significant Accounting Policies

General

Mississippi-I Gaming, L.P. ("the Partnership") is a Mississippi limited partnership, which is owned and controlled by Pinnacle Entertainment, Inc. ("Pinnacle Entertainment"), (formerly known as Hollywood Park, Inc.), through its wholly owned subsidiaries, Boomtown, Inc. ("Boomtown") and Bayview Yacht Club, Inc., which own 95% and 5%, respectively, of the Mississippi Partnership. On September 11, 1998, Pinnacle Entertainment, through its Boomtown subsidiary, purchased for \$400,000 the 15% of the Partnership owned by Eric Skrmetta ("Skrmetta"). The Partnership owns and operates a casino ("Boomtown Biloxi"), which opened in July 1994. Boomtown Biloxi occupies nineteen acres in Biloxi, Mississippi.

Gaming Revenues and Promotional Allowances

In accordance with common industry practice, casino revenues are the net of gaming wins less losses. Revenues exclude the retail value of complimentary rooms, food and beverage furnished gratuitously to customers. The estimated cost of providing these promotional allowances (which are included in gaming expenses) during the years ended December 31, 1999, 1998 and 1997, was \$4,186,000, \$4,454,000 and \$4,094,000, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, certificates of deposit and short term investments with original maturities of 90 days or less.

Property, Plant, and Equipment

Property, plant and equipment are stated at cost and depreciated using the straight line method over estimated useful lives, ranging from three to thirty-five years. Normal repairs and maintenance are charged to expense as incurred. Expenditures which materially extend the useful lives of capital assets are capitalized.

Fair Value of Financial Instruments

Due to the short-term maturity of financial instruments classified as current assets and liabilities, the fair value approximates the carrying value.

Income Taxes

The Partnership is not subject to state or federal income taxes. The Partnership's income or loss is allocated to the partners and included in their respective income tax returns.

Long-Lived Assets

The Partnership periodically reviews the propriety of the carrying amount of long-lived assets and any related intangible assets as well as the related amortization period to determine whether current events or circumstances warrant adjustments to the carrying value and/or estimates of useful lives. This evaluation consists of comparing asset carrying values to the Partnership's projection of the undiscounted cash flows over the remaining lives of the assets, in accordance with Statement of Financial Accounting Standards No. 121 Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to Be Disposed Of ("SFAS No. 121"). Based on its review, Partnership management believes that as of December 31, 1999, there were no significant impairments of its long-lived assets or intangible assets.

Certain Significant Risks and Uncertainties:

Gaming Regulation Licensing

The Partnership conducts gaming operations in the State of Mississippi that depends on the continued licensability or qualification of the Partnership. Such licensing and qualifications are reviewed periodically by the Mississippi Gaming Commission.

Competition

The gaming industry is extremely competitive and the Partnership faces competition from new developments in the United States, specifically in Mississippi and Louisiana.

Severe Weather

The Mississippi Gulf Coast is subject to severe weather, including hurricanes. Severe weather could cause damage to the Company's casino facility. The Partnership maintains insurance against casualty losses resulting from severe weather and against business interruption. Such insurance may not adequately compensate the Partnership for loss of profits resulting from severe weather. On September 25, 1998, the Company suspended operations due to Hurricane Georges, and the casino remained closed until October 1, 1998. The Company received an insurance settlement for \$895,000 during 1999 for property damage and business interruption.

Use of Estimates

Financial statements prepared in accordance with generally accepted accounting principles require the use of management estimates, including estimates used to evaluate the recoverability of property, plant and equipment, to determine the fair value of financial instruments, and to determine litigation related obligations. Actual results could differ from estimates.

Reclassifications

Certain reclassifications have been made to the 1998 and 1997 balances to be consistent with the 1999 financial statement presentation.

2. Supplemental Disclosure of Cash Flow Information

Cash paid for interest during the years ended December 31, 1999, 1998, and 1997 was \$222,000, \$280,000, and \$3,339,000, respectively.

3. Other Long Term Assets

Other long term assets as of December 31, 1999 and 1998 included \$2,000,000 which is prepayment of the 99th year of the land lease with Skrmetta.

4. Property, Plant and Equipment

Property, plant and equipment as of December 31, 1999 and 1998 consisted of the following:

(in thousands)

	December 31,	
	1999	1998
Land and land improvements	\$ 1,236	\$ 1,236
Buildings and building improvements	41,417	41,449
Equipment	14,464	11,505
Construction in progress	326	389
	-----	-----
	57,443	54,579
Less: Accumulated depreciation	(13,509)	(10,137)
	-----	-----
	\$ 43,934	\$ 44,442
	=====	=====

5. Secured and Unsecured Notes Payable

Notes payable as of December 31, 1999 and 1998 consisted of the following:

(in thousands)

	December 31,	
	1999	1998
Secured notes payable	\$ 1,250	\$ 2,500
Capital lease obligations	-	4
	-----	-----
	1,250	2,504
Less: current maturities	(1,250)	(1,254)
	-----	-----
	\$ -	\$ 1,250
	=====	=====

As of December 31, 1999 and 1998 the Partnership also had an outstanding note payable to Boomtown in the amounts of \$36,259,000 and \$44,971,000, respectively. These amounts primarily related to funds invested by Boomtown for the initial construction of the property, and the net of subsequent cash transfers to Boomtown from the Partnership, and from Boomtown to the Partnership. Interest on the notes payable to Boomtown was fixed at 11.5%. In September 1998, Boomtown, Inc. discontinued charging interest to the Partnership.

On August 4, 1997, Pinnacle Entertainment executed an agreement on behalf of the Partnership to purchase the barge that Boomtown Biloxi sits upon and the associated building shell for \$5,250,000. The Partnership had been leasing these assets. In connection therewith, the Partnership had made a down payment of \$1,500,000 upon signing the agreement, with the balance payable in three equal annual installments of \$1,250,000 with interest set at the prime rate as of the first day of each quarter.

6. Employee Benefits

Pinnacle Entertainment offers a 401(k) Investment Plan (the "401(k) Plan") which is subject to the provisions of the Employee Retirement Income Security Act of 1994. The 401(k) Plan is open to all employees

of the Partnership who have completed a minimum of 500 hours of service. Employees may contribute up to 18% of pretax income (subject to the legal limitation of \$10,000 for 1999). The Partnership offers discretionary matching, and for the years ended December 31, 1999, 1998 and 1997 matching contributions to the 401(k) Plan totaled \$166,239, \$157,491 and \$139,465, respectively.

7. Commitments and Contingencies

Debt Guarantees

On August 6 1997, Pinnacle Entertainment issued \$125,000,000 of Series A 9.5% Senior Subordinated Notes due 2007 (the "9.5% Notes"). In February of 1999, Pinnacle Entertainment issued \$350,000,000 of 9.25% Senior Subordinating Notes due 2007.

(the "9.25% Notes")

Both the 9.25% and 9.5% Notes are unsecured obligations of Pinnacle Entertainment, Inc. guaranteed by all material restricted subsidiaries of the Company, as defined in the indentures, including the Partnership. The indentures governing both the 9.25% and 9.5% Notes contain certain covenants limiting the ability of Pinnacle Entertainment and its restricted subsidiaries to incur additional indebtedness, issue preferred stock, pay dividends or make certain distributions, repurchase equity interests or subordinated indebtedness, create certain liens, enter into certain transactions with affiliates, sell assets, issue or sell equity interests in its subsidiaries, or enter into certain mergers and consolidations.

Tidelands Lease

The Mississippi Partnership leases submerged tidelands at the Boomtown Biloxi site from the State of Mississippi. The lease has a ten-year term, (entered into in 1994) with a five-year option to renew. Lease rent for each of the first three years of the lease was \$525,000 and \$425,000 for the third and fourth years. During 1999, the Partnership was notified of a rate increase for the sixth through tenth years. The State of Mississippi has increased the rent to \$476,00 based on the Consumer Price Index ("CPI"). The Partnership remitted payment and was subsequently notified by the State of Mississippi that the State has exercised its option under the lease agreement to increase the rent based on appraised value. The rent was then set by the State of Mississippi at \$620,000. The Partnership is currently contesting the appraisal, but has accrued for the difference in the financial statements presented herein.

8. Lease obligations and leasehold rights

The aggregate future minimum annual lease commitments as of December 31, 1999, under operating leases having non-cancelable terms in excess of one year is as follows:

(in thousands)

Year		
2000	\$	1,148
2001		1,128
2002		1,111
2003		1,073
2004		567
Thereafter		33

Total	\$	5,060
		=====

Total rent expense for these long term lease obligations for the years ended December 31, 1999, 1998, and 1997 was \$986,126, \$901,917 and \$929,338, respectively. In addition, the Partnership leases land from Skrmetta for use by Boomtown Biloxi. The lease term is 99 years and is cancelable upon one year's notice. The lease called for an initial deposit by the Company of \$2,000,000 and for annual base lease rent payments of \$2,000,000 and percentage rent equal to 5.0% of adjusted gaming win (as defined in the lease) over \$25,000,000.00. Skrmetta agreed to provide the land, free of annual base rent, for two years in

exchange for a 15% interest in the Company, which was subsequently acquired by Boomtown (see Note 1). During the years ended December 31, 1999, 1998 and 1997 the Mississippi Partnership paid lease rent to Skrmetta of \$3,519,349, \$3,116,131 and \$2,961,359, respectively.

9. Pending Sale

On December 10, 1999, Pinnacle Entertainment announced it had entered into a definitive agreement with Penn National Gaming, Inc. ("Penn National") to sell for cash the Partnership's Boomtown Biloxi casino operations for \$75 million. Penn National will purchase all of the property, plant and equipment and will assume certain liabilities. The transaction is subject to certain closing conditions, including approval by the Mississippi Gaming Commission, the purchaser completing the necessary financing, and termination of the Hart-Scott Rodino waiting period. Pinnacle Entertainment estimates the transaction will close in the second quarter of 2000.

MARDI GRAS CASINO CORP.
Balance Sheets

	June 30, 2000	December 31, 1999
	(in thousands) (unaudited)	

Assets		
Current assets		
Cash	\$ 4,044	\$ 3,642
Accounts receivable, net of allowance for doubtful accounts of \$259 in 2000 and \$217 in 1999	965	587
Prepaid expenses and other current assets	968	572
Inventories	603	666
Deferred tax assets	285	285

Total current assets	6,865	5,752
Property, plant and equipment, net	70,863	71,798
Investment in affiliate	932	932
Other assets	133	202

Total assets	\$ 78,793	\$ 78,684

MARDI GRAS CASINO CORP.
Balance Sheets

June 30, December 31,
2000 1999

(in thousands)
(unaudited)

Liabilities and Stockholder's Equity

Current liabilities		
Accounts payable	\$ 1,469	\$ 1,497
Accrued expenses	2,338	3,016
Accrued payroll and related benefits	2,373	2,829
Accrued progressive gaming liabilities	961	1,076
Notes payable	53	148

Total current liabilities 7,194 8,566

Notes payable	34	49
Due to affiliates	54,381	59,409
Deferred tax liabilities	2,860	2,860

Total liabilities 64,469 70,884

Stockholder's equity		
Common stock, \$0.01 par		
Issued and outstanding 3,000 shares	--	--
Additional paid-in capital	39,688	39,688
Dividends	(32,807)	(32,807)
Retained earnings	7,443	919

Total stockholder's equity 14,324 7,800

Total liabilities and stockholder's equity \$ 78,793 \$ 78,684

See accompanying notes to financial statements.

MARDI GRAS CASINO CORP.
Statements of Operations

Six months ended June 30,	2000	1999

	(in thousands) (unaudited)	
Revenues		
Gaming	\$ 40,958	\$ 41,018
Food and beverage	1,917	2,017
Hotel and recreational vehicle park	1,053	1,053
Golf	1,174	1,010
Other income	1,743	557

Total revenues	46,845	45,655
Expenses		
Gaming	23,865	23,896
Food and beverage	1,953	1,913
Hotel and recreational vehicle park	586	489
Golf	830	822
General and administrative	6,376	6,065
Other	499	549
Depreciation and amortization	2,397	2,909

Total expenses	36,506	36,643

Income from operations	10,339	9,012
Other (income) expense		
Interest expense	8	18
Interest income	(2)	(87)
(Gain) loss from disposal of assets	140	(27)

Total other (income) expense	146	(96)

Income before income taxes	10,193	9,018
Income tax expense	3,669	2,705

Net income	\$ 6,524	\$ 6,313

See accompanying notes to financial statements.

MARDI GRAS CASINO CORP.
Statements of Cash Flows

Six months ended June 30,	2000	1999
(in thousands) (unaudited)		
Cash flows from operating activities		
Net income	\$ 6,524	\$ 6,403
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	2,397	2,909
Loss on disposal of property and equipment	140	--
Allowance for doubtful debts	42	29
Changes in assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	(420)	222
Prepaid expenses	(396)	(275)
Inventories	63	103
Other assets	69	(31)
Increase (decrease) in liabilities		
Accounts payable	(28)	(46)
Accrued expenses	(678)	2,627
Payroll and related benefits	(456)	399
Accrued gaming liabilities	(115)	(241)
Due to affiliates, net	(5,028)	(4,994)
Net cash provided by operating activities		
	2,114	7,105
Cash flows from investing activities		
Proceeds from sale of property and equipment	150	11
Acquisitions of property and equipment	(1,751)	(1,344)
Net cash (used in) investing activities		
	(1,601)	(1,333)
Cash flows from financing activities		
Principal payments on notes payable	(111)	(109)
Net increase in cash		
	402	5,663
Cash at beginning of period	3,642	4,287
Cash at end of period		
	\$ 4,044	\$ 9,950

See accompanying notes to financial statements.

MARDI GRAS CASINO CORP.
Notes to Financial Statements

(unaudited)

1. Basis of
Presentation

Mardi Gras Casino Corp. (the "Company" or "Mardi Gras") is a Mississippi corporation and a wholly owned subsidiary of Casino Magic Corp. which, as a result of a merger on October 15, 1998 (the "Merger"), is a wholly owned subsidiary of Pinnacle Entertainment, Inc. ("Pinnacle Entertainment"), (formerly known as Hollywood Park, Inc.) The Company operates Casino Magic Bay St. Louis in Bay St. Louis, Mississippi. The statements and related notes herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations. The accompanying notes should therefore be read in conjunction with the Partnership's December 31, 1999 annual financial statements.

In the opinion of management, all adjustments (consisting of normal recurring accruals) have been made which are necessary to present fairly the financial position of the Company as of June 30, 2000 and the results of its operations for the six month periods ended June 30, 2000 and 1999. The results of operations experienced for the six month period ended June 30, 2000 are not necessarily indicative of the results to be experienced for the fiscal year ended December 31, 2000.

2. Pending Sale

On December 10, 1999, Pinnacle Entertainment entered into two definitive agreements to sell all of the operating assets of the Casino Magic hotel, casino, golf resort, recreational vehicle (RV) park and marina in Bay St. Louis, Mississippi and the Boomtown Biloxi casino in Biloxi, Mississippi to Penn National Gaming, Inc. for an aggregate of \$195 million. These agreements are contingent upon each other. In addition to acquiring all of the operating assets and related operations of the Casino Magic Bay St. Louis and Boomtown Biloxi properties, Penn National has entered into a licensing agreement to use Boomtown and Casino Magic names and marks at the properties acquired. The transaction was subject to certain closing conditions including the approval of the Mississippi Gaming Commission, financing and expiration of the applicable Hart-Scott-Rodino waiting period. The acquisitions were completed on August 8, 2000. Use of Estimates

Financial statements prepared in accordance with generally accepted accounting principles require the use of management estimates, including estimates used to evaluate the recoverability of property, plant and equipment, to determine the fair value of financial instruments, and to determine litigation related obligations. Actual results could differ from estimates.

MISSISSIPPI-I-GAMING, LP
Balance Sheets

	June 30, 2000	December 31, 1999
(in thousands) (unaudited)		
<hr/>		
Assets		
Current assets		
Cash	\$ 3,242	\$ 2,974
Receivables, net of allowance for doubtful accounts of \$55 and \$59	189	969
Prepaid expenses and other current assets	1,740	1,414
Inventories	481	527
<hr/>		
Total current assets	5,652	5,884
Property, plant and equipment, net	43,792	43,934
Other assets	2,034	2,059
<hr/>		
Total assets	\$ 51,478	\$ 51,877
<hr/>		
Liabilities and Partners' Capital		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,351	\$ 1,776
Other accrued liabilities	3,829	4,445
Current maturities of notes payable, Boomtown, Inc.	33,711	36,259
Notes payable, other	--	1,250
<hr/>		
Total liabilities	38,891	43,730
Partners' capital		
General partner	674	453
Limited partners	11,913	7,694
<hr/>		
Total partners' capital	12,587	8,147
<hr/>		
Total liabilities and partners' capital	\$ 51,478	\$ 51,877
<hr/>		

See accompanying notes to financial statements.

MISSISSIPPI-I-GAMING, LP
Statements of Operations

Six months ended June 30,	2000	1999

	(in thousands) (unaudited)	
Revenues		
Gaming	\$ 29,493	\$ 30,041
Food and beverage	3,113	3,223
Other	1,354	1,429

Total revenues	33,960	34,693
Costs and expenses		
Gaming	9,693	9,746
Food and beverage	3,832	3,836
Administrative	13,336	13,362
Other	740	827
Depreciation and amortization	1,841	2,013

Total costs and expenses	29,442	29,784

Income from operations	4,518	4,909
Other (income) expense, interest	77	104

Net income	4,441	4,805

Net income allocated to partners		
General partner	142	154
Limited partners	4,299	4,651

Total net income allocated to partners	\$ 4,441	\$ 4,805

See accompanying notes to financial statements.

MISSISSIPPI-I-GAMING, LP
Statements of Cash Flows

Six months ended June 30,	2000	1999
	(in thousands) (unaudited)	
Cash flows from operating activities		
Net income	\$ 4,441	\$ 4,805
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,703	2,013
Loss on disposal of property and equipment	13	249
Changes in assets and liabilities		
(Increase) decrease in assets		
Other receivables, net	784	107
Prepaid expenses	(326)	(317)
Other assets	46	(6)
Inventory	25	95
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(429)	(271)
Accrued compensation	(253)	426
Accrued liabilities	(616)	20
Net cash provided by operating activities	5,388	7,119
Cash flows from investing activities		
Additions to property, plant and equipment	(1,586)	(1,912)
Proceeds from sale of property and equipment	12	3
Net cash (used in) investing activities	(1,574)	(1,909)

See accompanying notes to financial statements.

MISSISSIPPI-I-GAMING, LP
Statements of Cash Flows

Six months ended June 30,	2000	1999
	(in thousands) (unaudited)	
Cash flows from financing activities		
Payment of note payable, Boomtown, Inc., net	\$ (2,548)	\$ (3,539)
Payment of notes payable, other	(1,250)	(4)
<hr style="border-top: 1px dashed black;"/>		
Net cash (used in) financing activities	(3,798)	(3,543)
<hr style="border-top: 1px dashed black;"/>		
Increase in cash	16	1,667
Cash at beginning of period	2,974	4,555
<hr style="border-top: 1px dashed black;"/>		
Cash at end of period	\$ 2,990	\$ 6,222
<hr style="border-top: 1px dashed black;"/>		

See accompanying notes to financial statements.

MISSISSIPPI-I-GAMING, LP
Notes to Financial Statements
(unaudited)

1. Basis of Presentation

Mississippi-I-Gaming, L.P. (the "Partnership") is a Mississippi limited partnership, which is owned and controlled by Pinnacle Entertainment, Inc. ("Pinnacle Entertainment"), (formerly known as Hollywood Park, Inc.), through its wholly owned subsidiaries, Boomtown, Inc. ("Boomtown") and Bayview Yacht Club, Inc., which own 95% and 5%, respectively, of the Mississippi Partnership. The Partnership owns and operates a casino ("Boomtown Biloxi"), which opened in July 1994. Boomtown Biloxi occupies nineteen acres in Biloxi, Mississippi.

The statements and related notes herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations. The accompanying notes should therefore be read in conjunction with the Partnership's December 31, 1999 annual financial statements.

In the opinion of management, all adjustments (consisting of normal recurring accruals) have been made which are necessary to present fairly the financial position of the Partnership as of June 30, 2000 and the results of its operations for the six month periods ended June 30, 2000 and 1999. The results of operations experienced for the six month period ended June 30, 2000 are not necessarily indicative of the results to be experienced for the fiscal year ended December 31, 2000.

2. Pending Sale

On December 10, 1999, Pinnacle Entertainment entered into two definitive agreements to sell all of the operating assets of the Casino Magic hotel, casino, golf resort, recreational vehicle (RV) park and marina in Bay St. Louis, Mississippi and the Boomtown Biloxi casino in Biloxi, Mississippi to Penn National Gaming, Inc. for an aggregate of \$195 million. These agreements are contingent upon each other. In addition to acquiring all of the operating assets and related operations of the Casino Magic Bay St. Louis and Boomtown Biloxi properties, Penn National has entered into a licensing agreement to use Boomtown and Casino Magic names and marks at the properties acquired. The transaction was subject to certain closing conditions including the approval of the Mississippi Gaming Commission, financing and expiration of the applicable Hart-Scott-Rodino waiting period. The acquisitions were completed on August 8, 2000.

Use of Estimates

Financial statements prepared in accordance with generally accepted accounting principles require the use of management estimates, including estimates used to evaluate the recoverability of property, plant and equipment, to determine the fair value of financial instruments, and to determine litigation related obligations. Actual results could differ from estimates.

(b) PRO FORMA FINANCIAL INFORMATION. The following unaudited pro forma consolidated financial information is filed as part of this Current Report on Form 8-K:

	Page No.
Unaudited Pro Forma Consolidated Financial Information	36
Unaudited Pro Forma Consolidated Statement of Operations	
for the year ended December 31, 1999	37-38
Unaudited Pro Forma Consolidated Statement of Operations	
for the six months ended June 30, 2000	39-40
Notes to Unaudited Pro Forma Consolidated Statement of Operations	41
Unaudited Pro Forma Consolidated Balance Sheet as of June 30, 2000	42-44
Notes to Unaudited Pro Forma Consolidated Balance Sheets	45-46

Unaudited Pro Forma Consolidated Financial Statements

On August 8, 2000, Penn National Gaming, Inc. and subsidiaries ("Penn National" or the "Company") purchased substantially all of the assets (the "Acquisitions") of the Casino Magic hotel, casino, golf resort, recreational vehicle park and marina in Bay St. Louis, Mississippi ("Casino Magic") and the Boomtown Biloxi casino in Biloxi, Mississippi ("Boomtown Biloxi") from certain subsidiaries of Pinnacle Entertainment, Inc. The acquisition of Casino Magic and Boomtown Biloxi were consummated by BSL, Inc. and BTN, Inc., respectively, each of which is a wholly owned subsidiary of Penn National. The Casino Magic Acquisition was accomplished pursuant to the terms of an Asset Purchase Agreement, dated as of December 9, 1999, as amended, by and among BSL, Inc. and Casino Magic Corp. The Boomtown Biloxi acquisition was accomplished pursuant to the terms of an Asset Purchase Agreement, dated as of December 9, 1999, as amended, by and among BTN, Inc. and Boomtown, Inc. The terms of each of the Purchase Agreements were the result of arm's length negotiations among the parties. The aggregate consideration paid by Penn National for the acquisitions was \$196,260,000 cash, which was funded by Penn National's concurrent execution of a new \$350 million credit facility on August 8, 2000.

The proceeds of the credit facility were used to finance the above acquisition, to repay its existing indebtedness and for working capital. The credit facility provides for a \$75 million revolving credit facility maturing on August 8, 2005, a \$75 million Tranche A term loan maturing on August 8, 2005 and a \$200 million Tranche B term loan maturing on August 8, 2006.

At Penn National's option, the revolving credit facility and the Tranche A term loan may bear interest at (1) the highest of 1/2 of 1% in excess of the federal funds effective rate or the rate that the bank group announces from time to time as its prime lending rate plus an applicable margin of up to 2.25% or (2) a rate tied to a eurodollar rate plus an applicable margin up to 3.25%. At the Company's option, the Tranche B term loan may bear interest at (1) the highest of 1/2 of 1% in excess of the federal funds effective rate or the rate that the bank group announces from time to time as its prime lending rate plus an applicable margin of up to 3.25% or (2) a rate tied to a eurodollar rate plus an applicable margin up to 4.00%.

In addition to acquiring all of the operating assets and related operations of the Casino Magic and Boomtown Biloxi properties, Penn National has entered into a licensing agreement to use the Boomtown Biloxi and Casino Magic names and marks at the acquired properties.

The accompanying unaudited pro forma consolidated statement of operations for the year ended December 31, 1999 and for the six months ended June 30, 2000 were prepared giving effect to the acquisition of Casino Magic and Boomtown Biloxi and the refinancing of the Company's long-term debt as if both events occurred on January 1, 1999.

The accompanying unaudited pro forma consolidated balance sheet has been prepared as if the above mentioned transactions occurred on June 30, 2000.

This unaudited pro forma consolidated financial information is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if Casino Magic and Boomtown Biloxi had been acquired as of January 1, 1999, or if the assumption of the new credit facility, repayment of Penn National's indebtedness, or the tender premium paid to the holders of the 10.625% senior subordinated notes had been completed in an earlier period, nor is it necessarily indicative of future operating results or financial position.

The unaudited pro forma consolidated financial statements are based on, and should be read in conjunction with, the historical consolidated financial statements and the related notes thereto of Penn National, Casino Magic and Boomtown Biloxi for the twelve months ended December 31, 1999 and for the six months ended June 30, 2000, respectively.

Unaudited Pro Forma Consolidated Statement of Operations

Year ended December 31, 1999

(in thousands)

	Pro Forma Adjustments						Pro Forma as Adjusted for Mississippi Acquisition
	Penn National Gaming, Inc. and Subsidiaries	Boohtown Biloxi	Casino Magic	Boohtown Biloxi and Casino Magic Acquisition	Refinancing of Long-Term Debt		
Revenues							
Gaming	\$ 55,744	\$ 58,191	\$ 80,349	\$ --	\$ --	\$ --	\$ 194,284
Racing	101,240	--	--	--	--	--	101,240
Food and beverage	12,117	6,270	3,821	--	--	--	22,208
Other	1,259	2,471	4,650	--	--	--	8,380
Earnings from unconsolidated affiliates	1,098	--	--	--	--	--	1,098
	171,458	66,932	88,820	--	--	--	327,210
Expenses							
Gaming	38,284	29,366	47,446	--	--	--	115,096
Racing	80,513	--	--	--	--	--	80,513
Food and beverage	11,031	7,555	3,723	--	--	--	22,309
General and administrative	11,424	15,954	12,291	--	--	--	39,669
Nonrecurring expenses	3,285	--	--	--	--	--	3,285
Other	425	1,669	3,512	--	--	--	5,606
Depreciation and amortization	8,679	3,846	5,949	(495)(a)	--	--	17,979
	153,641	58,390	72,921	(495)	--	--	284,457

Unaudited Pro Forma Consolidated Statement of Operations

Year ended December 31, 1999

(in thousands)

	Pro Forma Adjustments						Pro Forma as Adjusted for
	Penn National Gaming, Inc. and Subsidiaries	Boohtown Biloxi	Casino Magic	Boohtown Biloxi and Casino Magic Acquisition	Refinancing of Long-Term Debt		Mississippi Acquisition
Income from operations	\$ 17,817	\$ 8,542	\$ 15,899	\$ 495	\$ --	\$	\$ 42,753
Interest income	1,368	--	110	--	--		1,478
Interest expense	(8,667)	(150)	(31)	--	(23,207)(b)		(32,055)
Other income (expenses), net	(8)	894	141	--	--		1,027
Income before income tax expense	10,510	9,286	16,119	495	(23,207)		13,203
Income tax expense	3,777	--	5,656	198(c)	(4,350)(c)		5,281
Net income	\$ 6,733	\$ 9,286	\$ 10,463	\$ 297	\$ (18,857)	\$	\$ 7,922
Per common share							
Net income-basic	\$ 0.45						\$ 0.53
Net income-diluted	\$ 0.44						\$ 0.52
Weighted average number of shares outstanding-basic	14,837						14,837
Weighted average number of shares outstanding-diluted	15,196						15,196

Unaudited Pro Forma Consolidated Statement of Operations

Six months ended June 30, 2000

(in thousands)

	Pro Forma Adjustments						Pro Forma as Adjusted for Mississippi Acquisition
	Penn National Gaming, Inc. and Subsidiaries	Boomtown Biloxi	Casino Magic	Boomtown Biloxi and Casino Magic Acquisition	Refinancing of Long-Term Debt		
Revenues							
Gaming	\$ 49,019	\$ 29,493	\$ 40,958	\$ --	\$ --	\$ --	\$ 119,470
Racing	53,801	--	--	--	--	--	53,801
Food and beverage	11,426	3,113	1,917	--	--	--	16,456
Other	--	1,354	3,970	--	--	--	5,324
Earnings from unconsolidated affiliates	1,429	--	--	--	--	--	1,429
	115,675	33,960	46,845	--	--	--	196,480
Expenses							
Gaming	19,320	9,693	23,865	--	--	--	52,878
Racing	33,142	--	--	--	--	--	33,142
Food and beverage	6,565	3,832	1,953	--	--	--	12,350
General and administrative	24,190	13,336	6,376	--	--	--	43,902
Other	8,564	740	1,915	--	--	--	11,219
Depreciation and amortization	4,368	1,841	2,397	635 (a)	--	--	9,241
Total expenses	96,149	29,442	36,506	635	--	--	162,732

Unaudited Pro Forma Consolidated Statement of Operations

Six months ended June 30, 2000

(in thousands)

	Pro Forma Adjustments						Pro Forma as Adjusted for Mississippi Acquisition
	Penn National Gaming, Inc. and Subsidiaries	Boomtown Biloxi	Casino Magic	Boomtown Biloxi and Casino Magic Acquisition	Refinancing of Long-Term Debt		
Income from operations	\$ 19,526	\$ 4,518	\$ 10,339	\$ (635)	\$ --	\$ --	\$ 33,748
Interest income	881	--	2	--	--	--	883
Interest expense	(4,816)	(77)	(8)	--	(11,175)(b)	--	(16,076)
Gain(loss) from disposal of assets	--	--	(140)	--	--	--	(140)
Other (expenses), net	(154)	--	--	--	--	--	(154)
Income before income tax expense	15,437	4,441	10,193	(635)	(11,175)	--	18,261
Income tax expense	5,591	--	3,669	(254)(c)	(1,702)(c)	--	7,304
Net income	\$ 9,846	\$ 4,441	\$ 6,524	\$ (381)	\$ (9,473)	\$ --	\$ 10,957
Per common share							
Net income-basic	\$ 0.66						\$ 0.73
Net income-diluted	\$ 0.64						\$ 0.71
Weighted average number of shares outstanding-basic	14,918						14,918
Weighted average number of shares outstanding-diluted	15,338						15,338

Notes to Unaudited Pro Forma Consolidated Statements of Operations

The following pro forma adjustments have been made to the unaudited pro forma consolidated statements of operations:

(a) Adjustments to reflect:

	Year ended December 31, 1999	Six months ended June 30, 2000
Net (decrease) in expense resulting from the depreciation of \$139.4 million of property assets using lives ranging from 5 to 39 years	\$ (1,969)	\$ (230)
Amortization of goodwill of \$56.8 million using a useful life of 40 years	1,420	710
Net increase in expense resulting from the amortization of \$9.5 million in deferred financing costs over the six-year term of the Notes Payable	54	255
	\$ (495)	\$ 635

(b) Adjustments to interest expense:

	Year ended December 31, 1999	Six months ended June 30, 2000
(Increase) in interest expense resulting from the refinancing of all debt obligations and debt incurred for the acquisition of Boomtown Biloxi and Casino Magic	\$ (23,470)	\$ (11,252)
Decrease in interest expense on debt of Boomtown Biloxi not assumed with the acquisition	263	77
	\$ (23,207)	\$ (11,175)

(c) To reflect net income tax expense associated with the pro forma adjustments. The pro forma income tax expense for the six months ended June 30, 2000 does not include a \$5.1 million benefit related to the deductibility of the payment of the \$8.5 million bond tender premium and the write-off of \$4.6 million of deferred financing costs. See Note (E) of the Pro Forma Consolidated Balance Sheet for additional information.

Unaudited Pro Forma Consolidated Balance Sheet

June 30, 2000

(in thousands)

	Pro Forma Adjustments					
	Penn National Gaming, Inc. and Subsidiaries	Boohtown Biloxi	Casino Magic	Boohtown Biloxi and Casino Magic Acquisition	Refinancing of Long-Term Debt	Pro Forma as Adjusted for Mississippi Acquisition
Assets						
Current assets						
Cash and cash equivalents	\$ 13,831	\$ 3,242	\$ 4,044	\$ (194,183)(a)	\$ 197,042(c)	\$ 23,976
Accounts receivable	5,011	189	965	--	--	6,165
Prepaid expenses and other current assets	2,748	1,740	968	--	5,050(e)	10,506
Inventories	--	481	603	--	--	1,084
Deferred income taxes	594	--	285	(285)(d)	--	594
Total current assets	22,184	5,652	6,865	(194,468)	202,092	42,325
Property, plant and equipment, net	130,667	43,792	70,863	24,767(a)	--	270,089
Other assets						
Investments and advances to unconsolidated affiliate	13,517	--	--	--	--	13,517
Investment in affiliate	--	--	932	--	--	932
Cash in escrow	5,000	--	--	(5,000)(a)	--	--
Excess of cost over fair value of net assets acquired, net	27,123	--	--	56,838 (a)	--	83,961
Deferred financing costs	4,569	--	--	--	4,931(b)	9,500
Miscellaneous	1,306	2,034	133	--	--	3,473
Total other assets	51,515	2,034	1,065	51,838	4,931	111,383
Total assets	\$ 204,366	\$ 51,478	\$ 78,793	\$ (117,863)	\$ 207,023	\$ 423,797

Unaudited Pro Forma Consolidated Balance Sheet

June 30, 2000

(in thousands)

	Pro Forma Adjustments					Pro Forma as Adjusted for Mississippi Acquisition
	Penn National Gaming, Inc. and Subsidiaries	Boomtown Biloxi	Casino Magic	Boomtown Biloxi and Casino Magic Acquisition	Refinancing of Long-Term Debt	
Current liabilities						
Current maturities of long-term debt and capital lease obligations	\$ 5,160	\$ --	\$ --	\$ --	\$ 4,500 (b)	\$ 9,660
Accounts payable	6,664	1,351	1,469	--	--	9,484
Purses due horsemen	2,451	--	--	--	--	2,451
Uncashed pari-mutuel tickets	809	--	--	--	--	809
Accrued expenses	1,814	3,829	2,338	--	(1,100) (c)	6,881
Accrued interest	323	--	--	--	--	323
Accrued salaries and wages	1,310	--	2,373	--	--	3,683
Accrued progressive gaming liabilities	--	--	961	--	--	961
Customer deposits	1,121	--	--	--	--	1,121
Taxes, other than income taxes	1,568	--	--	--	--	1,568
Income taxes	2,640	--	--	--	--	2,640
Current maturities of notes payable, Boomtown Biloxi, Inc.	--	33,711	--	(33,711) (d)	--	--
Current maturities of notes payable, other	--	--	53	--	--	53
Total current liabilities	23,860	38,891	7,194	(33,711)	3,400	39,634

Unaudited Pro Forma Consolidated Balance Sheet

June 30, 2000

(in thousands)

	Pro Forma Adjustments						Pro Forma as Adjusted for Mississippi Acquisition
	Penn National Gaming, Inc. and Subsidiaries	Boomtown Biloxi	Casino Magic	Boomtown Biloxi and asino Magic Acquisition	Refinancing of Long-Term Debt		
Long-term liabilities							
Long-term debt and capital lease obligations, net	\$ 90,883	\$ --	\$ --	\$ --	\$ 20,617	(c)	\$ 111,500
Term loan	--	--	--	--	191,000	(c)	191,000
Notes payable	--	--	34	--	--		34
Due to affiliates	--	--	54,381	(54,381)	--	(d)	--
Deferred income taxes	12,906	--	2,860	(2,860)	--	(d)	12,906
Total long-term liabilities	103,789	--	57,275	(57,241)	211,617		315,440
Stockholders' equity							
Partners' capital	--	12,587	--	(12,587)	--	(d)	--
Preferred stock	--	--	--	--	--		--
Common stock	154	--	--	--	--		154
Treasury stock	(2,379)	--	--	--	--		(2,379)
Additional paid-in capital	39,125	--	39,688	(39,688)	--	(d)	39,125
Dividends	--	--	(32,807)	32,807	--	(d)	--
Retained earnings	39,817	--	7,443	(7,443)	(7,994)	(b)	31,823
						(c)	
						(d)	
						(e)	
Total stockholders' equity	76,717	12,587	14,324	(26,911)	(7,994)		68,723
Total liabilities and stockholders' equity	\$ 204,366	\$ 51,478	\$ 78,793	\$ (117,863)	\$ 207,023		\$ 423,797

Notes to Unaudited Pro Forma Consolidated Balance Sheet

The acquisition of Boomtown Biloxi and Casino Magic was accounted for under the purchase method of accounting for a business combination. The unaudited pro forma consolidated balance sheet is presented as if the following had taken place as of June 30, 2000: (1) the acquisition of Boomtown Biloxi; (2) the acquisition of Casino Magic; (3) the issuance of the Notes Payable and refinancing of current debt obligations; and (4) the consent fee paid to holders of the 10.625% Senior Subordinated Notes in the consent solicitation.

Pro Forma Adjustments - The following pro forma adjustments have been made to the unaudited pro forma consolidated balance sheet:

(a) Pro forma purchase price allocation:

Pro forma purchase price (including acquisition expenses of \$1,260)	\$	196,260
Cash and other current assets not assumed with the acquisition		2,923

		199,183
Cash in escrow		(5,000)

Cash paid at settlement	\$	194,183
		=====
Pro forma purchase price allocation:		
Property, plant and equipment	\$	139,422
Goodwill		56,838

	\$	196,260
		=====
Reconciliation of property, plant and equipment at cost to fair value:		
Boomtown Biloxi	\$	43,792
Casino Magic		70,863

Total cost		114,655
To adjust to fair value		24,767

Total property, plant and equipment, at fair value	\$	139,422
		=====
(b) Total costs incurred for new financing	\$	9,500
Write-off of deferred financing costs		(4,569)

	\$	4,931
		=====

The financing costs will be amortized over a six-year period using the straight-line method.

Notes to Unaudited Pro Forma Consolidated Balance Sheet

(c) Proceeds from debt	\$ 312,000
Repayment of existing debt, long-term	(90,883)
Repayment of existing debt, current maturities	(5,000)
Bond premium and accrued interest	(9,575)
Deferred financing costs	(9,500)

Net cash received	\$ 197,042
	=====

(d) To eliminate Casino Magic's and Boomtown Biloxi's equity accounts and other liabilities which were not assumed.

All operating assets, net of certain liabilities, were recorded at historical cost at the acquisition date, which approximates their market value.

Certain reclassifications have been made to both the Boomtown Biloxi and Casino Magic historical consolidated balance sheets to conform to the pro forma consolidated balance sheet presentation.

(e) To record the current income tax benefit associated with the \$8.5 million bond tender premium paid to holders of the 10.625% senior subordinated notes and the write-off of approximately \$4.6 million of deferred financing costs associated with repayment of Penn National's indebtedness and cancellation of related credit facilities.

(c) Exhibits

Exhibit No.	Description
2.1	Asset Purchase Agreement dated as of December 9, 1999 between BSL, Inc. and Casino Magic Corp. (Exhibit 99.2) (1) (Incorporated by reference to the Company's Form 8-K, dated August 8, 2000)
2.2	First Amendment to Asset Purchase Agreement dated as of December 17, 1999 between BSL, Inc. and Casino Magic Corp. (Exhibit 99.5) (1) (Incorporated by reference to the Company's Form 8-K, dated August 8, 2000)
2.3	Second Amendment to Asset Purchase Agreement dated as of August 1, 2000 between BSL, Inc. and Casino Magic Corp. (Incorporated by reference to the Company's Form 8-K, dated August 8, 2000)
2.4	Asset Purchase Agreement dated as of December 9, 1999 between BTN, Inc. and Boomtown Inc. (Exhibit 99.6) (1) (Incorporated by reference to the Company's Form 8-K, dated August 8, 2000)
2.5	First Amendment to Asset Purchase Agreement dated as of December 17, 1999 between BTN, Inc. and Boomtown Inc. (Exhibit 99.9) (1) (Incorporated by reference to the Company's Form 8-K, dated August 8, 2000)
2.6	Second Amendment to Asset Purchase Agreement dated as of August 1, 2000 between BTN, Inc. and Boomtown Inc. (Incorporated by reference to the Company's Form 8-K, dated August 8, 2000)
10.1	Credit Agreement among Penn National Gaming, Inc., as Borrower, the Several Lenders from time to time parties hereto, Lehman Brothers Inc., as Lead Arranger and Book-Running Manager, CIBC World Markets Corp., as Co-Lead Arranger and Co-Book Running Manager, Lehman Commercial Paper Inc., as Syndication Agent, Canadian Imperial Bank of Commerce, as Administrative Agent, and The CIT Group/Equipment Financing, Inc., First Union National Bank and Wells Fargo Bank, N.A., as Documentation Agents, dated as of August 8, 2000. (Incorporated by reference to the Company's Form 8-K, dated August 8, 2000)
99.1	Press Release dated August 8, 2000 (Incorporated by reference to the Company's Form 8-K, dated August 8, 2000)

SIGNATURES

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

Penn National Gaming, Inc.

October 20, 2000
Date

By: /s/Robert S. Ippolito
Robert S. Ippolito, Chief Financial Officer